



Consolidated and Statutory Financial Statements
at December 31, 2002

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

In case of doubt, the Italian version prevails.



Consolidated and Statutory Financial Statements at December 31, 2002

Stockholders' Meeting

Stockholders are invited to attend the meeting of the stockholders to be held at the Fiat Historical Center, 20 Via Chiabrera, Turin at 1:00 p.m. on May 10, 2003 on the first call and, if necessary, at 1:00 p.m. on May 13, 2003 on the second call, to resolve on the following

Agenda

1. Financial Statements at December 31, 2002 and Report on Operations; pertinent and related resolutions.
2. Motion to purchase treasury shares and modalities of their disposition.
3. Appointment of the Board of Directors after determining the number of its Members and their fees.
4. Appointment of the Board of Statutory Auditors, its Chairman and determination of the relevant fees.
5. Appointment of the Independent Auditors for the 2003-2005 period.

Fiat S.p.A.

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



For the first time since 1943, the Company's Annual Report does not include the name of Giovanni Agnelli.

For 60 years — first as Vice Chairman, then as Chairman and finally, from 1996, as Honorary Chairman — Giovanni Agnelli was at the center of the Company's history, providing a constant point of reference not only for Fiat's stockholders and employees, but also for its industrial, financial and commercial partners.

During these long years, he used his charisma and his wisdom to help Fiat play a key role in the arenas of international business and economics.

Even under the most difficult of circumstances, Giovanni Agnelli never shied away from his duties nor from the responsibility to provide continuity for the Company's development.

He was always ready to offer enlightened guidance and encouragement when the Group was called upon to tackle its biggest challenges and resume its path to growth.

For Fiat, this is his greatest legacy.

Board of Directors and Control Bodies

Board of Directors

<i>Chairman</i>	Umberto Agnelli (1)
<i>Vice Chairman</i>	Alessandro Barberis (1)
<i>Chief Executive Officer</i>	Giuseppe Morchio (1)

<i>Directors</i>	Angelo Benessia (2) Luca Cordero di Montezemolo Flavio Cotti (2) John Philip Elkann (1) Gabriele Galateri di Genola (*) Franzo Grande Stevens (1) (3) Hermann Josef Lamberti (2) Virgilio Marrone Daniel John Winteler
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(1) Member of the Compensation Committee

(2) Member of the Audit Committee

(3) Secretary of the Board

(*) Mr. Galateri di Genola resigned effective April 13, 2003

Board of Statutory Auditors

<i>Statutory Auditors</i>	Cesare Ferrero – <i>Chairman</i> Giorgio Ferrino Lamberto Jona Celesia
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<i>Alternate Auditors</i>	Giorgio Giorgi Natale Ignazio Girolamo Piero Locatelli
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Independent Auditors	Deloitte & Touche Italia S.p.A.
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Report on Operations



Overview

Dear Stockholders:

The substantial loss incurred for the year is the result of two factors: the disappointing operating results reported by the Automobile Sector, which were offset only in part by the positive performance of other Sectors, and even more significantly, the burdensome costs that had to be shouldered to restore the Group to health and help it regain forward momentum.

Notable among these costs were the charges incurred to restructure the Group's industrial operations, especially those of Fiat Auto. The extraordinary provisions booked to adjust the carrying value of our assets to reflect changing market conditions also had an impact on the bottom line. Additional sacrifices were required due to divestitures, which produced a net loss that was caused primarily by the sale, at market prices, of the General Motors shares held by the Group.

Lastly, negative results reported by companies in which the Group holds equity investments and the writedowns required to mark to market the equity securities held by the insurance companies also contributed to the consolidated loss.

It is important to keep in mind, however, that the extraordinary charges recognized in the financial statements will require only modest cash outlays in future years.

As stipulated in the agreements with the lending banks, the Group used capital increases, asset divestitures and a decrease in working capital requirements to achieve a substantial reduction in net borrowings.

At a meeting held on February 28, 2003, the Board of Directors accepted the resignation of Group Chairman Paolo Fresco and appointed a new Chairman, Vice Chairman and Chief Executive Officer.

The current year will be one of transition for Fiat, as it bridges the gap between the disappointments of 2002 and the renewed growth that it expects to enjoy in 2004.

The Group will have to work toward its goals in a very difficult and complex economic environment.

As the repeated interest rate cuts put into effect by the monetary authorities on both continents demonstrate, there are significant threats to prospects for growth, both in Europe and the United States. The current conflict in the Middle East has produced even more uncertainty. A further weakening of consumer and business confidence would have a negative impact on the global economic recovery.

The strategic goal that we are pursuing in this environment is to heal Fiat and restore its strength as an industrial group that is focused on its automotive businesses.

The divestiture of Toro Assicurazioni, while consistent with these goals, clearly represents a great sacrifice. Nevertheless, it is an indispensable step that must be taken not only to pay down debt, but also to allow for the Group's future growth.

The capital increases that Fiat Auto and CNH carried out to fund their industrial plans are in line with the same strategy.

Moreover, the increasingly close cooperation with General Motors is yielding a further increase in the substantial synergies that have already been realized. Additional benefits will be achieved through the sharing of components and the development of common platforms, which will help lower manufacturing costs.

Naturally, all Sectors will devote great attention to technological innovation and product development, which must include a steady effort to improve the Group's environmental performance. During the second half of 2003, Fiat Auto will start marketing the new models that it unveiled recently at the International Geneva Motor Show. They mark the beginning of a complete renewal of the model lineup. Meanwhile, Iveco is working on major additions to its product line, and CNH is about to launch a new generation of agricultural machines.

Fiat's success in increasing its competitiveness will also require major contributions from its industrial and commercial partners. The Sectors will have to develop increasingly close collaborative relationships with their suppliers, if they are to achieve ever more ambitious goals in the areas of cost control, innovation and quality, while at the same time reorganizing their sales networks, making customer satisfaction part of everyday practice and a reference point for the development of our products.

The commitment to bring lasting strength to our balance sheet and provide fresh momentum to our industrial operations, making them again a reliable source of financial resources, will remain at the center of our efforts.

As we pursue this goal, we can count on the trust and active collaboration we have developed with the lending banks. The sale of Fidis, with the resulting decrease in gross indebtedness, is just the most recent example of the support that these credit institutions are providing to the Group at this delicate juncture.

For our part, we will continue to work tirelessly to comply with the objectives set forth in the agreements we signed with the lending banks in 2002. All Sectors will be required to keep their costs under rigorous control and make every effort to improve their operating results and cash flow.

The most important contribution to building a new Fiat will come from its employees. The Group can rely on the great store of knowledge possessed by its people, on their ability to innovate and on their sense of belonging. It intends to maximize these assets and help its employees express their full potential. Managers throughout the organization will strive to rebuild their staff's confidence and motivation.

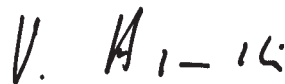
We will continue to make every effort to minimize the social impact of the current restructuring process, in accordance with the Framework Agreement signed with the Italian Government. To that end, we will use all available tools. Staff downsizing is a painful necessity that must be undertaken to enable the Group to cope with changing market conditions and help it meet its all-important profitability goals as quickly as possible.

We are faced with another difficult year, but we are aware that the task of reengineering Fiat and restoring its health can be accomplished only over the medium to long term.

We must be realistic and acknowledge that the structural components of our problems have not yet been completely eliminated. We are still faced with a long uphill battle.

We will address the challenges of the coming months with maximum determination, confident in the strength of our employees and our partners and the support of the entire Italian economy.

Turin, March 27, 2003



Umberto Agnelli
Chairman



Giuseppe Morchio
Chief Executive Officer



The Fiat Group

The Fiat Group's manufacturing and service activities, which are centered on its traditional automotive business, serve customers in more than 190 countries around the globe.

Automotive Activities

They account for 72% of total sales (before intercompany eliminations) and 64% of net invested capital. They include three business lines:

1 – Automobiles

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

The Automobile Sector provides financing services to its dealers and suppliers and offers motorists a comprehensive line of mobility services.

Ferrari and Maserati are also part of the Fiat Group. They produce luxury sports cars that excel for their exclusive characteristics, technology and performance.

2 – Agricultural and Construction Equipment

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

3 – Commercial Vehicles

Iveco N.V. is the lead company of the Commercial Vehicles Sector. This Sector designs, produces and sells complete lines of commercial vehicles (Iveco and Seddon Atkinson brands), busses (Iveco and Irisbus brands), firefighting vehicles (Camiva, Iveco and Magirus brands) and diesel engines (Aiifo brand). Through its Transolver subsidiary, the Sector provides a full range of financial services.

Other Industrial Sectors

These Sectors include Components, Production Systems, Metallurgical Products and Aviation. Their products and areas of business are listed below.

- Automotive modules and components for lighting systems, exhaust systems, suspensions and shock absorbers, and engine control units.
- Industrial automation systems for the automotive industry in the areas of product and process engineering, logistics and management, manufacturing, installation, production startup and maintenance.
- Engine blocks, cylinder heads and other components for cast-iron engines; cast-iron components for transmissions, gearboxes and suspensions; and magnesium bodywork components.
- Components and systems for airplane and helicopter engines, turbines for ship propulsion, propulsion systems for rocket boosters and satellites, and aircraft engine overhaul services.

Other non Industrial Sectors

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

- Complete line of casualty insurance, life insurance and bankassurance products. Through Toro Targa Assicurazioni, a joint venture with Fiat Auto, the Insurance Sector sells insurance through the Fiat dealer network.
- Services in the areas of personnel administration, temporary staffing, engineering and facility management, administrative and corporate finance consulting, information and communication technology, purchasing, and e-procurement.
- Publication of the *La Stampa* newspaper and sale of advertising space for multimedia customers.

Highlights of Results

Financial and operating highlights of the Fiat Group

<i>(in millions of euros)</i>	2002	2001	2000	1999	1998
Consolidated revenues	55,649	58,006	57,555	48,123	45,769
Operating result	(762)	318	855	788	746
EBITDA	(1,341)	3,408	5,125	3,836	3,631
EBIT	(3,955)	528	2,073	1,482	1,321
Result before taxes	(4,817)	(497)	1,050	1,024	1,442
Net result before minority interest	(4,263)	(791)	578	506	916
Group interest in net result	(3,948)	(445)	664	353	621
Net financial position (indebtedness)	(3,780)	(6,035)	(6,467)	(4,031)	1,420
Stockholders' equity before minority interest	8,679	13,607	15,209	14,767	15,120
Group interest in stockholders' equity	7,641	12,170	13,320	12,874	12,998
Net invested capital	12,459	19,642	21,676	18,798	13,700
Cash flow (net result before minority interest plus depreciation and amortization)	(1,649)	2,089	3,630	2,860	3,226
Capital expenditures	2,771	3,438	3,236	2,712	2,418
Research and development	1,748	1,817	1,725	1,406	1,264
Operating result/net revenues (ROS)	(1.4%)	0.5%	1.5%	1.6%	1.6%
Operating result/average net invested capital (ROI)	(4.7%)	1.5%	4.2%	4.8%	5.4%
Net result before minority interest/net revenues	(7.7%)	(1.4%)	1.0%	1.1%	2.0%
Net result/Group interest in average stockholders' equity (ROE)	(39.9%)	(3.5%)	5.1%	2.7%	4.7%
Number of employees	186,492	198,764	223,953	221,319	220,549



Statistical data by geographical region

	Number of companies	Number of employees	Number of facilities	Number of R&D centers
Italy	269	87,789	68	67
Europe excluding Italy	415	51,733	68	33
North America	123	14,739	31	12
Mercosur	59	21,782	16	8
Other regions	117	10,449	33	7
Total	983	186,492	216	127

Financial and Operating Highlights by Sector

	Net revenues		Operating result		EBIT		Net result before minority interest	
	2002 (in millions of euros)	2001 (in millions of euros)	2002 (in millions of euros)	2001 (in millions of euros)	2002 (in millions of euros)	2001 (in millions of euros)	2002 (in millions of euros)	2001 (in millions of euros)
Automobiles (<i>Fiat Auto Holdings</i>)	22,147	24,440	(1,343)	(549)	(2,214)	(1,061)	(2,739)	(1,442)
Agricultural and Construction Equipment (<i>CNH Global</i>)	10,513	10,777	163	209	165	122	(211)	(291)
Commercial Vehicles (<i>Iveco</i>)	9,136	8,650	102	271	(409)	46	(493)	(123)
Ferrari	1,208	1,058	70	62	44	62	22	47
Components (<i>Magneti Marelli</i>)	3,288	4,073	(16)	(74)	(348)	208	(435)	82
Production Systems (<i>Comau</i>)	2,320	2,218	(101)	60	(247)	30	(302)	(36)
Metallurgical Products (<i>Teksid</i>)	1,539	1,752	27	15	(137)	(67)	(214)	(125)
Aviation (<i>FiatAvio</i>)	1,534	1,636	210	186	183	495	116	425
Insurance (<i>Toro Assicurazioni</i>)	4,916	5,461	147	68	(203)	(134)	9	152
Services (<i>Business Solutions</i>)	1,965	1,805	67	73	(140)	608	(119)	497
Publishing and Communications (<i>Itedi</i>)	360	347	3	(2)	1	(4)	(5)	(6)
Miscellanea and eliminations	(3,277)	(4,211)	(91)	(1)	(650)	223	108	29
Total for the Group	55,649	58,006	(762)	318	(3,955)	528	(4,263)	(791)

	Cash flow		Capital expenditures		Net invested capital		Number of employees	
	2002 (in millions of euros)	2001 (in millions of euros)	2002 (in millions of euros)	2001 (in millions of euros)	2002 (in millions of euros)	2001 (in millions of euros)	2002	2001
Automobiles (<i>Fiat Auto Holdings</i>)	(1,780)	(292)	1,115	1,331	1,254	2,340	49,544	55,174
Agricultural and Construction Equipment (<i>CNH Global</i>)	330	262	431	615	5,140	6,597	28,528	28,127
Commercial Vehicles (<i>Iveco</i>)	(70)	287	587	718	1,582	1,979	38,113	35,340
Ferrari	99	123	176	125	142	122	2,896	2,566
Components (<i>Magneti Marelli</i>)	(245)	289	148	240	524	1,073	20,716	24,228
Production Systems (<i>Comau</i>)	(238)	27	20	38	163	378	18,186	17,243
Metallurgical Products (<i>Teksid</i>)	(121)	(16)	78	151	250	788	7,368	13,827
Aviation (<i>FiatAvio</i>)	185	514	130	41	618	587	5,049	5,243
Insurance (<i>Toro Assicurazioni</i>)	56	199	13	29	652	533	3,098	3,213
Services (<i>Business Solutions</i>)	(77)	567	14	32	478	648	7,900	7,171
Publishing and Communications (<i>Itedi</i>)	3	1	3	6	40	49	923	934
Miscellanea and eliminations	209	128	56	112	1,616	4,548	4,171	5,698
Total for the Group	(1,649)	2,089	2,771	3,438	12,459	19,642	186,492	198,764

Stockholders

Financial Communications

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

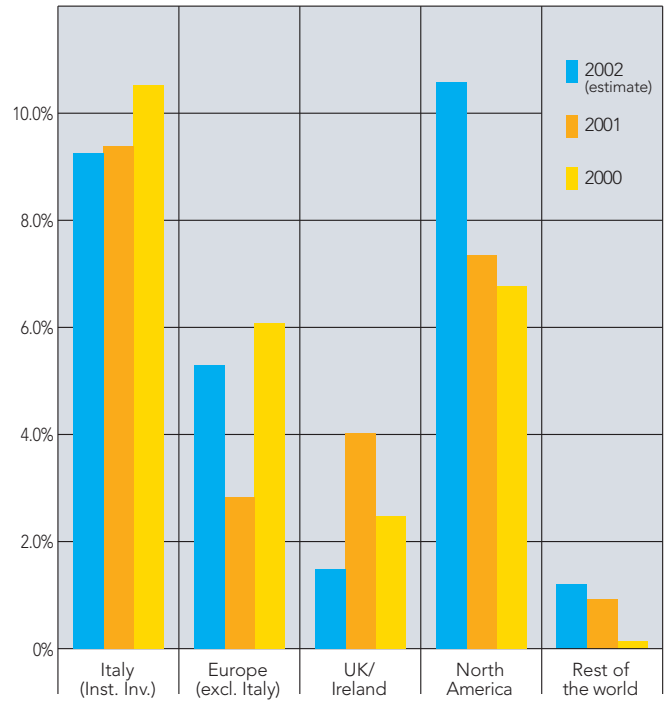
For holders of Fiat shares:

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

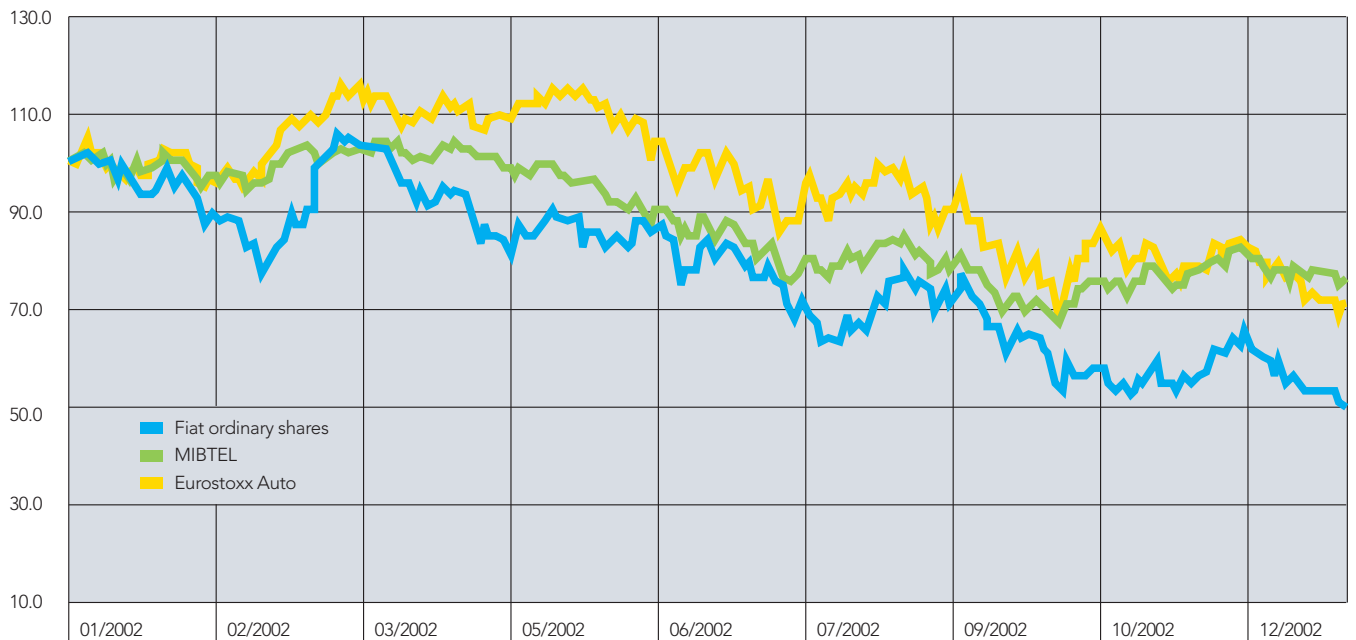
For holders of ADRs:

Toll-free telephone number in the USA or Canada: **800 900 11 35**
 Outside USA or Canada: **781 575 43 28**
 Website: www.adr.com

Stockholders according to country of domicile

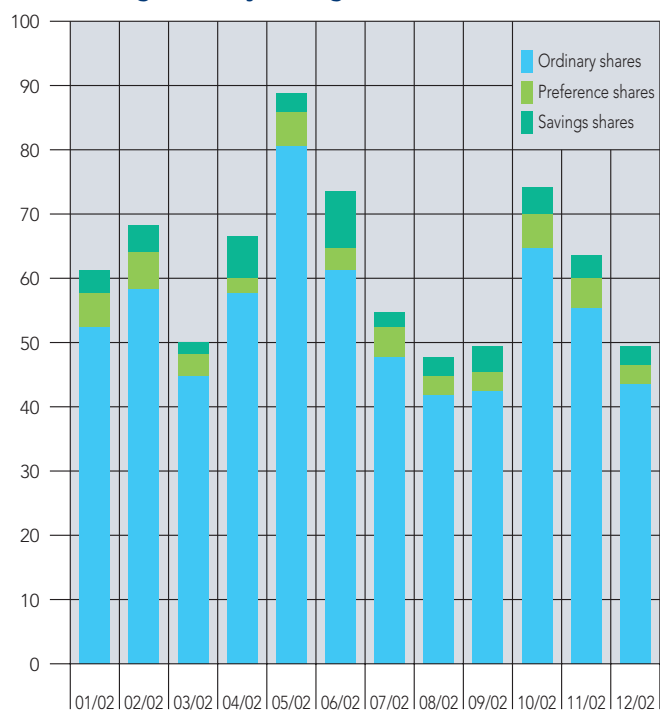


Performance of FIAT stock with respect to MIBTEL index and Eurostoxx Auto since January 1, 2002 (01/01/02 = 100)



Financial market trends in 2002 were characterized by acute volatility and extremely negative performance overall due to the global economic slowdown and unstable international political situation. In particular, the general decline in investor and consumer confidence impacted the

Dow Jones European automotive stock index, whose downturn worsened in the second half of the year. It was in this context that the challenges currently facing the Fiat Group and the changes it is undergoing influenced its stock price, which suffered more than its competitors'.

Average monthly trading volume (in millions of shares)

Highlights per share (in euros)	2000	2001	2002
Cash flow per share	6.622	3.856	(2.911)
Earnings per share	1.186	(0.841)	(6.660)
Dividend per share (*)			
ordinary and preference shares	0.620	0.310	–
savings shares	0.775	0.465	–
Stockholders' equity per share at 12/31	24.321	22.462	13.489
Official price per share	12.29.00	12.28.01	12.30.02
ordinary shares	26.340	17.921	7.704
preference shares	17.606	12.267	4.348
savings shares	15.149	11.459	4.183

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

Stockholder base at December 31, 2002

Ordinary shares	433,220,490
IFI-IFIL	30.4%
Generali Group	3.1%
Dodge & Cox	3.8%
Sanpaolo IMI Group	2.6%
Mediobanca	3.1%
Libyan Arab Foreign Inv. Co.	3.0%
Deutsche Bank Group	2.8%
Pictet & C	2.8%
Southeastern Asset Manag	2.7%
Other International Institutional Investors	9.4%
Other Italian Institutional Investors	5.5%
Other Stockholders	30.8%
Preference shares	103,292,310
IFI-IFIL	30.1%
International Institutional Investors	6.6%
Italian Institutional Investors	9.5%
Other Stockholders	53.8%
Savings shares	79,912,800
International Institutional Investors	4.0%
Italian Institutional Investors	6.2%
Other Stockholders	89.8%

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

Minimum and maximum monthly price (in euros)



Customers and Products

CUSTOMERS

Customer care and customer satisfaction are considered core values at the Fiat Group.

The Sectors have launched specific training programs for the dealership and customer care network to bring about a radical change in the corporate culture.

A series of special indicators and surveys have been used for several years to monitor customer satisfaction and the extent to which the Group's products and services meet customer needs.

Fiat Auto

In an increasingly competitive automobile market, the challenge is won with quality products and prompt, reliable service. This is why Fiat Auto has dedicated a specific Business Unit to manage and develop customer services.

The Consumer Services Business Unit is active in three distinct areas to cover all phases of the relationship with customers. The first is dedicated to financing of purchases and leasing, with a choice of flexible solutions based on the specific needs of customers, ranging from traditional installment payments to the latest financing packages combined with maintenance and infomobility services.

The second area features mobility services, which offer motorists the following options: roadside assistance, car repair, scheduled maintenance, and rent-a-car services. Business customers are offered the following services: satellite monitoring of corporate fleets, credit card management, database management, and market research.

The third and final area features corporate fleet leasing, dedicated to satisfying the needs of small and large businesses in this particular sector.

During 2002, Fiat Auto also undertook a rigorous process of **restructuring of its dealer network**.

This process entailed revision of its distribution strategy, especially in terms of its contact with end customers and the services offered to them, and reinforcement of its partnership relationship with dealers network.

These actions are part of a broader program to strengthen the new corporate identity, which is aimed at maximizing the value of Group brands.

CNH Global

CNH's customer satisfaction indices continued to rise in 2002. Its successful launch of new products in both the agricultural and construction equipment segments account for a 2.5% improvement in customer satisfaction worldwide. At the same time, worldwide customer loyalty to CNH products, brands, and dealerships improved by 3.1%, reflecting customer recognition.



Expansion of customer services has continued with the establishment of a New Holland Customer Response Center (CRC) in Toronto to serve customers in the United States and Canada. This new center complements the London CRC and allows CNH to offer the best assistance to Sector customers in all of its most important markets.

Iveco

Iveco decided to equip its authorized assistance centers with cutting-edge diagnostic equipment to simplify and automate the troubleshooting process.

To ensure consistently excellent service, Iveco launched the "teleservices project": all authorized assistance centers are connected online to an expert center located at the Iveco Customer Support Center in Turin.

Iveco will be able to handle any technical emergency by using teliagnosis, teleprogramming, and telemanagement systems. The expert center is staffed by a group of engineers with expert knowledge of electronics and diagnostic systems. Iveco also launched an innovative training program called "DEEC" (Dealer Electronic Excellence Community): it plans to use this program to provide its dealers with technology updates in real time by exploiting the speed of the Web.

In 2002 Iveco also completed implementation of the Ramses Project on its primary network, culminating the total automation of its integrated restocking system, spare parts catalogue, stock monitoring, and dealership spare parts sales.

PRODUCTS

In 2002 the Group's automotive Sectors demonstrated their vitality by introducing a large number of new products. These models are highly diversified in terms of their concept and use, but share the ability to introduce innovation in their respective market segments.

Fiat Auto

In June 2002, Fiat introduced the new Ulysse multipurpose vehicle, which features a totally new style, interiors, powertrain, and safety equipment. The biggest event of the year for the Fiat brand was introduction of the Stilo Multi Wagon in the fall: versatile and modular, this car rounded out the Stilo line and thus the choice of models offered by Fiat in segment C, introducing features and equipment to this segment that had previously been the exclusive prerogative of vehicles in higher classes.

With the introduction of the new Thesis and Phedra models, Lancia can now offer customers in the elite segment a flagship and multipurpose vehicle that combine the refined elegance, comfort, and cutting-edge technical solutions that are a tradition of the brand. These two models marked the start of a thorough renewal of the Lancia line, that will continue in 2003 with the launch of the new Ypsilon, which was presented to great acclaim at the recent Geneva Motor Show.

At Alfa Romeo, 2002 witnessed the birth of the GTA versions, a famous mark in the motor racing tradition. In fact, the 147 GTA, 156 GTA, and Sportwagon GTA are vehicles that combine driving pleasure with high sports performance.

Alfa Romeo also adopted the first second generation common rail engine: the 1.9 JTD 16 valve Multijet installed on the 147 and the 156. Characterized by high power, great elasticity, and reduced emissions, this engine represents an innovation of similar magnitude to that of the first common rail engine Unijet introduced in 1997, and it is the fruit of Fiat's research, that gave birth in 2003 to the small 1.3 JTD 16v Multijet, which is destined to be used on the Group's future compact models.

CNH Global

Renewal of the product line in the **agricultural equipment segment** made major progress with the introduction of products capable of guaranteeing higher profit margins than the models they replaced.

The newly launched vehicles include the New Holland TG and the Case IH MX Magnum, the first tractors produced on global platforms, which share many components in absolute respect of their different brand identities.

Case IH further expanded its line by entering the baler sector and introducing new series of tractors: JX Maxxima, JXU Maxxima, and MXM Maxxum. This last model is targeted at the important 100-200 horsepower market segment, which is growing strongly.

New Holland introduced the innovative CR combine, based on twin rotor technology, and the CS, conceived expressly to address the needs of farmers who also work in the livestock sector.

CNH agricultural equipment received many awards in both Europe and America.

A renewed line of products was also introduced in the **construction equipment segment**. The Fiat Kobelco joint venture created in July consolidated the position of CNH as the third largest maker of construction equipment in the world. Among the advantages of this new global alliance are the acquisition of Japanese technology for crawler excavators; in-house production of mini-excavators, a class of products that is growing strongly; and the possibility of accessing new geographical areas that were previously uncovered. Finally, the Case brand expanded its product line with new excavators and wheel loaders.

Iveco

In the **light commercial vehicle segment**, Iveco introduced the Daily HPI. The strong point of this vehicle is its new 2.3 liter engine that develops either 96 or 116 horsepower, featuring 4 valves per cylinder and a second generation common rail fuel injection system that guarantees the Daily will perform even more brilliantly while consuming less fuel. Introduction of the new Daily contributed significantly to consolidation of Iveco's position as co-leader in Europe.

Instead, in the **heavy range vehicle segment**, Iveco launched the Stralis Active Space at the beginning of 2002. This vehicle features a highly innovative line, a modular cabin offering maximum comfort, and intensive use of electronics to reduce consumption even further.

An immediate, widespread success on the market, partly because of the high performance of its powerful and reliable Cursor 10/13 engines, the Stralis Active Space was conferred with the prestigious international "Truck of the Year 2003" award.

Innovation and Technology

Overall, more than 13,200 people at 127 centers in Italy and abroad worked on the Group's research and development projects in 2002. Total expenditures came to 1,748 million euros, equivalent to 3.5% of manufacturing revenues.

Fiat Research Center

The Fiat Research Center has a wealth of sophisticated equipment, a staff of over 950 employees, and a network of over 1000 partners (universities, Italian and international research institutions and industries). In 2002, the FRC distinguished itself for its extremely significant technological achievements, transferring over 250 of them to clients and receiving various awards, including:

- "The Economist Innovation Award – 2002," in the "Energy and Environment" category for its work on development of diesel common rail engine technology;
- "Legambiente 2002" for the Hybrid Methane-Powered Engine, awarded as the most promising technology for reducing fuel consumption and emissions;
- "Ferrari Technology Awards" as the best technological partner in 2002.

During the year, 43 new projects financed with Italian government and European Union funds were approved. It also filed 72 patents and 7 software copyrights.

The major achievements of 2002 are reviewed below:

■ Multijet

The Multijet system represents the second generation of the common rail, with dramatically improved performance. It was initially applied on Fiat vehicles in 2002, being featured in the 1.9 liter diesel engines installed on Alfa Romeo models. In the first half of 2003, the 1.3 Multijet 16V engine will equip the new Fiat city cars.

■ Monitoring of laser welding

A key component for the use of laser technology in welding is a monitoring system that reports the quality of welds in real time. The FRC system differs from other systems available on the market thanks to the ease of installing it on production systems and using it.

■ Dual clutch hybrid powertrain

The architecture of dual clutch transmission (DCT) represents a promising solution that combines the high transmission efficiency typical of automatic transmissions and a high standard of driving comfort.

The dual clutch transmission can also be combined with a motor generator to create a highly efficient, comfortable, and competitively priced minimal hybrid (ECODRIVER). Two operating prototypes in the C segment (Fiat Stilo) and E segment (Lancia Thesis) are currently under development with this new type of transmission.

■ Methane-powered busses

The Iveco methane-powered bus engine has been upgraded from 260 horsepower to 310 horsepower to guarantee that a

18 meter long vehicle will have sufficient acceleration in the continuous stop-and-go conditions of city traffic. This engine fully satisfies Euro 4 and EEV (Environmentally Enhanced friendly Vehicles) emissions standards, which represent the target for commercial vehicles, and reduces noise emissions by about 2 dB with respect to the equivalent diesel version.

The collaboration of Irisbus, Iveco, and FRC allowed the Turin Transit Authority (ATM) to introduce the first models in the last quarter of 2002.

Elasis

With over 1000 employees and 260 million euros in investments, Elasis is the largest research and development company in Southern Italy and one of the most complete and well-equipped advanced engineering companies in the European automobile sector.

In 2002, it continued designing new vehicles for Group companies, while also developing a new skills center for process engineering.

Its design work was concentrated on the new compact model for the Alfa Romeo Business Unit, a new vehicle for the FIAT Commercial Vehicles Business Unit, and structural design of the aluminum space frame to be used on the Ferrari 137.

Work continued on development of virtual reality immersion techniques and tools, including a physical seating simulator that can be reconfigured electronically and around which a virtual vehicle can be visualized.

A prototype was developed for the electronic control systems to reproduce the behavior of control systems and develop control logics that can reduce development time and costs and improve product quality.

A version of the FIRE engine was developed and created in the powertrain sector on behalf of Fiat-GM Powertrain. This version, an 8V, EVO engine is capable of reducing fuel consumption by 11% with respect to current FIRE versions while also improving its performance. This version will be installed on future Fiat and Lancia models.

Work with public agencies to improve highway safety expanded during the year. In partnership with the Province of Milan, it created an integrated system for management of accident data obtained from the 188 municipalities in the province and monitoring of traffic conditions on major arteries. A similar system is being developed for the Province of Perugia and the City of Naples.

A project in collaboration with the Società Autostrade Meridionali got underway for active management of safety on the A3 motorway (Naples – Pompei – Salerno).

In the information technology and communication area, the partnership with ISVOR – FIAT was consolidated, with ELASIS functioning as the skills center for technological and e-learning issues. The most important project executed for its client ISVOR was creation of an Internet services portal (e-dotto).

Environment

Once again, the Fiat Group confirmed its commitment in 2002 to protect the environment through continuous improvements in its production processes and the development of products that are increasingly compatible with the environment.

The measures taken by Fiat Group operating Sectors and the results they achieved are described in detail in its Environmental Report, which has been published together with the Consolidated and Statutory Financial Statements for the past eleven years.

The most noteworthy achievements realized during the year are reviewed below:

Traditional engines. With the assistance of the Fiat Research Center, Fiat developed new low consumption and low emission gasoline and diesel-powered engines that expand the family of Euro 4-compliant powertrains, joining those introduced in 2001.

Notable among them is the 1.3 Multijet diesel-powered engine, which will be produced by Fiat-GM Powertrain, the joint venture of Fiat Auto and General Motors, starting from 2003.

This innovative, extremely compact engine can even be installed on small cars and guarantees 10% lower fuel consumption and 50% lower emissions as compared with the best performance of other Fiat Auto powertrains.

Iveco itself introduced cutting-edge powertrain solutions that feature low fuel consumption and emissions and low noise levels, applying them at the industrial level on its lines of heavy, medium, and light commercial vehicles.

Methane engines. The Program Agreement signed in 2001 by the Italian Ministry of the Environment, Fiat, and the petroleum industry association (Unione Petrolifera) became operational in 2002 when the largest cities of Italy signed the "Convention" that effectively launched the Methane Gas Project. The objective of this project is to plan the organic growth of distribution points on Italian territory and subsidize the purchase of methane-powered vehicles by professional customers.

Fiat Auto launched its new Bipower (methane and gasoline powered) Ducato, Doblò, and Doblò Cargo vehicles, which join the previously introduced Multipla Bipower and will be flanked in mid-2003 by the Punto Bipower. Iveco and the Fiat Research Center jointly developed a new version of the 310 horsepower methane-powered, Euro 4-compliant engine for articulated busses. Moreover, Iveco's current line of 2.8 and 9 liter compressed natural gas-powered engines, which have been upgraded in compliance with the Euro 4 standard, will be joined in 2003 by the Cursor 8 CNG and Tector CNG versions.

In the mass transportation sector, Irisbus introduced the new 18-meter CityClass and Europolis 9.4-meter compressed natural gas (CNG) methane-powered busses.

Completing the order for 150 methane-powered busses purchased by the City of Turin, 50 18-meter CityClass CNG busses were delivered in 2002, following the 100 12-meter CityClass busses delivered between 2001 and 2002.

Electric and hybrid propulsion systems. The hybrid vehicle prototypes previously developed by the Fiat Research Center (electric-gasoline and electric-methane gas) were joined by a hybrid solution added in 2002, the result of collaboration with Iveco and applied to diesel engines for light commercial vehicles.

Hydrogen propulsion systems. In 2002, the Company continued its research on alternative powertrains, confirming its commitment to the development of fuel cell powered vehicles. The Seicento Elettra Fuel Cell Phase II was developed, representing evolution of the model introduced in 2001. In 2002, simulated operating tests of the hydrogen-powered Irisbus bus continued.

Production processes. Thanks to refinement of "environmental management" techniques and implementation of programs for the continuous improvement of production units, the average indices of water and waste recycling continued to rise in 2002, accompanied by further reductions in wastes sent to landfills.

Mobility. In 2002, the Fiat Research Center, in collaboration with Fiat Auto and Iveco, developed the "Online Fleets" project to quantify the benefits offered by mobile telecommunications to the regulation of traffic flows, streamlining of car use, and reduction of urban and suburban air pollution.

The Company is also committed to the study of mobility systems that complement traditional public and private transportation systems. Accordingly, it developed its participation in the Car Sharing Project of the City of Turin. All the vehicles available to the public have a minimum environmental impact.

Communication. In 2002 the New Mobility Web site, (www.newmobility.fiatauto.com), joined the existing internal and external communication systems of the Fiat Group. This Web site illustrates the new principles applicable to environmentally compatible transportation and describes corporate initiatives in the field of research, environmental protection and safety.

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

	1991	2001	2002
Water recirculation index	44.6%	67.5%	69.9%
Recycled waste	61.0%	75.4%	77.8%
Waste to controlled landfills	37.0%	10.7%	7.6%
Solvent emissions from paint shops	144.0g/m ²	77.78g/m ²	77.4g/m ²

Human Resources

At December 31, 2002, the Group had 186,492 employees, compared with 198,764 at the end of 2001.

The Group hired 17,600 new employees in 2002 — 4,700 in Italy and 12,900 in other countries.

A total of 25,572 employees (10,300 in Italy and 15,272 in other countries) left the Company.

Business acquisitions and divestitures resulted in a net decrease of 3,900 employees. An additional 400 employees left as a result of outsourcing arrangements.

The geographical distribution of the Group's staff shows that the number of employees working outside Italy has increased slightly to 53% of the total workforce, broken down as follows: 28% in Europe and 25% in the rest of the world.

Organizational Changes. Fiat Auto completed the development of an organizational model based on Business Units, defining the applicable operating procedures. CNH has adopted a new organization for Manufacturing and Sales of its Agriculture Equipment operations with separate responsibility on the basis of three geographical areas: North America, Australia and New Zealand; Europe, Africa and Asia; and Latin America.

ENHANCING THE VALUE OF HUMAN RESOURCES

The skill level possessed by the Group's staff is demonstrated by the high number of professionals it includes (27,800 in total, 40% of whom work outside Italy).

Hiring Qualified Resources. The Group is devoting increasing attention to recruiting, selecting, hiring and developing recent college graduates. To that end, it continued to provide support for the Automotive Engineering School at Turin's Politecnico University. This School, which was in its fourth year of operation in 2002, is now offering a specialized degree program. In 2002, the Group hired about 900 recent college graduates from all over the world. These new employees are being offered special programs designed to encourage their career and professional development.

Leadership. The process of assessing the leadership skills of the top managers of the Fiat Group was completed in 2002. In 2003, this program will be gradually expanded to include all senior managers.

Management Review. In 2002, about 6,000 employees went through the management review process, which is designed to assess both quantitatively and qualitatively their ability to deal effectively with business issues.

People Satisfaction. Over 36,000 employees participated in the People Satisfaction Survey, which was offered in 31 countries and 13 languages. The satisfaction index decreased one percentage point from the previous year.

Professional Development and Training. In 2002, the Group invested a total of 121 million euros in training programs

designed to support professional development and the operations of its companies around the world.

Isvor Fiat, which acts as the corporate university of the Fiat Group, also sells its services to noncaptive clients. In 2002, Isvor Fiat was especially active, offering 2,400 training, consulting and professional support programs representing a total of 530,000 man days.

An additional 32,000 employees received a total of 79,000 hours of distance- and open-learning support.

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

Grants and scholarships

	2002
Number of grants and scholarships awarded	826
Italy	298
Other countries (*)	528
Total funds disbursed (in thousands of euros)	1,927

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

INDUSTRIAL RELATIONS

Collective Bargaining and Labor Cost Trends. In 2002, average labor cost increases were in line with the rates of inflation prevailing in the various countries where the Group operates.

In Italy, basic wages increased according to industrywide collective contracts, and employees received their annual performance bonus, computed in accordance with supplemental company agreements. In 2002, the annual bonus given to Group employees averaged 1,395 euros (before withholding) per person, about the same as in 2001.

Discussions with the Unions and Involvement of the Employee Representatives. On November 11 and 12, 2002, the Fiat Group European Works Council (EWC) held its annual meeting in Turin. The Council, which was established in 1997, comprises 30 representatives from the various European countries where Group facilities are located. At a meeting in mid-March 2003, the EWC's restricted committee received an update on the progress of the Group's relaunching effort and on the outlook for the restructuring program in Europe, such as the forthcoming restructuring of CNH's Construction Equipment operations.

As in the past, the discussions with employee representatives also continued at country level.

Restructuring and Crisis Management Plans. In Italy, the restructuring plans primarily concerned Fiat Auto. Initially, persistent market difficulties and the need to lower overhead forced the Company to develop long-term unemployment benefit program (mobility allowance) for about 3,000 employees



of Fiat Auto, Fiat Gesco and Fiat Sepin. The applicable implementation procedures were set forth in an agreement signed on July 24, 2002 at the Ministry of Labor and Social Policies by all of the trade unions (Fim-Cisl, Uilm-Uil, Fismic and Ugl), with the exception of Fiom-Cgil. The agreement applies to all employees who will become eligible for retirement while receiving their mobility allowance and provides severance incentives for leaving the company.

In the autumn, the Group then asked that Fiat Auto and certain Magneti Marelli and Comau factories be granted business-in-crisis status, which would give them access to the tools available under Italian law to handle employment issues that arose as a result of the corporate recovery plans. In October, the crisis management plan was presented to the unions and to national and local government agencies. During the first week of December, this issue was resolved in a Framework Agreement proposed by the Italian government but which the unions did not sign.

Under the agreement, the government authorized the use of the Special Temporary Layoff Benefits Fund for 5,600 employees of Fiat Auto, Comau Service and Magneti Marelli starting on December 9, 2002. The Fund may be used for up to 2,000 more employees starting in July 2003.

Up to 500 additional employees who work in some of the operations of Magneti Marelli and the services areas will be placed under the long-term unemployment benefit program (in anticipation of retirement) by the end of 2003. About half of these employees have already left the Group.

In the first few months of 2003, the Group and the unions resumed discussions at the local level. These discussions resulted in a number of agreements, which were signed by most of the unions, on the methods that will be used to deal

with redundancies. Under these agreements, long-term mobility allowances (the requisite spending bill is currently being passed in Parliament) will be made available to about 2,400 employees. Another 700 employees will receive short-term mobility allowance and no more redundancies are expected by December 2003. These benefits will take the form of a pre-retirement mobility allowance and will apply to all those employees who will reach retirement age during their benefit period.

Among the Fiat Group companies operating **outside Italy**, Fiat Auto Argentina SA and the trade unions signed a staff reduction agreement. Iveco completed the closing of its Seddon Atkinson plant in Manchester, transferred production to Madrid, and the design operations to Ulm. CNH began reducing staffing levels at its O&K Orenstein & Koppel factory in Berlin.

Increased Labor Unrest in Italy. Dissatisfaction with external developments (enacting of job flexibility measures by the Italian government) and Company decisions (launch of the plan to address the crisis at Fiat Auto) produced a significant increase in labor unrest in Italy. During 2002, the unions called work stoppages that averaged more than 100 hours for the Group as a whole, with peaks of more than 120 hours at Fiat Auto and the factories more directly affected by the restructuring plan (almost 300 hours for Termini Imerese). The percentage of employees who supported these stoppages averaged between 15% and 20%.

Analysis of the Financial Position and Operating Results of the Fiat Group and Fiat S.p.A.

INTRODUCTION

Fiscal 2002 was characterized by significant changes in the financial position of the Fiat Group:

- Strengthening of its financial position.
- Restructuring of its business portfolio and investments.

The most important transactions involving the strengthening of the Group's financial structure are reviewed below:

- In January 2002, a Fiat S.p.A. capital increase was approved, subscription of which generated over 1 billion euros in new stockholders' equity.
- Further to the framework agreement signed on May 27, 2002 with lending banks in support of the Fiat Group's industrial plan, a mandatory convertible facility for 3 billion euros was signed in July 2002 by Fiat S.p.A. and a pool of banks arranged by Capitalia, IntesaBci, Sanpaolo IMI, and Unicredito Italiano. BNL, Monte dei Paschi di Siena, ABN Amro, BNP Paribas, Banco di Sicilia, and Banca Toscana also participated in the pool.

The facility, which reinforced the Group's financial structure mainly by replacing short-term credit facilities, has a maturity of three years and may be repaid in advance. Any residual liability for principal will be repaid with ordinary shares of Fiat S.p.A., which the banks have agreed to underwrite and offer pre-emptively to all Fiat stockholders. For more details on the characteristics of this loan, please see Note 12 in the Notes to the Consolidated Financial Statements.

The business and investment portfolio were restructured consistently with defined objectives, as follows:

- Fiat sold its entire equity investment in General Motors to a leading investment bank, with net proceeds of 1,076 million euros.
- 34% of Ferrari S.p.A. was sold to Mediobanca (net proceeds of 758 million euros), which was retained to coordinate and manage an underwriting syndicate for the listing of Ferrari shares on the Stock Exchange.
- A 14% equity holding in Italenergia Bis was sold to the three banks that own stock in that company, thereby reducing Fiat's interest to 24.6%. The sale generated net proceeds of 548 million euros.
- The 40% interest in Europ Assistance Holding was sold to the Generali Group.
- The Teksid Aluminum Business Unit was sold to a pool of investors comprised by the Questor Management Company, JPMorgan Partners, and a Private Equity partner.
- Magneti Marelli sold its Aftermarket operations to a company established specifically for that purpose by RGZ, Interbanca, and Fiat, and sold its automotive Electronic Systems to Mekfin.

In 2002 several previously decided acquisitions were carried out and led to the following changes in the scope of consolidation:

- Further to an agreement with Kobelco, CNH consolidated the construction equipment operations of Kobelco America as of January 1, 2002.
- Following the purchase of an additional 15% interest in Irisbus, which brought its total ownership to 65%, Iveco consolidated this company on a line-by-line basis effective January 1, 2002. Under the same agreement with the Renault Group, Iveco acquired the remaining 35% of Irisbus in December 2002, becoming its sole owner.

To provide more information on the Group's operating performance, a new chapter specifically dedicated to the "Financial Position and Operating Results by Activity Segment" is being published, with financial and operating results broken down by Industrial, Financial, and Insurance Activities.

FINANCIAL POSITION AND OPERATING RESULTS OF THE FIAT GROUP

Operating performance

Worsened conditions of the main reference markets of the Group, the uncertainties that dominated the world economy in 2002, and the implementation of restructuring plans to face this scenario unfavorably impacted Group profitability. In particular, the restructuring of industrial activities, writedown of assets to reflect changed market conditions, and other non-operating expenses and provisions led to high extraordinary charges.

Following is a summary of the Group's operating performance in fiscal 2002. For a more detailed analysis of the individual Sectors, see the Report on Operations.

Net Revenues

Fiat Group **net revenues**, including changes in contract work in progress, totaled 55,649 million euros, reflecting a 4.1% decrease from the previous year that was attributable mainly to the Automobile Sector.

Following is an analysis of revenues by operating Sector:

- **Fiat Auto** reported revenues of 22,147 million euros for 2002, 9.4% less than the 24,440 million euros reported in 2001 due to the contraction in sales volumes. Fiat Auto sold a total of 1,860,000 automobiles and light commercial vehicles, or 11.1% less than in 2001.

In Western Europe, Fiat Auto sold 1,302,000 units. The 10.5% decrease stems from market weakness, more selective sales policies, and continued cutbacks in dealership car inventories. Furthermore, the Fiat Stilo Multi Wagon was introduced during the last months of the year, contributing limited benefits in fiscal 2002. Sales volumes contracted on all the principal European markets, with the exception of Spain, where the market increased by 5.9%. In Italy, the downturn (-8%) was partially offset by a recovery in volumes at year-end,

thanks to higher sales stimulated by tax incentives for purchase of low-emission vehicles.

The slump in demand and aggressive marketing policies implemented by competitors account for the contraction in sales volumes in Brazil (-13.9% compared with 2001) and in Poland (-20.4% with respect to 2001). However, the annual figures were depressed by the extremely negative performance of the market in these countries during the first half of the year, while sales recovered strongly in the second half, especially in Poland.

- **CNH Global** revenues totaled 10,513 million euros in 2002, down slightly from the previous year (-2.4%) due to the negative foreign exchange effect caused by strengthening of the euro against the dollar. Expressed in dollars, the functional currency of this Sector, CNH revenues were up by 2.8% principally in consequence of acquisitions. On a comparable consolidation basis, revenues would have been largely unchanged with respect to 2001.

Revenues in the agricultural equipment segment improved with respect to the previous year thanks to higher sales volumes in Latin American, Asian and Western European markets, which benefited from strong sales of combine harvesters.

Instead, the revenues from construction equipment continued to suffer from the general contraction in demand, largely on account of unfavorable market conditions in Western Europe and North America.

- **Iveco** ended the year with revenues of 9,136 million euros: the 5.6% increase with respect to 2001 reflects the line-by-line consolidation of Irisbus. On a comparable consolidation basis, revenues would have been slightly lower than in the previous year (-1.5%) thanks to improvements in the Sector's

market share that allowed it to substantially maintain sales volumes, notwithstanding contraction on European markets.

Iveco sold a total of about 162,000 units, an increase of about 1% over 2001, thanks to the change in the scope of consolidation. As regards Western Europe, gains were realized in Italy (+12.7%) and Great Britain; conversely, sales declined steeply in France and Germany due to unfavorable market conditions.

- **Ferrari** performed well in 2002 and generated revenues for 1,208 million euros, representing a 14.2% increase over the previous year due to higher sales of its Maserati models, a brand that was reintroduced on the North American market this year.
- **Magneti Marelli**, which disposed of its Aftermarket and Electronic Systems activities, had revenues of 3,288 million euros (-19.3%). It would have posted a 5.9% decrease on a comparable consolidation and exchange rate basis due to lower sales volumes in consequence of reduced demand in the automotive business.
- **Comau** had 2,320 million euros in revenues, or 4.6% more than in the previous year. Driven in part by a recovery in acquired orders, this increase was attributable to North America, while its Comau Service maintenance business also expanded. These improvements compensated for the decrease in European activities.
- **Teksid** reported revenues of 1,539 million euros, 12.2% less than in 2001 due to the sale of the Aluminum Business Unit on September 30, 2002. On a comparable consolidation basis, revenues would have been 5.3% lower than in the previous year. The Cast Iron Business Unit suffered a downturn due to market contraction. The improved results reported by the Magnesium Business Unit reflected increased use of this metal in SUV vehicles, particularly in the USA.

<i>(in millions of euros)</i>	2002	2001	Change
Net revenues	55,649	58,006	(2,357)
Cost of sales	48,619	49,854	(1,235)
Gross operating result	7,030	8,152	(1,122)
Overhead	5,782	6,149	(367)
Research and development	1,748	1,817	(69)
Operating income (expenses)	(262)	132	(394)
Operating result	(762)	318	(1,080)
Investment income (expenses) (*)	(690)	(149)	(541)
Non-operating income (expenses)	(2,503)	359	(2,862)
EBIT	(3,955)	528	(4,483)
Financial income (expenses)	(862)	(1,025)	163
Income (loss) before taxes	(4,817)	(497)	(4,320)
Income taxes	(554)	294	(848)
Net income (loss) before minority interest	(4,263)	(791)	(3,472)
Fiat's interest in net income (loss)	(3,948)	(445)	(3,503)
<i>(in euros)</i>			
Net loss per share	(6.66)	(0.84)	(5.82)

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

- **FiatAvio** had revenues of 1,534 million euros in 2002. The 6.2% decrease with respect to 2001 is attributable to the lower volumes in the commercial segment which, beginning from the second half of the year, suffered from the crisis in the world commercial aircraft market. Furthermore, deliveries of turbines derived from aircraft engines, used in industrial applications, suffered the effects of lower demand in the United States. Revenues from government programs continued to grow thanks to sales of engines for the new European fighter aircraft.
- **Toro Assicurazioni** generated 4,916 million euros in premium revenues during 2002, 10% less than in the previous year due to a decline in life insurance premiums, largely in the bancassurance channel. The Sector was unable to fully exploit the opportunities offered by growth in the domestic market due to ongoing restructuring of the Capitalia (formerly Banca di Roma) distribution network following its integration with the Fineco (formerly Bipop-Carire) banking group. Premiums earned in casualty insurance were up both in Italy and in France, virtually in line with the growth rates of the respective markets.
- **Business Solutions** posted revenues of 1,965 million euros, for an 8.9% increase compared with the previous year. This improvement was realized through development of business for non-captive customers, whose proportion of total revenues climbed to 51%. The increases were concentrated in the areas of information technology, where the Sector provides services through Global Value, a joint venture with IBM, and expansion of its temporary employment agency services, thanks in part to the acquisition of a company already operating in this sector.
- **Itedi** reported revenues of 360 million euros. The 3.7% gain over fiscal 2001 is due to an increase in the price charged for newspapers and new publishing ventures that compensated for lower newspaper sales volumes.

Improvement also derived from higher advertising revenues in some sectors, notwithstanding contraction in the advertising market as a whole.

Operating Result

In 2002, the Fiat Group posted an **operating loss** of 762 million euros, compared with operating income of 318 million euros in the previous year. The market downturn and intense competition, with consequent pressure on prices, impacted the profitability of the automotive Sectors, contributing in particular to the loss reported by Fiat Auto. Certain Sectors were also compelled to set aside greater provisions in operating reserves, due in part to stiffer market conditions, such as extension of vehicle warranties and lower prices for used cars. The major commitment to realization of cost savings, including the contribution of industrial synergies at CNH and Fiat Auto, continued generating positive results.

During 2002, **research and development outlays**, which are charged directly to income and thus included in the operating result, totaled 1,748 million euros, or 69 million euros less than in 2001. This decrease is mainly attributable to the change in the scope of consolidation and the impact of variations in foreign exchange translation rates. Fiat Auto confirmed its commitment to renew its product line by maintaining its spending on research and development at last year's levels, while Ferrari increased the resources it dedicates to innovation.

The operating result broken down by Sector is illustrated as follows:

- **Fiat Auto** reported an operating loss of 1,343 million euros in 2002, as compared with a loss of 549 million euros in 2001. The principal reason for deterioration in this result is the contraction of sales volumes, and more aggressive discount

<i>(in millions of euros)</i>	Revenues 2002	Revenues 2001	Change
Automobiles (Fiat Auto Holdings)	22,147	24,440	(2,293)
Agricultural and Construction Equipment (CNH Global)	10,513	10,777	(264)
Commercial Vehicles (Iveco)	9,136	8,650	486
Ferrari	1,208	1,058	150
Components (Magneti Marelli)	3,288	4,073	(785)
Production Systems (Comau)	2,320	2,218	102
Metallurgical Products (Teksid)	1,539	1,752	(213)
Aviation (FiatAvio)	1,534	1,636	(102)
Insurance (Toro Assicurazioni)	4,916	5,461	(545)
Services (Business Solutions)	1,965	1,805	160
Publishing and Communications (Itedi)	360	347	13
Miscellanea and Eliminations	(3,277)	(4,211)	934
Total	55,649	58,006	(2,357)

politics aimed at contrasting competitors and reduce stock of both new and used cars. The result also suffered from higher provisions that had to be set aside following extension of the warranty period from one to two years.

Fiat Auto mitigated in part the negative impact of these factors through product and overhead savings, realized in part thanks to the efficiencies generated by the synergies deriving from the alliance with General Motors and the cost cutting program launched in May 2002.

- **CNH Global** reported operating income of 163 million euros in 2002, lower than the previous year's result (209 million euros) due to higher social security and medical costs for its employees, especially in the United States. Excluding the impact of these expenses, the Sector would have realized a major improvement through greater margins on new products and higher sales prices for agricultural equipment, which more than compensated for the losses caused by lower sales of construction equipment.

The operating result also benefited from synergies generated by integration with Case and cost savings realized through process enhancement measures.

- **Iveco** posted lower operating income, which declined from 271 million euros in 2001 to 102 million euros in 2002. The market downturn, competitive pressures, and lower sales of engines unfavorably impacted the result. Furthermore, the Sector had to set aside greater provisions to cover warranties in consequence of vehicle recalls and lower prices for used vehicles.

To counteract these negative factors, the Sector implemented rigorous production cost containment measures.

- **Ferrari** reported operating income of 70 million euros, up from the 62 million euros posted in 2001 due to the positive effect of higher sales volumes of Maserati models and improved prices for Ferrari models. These benefits were

partially reduced by increased investments in research and development activities for new products and the costs of reintroducing Maserati on the North American market.

- **Magneti Marelli** reported an operating loss of 16 million euros as compared with the operating loss of 74 million euros reported in 2001. It limited the negative effects of lower sales volumes by disposing of unprofitable operations, realizing production efficiency gains, and benefiting from lower raw materials prices.

- **Comau** reported an operating loss of 101 million euros, in contrast with operating income of 60 million euros in 2001, due to lower profit margins resulting from price pressures and higher costs on several major orders in Europe.

- **Teksid** posted operating income of 27 million euros, up from the 15 million euros in operating income reported for 2001 thanks to high levels of efficiency realized by the Cast Iron Business Unit and the positive effect of the change in the scope of consolidation, as the Aluminum Business Unit had suffered from the market downturn in North America in the closing months of 2001.

- **FiatAvio** continued enjoying high operating profitability in fiscal 2002, with its operating income rising to 210 million euros from 186 million euros in 2001. Efficiency gains allowed it to absorb the negative effects of lower volumes in the commercial engine segment.

- **Toro Assicurazioni** posted operating income of 147 million euros during the year, up sharply from the 68 million euros reported in 2001, reflecting improved performance of the insurance operations generated by portfolio selection in the casualty business and the reduced frequency of claims. Operating cost cutting measures and gains on the disposal of real estate also made a positive contribution. Lower life insurance premiums partially offset these improvements.

<i>(in millions of euros)</i>	<i>EBIT 2002</i>	<i>EBIT 2001</i>	<i>Change</i>
Automobiles (Fiat Auto Holdings)	(2,214)	(1,061)	(1,153)
Agricultural and Construction Equipment (CNH Global)	165	122	43
Commercial Vehicles (Iveco)	(409)	46	(455)
Ferrari	44	62	(18)
Components (Magneti Marelli)	(348)	208	(556)
Production Systems (Comau)	(247)	30	(277)
Metallurgical Products (Teksid)	(137)	(67)	(70)
Aviation (FiatAvio)	183	495	(312)
Insurance (Toro Assicurazioni)	(203)	(134)	(69)
Services (Business Solutions)	(140)	608	(748)
Publishing and Communications (Itedi)	1	(4)	5
Miscellanea and Eliminations	(650)	223	(873)
Total	(3,955)	528	(4,483)

- **Business Solutions** had operating income of 67 million euros in 2002. The decrease from the 73 million euros reported in the previous year stemmed from the combined effect of reduction of the scope of consolidation (the 2001 figure included the first half-year results of Fenice, which was subsequently sold as part of the Italenergia transaction) and lower prices caused by partial transfer of efficiency gains to customers, which were partially offset by improvements realized in the property management area.
- **Itedi** reported operating income of 3 million euros in 2002, against an operating loss of 2 million euros in the previous year. This improvement largely reflected implementation of product cost efficiency measures and higher sales prices for the newspaper.

EBIT (Earnings Before Interest and Taxes)

Group **EBIT** totaled a negative 3,955 million euros (against a positive 528 million euros in 2001). The severe worsening of this result with respect to the previous year is largely attributable to the rapid and generalized deterioration in the economic conditions under which the Fiat Group operates, provoking an especially severe downward spiral. Operating income was the first area to suffer, declining sharply: the Automobile Sector, which is exposed to the greatest competitive pressures, was particularly hard hit.

The Fiat Group consequently launched several major industrial restructuring initiatives, with the related extraordinary charges further impacting the net result.

At the same time, it was necessary to acknowledge the loss in value of numerous industrial and financial activities, which were also impacted by the weakening economy.

Finally, in order to protect the assets and financial structure of the Group, it was necessary to divest certain activities at a loss and on unfavorable terms.

EBIT not only reflected the previously described deterioration in operating income but was also influenced by the following items:

Net investment expenses totaled 690 million euros, compared with expenses of 149 million euros in 2001, reflecting higher writedowns taken to mark to market the portfolio of listed securities held by the Group's insurance companies and the negative results of certain companies valued by the equity method, particularly Italenergia Bis. The result of Italenergia Bis affected the entire fiscal year in 2002, while the impact of Italenergia S.p.A. (before contribution) was limited to the last quarter of 2001.

The balance of **non-operating income and expenses** for 2002 was a negative 2,503 million euros, against a positive balance of 359 million euros in 2001. This item is broken down as follows:

- A negative balance of 502 million euros for disposals, reflecting the loss of 1,049 million euros upon sale of the investment in General Motors at market prices, losses and expenses incurred upon sale of the Teksid Aluminum Business

Unit (100 million euros) and the Electronic Systems Business Unit of Magneti Marelli (150 million euros). These losses were partially offset by the proceeds realized mainly from the sale of 34% of Ferrari (671 million euros net of transaction costs), 14% of Italenergia Bis (189 million euros), Magneti Marelli's AfterMarket operations (26 million euros), the investment in Europ Assistance (83 million euros) and other minor investments with total net proceeds of 38 million euros.

Furthermore, following the preliminary agreements reached during December 2002 for the sale of Fraikin and conclusion of the relative contract of sale in the first quarter of 2003, the book value of Iveco's Fraikin operations was written down to its presumed market value, resulting in total expenses for Iveco of 210 million euros.

- Restructuring expenses of 1,026 million euros, largely connected with the industrial restructuring plan for Fiat Auto and its effects on other Group Sectors. These expenses are represented by the costs incurred or determined according to plans for personnel laid off with long-term unemployment benefits, severance incentives, and writedown of property, plant and equipment and intangible fixed assets according to new forecasts of their expected use by the Sectors during restructuring. The foregoing amount includes approximately 550 million euros in expenses sustained by Fiat Auto and by other component Sectors, especially Magneti Marelli (approximately 320 million euros).
- Other writedowns of assets to reflect the changed market outlook and consequent new business plans, for a total of 311 million euros. This amount includes the writedown by Comau of Pico's goodwill, of several Magneti Marelli businesses, and Iveco and Teksid assets. It also includes provisions for future risks and charges for permanent loss in value of investments in the telecommunications field (95 million euros).
- Extraordinary provisions to reserves for future risks and charges, other expenses and prior period expenses, net of other extraordinary income and prior period income, for 585 million euros.
- Prior period tax liabilities for 79 million euros, 56 million euros of which for charges assessed under the tax amnesty.

In 2001 the balance of non-operating items included the proceeds realized upon sale of the Magneti Marelli Climate Control Division, the residual 49% of Alstom Ferroviaria, the ITS and GSA operations, and the operations of Fenice and certain power plants as part of the transaction leading to the formation of Italenergia, net of costs incurred for industrial streamlining and restructuring.

Result for the Fiscal Year

The Group's **loss before taxes** was 4,817 million euros (against a loss of 497 million euros in 2001). The increased loss with respect to the previous year stemmed from the previously mentioned reduction in EBIT, while the impact of Group financial expenses decreased.

Net **financial expenses** totaled 862 million euros in 2002, showing an improvement from the 1,025 million euros in 2001, mainly due to lower interest rates on the principal capital markets, which were partially offset by higher corporate spread.

The net **income tax effect** for the year was a credit of 554 million euros, up from a liability of 294 million euros in 2001. The income taxes due for fiscal 2002 include: 141 million euros (156 million euros in 2001) for IRAP, the regional tax on production activities in Italy; 192 million euros (652 million euros in 2001) for other current taxes; and 887 million euros in deferred tax assets (against a positive 514 million euros in 2001). The potential future benefits resulting from the loss for the fiscal year were not accrued unless there was a reasonable certainty that they would be recovered. Nevertheless, total deferred tax assets completely offset tax liability recorded in the period.

The **consolidated net loss before minority interest** was 4,263 million euros, compared with a loss of 791 million euros in 2001.

The **Group's interest in net loss** was 3,948 million euros (loss of 445 million euros in 2001).

As a result of the Group's interest in net loss, there was a net loss per share of 6.66 euros, compared with a net loss of 0.841 euros per share in 2001.

Balance sheet

The financial position shows items on both the assets and liabilities side. Nevertheless, the following pages provide the information necessary for correlation with the principal items of the schemes used in previous years, such as working capital and net invested capital.

As illustrated in the Notes to the Consolidated Financial Statements, the investments managed by the insurance companies on behalf of insured policyholders who bear the relative risk and that have a balancing entry substantially for the same amount in the insurance policy liabilities and accruals are posted at a specific item. In previous years, these investments were classified according to their nature and thus posted at various items under fixed assets, which were correspondingly reclassified without however impacting net invested capital and the net financial position.

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

Intangible Fixed Assets

Intangible fixed assets (start-up and expansion costs, goodwill, construction in progress and others) amount to 5,200 million euros, 1,335 million euros less than the 6,535 million euros reported at the end of 2001, mainly on account of the reduction in value of goodwill due to changes in foreign exchange rates and writedowns.

Property, Plant and Equipment

Property, plant and equipment totaled 12,106 million euros (13,887 million euros at the end of 2001). The decrease (-1,781 million euros) principally reflects the effect of changes in both exchange rates and the scope of consolidation (sale of Magneti Marelli's Electronic Systems activities and Teksid's Aluminum Business Unit), disposal of real estate and writedowns during the fiscal year.

In 2002, overall **investments** in fixed assets totaled 2,771 million euros (3,438 million euros in 2001), including 844 million euros (1,124 million euros in 2001) for investments in long-term leases.

Depreciation of property, plant, and equipment totaled 2,019 million euros (2,287 million euros in 2001).

At the end of December 2002, **accumulated depreciation and writedowns** totaled 18,223 million euros, corresponding to 60% of gross fixed assets, compared with approximately 57% at the end of 2001.

Financial Fixed Assets

Financial fixed assets totaled 6,638 million euros, compared with 10,190 million euros at the end of 2001, reflecting a significant 3,552 million euro decrease that was mainly due to the divestiture of investments (General Motors, a 14% interest in Italergeria Bis, and other minor investments), as well as the effect of net losses posted at certain companies carried at equity and losses in value for companies valued at cost.

Financial Assets not Held as Fixed Assets

Financial assets not held as fixed assets totaled 6,094 million euros, which represents an increase of 474 million euros from the 5,620 million euros reported at the end of 2001 as a result of higher investments made by the insurance companies to cover their policy liabilities and accruals, net of writedowns taken to mark to market securities.

Net Deferred Tax Assets

Net deferred tax assets totaled 2,263 million euros, up from 1,595 million euros at the end of 2001. This net increase is largely due to the recording of deferred tax assets to account for tax losses whose recovery is considered reasonably certain.

Stockholders' Equity

Consolidated **stockholders' equity** totaled 8,679 million euros (13,607 million euros at the end of 2001). The decrease reflects the net loss, payment of dividends for fiscal 2001, and the reduction resulting from changes in exchange rates (in consequence of devaluation of the Brazilian real and appreciation

of the euro against the dollar), which was only partially offset by the capital increases (at Fiat S.p.A. and CNH Global N.V.). The Group's interest in stockholders' equity totaled 7,641 million euros, compared with 12,170 million euros in the previous fiscal year.

Reserves and Allowances

Reserves and allowances totaled 16,999 million euros. They included policy liabilities and accruals of the insurance companies for 9,605 million euros, income tax (199 million euros), warranty (841 million euros), restructuring (731 million

euros), pensions and similar obligations (1,459 million euros), employee severance indemnities for employees in Italy (1,609 million euros), and other risks and charges (2,555 million euros). The 265 million euro increase with respect to the 16,734 million euros reported at the end of 2001 was caused by the increase in contract, commercial, and litigation risk reserves.

Working Capital

The Group's working capital decreased by 1,381 million euros to a negative 2,773 million euros, down from the negative

<i>(in millions of euros)</i>	December 31, 2002	December 31, 2001	Change
ASSETS			
Intangible fixed assets	5,200	6,535	(1,335)
Property, plant and equipment	12,106	13,887	(1,781)
Financial fixed assets	6,638	10,190	(3,552)
Investments on behalf of policy holders who bear the risk and those related to pension plan management	6,930	6,177	753
Financial receivables held as fixed assets (*)	48	56	(8)
Financial leasing of Group assets (*)	2,947	3,367	(420)
Financial assets not held as fixed assets	6,094	5,620	474
Inventories (1)	7,050	8,375	(1,325)
Trade receivables	5,784	6,466	(682)
Other receivables	3,351	3,162	189
Financial receivables (*)	18,411	21,263	(2,852)
Net deferred tax assets	2,263	1,595	668
Cash and securities (*)	4,996	4,133	863
Trade accruals and deferrals	579	653	(74)
Financial accruals and deferrals (*)	661	697	(36)
TOTAL ASSETS	83,058	92,176	(9,118)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Total Stockholders' Equity	8,679	13,607	(4,928)
Reserve for future risks and charges	15,390	14,999	391
Reserve for employee severance indemnities	1,609	1,735	(126)
Policy liabilities and accruals where the investment risk is borne by policyholders and those related to pension plan management	7,000	6,236	764
Trade payables	13,267	13,520	(253)
Other payables (1)	4,771	5,029	(258)
Financial payables (*)	28,923	32,697	(3,774)
Trade accruals and deferrals	1,499	1,499	-
Financial accruals and deferrals (*)	1,920	2,854	(934)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	83,058	92,176	(9,118)
NET FINANCIAL POSITION (*)	(3,780)	(6,035)	2,255

(1) Net of advances received for contract work in progress (8,227 million euros in 2002 and 7,135 million euros in 2001)

1,392 million euros reported at the end of 2001. Changes in the scope of consolidation and payment of the balance of assets and liabilities contributed by Fiat Auto to the Fiat-GM Powertrain joint venture caused an aggregate increase of 447 million euros. On a comparable basis, the reduction in working capital would have been 1,828 million euros. This decrease mainly stemmed from cutbacks in inventories and, to a lesser extent, positive exchange rate effects.

The following table illustrates the composition of working capital during the two fiscal years:

<i>(in millions of euros)</i>	At 12/31/2002	At 12/31/2001	Change
Net inventories	7,050	8,375	(1,325)
Trade receivables	5,784	6,466	(682)
Trade payables	(13,267)	(13,520)	253
Other receivables (payables)	(2,340)	(2,713)	373
Working capital	(2,773)	(1,392)	(1,381)

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

Inventories (raw materials, finished products, and work in progress), net of advances received for contract work in progress, totaled 7,050 million euros, against 8,375 million euros at the end of 2001. This decrease is principally attributable to the effects of finished product inventory reductions carried out by Fiat Auto and CNH.

Trade receivables totaled 5,784 million euros, 682 million euros less than the 6,466 million euros reported at the end of 2001. This decrease reflects the lower levels of activity and reduction in receivables from the Fiat Auto dealer network, associated with cutbacks in dealership inventories. The change in the scope of consolidation entailed a reduction of 259 million euros.

Trade payables totaled 13,267 million euros, 253 million euros less than the 13,520 million euros reported at the end of 2001. The change is due to the lower level of activity at Fiat Auto and changes in the scope of consolidation, which resulted in a reduction of 149 million euros.

Other receivables (payables), which also include trade accruals and deferrals, improved from -2,713 million euros at the end of 2001 to -2,340 million euros, largely due to the payment of approximately 450 million euros for the balance of assets and liabilities contributed by Fiat Auto to the Fiat-GM Powertrain joint venture.

Net Invested Capital

Net invested capital totaled 12,459 million euros, compared with 19,642 million euros at the end of 2001.

The decrease of 7,183 million euros is attributable to the reduction in working capital, the previously mentioned divestitures of business assets and investments, writedowns during the year and changes in exchange rates due to appreciation of the euro.

The following table illustrates the composition of net invested capital at the end of 2002 and 2001:

<i>(in millions of euros)</i>	At 12/31/2002	At 12/31/2001	Change
Intangible fixed assets	5,200	6,535	(1,335)
Property, plant and equipment	12,106	13,887	(1,781)
Financial fixed assets	6,638	10,190	(3,552)
Investments on behalf of policyholders who bear the risk and those related to pension plan management	6,930	6,177	753
Financial assets not held as fixed assets	6,094	5,620	474
Net deferred tax assets	2,263	1,595	668
Reserves	(16,999)	(16,734)	(265)
Policy liabilities and accruals where the investment risk is borne by policyholders and those related to pension plan management	(7,000)	(6,236)	(764)
Working capital	(2,773)	(1,392)	(1,381)
Net invested capital	12,459	19,642	(7,183)

Net Financial Position of the Group

The **net financial position** (cash, marketable securities, financial receivables net of short and medium-long term payables and related accruals and deferrals) at the end of December 2002 showed net debt of 3,780 million euros, 2,255 million euros less than at the end of 2001 (6,035 million euros).

The improvement mainly resulted from the divestiture of business lines and investments (3,231 million euros), capital increases during the year (1,215 million euros), and the reduction in working capital. These positive effects were partially offset by liquidity absorbed by operating activities.

As a result of the Group's financial restructuring plan, the net financial position, illustrated in the following table, shows an

improvement in its composition, with a reduction in short-term debt by 6,098 million euros, only partially offset by an increase of 2,324 million euros in "long-term debt."

(in millions of euros)	Dec. 31, 2002	Dec. 31, 2001
Cash	3,489	2,133
Marketable securities	1,507	2,000
Financial receivables and leased assets	21,406	24,686
Accrued financial income	543	560
Deferred financial income	(1,135)	(2,057)
Total financial assets (A)	25,810	27,322
Short-term debt	(8,310)	(14,408)
Long-term debt	(20,613)	(18,289)
Accrued financial expenses	(785)	(797)
Prepaid financial expenses	118	137
Total financial liabilities (B)	(29,590)	(33,357)
Net financial position (A-B)	(3,780)	(6,035)

The new long-term loans provided in 2002 include the 3 billion euro mandatory convertible facility, the loan from Citigroup (lead manager of a restricted pool of banks) secured by the agreements with EDF in connection with the Italennergia Bis transaction (1,150 million euros), and the loan cum warrant for General Motors shares (2,229 million euros).

The Group fully realized its target of reducing pro-forma net debt to 3 billion euros, as agreed with the banks. In fact, these agreements expressly state that for the computation of fulfillment of such target, the net debt (3,780 million euros) will include the proceeds deriving from binding agreements, even if they have not yet been executed, and the proceeds collected in consequence of the Italennergia Bis transaction, including the aforementioned Citigroup loan (1,150 million euros).

It is also expected that the target of reducing gross indebtedness to 23.6 billion euros will be achieved upon

conclusion of the sale of 51% of Fidis Retail Italia to Capitalia, Banca Intesa, Sanpaolo IMI, and Unicredito, as stated in the agreement.

Between December 2002 and March 2003, the leading rating agencies lowered their rating of Fiat to below investment grade. Therefore, if this situation persists, in July 2004 the banks may convert up to 2 billion euros of the principal loaned into equity.

Consolidated statement of cash flows

The Group's **cash** increased by 1,356 million euros, rising from 2,133 million euros at the end of 2001 to 3,489 million euros at December 31, 2002 as a result of cash flow generated by operating and investment activities, which was partially offset by financing activities to reduce the level of financial debt.

The Group's **liquidity generated by operating activities** totaled 1,053 million euros (compared with 2,435 million euros generated in 2001).

Liquidity during the year was affected by the negative effect of the net loss plus amortization and depreciation totaling 534 million euros, net of the balance of gains and losses realized from divestitures and expenses for writedowns that did not involve cash outlays (compared with positive cash flow of 340 million euros in 2001). Positive cash flow was generated by the positive change in working capital that, on a comparable basis, produced a benefit of 1,828 million euros (with respect to a benefit of 2,633 million euros in 2001).

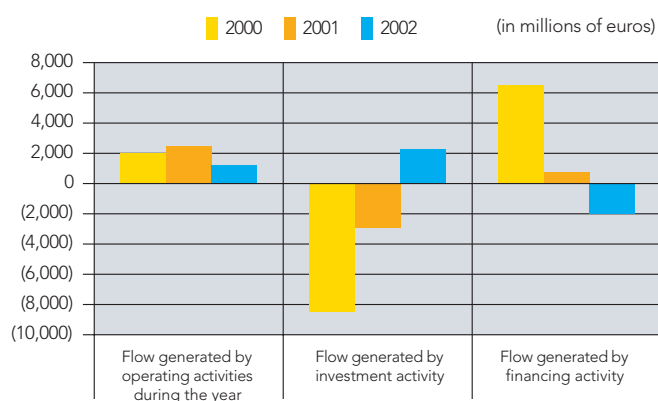
Investment activities generated cash flow of 2,096 million euros in 2002 (compared with investment flows of 3,017 million euros in 2001).

Investment flows during the year resulted from disposals of assets and investments that, net of acquisitions, totaled 2,668 million euros, compared with a positive balance of 1,128 million euros in 2001. The net reduction in financial receivables which reflected, in particular, slowdown in activity of certain financial companies and portfolio disposals, generated 2,456 million euros in available funds, as compared with applications of 189 million euros in 2001.

The principal applications of funds during the year consisted of 2,771 million euros in property, plant, and equipment, including investments in vehicles to be leased on a long-term basis, and 518 million euros in intangible fixed assets, down from the aggregate total of 3,911 million euros reported in 2001.

Financing activities absorbed 1,793 million euros (compared with a benefit of 718 million euros in 2001).

Newly obtained loans, net of repayments, generated cash flow of 2,655 million euros, up from the 2,504 million euros reported in 2001, and the capital increases at Fiat S.p.A. and CNH Global N.V., which generated 1,215 million euros, were absorbed by the reduction in short-term debt, which decreased by 5,358 million euros (compared with a reduction of 1,140 million euros in 2001).



Consolidated Statement of cash flows			
<i>(in millions of euros)</i>	2002	2001	2000
A) Cash at January 1	2,133	1,997	1,906
B) Cash flows provided by (used in) operating activities:			
Net result before minority interest	(4,263)	(791)	578
Amortization and depreciation	2,614	2,880	3,052
Change in reserve for employee severance indemnities	(70)	(77)	(56)
Change in deferred income taxes	(884)	(588)	(289)
Gains on disposals	124	(1,749)	(2,753)
Revaluations and writedowns of equity investments	525	372	73
Impairment	991	–	–
Change in current assets and liabilities:			
Trade receivables	423	583	572
Net inventories	1,325	(164)	(973)
Trade payables	(104)	1,605	492
Other payables, receivables, accruals and deferrals (1)	184	609	1,040
Reserve for income taxes and other reserves	545	(413)	1,046
Changes in the scope of consolidation and others	(357)	168	(808)
Total	1,053	2,435	1,974
C) Total cash flows provided by (used in) investment activities:			
Investments in:			
Fixed assets	(2,771)	(3,438)	(3,236)
Investments	(563)	(1,524)	(4,347)
Intangible assets and deferred charges	(518)	(473)	(521)
Investment grants	90	100	135
Proceeds from the sale of fixed assets	3,231	2,652	1,601
Change in financial receivables	2,456	(189)	(1,816)
Change in securities	(175)	(15)	159
Change in securities of insurance companies net of policy liabilities and accruals	430	(97)	(254)
Other (including effects of acquisitions and other changes in the scope of consolidation)	(84)	(33)	(260)
Total	2,096	(3,017)	(8,539)
D) Total cash flows provided by (used in) financing activities:			
Increase in borrowings	12,047	8,561	8,307
Repayment of borrowings	(9,392)	(6,057)	(4,161)
Change in short-term borrowings	(5,358)	(1,140)	349
Increase in capital stock (2)	1,215	–	2,603
Purchase of treasury stock	(77)	(266)	(30)
Dividends paid	(228)	(380)	(412)
Total	(1,793)	718	6,656
E) Total change in cash	1,356	136	91
F) Cash at December 31	3,489	2,133	1,997

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

(2) In 2000 this represented acquisition of a 20% interest in Fiat Auto Holdings B.V. by General Motors.

Financial position and operating results by activity segment

For the first time, financial and operating figures are classified according to Industrial, Financial and Insurance activities of the Group in order to present a clearer picture of its performance. Financial activities include the Fiat Auto, CNH, and Iveco companies that operate financing, leasing, and rental activities, while Insurance activities include Toro Assicurazioni Group and Neptunia Assicurazioni Marittime S.A.

Principles of Analysis

The aforesaid classification was realized by defining specific sub-consolidated financial statements for the three activity segments according to the normal business performed by each Group company.

The equity investments held by companies belonging to an activity segment in companies included in another segment were valued according to the equity method.

To avoid skewing the operating result of normal operations to be represented here, the effect of this valuation on the statement of operations is illustrated at a special item, "Result of intersegment investments."

The holding companies (Fiat S.p.A., Sicind S.p.A, IHF -International Holding Fiat S.A., Fiat Partecipazioni S.p.A., Fiat Netherlands Holding N.V) were classified in the Industrial Activity segment.

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

When the sub-consolidated figures for the various segments were elaborated, the relative goodwill was allocated to the activities themselves. Note that the goodwill connected with the acquisition of and the tender offer for Toro Assicurazioni, which was reported under holding companies in previous years, is now allocated to Insurance Activities. Therefore, the 2001 figures have been reclassified accordingly.

The factoring transactions executed at market conditions between the industrial and financial companies of the Group are posted as financial receivables and payables under Financial Activities. The portion of these items that, according to the last contractual relationship established with others, is still of a commercial nature, insofar as it does not yield interest, was reclassified directly in the sub-consolidated results of Financial Activities under trade receivables and payables.

Operating Performance by Activity Segment

Industrial Activities

The **net revenues** for Industrial Activities, including changes in contract work in progress, totaled 48,149 million euros, for a decrease of 3.5% with respect to the previous year, due to the market slowdown that impacted the automotive sector, while the reduction caused by the divestiture of business lines at Magneti Marelli and Teksid was offset by the consolidation of Kobelco America by CNH Global and the line-by-line consolidation of Irisbus by Iveco.

(in millions of euros)	2002				2001			
	Consolidated	Industrial Activities	Financial Activities	Insurance Activities	Consolidated	Industrial Activities	Financial Activities	Insurance Activities
Net revenues	55,649	48,149	3,910	4,921	58,006	49,892	3,946	5,491
Cost of sales	48,619	42,398	3,024	4,528	49,854	43,246	2,774	5,157
Gross operating result	7,030	5,751	886	393	8,152	6,646	1,172	334
Overhead	5,782	4,868	594	320	6,149	5,121	688	340
Research and development	1,748	1,748	–	–	1,817	1,817	–	–
Operating income (expenses)	(262)	(516)	184	70	132	19	40	73
Operating result	(762)	(1,381)	476	143	318	(273)	524	67
Investment income (expenses) (*)	(690)	(338)	3	(355)	(149)	4	43	(196)
Non-operating income (expenses)	(2,503)	(2,319)	(194)	10	359	455	(89)	(7)
EBIT	(3,955)	(4,038)	285	(202)	528	186	478	(136)
Financial income (expenses)	(862)	(995)	(93)	226	(1,025)	(1,261)	(132)	368
Income (loss) before taxes	(4,817)	(5,033)	192	24	(497)	(1,075)	346	232
Income taxes	(554)	(669)	109	6	294	97	126	71
Net result of normal operations	(4,263)	(4,364)	83	18	(791)	(1,172)	220	161
Result of intersegment investments	–	95	(286)	(14)	–	398	32	2
Net income (loss) before minority interest	(4,263)	(4,269)	(203)	4	(791)	(774)	252	163

(*) Includes investment income and writedowns and revaluations to align non-intersegment investments valued at equity.

The **operating loss** reported by companies in the Industrial Activity segment totaled 1,381 million euros in 2002, represented a deterioration from the operating loss of 273 million euros incurred in the previous year. This result was due to the increasingly difficult economic environment, negatively impacting the volumes and profitability of the automotive Sectors.

In 2002 the **EBIT** of Industrial Activities totaled a negative 4,038 million euros, as compared with a positive result of 186 million euros in 2001.

The severe reduction compared to the previous year is largely attributable to the rapid and general deterioration of the economy, whose impact on the operating profitability of the Automobile Sector was particularly acute. The high non-operating expenses connected with the major industrial restructuring initiatives, losses in the book value of numerous activities, and the divestiture of numerous activities at a loss and on unfavorable terms further penalized income in this segment.

Financial Activities

Companies operating in the Financial Activities segment generated 3,910 million euros in **revenues** during 2002, almost the same as in 2001.

Revenues of the Financial Activities of the Automobile Sector, which totaled 2,236 million euros (-3.3% compared with 2001), were impacted by lower vehicle sale volumes and increased selectivity to improve the quality of contract portfolios. Financial Activities in the Agricultural and Construction Equipment Sector generated a total of 680 million euros in revenues (-20% with respect to 2001), due to the streamlining of portfolio activities unrelated to Sector business, in addition to divestiture of European activities as part of the joint venture with BNP Paribas.

Financial Activities in the Commercial Vehicle Sector had an increase in revenues, which rose from 787 million euros in 2001 to 1,005 million euros in 2002 (+27.7%) attributable to the consolidation of a company that also trades with dealers outside Europe.

The **income before taxes** of the normal business of the Financial Activities (not including the impact of income or losses posted by intersegment investments in industrial companies held by financial companies) totaled 192 million euros, compared with 346 million euros in 2001. The income before taxes of Financial Activities in the Automobile Sector totaled 285 million euros, almost unchanged from the 290 million euros generated in 2001. The financial activities of CNH Global generated a total of 89 million euros in income before taxes, as compared with 10 million euros in 2001. This improvement in profitability is a result of strategies to focus the portfolio on its core business. Conversely, the pre-tax result of the Financial Activities at

Iveco deteriorated, as it closed the fiscal year with a loss of 183 million euros, as compared with income before taxes of 46 million euros in 2001. The decrease was due to higher non-operating expenses, including 210 million euros for writing down the book value of Fraikin to its presumed market value, in accordance with the agreement made for its sale in the first quarter of 2003.

Insurance Activities

The **premiums written** by companies operating in the Insurance Activities segment totaled 4,921 million euros in 2002, 10.4% lower than in the previous year.

Life insurance premiums declined as a whole, particularly in the bancassurance channel, partially due to restructuring of the Capitalia distribution network following its merger with the Fineco banking group. Consequently, Toro Assicurazioni was unable to exploit the opportunities offered by growth in this segment on the Italian market.

Volumes in the casualty business increased in both Italy and France, virtually in line with market trends, notwithstanding a selective approach to writing policies.

The **income before taxes** of Insurance Activities totaled 24 million euros, as compared with 232 million euros in 2001. The decrease was mainly attributable to writedowns taken to mark to market the portfolio of listed securities, which was only partially offset by the growth in operating income generated by improved performance of the casualty insurance operations and higher proceeds from sale of real estate.

Balance Sheet by Activity Segment

Industrial Activities

Although cash increased by 1,146 million euros with respect to December 31, 2001, the **Financial payables net of intersegment activities** of Industrial Activities decreased by 2,067 million euros. This improvement is largely attributable to the divestiture of lines of business and investments, capital increases, and lower requirements for working capital, net of the effects of operating performance during the period.

Financial Activities

Financial payables net of intersegment activities decreased by 1,889 million euros, largely as a result of the reduction in financial receivables and leasing portfolio caused by lower volumes, the divestiture of certain activities (CNH agreements with BNP Paribas in Europe and assignment of part of the Sava-Leasing portfolio), increased securitization of receivables, and foreign exchange translation effects of the euro, particularly portfolios denominated in US dollars and the Brazilian real.

(in millions of euros)	December 31, 2002				December 31, 2001			
	Consolidated	Industrial Activities	Financial Activities	Insurance Activities	Consolidated	Industrial Activities	Financial Activities	Insurance Activities
ASSETS								
Intangible fixed assets	5,200	4,295	274	631	6,535	5,332	545	658
Net property, plant and equipment	12,106	9,770	1,700	636	13,887	11,352	1,714	821
Financial fixed assets	6,638	7,886	161	3,043	10,190	12,668	146	3,341
Investments on behalf of policy holders who bear the risk and those related to pension plan management	6,930	–	–	6,930	6,177	–	–	6,177
Financial receivables held as fixed assets (*)	48	46	1	1	56	55	–	1
Financial leasing of Group assets (*)	2,947	–	2,947	–	3,367	–	3,367	–
Financial assets not held as fixed assets	6,094	45	–	6,054	5,620	79	–	5,541
Inventories (1)	7,050	7,011	39	–	8,375	8,264	111	–
Trade receivables	5,784	4,157	1,482	737	6,466	5,031	1,417	703
Other receivables	3,351	2,405	835	301	3,162	2,102	1,025	242
Financial receivables from others (*)	18,411	2,495	15,876	40	21,263	2,396	18,807	60
Net deferred tax assets	2,263	2,278	–	57	1,595	1,750	–	–
Cash and securities (*)	4,996	2,977	844	1,175	4,133	1,831	680	1,622
Trade accruals and deferrals	579	405	176	2	653	434	217	2
Financial accruals and deferrals (*)	661	410	101	150	697	463	78	156
TOTAL ASSETS	83,058	44,180	24,436	19,757	92,176	51,757	28,107	19,324
LIABILITIES AND STOCKHOLDERS' EQUITY								
Total Stockholders' Equity	8,679	8,519	2,183	2,262	13,607	13,466	3,130	2,839
Reserve for net deferred tax assets	–	–	72	–	–	–	109	46
Reserve for future risks and charges	15,390	5,519	396	9,647	14,999	5,069	471	9,596
Reserve for employee severance indemnities	1,609	1,536	29	44	1,735	1,664	28	43
Policy liabilities and accruals where the investment risk is borne by policyholders and those related to pension plan management	7,000	–	–	7,000	6,236	–	–	6,236
Trade payables	13,267	12,867	657	321	13,520	13,125	690	247
Other payables (1)	4,771	4,198	506	275	5,029	4,552	545	282
Financial payables net of intersegment activities (*)	28,923	9,744	18,981	198	32,697	11,811	20,870	16
Trade accruals and deferrals	1,499	1,171	318	10	1,499	1,138	342	19
Financial accruals and deferrals (*)	1,920	626	1,294	–	2,854	932	1,922	–
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	83,058	44,180	24,436	19,757	92,176	51,757	28,107	19,324
NET FINANCIAL POSITION (*)	(3,780)	(4,442)	(506)	1,168	(6,035)	(7,998)	140	1,823

(1) Net of advances received for contract work in progress (8,227 million euros in 2002 and 7,135 million euros in 2001).

Cash and cash equivalent collected by the centralized treasury during their activity have been recorded in the item Financial payables net of intersegment activities in the Industrial Activities column. However, funds that were

transferred to other Activities, and in particular Financial Activities, were posted net of the relative intersegment relationships, as shown in the following table:

(in millions of euros)	December 31, 2002				December 31, 2001			
	Consolidated	Industrial Activities	Financial Activities	Insurance Activities	Consolidated	Industrial Activities	Financial Activities	Insurance Activities
Financial payables to others	28,923	21,630	7,115	178	32,697	23,645	9,000	52
(Intersegment financial receivables)	–	(12,548)	(643)	(18)	–	(13,016)	(1,027)	(120)
Intersegment financial payables	–	662	12,509	38	–	1,182	12,897	84
Financial payables net of intersegment activities	28,923	9,744	18,981	198	32,697	11,811	20,870	16

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

Statement of Operations

The net loss of the Parent Company for the fiscal year was 2,053 million euros, compared with net income of 379 million euros in fiscal 2001.

The following table contains a breakdown of this result:

<i>(in millions of euros)</i>	2002	2001
Investment income	278	713
Adjustments	(2,866)	(4)
Net financial expenses	(26)	(37)
Cost of personnel and services, less revenues	(126)	(95)
Net extraordinary income (expenses)	632	(1)
Income taxes	55	(197)
Net result	(2,053)	379

Net investment income totaled 278 million euros.

It consists of dividends, including the respective tax credits, paid by subsidiaries and associated companies.

The decrease with respect to 2001 is mainly attributable to the extraordinary dividend paid during the previous fiscal year by Soparind S.p.A. (formerly Fiat Ferroviaria S.p.A.). A breakdown of the dividends received in 2002 and 2001 is provided in the Notes to the Financial Statements of Fiat S.p.A.

The **adjustments** of 2,866 million euros made in 2002 largely reflect writedowns in the book value of the following subsidiaries: Fiat Partecipazioni S.p.A. as a result of the negative performance of the Automobile Sector (1,189 million euros), Fiat Netherlands Holding N.V. due to losses by its Magneti Marelli and CNH subsidiaries (732 million euros), Comau B.V. (350 million euros), Sicind S.p.A. (291 million euros), and Iveco N.V. (280 million euros).

Net financial expenses totaled 26 million euros, or 11 million euros less than the 37 million euros reported in 2001.

The cost of personnel and services, less revenues, totaled 126 million euros (95 million euros in 2001). In particular, the **cost of personnel and services** totaled 221 million euros, compared with 191 million euros in 2001. The 30 million euro increase stems mainly from higher costs for services. The average number of employees was 210 (including 16 seconded to the principal companies of the Group), compared with 216 employees in 2001 (including 17 seconded employees).

Revenues totaled 95 million euros, in line with the previous fiscal year. They included royalties from the right to use the Fiat trademark, computed as a percentage of the sales of the individual Group companies, and fees for services rendered by management personnel.

Net extraordinary income totaled 632 million euros, represented principally by the gain realized on the sale of 34% of Ferrari shares to Mediobanca (630 million euros).

Net tax receivables totaled 55 million euros, compared with 197 million euros in net tax payables for 2001.

Taking into account tax credits on dividends, which are reflected in "Investment income" (100 million euros in 2002), net tax receivables totaled 155 million euros (48 million euros in 2001).

Balance Sheet

The following table illustrates highlights of the Balance Sheet:

<i>(in millions of euros)</i>	12/31/2002	12/31/2001
Fixed assets	8,144	7,757
Working capital	(169)	(150)
Net invested capital	7,975	7,607
Stockholders' equity	5,934	7,169
Net borrowings	2,041	438

Fixed assets consist mainly of investments in the Group's principal companies. The total value at December 31, 2002 was 8,050 million euros, for a net increase of 344 million euros since the end of 2001.

The principal increases involved the subscription of capital increases at Sicind S.p.A. (1,400 million euros) and Fiat Netherlands Holding N.V. for its 74% interest (1,017 million euros), as well as acquisition by the latter company of 100% of Magneti Marelli Holding S.p.A. (803 million euros). The decreases mainly stem from a total of 2,846 million euros in writedowns of the subsidiaries Fiat Partecipazioni S.p.A., Fiat Netherlands Holding N.V., Comau B.V., Sicind S.p.A. and Iveco N.V. and the sale of 34% of Ferrari S.p.A. to Mediobanca S.p.A., for a cash-in of 775 million euros.

Working capital includes payables to Tax Authorities, suppliers, and employees of 189 million euros, net of receivables, and 2,330,420 ordinary treasury shares for 20 million euros. The decrease of 19 million euros compared with December 31, 2001 is due mainly to a temporary increase in trade payables.

Stockholders' equity totaled 5,934 million euros at December 31, 2002, for a decrease of 1,235 million euros since the end of 2001. The changes stem from the capital increase resolved by the Board of Directors on December 10, 2001 (1,020 million euros), the net loss for the year (2,053 million euros), and distribution of dividends (202 million euros).

Net borrowings at the end of 2002 totaled 2,041 million euros, against 438 million euros in the previous year. It includes the three-year Convertible Facility of 3 billion euros granted by a pool of banks organized by Capitalia, IntesaBCI, Sanpaolo IMI, and Unicredito Italiano. The net increase in borrowings stems mainly from the previously described investments in equity holdings, which were partially offset by the amounts collected for the capital increase.

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

Corporate Governance and Stock Option Plans

CORPORATE GOVERNANCE

The Fiat Group adopted and abides by the Code of Conduct for Listed Companies in Italy that was revised in July 2002 by the Corporate Governance Committee and is mentioned as a model in the regulations issued by Borsa Italiana on corporate governance. Furthermore, as its shares are also listed on foreign markets, including the New York Stock Exchange, Fiat also refers to foreign norms, and in particular United States laws, which, since passage of the recent Sarbanes-Oxley Act, have imposed more exacting obligations on foreign companies listed in that country.

Also in accordance with the disclosure requirements set forth in the Regulations of Borsa Italiana, the most important aspects of the system of Corporate Governance adopted by the Fiat Group are reviewed below. A complete overview of the governance tools used by the Group is available on the Web site "www.fiatgroup.com," in the Corporate Governance section.

Composition and Functions of the Board of Directors

As envisaged in the Company's Articles of Association, the number of members of the Board of Directors ranges from nine to fifteen. Since its original appointment, the **composition** of the current Board, which has 12 members, has changed several times in consequence of the critical events that transpired during the past several months.

Since the Board of Directors was appointed for a three-year term by the Stockholders' Meeting held on May 14, 2002, the Chief Executive Officer Paolo Cantarella, who resigned on June 10, was replaced in that capacity on June 26 by Gabriele Galateri, with the vacant director's seat being filled by Ugo Draetta at the Stockholders' Meeting held on September 12. On December 10 Pierluigi Bernasconi was replaced by Daniel J. Winteler, and on December 13 Ugo Draetta resigned so that Chief Operating Officer Alessandro Barberis could be co-opted on the Board after his nomination as Chief Executive Officer. Finally, at the Board of Directors meeting held on February 28, Chairman Paolo Fresco resigned so that Umberto Agnelli could be immediately co-opted and appointed as Chairman, while resigning members Felix G. Rohatyn and John F. Welch were replaced through co-option of Giuseppe Morchio, appointed as Chief Executive Officer, and Luca Cordero di Montezemolo. Alessandro Barberis was named Vice Chairman.

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

- Umberto Agnelli: Chairman, Giovanni Agnelli Sapa, and Chairman, IFI S.p.A.
- Alessandro Barberis: Director, CDC Point S.p.A.
- Giuseppe Morchio: Director, Banco di Desio e della Brianza

- Angelo Benessia: Vice Chairman, RCS Editori, and Director, SAIAG S.p.A.
- Luca Cordero di Montezemolo: Director, Tod's S.p.A., Merloni Elettrodomestici S.p.A., Unicredit Banca d'Impresa S.p.A.
- Flavio Cotti: Chairman, Advisory Board of Credit Suisse Group
- John Elkann: Director, Giovanni Agnelli Sapa, IFI S.p.A., Exor Group
- Gabriele Galateri: Chief Executive Officer, IFI S.p.A., Director, Accor S.A., Worms & Cie. S.A., Sanpaolo IMI S.p.A., Cassa di Risparmio di Savigliano S.p.A.
- Franzo Grande Stevens: Chairman, P. Ferrero & C. S.p.A. and Davide Campari S.p.A., Director, IFI S.p.A., IFIL S.p.A., La Rinascente S.p.A., Pininfarina S.p.A., Banca del Piemonte, Banca Sella, Exor Group, HDP S.p.A.
- Hermann-Josef Lamberti: Member of Managing Board of Deutsche Bank AG, Director, Eurex Deutschland, Euroclear Bank S.A., Schering AG
- Virgilio Marrone: Director, Sanpaolo IMI S.p.A., Juventus S.p.A.
- Daniel J. Winteler: Director, IFIL, Worms & Cie, La Rinascente S.p.A.

The Board of Directors appointed in May 2002 adopted the customary model envisaged in the Articles of Association, under which full **operating powers** of representation are granted to all directors who hold corporate offices, severally. Consequently, the Board granted the **directors with executive authority**, the Chairman and the Chief Executive Officer, broad operating powers, authorizing them to deal with ordinary and extraordinary business that is consistent with the Company's purpose and not reserved by law or otherwise delegated or reserved to the Board of Directors itself.

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 Board members with executive authority. 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 Board members with delegated powers 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. Certain decisions regarding the most significant transactions with related parties are also excluded from the mandate granted to the Board members with delegated powers, while

all transactions with related parties shall comply with special criteria of substantial and procedural fairness and disclosures to the Board.

The aforementioned model for granting powers was reconfirmed upon the latest change in company management, when a third director with executive authority, the Vice Chairman, was appointed to join the other two. The Vice Chairman was granted the same powers as the Chairman, to be exercised on a substitute basis in the latter's absence or inability to act, being subject to the same limits on significant transactions and transactions with related parties described hereinabove.

The complete text of the "Guidelines" can be found at the Web site mentioned hereinabove.

For the entire 2002 fiscal year until February 28, 2003, the number of **independent directors** was clearly adequate, as A. Benessia, F. Cotti, H. Lamberti, F. G. Rohatyn, and J. F. Welch, who were joined for several months by U. Draetta, did not have economic relationships with the Company, its controlling companies, or subsidiaries such as to compromise their independent judgment.

In light of the more exact and restrictive definition of director independence envisaged in the new Italian and U.S. rules of corporate governance and after the substitution of several directors on February 28, 2003, the number of independent directors was reduced to just two: F. Cotti and H. Lamberti. The Stockholders' Meeting will therefore be called to resolve as appropriate.

Article 15 of the Articles of Association prescribes that the Board of Directors must meet at least once quarterly. During 2002, it met 13 times to examine and vote on resolutions regarding operating performance in the various Sectors of activity, quarterly reports, strategic plan and budget, proposals for the organizational structure and for significant transactions and transactions with related parties submitted by the directors with executive authority, nominations of company officers, the activity of the Audit Committee, and proposals submitted by the Compensation Committee, determining the compensation for directors with executive authority, upon approval by the statutory auditors.

Appointment and Compensation of Directors

The Company's Articles of Association do not envisage special rules for the **appointment** of Directors or nomination of candidates. Nevertheless, as customary, the nominations submitted by the majority stockholder were deposited with the curricula vitae of the candidates, as recommended by the Code of Conduct, at the Stockholders' Meeting of May 14, 2002, which appointed the new Board of Directors, and the Ordinary and Extraordinary Stockholders' Meeting of September 12, 2002, which appointed Ugo Draetta to fill a vacancy on the Board of Directors.

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

The **compensation** of directors is strictly correlated with the market price of Fiat shares. While the Stockholders' Meeting of May 14, 2002 confirmed the compensation method that was previously used, it resolved that the annual compensation of directors be determined according to the average market price of a lot of Fiat shares (2,000 ordinary shares, 700 preference shares, and 700 savings shares) during the directors' terms, in addition to attendance compensation of 3,000 euros for every board or committee meeting attended. The compensation of directors with executive authority is also based in large measure on the performance of Fiat shares on the stock market. Detailed information on the compensation of directors and the stock options granted to directors with executive authority is provided in the Notes to the Financial Statements.

The Board of Directors established an internal **Compensation Committee** that was comprised of five directors until February 28, two of whom with executive authority and one independent. In addition to handling nominations and compensation of top management, it has the duty of reviewing and determining the individual compensation packages for the Chairman and the Chief Executive Officer and submitting its recommendations to the Board.

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

In 2002, the Compensation Committee met four times to discuss the submission to the Board of Directors of motions concerning the definition of compensation and stock option plans for the Group's senior managers and new appointments at the Group's Parent Company and for corporate posts at the Sector lead companies.

The Committee is currently comprised of five directors: U. Agnelli (Chairman), A. Barberis, J. Elkann, F. Grande Stevens and G. Morchio.

Internal Control System and Audit Committee

In May 1999, the Company, which had already published a Code of Ethics several years earlier, adopted an **Internal Control System** based on a model derived from the COSO Report. The Board of Directors then decided to disseminate an Internal Control System policy and establish an Audit Committee. In 2002 a more detailed Charter of the Audit Committee was drafted and subsequently approved by the Board of Directors. The "Guidelines for the Internal Control System" were also drafted to receive the changes made to the Code of Conduct, guidelines that came into effect on January 1, 2003.

The **Audit Committee** must be comprised of at least three independent directors. The mission of the Committee is to assist the Board of Directors in discharging its own duties by providing it with advice and proposals on the reliability of the accounting system and financial information; the Internal Control System; the choice and supervision of the work of the independent auditors; and supervision of the activities of internal auditors.

In particular, the Committee must:

- assist the Board of Directors with periodic audits of the appropriate and actual functioning of the Internal Control System to ensure identification and proper handling of the principal risks faced by the Company;
- assess the operating plan prepared by the Supervisors of the Internal Control System and receive their periodic reports;
- report to the Board of Directors on the adequacy of the Internal Control System at least once every six months, at the time the annual report and first half report are approved;
- assess the organizational position and ensure the actual independence of the Supervisors of the Internal Control System in the performance of their duties in accordance with, among other things, Legislative Decree no. 231/2001 on the administrative liability of companies;
- assess, in collaboration with the Chief Accounting Officer and the independent auditors: (a) the adequacy of adopted accounting principles and (b) their uniformity in view of preparation of the consolidated financial statements;
- with the assistance of the Chief Accounting Officer and the Head of Internal Audit, assess the proposals submitted by candidates for the position of independent auditors and draft the motion for appointment of the independent auditors to be submitted by the Board of Directors to the Stockholders' Meeting;
- assess the audit operating plan and the results set forth in the audit report and letter of suggestions;
- upon recommendation by the Chief Accounting Officer, grant prior authorization to the independent auditors or other entities belonging to the auditors' network to perform non-auditing activities. In any event, these activities must be among those allowed under applicable regulations. The Committee may delegate one or more of its members to grant such prior authorization, enjoining the delegated member to report at its next meeting;
- assess the position and organizational structure of Internal Audit and its work plan.

The Committee shall meet on convocation by its Chairman whenever he deems it appropriate, but at least once every six months, or whenever the Chairman of the Board of Statutory Auditors or the Supervisors so request. The Chairman of the Board of Statutory Auditors, or another Statutory Auditor duly

empowered by the Chairman, and the Supervisors shall participate at Committee meetings.

The directors with executive authority, the independent auditors, the Chief Accounting Officer, and possible other parties shall participate at Committee meetings on invitation by the Committee Chairman. The Committee shall meet in the absence of the directors with executive authority at least twice each fiscal year.

This Committee is currently comprised by three Directors: A. Benessia (Chairman), F. Cotti, and H. Lamberti.

The Board of Directors appoints the **Supervisors** of the Internal Control System. In the course of performing their duties, they are not subject to the jurisdiction of operating managers but instead report directly to the Chief Executive Officer, the Audit Committee, and the Board of Statutory Auditors. At present, the Supervisors of the Internal Control System are the General Counsel and the Chief Accounting Officer. They rely on input from the Internal Audit function, which is performed for the entire Group by Fiat Revi, a highly skilled and capable consortium company.

The most important initiatives pursued in 2002 by the Committee and the Supervisors included complete revision of the Group's corporate governance tools (Guidelines for the Internal Control System, Charter of the Audit Committee, Guidelines for Significant Transactions and Transactions with Related Parties, Internal Dealing Regulation), in particular the new **Code of Conduct** that replaces the Code of Ethics.

This document was approved by the Board of Directors at the end of 2002 and established the necessary basis for drafting of the **Compliance Program** adopted by the Board of Directors on February 28, 2003, pursuant to Legislative Decree no. 231 of June 8, 2001 (Norms Governing the Administrative Liability of Legal Entities). The Compliance Program of the Fiat Group, which was drafted in conformity with the guidelines prepared by Confindustria, is comprised of a General Part and two Special Parts (Offenses Committed in Relations with Public Agencies, and White Collar Crimes). Group companies were asked to adopt the compliance programs in accordance with the rules and general principles contained in the compliance program of the Parent Company after identifying the respective sensitive processes and specific procedures to be developed according to their particular situations.

Handling of confidential information

The Board of Directors promoted the adoption of an internal procedure for handling **confidential information**. This procedure was published as part of a special organizational announcement by the Chief Executive Officer. It lists the different types of confidential information, defines the functions and responsibilities of those who are charged with handling such information, and explains the rules that govern the disclosure of price-sensitive news and the steps that should be followed

when handling and publishing such information. The purpose of this procedure is to prevent potential leaks of confidential information. It imposes the penalties that the Code of Ethics provides for employees who violate confidentiality rules and makes clear that the same level of compliance with its provisions and the same prudent behavior is expected of the Directors and Statutory Auditors.

In compliance with the new norms issued by the Italian Stock Exchange, a code of conduct was also adopted for disclosure by relevant persons of **internal dealing** transactions. The envisaged deadlines and quantities, which are lower than those prescribed in the Italian Stock Exchange norms – defined in the annex to the Internal Dealing Regulation found on the Corporate Governance page of the Group's Web site – require prompt reporting by relevant persons of individual transactions whose countervalue exceeds 80,000 euros and those whose aggregate amount exceeds 15,000 euros on a monthly basis.

Relations with stockholders

One of the Company's principal concerns is to establish and maintain an ongoing dialogue with its stockholders and institutional investors. To that end, Fiat created specific entities that are responsible for managing these relationships.

The Group organizes frequent meetings and conference calls with institutional investors and analysts and uses its Web site (www.fiatgroup.com) to disseminate publicly and in real time the material discussed on those occasions.

The Web site is also used to disseminate corporate, operating and financial information on a regular basis as well as to present news of special transactions. The schedule of corporate events and all documents pertaining to corporate governance are available in a recently created section of the Web site.

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

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

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

Board of Statutory Auditors

The Board of Statutory Auditors comprises three Statutory Auditors and three Alternates, all of whom, as required by

the Company's Articles of Association, must be entered in the Auditors' Register.

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

The Articles of Association envisage that slates of candidates must be accompanied by statements certifying satisfaction of the requirements prescribed by law and the Articles of Association and the absence of factors that would disqualify them, on penalty of rejection of those slates.

STOCK OPTION PLANS

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

- Options are granted to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and his or her performance.
- If employment is terminated or an employee's relationship with the Group is otherwise severed, options that are not exercisable become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions.
- The option exercise price, which is determined based on the average stock market price for the month preceding the option grant, can vary as a result of eventual 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.

A total of 6,420,000 options were granted in 2002, expiring in 2010 and subject to the limits for the first four years described hereinabove.

In consideration of the options previously granted under the aforesaid plans and that have since expired upon termination

of employment, a total of 3,558,700 shares could be issued through a specially reserved capital increase that has already been approved by the Board of Directors. Another 12,223,000 shares represent treasury stock to be assigned to the holders of options pursuant to the conditions envisaged in the specific Regulation.

On several occasions, the Board of Directors further granted the Chairman and the Chief Executive Officer options to purchase ordinary Fiat shares. Detailed information on these transactions is provided in the Notes to the Financial Statements.

The following table summarizes the information on options granted to employees outstanding at December 31, 2002:

	2001			2002		
	Number of shares	Average exercise price (*)	Market price	Number of shares	Average exercise price (*)	Market price
Options outstanding on 1/1	6,406,000	29.76	26.34	12,608,500	24.41	17.92
New options granted during the year	6,202,500	18.87	19.15	6,420,000	11.32	11.32
Expired options	–	–	–	3,326,800	–	–
Options outstanding on 12/31	12,608,500	24.41	17.92	15,791,700	18.80	7.70
of which exercisable on 12/31	1,913,500	29.92	17.92	3,784,575	25.86	7.70

(*) Following the capital increase in January 2002, the exercise prices were adjusted by applying the factor calculated by Borsa Italiana, in the amount of 0.98543607.

Transactions among Group Companies and with Related Parties

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

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

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

- Licensing of the right to use the Fiat trademark, for a consideration based on a percentage of sales, to Fiat Auto S.p.A. (0.5%), Iveco S.p.A. (0.2%) and FiatAvio S.p.A. (0.5%).
- Services provided by Fiat management personnel to Fiat Auto S.p.A., Iveco S.p.A., Teksid S.p.A., Magneti Marelli Holding S.p.A., Toro Assicurazioni S.p.A., and other Group companies.
- Grant of suretyships and guarantees in connection with the issuance of debentures (FiatSava S.p.A.), commercial paper and billets de trésorerie (Fiat France S.A. and Fiat Polska Sp.zo.o.), bonds and lines of credit (Fiat Finance and Trade Ltd, Fiat Finance Luxembourg S.A., Fiat Auto Financial Services Limited, and New Holland Credit Company LLC); and to secure bank loans (Fiat Auto S.p.A., Teksid S.p.A., Sicind S.p.A., Fiat Automoveis S.A., Iveco Fiat Brasil Ltda, Fabbrica Motori Automobilistici S.r.l., Banco CNH Capital Brazil S.A., Case LLC, Sevelnord S.A., and other Group companies), payment obligations under building rental contracts (Ingest Facility S.p.A., Fiat Auto S.p.A., Isvor Fiat S.p.A., Editrice La Stampa S.p.A., Fiat Automobil Verter GmbH, International Metropolitan Automotive Promotion - France - S.A., Fiat Motor Sales Ltd. and other Group companies), and payment obligations under financial leases (Fraikin Locomotion S.A., Fraikin Locatime S.A. and Locamion S.A.).
- Rental of buildings to Ingest Facility S.p.A. and Fiat I&CS S.r.l.
- Deposit of liquid funds with Fiat Ge.Va. S.p.A.
- Purchase of support and consulting services provided by Fiat Gesco S.p.A. (taxation and administration), Fiat Ge.Va. S.p.A. (financial services) and Fiat International S.p.A. (international relations).
- Purchase of inspection and internal auditing services from Fiat Revi S.c.r.l.
- Purchase of information technology services provided by Global Value S.p.A.
- Purchase of external relations services provided by Fiat I&CS S.r.l.
- Purchase of support and consulting services outside Italy provided by Fiat USA Inc., Fiat United Kingdom Ltd., Fiat Iberica S.A., and Fiat do Brasil S.A.
- Purchase of office space, personal and real property maintenance services provided by Ingest Facility S.p.A., and other general services provided by Fiat Servizi per l'Industria S.c.p.a.
- Purchase of personnel training services provided by Isvor Fiat S.p.A.
- Purchase of insurance services provided by Augusta Assicurazioni S.p.A.
- Purchase of automobiles from Fiat Auto S.p.A.

Transactions with related parties that must be mentioned, even though the amounts involved are not significant, is a consulting contract with Jack Welch LLC for an annual amount of 1 million U.S. dollars and legal professional services for 2.4 million euros performed by Franzo Grande Stevens.

Details about the transactions with the greatest financial impact are provided in the analysis of the individual items in the Notes to the Financial Statements.

All the transactions involving intra-Group deliveries of goods and services that are part of the regular operations of the companies involved are discussed in other sections of this Report (Note 21 – Other Information).

During 2002, Fiat S.p.A. subscribed to capital increases executed at Sicind S.p.A., Fiat Netherlands Holding N.V., and Magneti Marelli Holding S.p.A. The interest held in Magneti Marelli Holding S.p.A. was acquired in December from Fiat Netherlands Holding N.V.

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

- In June 2002, CNH Global N.V. executed a capital increase of 375 million shares, of which 50 million shares were offered to the public at the price of US\$4 per share, and the remaining 325 million were subscribed by Fiat Group companies through conversion into capital of financial receivables owed them by CNH Global N.V. In July 2002, the option for subscription of an additional 3.5 million shares was exercised. In consequence of this capital increase, Fiat S.p.A. now owns, through its subsidiary Fiat Netherlands Holding N.V., 85.2% of CNH Global N.V. shares.
- As part of the corporate restructuring program, Fiat Netherlands Holding N.V. sold its interest in Magneti Marelli Suspension Holding S.p.A. to Sici S.p.A., its interests in Magneti Marelli Powertrain S.p.A., Magneti Marelli

Aftermarket S.p.A., and Magneti Marelli Services S.p.A. to Magneti Marelli Holding S.p.A. and its interest in Magneti Marelli Holding S.p.A. to Fiat S.p.A.

- Corporate income tax credits were transferred within the Group or by the controlling companies.

Pursuant to Article 79 of the Consob Regulations set forth in Resolution No. 11971 of May 14, 1999, the following table contains information on the interest that Directors and Statutory Auditors of Fiat S.p.A. hold in the Company or any of its subsidiaries.

Interest held by Directors and Statutory Auditors (Article 79 of Consob Regulations, Resolution no. 11971 of 5/14/1999)

(number of shares)

First name and last name	Description of investment	Number of shares held at 12/31/2001	Number of shares bought in 2002	Number of shares sold in 2002	Number of shares held at 12/31/2002
Pierluigi Bernasconi	Fiat preference	2,000	–	–	2,000
	Fiat ordinary	120	–	–	120
Paolo Cantarella	Fiat ordinary	312	11,203	–	11,515
	Fiat savings	662	–	–	662
	Warrant Fiat ordinary	–	114	–	114
John Philip Elkann	Fiat ordinary	300	–	–	300
Cesare Ferrero	Fiat ordinary	1	–	–	1
Paolo Fresco	Fiat ordinary	–	(1) 211,452	–	211,452
Gabriele Galateri di Genola (2)	Fiat ordinary	2,750	–	–	2,750
	Fiat preference	440	–	–	440
Gianfranco Guty	Fiat ordinary	1,000	–	–	1,000
Felix George Rohatyn	Fiat ordinary	1,000	–	–	1,000

(1) of which 192,500 acquired between 3/6/2002 and 3/19/2002 by converting the net amount of the compensation received as Chairman from the start of paid employment (December 1, 1998), and 18,952 granted by Fiat S.p.A. by converting the net amount of semiannual compensation for the post of Chairman pursuant to the Board of Directors resolution of May 14, 2002.

(2) indirectly owned through his spouse.

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 the early months of 2003 are reviewed below.

- Iveco signed an agreement to sell 100% of Fraikin's share capital to Eurazeo.
This transaction will produce an improvement of about 450 million euros in the net financial position of the Fiat Group.
- Business Solutions S.p.A. agreed to sell to Risanamento S.p.A. (Zunino Group) a package of properties and equity investments in real estate companies that includes an interest of about 56% in IPI S.p.A.
This sale produced an improvement of about 120 million euros in the net financial position of the Fiat Group.
- On March 11, 2003, Fiat signed an agreement with Capitalia, Banca Intesa, Sanpaolo IMI and Unicredito whereby Fiat sold to these four banks a 51% interest in Fidis Retail Italia ("FRI"), a Fiat Group company that provides credit to consumers in Europe for the purchase of motor vehicles.
This transaction is part of the program launched by Fiat to improve its financial position in accordance with the provisions of the framework agreement signed by Fiat and the four banks on May 27, 2002. The sale of the interest in FRI will enable the Fiat Group to reduce its gross consolidated indebtedness by about 6 billion euros.
- In March 2003, Standard & Poor's Rating Services assigned a BB+ rating with negative outlook to Fiat's long-term debt. On the same occasion, Standard & Poor's lowered the rating of Fiat's short-term paper from A-3 to B. In the same month, Fitch Ratings lowered its rating of Fiat's medium term debt from BBB- to BB+ and of Fiat's short-term debt from F3 to B. Furthermore, on December 23, 2002, Moody's Investors Service had lowered its rating of Fiat's medium-term debt from Baa3 to Ba1. The rating of Fiat's short-term paper was cut from Prime-3 (P-3) to Not Prime, with negative outlook.
- On March 22, 2003 the Board of Directors accepted the binding offer presented by the De Agostini Group for the purchase of 100% of Toro Assicurazioni. The transaction is worth 2.4 billion euros and it will cut the Group's net debt by about 1.4 billion euros.
- Further to the agreement reached in December 2002, at the end of March Fiat finalized the sale of the retail financing business of Fiat Auto Holdings in Brazil to the Itaú Group, a leading Brazilian financial institution.
- The following new products were introduced during the first quarter of 2003:
 - Fiat Auto chose the 73rd International Geneva Motor Show for the worldwide introduction of the Fiat Gingo and Fiat Idea.
The Fiat Gingo, a new entry in the subcompact segment, is the most sophisticated city car available to motorists today.

The Fiat Idea combines the driveability and small size of a compact car with the versatility of a true multipurpose vehicle.

- Alfa Romeo introduced new versions of the Alfa Spider and Alfa GTV and staged the worldwide launch of the new Alfa GT Coupé.
- Lancia presented the new Ypsilon, a model that combines outstanding styling with leading-edge technology, to customers around the world.
- Changes in Corporate Offices
At the meeting held on February 28, 2003, upon being informed of Paolo Fresco's decision to resign the posts of Director and Chairman, the Board of Directors coopted Umberto Agnelli and appointed him Chairman.
The Board also accepted the resignations of Felix G. Rohatyn and John F. Welch. It then coopted Giuseppe Morchio, appointing him to the post of Chief Executive Officer, and Luca Cordero di Montezemolo. The Board also named Alessandro Barberis Vice Chairman in place of Franzo Grande Stevens, who will continue to serve as a Director.

BUSINESS OUTLOOK

The economic outlook for the balance of 2003 calls for the continuation of highly unsettled and volatile conditions in the international markets. The reluctance of consumers to spend and businesses to invest, coupled with the increasingly limited room still available to implement stimulative fiscal and economic policies both in Europe and the United States, points to the likelihood of a period of stagnation and, possibly, a further contraction of demand in the main markets where the Group operates.

In this challenging environment, the Group should be able to improve its operating performance despite the absence of the contribution from divested businesses. The improvement will be even more noticeable at the net income level thanks to the gains earned on divestitures and the expected lack of further additions to reserves in excess of those set aside in 2002. Moreover, the proceeds from asset divestitures will provide sufficient resources to meet the Group's funding needs and strengthen its balance sheet.

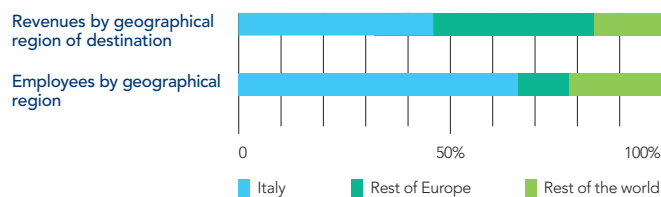
Operating Performance — **Sectors of Activity**



Highlights

(in millions of euros)	2002	2001	2000
Net revenues	22,147	24,440	25,361
Operating result	(1,343)	(549)	44
EBIT	(2,214)	(1,061)	33
Net result before minority interest	(2,739)	(1,442)	(*) (599)
Cash flow	(1,780)	(292)	732
Capital expenditures	1,115	1,331	1,412
Research and development	861	870	776
Net invested capital	1,254	2,340	4,220
Number of employees	49,544	55,174	74,292

(*) The year 2000 figure of the Automobile Sector does not include extraordinary items stemming from the agreement with General Motors worth 460 million euros that were included in the result of Miscellaneous and Holding Companies.



Sales performance

The weakness in the overall economy had an impact on the automobile market. Demand was down 2.9% in Europe, with declines in all major markets except Great Britain (+4.3%). In Italy, the market contracted by 5.9% but bounced back in the second half of the year, when the government provided incentives for the purchase of environmentally friendly cars. A similar situation occurred in Brazil and Poland, where demand was down for 2002 as a whole but showed signs of improvement during the latter part of the year.

In Western Europe, shipments of commercial vehicles (about 1.8 million units) were down 2.4% from 2001. Only Italy bucked the trend, with demand up a healthy 18.8% due in part to the positive impact of the Tremonti Bis Law.

The Sector's share of the automobile market continued to decline, falling to 8.2% in Western Europe (1.3 percentage points less than in 2001) and 30.2% in Italy (-4.4 percentage

Automobile Market

(in thousands of units)	2002	2001	% change
France	2,139	2,250	(4.9)
Germany	3,194	3,278	(2.6)
Great Britain	2,572	2,466	4.3
Italy	2,271	2,413	(5.9)
Spain	1,324	1,422	(6.9)
Western Europe	14,316	14,746	(2.9)
Poland	302	319	(5.3)
Brazil	1,235	1,295	(4.6)



points). Fiat Auto's penetration of the Brazilian market, where it is the leading producer, fell from 28.5% in 2001 to 25.8%. Despite weak demand, the Sector increased its share of the European market for light commercial vehicles to 12.6%. In this market environment, Fiat Auto sold more than 1,860,000 vehicles, or 11.1% less than in 2001. The 10.5% decrease that occurred in Western Europe was due mainly to weak market demand, a further reduction in inventories held by the distribution network, a strategic decision to decrease sales in less profitable channels and the limited positive impact on the full year of several important models launched during the

Sales Performance – Automobiles and Light Commercial Vehicles

(in thousands of units)	2002	2001	% change
France	98.0	103.3	(5.1)
Germany	122.8	147.1	(16.5)
Great Britain	91.0	128.3	(29.1)
Italy	758.7	825.1	(8.0)
Spain	66.5	62.8	5.9
Rest of Western Europe	165.2	188.9	(12.5)
Western Europe	1,302.2	1,455.5	(10.5)
Poland	60.7	76.3	(20.4)
Brazil	358.0	415.9	(13.9)
Rest of the world	139.2	144.5	(3.7)
Total units sold	1,860.1	2,092.2	(11.1)
Associated companies	49.8	34.1	46.0
Grand total	1,909.9	2,126.3	(10.2)



second half of 2002 (the Lancia Thesis and Phedra, the Fiat Ulysse and, most importantly, the Fiat Stilo Multi Wagon). Sales were down in all of the principal markets with the exception of Spain, where they increased by 5.9%. In Italy, the sales decline (-8.0%) was offset only in part by an upturn during the last months of the year that was due to government-sponsored environmental incentives.

The reversals experienced in Brazil and Poland, where sales decreased by 13.9% and 20.4%, respectively, and market share was down, were only partially mitigated by a recovery (especially in Poland) during the last six months of 2002.

Product innovation

In 2002, Fiat Auto continued to upgrade its model lineup and increase the competitiveness of its brands by introducing increasingly sophisticated technologies and making its products safer and more environmentally friendly.

This strategy is embodied in the new cars launched by Fiat (Stilo Multi Wagon and Ulysse), Lancia (Thesis and Phedra) and Alfa Romeo (GTA configuration for the 156, Sportwagon and 147), and in the new 1.9-liter 16-valve JTD diesel engine with Multijet technology (for the Alfa 147, 156 and Sportwagon), the direct injection JTS gasoline engine (for the Alfa 156) and the new 1.3 liter JTD engine (produced by the Fiat-GM Powetrain joint venture) that is scheduled for launch in 2003.

In addition, the Sector continued to expand its line of cars fueled by methane gas (Doblò Bifuel, Ducato Bifuel and, starting in 2003, Fiat Punto) and LPG (Multipla and Ducato).

Growth strategies

During 2002, Fiat Auto continued to strengthen its industrial and commercial presence around the globe. More specifically:

- In China, the joint venture with Yuejin achieved gratifying results with the Palio. The Siena, which was introduced in April 2002, was also well received.
- In India, the Sector increased its market share from 2.2% to 4.5% despite the plan launched toward the end of the year to streamline the sales organization in that country.
- In Turkey, the Tofas associated company responded to the challenge posed by a protracted market slump by using the Doblò to obtain the leadership of the market for light commercial vehicles.

In March 2002, the Automobile Sector adopted a new structure based on five Business Units, each with full responsibility for its operating and financial performance and business development. They are: Fiat, Lancia & Light Commercial Vehicles B.U., Alfa Romeo B.U., International Developments B.U., Fiat Auto Consumer Services B.U. and Aftersales B.U.

Financial and service activities

In 2002, the Sector's financing and mobility services provided financial support for transactions totaling over 6.8 billion euros, including 345 million euros earmarked for assets covered by long-term rental agreements. The decrease of 23% compared with 2001 reflects weakness in Fiat Auto's target markets and a financing policy focused on increasing loan quality and



profitability. Overall, financing was provided to buyers of almost 774,000 vehicles (-33%), equivalent to 30% of the new vehicles sold by Fiat Auto (39% in 2001). In Italy and Western Europe this percentage is roughly the same.

At 23.7 billion euros, financing offered to the distribution network and suppliers was 3% less than in 2001, due to the sales decrease mentioned above and to a drop in production volume.

In 2002, the main focus of Fiat Auto's rental operations — Leasys, a company jointly controlled by Fidis and Enel (long-term rentals for large, multibrand fleets) and Savarent (management of small and medium-size fleets through the Fiat Auto sales network) — was on increasing the profitability of new contracts.

The Sector's rental fleet numbered 123,000 vehicles, or 14% more than in 2001.

For Fiat Auto's operations in the area of mobility services, which are provided by the Targasys Group, 2002 was a year of further strengthening and streamlining of the service business through extension of the services rendered (call-center management through the newly established In Action S.r.l.).

In December 2002, the Sector agreed to sell its Brazilian retail financing business to Itaú, Brazil's second largest

banking group. This agreement was implemented during the first quarter of 2003.

Also in December 2002, Fiat Auto S.p.A., Fidis S.p.A. and ACI (Automobile Club Italia) signed an agreement for the sale of a 50% interest in Targasys.

The Sector's financing and service operations generated revenues of 2,236 million euros in 2002, compared with 2,313 million euros in 2001 (-3.3%). The main reasons for this decrease are the negative impact of unfavorable exchange rates on operations outside the EU and the virtual stoppage of business in such high-risk countries as Argentina and Turkey.

The performance of these operations was in line with the positive results reported in prior years. Operating income totaled 313 million euros (352 million euros in 2001). Most of the decrease is attributable to the difference in the impact of securitization transactions in the two years and the less favorable exchange rate used to recognize the contribution of non-EU operations, especially those in Brazil.

Income before taxes of the normal business of these activities declined to 285 million euros (290 million euros in 2001). The shortfall compared with the previous year was offset, among other factors, by the gain earned on the sale of an interest in Targasys.



Results for the year

In 2002, the Sector had revenues of 22,147 million euros, or 9.4% less than the 24,440 million euros reported in 2001. As discussed above, an 11.1% drop in unit sales is the main reason for the decrease.

The year ended with an operating loss of 1,343 million euros (-6.1% of revenues), compared with a loss of 549 million euros in 2001. This further deterioration reflects a drop in the number of units shipped, offset in part by an improvement in the quality of its sales, and the additional provisions booked to cover a lengthening of the contractual warranty period to two years. Research and development outlays totaled 861 million euros, about the same as in 2001, but advertising expenses decreased by 7.4% to 941 million euros.

A positive contribution came from reductions in product costs and overhead, which were made possible by a cost cutting plan launched in 2002, and from the synergies generated by the Fiat-GM alliance (synergies of 350 million euros, compared with a cumulative amount of 272 million euros at the end of 2001). The net loss for the year widened to 2,739 million euros (-1,442 million euros in 2001) due to a deterioration of Fiat Auto's operating profitability and to the booking of net non-operating charges of 796 million euros, mainly attributable to the restructuring plan (about 550 million euros).





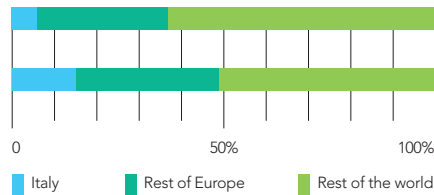
Agricultural and Construction Equipment — CNH Global

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	10,513	10,777	10,770
Operating result	163	209	45
EBIT	165	122	(436)
Net result before minority interest	(211)	(291)	(754)
Cash flow	330	262	(192)
Capital expenditures	431	615	447
Research and development	300	341	366
Net invested capital	5,140	6,597	6,932
Number of employees	28,528	28,127	31,033

Revenues by geographical region of destination

Employees by geographical region



Sales performance

The global market for agricultural equipment expanded by 4.9% compared with 2001, due to strong demand in Western Europe (+5.3%) and Latin America (+15%). In North America, the overall market held relatively steady, but demand for combine harvesters was down sharply.

Sales of agricultural equipment rose by 10.7% compared with 2001, reflecting strong gains in Brazil and especially in Asia, where the new Chinese operations made a positive contribution. In Western Europe, the Sector's continuing success with its combine harvesters enabled it to increase its share of that market, but tractor sales were down due to the limited availability of new models. In North America, sales of combine harvesters held steady compared with 2001 despite a contraction of the overall market. In this market as well, limited availability of new products had a negative impact, especially on shipments of high horsepower tractors.

In 2002, demand for construction equipment declined as weakness in Western Europe (-6.1%) and North America (-9.4%) was offset only in part by gains in Asia (+7%). Unit sales were down 8.3% as the net result of a negative trend in Europe and North America and rising demand in Asia. In this difficult environment, CNH Global maintained its overall position in the heavy equipment market.

Growth strategies

In 2002, the Sector continued to implement its integration plan, focusing on three main areas: industrial restructuring, purchasing and logistics. The restructuring of the manufacturing organization and the streamlining of the product platforms,



which were cut from more than 100 to about 60 without reducing the features that differentiate brand identities, offered some of the best synergies created by the Case and New Holland merger. The growing integration that is being realized in the areas of purchasing, logistics and overhead is expected to yield additional substantial savings.

Product innovation

In 2002, the Sector continued to introduce new products that share common platforms. By the end of 2004, Case IH and New Holland will have adopted new platforms for all of their vehicle lines.

In 2002, Case IH presented two all-new high horsepower row crop tractor ranges: the Magnum and the MXM Maxxum. Joining the Case IH product offering were a new self-propelled forage harvester, a new range of utility tractors and substantial additions to its growing line of hay tools.

New Holland presented its new TG range, which became available in early 2003, and launched a new, expanded TM medium-high horsepower row crop tractor range. Also introduced was the new CR range of rotary combines, expanding the innovative styling and features that earned the CX conventional combine the 2002 Industrial Design Excellence Gold Award as well as the European Combine of the Year Award. New round balers in Europe and North America, a new range of utility combines, upgrades to the existing forage harvester lines, and a significant expansion of the medium and utility tractor ranges in Latin America completed the New Holland offering.

In January 2002, CNH finalized its agreements with Kobelco Construction Machinery Co. Ltd. ("Kobelco Japan") and Kobe



Steel Ltd. for the development, production and sale of crawler excavators and mini-excavators.

In the first quarter of 2002, CNH acquired a 65% interest in Kobelco America and a 10% interest in Kobelco Japan. In July 2002, it increased its interest in Kobelco Japan from 10% to 20%.

Also in July 2002, CNH acquired Hitachi Construction Machinery's interest in Fiat Hitachi Excavators. Concurrently, CNH, Kobelco Japan and Somitomo Corporation formed Fiat Kobelco Machinery S.p.A., to which CNH contributed the assets of the former Fiat Hitachi Excavators and Kobelco Japan contributed its European operations. The partners in the venture own Fiat Kobelco as follows: CNH 75%, Kobelco Japan 20% and Somitomo Corporation 5%. The CNH and Kobelco alliance allows Kobelco Japan to increase its interest in Fiat-Kobelco from 20% to 35% by the third quarter of 2004.

Financial activities

During 2002, CNH and the BNP Paribas Lease Group (BPLG) formed CNH Capital Europe S.A.S., a retail financing partnership that operates across Europe. CNH Capital Europe, which holds the retail financing portfolio, covers all brands and commercial activities of CNH in Europe. Under the partnership, BPLG owns 50.1% of CNH Capital Europe, and CNH owns the remaining 49.9%.

BPLG provides funding and administrative services for CNH Capital Europe. This partnership will permit continued growth without incremental funding or debt on the part of CNH. In turn, CNH will be responsible for the marketing and development of financial products. CNH Capital has now completed its transformation into

a financial services company dedicated solely to the support of CNH dealers and customers across all its brands.

In 2002, revenues totaled 680 million euros, or 20% less than in 2001 (decrease of about 16% when stated in U.S. dollars). A decline in financial income caused by the reduction of the investment portfolio that resulted from the sale to CNH Capital Europe of the operations in Western Europe and the divestiture of noncore assets during the year is the main reason for the shortfall.

The profitability of the financing operations benefited from the lower amounts allocated to the allowance for doubtful accounts, which was made possible by the Sector's strategy of focusing on its core businesses. Income before taxes grew to 89 million euros, up from 10 million euros in 2001.

Results for the year

CNH had revenues of 10,513 million euros in 2002. The decrease of 2.4% compared with the previous year is due to the negative impact that the appreciation of the euro versus the U.S. dollar had on currency translations. When stated in U.S. dollars and on a comparable consolidation basis, revenues show little change from 2001.

CNH ended the year with operating income of 163 million euros (1.6% of sales), against income of 209 million euros in 2001.

The drop in operating profitability is due entirely to higher employee medical and pension costs. Without these charges, operating income would have shown a substantial improvement when compared with the previous year. Higher margins earned on new products, some positive



pricing on agricultural equipment and efficiency improvements had a positive impact on the bottom line.

The Sector's increasingly successful integration and industrial streamlining plan, which was undertaken after the merger, resulted in profit improvements of about \$114 million during 2002, bringing the cumulative synergies to about \$547 million at the end of 2002, against a plan objective of about \$850 million by the end of 2005.

Depreciation and amortization totaled 541 million euros, compared with 553 million euros in 2001. The depreciation and amortization amount for 2002 includes 168 million euros for amortization of the goodwill from the Case acquisition.

The result for the year was a net loss of 211 million euros, up from a net loss of 291 million euros the year before.

The Sector's interest in the net result was a loss of 220 million euros (296 million euros in 2001).

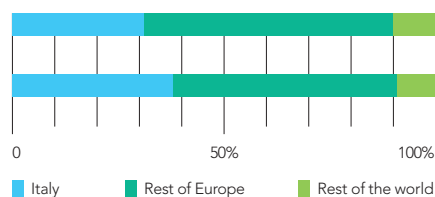
Cash flow was a positive 330 million euros (262 million euros in 2001). This improvement is due primarily to the smaller net loss incurred in 2002.

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	9,136	8,650	8,611
Operating result	102	271	489
EBIT	(409)	46	422
Net result before minority interest	(493)	(123)	147
Cash flow	(70)	287	569
Capital expenditures (*)	587	718	656
Research and development	239	215	227
Net invested capital	1,582	1,979	2,207
Number of employees	38,113	35,340	35,852
(*) Vehicles under long-term rentals	331	348	306

Revenues by geographical region of destination

Employees by geographical region



Sales performance

In Western Europe, demand for commercial vehicles totaled 650,500 units in 2002, or 5.7% less than in 2001. Only Italy reversed the trend (+11.1%), due mainly to the positive impact of the investment incentives provided by the Tremonti Bis Law.

New registrations of light commercial vehicles (GVW between 3.5 and 6 tons) were down 2.2% to 355,000 units. The decrease in demand that occurred in all major European markets was offset only in part by a substantial gain in Italy (+13.8%), and a steady performance in Great Britain (+3.0%).

Demand for medium vehicles (GVW between 6.1 and 15.9 tons) decreased by 8.6% to 81,800 units.

Commercial Vehicles Market (GVW ≥ 3.5 tons)

(in thousands of units)	2002	2001	% change
France	113.4	123.1	(7.9)
Germany	125.8	140.4	(10.4)
Great Britain	116.9	118.6	(1.5)
Italy	105.0	94.6	11.1
Spain	68.9	72.8	(5.4)
Western Europe	650.5	689.7	(5.7)

Commercial Vehicles Market (GVW ≥ 3.5 tons)

(in thousands of units)	2002	2001	% change
Heavy	213.7	237.3	(9.9)
Medium	81.8	89.5	(8.6)
Light	355.0	362.9	(2.2)
Western Europe	650.5	689.7	(5.7)



The negative impact of sharp decreases in Germany and Great Britain (-16.5% and -8.6%, respectively) was only partially offset by a 17.8% increase in Italy.

With 213,700 new units registered in 2002, the market for heavy vehicles (GVW ≥ 16 tons) contracted by 9.9%, with particularly steep declines in Germany (-14.7%), France (-12.3%) and Great Britain (-6.5%). Only Italy recorded a gain, with demand increasing by 2.7%.

Iveco sold 161,883 vehicles worldwide, or approximately 0.9% more than in 2001. The Sector's licensee associated companies shipped approximately 37,500 vehicles, or 9.3% more than in 2001. In Western Europe, the Sector sold 128,760 vehicles, or about the same as in 2001 (-3.0% on a comparable basis). The main reason for this reduction was a decline in the French market, where the Sector experienced a sharp 23.1% drop in unit sales, due in part to a more selective approach in signing new contracts with buyback clauses, and to weak demand in Germany (-8.0%). These decreases were offset by positive performances in Italy and Great Britain.

Iveco's share of a contracting Western European market for vehicles with a curb weight equal to or greater than 3.5 tons increased to 17.9% (+0.9 percentage points). The main reason for this achievement is the Sector's outstanding performance in the medium-vehicle segment, in which Iveco became the European market leader with a penetration of more than 30% (+5.3 percentage points). The Sector's share of the heavy-vehicle segment also improved, rising by 1.3 percentage points to 12.3%. This improvement reflects the success of the new Stralis, which was named Truck of the Year 2003.

Iveco's performance in the light vehicle segment (market share of 18.5%) was comparable with 2001, owing in part to an upturn



in the fourth quarter of the year, when the Sector launched a Daily with a new 2.3-liter engine.

Counting its different brands, the Irisbus Group sold a total of 8,431 vehicles (-11.2%) and its market share in Western Europe reached 27.3%. During the year Irisbus became co-leader with the Evobus Group.

Iveco produced 361,200 engines. The decrease of 13% compared with 2001 is due mainly to a drop in production of light engines for noncaptive customers and weak demand in the power generation market. Sales to noncaptive customers accounted for 58% of total production, or 3 percentage points less than in 2001.

In China, Naveco, a 50-50 joint venture with the Yuejin Group, produced and sold more than 14,500 units (+10%). In India, the Iveco licensee Ashok Leyland produced and shipped 33,450 vehicles (+9%).

In Turkey, the Otoyol licensee sold about 4,100 units (+13%). In 2002, Iveco continued to expand its portfolio of maintenance and repair services. It had a total of 43,500 contracts in force at the end of 2002, or 24% more than at December 31, 2001.

Financial and service activities

In 2002, the finance companies of the Iveco Finance Group, which provide financing and leasing services to support the sales of Iveco products, enjoyed a growth rate comparable with that in 2001. They signed about 34,000 contracts to finance sales of new commercial vehicles and about 6,000 contracts for used vehicles (+12%). Iveco Finance provided funding for 29.4% of the vehicles sold by the Sector, about the same as in 2001.

A total of 105,700 financing contracts were outstanding at the end of 2002 with a total net value of about 2.6 billion euros. A new company was established in Portugal in 2002.

The pool of rental vehicles operated by the Fraikin Group (37,000 units) held relatively steady overall, as a sharp increase in Spain (about 50%), made possible by strong growth in the long-term rental market, was offset by a 15.8% decline in Great Britain.

The Sector's operations that provide rental and financing services to retail customers generated aggregate net revenues of 1,005 million euros in 2002 (787 million euros in 2001). This improvement reflects the consolidation of the newly-established Iveco International Trade & Finance (211 million euros, including 190 million euros from trading activities with dealers outside Europe).

Operating income was down 3% to 43 million euros. The 183 million euro loss before taxes (pre-tax income of 46 million euros in 2001) of the normal business of these activities was due mainly to the recognition of a loss incurred in connection with the Fraikin divestiture (210 million euros).

Sales Performance – Units Sold by Product Segment

(in thousands of units)	2002	2001	% change
Heavy	31.6	31.6	–
Medium	24.6	24.0	2.5
Light	91.6	96.2	(4.8)
Busses (*)	8.8	4.9	79.6
Divisions (**)	5.3	3.7	43.2
Total units sold	161.9	160.4	0.9

(*) In 2001, 50% interest in Irisbus + Iveco's Bus Division.

(**) Astra, Defense and Firefighting Vehicles.



Product innovation and investments

In the area of product innovation and development, Iveco completed the development work and made the investments needed to launch the Stralis AT/AD trucks at the beginning of 2003. In the intermediate range, the focus was on the New Eurocargo vehicles, which will be launched in stages during the second quarter of 2003. The Sector also continued to develop new families of engines configured for different types of applications (automotive, agriculture, power generation and railroad). It also continued to invest in the NEF line of engines and in the F1A line of low horsepower engines, which are expected to generate an increase in production due to their suitability for new applications.

Results for the year

In 2002, Iveco's net revenues totaled 9,136 million euros. On a comparable consolidation basis (Irisbus Group), this amount was 1.5% less than in 2001. The Sector was able to increase its share of the European market, which contracted by 5.7% overall, and to increase sales in countries outside Europe. Operating income declined to 102 million euros (271 million euros in 2001). This decrease is the net result of strong competitive pressure caused by the negative impact of a slump in demand, which was only in part offset by the gain in market share. Other factors affecting the Sector's operating profitability include higher provisions for warranties, a more

aggressive reserve policy implemented in the second half of the year in response to a product recall and greater writedowns of the value of used vehicles. Depreciation and amortization totaled 423 million euros in 2002, compared with 410 million euros in 2001.

At 493 million euros, the net loss was significantly larger than in 2001 (net loss of 123 million euros). This was due to impact of non-operating expenses booked in 2002 mainly to recognize the loss incurred in connection with the Fraikin divestiture and writedowns of the carrying value assigned to the assets of Ikarusbus, the Sector's Hungarian subsidiary, to reflect a cutback in the production allocated to the local market.

Sales Performance – Units Sold by Country

(in thousands of units)	2002	2001	% change
France	17.6	22.9	(23.1)
Germany	15.0	16.3	(8.0)
Great Britain	16.2	15.4	5.2
Italy	44.3	39.3	12.7
Spain	14.7	15.2	(3.3)
Western Europe	128.8	128.4	0.3
Eastern Europe	9.5	9.7	(2.1)
Rest of the world	23.6	22.3	5.8
Total units sold (*)	161.9	160.4	0.9
Associated companies	37.5	34.3	9.3
Grand total	199.4	194.7	2.4

(*) Including 50% of Irisbus sales in 2001 and 100% in 2002.



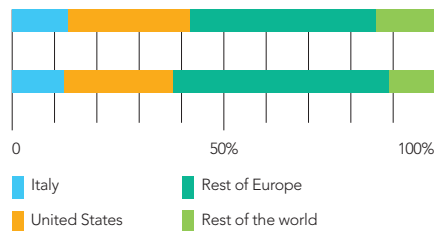
Ferrari and Maserati

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	1,208	1,058	893
Operating result	70	62	45
EBIT	44	62	40
Net result before minority interest	22	47	7
Cash flow	99	123	71
Capital expenditures	176	125	52
Research and development	94	81	63
Net invested capital	142	122	113
Number of employees	2,896	2,566	2,341

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

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



Operating performance

In spite of the challenging and uncertain economic environment, **Ferrari**'s performance in 2002 was better than in 2001, which had already been an excellent year in commercial and sporting terms.

The Sector's racing activities achieved victories in both the Constructors' Championship and the Drivers' World Championship earlier in the season than last year, winning 15 out of 17 Grand Prix, and both Ferrari drivers stepped on to the winner's podium nine times. Reliability and consistency of performance, even on widely different tracks in terms of characteristics and weather conditions, were the key to Ferrari's control over a challenging season against the teams fielded by the world's most renowned and respected constructors. Excellence in Industrial Operations was confirmed with the launch of the limited series car named after Enzo Ferrari. The model is meant to be the symbol of the most advanced technology while still complying with the necessary usability requirements of a road car. All available 399 Enzo Ferrari models were ordered at the time of its presentation at the Paris Motor Show.

During the year, the 575M Maranello 12 cylinder model was introduced as the successor to the 550 Maranello; it is characterized by yet more extreme performance, though coupled with a high level of comfort.

For **Maserati**, 2002 was the year of the important return to the US market after an absence of more than ten years, and immediately making it the foremost sales and assistance area in the world.

The success of the Maserati Coupé, launched in January 2002 and enthusiastically received both by the media and by customers, confirms the ability to offer innovative cars whose performance and quality surpass the competition. The commercial targets achieved and the creation of a motivated, cohesive team operating in a people-first work environment have taken Maserati to the first place in the list of best companies to work for, prepared by *Il Sole 24 Ore*, an Italian newspaper.

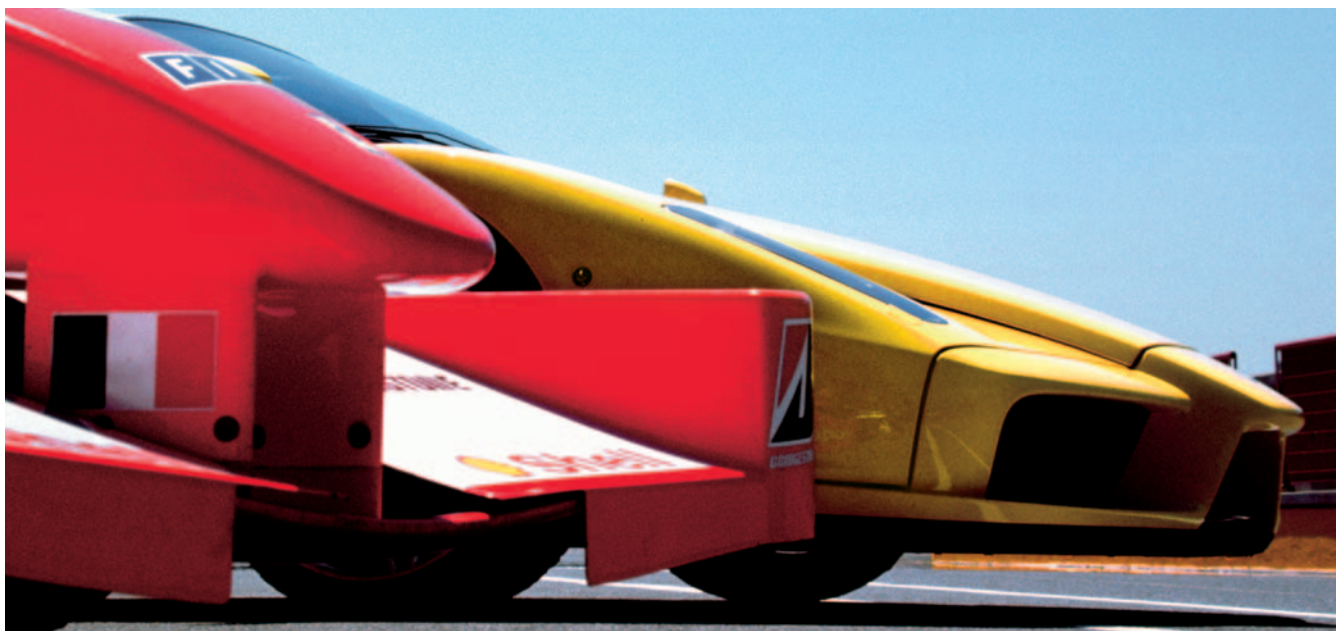
A final noteworthy item is the presentation of the new Maserati racing team and the Trofeo version of the Maserati Coupé for the 2003 single-marque championship, which will see Maserati's return to the tracks.

Sales to end customers totaled 7,536 cars (6,158 in 2001, +22%), of which 4,236 were built by Ferrari (consistent with 2001) and 3,300 by Maserati (1,869 in 2001, +77%).

A breakdown of cars shipped under the **Ferrari** brand confirms that the United States is the main market with 1,206 units (in line with 2001). European customers purchased 2,442 cars. Germany confirmed its position as the largest European market and second in the world (683 units, +5%). Italian customers purchased 518 units (+6%).

In 2002, **Maserati** shipped 3,567 units, doubling the volumes of the previous year.

The most important markets were the United States (1,172 units, after 13 years of absence), Germany (590 units, +38%), Great Britain (431 units, +21%) and Italy (403 units, +48%).



Results for the year

At the consolidated Ferrari/Maserati level, revenues were about 1,208 million euros, whereas in 2001 they had been 1,058 (+14,2%). Operating income totaled 70 million euros, up from the 62 million euros of 2001 both thanks to the growth in Maserati's volumes and to the better price positioning of Ferrari models. Capital spending amounted to 176 million euros (125 million euros in 2001) and research and development outlays totaled 94 million euros (81 million euros the previous year), confirming the brands' commitment to product and process development and innovation. Net income totaled 22 million euros (down from 47 in 2001) after discounting for greater net non-operating expenses amounting to about 26 million euros (they had been equal to zero in 2001).

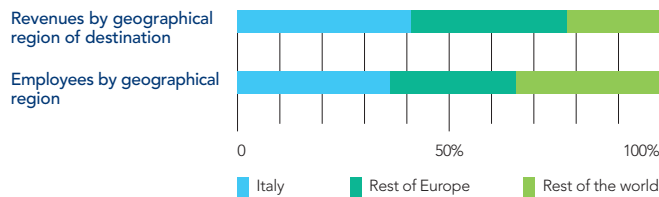




Components — Magneti Marelli

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	3,288	4,073	4,451
Operating result	(16)	(74)	55
EBIT	(348)	208	292
Net result before minority interest	(435)	82	139
Cash flow	(245)	289	353
Capital expenditures	148	240	231
Research and development	162	227	213
Net invested capital	524	1,073	1,131
Number of employees	20,716	24,228	25,975



Operating performance

In 2002, the reference market was characterized by general disappointed expectations for the improvement of the macroeconomic environment, accompanied by the continuation and, in certain cases, worsening of trends that had first appeared in late 2001.

This situation was aggravated by weakening demand on the part of OE manufacturers, especially in Europe and South America, which had a negative impact on production volumes.

The shareholder's strategy, in consideration of the above factors, was therefore aimed at portfolio focusing and completing the sector's corporate restructuring.

In this extremely challenging environment, the Sector continued its successful commercial and manufacturing activities and moved farther along on its technological excellence path, which has always characterized its actions.

This is attested by the new customer assignments (PSA, Daimler-Chrysler, BMW, Volkswagen, Fiat/GM), the completion

of the phases for the launch of new products (new generation Diesel Common Rail System and variable light beam headlights), as well as the renewed successes in sports competitions (Formula 1, Rally and Superbike).

Results for the year

In 2002, the consolidated net revenues of Magneti Marelli amounted to 3,288 million euros: on a comparable consolidation and foreign exchange basis, the figure declined by 5.9% from 2001, due to the production slowdowns mentioned above.

The operating loss came to 16 million euros (compared to a 20-million-euro loss in 2001, on a comparable basis): the negative impact of the severe contraction in volumes was more than offset by the efficiency gains achieved in the manufacturing processes, as well as by the favorable trend in the cost of materials.

Depreciation and amortization totaled 190 million euros (190 million euros in 2001 on a comparable basis) while research and development outlays amounted to 162 million euros (170 million euros in 2001 on a comparable basis).

The performance of the markets and the consequent impact on production capacity in the various businesses made it necessary to implement an important industrial plan whose costs significantly impacted the net result.

In particular, 320 million euros were recorded during the year for costs and provisions connected to restructuring plans and consequent writedowns of assets.

The non-operating entries described above are the reason for the net loss for the year, which came to 435 million euros, compared to the net income of 82 million euros posted in 2001, which, however, benefited from the 355 million euros in capital gains realized by the Sector from the sale of the Climate Control Division.

The Sector's interest in the net loss was 432 million euros, as opposed to an interest in net income of 84 million euro a year earlier.

Cash flow was negative for 245 million euros, due to the severe impact of the non-operating costs described above.



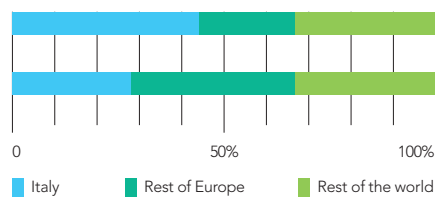
Production Systems — Comau

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	2,320	2,218	2,440
Operating result	(101)	60	87
EBIT	(247)	30	77
Net result before minority interest	(302)	(36)	6
Cash flow	(238)	27	63
Capital expenditures	20	38	36
Research and development	17	22	20
Net invested capital	163	378	486
Number of employees	18,186	17,243	17,636

Revenues by geographical region of destination

Employees by geographical region



Operating performance

In 2002, the performance of the Sector's reference market was characterized, especially during the second half of the year, by reductions in the capital spending programs of US automotive manufacturers.

In Europe, the situation remained substantially stable, but was characterized by strong competition in terms of prices and financial conditions.

In South America, the downward trend in capital spending was exacerbated, both as a result of the continuing severe crisis in Argentina and of the political and economic uncertainties in other countries in that area.

Demand for production systems has been evolving toward investments with lower unit value, oriented above all to a rationalization of existing production capacity (greater flexibility and modularity), given the economic environment.

In 2002, new orders for contract work totaled 1.8 billion euros, up 2.5% over 2001 thanks mostly to the contracts booked in North America (Bodywork Systems) and in Europe (Bodywork and Painting Systems) which offset the fewer orders on both markets for Mechanical Systems activities.

An analysis by region shows that 61% of orders were booked in Europe, 35% in the NAFTA countries, while the remaining

4% was booked in Brazil and on new markets (South Africa and China).

Fiat Group customers accounted for 17% of total orders (21% in 2001) and outside carmakers for 83% (79% in 2001).

At December 31, 2002, the order portfolio for contract work stood at 1,210 million euros, down from last year (1,473 million euros at December 31, 2001) mainly due to the negative conversion effect on the dollar denominated portion of the portfolio, caused by the Euro's appreciation, and to greater progress in contract work.

The maintenance service operations (Comau Service) enjoyed higher revenues in 2002 (about 9% over 2001), due both to growth in the delivery of services to third parties and to greater interchanges with other Comau divisions.

Results for the year

In 2002, the Sector had revenues of 2,320 million euros, up 4.6% over the previous year, as a result of the good recovery in volumes for contract work in the NAFTA area after the crisis of 2001 and of the growth in maintenance services revenues, which allowed to offset the drop in contract work in Europe and South America.

The operating loss amounted to 101 million euros (-4.4% of revenues) compared to an income of 60 million euros recorded the previous year (+2.7% of revenues) essentially due to considerable losses for extra costs recorded on an important contract in Europe.

Research and development outlays totaled 17 million euros (22 million euros in 2001), while amortization and depreciation rose slightly to 64 million euros (63 million euros a year earlier). Net loss for the year was 302 million euros. The performance decline from the previous year (losses had amounted to 36 million euros in 2001) is due both to the drop in operating profitability and to non-operating expenses incurred during the year, amounting to 146 million euros, mainly deriving from depreciation and amortization for about 82 million euros of some fixed assets (mainly of the goodwill associated with the former Pico), and from charges and provisions for restructuring, amounting to about 23 million euros.

The Sector's interest in the result was a net loss of 302 million euros, compared to the loss of 37 million euros in 2001.

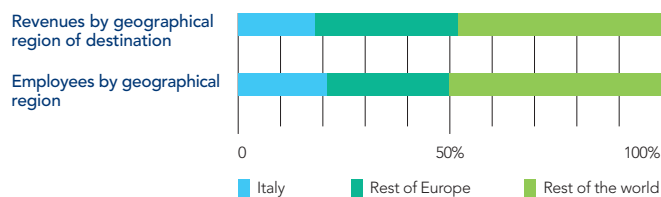
In 2002 cash flow (net income plus amortization and depreciation) was negative for 238 million euros, whereas in 2001 it had been positive for 27 million euros.



Metallurgical Products — Teksid

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	1,539	1,752	1,873
Operating result	27	15	101
EBIT	(137)	(67)	68
Net result before minority interest	(214)	(125)	8
Cash flow	(121)	(16)	113
Capital expenditures	78	151	182
Research and development	21	27	29
Net invested capital	250	788	861
Number of employees	7,368	13,827	14,286



Operating performance

The slowdown in the growth of the world economy which had characterized performance in 2001 continued to affect the markets where the Sector operates in 2002 as well. The heavy economic repercussions generated by the highly uncertain climate on the markets following the terrorist attacks of 2001 have again proven to be critical factors, dampening recovery expectations.

Against this background, Teksid continued the reorganization of the Sector, and at the end of September 2002 the **Aluminum** Business Unit was sold to Questor Management Company. As regards the other activities:

- In 2002 **Meridian** (Magnesium) was involved in a series of high technology product launches in the Italian and Canadian plants for Mercedes, BMW, Opel, Jaguar and Ford and it completed the acquisition of new orders: among them, particularly relevant are those with General Motors in the United States and Land Rover in England. For the latter, the phases of site identification and planning for the construction of a local production unit in cooperation and synergy with existing suppliers have been completed. The contribution of the Business Unit to the Sector's total revenues was 19.8% (17.7% in 2001).
- The **Cast-Iron** Business Unit continued its profitability recovery action on the more critical production sites. It is important to

stress the commercial activities already carried out, which will allow to improve, within the time frame of the plan, production saturation with the acquisition of new orders. On the American market, Brazil performed a primary role, enhancing its portfolio with 40 new components for local clients, Pegasus block and cylinder head for CDC Cummins and a block for Mack Trucks; Mexico contributed with 2 Cummins cylinder blocks.

In the European area, Poland broadened its portfolio inserting a component for Toyota (differentials) and others for Daimler Chrysler, in France with a new engine block for Renault, a suspension arm for ACI and parts of turbochargers for Honeywell Garrett and General Motors. In Italy, orders have been obtained for the supply of drive shafts for Deutz, F1C engine blocks and bed plates for Iveco, while in Asia (China) deliveries were started on 3 engine blocks for BHMC. The Business Unit's contribution to Sector revenues amounted to 37.5% (39.2% in 2001 on a comparable consolidation basis).

Results for the year

In 2002, the Sector had revenues of 1,539 million euros, or 12.2% less than in the previous year (-5.3% on a comparable basis). At 660 million euros, revenues of the **Aluminum** Business Unit were about 6% lower than in 2001, on a comparable basis; the market contraction accounted for about 10% of the decrease, on a comparable consolidation basis, in the **Cast-Iron** Business Unit's revenues, which amounted to 575 million euros. By contrast, the **Magnesium** Business Unit bucked the trend, with revenues of 304 million euros (+6% over the previous year), thanks to the positive performance of the SUV market in North America, where the Business Unit concentrates its operations. Non captive customers accounted for 90% of total revenues (80% in 2001).

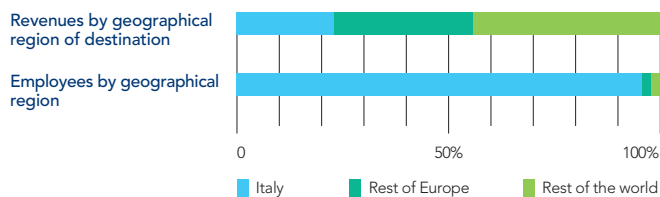
The Sector's operating income was 27 million euros (1.8% of revenues). On a comparable basis, operating profitability improved by about 49% with respect to the previous year, thanks to the cost reduction interventions and to the greater efficiency achieved by the Cast-Iron Business Unit, which more than offset the reduction in volumes.

Depreciation and amortization totaled 93 million euros and research and development outlays amounted to 21 million euros.

The net loss for the year came to 214 million euros, against a net loss of 125 million euros in 2001, and was due in part to non-operating expenses of 156 million euros, mainly connected with the sale of the Aluminum Business Unit and the depreciation of other fixed assets.

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	1,534	1,636	1,491
Operating result	210	186	143
EBIT	183	495	164
Net result before minority interest	116	425	83
Cash flow	185	514	173
Capital expenditures	130	41	36
Research and development	145	132	104
Net invested capital	618	587	71
Number of employees	5,049	5,243	5,362



Operating performance

2002 was characterized by the continuing weakness in worldwide demand for air travel, which started during the last quarter of 2001. Demand for new engines and overhaul services from commercial aviation customers felt the negative impact of the downsizing imposed by airlines, especially in the West. The governmental market, however, is expanding, both because European Governments need to renew their military fleets and because of the increased defense spending in the United States.

Of importance, in the **commercial aircraft market**, is the entry into service of the Trent 500 engines on the Airbus A340-600 and PW308 on the Dassault Falcon 2000 Ex, in addition to the completion of flight certification activities on the GE90-115B engine for the Boeing B777-200ER and of the T700-T6E1 engine for the Italian helicopter NH90.

In the United States, in spite of the weak demand for power generation units that use aircraft energy to produce electricity, a letter of intent was signed with General Electric for the development and manufacture of an innovative industrial turbine with a power of over 100 MW (LM7000) whose initial entry into service is expected for 2005–2006.

Work performed under **government programs** included continued series production of EJ200 engines for the Typhoon European fighter and collaboration with Honeywell for the F124 GA 200 turbofan engine for the Aermacchi M346 advanced

trainer. In 2002 FiatAvio also defined important collaboration agreements with General Electric and Rolls-Royce North America for the development and production of the F136 engine destined to the American fighters F-35 (JSF). Naval programs continue with the delivery of the propulsion system for the Italian Navy's new aircraft carrier and for the new Orizzonte Class frigates for the Italian and French Navies (a total number of 12 LM2500 Turbines). The first "Power by the Hour" contract for services integrated with the ISIS (In Service Information System), was signed with the Italian Air Force. Positive developments in the **Commercial Engine Overhaul** Division included agreements reached for the maintenance of JT8D-200 engines with customers in Asia (Indonesia) and North America (United States). The maintenance agreement with Air Dolomiti for the PW100 engines was extended to five years. Moreover, the first contracts with Italian operators for the overhaul of CFM56-7 and CFM56-3 were signed.

As to the **Space** Business Unit, Arianespace maintained a market share of 50%, completing 4 launches with the Ariane 5 and 7 with the Ariane 4.

Following the problems with the new cryogenic engine, noted during the Ariane 5 launch of December 2002, corrective actions are underway and flights are due to resume with the standard version of the launcher.

Within the "VEGA" program, detailed design of the Zefiro 23 and Zefiro 9 engines began in the fourth quarter of 2002, while the design of the solid fueled rocket P80 has entered the operative phase.

Results for the year

In 2002, the Sector had revenues of 1,534 million euros, down 6.2% from 2001 mainly due to the slowdown in the commercial aircraft market.

The year ended with an increase in operating income, amounting to 210 million euros (13.7% of revenues) as opposed to 186 million euros (11.4% of revenues) of 2001, thanks mostly to the efficiency gains achieved and the containment of operating expenses.

Depreciation and amortization totaled 69 million euros (89 million euros in 2001) and research and development outlays amounted to 145 million euros (132 million euros in 2001).

Net income for the year amounted to 116 million euros, down from 425 million euro posted the previous year, which however benefited from a capital gain of 328 million euros achieved by the contribution of Fiat Energia to Italergeria.

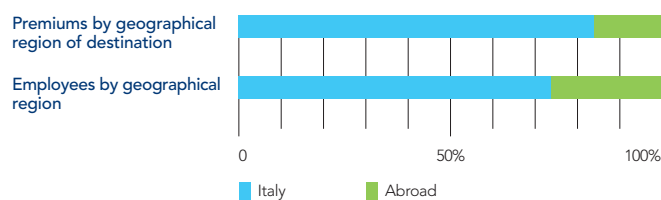
Cash flow in 2002 was 185 million euros, lower than 2001 when the Sector had benefited from the aforesaid extraordinary capital gain.



Insurance — Toro Assicurazioni

Highlights

(in millions of euros)	2002	2001	2000
Consolidated premiums	5,238	5,751	4,498
Premiums earned	4,916	5,461	4,363
Result before taxes	14	220	163
Net result before minority interest	9	152	85
Policy liabilities and accruals	16,508	15,677	12,010
Investments in financial assets and real estate	17,485	16,971	13,232
Stockholders' equity	1,629	1,826	1,593
Number of employees	3,098	3,213	2,875



Operating performance

In 2002, the Italian insurance market expanded by about 15%. Demand for life insurance, which benefited from the reallocation of part of managed investment assets from equity mutual funds to insurance products with guaranteed principal, was up 20%. The casualty insurance market grew by 6%, which is in line with previous years.

Consolidated premiums decreased by about 500 million euros in 2002, due mainly to a drop in the life insurance business generated by the bankassurance channel, but casualty insurance premiums increased by 5%.

The performance of the Sector's companies is reviewed below:

- **Toro Assicurazioni**, the Sector's lead company, continued to implement a development plan focused on maximizing profitability. Premiums written in 2002 were 3.5% higher than in 2001.
- **Nuova Tirrena**, which reported premium volume in line with 2001, achieved a further improvement in operating performance, lowering its ratio of claims to premiums by four percentage points.
- **Roma Vita**, a joint venture with Fineco Group S.p.A. (Capitalia Group) that sells insurance through the Capitalia banking network, wrote premiums totaling 1,789 million euros, or 23.6% less than in 2001. The main reason for this decrease was the complex process of reorganization that involved the Capitalia Group following its integration with the Bipop-Carire Group toward the middle of 2002.
- **Toro Targa Assicurazioni**, a joint venture with Fiat Auto, was adversely affected by a slump in the Italian automobile

market and by the highly selective standards applied when underwriting new contracts.

In Brazil, however, premiums written were up sharply, and Phenix, the Sector's local subsidiary, was ranked among the top ten insurance companies in the Brazilian market.

- In France, the **Continent Group** operated at about the same level as it did in 2001, despite weakness at **Guardian Vie**, which was adversely affected by a drop in demand from French customers for insurance products that are primarily financial in nature.

Two major life insurance products were launched in 2002: Toro Rendimento Più, a capitalization policy with guaranteed return, and Toro Index Five, an indexed policy linked to the stock market that offers guaranteed principal. After making the necessary adjustments, both products were distributed through all of the Sector's sales networks.

Results for the year

Consolidated premiums totaled 5,238 million euros in 2002. Casualty insurance contributed 2,767 million euros and life insurance 2,471 million euros.

The performance of the insurance operations benefited from a marked improvement in the claims-to-premiums ratio. This gain was made possible by ongoing programs launched in recent years to weed out and rebalance the underwriting portfolio and by a decline in the rate of claims that was greater than the overall decrease experienced by the Italian market. Fixed costs, which held steady compared with 2001, reflect the large investments made in 2002, especially in the area of information technology, to accelerate the process of intra-Group integration launched in 2001.

The positive results achieved by the insurance operations, which attained a combined ratio of less than 100 for the first time, together with an improvement in investment income and gains earned on the sale of real estate assets (about 120 million euros), were offset by the negative impact of unsettled conditions in the financial markets, which produced a loss of about 220 million euros when the Sector marked to market its portfolio of equity securities and investments, and by permanent loss in value of the strategic investments in Fiat S.p.A. and Capitalia S.p.A., which had an additional negative impact of 200 million euros.

Income before taxes came to 14 million euros in 2002 (220 million euros in 2001). Earnings after taxes declined to 9 million euros (152 million euros in 2001).

Investments in financial assets and real estate increased compared with 2001, totaling 17,485 million euros at December 31, 2002. Fixed income securities accounted for 72% of the investment portfolio, equity securities for another 23%. Investments, which were reduced by the extraordinary writedowns taken in 2002, exceeded insurance reserves by 977 million euros.

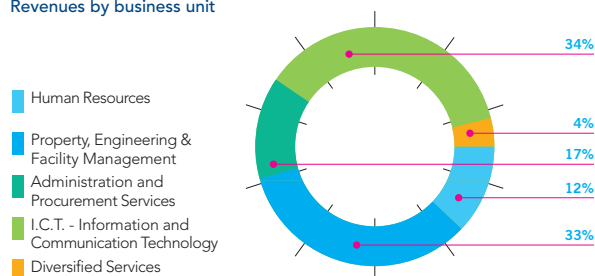


Services — Business Solutions

Highlights

(in millions of euros)	2002	2001
Net revenues	1,965	1,805
Operating result	67	73
EBIT	(140)	608
Net result before minority interest	(119)	497
Cash flow	(77)	567
Capital expenditures	14	32
Net invested capital	478	648
Number of employees	7,900	7,171

Revenues by business unit



Operating performance

Business Solutions marked its second year of activity in 2002, which represented a milestone for the consolidation and reinforcement of its activities in the field of integrated corporate services and outsourcing of business processes.

Its target market continued to grow in 2002, albeit at a slower than expected rate that varied according to the respective segments (from +5-6% in the administration area to approximately +18-20% for temporary work and human resources).

A special note must be made in regard to the business climate in Italy: although companies are favorable to outsourcing, decision-making processes remain extremely rigid and are characterized by major resistance, particularly in the public administration.

Therefore, during 2002 the Sector focused in particular on reinforcing its commercial position, which included conducting an advertising campaign on the Italian market, while exploiting the maximum potential offered by synergies with its operating partners.

Certain acquisitions enabled the Sector to strengthen its presence in several areas of activity, particularly upon acquisition of a temporary employment agency, Cronos S.p.A. On the other hand, it disposed of Teleclient S.p.A. (call-contact center services), a company that was no longer considered to be of strategic importance.

The operating performance of the Sector is described as follows, broken down according to business unit:

■ **Human Resources:** this Unit provides services in payroll management and human resources in general, training, and temporary employment: the Sector is one of the top

four operators on the Italian market in this last area. The Unit generated revenues of 235 million euros, with non-captive customers accounting for more than 70% of revenues.

■ **Property, Engineering & Facility Management:** this Unit covers all needs involving the improvement, management, and sale of large real estate holdings, and the supply of integrated services and regular and extraordinary maintenance of offices and industrial sites. Fiat Engineering S.p.A., on the other hand, is the Unit's general contractor, with a strong presence in civil engineering projects and construction of large infrastructures. The Unit's revenues totaled more than 657 million euros, with customers from outside the Fiat Group accounting for 75% of revenues.

■ **Administration and Procurement Services:** this Unit offers administration services on an outsourced basis and corporate financial consulting support (Fiat Gesco S.p.A.). It also provides services relating to back office operations and procurement (both traditional and online), customs services, and logistics. The Unit's revenues totaled about 340 million euros.

■ **I.C.T. Information and Communication Technology:** This Unit, operating through a joint venture with IBM called Global Value, provides technology infrastructure management and software application development services. Its ICT activities also include a 30% interest in Atlanet S.p.A., a provider of telephony services. The Unit's revenues totaled 672 million euros.

Finally, Business Solutions is also active in the real estate business, with the mission of maximizing the value and disposing of Fiat Group real estate assets and operating the lift facilities at the Via Lattea ski resort.

Results for the year

The aggregate consolidated revenues of the Sector in 2002 were 1,965 million euros (+8.9% as compared with the previous year), with non-captive customers accounting for 51% of the total (42% in 2001).

Operating income totaled 67 million euros, 6 million euros less than in 2001 due both to the change in the scope of consolidation (disposal of Fenice in the second half of 2001) and to the partial transfer to customers of operating efficiencies achieved during the year. On the other hand, income generated by property management activities made a positive contribution.

In consideration of the risks posed by changing market conditions, it was decided to create a reserve for future risks and charges for permanent loss in value of investments in the telecommunications field as a result of growing uncertainties as to when and how the issue of the UMTS license held by IPSE 2000 will evolve.

The balance for non-operating items was a negative 188 million euros, accounting for the net loss of 119 million euros for the year. In 2001 the Sector reported net income of 497 million euros, mainly due to non-operating income (567 million euros) deriving from the gains realized upon disposal of Fenice and establishment of the Global Value joint venture with IBM.

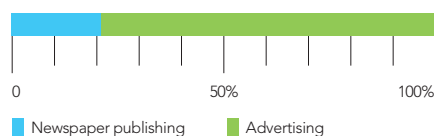


Publishing and Communications — Itedi

Highlights

(in millions of euros)	2002	2001	2000
Net revenues	360	347	354
Operating result	3	(2)	10
EBIT	1	(4)	10
Net result before minority interest	(5)	(6)	2
Cash flow	3	1	8
Capital expenditures	3	6	17
Net invested capital	40	49	46
Number of employees	923	934	954

Revenues by business unit



Operating performance

In 2002, sales of Italian newspapers averaged about 5.9 million copies a day, or 2.8% less than in 2001.

Demand for print advertising was also down, contracting for the second consecutive year. The decline experienced in 2002 affected all segments of the market and was steeper (-7.1%) than in 2001 (-2.9%).

Editrice La Stampa S.p.A. reported an average daily circulation of 384,000 copies in 2002, down from 406,000 copies in 2001. The price increases of December 2001 and March 2002, coupled with a more selective distribution strategy focused on paring back circulation in marginally profitable areas, account for this decrease. The impact of these negative factors was offset in part by the launch of Milan and Rome editions in May 2002. During the course of the year, the Sector implemented several “brand stretching” initiatives, using the *La Stampa* brand to market, through the newsstand channel, such high-quality products as a Universal Atlas and the Flavors of the World guides. At the end of 2002, the Sector launched a major overhaul of its local editions in the Piedmont, Liguria and Valle d’Aosta Regions and of its *Specchio* magazine. Revenues from the sale of newspapers and other publishing products totaled 75 million euros in 2002, or 3.2 million euros more than in 2001. Advertising revenues amounted to 98 million euros (about 8.3% less than in 2001), accounting for 58% of Editrice La Stampa’s total revenues.

In 2002, **Publikompass S.p.A.** booked advertising billings in excess of 286 million euros, for a gain of 3% over the previous year. This improvement was made possible by the signing of new licensing contracts, which enabled Publikompass to buck the negative trend that prevailed in the Italian advertising market, where demand fell by 3.5%.

The sales results achieved in 2002 varied according to the business segments where Publikompass operates. Newspaper advertising was up 0.4%. However, on a comparable basis, billings were down 4.4% compared with 2001, which represents a smaller decrease than the market’s overall decline (-6.6%).

Periodicals posted a gain of 9.2% in absolute terms, but a decrease of 6.5% on a comparable basis. In this case as well, the market contracted by a larger percentage (-7.9%).

Billings from radio and television advertising grew by 37.3% (-4.3% on a comparable basis).

Results for the year

Itedi posted net revenues of 360 million euros in 2002.

Notwithstanding a slump in the advertising market, the increase from the 347 million euros reported the previous year was made possible thanks to new advertising licensing contracts, newspaper price increases and “brand stretching” initiatives. Operating income grew to 3 million euros, compared with an operating loss of 2 million euros in 2001. This improvement was made possible by the abovementioned increase in the newspaper’s price, the implementation of programs designed to increase efficiency and optimize costs in all areas of the Sector’s organization and by the successful renegotiation of supply contracts. These programs enabled Editrice La Stampa to cut costs by about 18 million euros. On a comparable basis, this amount is equal to about 10% of the total costs incurred in 2001. Depreciation and amortization increased to 8 million euros (7 million euros in 2001).

The year ended with a net loss of 5 million euros, compared with a net loss of 6 million euros in 2001. Writedowns of equity investments, taken to recognize losses incurred in 2002 by some of the Sector’s associated companies, and a heavy tax burden (the local tax on production activities, or IRAP, in particular) are the main reasons for the loss.

Cash flow improved to 3 million euros, or about 2 million euros more than in 2001.

Motion to Cover the Loss for Fiscal 2002

Stockholders,

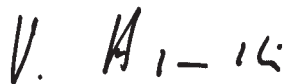
The Financial Statements at December 31, 2002 show a loss of 2,052,620,996 euros. We propose that this loss be fully covered through recourse to Additional paid-in capital, which will show a balance of 274,498,032 euros after taking this charge.

The failure to pay the minimum dividend of 0.31 euros per savings share, as envisaged in Article 21 of the Articles of Association, requires that we increase any dividend to be paid in the following two fiscal years.

Turin, March 27, 2003

The Board of Directors

By:

Handwritten signature in black ink, appearing to read "U. Agnelli".

Umberto Agnelli

Chairman