The Fiat Group in 2000

Consolidated and Statutory Financial Statements

Report on Operations
FINANCIAL HIGHLIGHTS OF THE FIAT GROUP

Operating income 855
Income before taxes 1,050
Income before minority interest 578
Group net income 664
Net financial position (Net borrowed) (6,467)
Stockholders’ equity including minority interest 15,209
Group interest in stockholders’ equity 13,320
Cash flow (Income before minority interest plus depreciation and amortization) 3,630
Capital expenditures 3,236
Research and development 1,726
Operating income from Industrial Activities/Net revenues (R.O.S.) 1.7%
Operating income/Average net invested capital (R.O.I.) 4.2%
Income before minority interest/Net revenues 1.0%
Net income/Average stockholders’ equity after minority interest (R.O.E.) 5.1%
Value creation - Amount (899)
- Return on net invested capital 6.0%

(*) Difference between operating income for the fiscal year (including invested capital at an annual rate of 10% in 2000 and 12% in 1999, and of 15% in 1998.

STATISTICAL DATA BY GEOGRAPHIC REGIONS

<table>
<thead>
<tr>
<th>Region</th>
<th>Companies</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>244</td>
<td>1</td>
</tr>
<tr>
<td>Europe excluding Italy</td>
<td>487</td>
<td>1</td>
</tr>
<tr>
<td>Mercosur</td>
<td>68</td>
<td>1</td>
</tr>
<tr>
<td>North America</td>
<td>158</td>
<td>1</td>
</tr>
<tr>
<td>Other regions</td>
<td>136</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>1,063</td>
<td>2</td>
</tr>
</tbody>
</table>

Fiat S.p.A. adopted the euro as its reporting currency for an early use of this currency, as allowed under “Provisions Governing the Introduction of the Euro.”

The 2000 Annual Report of the Fiat Group is available on the Internet at the following addresses: www.fiatgroup.com, www.bilanciofiat.com

The online version of the Annual Report contains additional and more detailed information, including data sheets, which may be downloaded in pdf or excel format. In this publication, the availability of more detailed information is indicated with the symbol (*) or by simulating a hypertext link (light blue underlined).
Fiat S.p.A. adopted the euro as its reporting currency as of January 1, 1999, opting for an early use of this currency, as allowed under Legislative Decree No. 213/1998 "Provisions Governing the Introduction of the Euro in the Italian National System."

The Consolidated Financial Statements and Statutory Financial Statements of Fiat S.p.A. at December 31, 2000 and December 31, 1999 are therefore denominated in euros. To make the respective data comparable, the amounts for the 1998 fiscal year have been restated in euros using the fixed exchange rate of 1 euro = 1,936.27 lire established on December 31, 1998.

### Financial Highlights of the Fiat Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Income before taxes</th>
<th>Income before minority interest</th>
<th>Group net income</th>
<th>Net financial position (Net borrowings)</th>
<th>Stockholders' Equity including minority interest</th>
<th>Group interest in stockholders' equity</th>
<th>Cash Flow (Income before minority interest plus depreciation and amortisation)</th>
<th>Capital expenditures</th>
<th>Research and Development</th>
<th>Operating income from Industrial Activities/Net revenues (R.O.S.)</th>
<th>Operating income/Average net invested capital (R.O.I.)</th>
<th>Income before minority interest/Net revenues</th>
<th>Net income/Average stockholders' equity (after minority interest)</th>
<th>Value Creation – Amount (*)</th>
<th>Return on Net Invested Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>855</td>
<td>1,050</td>
<td>578</td>
<td>664</td>
<td>8,467 (4,031, 1,420, 1,340, 1,142)</td>
<td>15,209 (14,767, 15,120, 15,462, 14,026)</td>
<td>13,320 (12,874, 12,398, 13,203, 12,042)</td>
<td>3,630 (2,860, 3,226, 4,184, 3,867)</td>
<td>3,236</td>
<td>1,726</td>
<td>1.7% (1.9% 2.2% 4.4% 2.9%)</td>
<td>4.2% (4.8% 5.4% 12.2% 6.3%)</td>
<td>1.0% (1.1% 2.0% 3.4% 3.5%)</td>
<td>5.1% (2.7% 4.7% 9.9% 10.5%)</td>
<td>899 (486, 714, 144, 807)</td>
<td>6.0% (7.0% 7.7% 12.8% 8.5%)</td>
</tr>
</tbody>
</table>

(*) Difference between operating income for the fiscal year including investment income, and the cost of average net invested capital at an annual rate of 10% in 2000 and 1999, and of 12% in 1998.

### Statistical Data by Geographical Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Companies</th>
<th>Employees</th>
<th>Facilities</th>
<th>R&amp;D Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>244</td>
<td>132,224</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>Europe excluding Italy</td>
<td>457</td>
<td>67,421</td>
<td>82</td>
<td>37</td>
</tr>
<tr>
<td>Marcors</td>
<td>68</td>
<td>29,180</td>
<td>22</td>
<td>9</td>
</tr>
<tr>
<td>North America</td>
<td>158</td>
<td>16,592</td>
<td>41</td>
<td>13</td>
</tr>
<tr>
<td>Other regions</td>
<td>136</td>
<td>8,736</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>1,063</td>
<td>223,953</td>
<td>242</td>
<td>131</td>
</tr>
</tbody>
</table>

### Notes

- **Value Creation – Amount (**): Amount calculated as the difference between operating income for the fiscal year, including investment income, and the cost of average net invested capital at an annual rate of 10% in 2000 and 1999, and of 12% in 1998.

- **Return on Net Invested Capital**: Calculated as the ratio of income before minority interest to net invested capital at an annual rate of 10% in 2000 and 1999, and of 12% in 1998.
STOCKHOLDERS’ MEETING

Lingotto Convention Center
280 Via Nizza, Turin

May 11, 12 and 14, 2001

AGENDA

1. Financial Statements at December 31, 2000 and Report on Operations; Motion for allocation of the 2000 net income;

2. Resolutions concerning the Board of Directors;

3. Motion to purchase treasury shares and modalities of their disposition;

4. Regulation on the requisites of honorability and professionalism of Statutory Auditors:
   a) Board of Statutory Auditors to remain in office as members meet the legal requirements;
   b) Motion to amend Art. 19 (Appointment and Qualifications of the Statutory Auditors) of the Articles of Association; pertinent and related resolutions.

Fiat S.p.A.
Head Office: 250 Via Nizza, Turin, Italy
Paid-in Capital: 2,753,025,000 euros
Entered in the Turin Company Register
Fiscal Code: 00469580013
Honorary Chairman
Giovanni Agnelli

Board of Directors

Chairman
Paolo Fresco (3)
Paolo Baitamilla (2)

Chief Executive Officer
Paolo Cantarella (3)

Directors
Franco Bernabé (3)
Carl Ludwig von Bohrm-Baying (3)
Flavio Cotti (2)
John Philip Elkann (2)
Gabriele Galateri di Genola (2)
Franco Grande Stevanovi (1) (2)
Gianfranco Gutty (2)
Felix George Rohatyn (1) (2)
Renato Ruggiero (3)
John Francis Welch, Jr. (3)

(1) Secretary to the Board of Directors
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Co-opted on February 27, 2001 to substitute Virgilio Marrone after his resignation
Board of Statutory Auditors

Statutory Auditors: Cesare Ferrero - Chairman
Giorgio Ferrino
Lamberto Jona Celesia

Alternate Auditors: Giorgio Giorgi
Natale Ignazio Girolamo
Piero Locatelli

Independent Auditors: Arthur Andersen S.p.A.
REPORT ON OPERATIONS

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

Paolo Fresco
Chairman of Fiat S.p.A.
Dear Stockholders:

The year 2000 marked a period of transition for Fiat, as the trend toward improvement that began at the end of 1999 gathered momentum and the Group executed strategic and tactical transactions that will help accelerate the return to a higher level of profitability in the second half of 2001.

Last year, the Group’s interest in net income almost doubled. This is the net result of the following three developments: the extraordinary gains generated by divestitures that were made to streamline the portfolio of businesses and by the sale to General Motors of a 20% interest in Fiat Auto, with the simultaneous purchase by Fiat of approximately 6% of GM’s capital stock; the higher financial expenses caused by a budgeted rise in indebtedness, which was required to fund the latest acquisitions; and changes in the interest held by minority stockholders in certain Sectors (Fiat Auto, CNH Global, Magneti Marelli and Toro).

Operating income was up 8.5% despite an increase in research and development outlays, which rose almost 23% compared with 1999, and higher advertising expenses incurred to strengthen the image of Group brands (+20% over 1999).

Taken together, the results for 2000 do not reflect the Company’s true growth potential. More specifically, the return on net invested capital measured in terms of value creation was about 6%, short of the 10% figure that had been set as the minimum target at the Group level.

In particular, the operating performance of Fiat Auto, which did improve over 1999, and of CNH, which was faced with a difficult market environment at the peak of its effort to integrate the operations of Case and New Holland, failed to meet expectations. On the other hand, Iveco, which invested heavily in product innovation and benefited from the successful introduction of the new Daily and the new line of engines for heavy-load commercial vehicles, reported a further improvement in profitability. The other Group Sectors and companies also reported generally better results.

An especially gratifying development was the success achieved by Ferrari on the racetrack. The team of the prancing horse won the Constructors’ Championship for the second year in a row and regained the Formula One World Championship.

As the Group enters the 2001 fiscal year, its cash flow is still inadequate, competitive pressures are still limiting the profitability of Fiat Auto — particularly in the intermediate segment, where its products are reaching the end of the product cycle — and CNH’s ability to generate earnings is being challenged by the difficult task of integrating and restructuring its operations. Moreover, the world economy is a source of renewed concern due to a slowdown in the United States, continuing difficulties in Japan, lack of momentum in Europe, a slump in stock market prices and weaknesses in the international monetary system as it confronts crises in Argentina and Turkey and their potential repercussions in other emerging countries.

The Group is responding to the challenges that exist within its organization and to the deterioration of the business climate by pursuing with renewed vigor the goal of realizing its true growth potential over the shortest possible time horizon. To achieve this objective, it is continuing to push forward with a process of transformation that began a few years ago and will ultimately result in a new Fiat. Barring further deterioration of the global economy, these efforts should begin to bear fruit as early as in the second half of 2001 and produce steadily rising benefits in subsequent years. There are several reasons for our confidence in the success of our programs.
THE PROCESS OF FOCUSING ON THE GROUP’S CORE BUSINESSES IS AT AN ADVANCED STAGE

In 2000, the Group completed most of the programs that were launched to focus the organization on its core businesses, which are those operations that have achieved or can achieve positions of competitive excellence in the world markets.

A key step in this process was the industrial alliance with General Motors, which created a unique business model in the international automobile industry.

This agreement enables Fiat Auto to benefit from economies of scale made possible by a twofold increase in the manufacturing base, while at the same time gaining access to the global resources — especially R&D — of the world’s largest car maker and maximizing its distinctive competencies. This new relationship with General Motors also opens interesting prospects for the reentry of Alfa Romeo into the North American market.

Another transaction of fundamental importance in the focusing process was the merger of New Holland and Case, which created CNH Global. Once the reorganization and restructuring phase is complete, CNH will benefit fully from its positions as co-leader of the global agricultural equipment market and one of the world’s top producers of construction equipment, with a leadership position in the light equipment segment.

The goal of successful integration has already been achieved with Fraikin, whose expertise in long-term leasing of commercial vehicles will allow Iveco to quickly expand its service operations in all European markets.

By acquiring Pico, Comau has become the world’s leading producer of bodywork systems.

At the same time, the Group continued to divest itself of those operations that, while offering a wealth of professional and technological competencies and an attractive customer base, could not achieve a leadership position in world markets and thus could not qualify as core businesses.

Divestitures carried out in 2000 included the sale of a 51% interest in Fiat Ferrovia to Alstom and the disposal of Magneti Marelli’s Lubricants and Rearview Mirror divisions, followed by an agreement to sell its Climate Control Division. In addition, under a preliminary agreement signed in March 2001, ThyssenKrupp Automotive, a German company that ranks among the world’s top producers of automotive components and systems, will buy Magneti Marelli’s Suspension Systems and Shock Absorbers operations.

SYNERGIES ARE BEING REALIZED AND THE PROCESS IS GAINING MOMENTUM

The strategic programs carried out in 1999 and 2000 to help the Group focus on its core businesses should produce synergies worth almost two billion euros by 2005, with about 500 million euros expected in 2001.

The alliance with General Motors is off to a flying start. In the closing months of 2000, Fiat Auto’s bottom line had already benefited from a reduction of 20 million euros in purchasing costs. Additional synergies from this alliance should produce savings of about 200 million euros in 2001, increasing to one billion euros by 2005.

At CNH, synergies generated savings of about $155 million in 2000, helping to improve the Sector’s operating result, which suffered due to a shift in North American demand toward the premium segment of the agricultural equipment market and a temporary erosion in market share caused by divestitures that were ordered by the antitrust authorities. The Sector recovered its market position during the fourth quarter. CNH’s integration and industrial restructuring plan was strengthened, increasing the savings expected from synergies to about $600 million over three years. This plan, which entails extraordinary expenses that were charged to income in the 2000 consolidated financial statements of the Group, calls for a reduction in the number of Case and New Holland product platforms from more than 100 to about 60 and a drastic streamlining of CNH’s global manufacturing organization.
THE GROUP IS WORKING ON REDUCING INDEBTEDNESS

Reducing net borrowings, which have risen as a result of major acquisitions that were made to enhance the Group’s portfolio of businesses, will be a top priority in 2001.

This objective will be pursued with a three-pronged strategy. First of all, cash flow from operations should increase due to gains in profitability and a steady reduction in working capital requirements brought about by the adoption of best practice methods developed internally by the Group.

In addition, the Sectors will continue to be increasingly selective in their investments in fixed assets, which will not exceed annual depreciation and amortization expenses.

Lastly, new divestitures that will be carried out to produce a more focused organization will also contribute to the debt reduction effort.

THE CYCLE OF PRODUCT RENEWAL IS CONTINUING

During the second half of 2001, the Group’s effort to improve its profitability will be aided by the progress made in introducing new products. In recent years, research and development outlays have increased significantly both in absolute terms (1,264 million euros in 1998, 1,406 million euros in 1999, 1,725 million euros in 2000) and as a percentage of revenues (3% in 2000 and 1999 compared with 2.7% in 1998). These expenditures have reduced earnings over the short term but are vital investments in the future.

In this area, the ongoing renewal of Fiat Auto’s product line is particularly significant. In 2001, this Sector will reap the full benefits of the introduction of the Alfa Romeo 147 and Fiat Doblò near the end of 2000 and of the launches of numerous new models, including the Fiat Stilo, an intermediate compact car, and the flagship Lancia Thesis. With these new models, Fiat Auto will shift its sales mix toward the higher end of the market and continue to strengthen the image of its premium brands. This process has been applied successfully to Alfa Romeo, which won Car of the Year honors for the 147 after winning the same prize for the 156 a year before. The Sector will also enhance its product lineup by offering an expanded range of infomobility options, including Connect, a multimedia interactive service launched in the first quarter of 2001.

New CNH products in 2000 included a line of four-wheel drive tractors, a family of compact tractors marketed under the Case brand and New Holland’s Series TM and Series 70A tractors, which incorporate sophisticated technology solutions. The merger of these two companies has created a very attractive opportunity to develop and build new products that use common platforms but offer different features. This will enable the Sector to meet a wide spectrum of customer needs while at the same time achieving even greater economies of scale.

In recent years, Iveco has made product innovation a key component of its effort to improve profitability. The success achieved with the Daily, which helped the Sector reaffirm a position of excellence and leadership in the light commercial vehicle segment, was repeated in 2000 with the introduction of a new family of engines for heavy-load vehicles. Also in this area, EEA, a joint venture of Iveco, CNH and Cummins, began to manufacture a new intermediate engine, and production of a new engine for light commercial vehicles is scheduled to start before the end of 2001. The complete revamping of its engine line will help Iveco consolidate its position as the benchmark European producer in terms of performance and fuel efficiency.

Among the other Sectors, FiatAvio, under an agreement signed in 2000 with General Electric, will start working on the development and production of a more powerful version of the GE90 engine for the Boeing 777 aircraft. Also in 2000, the Sector began production of the EJ200 engine for the Eurofighter aircraft and, as part of a European program, was selected to develop systems for the Vega launcher that will be used to put small satellites into orbit.

THE GROWTH OF THE GROUP’S SERVICE OPERATIONS IS QUICKENING

For a number of years, several Group Sectors have been pursuing growth through the development of services that were an integral part of their overall businesses. This strategy was put in place in response to a well-defined market trend and to seize opportunities to improve overall profitability by entering businesses that were inherently non-cyclical and required minimal invested capital. Successful endeavors in this area include Fiat Auto’s financial and mobility services, CNH Capital, Iveco’s Transolver and Comau’s and FiatAvio’s maintenance operations. Today, Fidis provides financing for more than 40% of the cars sold by Fiat Auto.

At the same time, Toro Assicurazioni experienced rapid growth, which it achieved by developing internally and through acquisitions, and was able to more than double its revenues between 1997 and 2000.

Starting in 2000, the Group accelerated its expansion in the service area by creating a new Sector called Business Solutions. This Sector combines under a single organizational...
umbrella a wealth of business service competencies that the Fiat Group had developed over the years to address internal needs. Business Solutions’ mission is to transform internal organizations created to serve the needs of Group Sectors into businesses focused on the outside market. Its spectrum of services and systems includes administration services, human resources management, facilities and utilities management, real estate services, information and communication technology services, and e-procurement. The Group is confident that by the middle of the current decade, the combined service revenues generated by the individual Sectors, by Business Solutions and by Toro Assicurazioni will be equivalent to about 40% of its total sales.

CUSTOMER SATISFACTION IS INCREASING

The final test of a company’s excellence is the satisfaction of its customers. We are working hard to make the entire Company gravitate toward this objective and are committed to achieving a steady improvement in this area. Since 1999, customer satisfaction has been one of the key yardsticks of the Group’s management incentive program. All Sectors constantly monitor the performance of their products and services through the use of special indicators and surveys that record customer perception of the Group’s ability to innovate, deliver quality, provide timely responses and meet customer needs.

These ongoing monitoring programs have produced a fairly homogeneous trend toward improvement. In recent years, the customer satisfaction index has increased by about 3% for Fiat Auto and Iveco and by more than 5% for CNH, despite the obvious problems this Sector has had to tackle while integrating the operations of Case and New Holland.

THE GROUP’S STRENGTH IN THE EMERGING MARKETS IS GROWING

For years, the Group has pursued a strategy of steadily increasing its presence in new markets with high growth potential, including Poland, Russia, Turkey, Brazil, Argentina, India and China.

The globalization effort, which can produce more costs than benefits over an initial period of varying length, must be viewed as an investment in the future that is consistent with the Group’s proven ability to develop a range of products that are ideally suited to improve personal mobility, help mechanize agriculture and facilitate the distribution of goods in developing countries. Fiat’s record of success in these areas constitutes an important competitive advantage that must be exploited with a highly flexible approach, taking into account the risks inherent in establishing a presence in countries that are more exposed to dips in the economic cycle.

With this in mind, the Group is carrying out an in-depth restructuring of its manufacturing organization in Argentina, with the goal of repeating in this country the turnaround that is already taking place in Brazil.

The high domestic content of products manufactured in Turkey, most of which are exported, is to a large extent neutralizing the negative impact of the devaluation of the local currency.

In China, where Iveco has been operating successfully for the last 10 years, Fiat Auto will launch the Palio during the second half of 2001; CNH will soon establish a second joint venture for the production of intermediate/light tractors; and Teksid is about to inaugurate its third foundry.

THE GROUP IS MAKING EVERY EFFORT TO FULLY EXPLOIT THE POTENTIAL OF ICT

The growing popularity within the Group of the new way of working made possible by the massive deployment of information and communication technology (ICT) produced a significant increase in efficiency, productivity and service quality.
New technologies are an extraordinary tool that can be employed to foster the growth of manufacturing and service companies. The true value and the future of the Internet will be realized precisely in this area.

The Group is determined to fully exploit the potential of new technologies. Accordingly, it is quickening the pace at which they are being deployed throughout the organization, where they contribute to accelerating the flow of information, streamlining organizational processes, supporting knowledge-sharing systems and promoting new methods of online training for employees, which are being developed by Isvor, our in-house corporate university. Most of the investments earmarked for ICT between 2000 and 2004, which amount to one billion euros a year, will be used to achieve these goals.

During the past year, the Group developed a number of e-business projects. One example is Fast Buyer, which is an offshoot of a program originally created to provide centralized purchasing for Group users and outside customers. In 2001, this company is expected to handle about two billion euros in e-procurement transactions involving auxiliary materials and traditional purchases of raw materials and services. For its part, Fiat Auto launched Buy@Fiat, a service that, without diminishing the pivotal relationship between dealers and customers, helps consumers use the Internet to complete most of the steps needed to buy a car.

THE GROUP’S CORPORATE CULTURE IS CHANGING

The ultimate goal of the profound transformation that is reshaping every business in the Fiat Group is to drastically change the corporate culture, altering the way in which employees perceive and perform their jobs and feel involved and empowered by a shared commitment to excellence.

This road, which passes through the development of professional competencies and personal leadership, will lead to a renewal of the spirit of initiative, creativity and innovation and will increase the circulation of ideas and intellectual curiosity. The Group must strive to combine the flexibility and lack of bureaucracy of a small business with the advantages of a large company, which include access to a vast pool of human and financial resources and the ability to develop at the central level best practices that can then be transferred to all its operating units.

The Group has been relying to an increasing extent on benchmarking to identify the best solutions and ideas to shorten response times and to increase efficiency and the quality of work. This method has been used successfully to redesign the processes of the support organizations, reducing their cost by one billion euros over two years. It will now be applied to all core processes — product development, production, marketing and sales — through a reengineering effort that will begin this year.
This concerted effort to maintain competitive leadership, which Fiat shares with the best and most innovative members of the European industrial system, clashes with structural restrictions and shortcomings that hobble businesses as they adjust to the new dimension and increased competitiveness of the global market.

In Europe, there are still too many barriers to the smooth and dynamic development of economic activity. Government bureaucracies, lack of uniform legislation, inadequate infrastructure, the high cost of capital, limited use of information technology and a social culture that is not sufficiently conducive to entrepreneurship and risk taking all make doing business more difficult.

This environment limits innovation, productivity, growth and especially job creation, which is probably more important in Italy than in any of the other major European countries.

If the European continent, and Italy in particular, is to regain forward momentum, these obstacles and strictures must be eliminated. At the continental level, this can be accomplished by continuing the process of integration and removing the disparities that prevent the creation of truly European companies. At the Italian level, it will require more incisive programs to implement economic and social reforms that large segments of society have been supporting for quite some time.

Industrial enterprises can perform an important role in fostering the technological and cultural evolution of economic systems. The Fiat Group will continue to support this process by investing in research and development and new technologies and by providing cutting-edge training to its employees.

---

The Fiat Group continued to make progress in the year 2000, even though the gains were less than expected. The shortfall was particularly evident at Fiat Auto, which suffered from strong competitive pressures (especially in the intermediate segment, where Fiat-brand cars are nearing the end of the product cycle), and at CNH, which is tackling an ambitious restructuring plan.

In 2001, increased instability in the world economy could have significant repercussions on some of the Group’s key markets, including the United States, Argentina and Turkey.

Barring a serious deterioration of the economic environment, 2001 should provide the Group with an opportunity to build a solid foundation for continued improvement in its performance in the future. Specific goals for the current year include increasing business volume, producing an upswing in profitability during the second half of 2001 and achieving a significant reduction in the level of indebtedness.
The Group is firmly committed to pursuing a course that will ultimately lead to a level of profitability that is consistent with its growth potential.

What the Group is building is an organization that believes in excellence as the only viable path to growth, an organization that is increasingly focused on core businesses that have or can attain competitive leadership, an organization that has achieved a high level of globalization with a strong commercial and industrial presence in emerging markets that show good growth potential. Ours is a Group that is willing to adopt innovative work methods by disseminating the advantages offered by information technology to every one of its businesses, committed to reengineering all of its processes to reduce execution time and increase customer satisfaction, and determined to empower its employees and enhance their professional skills.

The company that we all work for is a new Fiat that views the efficient use of invested capital as an opportunity to increase cash flow, reduce indebtedness, sustain future growth and increase the return on the capital provided by its stockholders. This new Fiat strives to produce a substantial increase in profitability by developing a vast reservoir of synergies; actively restructuring and reengineering its industrial organization through a process of continuous improvement; investing heavily in product innovation; and significantly expanding the contribution of service operations developed as product add-ons or as stand-alone businesses.

Quick and rigorous implementation of these strategies and programs is the obligation of the entire organization and must be viewed as a priority to compete successfully in a rapidly changing world.

Turin, March 29, 2001

Paolo Fresco
Chairman

Paolo Cantarella
Chief Executive Officer
Established in 1899, Fiat was one of the founders of the European automobile industry. Since its inception, the Company followed a two-prong growth strategy — penetration of foreign markets and focus on innovation — which characterized its subsequent development and translated into the manufacturing of high-tech quality products and the adoption of the most innovative industrial and organizational systems. Fiat is a lot more than just cars. The Company leveraged its expertise in an original and perhaps unique way among international groups, expanding its mission to include every area of mobility; from cars to aircraft, from trucks to trains, from farm tractors to marine engines and, in more recent years, even space launchers. Fiat’s industrial diversification continued at an increasingly rapid pace, with a growing presence in metallurgical products and components, followed later on by production systems, insurance and support services.

Currently, the Company is divided into nine operating Sectors and provides its products in 190 countries throughout the world.

**Automobiles**

The Group’s automobile business is conducted by Fiat Auto S.p.A. and Lancia. Under the Fiat umbrella, the entire product range is distributed through Targa Service dealers and customers service centers. Financial services are also provided.

**Agricultural and Construction Equipment**

The Group’s Agricultural and Construction Equipment Sector is structured as follows: CNH Global N.V., a result of the merger of New Holland and Case IH; and the construction equipment businesses of Fiat. The Group also controls a broad range of financial services.

**Commercial Vehicles**

The Commercial Vehicles Sector designs, produces and sells commercial vehicles under the Fiat, Lancia, Iveco and Seddon Atkinson brands. It also has a joint venture with Renault in commercial vehicles under the Trafic, Master and Morena brands.

**Industrial Activities**

The Industrial Activities Sector designs, produces and sells industrial products of high technology, such as construction equipment under the Case, Case IH, DMI, AFGraph, O&K, FiatAllis and Fiat-Ace brands, and diesel engines under the AAM and Magneti Marelli brands.

Revenues by region of origin:

- **Italy**: 23%
- **Europe excluding Italy**: 44%
- **Other regions**: 33%

Revenues by region of destination:

- **Italy**: 40%
- **Europe excluding Italy**: 32%
- **Other regions**: 28%

Industrial Activities (84%)

Services (16%)(*)

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

Sales trend of the last ten years

- **2000**: 57,555
- **1999**: 48,123
- **1998**: 45,769
- **1997**: 46,257
- **1996**: 40,244
- **1995**: 39,092
- **1994**: 34,005
- **1993**: 28,176
- **1992**: 30,526
- **1991**: 29,174

Revenues by region of origin

- **Italy**: 23%
- **Europe excluding Italy**: 54%
- **Other regions**: 23%

Revenues by region of destination

- **Italy**: 40%
- **Europe excluding Italy**: 32%
- **Other regions**: 28%
Currently, the Companies of the Fiat Group are organized into nine operating Sectors that manufacture automotive products and provide services to customers in more than 190 countries throughout the world.

Automobiles

The Group’s automobile operations are carried out primarily by Fiat Auto S.p.A. and its subsidiaries, which sell cars under the Fiat, Lancia and Alfa Romeo brands, and light commercial vehicles under the Fiat brand. Through Targa Services, the Sector offers its suppliers, dealers and customers a complete range of automotive services. Financial services are provided by Fidis. The Group also controls Ferrari and Maserati, which manufacture sports and luxury cars.

Agricultural and Construction Equipment

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

Commercial Vehicles

The Sector designs, produces and sells a complete range of commercial vehicles under the Iveco, Iveco Pegaso, Iveco Ford and Section Atkinson brands, as well as buses (through a joint venture with Renault V.I.) under the Iveco brand, fire-fighting equipment under the Camiva, Iveco and Magirus brands, and diesel engines under the Aifo brand. Through Transolver, the Sector furnishes a full spectrum of financial services, including long-term leases with Frahlin. The Sector Parent Company is Iveco N.V.

Other Industrial Sectors

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

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

Insurance and Other Companies

The Insurance and Publishing and Communications Sectors are active in the following principal areas:

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

The Management

Standing from the left:
- Umberto Quadrino, Executive Vice President Fiat S.p.A.
- Pier Luigi Fattori, Corporate Senior Vice President Human Resources Fiat S.p.A.
- Paolo Monferino, President and Chief Executive Officer CNH Global N.V.
- Luca Cordero di Montezemolo, Chairman and Chief Executive Officer Ferrari S.p.A.

Sitting from the left:
- Paolo Arrighi, Corporate Senior Vice President External Relations & Communication Fiat S.p.A.
- Francesco Paolo Mattioli, Executive Vice President Fiat S.p.A.
- Damien Clermont, Chief Financial Officer Fiat S.p.A.
- Roberto Testore, Chief Executive Officer Fiat Auto S.p.A.
- Gennaro Boschetto, Chief Executive Officer Iveco N.V.
- Paolo Marfini, President and Chief Executive Officer OHM Global V.I.
- Carlo Gatta, Chief Executive Officer Business Solutions S.p.A.
During 2000, the Fiat Group carried out a number of important initiatives designed to accelerate its progress toward the achievement of competitive excellence and provide fresh momentum to the process of focusing the organization on the Group’s core business. The most significant transactions include:

- **Merger of Case and New Holland (CNH Global).** The newly reorganized Sector has become a world leader in the field of agricultural and construction equipment.
- **The integration of Pico,** which made Comau the world’s leading producer of bodywork systems.
- **The integration of Fraikin,** which enabled Iveco to expand the range of services for buyers of commercial vehicles.
- **The strategic industrial alliance with General Motors,** which represents a milestone development for the Automobile Sector. The main steps that led to this achievement were:
  - **Announcement of the agreement** (March 2000) involving the operations of the two Groups in Europe and South America, with General Motors acquiring 20% of Fiat Auto’s capital stock and Fiat purchasing an interest of about 6% in General Motors.
  - **Closing of the transaction** (July 2000). The parties acquired equity investments in each other and executed an agreement for the establishment of two 50-50 joint ventures: Fiat-GM Powertrain, which will manufacture engines and gearboxes, and GM-Fiat Worldwide Purchasing, which will specialize in purchasing.

Other important events that occurred during the year include:

- Renewal of the product line.
- Expansion of the Group’s presence in the areas of business services and telecommunications.
- Success in important sporting events.
- Sponsorship of cultural events.

**Présentation of the new Fiat Palio, P**

In September, Fiat Automòveis presented Palio Weekend and Fiat Siena. These thoroughly renovated, guarantees high standards of qualitative leap in terms of comfort, safety and style.

**A New Services Sector for the Fiat Group.** Business Solutions, a new Sector of the market for integrated business services, Business Solutions will build on its strong relationships with customers to develop new services and solutions — and on its ability to provide a comprehensive range of value-added services, including services for users of raw materials, services for manufacturing, purchasing-related services, and others.
In September, Fiat Automòveis presented the Group’s new world cars in Brazil: Fiat Palio, Palio Weekend and Fiat Siena. These three automobiles, which have been thoroughly renovated, guarantee high standards of quality and technology and represent a true qualitative leap in terms of comfort, safety, performance and styling.

A New Services Sector for the Fiat Group

Business Solutions, a new Sector of the Fiat Group destined to play a leading role in the market for integrated business services, was officially established in September 2000. Business Solutions will build on its strengths — experience, reliability and a global presence — and on its ability to provide a comprehensive and integrated range of services. This Sector has already launched several new projects including Fast-Buyer, a provider of purchasing-related services, including sourcing, marketplace and e-procurement, in the areas of raw materials, services, auxiliary materials and commodities.

Debut of the EuroCargo Tector at the Frankfurt Motor Show

Iveco introduced an updated version of the EuroCargo featuring a Tector engine. Thanks to its sophisticated technology, this new vehicle can deliver cutting-edge performance, while reducing fuel consumption, emissions and maintenance costs.

The Fiat Doblò premieres at the Paris Motor Show

At the September Paris Motor Show, Fiat presented the Doblò. This vehicle — a single model with two souls — is both a passenger car and a commercial vehicle. Young and informal, it doesn’t fit the usual molds, but is the right answer for everyone.

Telco Successes for Ferrari in Formula One

In October, with victories in both the Championship, Ferrari reaffirmed its role as a top contender since 1997, each season.

Atlanet, a new Telecommunication

Atlanet is the result of a merger between company of the Fiat Group. Together with Berry, Atlanet is an investor in the IPSE 2000, a successful bidder for the award of a wired-network telecommunications license.
The EuroCargos, featuring a Tector engine, can deliver cutting-edge performance, reduced emissions and maintenance costs.

The Doblò is a new vehicle — a single passenger car and a commercial vehicle. Young and dynamic, it is the right answer for everyone.

In October, with victories in both the World Constructors' Championship and World Drivers' Championship, Ferrari reaffirmed its newly found leadership in Formula One, where it has been a top contender since 1997, ranking at the top of the overall standings at the end of each season.

Atlanet is a new telecommunications company, making its debut. Atlanet is the result of a merger between Acea-Telefonica and Telexis, a telecommunications company of the Fiat Group. Together with Acea-Telefonica and Telefonica Intercontinental, Atlanet is an investor in the IPSE 2000 Consortium, which in November 2000 was one of the successful bidders for the award of UMTS licenses in Italy. Atlanet will offer a complete range of wired-network telecommunications services to businesses and consumers throughout Italy.
Fiat has a long tradition of supporting cultural and scientific endeavors. The Group’s effort in these fields are carried out through Palazzo Grassi, a Group company established for this purpose in 1984, which is located in a building with the same name on the Grand Canal in Venice. The main cultural events of 2000 were:

- The exhibition “Cosmos. From Goya to de Chirico, from Friedrich to Kiefer – Art in Search of Infinity” (March 26 – July 23), which was also conceived to celebrate the transition to the new millennium. Originally shown in a different edition at Musée des Beaux-Arts, in Montreal, Canada, the exhibition presented about 400 works from more than 150 museums and from a large number of private collections in 18 countries worldwide.

- The important exhibition on the civilization and culture of the Etruscans organized with the support of the Italian Ministry of Cultural Assets and Activities. It was inaugurated on November 26, 2000 and will remain open until July 1, 2001. It presents in a spectacular setting more than 700 pieces from about 80 museums, private collections and cultural institutions in 13 countries worldwide.

Another important cultural and scientific project supported by the Group is the automotive engineering degree program created on September 27, 1999 under an agreement between Fiat and the Turin Politecnico University. It is designed to train engineers who can not only design vehicles and understand manufacturing processes, but also have a comprehensive vision of how an enterprise operates and interacts with its markets and customers.

Accordingly, the curriculum is the product of a close collaboration between educators and business people, who provide at least 20% of the instruction time. This program, which combines theoretical teaching and practical instruction, including 400 hours of internship work in a corporate setting, started in the 1999/2000 school year with 60 students. The following year, it reached the maximum of 120 students allowed under the agreement.
**Financial communications**

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

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

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

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

**Highlights per share**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash flow per share (in euros)</th>
<th>Earnings per share (in euros)</th>
<th>Dividend per share (*)</th>
<th>Ordinary and preference shares (in euros)</th>
<th>Savings shares (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>5.928</td>
<td>1.109</td>
<td>0.620</td>
<td>0.620</td>
<td>0.775</td>
</tr>
<tr>
<td>1999</td>
<td>5.234</td>
<td>0.618</td>
<td>0.620</td>
<td>0.620</td>
<td>0.775</td>
</tr>
<tr>
<td>2000</td>
<td>6.622</td>
<td>1.186</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**Stockholder base at December 31, 2000**

- **Ordinary shares**: 367,399,890
- **Preference shares**: 103,292,310
- **Savings shares**: 79,912,800

**Average monthly trading**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

**Stock market capitalization**

- **1998**: 12,000
- **1999**: 9,000
- **2000**: 6,000
- **2001**: 3,000
- **2002**: 0

**Maximum and minimum trading prices**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

**Stockholder base at December 31, 2000**

- **Ordinary shares**: 367,399,890
- **Preference shares**: 103,292,310
- **Savings shares**: 79,912,800

**Stockholder base at December 31, 2000**

- **Ordinary shares**: 367,399,890
- **Preference shares**: 103,292,310
- **Savings shares**: 79,912,800

**Average monthly trading**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

**Stock market capitalization**

- **1998**: 12,000
- **1999**: 9,000
- **2000**: 6,000
- **2001**: 3,000
- **2002**: 0

**Maximum and minimum trading prices**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>

**Stockholder base at December 31, 2000**

- **Ordinary shares**: 367,399,890
- **Preference shares**: 103,292,310
- **Savings shares**: 79,912,800

**Average monthly trading**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
</tbody>
</table>
The shares of Fiat S.p.A. are traded on the Borsa Italiana S.p.A., Paris Bourse S.A., Frankfurter Wertpapier Börse and other smaller German stock exchanges. The ADRs issued through JP Morgan are traded on the New York Stock Exchange. The shares of Fiat S.p.A. are also actively traded on the London SEAQ.

Average monthly trading volume (in millions of shares)

Stock market capitalization at December 29 (in millions of euros)

Maximum and minimum monthly price (in euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary shares</th>
<th>Preference shares</th>
<th>Savings shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>5.928</td>
<td>6.622</td>
<td>0.620</td>
</tr>
<tr>
<td>1999</td>
<td>1.109</td>
<td>1.186</td>
<td>0.775</td>
</tr>
<tr>
<td>2000</td>
<td>0.620</td>
<td>0.620</td>
<td>0.775</td>
</tr>
</tbody>
</table>

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

The net effect of several large staff additions and reductions was an increase of 2,634 units in the Group’s workforce, which totaled 223,953 employees at December 31, 2000, compared with 221,319 at the end of 1999.

The Group hired 17,200 new employees in 2000 — 5,300 in Italy and 11,900 in other countries. Business acquisitions and divestitures completed during the year resulted in a net increase of 12,700 employees.

The Group’s organization underwent major changes as a result of transactions carried out to implement a strategy based on focusing its core businesses, expanding globally, lengthening the value chain and reducing complexity.

One obvious consequence of these efforts is the shift in the geographical distribution of the Group’s staff. Over the last 10 years, the number of employees working outside Italy has grown steadily and now amounts to half of the total workforce.

During 2000, several Sectors (Automobiles, Agricultural and Construction Equipment, Production Systems, Commercial Vehicles) were busy integrating the operations of newly or recently acquired companies, with the goal of developing synergies that are expected to generate savings of about 2 billion euros by 2005.

In particular, the two joint ventures established under the industrial alliance between Fiat and General Motors have become operational, and the scope of their worldwide activities and respective management responsibilities have been defined. About 500 employees of Fiat Auto have already been moved to GM-Fiat Worldwide Purchasing. The remaining reassignments to GM-Fiat Worldwide Purchasing and Fiat-GM Powertrain, affecting about 14,000 employees, will be completed in the early part of 2001.

The transfer of assets and human resources to service companies within the Group involved more than 2,900 people in Italy and abroad. The companies most affected by this change were Comau Service (maintenance of manufacturing facilities), Ingest Segim (maintenance of industrial buildings) and Fenice (environment, energy and water treatment). Non-core businesses with about 3,900 employees were divested during the year. Several Group companies that specialize in providing business services were combined into a new Services Sector, which is headed by Business Solutions. A detailed description of this Sector is provided in the Fiat Services section of this report.

The streamlining of the Group’s operations continued with the implementation of the Nova Project, which produced the desired results, reducing the cost of support activities by 20% over two years. At the same time, all the Sectors began to carry out incisive programs to radically reengineer their internal processes and make them significantly more efficient and effective. These programs, which will be the focus of management’s attention for the next few years, are being supported with an ambitious effort to provide training in process reengineering methods and by establishing an organization that includes a resource team and a process owner for each of the processes involved. An added benefit of this approach is that it enables the Company to proceed simultaneously with the testing of new organizational models within the framework of a process-oriented company.

To facilitate the achievement of competitive excellence goals, the Group defined the leadership behaviors that managers must employ to handle human resources in a manner conducive to enhancing their professional skills and increasing their involvement, motivation and empowerment. To help managers put these principles into practice, the Group developed a detailed communications program, adopted comprehensive leadership assessment systems (assessment centers and auditing) and provided structured training programs.
Leadership skills were also used as a yardstick in refocusing the management review process. This assessment tool was used to evaluate 2,900 executives and more than 1,000 employees with high development potential. The results provided an outline for laying out professional career paths, particularly with regard to job mobility programs, which have affected 16% of the management population.

“…people satisfaction…”
Following a test in 1999, the Group carried out a job satisfaction survey under the direct supervision of 1,800 managers, polling more than 18,000 professionals working for 21 Sectors or companies at 291 locations in 24 countries. Using the survey findings as guidelines, managers in each Sector or company developed improvement programs that will be put into practice in 2001.

“…enhancing competencies…”
The implementation of Project Professional, a program aimed at increasing competitiveness by enhancing individual and shared competencies, continued with the design of a new personnel administration and development system. The new system is being applied worldwide to the management of over 30,000 professionals who work for the Group.
Fiat Gra.De continued to handle the recruiting, training and management of college graduates (mostly engineers), with the goal of developing management resources possessing highly developed international and cross-functional skills. From the inception of this program in 1998 through the end of 2000, the Group hired 230 employees from countries where Fiat has a significant industrial presence. Overall, about 1,500 recent graduates were hired during that period.

LABOR COSTS AND INDUSTRIAL RELATIONS

“…the Result Bonus for 2000…”
As required under the Group Agreement of March 18, 1996, the amount of the Results Bonus payable in 2000 to more than 100,000 employees of the Group’s metalworking companies was computed in July. The Bonus is determined by taking into account indicators that measure the Group’s operating performance and the progress made by the Sectors in improving quality. Even though the Group Agreement had formally expired at the end of 1999, the Company and the unions agreed that the Bonus should be paid under the existing terms to shield employees from the wage losses that would have resulted from the lack of a contract.

In 2000, the average annual bonus amounted to 2,633,000 lire (1,360 euros) before withholding, about the same as a year earlier, as the Group’s overall operating performance in 1999 was not appreciably different from the previous year.

“…labor cost trends…”
In Italy, average labor costs increased by 2.9% in 2000, in line with the inflation rate for the same period (2.5%).
In the other countries where it operates, Fiat focused on keeping compensation levels consistent with cost-of-living increases and introduced variable bonus systems similar to the Results Bonus.
In 2000, the performance-based variable compensation system, which includes procedures and tools applied uniformly to Group professionals worldwide, resulted in payments that were about 10% higher than in 1999.

“…collective bargaining…”
In Italy, the main focus of activity in the area of industrial relations was the Group-Wide Agreement, which covers more than 100,000 employees of the Group’s metalworking companies. This Agreement expired on December 31, 1999. The unions submitted their demands in July and negotiations, which began in September, are ongoing.
Also in Italy, the portion of the Industry-Wide Labor Agreement for Metalworking Employees that deals with the compensation package expired at the end of 2000. This Agreement sets basic work rules and compensation for most Group employees (excluding executives). The unions requested an average increase of 135,000 lire a month over the 2001 and 2002 period.
In France, labor negotiations focused on a new law that reduced the average statutory workweek to 35 hours, effective
February 1, 2000. The agreements reached with the unions enabled local Group companies to partially offset the burden imposed by the new law with more flexible work schedules, better plant utilization and limited wage increases.

The main development affecting Group companies in Germany was the renewal of the contract for metalworking employees at the Land level. As is customary, these contracts were modeled on the agreement concluded earlier in the year in the North Rhine Westphalia region, which calls for a wage hike of 3% starting in May 2000, followed by a further 2.1% raise in May 2001.

In Poland, virtually all Group companies were involved in contract negotiations. With a rate of inflation estimated at 10%, average wage increases were between 6% and 7.5%, in line with the guidelines provided by the Trilateral Commission (a national agency that defines Poland’s income policy).

In Brazil, the regular annual meetings held to negotiate inflation adjustments yielded increases of about 7% to 8% for lower-level wage earners and smaller gains for employees receiving higher salaries. Overall, these adjustments were in line with the rate of inflation.

“…pension funds…”

In December, the Group executed the agreements that govern the pension funds established at its Italian companies — the Supplemental Pension Fund for Executives of Fiat Companies (known in Italy by the acronym FIPDAF) and the Pension Fund for Fiat Middle Managers and Supervisors. At the same time, the Funds’ Meetings approved important amendments to the respective Bylaws. These changes were made to redefine the benefit contribution system, making it consistent with recent changes in the tax treatment of supplemental pension funds, while at the same time creating a more stable base for the Group’s pension funds in light of possible changes to the organization due to acquisitions, divestitures or the establishment of partnerships and outsourcing arrangements. In mid April 2000, the investment management for the Pension Fund for Fiat Middle Managers and Supervisors was entrusted to Morgan Stanley Dean Witter and Romagest.

“…discussions with the unions and involvement of the employee representatives…”

At the end of October, the Company reached an agreement with the European Metalworkers Federation (EMF), acting in the name and on behalf of local member unions, and with the Italian labor unions for renewal of the European Works Council. The EWC was established in March 1996 in accordance with a directive of the European Union on information and consultation of employees at transnational level.

The parties agreed to meet in April 2001 to discuss the reallocation of committee seats by country to reflect changes in employment distribution that have occurred in the European operations of the Fiat Group over the last four years.

In keeping with the rules of the old agreement, the Fiat Group European Works Council held its annual meeting in Turin on November 24. The EWC comprises 28 employee representatives from Group companies that operate in the countries of the European Union. The meeting provided an opportunity to discuss the Group’s strategies and objectives with Company senior executives.

Elections involving more than two thirds of the Rappresentanze Sindacali Unitarie (trade union representatives) for the Group’s Italian metalworking employees were held in 2000. Compared with the previous election (1997), the percentage of eligible employees who cast ballots increased to more than 80%.

At the field level, discussions with the unions primarily concerned the sale or transfer of companies as part of the Group’s management strategies. All these transactions were carried out in accordance with union consultation procedures provided for by local laws and practices. Whenever possible, the Group discussed with the labor representatives the need to adjust its level of output in response to changes in market demand and to streamline and reorganize its industrial system. The goal of these consultations was to identify the most effective ways of helping the Company improve its competitiveness while protecting employment.

PROFESSIONAL DEVELOPMENT AND CULTURE

The Group views its professional development programs as vital tools for facilitating the acquisition of competencies, supporting the integration of new businesses into the Group, changing corporate culture and encouraging process innovation in a manner consistent with its strategies. As part of its longstanding relationship with the educational system, the Company continued to collaborate in projects that foster entrepreneurial culture and supplied multimedia teaching programs on such topics as highway education, safety and the environment.

“…professional development…”

In 2000, the Group invested a total of 144 million euros, or 2.3% of total payroll, in professional development programs designed to support the operations of its companies throughout the world.
Isvor Fiat continued to be the main provider of professional development services. In 2000, in view of its increasing outside clients and the creation of the Services Sector, the Group’s in-house training organization split into three single companies. Alongside with Isvor Fiat, which will continue to function as the corporate university, two new entities were created:

- Isvor Dealernet, which provides training to the sales networks and marketing organizations of the automotive Sectors; and
- Isvor Knowledge System (IKS), which is part of the Services Sector and offers training services to medium-size and large organizations outside the Group in both private industry and public administration.

In 2000, these three companies provided training, support and consulting services equivalent to about 49,000 man-days (26,000 to Group companies) to almost 80,000 people (about half of them Group employees).

The main areas of activity included:

- Personalized leadership training; development of a Leadership Excellence Center and of the “Isvor Leadership Forum” website; establishment of an e-business monitoring office.
- Competency development programs to meet the Sectors needs that were identified within the implementation of Project Professional.
- In the service management area, development of training products for Group service companies.
- To help certain Sectors address specific needs in the technical field, establishment of Trade Schools that teach technical and shop-floor skills. Also in this area, start of Project Apprentice 2000, which will combine school and work experience to train skilled workers who are qualified to meet the specific needs of businesses.

Teaching programs made extensive use of new technologies, allowing wide access to learning points and programs that use self-teaching methods (Isvor Learning Campus) and business television.

The training provided to the sales organization through Isvor Dealernet was particularly significant, involving more than 10,000 man days of training and support. It focused on increasing the network’s effectiveness and relied heavily on information technology systems, especially outside Italy.

"...grants and scholarships..."

The Fiat Grants and Scholarships Program, which is reserved for the children of active Group employees both in Italy and abroad, is continuing to enjoy great success. This program, which was established in 1996, is funded with the fees waived by the Directors of Fiat S.p.A. The endowment provided in 1999 was used to fund 886 grants and scholarships in 2000.

This program will continue in 2001, using the same criteria as in the past to reward the most deserving students. However, the scholarships will be awarded directly by the various Sectors and companies, increasing their direct involvement in programs that benefit their employees.

### Grants and scholarships

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of grants and scholarships awarded</td>
<td>886</td>
</tr>
<tr>
<td>Italy</td>
<td>295</td>
</tr>
<tr>
<td>Other countries (*)</td>
<td>591</td>
</tr>
<tr>
<td>Total funds disbursed (in thousands of euros)</td>
<td>1,997</td>
</tr>
</tbody>
</table>

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

The Fiat Group confirmed its long-standing strategic commitment to improve the environment and minimize the impact of its manufacturing processes and products, while enhancing its competitive position in the world markets.

This commitment to the environment is reflected in the principles of the Environmental Policy, which set guidelines for all Group companies.

In 2000, the continuing pursuit of ecoefficiency produced significant cost savings and an increasingly rational use of natural resources, energy and materials, helping the Group develop new environmentally friendly products.

The Environmental Report provides an overview of the principal environmental programs and achievements of the Group, highlighting the most noteworthy projects and results of 2000, including in particular:

- Continued efforts to improve fuel economy. With the introduction of the new Fiat Punto in 2000, the average fuel consumption for the entire Fiat Auto line decreased by more than 4% compared with 1999. In addition, fuel-efficient engines were introduced for installation in Fiat and Lancia models.

- Renewal of all diesel engine lines by Iveco. The new powerplants will be electronically controlled, producing lower emissions and noise levels than previous generations of engines.

- Certification of natural gas engines for heavy-load trucks, making Iveco the first European manufacturer to meet new environmental standards in this field.

- Commercial introduction in several additional European cities of a line of heavy-load and light buses and vehicles powered by natural gas.

- Delivery to the Italian Postal Administration of 800 Fiat Ducato vans fueled by natural gas.

- Start of a project to develop a bus powered by fuel cells (zero emissions), with the first road tests scheduled for June 2001.

- ISO 14001 environmental certification for 17 factories, in addition to the 11 facilities already certified.

- Further refinement and implementation of life-cycle analysis (LCA), with the goal of adopting design-level solutions that will make products environmentally friendly through the end of their useful lives.

- Achievement of significant primary-energy savings in the operation of energy facilities, the management of which is being steadily transferred to Fenice. Average savings totaled 6% for natural gas and 4% for electric power.

- Successful completion of an ambitious EU research project called LIFE-LAW for the recycling of foundry waste. The project received active support from Teksid.

The table below summarizes the generalized improvement in the Group’s environmental performance.

| Overview of the main environmental achievements of the Fiat Group’s Italian industrial facilities over the ten-year period from 1991 to 2000 |
|---|---|
| 1991 | 2000 |
| Water recirculation index | 44.6% | 65.2% |
| Recycled waste | 61.0% | 79.1% |
| Waste to controlled landfills | 37.0% | 12.1% |
| Solvent emissions from paint shops | 144.0 g/m² | 78.2 g/m² |

Fiat’s commitment goes beyond solving problems related to its manufacturing processes and to making its products environmentally compatible, reaching out instead to public institutions and private organizations that directly or indirectly
have a stake in its activities with projects designed to help people enjoy the right to mobility and enhance environmental awareness.

The ongoing dialog with public institutions produced a further expansion of the collaborative relationship established with Italian Ministry of Scientific Research and the City of Naples within the context of the Atena Project. The purpose of this project is to test the feasibility of using online systems to monitor and manage the flows of public and private vehicles with the goal of reducing the environmental impact of traffic congestion, relying in part on the contribution of alternative-drive vehicles. The “Traffic Testing and Control Laboratory – Naples,” which is operated by Elasis, analyzed the benefits produced by combining traffic control and driver information techniques with the utilization of vehicles with very low environmental impact.

Equally important is Fiat’s effort to provide effective solutions to the mobility needs of disabled people. In this area, the Group expanded the Autonomy Program, which was launched in Italy in 1995 and now involves Fiat Auto, Iveco, CNH, Magneti Marelli, the Fiat Research Center and Toro Assicurazioni.

To increase awareness of environmental issues and promote safe driving, Fiat provided continued support for several programs addressed to young people. Thus far, these programs have been offered to about 185,000 classes and eight million students in Italy and more than 13 million students in Brazil.
The ability to innovate enables the Fiat Group to increase the competitiveness of its Sectors and creates value for its customers by improving performance, shortening production times, reducing costs and enhancing quality. Research plays a key role in the Group’s strategies and growth programs and is carried out through highly innovative transversal projects developed by the Fiat Research Center (FRC) and Elasis. Overall, more than 13,000 people in 131 centers in Italy and abroad worked on the Group’s research and development projects in 2000, with total expenditures of 1,725 million euros, equivalent to over 3% of revenues of the industrial activities.

Fiat Research Center

With its wealth of sophisticated equipment, its staff of more than 900 employees and a network of over 1,000 outside researchers, the FRC is the largest private-sector research organization in Italy. In 2000, the FRC transferred 110 new products and processes and 156 new methodologies to Group Sectors. In addition, it handled more than 300 consulting assignments, transferring technology to Group suppliers and other small and medium-size businesses. In recent years, in continued pursuit of a strategy of internationalization, the FRC participated in a significant number of programs sponsored by the European Union. In 2000, the FRC was awarded 49 new projects that, when added to those already in progress, make it the leading developer of research initiatives under the Fifth Research Framework Program in terms of the quality and number of projects approved.

In Italy, the FRC submitted new financing applications for 16 projects, with a total cost of more than 80 million euros over three years. In addition, it filed 53 new patent applications. The major achievements of 2000 are reviewed below:

- **Seicento Elettra Fuel Cell.** This is the first prototype of an automobile where fuel cells are used to power an electric motor and recharge the batteries. Developed with partial financial support from the Ministry of the Environment and Fiat Auto, it represents a first step towards the development of a compact car powered with hydrogen fuel cells. With this configuration, the driving range of the Seicento Elettra increased by about 70% and the battery recharging time was lowered to just ten minutes.

- **Concept Tripmate NEA.** This concept car, which was created for Fiat Auto, embodies all the FRC innovations in intelligent transport systems, with particular emphasis on preventive safety and the creation of an effective interface with the outside environment and the driver through online and computer-based applications. The extensive use of innovative technologies makes this vehicle a true “trip mate.”

- **InfoDaily.** Through effective use of online technology, this vehicle, which was developed for Iveco, provides an ergonomic and user-friendly interface that enables occupants to access a wide range of services, including: wireless telephone communications, traffic information, roadside assistance, logistics management through vehicle tracking and online navigation, and remote diagnostics.

- **Nanotechnologies.** Working in cooperation with the NanoWorld Project Corporation, the FRC is constructing a lab for the molecular assembly of highly innovative materials that can be used in optics, photonics and numerous industrial applications. This collaborative relationship will enable the FRC to develop a new process that will be used to manufacture quickly and inexpensively new lighting devices, man-machine-environment communication systems and new materials for filters and sensors.

Elasis

Elasis was established with the objective of creating a technical and scientific network in Southern Italy that could support innovation at the manufacturing facilities of the Fiat Group. It now employs 506 researchers and 486 operational technicians.
In 2000, Elasis increased the number of fields in which it operates, which now include motor vehicles, telecommunications, aeronautics, environment and safety. In particular, it began research in the use of virtual reality techniques for the design of new vehicles and the development of new control strategies for the electronic systems that manage all major motor vehicle functions.

The most significant achievements of 2000 are reviewed below:

- Innovative architectural studies for A/B segment vehicles, with extensive use of hydroformed components and high-performance passive safety structures.
- Design of an aluminum alloy chassis with space-frame architecture for high-end cars.
- Innovative automatic transmission management strategy that adjusts the operation of the gear box to match the style of the driver, which is recognized and processed using fuzzy logic technology.

The agreement between Fiat and General Motors had a significant impact on the work carried out by Elasis, which is now focusing on several new projects, including: a new, extremely fuel-efficient engine, a collaborative project for a new compact gear box that can be used in a number of applications and participation in the development of a common platform for intermediate and high-end automobiles.
The service operations of the Fiat Group, which traditionally focused on providing financing support for the sales organization, have grown steadily. Initially, they were expanded to include insurance (Toro Assicurazioni) and later evolved into an integrated spectrum of product-related solutions, ranging from mobility services for Fiat Auto, CNH and Iveco to maintenance services for Comau and FiatAvio. The Group is establishing an increasingly significant presence in these areas not only to address the specific needs of its customers, but also to capitalize on the opportunities offered by businesses that are inherently non-cyclical, require minimal invested capital and provide a high rate of return.

During the second half of the 1990s, Fiat concentrated a number of administrative, infrastructural and industrial services that were provided on a Group-wide or countrywide basis in the hands of specialized companies. The goal of this strategy was to develop centers of excellence that could offer high quality services at competitive prices to all Group businesses, while enhancing the professional competencies of service personnel. The development of these service companies is consistent with the goals pursued by the Group in recent years. These goals consist of reducing the complexity of the Group’s businesses, maximizing the synergies and competencies of its Sectors and lengthening the value chain.

Recently, as a further step in the implementation of this strategy, the units that provide shared services to corporations have been grouped into a new operating Sector called Business Solutions, which will service clients both within the Group and in the external market.

This Sector, which became fully operational during the second half of 2000, is determined to establish a significant presence in the market for integrated corporate services.

With combined revenues of about 1.2 billion euros in 2000 and approximately 8,000 employees, Business Solutions will pursue growth by:

- focusing on the use of new technologies in its traditional businesses and in the development of e-business applications and online services;
- choosing as its market not only Italy, but all those countries where the Fiat Group operates, particularly Poland and Brazil;
- quickly achieving a leadership position in all the businesses in which it operates, by means of acquisitions, partnership arrangements and commercial agreements with top companies in each area.

Business Solutions, which acts as a holding company that coordinates and controls a number of operating units, is active in the following areas:

**Human Resources**

**H. R. Shared Services S.p.A.** With over 120,000 positions under management, Human Resources Shared Services offers clients an integrated personnel management system, ranging from attendance verification to the processing of wages, salaries and social security contributions and the updating of statutory and contractual provisions, for a complete outsourcing package.

**Isvor Knowledge System S.p.A.** This company, which was originally spun off by Isvor, offers clients technical and management training with a complete and integrated portfolio of competency-enhancing solutions. One of the strong points of this unit is its unique expertise in the areas of e-learning and online training.

**WorkNet lavoro temporaneeo S.p.A.** In January 2001, Business Solutions acquired a 51% interest in this company, which specializes in providing temporary staff to a wide range of clients located throughout Italy (over 30 offices in 2000). Worknet has an ambitious growth program with the goal of achieving a leadership position in Italy within three years.

**Administration Services and Corporate Consulting**

**Fiat Gesco S.p.A.** Gesco’s services range from consulting to project implementation and the outsourcing of financial processes. They cover the entire spectrum of administration, reporting and professional services related to tax, legal and corporate issues.

In March 2001, it entered into a joint venture with KPMG to establish a consulting company specializing in the area of finance.

**Sadi S.p.A.** Sadi is a reference partner that can supply complete services in the areas of customs and excise taxes. Sadi also provides a full range of consulting services to exporters.

**S.C.C.M.T. S.r.l.** This company offers a broad range of services to help clients throughout Italy handle administrative requirements associated with operating passenger and commercial vehicles, particularly with regard to administrative procedures associated with motor vehicles.

**Servizio Titoli S.r.l.** This company is a joint venture of Fiat, Pirelli, Gemina and Byte in which Business Solutions holds an interest of approximately 26%. It develops software and provides consulting, administrative and data processing services to publicly traded companies to help them comply with stockholder service requirements.

**Utilities, Facilities & Property Management**

**Fenice S.p.A.** Fenice offers Italian and international clients (it operates through three affiliates in Spain, Poland and Brazil)
specialized skills in the areas of energy, ecological and environmental services. 
Fenice designs and operates facilities for the generation and distribution of energy and for the treatment of industrial effluent and waste. 
Its environmental services provide the specialized support required for effective environmental management of manufacturing activities and services.

INGEST SEGIM S.p.A. This company was created in 2000 to provide clients with a broad spectrum of facilities management services ranging from regular and extraordinary building maintenance to a full line of integrated services that includes management of condominium complexes and business centers, cleaning and janitorial services, mail and courier services, file storage management, printing centers, catering services, security services, etc.

IPI S.p.A. This company, which has been operating in real estate for many years, is a reliable partner that can provide an integrated plan for the creation of value in real estate investments. 
IPI handles service-sector, commercial, residential, industrial, logistical and tourist properties, providing a full range of services: renovations and development, protection and management of real estate, creation of property portfolios for investment funds and securitization transactions, marketing, appraisals, due diligence and real estate financial services.

SGR Società per la Gestione dei Rischi S.p.A. SGR specializes in accident prevention which it accomplishes by developing and implementing action plans that provide maximum protection for a company’s physical assets and human resources and minimize the cost of non-business risks.

Information & Communication Technology

ITS S.r.l. This company offers its clients a complete range of infrastructural services for the management of hardware systems and communications networks. ITS is present directly or indirectly in all the countries where Fiat operates.

Fiat G.S.A. S.r.l. This company focuses on the development and maintenance of application software, providing knowhow in all the principal areas of information technology and covering every aspect of business operation. GSA is present directly or indirectly throughout the world.

eSPIN S.p.A. This company was created toward the end of 2000 as a joint venture of Business Solutions (70%), Cap Gemini-Ernst&Young (20%) and Oracle (10%) to provide companies with a complete, integrated and innovative range of business-to-business solutions and corporate management systems.

Koinet S.p.A. Koinet is a communications and service portal created to offer businesses and managers a wide range of information, news and professional services that can facilitate the handling of management tasks.

Atlanet S.p.A. Created toward the end of 2000 by merging Telexis and Acea Telefonica, Atlanet is a joint venture of Fiat (about 30%), IFIL (3%), Acea (33%) and Telefónica de España (34%). It develops telecommunications, data transmission and general connectivity services. It also holds a 12% interest in IPSE 2000, which was recently awarded an UMTS license in Italy.

Teleclient S.r.l. This joint venture operates in the areas of call and contact centers, offering clients a full range of effective services that can be used to carry out successfully the acquisition, retention and remote management of customers.

E-Procurement, Marketplace and Procurement Center

Fast–Buyer S.p.A. This company acts as a procurement center for purchasing raw materials, corporate services, auxiliary production materials and commodities. It handles a business volume that has already exceeded 1.5 billion euros. Through its portal, it offers e-procurement, marketplace and value-added services to corporate users, making a large array of industrial items available to its clients. Drawing on the expertise and technology the Fiat Group developed in this area, it delivers solutions that help clients improve the efficiency and effectiveness of their procurement systems.

Revenues by Business Segment (pro forma)
The Fiat Group has always included customer satisfaction and customer care among its core values. During the last ten years, several Sectors have launched training programs specifically designed for their sales and customer care networks. The goal was to bring about a radical change in the corporate culture and make customer satisfaction the focus of attention of the entire organization. Over the years, the Sectors have developed a wide range of mobility services that provide customers with optimum support and minimize discomfort in the event of vehicle breakdowns.

In 1999, customer satisfaction was included among the criteria used to determine management incentives at the Group level. A series of special indicators and surveys enable Fiat to monitor customer satisfaction on an ongoing basis and assess the extent to which the Group’s products and services meet customer needs.

The continuous improvement in the customer satisfaction indices is the best indication of the Group’s growing commitment in this area.

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

…Fiat Auto’s Contact Center…

In order to identify more closely with its customers and maximize their loyalty, Fiat Auto has been devoting increasing resources to the development and implementation of an effective customer relations strategy that is based on the integrated management of all contacts between the Company’s customers and its brand units.

The Contact Center is a multi-language facility where highly specialized employees resolve a multitude of customer issues over the telephone. This Center, which was established in 1997 in Arese, near Milan, is one of the largest call centers in the automobile industry.

At present, the Center has 500 workstations and 700 operators who can handle calls in 14 different languages from customers all over Europe. In 2000, it processed more than 3,500,000 calls.

The Contact Center uses sophisticated CRM technology and serves as a central reference point where customers can obtain information, ask questions, request assistance, receive clarifications and resolve all issues related to Fiat Auto products and services, including Targa Assistance roadside assistance program, Dekra Italia vehicle inspection program and Toro Targa insurance policies. The Center also provides information on the sales network and all the support services available to customers through the Customer Care Department.

…“Customer Satisfaction & Loyalty” at CNH Global…

In 2000, Customer Satisfaction improved by 7% and Customer Loyalty improved by 6%.

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

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

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

■ A new product delivery process has been developed to ensure that every new machine is delivered to the Customer in top condition with no defects, and that every Customer is fully informed on the operation and care of the machine prior to use.

■ Dealer technicians will have access to a comprehensive web-based technical information database, as well as a knowledge based analytical tool called ASIST that will aid them in quickly identifying solutions to machine problems and reducing customer repair cycle times.

■ A robust Current Product Management (CPM) process links the central service support, engineering and manufacturing organizations together to ensure that even the most complex customer concerns are resolved quickly and to the customer’s complete satisfaction.

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

The Customer Satisfaction & Loyalty measurement and improvement process surveyed over 250,000 customers worldwide during 2000 to ensure that the voice of the Customer continues to be heard and acted upon at CNH.
For Iveco, a key means of achieving customer satisfaction is providing good service over the entire life of its vehicles, which can deliver peak productivity only if operating costs and downtime are kept to a minimum.

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

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

A new remote diagnostic system, which is now in the final stage of development, will allow an expert center located in Turin to check problems and offer effective repair solutions to users anywhere in Europe. In the future, the system will be able to receive data on the performance of Iveco vehicles while they are in operation.

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

To improve its customer care operations, the Sector took over the management of its Client Center.

It then developed a sophisticated computer system that helps operators field calls in seven languages, identify the location of a caller, locate the nearest authorized repair shop and even record the level of customer satisfaction.

The system allows Iveco to provide customers with comprehensive service and help them deal with sometimes difficult situations, by arranging to have disabled vehicles restarted, offering replacement trucks and, if necessary, locating an hotel for the driver.

The Client Center became operational in October 1999. Today, it has 37 workstations and a youthful staff of 80 operators who speak an average of three languages each. Iveco’s Client Center covers all of Western Europe serving a pool of about 900,000 vehicles.
Analysis of the Financial Position and Operating Results of the Fiat Group and Fiat S.p.A.

FINANCIAL POSITION AND OPERATING RESULTS OF THE FIAT GROUP

Introduction
During 2000, the Fiat Group concluded several transactions that had a significant impact on its organization, making analysis and comparison of the 1999 and 2000 fiscal years particularly complex.

The most important changes affecting the scope of consolidation in 2000 are indicated below:
- **Iveco** consolidated the activities of the Fraikin Group for the entire fiscal year. Iveco acquired Fraikin, the leading French provider of long-term leasing services for commercial vehicles, in the closing quarter of 1999.
- Since the beginning of 2000, **CNH Global** has consolidated the results of the Case Group, which it bought toward the end of 1999, and the Flexi-Coil Group, a leader in the market for precision seeding systems. The acquisition of the Flexi-Coil Group was completed in January 2000.
- Since the beginning of 2000, **Magneti Marelli** has used the proportional method to consolidate 50% of the results of the joint venture it established with Bosch to produce lighting systems, and 100% of the results of the Seima Group, the European leader in the automotive rear lights sector. Furthermore, following their sale, Marelli deconsolidated its Lubricants, Mechanical Components and Fuel Systems Divisions as of January 1, 2000 and its Rearview Mirror Division as of July 1, 2000.
- **Comau** consolidated the activities of the Pico Group, the leading U.S. producer of bodywork systems, for the entire fiscal year. Pico was acquired in 1999 and consolidated for the last eight months of that year.
- **Itedi** deconsolidated the technical publishing operations of Satiz, which were sold at the end of 1999.
- **Toro Assicurazioni** consolidated the French operations of the Guardian Royal Exchange Group, which it acquired at the end of 1999, for the entire fiscal year.
- As a result of an agreement reached in June, **Fiat S.p.A.** sold 51% of **Fiat Ferroviaria** to the Alstom Group of France. Alstom took over operations as of August 1, and the Sector was deconsolidated from that date.

The strategic industrial alliance with General Motors led to the reorganization of the Fiat Group’s Automobile Sector. In particular, effective July 1, 2000, the Parent Company, Fiat Auto S.p.A. (now Fiat Auto Partecipazioni S.p.A.), demerged its operating activities, which were contributed to a new Parent Company, Fiat Auto Holdings B.V. At the same time, General Motors acquired a 20% interest in Fiat Auto Holdings B.V., and Fiat acquired a 5.85% interest in General Motors.

This analysis presents comments on the operations of the Automobile Sector. Its results during the first half of the year are represented by the figures reported by the Gruppo Fiat Auto S.p.A. (now Fiat Auto Partecipazioni S.p.A.), while those for the second half are represented by the figures reported by the Gruppo Fiat Auto Holdings B.V. following the asset contribution discussed in the preceding paragraph. The financial position of the Automobile Sector at December 31, 2000 is identical to that of the consolidated financial statements of Gruppo Fiat Auto Holdings B.V. Thus, the activities of the Automobile Sector in 2000 are comparable to those described in previous fiscal years and to those taking place in the current fiscal year.

Operating performance
The operating performance of the Fiat Group in 2000 was characterized by good sales volumes and a significant reduction in production and overhead costs on the one hand, and by increased expenses to strengthen the range of products and sustain Fiat Auto brands on the other. Nonetheless, operating income was up from the previous year, rising to 855 million euros.

The increased financial expenses incurred as a result of recent company acquisitions were largely offset by substantial capital gains realized during the fiscal year, most notably from the purchase of a 20% interest by General Motors in Fiat Auto, and from the disposal of Magneti Marelli’s Lubricants Division.

The Group’s interest in net income was almost double that of the previous year due both to lower taxes and to changes in the interest held by minority stockholders in certain Group Sectors.

An analysis of the main components that influenced the operating performance in 2000 is provided in the table below.

In order to provide a better understanding of the Group’s performance, the statement of operations has been reclassified by destination in the table below, providing a breakdown between Industrial and Insurance Activities.

Net revenues
Fiat Group net revenues, including changes in contract work in progress, totaled 57,555 million euros for all of 2000, up 19.6% from the previous year.
Revenues from Industrial Activities alone totaled 53,083 million euros (+20.4% from 1999), while Insurance Activities revenues totaled 4,542 million euros, up by 11.2%.

Of the increase in net revenues, 11.6% is accounted for by the changes in the scope of consolidation mentioned above and approximately 3% by variations in exchange rates, especially the strong appreciation of the U.S. dollar and British pound against the euro.

On a comparable consolidation and exchange rate basis, revenues in 2000 would have been about 5% higher than in 1999.

An analysis of revenues by operating Sector is provided below:

**Fiat Auto** reported revenues of 25,361 million euros for all of 2000 (24,101 million euros in 1999, +5.2%) against sales of 2,350,000 units (+0.9% over 1999). Sales in Western Europe, which totaled 1,687,000 units, remained substantially unchanged as compared with 1999 (+0.7%), while sales in Italy increased slightly (969,000 cars, +1.5%), thanks to growing demand.

The drop in sales in Poland (-24.9%) reflects an abrupt contraction in demand in the local market. Following the recovery of demand in Brazil, sales by Fiat Auto grew significantly (+19%), due in part to the success of the restyled Palio model.

**CNH Global** revenues in 2000 totaled 10,770 million euros, compared with 5,246 million euros for New Holland alone in 1999 (9,952 million euros when Case revenues for 1999 are considered on a pro forma basis). The increase in pro forma revenues (+8.2%) is due mainly to the rising value of the U.S. dollar against the euro, the Fiat Group’s reporting currency. If expressed in dollars, pro forma revenues would have been down slightly from the previous year.

Sales trends for CNH products varied from segment to segment and from one geographical area to another.

---

**Consolidated Revenues**

<table>
<thead>
<tr>
<th>Year</th>
<th>Industrial Activities</th>
<th>Insurance Activities</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>45,769</td>
<td>57,555</td>
<td>52,017</td>
</tr>
<tr>
<td>1999</td>
<td>48,123</td>
<td>52,017</td>
<td>57,555</td>
</tr>
<tr>
<td>1998</td>
<td>57,555</td>
<td>52,017</td>
<td>57,555</td>
</tr>
</tbody>
</table>

---


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

(**) This includes investment income, as well as writedowns and upward adjustments in subsidiaries and associated companies valued by the equity method.
North America, higher sales of low-powered tractors were offset by lower sales of the more profitable high-powered tractors and combine harvesters, while sales in Europe declined due to lower demand.

Iveco continued to enjoy strong growth, with revenues of 8,611 million euros during 2000, a 16.6% increase over 1999. Part of this increase is due to the consolidation of Fraikin, which was acquired towards the end of 1999. On a comparable consolidation and exchange rate basis, the revenue increase would still have measured 9%, thanks to greater sales volumes, especially in Europe, and the growing contribution made by financial activities and maintenance and repair services.

Revenues in the other Industrial Sectors (Teksid, Magneti Marelli, Comau and FiatAvio) totaled 10,255 million euros in 2000, compared with 8,798 million euros in 1999, which amounts to a 16.6% increase that is partially accounted for by changes in the scope of consolidation and favorable exchange rates. On a comparable basis, the increase would have been an 8.2% increase in revenues.

Teksid (Metallurgical Products) reported sales of 1,873 million euros in 2000, representing an 11.4% increase over 1999, partly due to favorable exchange rate trends. On a comparable exchange rate basis, the increase in revenues would have been 5.4%.

Magneti Marelli (Components) reported revenues of 4,451 million euros in 2000, up 9.6% over 1999, due to strong sales volumes and changes in the scope of consolidation. On a comparable basis, the increase in revenues would have been 6.1%.

The Production Systems Sector, which is headed by Comau, posted revenues of 2,440 million euros for the year (+ 44.1%). This increase was due partly to the inclusion of Pico in the scope of consolidation for all twelve months in 2000, as opposed to eight months in 1999, and partly to favorable exchange rates. On a comparable basis, the increase in revenues would still have been a significant 17.5%, thanks to strong sales volumes, especially for bodywork orders in Europe, and the significant contribution made by maintenance services (Comau Service).

FiatAvio revenues during 2000 totaled 1,491 million euros (+9.6% over 1999, +5.8% on a comparable consolidation and exchange rate basis). This result confirms the growth in the commercial aircraft engine market over the last several years. There was a significant increase in sales of derivative aircraft engines during the fiscal year, while the European defense market reflected the willingness of governments to renew their navy and airforce fleets.

Among the Sectors operating in the Services area:

Toro Assicurazioni wrote premiums during the year totaling 4,363 million euros, or 11.2% more than the 3,922 million euros reported in 1999, thanks to good performance in the life insurance business and the contribution of the French Guardian Group, which was included in the scope of consolidation in 2000. On a comparable basis, the increase in premium income would have been 5.7%, reflecting a positive, albeit slower, growth trend than in recent years due to the slowdown in the banking market, which has become the principal channel for sales of life insurance policies, and the freeze imposed by the Italian Government on auto insurance premiums.

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>Revenues 2000</th>
<th>Revenues 1999</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles (Fiat Auto)</td>
<td>25,361</td>
<td>24,101</td>
<td>5.2%</td>
</tr>
<tr>
<td>Agricultural and Construction Equipment (CNH Global)</td>
<td>10,770</td>
<td>5,246</td>
<td>105.3%</td>
</tr>
<tr>
<td>Commercial Vehicles (Iveco)</td>
<td>8,611</td>
<td>7,387</td>
<td>16.6%</td>
</tr>
<tr>
<td>Metallurgical Products (Teksid)</td>
<td>1,873</td>
<td>1,682</td>
<td>11.4%</td>
</tr>
<tr>
<td>Components (Magneti Marelli)</td>
<td>4,451</td>
<td>4,062</td>
<td>9.6%</td>
</tr>
<tr>
<td>Production Systems (Comau)</td>
<td>2,440</td>
<td>1,693</td>
<td>44.1%</td>
</tr>
<tr>
<td>Aviation (FiatAvio)</td>
<td>1,491</td>
<td>1,361</td>
<td>9.6%</td>
</tr>
<tr>
<td>Publishing and Communications (Itedi)</td>
<td>354</td>
<td>413</td>
<td>(14.3%)</td>
</tr>
<tr>
<td>Insurance (Toro Assicurazioni)</td>
<td>4,363</td>
<td>3,922</td>
<td>11.2%</td>
</tr>
<tr>
<td>Miscellaneous and eliminations (*)</td>
<td>(2,159)</td>
<td>(1,744)</td>
<td>23.8%</td>
</tr>
<tr>
<td>Total for the Group</td>
<td>57,555</td>
<td>48,123</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

(*) The item “Miscellaneous and eliminations” includes the operating results for the Rolling Stock and Railway Systems Sector that was deconsolidated as of August 1, 2000.
Itedi had revenues of 354 million euros in 2000, a decrease of 14% that was due to the deconsolidation of Satiz technical publishing operations at the end of 1999. On a comparable basis, 2000 revenues were up 10%, thanks entirely to strong advertising revenues.

**Gross operating result**

The gross operating result was 8,594 million euros, compared with 7,318 million euros in 1999. As a percentage of revenues, it declined from 15.2% in 1999 to 14.9% in 2000. For Industrial Activities alone, this ratio declined from 16.4% in 1999 to 15.9% in 2000 due to the impact of competitive pressures on sales prices in Europe, which did not allow certain Group Sectors to completely offset the inflationary trends of industrial costs.

**Overhead and research and development outlays**

Overhead came to 6,108 million euros in 2000 (+20.1% over 1999). The increase in overhead was due mainly to changes in the scope of consolidation (principally the addition of Case and Fraikin) and the effect of exchange rate differences. On a comparable consolidation and exchange rate basis, overhead was substantially in line with 1999.

The successful reengineering of the business support activities and the streamlining of its organization resulted in significant savings that amounted to 480 million euros in 2000 (approximately 1,100 million euros in combined savings for 1999 and 2000). The portion of the 2000 savings that applies to overhead (approximately 290 million euros) offset increased outlays for advertising and support of the commercial network, especially at Fiat Auto, in response to stiffer competition in the European market. The remaining part of these savings (approximately 190 million euros) contributed to the reduction of fixed production costs.

**Research and development outlays**, which were charged in full to income, totaled 1,725 million euros, or 22.7% more than in 1999. This increase was due mainly to changes in the scope of consolidation, but also to higher spending – especially by Fiat Auto – to update the product range and thereby strengthen its competitive position. The increased investment in research and development is a testament to the Group’s commitment to innovation and its quest for technological excellence.

**Operating income**

Operating income before extraordinary, financial, and tax components, totaled 855 million euros in 2000, up by 67

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automobiles (Fiat Auto)</strong></td>
<td>44 (121)</td>
<td>165</td>
<td>0.2</td>
<td>(0.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Agricultural and Construction Equipment (CNH Global)</strong></td>
<td>45</td>
<td>371</td>
<td>(326)</td>
<td>0.4</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Commercial Vehicles (Iveco)</strong></td>
<td>489</td>
<td>311</td>
<td>178</td>
<td>5.7</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Metallurgical Products (Teksit)</strong></td>
<td>101</td>
<td>76</td>
<td>25</td>
<td>5.4</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Components (Magneti Marelli)</strong></td>
<td>55</td>
<td>108</td>
<td>(53)</td>
<td>1.2</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Production Systems (Comau)</strong></td>
<td>87</td>
<td>43</td>
<td>44</td>
<td>3.6</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Aviation (FiatAvio)</strong></td>
<td>143</td>
<td>109</td>
<td>34</td>
<td>8.6</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Publishing and Communications (Itedi)</strong></td>
<td>10</td>
<td>17</td>
<td>(7)</td>
<td>2.8</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Insurance (Toro Assicurazioni)</strong></td>
<td>(56)</td>
<td>(103)</td>
<td>47</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Miscellaneous and eliminations (</strong>)**</td>
<td>(63)</td>
<td>(23)</td>
<td>(40)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>855</td>
<td>788</td>
<td>67</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Industrial Activities only</strong></td>
<td>919</td>
<td>850</td>
<td>69</td>
<td>1.7</td>
<td>1.9</td>
</tr>
</tbody>
</table>

(•) The item “Miscellaneous and eliminations” includes the operating results for the Rolling Stock and Railway Systems Sector that was deconsolidated as of August 1, 2000.
million euros over the previous year. The return on sales (R.O.S.) of Industrial Activities (excluding Insurance Activities which are characterized by a structurally negative operating performance), was equivalent to 1.7%, down slightly from the 1.9% recorded for 1999.

The improved return on sales resulting from reduced manufacturing costs and overhead was offset by the increased research and development and advertising outlays mentioned above, as well as by a considerable rise in the cost of some raw materials.

The operating performance of the individual Sectors is reviewed below:

- **Fiat Auto** closed the year with operating income of 44 million euros, compared with a loss of 121 million euros posted in 1999. The return on sales was a positive 0.2%, versus a negative 0.5% the previous year.

In spite of strong sales of the new Fiat Punto and Lancia Lybra models, outlays borne by Fiat Auto to fend off competitive pressures in Europe held back the Sector’s profitability. On the other hand, the operating results for activities in Brazil improved, thanks to a recovery in demand.

Industrial streamlining in Argentina led to significantly reduced losses from 1999 levels.

- **CNH Global** ended the year with operating income of 45 million euros (0.4% of sales), compared with income of 371 million euros realized in 1999 for New Holland alone and 95 million euros (equal to 1% of sales) when Case income for all 1999 is included on a pro forma basis.

From an industrial and commercial point of view, the performance of CNH suffered from the previously noted contraction in volumes, especially in the more profitable segment of heavy agricultural equipment. The lower volumes and a shift in demand to lower end of the market, which were partially compensated for by improved prices, pulled down the year’s earnings. The operating result reported by CNH also reflects increased costs for the amortization of goodwill and other intangible assets connected with the acquisition of Case.

- **Iveco** posted operating income of 489 million euros in 2000 (311 million euros in 1999), which amounted to 5.7% of net revenues (+1.5 points over 1999). Aside from positive sales trends and the effects of efficiency measures, this result reflects a non-recurring real estate gain of 88 million euros in the fourth quarter of 2000 from the disposal of industrial areas no longer needed for Sector operations.

Operating income in the Other Industrial Sectors was positive growing to 386 million euros (+15% over the 336 million euros reported in 1999), and yielding an aggregate return on sales of approximately 3.8%, in line with the previous year’s figure.

In particular:

- **Teksid** posted operating income of 101 million euros (5.4% of sales) for the year as a whole, compared with 76 million euros in the previous year (4.5% of sales). This increase is partially attributable to currency exchange rates and partially to considerable cost savings and the favorable impact of volumes and product mix, which compensated for the unfavorable relationship between product costs and prices.

- **Magneti Marelli** reported operating income of 55 million euros for the year as a whole (1.2% of sales) compared with 108 million euros in the previous year. The decrease is largely the result of changes in the scope of consolidation following the deconsolidation of businesses that were sold off, particularly the Lubricants and Rearview Mirror Divisions. On a comparable basis, the operating result in 2000 would have been approximately 19 million euros higher than in 1999.

- **Comau** reported operating income of 87 million euros in 2000, equal to 3.6% of revenues, up from the previous year both in absolute terms and in terms of profitability (43 million euros in 1999, equal to 2.5% of revenues), thanks to higher volumes on orders in Europe, growth in the Comau Service Division and the consolidation of Pico Group activities for the entire year.

- **FiatAvio** posted operating income of 143 million euros (9.6% of sales) in 2000, compared with 109 million euros in 1999 (8% of sales). The improvement in FiatAvio operating margin was due both to favorable exchange rates and to the completion of industrial streamlining programs carried out by the Sector, confirming the company’s strong strategic position in its field.

The performance of the Other Sectors is reviewed below:

- **Toro Assicurazioni** reported a negative operating result of 56 million euros, which represents an improvement over 1999, when a loss of 103 million euros was reported. Income before taxes, which is the most representative measure of profitability for companies operating in the insurance business, amounted to 163 million euros in 2000, 15 million euros less than in 1999. It includes a provision of 24 million euros set aside as a conservative measure in connection with an administrative penalty levied for alleged violations of antitrust laws. The Company is appealing the penalty.
Itedi’s operating income, which totaled 10 million euros compared with 17 million euros in 1999, suffered from the loss of revenues from the technical publishing operations of Satiz, which were sold at the end of 1999.

Result for the fiscal year

Income before taxes for the whole year totaled 1,050 million euros, slightly more than in 1999 (1,024 million euros).

Important capital gains realized in 2000, thanks to dynamic portfolio management and the finalization of the agreement with General Motors, had a significant impact on the non-operating items of the statement of operations and compensated for higher financial expenses resulting from the debt assumed to carry out important acquisitions over the last several years.

In 2000, the balance of financial and investment income and expenses totaled 719 million euros in net expenses, compared with a balance of 97 million euros in net expenses for 1999.

A total of 914 million euros in net extraordinary income was earned in 2000, significantly higher than that realized in 1999 (333 million euros).

Extraordinary income in 2000 totaled 2,757 million euros, due in large measure to the capital gain of 1,779 million euros generated during the third quarter by General Motors’ purchase of a 20% interest in Fiat Auto at a price higher than the corresponding stockholders’ equity value.

The other extraordinary gains of approximately 900 million euros came largely from the capital gains realized from the disposal of Group assets, which were sold as part of its portfolio streamlining program and generated net gains of approximately 700 million euros. The most significant of these gains stemmed from the sale of the Lubricants (347 million euros) and Rearview Mirror (46 million euros) Divisions of Magneti Marelli and from the sale of Fiat Ferroviaria (106 million euros) and Telesis/Atlantel (133 million euros), the latter pursuant to agreements with Acea Telefonica for the creation of the telecommunications company Atlantel.

Extraordinary expenses totaled 1,843 million euros, about 1.5 billion euros of which were for industrial reorganization and streamlining, as well as other measures to strengthen the asset base of certain Group Sectors. These measures largely applied to activities located abroad, especially those of Fiat Auto and CNH.

Consolidated net income before minority interest rose to 578 million euros (506 million euros in 1999), partially as a result of lower taxes, which decreased from 518 million euros in 1999 to 472 million euros in 2000.

Income taxes for the 2000 fiscal year included 269 million euros in current and deferred taxes (317 million euros in 1999) and 203 million euros for IRAP, the regional tax on production activity in Italy (201 million euros in 1999).

The Group’s interest in net income, which amounted to 664 million euros was almost double the 353 million euros realized in the previous year, due to changes in the interest held by minority stockholders in certain Group Sectors.

As a result of the increase in the Group’s interest in net income, net income per share has increased considerably from 0.62 euros in 1999 to 1.19 euros in 2000.

Balance sheet

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

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

Working capital

At the end of 2000, the Group’s consolidated working capital totaled 1,630 million euros, up from 898 million euros at the end of 1999. On a comparable consolidation and exchange

Report on Operations – Analysis of the Financial Position and Operating Results of the Fiat Group and Fiat S.p.A.
rate basis and excluding the impact of the greater volume of discounted trade receivables, working capital at the end of December 2000 would have been approximately 400 million euros higher than at the beginning of the year.

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

- **Inventories** (raw materials, finished products and work in progress), net of advances received, amounted to 10,036 million euros, compared with 7,987 million euros in 1999. This increase is due mainly to changes in the scope of consolidation. The turnover index was 63 days (60 days in 1999).

- **Trade receivables** totaled 6,744 million euros at the end of 2000, which was in line with the total of 6,665 million euros at the end of 1999, notwithstanding higher levels of activity, due largely to greater volumes of discounted trade receivables (+1,745 million euros) mainly sold without recourse. Consequently, credit exposure improved to 42 days over the 1999 level of 50 days.

- **Trade payables** increased from 11,070 million euros at the end of 1999 to 11,805 million euros at the end of 2000. However, debt exposure fell to 74 days of sales from 83 days in 1999 as a result of the robust growth in revenues.

**Net property, plant and equipment**

Net property, plant and equipment increased to 16,677 million euros at the end of 2000, from 15,920 million euros at the end of 1999, mainly as the result of changes in the scope of consolidation (+1,711 million euros) – especially the inclusion of Case. These changes were compensated for by major disposals of real estate, plants and machinery no longer needed for Group activities (1,763 million euros).

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

**Investments** in fixed assets totaled 3,236 million euros (2,712 million euros in 1999), including 953 million euros (461 million euros in 1999) for investments in the strategic development of long-term leasing services for automobiles, commercial vehicles, and agricultural and construction equipment.

At December 31, 2000, **accumulated depreciation and writedowns** totaled 19,481 million euros (18,920 million euros in 1999). Property, plant and equipment was depreciated at about 54%, almost unchanged from 1999.

**Other fixed assets**, which include financial fixed assets (investments, securities and treasury shares) and intangibles (start-up and expansion costs, goodwill, intangible fixed assets in progress and others), amounted to 23,253 million euros at December 31, 2000, or 5,648 million euros more than at the end of 1999. The main components of this change were:

- an increase of approximately 700 million euros in insurance company securities held as coverage for their technical reserves following a significant increase in business volumes;

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>12/31/00</th>
<th>12/31/99</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Activities</strong></td>
<td><strong>Insurance Activities</strong></td>
<td><strong>Consolidated</strong></td>
</tr>
<tr>
<td>Net inventories</td>
<td>10,036</td>
<td>–</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>6,165</td>
<td>579</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(11,603)</td>
<td>(202)</td>
</tr>
<tr>
<td>Other receivables (payables), net</td>
<td>(3,315)</td>
<td>(30)</td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>1,283</td>
<td>347</td>
</tr>
<tr>
<td>Net property, plant and equipment</td>
<td>15,895</td>
<td>782</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>11,177</td>
<td>12,122</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>1,092</td>
<td>(85)</td>
</tr>
<tr>
<td>Reserves and allowances</td>
<td>(8,178)</td>
<td>(12,713)</td>
</tr>
<tr>
<td><strong>Net invested capital</strong></td>
<td>21,269</td>
<td>453</td>
</tr>
<tr>
<td>Net financial position (**)</td>
<td>(8,228)</td>
<td>1,761</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>13,041</td>
<td>2,214</td>
</tr>
<tr>
<td>Fiat’s interest in stockholders’ equity</td>
<td>11,261</td>
<td>2,105</td>
</tr>
</tbody>
</table>

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

(**) The values shown between parentheses indicate "indebtedness."
an increase in net intangible fixed assets (4,648 million euros), due mainly to the consolidation of Case (approximately four billion euros) and the goodwill resulting from the completion of the tender offers for Toro Assicurazioni and Magneti Marelli shares and the acquisition of the residual shares of Frasikin and the Flexi-Coil Group (for a total of approximately 650 million euros).

Net deferred tax assets
At December 31, 2000, net deferred tax assets rose to 1,007 million euros, from 574 million euros in 1999, due mainly to provisions for risk reserves not deductible for tax purposes in the period under examination.

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

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

Reserves and allowances
At December 31, 2000, reserves and allowances totaled 20,891 million euros. They included the technical reserves of the insurance companies (12,616 million euros), the reserve for severance indemnities for employees in Italy (2,017 million euros), the reserve for pensions and similar obligations (1,515 million euros), the warranty and technical support reserve (1,008 million euros), and other reserves (3,735 million euros).

The increase of 4,692 million euros over the 16,199 million euros reported at the end of 1999 is due to the higher technical reserves of the insurance companies, which rose by 2,323 million euros, reflecting a significant increase in premium income; changes in the scope of consolidation (by approximately 1 billion euros), largely due to the inclusion of Case; and the extraordinary allowance for industrial reorganization as well as other measures to strengthen the asset base of several Group Sectors.

Net invested capital
The Group’s net invested capital at December 31, 2000 was 21,676 million euros, an increase of 2,878 million euros over the end of 1999 (18,798 million euros).

Changes in the scope of consolidation, due largely to the consolidation of Case and Flexi-Coil; the acquisition of the equity interest in General Motors; and the increase in goodwill resulting from the completion of the tender offers for Toro Assicurazioni and Magneti Marelli produced an increase of approximately 4,500 million euros in invested capital. If the scope of consolidation had remained the same and the greater volume of discounted trade receivables were excluded, net invested capital would be approximately 470 million euros lower than at the end of 1999.

On a comparable basis, the asset turnover rate declined from 3.3 in 1999 to 2.7 at the end of 2000.

The annualized return on invested capital, which is the ratio of operating income plus investment income to average net invested capital, was about 6%, which fell short of the 10% value that was set in 2000 as the average cost of capital for the Group, used for the calculation of value creation.

Net financial position of the Group
At December 31, 2000, the consolidated net financial position of the Group showed net indebtedness of 6,467 million euros, 2,436 million euros more than at the beginning of the fiscal year (net borrowings of 4,031 million euros). The increase was due primarily to changes in the scope of consolidation and to the tender offers for Toro Assicurazioni and Magneti Marelli, which led to a total increase in net debt of about 3.3 billion euros.
A breakdown of the changes affecting the net financial position in 2000 is provided below:

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>12/31/00</th>
<th>12/31/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,997</td>
<td>1,906</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>1,643</td>
<td>1,613</td>
</tr>
<tr>
<td>Financial receivables and leased assets</td>
<td>24,059</td>
<td>19,103</td>
</tr>
<tr>
<td>Accrued financial income</td>
<td>620</td>
<td>295</td>
</tr>
<tr>
<td>Deferred financial income</td>
<td>(1,778)</td>
<td>(1,892)</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>(A) 26,541</td>
<td>21,025</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>(17,217)</td>
<td>(14,073)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>(15,272)</td>
<td>(10,756)</td>
</tr>
<tr>
<td>Accrued financial expenses</td>
<td>(649)</td>
<td>(309)</td>
</tr>
<tr>
<td>Deferred financial expenses</td>
<td>130</td>
<td>82</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>(B) 33,008</td>
<td>(25,056)</td>
</tr>
<tr>
<td>Group’s net financial position</td>
<td>(A-B) (6,467)</td>
<td>(4,031)</td>
</tr>
</tbody>
</table>

Cash flow, which is equal to net income before minority interest plus depreciation and amortization, climbed sharply to 3,630 million euros from 2,860 million euros in 1999 as a result of higher depreciation and amortization charges. Depreciation and amortization rose to 3,052 million euros (up from 2,354 million euros in 1999), due largely to higher amortization for goodwill, particularly as a result of the Case acquisition and the widening of the scope of consolidation. Disposals included the sale of a 20% interest in Fiat Auto to General Motors. This value does not reflect realized capital gains since they were already included in cash flow.

The other changes consist mainly of changes in the scope of consolidation, the impact of exchange rates and increased allowances made for industrial reorganization and the strengthening of the asset base of several Group Sectors.

A breakdown of the net financial position is provided below:

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>12/31/00</th>
<th>12/31/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net financial position at December 31, 1999</td>
<td>(4,031)</td>
<td></td>
</tr>
<tr>
<td>Increase in working capital</td>
<td>(732)</td>
<td></td>
</tr>
<tr>
<td>Investments in fixed assets</td>
<td>(3,236)</td>
<td></td>
</tr>
<tr>
<td>Cash flow</td>
<td>3,630</td>
<td></td>
</tr>
<tr>
<td>Dividends paid by Fiat S.p.A.</td>
<td>(352)</td>
<td></td>
</tr>
<tr>
<td>Dividends paid by other companies</td>
<td>(60)</td>
<td></td>
</tr>
<tr>
<td>Acquisitions and capital contributions</td>
<td>(4,347)</td>
<td></td>
</tr>
<tr>
<td>Disposals (net of capital gains)</td>
<td>1,040</td>
<td></td>
</tr>
<tr>
<td>Other changes</td>
<td>1,621</td>
<td></td>
</tr>
<tr>
<td>Total change</td>
<td>(2,436)</td>
<td></td>
</tr>
<tr>
<td>Net financial position at December 31, 2000</td>
<td>(6,467)</td>
<td></td>
</tr>
</tbody>
</table>

Stockholders’ equity

Stockholders’ equity totaled 15,209 million euros at December 31, 2000, compared with 14,767 million euros at the end of 1999. The Group’s interest in stockholders’ equity amounted to 13,320 million euros versus 12,874 million euros in the previous fiscal year. The debt to equity ratio rose from 0.27 at the end of 1999 to 0.43 at the end of 2000.

A breakdown of the changes in stockholders’ equity is provided in the Notes to the Consolidated Financial Statements.
**FINANCIAL POSITION AND OPERATING RESULTS OF FIAT S.P.A.**

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

<table>
<thead>
<tr>
<th></th>
<th>12/31/00</th>
<th>12/31/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>7,653</td>
<td>7,050</td>
</tr>
<tr>
<td>Working capital</td>
<td>49</td>
<td>(1)</td>
</tr>
<tr>
<td>Total net invested capital</td>
<td>7,702</td>
<td>7,049</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>7,143</td>
<td>6,804</td>
</tr>
<tr>
<td>Net borrowings</td>
<td>559</td>
<td>245</td>
</tr>
</tbody>
</table>

**Fixed assets** consist mainly of investments in the Group’s principal companies. The total value at December 31, 2000 was 7,598 million euros, for a net increase of 631 million euros since the end of 1999.

The principal new equity investments added in 2000 included the tender offers for and open market purchase of shares in Toro Assicurazioni S.p.A. and Magneti Marelli S.p.A., for a total outlay of 1,186 million euros.

In particular, the Group acquired:
- 31.81% of the ordinary shares, 9.67% of the savings shares, 19.14% of the preference shares and 99.11% of the outstanding warrants of Toro Assicurazioni S.p.A., with Group-level ownership increasing to 99.5% of the entire capital stock.
- After exercising its purchase right in March 2001, the Group now owns 100% of Toro Assicurazioni.
- 31.58% of the ordinary shares and 74.72% of the savings shares of Magneti Marelli S.p.A. The Fiat Group now owns all of the capital stock of Magneti Marelli that has voting rights.

The Company also subscribed to the capital increases of Fiat Ge.Va S.p.A. (200 million euros) and Comau S.p.A. (65 million euros).

Disposals include the sale of the entire interest in Magneti Marelli S.p.A. to the subsidiary Fiat Netherlands Holding N.V. (which generated proceeds of 1,289 million euros and a capital gain of 300 million euros, net of tax charges). This transaction was aimed at capitalizing on the maximum value of the operations in an international context and bringing the financial position into equilibrium.

**Working capital** includes receivables from and payables to Tax Authorities, customers and suppliers, and employees of 22 million euros and 1,002,000 ordinary treasury shares valued at 27 million euros. The increase of 50 million euros compared with December 31, 1999 is due mainly to the acquisition of treasury shares earmarked for the 2000 stock option plan and to higher amounts receivable from Tax Authorities.

At December 31, 2000, **stockholders’ equity** totaled 7,143 million euros, or 339 million euros more than at the end of 1999. The increase represents the combined effect of the year’s net income of 692 million euros, less distribution of the 1999 dividend (353 million euros), which was approved by the Stockholders’ Meeting of June 5, 2000.

At the end of 2000, **net indebtedness** totaled 559 million euros, compared with 245 million euros in 1999. Most of this increase derives from net equity investments (631 million euros), distribution of the 1999 dividend (353 million euros), and the increase in working capital (50 million euros), which was partially offset by cash flow during the fiscal year (696 million euros).

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

The statement of operations for the fiscal year shows net income of 692 million euros, compared with 396 million euros in 1999.

The following table contains a breakdown of net income:

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>756</td>
<td>608</td>
</tr>
<tr>
<td>Adjustments to the carrying value of investments</td>
<td>(7)</td>
<td>(210)</td>
</tr>
<tr>
<td>Net financial expenses</td>
<td>(53)</td>
<td>15</td>
</tr>
<tr>
<td>Cost of personnel and services, less revenues</td>
<td>(70)</td>
<td>(15)</td>
</tr>
<tr>
<td>Net extraordinary income</td>
<td>350</td>
<td>81</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(284)</td>
<td>(83)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>692</strong></td>
<td><strong>396</strong></td>
</tr>
</tbody>
</table>

Investment income amounted to 756 million euros (608 million euros in 1999). It consists of dividends, including the respective tax credits, paid by subsidiaries and associated companies.

A breakdown of the dividends earned in 2000 and 1999 is provided in the Notes to the Financial Statements of Fiat S.p.A.

Adjustments to the carrying value of investments in 1999 refer to the writedown of the carrying value of Fiat Auto S.p.A.

Net financial expenses totaled 53 million euros, compared with net financial income of 15 million euros in 1999. The increase of 68 million euros in expenses over 1999 is due mainly to the increase in net indebtedness resulting from the equity investments discussed above.

The cost of personnel and services, less revenues, totaled 70 million euros (15 million euros in 1999). The net increase of 55 million euros in costs over 1999 is due mainly to the extraordinary gains realized in the previous fiscal year on the sale of almost all real estates. In particular, the cost of personnel and services came to 176 million euros, compared with 174 million euros in 1999. The Company’s staff averaged 240 employees (including 25 seconded to the Group’s principal companies) as against 245 in 1999 (including 26 seconded employees). Revenues totaled 106 million euros, down from 159 million euros in the previous fiscal year. They include royalties from the license to use the Fiat trademark, computed as a percentage of the sales of the individual Group companies, and fees for services rendered by management personnel.

The main component of net extraordinary income was the gain realized on the disposal of Magneti Marelli S.p.A. shares (370 million euros), net of extraordinary expenses for employee retirement benefits and other non-recurring expenses for employee performance bonuses (22 million euros).

In 1999, the main components of extraordinary income were the gains realized on the disposal of 30% of IN.TE.SA. S.p.A. (32 million euros) and 0.46% of Banco Central Hispano Americano S.A. (41 million euros).

Income taxes totaled 284 million euros, compared with 83 million euros in 1999.

Taking into account tax credits on dividends, which are reflected in investment income (263 million euros in 2000), net taxes payable totaled 21 million euros (compared with net tax receivables of 41 million euros in 1999).
The most important transactions completed by the Fiat Group in the early months of 2001 are reviewed below:

- As part of its strategy to develop a carefully focused range of products, *Magneti Marelli agreed to sell to Denso Corporation* of Japan its Climate Control Division, which had been operating as a joint venture since 1990. The price of this transaction was about 500 million euros. Under the agreement, which the Sector will sign by the end of March, Magneti Marelli will continue to market the products manufactured by this Division through its aftermarket distribution network.

- Also in March, *ThyssenKrupp Automotive agreed in principle to acquire Magneti Marelli’s Suspension Systems and Shock Absorbers operations*. The preliminary agreement calls for ThyssenKrupp Automotive to purchase a 51% interest in these businesses and for Fiat and ThyssenKrupp Automotive to hold a put/call option on the remaining 49%, exercisable beginning in 2004. This transaction, which must be approved by the antitrust authorities, is valued at about 450 million euros. The price may increase to a maximum of 550 million euros, depending on the results produced over the next three years.

- CNH Global entered into an *agreement with two Japanese companies — Kobe Steel and Kobelco Construction Machinery* — establishing a global alliance in the field of construction equipment. The alliance provides for joint activities for the marketing, development and production of crawler excavators worldwide. Following this transaction, a mutual agreement was reached with Hitachi to end the European alliance set up in 1987.

- At the end of March, the Group sold its remaining 49% interest in Alstom Ferroviaria (formerly Fiat Ferroviaria) at a price of about 150 million euros.

- Comau completed the acquisition of Germann-Intec GmbH & Co. KG. This German company, which specializes in the industrialization and engineering of automotive products, employs almost 300 technical specialists in six offices located on the premises of its principal customers. In 2000, it had revenues of about 30 million euros.

- In March 1, at the Geneva Motor Show, Fiat and Lancia staged the world launch of the Stilo, Fiat’s new entry in the intermediate-compact segment, and of the Thesis, Lancia’s new flagship car.

- In January, at the 79th Annual Commercial Vehicles Show, Iveco presented to customers worldwide its EuroStar wheeled tractors, which can be equipped with the Euro 3 (480 bhp) version of the new Cursor 13 engine, and
the Daily Vendor, a vehicle specifically designed to
make home deliveries in urban areas.

On January 29, 2001, Fiat Auto and the PSA Peugeot
Citroën Group signed a letter of intent reaffirming the
commitment of both parties to continue their collaboration
in the development of light commercial vehicles and
minivans, beginning with a preliminary study for a new
light commercial vehicle.

In accordance with agreements concluded with Mr. Romiti
upon the end of his office, the Fiat subsidiary Sicind S.p.A.
sold to Gemina S.p.A. a further 0.5% of the ordinary shares
of H.d.P. S.p.A. (3,656,052 shares), generating proceeds of
16 million euros and a capital gain of 9 million euros before
taxes. Following this sale, Sicind S.p.A. still owned 10.7%
of the ordinary shares of H.d.P. S.p.A. Gemina S.p.A. holds
one last option to buy 0.5% of H.d.P.’s ordinary shares. This
option expires on December 31, 2001.

Fiat S.p.A. availed itself of the buyout right provided under
Article 111 of Legislative Decree No. 58/98 to purchase the
shares of Toro Assicurazioni S.p.A. it did not own already,
thereby achieving 100% ownership of Toro’s capital stock.
This transaction had a cost of 13.8 million euros.

During the early months of 2001, Fiat S.p.A. purchased
additional treasury shares, which are earmarked for
distribution under the Group’s stock option plans. In
particular, it bought 1,098,000 ordinary shares, at a
cost of 26.3 million euros. Following these purchases,
the Company held a total of 2,100,000 treasury shares.

The Fiat Stilo is available with three or five doors.
# Financial Highlights by Sector (*)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles (Fiat Auto)</td>
<td>25,361</td>
<td>24,101</td>
<td>44</td>
<td>(121)</td>
<td>0.2</td>
<td>(0.5)</td>
<td>(599)</td>
<td>(493)</td>
<td></td>
</tr>
<tr>
<td>Agricultural and Construction Equipment (CNH Global)</td>
<td>10,770</td>
<td>5,246</td>
<td>45</td>
<td>371</td>
<td>0.4</td>
<td>7.1</td>
<td>(754)</td>
<td>216</td>
<td></td>
</tr>
<tr>
<td>Commercial Vehicles (Iveco)</td>
<td>8,811</td>
<td>7,387</td>
<td>101</td>
<td>76</td>
<td>5.7</td>
<td>4.2</td>
<td>147</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>Metallurgical Products (Teksid)</td>
<td>1,873</td>
<td>1,682</td>
<td>489</td>
<td>311</td>
<td>5.7</td>
<td>4.2</td>
<td>147</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>Components (Magneti Marelli)</td>
<td>4,451</td>
<td>4,062</td>
<td>55</td>
<td>108</td>
<td>1.2</td>
<td>2.7</td>
<td>139</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td>Production Systems (Comau)</td>
<td>2,440</td>
<td>1,693</td>
<td>87</td>
<td>43</td>
<td>3.6</td>
<td>2.5</td>
<td>6</td>
<td>(8)</td>
<td></td>
</tr>
<tr>
<td>Aviazione (FiatAvio)</td>
<td>1,491</td>
<td>1,361</td>
<td>143</td>
<td>100</td>
<td>9.6</td>
<td>8.0</td>
<td>83</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Publishing and Communications (Itedi)</td>
<td>354</td>
<td>413</td>
<td>10</td>
<td>17</td>
<td>2.8</td>
<td>4.1</td>
<td>2</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Insurance (Toros Assicurazioni)</td>
<td>4,363</td>
<td>3,922</td>
<td>(56)</td>
<td>(103)</td>
<td>n.m.</td>
<td>n.m.</td>
<td>85</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous and eliminations</td>
<td>(2,159)</td>
<td>(1,744)</td>
<td>(63)</td>
<td>(23)</td>
<td>n.m.</td>
<td>n.m.</td>
<td>1,461 (`**)</td>
<td>314</td>
<td></td>
</tr>
<tr>
<td>Total for the Group</td>
<td>57,555</td>
<td>48,123</td>
<td>855</td>
<td>788</td>
<td>1.7</td>
<td>1.9</td>
<td>578</td>
<td>506</td>
<td></td>
</tr>
</tbody>
</table>

* The amounts shown under Miscellaneous and eliminations include the operating data of the Rolling Stock and Railways Systems Sector, which was deconsolidated as of August 1, 2000.

** Includes the gain and extraordinary expenses stemming from the agreement with General Motors, amounting to 1,779 million euros and 460 million euros, respectively.
Fiat built its first car in 1899. The Lingotto, the Company’s first mass-production car factory, was inaugurated in Turin in 1923. It now houses the Group’s headquarters. Other plants were later opened in Turin, followed by additional facilities in Italy and the rest of the world. Fiat’s domestic market extends beyond Italy, to include the Mercosur countries and Poland.

**HIGHLIGHTS**

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>25,361</td>
<td>24,101</td>
<td>24,859</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>44</td>
<td>(121)</td>
<td>(108)</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>0.2</td>
<td>(0.5)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Income (Loss) before</td>
<td>(599) (*)</td>
<td>(493)</td>
<td>(258)</td>
</tr>
<tr>
<td>minority interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow</td>
<td>732</td>
<td>855</td>
<td>1,146</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,412</td>
<td>1,464</td>
<td>1,373</td>
</tr>
<tr>
<td>Research and development</td>
<td>776</td>
<td>711</td>
<td>608</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>4,220</td>
<td>5,021</td>
<td>5,863</td>
</tr>
<tr>
<td>Number of employees</td>
<td>74,292</td>
<td>82,553</td>
<td>93,514</td>
</tr>
</tbody>
</table>

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

**INTRODUCTION**

As explained in the introduction to the report on operations, the data that present the operating performance of the Automobile Sector include the results of Gruppo Fiat Auto S.p.A. (now Fiat Auto Partecipazioni S.p.A.) for the first half of the year and those of Gruppo Fiat Auto Holdings B.V. for the second half, when all the Sector’s operating units were transferred to the latter company. For the Automobile Sector, the balance sheet data at December 31, 2000 are those of Gruppo Fiat Auto Holdings B.V.

**SALES PERFORMANCE**

In 2000, the Western European automobile market contracted after six years of continuous growth, with car sales falling to 14.7 million units, or 2.1% less than in 1999. However, demand continued to expand in North America. In the Mercosur countries, there was a turnaround in Brazil (+13.2%), but the Argentinian market continued to shrink (-11.7%). In Italy, new vehicle registrations totaled 2,415,600 units, for a gain of 3.3% over the previous fiscal year.

In the major European countries, demand was up only in Great Britain (+1.1%). It faltered in Germany (-11.2%) and weakened in France (-0.6%) and Spain (-1.8%). Elsewhere in Europe, the Polish market, which had expanded steadily since 1992, contracted sharply (-25.5%), due to an increase in the tax on purchases of motor vehicles.

In Western Europe, demand for light commercial vehicles continued to increase in 2000 (+4.7%), with especially strong gains in Italy (+14.6%) and France (+9.9%).

In this market environment, Fiat Auto sold a total of 2,350,000 automobiles, or 0.9% more than in 1999, as the introduction of new models in Europe — new Punto and Lancia Lybra — enabled the Sector to offset lower sales in another segment where the existing models (Bravo/Brava) were being replaced. The launch of the 147 at the end of October was particularly successful, with about 15,000 units sold during the last two months of the year. When the contribution of associated companies is included, Fiat Auto’s sales rise to 2,439,000 units, for a gain of 2.2% over the previous fiscal year.
Western European customers bought 1,687,000 cars, about
the same as in 1999 (+0.7%). In Italy, where the market
expanded, sales were up 1.5% to 969,000 units. In France
and Germany, however, shipments were down 6% and 14.6%,
respectively, reflecting weakening demand, with respect to the
previous year. The sharp drop in Poland (-24.9%) is entirely
due to slumping demand.

In Brazil, buoyant demand and the successful restyling of the
Palio helped Fiat Auto post a healthy 19.1% sales increase
and take over the leadership of the local market during the
last quarter of 2000.

<table>
<thead>
<tr>
<th>Western Europe</th>
<th>France</th>
<th>2,130</th>
<th>2,144</th>
<th>(0.6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>3,308</td>
<td>3,726</td>
<td>(11.2)</td>
<td></td>
</tr>
<tr>
<td>Great Britain</td>
<td>2,228</td>
<td>2,205</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2,416</td>
<td>2,338</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>1,376</td>
<td>1,402</td>
<td>(1.8)</td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>14,658</td>
<td>14,975</td>
<td>(2.1)</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>74</td>
<td>73</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>234</td>
<td>216</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>1,687</td>
<td>1,676</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>133</td>
<td>177</td>
<td>(24.9)</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>362</td>
<td>304</td>
<td>19.1</td>
<td></td>
</tr>
<tr>
<td>Rest of the world</td>
<td>168</td>
<td>171</td>
<td>(1.8)</td>
<td></td>
</tr>
<tr>
<td><strong>Total units sold</strong></td>
<td><strong>2,350</strong></td>
<td><strong>2,328</strong></td>
<td><strong>0.9</strong></td>
<td></td>
</tr>
<tr>
<td>Associated companies</td>
<td><strong>89</strong></td>
<td><strong>59</strong></td>
<td><strong>50.8</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>2,439</strong></td>
<td><strong>2,387</strong></td>
<td><strong>2.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

**PRODUCT INNOVATION**

In 2000, Fiat Auto continued to upgrade its model lineup with
the goal of strengthening the competitiveness of its products
and services.

Projects involving Fiat brand vehicles included a revamped
Palio line with an extensive use of high tech components.
In Brazil, the Palio was named 2001 Caro do Ano (Car of the
Year). At the latest Paris Auto Show, the Sector introduced the
Fiat Doblò, a vehicle that combines the drivability and comfort
of an automobile with the spaciousness and versatility of

<table>
<thead>
<tr>
<th>Sales Performance – Automobiles and Light Commercial Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands of units)</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>Great Britain</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>Rest of Europe</td>
</tr>
<tr>
<td>Western Europe</td>
</tr>
<tr>
<td>Poland</td>
</tr>
<tr>
<td>Brazil</td>
</tr>
<tr>
<td>Rest of the world</td>
</tr>
<tr>
<td><strong>Total units sold</strong></td>
</tr>
<tr>
<td>Associated companies</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
</tr>
</tbody>
</table>
a minivan, but is less expensive and more compact than the latter. The Doblò Cargo, a commercial vehicle based on the passenger car model, has the largest cargo capacity in its class.

In 2000, Fiat Auto continued to strengthen the Alfa Romeo brand, introducing the Alfa 156 Sportwagon, which gives station wagon design a sports car feel. In October, the Sector brought a new compact car to market, the Alfa 147, which was extremely well received and quickly won the two most prestigious automotive awards in Europe: 2001 Car of the Year and 2001 Golden Steering Wheel.

Lancia presented the Nea, a sophisticated concept car with trailblazing technology in the area of vehicle/environment interface that can significantly increase occupant safety by alerting drivers of potential dangers. In addition, Lancia revamped its Y line, without altering its distinctive styling.

The major renovation effort carried out by the Sector in 2000 also involved models scheduled for introduction in 2001, including the Fiat Stilo, a medium compact car, and the flagship Lancia Thesis. These new models will help Fiat Auto shift its sales mix toward the higher end of the market. Other projects undertaken to strengthen the product line include an expanded range of infomobility options, including Connect, a multimedia interactive service scheduled for commercial launch in the spring of 2001.

GROWTH STRATEGIES

During 2000, Fiat Auto continued to expand its global industrial and commercial operations, with special emphasis on emerging countries, where it focused on the production and marketing of World Car models. In particular:

- A joint venture for the production of a light commercial vehicle and a passenger transport was established in China.
- Production of the Siena got underway in Egypt; this model has been well received by customers.
- The Siena WE was launched in India.
- In South Africa, customers bought more than 11,000 units of three Palio family models.
- In Turkey, the Sector’s market share rose to 20%, helped by a strong increase in demand. This country has now become an integral part of Fiat Auto’s manufacturing system. The new Doblò is currently made exclusively in Turkey although chiefly intended for export markets.

At the consolidated level, the capital expenditures of the Automobile Sector totaled 1,412 million euros (1,464 million euros in 1999). They were used primarily for strategic investments in product development.

Fiat Auto’s commitment to strengthening its competitive position is demonstrated by the increase in research and development...
outlays, which amounted to 776 million euros, charged in full to income for the year, compared with 711 million euros in 1999.

A major boost to the Sector’s competitiveness will undoubtedly come from the industrial alliance with General Motors. The purpose of this alliance is to help Fiat Auto’s manufacturing operations and those of General Motors in Europe and Latin America realize economies of scale on a combined output of about 5.5 million cars a year. The resulting synergies are expected to generate savings of about one billion euros by 2005 for Fiat Auto.

Two joint ventures, Fiat-GM Powertrain B.V. and GM-Fiat Worldwide Purchasing B.V. were established in 2000. Fiat Auto owns 50% of each of these two companies, whose names are indicative of their respective fields of activity. The Powertrain joint venture, which is based in Turin, will have 26,000 employees working in 19 factories and 7 R&D centers in 11 European and Latin American countries. It has already defined plans to consolidate several powertrain lines, which, when fully implemented, will result in significantly lower product costs.

The Purchasing joint venture, which is based in Rüsselsheim, Germany, handles a procurement volume of about 32 billion euros. It has already developed substantial synergies, generating net savings of more than 20 million euros.

Strategic plans for these two joint ventures call for Fiat Auto to realize savings of about 200 million euros in 2001, most of which will be realized through the Purchasing joint venture, since synergies can be more readily exploited in this area. Powertrain, which is engaged in a consolidation effort prior to the joint development of new product architectures, will develop steadily greater synergies over the intermediate term.

**FINANCIAL ACTIVITIES**

During 2000, Fiat Auto strengthened its position in the areas of financing and mobility services, which were combined in a single Financing and Customer Services Division. This enabled the Sector to introduce personalized products like Formula Bridge and high-tech services like Targa Connect.

---

**Production of Fiat Auto and its subsidiaries – Automobiles and Light Commercial Vehicles**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiat</td>
<td>1,153.1</td>
<td>1,165.2</td>
<td>1,154.7</td>
</tr>
<tr>
<td>Lancia Autobianchi</td>
<td>170.4</td>
<td>160.1</td>
<td>175.4</td>
</tr>
<tr>
<td>Alfa Romeo</td>
<td>206.8</td>
<td>208.3</td>
<td>197.7</td>
</tr>
<tr>
<td><strong>Total Western Europe</strong></td>
<td><strong>1,530.3</strong></td>
<td><strong>1,533.6</strong></td>
<td><strong>1,527.8</strong></td>
</tr>
<tr>
<td>Brazil</td>
<td>433.5</td>
<td>391.6</td>
<td>393.0</td>
</tr>
<tr>
<td>Poland</td>
<td>291.3</td>
<td>343.8</td>
<td>336.7</td>
</tr>
<tr>
<td>Argentina</td>
<td>33.9</td>
<td>42.8</td>
<td>93.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,289.0</strong></td>
<td><strong>2,311.8</strong></td>
<td><strong>2,350.9</strong></td>
</tr>
<tr>
<td>Other regions</td>
<td>35.9</td>
<td>41.2</td>
<td>38.1</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>2,324.9</strong></td>
<td><strong>2,353.0</strong></td>
<td><strong>2,389.0</strong></td>
</tr>
</tbody>
</table>
Overall, financing provided to end customers totaled 9,314 million euros, or 20.4% more than in 1999. Financing was provided for the purchase of 1,247,700 vehicles (+15.2%), equivalent to about 40% of new vehicles sold by Fiat Auto.

In Italy, the Division financed the sales of 348,600 new vehicles. Its share of the units shipped by Fiat Auto was unchanged at 36.6%. In the rest of Europe, including Poland, customers financed purchases of 376,000 new Fiat Auto cars, equivalent to 45.6% of the total. In addition, the Division provided financing for the sale of 313,546 used cars worldwide, for a gain of 28.2% over 1999.

The Sector’s Leasing Division expanded its fleet by about 19% to almost 68,000 vehicles. In the area of customer services, the Fiat network responded to 145,000 roadside assistance requests, and the call center handled more than 3,500,000 calls.

RESULTS FOR THE YEAR

Fiat Auto’s consolidated revenues amounted to 25,361 million euros, or 1,260 million euros (+5.2%) more than in 1999. Increased unit sales in Italy and the rest of Western Europe and higher prices are the main reasons for this improvement.

In Europe and in Italy in particular, competitive pressures showed no signs of abating in 2000. As a result, even though sales increased, the programs implemented by Fiat Auto to strengthen its product line and enhance its brands had a negative impact on its ability to improve profitability. In Brazil, however, an upsing in demand produced better operating results. In Argentina, the ongoing restructuring of the manufacturing operations will help the Sector significantly reduce its losses starting from 2001.

During the year, Fiat Auto continued to support and enhance the image of its brands with increased investments to renew the product line, higher expenditures for advertising and network support, and a steady upgrading of vehicle equipment. The cost of these improvements was reflected in the prices charged to customers and required a reduction of sales discounts.

The Sector achieved significant reductions in product costs and overhead, owing in part to the successful reengineering of the support activities. At the same time, the synergies generated by the alliance with General Motors have already produced measurable benefits in the area of purchasing, that fully offset the costs incurred to implement joint projects.

Other factors that had an impact on the profitability of the Sector’s operations were a reduced contribution from the sale of real estate properties compared with a year ago and higher charges incurred in Argentina by the financing operations.
Fiat Auto earned operating income of 44 million euros, compared with a loss of 121 million euros in 1999. The return on sales was a positive 0.2%, up from a negative 0.5% a year earlier.

However, the net loss for the fiscal year widened to 599 million euros (493 million euros in 1999) due to an increase in net financial expenses that was caused by a higher level of the average indebtedness for the year and a decline in net investment income. The Sector’s interest in net loss amounted to 589 million euros (loss of 493 million euros in 1999).

Cash flow totaled 732 million euros (855 million euros in 1999) after depreciation and amortization of 1,331 million euros (1,348 million euros in 1999).

The Alfa 147 was honored with the prestigious 2001 Car of the Year award.

Innovation applied to the development, styling and manufacturing of new products represents a core value of Fiat Auto’s growth strategy.

In recent years, the Sector’s increasing effort to develop a comprehensive range of services that can supplement its traditional vehicle-buyer financing activities has led to a significant expansion in the range of opportunities for direct customer contacts.

Fiat Auto views globalization as a key strategic guideline. Accordingly, it is focusing its efforts on the emerging countries, because these markets offer the greatest demand growth potential over the intermediate and long term, but has structured its capital investment programs using a modular approach that enables it to manage effectively any unexpected risks.

<table>
<thead>
<tr>
<th>Fiat Auto worldwide</th>
<th>Italy</th>
<th>Rest of Europe</th>
<th>Rest of the world</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production facilities</td>
<td>13</td>
<td>2</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>R&amp;D centers</td>
<td>13</td>
<td>–</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Dealers</td>
<td>648</td>
<td>1,759</td>
<td>1,007</td>
<td>3,414</td>
</tr>
</tbody>
</table>
Agricultural and Construction Equipment – CNH GLOBAL

CNH Global is the new name of New Holland NV, following its acquisition of Case Corporation in 1999.

HIGHLIGHTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>10,770</td>
<td>9,952</td>
<td>5,246</td>
<td>5,127</td>
</tr>
<tr>
<td>Operating income</td>
<td>45</td>
<td>95</td>
<td>371</td>
<td>452</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>0.4</td>
<td>1.0</td>
<td>7.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Income (Loss) before minorities</td>
<td>(754)</td>
<td>(170)</td>
<td>216</td>
<td>507</td>
</tr>
<tr>
<td>Cash flow</td>
<td>(192)</td>
<td>364</td>
<td>333</td>
<td>624</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>447</td>
<td>318</td>
<td>178</td>
<td>151</td>
</tr>
<tr>
<td>Research and development</td>
<td>366</td>
<td>335</td>
<td>158</td>
<td>136</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>6,932</td>
<td>6,184</td>
<td>5,777</td>
<td>1,123</td>
</tr>
<tr>
<td>Number of employees</td>
<td>31,033</td>
<td>34,963</td>
<td>19,049</td>
<td>21,344</td>
</tr>
</tbody>
</table>

INTRODUCTION

Results of CNH Global include those of Case and Flexi-Coil, which were consolidated as of January 1, 2000 and January 4, 2000 respectively.

These changes in the scope of consolidation greatly affected the comparability of the periods examined. For this reason the most significant financial data for 1999 were presented on pro forma basis as if the acquisition of Case had occurred as of January 1, 1999.

SALES PERFORMANCE

The fundamentals influencing the agricultural equipment market, especially in the United States, remained unfavorable in 2000 due to continuing downward pressure on commodity prices.

In 2000 demand in the agricultural equipment segment remained generally stable. The slight growth in North America towards year-end (even if on a very weak basis) was offset by contraction in European demand, while the Brazilian market expanded.

Sales trends for CNH products varied from segment to segment and between one geographical area and another. In North America, higher sales of low-powered tractors were offset by lower sales of high-powered tractors and combine harvesters. Sales in Europe were lower reflecting industry weakness. Sales in both areas were impacted by the uncertainty over disposals required by the U.S. and European antitrust authorities as a condition to approving the merger between Case and New Holland.

In the construction equipment market, sales of heavy equipment fell due in part to the limited availability of new models and lower demand in North America, particularly in the loader backhoe market where the Sector has a leading position.

GROWTH STRATEGIES

CNH has substantially completed all of the divestitures required by regulatory agencies in North America and Europe. During the fourth quarter, CNH completed the sale of its Fermec construction equipment business, based in
Manchester, England. In January, the company completed the sale of its tractor production facility in Doncaster, England and its supporting component production facility in St Dizier France.

In total, CNH has divested six facilities, all in accordance with conditions set by regulatory agencies for approval of the November 1999 merger of Case Corporation and New Holland NV. Completion of these divestiture actions, which brought uncertainty in the marketplace, and the implementation of the company’s integration and industrial streamlining plan which was begun after the merger, will allow CNH Global to take full advantage from the synergies between Case and New Holland.

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

The “footprint” industrial restructuring of the combined Case and New Holland organizations, calls for a significant reduction of its overall manufacturing organization which in 1999 included 58 plants in the Agricultural Equipment and Construction Equipment business. This will also entail a major reallocation of production amongst the remaining plants.

Furthermore, the number of Case and New Holland product platforms will be reduced from more than 100 to about 60.

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

Merger related savings in 2000 were approximately 155 million dollars against the plan objective of at least 600 million dollars of annual savings in four years.

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

These products will be sold as part of distinct brand product lines through separate distribution networks, allowing CNH to tailor them to conform to brand expectations that fit the needs of its customers and to improve its services and expand the range of products and services offered globally. However, there will be at the same time profit opportunities for CNH by cross-selling of some product lines.
PRODUCT INNOVATION

During the year CNH introduced upgraded and significantly improved versions of many of its products, as well as several completely new major products.

In the Agricultural Equipment segment:

- With advancements in steering, diagnostics, track design, comfort and serviceability, as well as the industry’s highest horsepower rating, Case launched its new flagship line of STX Series Steiger 4 wheel drive tractors in models ranging from 275 to 440 engine horsepower. Case also launched a new DX Series compact tractor for North America, and at year-end the new M Series Loader Backhoes with five new models ranging from 75 gross horsepower to 100 gross horsepower.

- New Holland launched its new TM series tractor (105 to 160 engine horsepower) with a new suspended cab and suspended front axle and fully electronic Power Command transmission. New Holland also launched a new higher horsepower Series 70A tractor (170 to 240 engine horsepower) with fully locking differential front axles, an Ultra Command Power Shift transmission and programmable electro hydraulics for ease of use, and a new Roll Bar Baler with innovative new and improved features assisting in the pick-up, cutting, compaction, baling and wrapping of hay and forage crops.

In the Construction Equipment business, Fiat-Hitachi Construction Equipment launched a new articulated dumper, New Holland Construction launched a new line of compact wheel loaders and O&K extended its line of excavators with several new models.

FINANCIAL ACTIVITIES

In 2000, revenues from financial activities accounted for about 7% of the Sector’s net revenues.

In addition to prolonged weakness in the farm economy, interest rate increases and losses incurred by diversified business in North America (which are being curtailed overall) penalized the Sector’s finance companies, which presented declining results as compared to the prior period.

RESULTS FOR THE YEAR

CNH Global revenues in 2000 totalled 10,770 million euros, compared with 5,246 million euros for New Holland alone in 1999 (9,952 million euros when Case revenues are considered on a pro forma basis for 1999). The increase in pro forma revenues (+8.2%) is mainly due to the rising value of the U.S. dollar against the euro, the Fiat Group’s functional currency. If expressed in dollars, pro forma revenues would have been down from the previous year.
CNH Global ended the year with operating income of 45 million euros (0.4% of sales), against income of 371 million euros realized in 1999 for New Holland alone (95 million euros in operating income, equal to 1% of sales, including the Case result on a pro forma basis for all of 1999).

The performance of CNH suffered from the contraction in volumes, especially in the more profitable segment of heavy agricultural equipment, and from significantly lower contributions from the Sector’s financial services business mentioned earlier. These negative effects were only partially compensated by improved pricing, particularly in the latter part of the year. Furthermore, the Sector’s integration and industrial streamlining plan undertaken after the merger made it possible to realize synergies worth 155 million dollars during 2000, a first step towards the achievement of the plan objective of at least 600 million dollars in four years, including the 155 million dollars realized in 2000.

Depreciation and amortization totalled 562 million euros (117 million of euros in 1999; 534 million euros on a pro forma basis in 1999), while capital expenditures amounted to 447 million euros (178 million of euros in 1999; 318 million euros on a pro forma basis in 1999).

The significant increase in depreciation and amortization results from the change in scope of consolidation and higher amortization charges from the Case acquisition.

Research and development expenses of 366 million of euros against 158 million of euros in 1999 (335 million euros on a pro forma basis), mainly reflect the change in scope of consolidation.

Net result for the year was a net loss of 754 million of euros, down from net income of 216 million of euros a year before (net loss of 170 million euros including Case on a pro forma basis in 1999). The Sector’s interest in net result was a loss of 764 million euros (212 million of euros was the Sector’s interest in net income in 1999).

The results include extraordinary restructuring charges of 490 million of euros which are part of CNH’s merger integration plan.

These restructuring charges were accounted for under the Fiat Group accounting principles of consolidation and reflect the costs of industrial restructuring actions which are expected to be completed within the next two to three years. The amounts recognized under the Fiat Group accounting principles differ from those accounted for under US GAAP as adopted by CNH Global to present its consolidated financial results in the United States.

The negative results in 2000 negatively affected cash flow which became negative for 192 million of euros as compared to a positive cash flow of 333 million of euros in 1999 (364 million euros on a pro forma basis).

---

**Revenues by business unit**

<table>
<thead>
<tr>
<th></th>
<th>Agricultural equipment</th>
<th>Construction equipment</th>
<th>Financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>59%</td>
<td>34%</td>
<td>7%</td>
</tr>
</tbody>
</table>

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

---

**CNH worldwide**

<table>
<thead>
<tr>
<th></th>
<th>Italy</th>
<th>Rest of Europe</th>
<th>Rest of the world</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production facilities</td>
<td>6</td>
<td>16</td>
<td>23</td>
<td>45</td>
</tr>
<tr>
<td>R&amp;D centers</td>
<td>2</td>
<td>6</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>Dealers</td>
<td>174</td>
<td>3,890</td>
<td>5,936</td>
<td>10,000</td>
</tr>
</tbody>
</table>

*The Sector is currently implementing a plan to integrate and streamline the industrial operations of New Holland and Case. Under this plan, a few facilities in North America and Europe will be closed and manufacture of the respective products transferred to other plants, some product lines will be reallocated to different production units, and certain non-core businesses will be divested.*
Iveco (Industrial Vehicle Corporation), today a wholly owned subsidiary of Fiat, was created in 1974 as a result of an agreement between Fiat and Klöckner-Humboldt-Deutz, a German company. During the 1990s, Iveco expanded its international presence, establishing joint ventures and new companies on every continent.

Giancarlo Boschetti,
Iveco’s Chief Executive Officer.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>8,611</td>
<td>7,387</td>
<td>6,649</td>
</tr>
<tr>
<td>Operating income</td>
<td>489</td>
<td>311</td>
<td>261</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>5.7</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Income before minority interest</td>
<td>147</td>
<td>180</td>
<td>192</td>
</tr>
<tr>
<td>Cash flow</td>
<td>569</td>
<td>433</td>
<td>368</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>656</td>
<td>359</td>
<td>307</td>
</tr>
<tr>
<td>Research and development</td>
<td>227</td>
<td>215</td>
<td>200</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>2,207</td>
<td>2,359</td>
<td>1,764</td>
</tr>
<tr>
<td>Number of employees</td>
<td>35,852</td>
<td>36,217</td>
<td>31,912</td>
</tr>
</tbody>
</table>

| Revenues by geographical region of destination | 12% | 32% | 56% |
| Employees by geographical region               | 10% | 41% | 49% |

SALES PERFORMANCE

In Western Europe, demand for commercial vehicles totaled 684,000 units, or 8.6% more than in 1999, confirming a positive trend that began in 1994. However, some of the local markets showed signs of weakness during the final months of the year.

Among the major European countries, demand was up sharply in France (+16.7%), Italy (+11.5%) and Spain (+10.2%); continued to improve in Great Britain (+7.5%); and expanded at a slower pace in Germany (+2.1%), where it had grown rapidly during the previous two years.

A breakdown by market segment shows strong demand for light commercial vehicles (curb weight between 3.5 and 6 tons), with sales of 345,900 new units (+13.4%). This outstanding performance had a positive impact on the entire market, particularly in France.

Sales of intermediate vehicles (curb weight between 6.1 and 15.9 tons) totaled over 94,000 units, or 3.3% more than in 1999. The best gains were recorded in Italy, France and Great Britain.

The market for heavy-load vehicles (curb weight ≥ 16 tons) expanded by 4.5% to 243,800 units, due in part to an acceleration of the vehicle replacement cycle. In this segment, demand started to slow in Germany and other countries of Northern Europe, but grew by more than 10% in Italy and Spain.

During 2000, Iveco sold 164,800 vehicles worldwide, up 9.9% over 1999 (149,900 units). When the approximately 42,700 units sold by licensees are added, total sales amount to 207,500 vehicles (192,000 units in 1999).

In Western Europe, Iveco shipped 130,900 vehicles, or 9.3% more than in 1999, with higher sales recorded in all European markets, particularly in the light-vehicle segment.

The greatest gains occurred in France (+14.9%), Italy (+10.4%) and Germany (+9%). Sales were up less than the European average in Spain (+5.3%) and down in Great Britain (-4%).

In Eastern Europe, where market conditions were better than in 1999, Iveco sold a total of 8,500 units, or 26.9% more than in 1999.
Outside Europe, customers purchased 25,400 Iveco vehicles, up from 23,400 units in 1999 (+8.5%).

The best improvement took place in Brazil, thanks to better economic conditions and the successful strengthening of Iveco’s sales network.

In China, Naveco, a 50-50 joint venture with the Yuejin Group, manufactured and sold more than 17,500 vehicles, about the same as in the previous fiscal year.

The Irisbus joint venture shipped more than 9,800 vehicles, or 12% more than in 1999.

The Sector produced about 458,000 diesel engines. The gain of 13% over 1999 is a continuation of a strong upward trend that started in previous years. Sales to customers outside the Group accounted for 62% of total output. Production of a new 13-liter Cursor engine, which will be used to equip top-of-the-line Iveco heavy-load vehicles, got underway in 2000.

Among the licensees, Ashok Leyland, which represents Iveco in India, manufactured and sold a total of 34,500 units, or about 1,700 less than in 1999 owing to a general downturn in the domestic market. In Turkey, Otoyol, a joint venture of Iveco and the Koç Group, shipped 8,100 vehicles, for a gain of 40% over 1999.

FINANCIAL AND SERVICE ACTIVITIES

During 2000, Transolver, which handles the Sector’s financing and leasing activities, continued to expand its presence in the principal European markets.

Transolver executed financing contracts covering a total of 27,100 new vehicles (about 1,120 million euros in financing).
and 3,450 used vehicles. It provided financing for an increasing portion (24.6%) of the vehicles sold by Iveco in Western Europe.

In the leasing business, the pool of leased vehicles increased to 33,700 units at December 31, 2000 (+14.4% over the figure at the end of 1999). The largest increases occurred in Italy, Spain and Great Britain.

The integration of the Fraikin Group, which was acquired late in 1999, is proceeding smoothly. This company, which is the unchallenged leader of the French leasing market, brings to the Sector an invaluable knowhow in the areas of long-term leases for commercial vehicles and leasing and management of large fleets. During the last quarter of the year, Fraikin signed two major leasing contracts with Unilever and the French Postal Administration involving 1,500 and 800 vehicles, respectively.

In addition, Iveco continued to expand its range of maintenance and repair services. During the year it signed up 9,500 new contracts, bringing to 25,500 the total number of contracts in force at December 31, 2000.

**PRODUCT INNOVATION**

The Sector’s research and development activities focused primarily on the new F1 family of diesel engines for light commercial vehicles, on the development of new applications for the intermediate range and on a new line of V-shaped engines.

In addition, Iveco proceeded with the planned implementation of a capital spending program for the renewal of its engine line. At the end of 2000, EEA, a joint venture equally owned by Iveco, CNH Global and Cummins, began production of a new engine for intermediate vehicles with displacement of one liter per cylinder.

### Commercial Vehicles Market (curb weight ≥ 3.5 tons)

<table>
<thead>
<tr>
<th>(in thousands of units)</th>
<th>2000</th>
<th>1999</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light commercial</td>
<td>345.9</td>
<td>304.9</td>
<td>13.4</td>
</tr>
<tr>
<td>Intermediate</td>
<td>94.1</td>
<td>91.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Heavy-load</td>
<td>243.8</td>
<td>233.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Western Europe</td>
<td>683.8</td>
<td>629.4</td>
<td>8.6</td>
</tr>
</tbody>
</table>

### Sales Performance – Commercial Vehicles sold by Product (curb weight ≥ 3.5 tons)

<table>
<thead>
<tr>
<th>(in thousands of units)</th>
<th>2000</th>
<th>1999</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy-load</td>
<td>33.0</td>
<td>33.5</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Intermediate</td>
<td>24.9</td>
<td>26.2</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Light commercial</td>
<td>97.5</td>
<td>81.9</td>
<td>19</td>
</tr>
<tr>
<td>Buses (*)</td>
<td>5.6</td>
<td>5.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Divisions (**)</td>
<td>3.8</td>
<td>2.8</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>164.8</strong></td>
<td><strong>149.9</strong></td>
<td><strong>9.9</strong></td>
</tr>
</tbody>
</table>

(*) Iribus + Bus division quota.  
(**) Astra, Defence, Fire Fighting.
Irisbus continued to invest in product innovation, placing particular emphasis on the development of the Civis, a new mass transit vehicle with an electric or hybrid propulsion system.

Capital expenditures in 2000 were earmarked for the completion of a factory in Brazil, where a joint venture with Fiat Auto will manufacture vehicles of the Daily and Ducato lines, and for the production of Iveco engines at Sete Lagoas, in the Brazilian state of Minas Gerais. These facilities were inaugurated in September 2000.

Substantial resources were devoted to expanding the pool of leased vehicles. Of the total investment of 306 million euros, 277 million euros were allocated to the fleet operated by the Fraikin Group. For the year as a whole, capital expenditures rose to 656 million euros, compared with 359 million euros in 1999.

RESULTS FOR THE YEAR

Iveco’s net revenues totaled 8,611 million euros in 2000, or 16.6% more than the 7,387 million euros reported in 1999. When the data are restated on a comparable consolidation basis, the increase amounts to 9%.

Operating income increased to 489 million euros, compared with 311 million euros in 1999. At the same time, the return on sales improved by 1.5 percentage points, rising from 4.2% to 5.7%. This positive performance is the result of higher unit sales and a reduction in overhead made possible by gains in operating efficiency. It also reflects the inclusion of the Fraikin Group in the scope of consolidation and the contribution of a nonrecurring gain of 88 million euros on the sale of real estate in connection with the divestiture of industrial facilities that were no longer needed for the Sector’s manufacturing operations.

Consolidated net income came to 147 million euros (180 million euros in 1999), after depreciation and amortization of 423 million euros (253 million euros in 1999) and research and development outlays of 227 million euros (215 million euros in 1999). The Sector’s interest in net income came to 146 million euros, down from 163 million euros in 1999.

The decline in net income reported in 2000 was due to the writedown of the carrying value of investments in certain subsidiaries and associated companies and to an increase in financial expenses. Toward the end of the year, Iveco also incurred extraordinary expenses due to the interruption in the supply of essential components caused by the flood that occurred in Northern Italy during the second half of October.

In 2000, cash flow increased to 569 million euros, or 136 million euros more than in 1999.

In recent years, Iveco has accelerated the pace of its international expansion, establishing a steadily growing presence in the emerging markets of South America, Eastern Europe and Asia.
Founded in 1978, Teksid inherited the steel-making and metallurgical expertise developed by Fiat during over 60 years of activity.

Paolo Filomeni,
Teksid’s Chief Executive Officer.

HIGHLIGHTS

(\begin{tabular}{l|c|c|c}
 & 2000 & 1999 & 1998 \\
\hline
Net revenues & 1,873 & 1,682 & 1,165 \\
Operating income & 101 & 76 & 42 \\
& As a % of revenues & 5.4 & 4.5 & 3.6 \\
Income before minority interest & 8 & 26 & 4 \\
Cash flow & 113 & 123 & 74 \\
Capital expenditures & 182 & 182 & 73 \\
Research and development & 29 & 23 & 16 \\
Net invested capital & 861 & 793 & 504 \\
Number of employees & 14,286 & 14,522 & 10,981 \\
\end{tabular})

Revenues by geographical region of destination

\begin{itemize}
  \item 23% (Italy)
  \item 39% (Rest of Europe)
  \item 38% (Rest of the world)
\end{itemize}

Employees by geographical region

\begin{itemize}
  \item 25% (Italy)
  \item 34% (Rest of Europe)
  \item 41% (Rest of the world)
\end{itemize}

OPERATING PERFORMANCE

The automotive market, where most of the Sector’s customers are located, ended 2000 on a positive note. However, demand growth showed some signs of hesitation in the last quarter, especially in the NAFTA countries and Europe, Germany in particular. As a result, competitive pressure increased, squeezing the profit margins of carmakers.

All components manufacturers responded to these changing market conditions. In particular, producers of metal components accelerated the outsourcing of their foundry operations.

Against this background, Teksid continued to pursue a strategy focused on expanding its core business and improving its operating and financial performance. In particular:

- The plan for the industrial restructuring of the European cast iron operations, which was launched as part of the process of integrating and streamlining the facilities acquired from Renault, entered the final stage. The purpose of this plan is to increase the specialization of individual plants and lower installed production capacity.

- Work continued on the construction of new factories, including an aluminum plant in Sylacauga (Alabama, United States), a magnesium unit in Strathroy (Ontario, Canada) and a cast iron facility in Hua Dong (Zhenjiang, China).

- Teksid For, which manufactures non-strategic cast iron components at a factory in Rovigo, was sold to Infun, a Spanish group.

During the year, the Sector received several large orders from customers inside and outside the Fiat Group, including: aluminum cylinder heads and crankcases, and magnesium support brackets for radiators and instrument panels for NAFTA carmakers; and cast-iron and aluminum cylinder heads and crankcases for buyers in Europe and South America.

Teksid continued to place increasing emphasis on innovation and development, striving to help its customers maximize their competitive advantages and exploit the opportunities created by an increasingly demanding market and a tougher regulatory environment.

RESULTS FOR THE YEAR

In 2000, the Sector had revenues of 1,873 million euros, up more than 11% over the previous year.
Compared with 1999, sales were up 0.7% to 734 million euros at the Cast Iron Business Unit, 18% to 848 million euros at the Aluminum Business Unit and 27% to 291 million euros at the Magnesium Business Unit. Customers outside the Fiat Group accounted for 76% of total revenues, compared with 72% in 1999.

Depreciation and amortization totaled 105 million euros (97 million euros in 1999). Over the same period, outlays for research and development grew from 23 million euros to 29 million euros. Operating income rose to 101 million euros (5.4% of revenues), up from 76 million euros (4.5% of revenues) in 1999. This improvement was made possible by increased manufacturing efficiency, which produced a measurable gain of 1.8% of revenues, and reflects higher unit sales and favorable exchange rates. These positive factors more than offset the deterioration in the ratio between prices and product costs.

Net income amounted to 8 million euros (26 million euros in 1999). The Sector’s interest in net income decreased to 0.1 million euros (24 million euros in 1999) due to higher extraordinary expenses (provisions for restructuring programs and the impact of a flood that hit Northern Italy in October 2000) and a rise in financial expenses.

Cash flow totaled 113 million euros (123 million euros in 1999).

Complementary with the pursuit of a globalization strategy, Teksid is also focusing on strengthening its core business, concentrating on high-tech cast-iron, aluminum and magnesium products.

Over the last 20 years, the Sector’s geographical expansion has been patterned to achieve the greatest proximity to its customers’ facilities worldwide. The largest increases of production capacity occurred in Europe, North and South America and the Far East.
DATI SIGNIFICATIVI
HIGHLIGHTS

Domenico Bordone, Magneti Marelli’s Chief Executive Officer.

Revenues by geographical region of destination
Employees by geographical region

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>4,451</td>
<td>4,062</td>
<td>3,793</td>
</tr>
<tr>
<td>Operating income</td>
<td>55</td>
<td>108</td>
<td>56</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>1.2</td>
<td>2.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Income before minority interest</td>
<td>139</td>
<td>107</td>
<td>21</td>
</tr>
<tr>
<td>Cash flow</td>
<td>353</td>
<td>310</td>
<td>254</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>231</td>
<td>209</td>
<td>222</td>
</tr>
<tr>
<td>Research and development</td>
<td>213</td>
<td>185</td>
<td>195</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>1,131</td>
<td>1,289</td>
<td>1,270</td>
</tr>
<tr>
<td>Number of employees</td>
<td>25,975</td>
<td>25,613</td>
<td>29,398</td>
</tr>
</tbody>
</table>

OPERATING PERFORMANCE

Worldwide sales of automobiles and commercial vehicles increased in 2000, with moderate gains in Europe, healthy demand in the NAFTA countries and sharp gains in South America. Global production of industrial vehicles improved moderately over 1999, as a positive performance by the markets in Europe, Asia and South America offset a slump in the NAFTA region.

In 2000, Magneti Marelli carried out major corporate transactions and implemented ambitious restructuring programs intended to renew the focus on its core businesses, helping them accelerate their growth and optimize their organizational processes.

Major transactions carried out to streamline the Sector’s portfolio of businesses included:

- Acquisition of the Seima Group, the leading European producer of headlights, which will enable Magneti Marelli to consolidate its position as a global supplier of automotive lighting systems.
  The Seima Group has manufacturing facilities in Italy, France, Spain, Russia and Mexico, and technical/commercial centers in Germany and the United States. It is a supplier to all major international carmakers and is considered a benchmark producer in terms of technological innovation.

- In Italy, purchase of Fiat Auto’s suspensions units in Cassino, Termini Imerese and Melfi, a transaction that enabled Magneti Marelli to develop a national manufacturing network in this business segment.

- Disposal of non-core assets, including the Fuel Systems, Mechanical Components, Rearview Mirrors and Lubricants Divisions and conclusion of an agreement with Denso, a Japanese group, for the sale of the Climate Control operations, which will be finalized during the first half of 2001.

In 2000, Magneti Marelli booked major orders in the areas of Powertrain Systems, Electronic Systems and Interior Systems.

In another area, the Automotive Lighting joint venture will help the Sector increase its competitiveness and strengthen its position as one of the top three producers of components in the world.
In July 2000, in order to achieve the high level of flexibility it needs when negotiating major agreements with top international partners, Fiat carried out a tender offer for all Magneti Marelli shares, acquiring 100% of Magneti Marelli’s capital stock.

RESULTS FOR THE YEAR

Net revenues totaled 4,451 million euros in 2000, or 9.6% more than in 1999 (+6.1% on a comparable foreign exchange and consolidation basis).

Operating income declined to 55 million euros (1.2% of revenues) from the 108 million euros earned in 1999 (2.7% of revenues). The main reason for this decrease was a change in the scope of consolidation. When the data are restated on a comparable consolidation basis, operating income is higher by approximately 19 million euros.

Depreciation and amortization increased from 203 million euros in 1999 to 214 million euros in 2000. Investments in research and development were also higher, rising to 213 million euros (185 million euros in 1999).

Net income, which reflects gains on the divestiture of non-strategic assets amounting to 247 million euros after the costs incurred to restructure certain businesses, totaled 139 million euros, up from 107 million euros in 1999.

The Sector’s interest in net income came to 135 million euros (105 million euros in 1999).

Cash flow improved to 353 million euros (310 million euros in 1999).

---

**Revenues by business unit**

- Powertrain systems: 29%
- Suspension systems: 15%
- Interior and bodywork systems: 9%
- Electronic systems: 24%
- Aftermarket and services: 23%

**Revenues by customer**

- Fiat Group: 44%
- Other carmakers: 56%

**Magneti Marelli worldwide**

<table>
<thead>
<tr>
<th></th>
<th>Italy</th>
<th>Rest of Europe</th>
<th>Rest of the world</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production facilities</td>
<td>21</td>
<td>20</td>
<td>17</td>
<td>58</td>
</tr>
<tr>
<td>R&amp;D centers</td>
<td>6</td>
<td>9</td>
<td>7</td>
<td>22</td>
</tr>
</tbody>
</table>

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

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

HIGHLIGHTS

Piero Maritano,
Comau's Chief Executive Officer.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>2,440</td>
<td>1,693</td>
<td>843</td>
</tr>
<tr>
<td>Operating income</td>
<td>87</td>
<td>43</td>
<td>(1)</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>3.6</td>
<td>2.5</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Income (Loss) before minority interest</td>
<td>6</td>
<td>(8)</td>
<td>(6)</td>
</tr>
<tr>
<td>Cash flow</td>
<td>63</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>36</td>
<td>26</td>
<td>14</td>
</tr>
<tr>
<td>Research and development</td>
<td>20</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>486</td>
<td>485</td>
<td>165</td>
</tr>
<tr>
<td>Number of employees</td>
<td>17,636</td>
<td>16,943</td>
<td>7,103</td>
</tr>
</tbody>
</table>

Revenues by geographical region of destination

- Italy: 30%
- Rest of Europe: 40%
- Rest of the world: 30%

Employees by geographical region

- Italy: 47%
- Rest of Europe: 34%
- Rest of the world: 19%

OPERATING PERFORMANCE

In 2000, capital spending by carmakers was earmarked primarily for the introduction of new models and the installation of the respective production equipment, with special emphasis on the need to lower invested capital. New orders for contract work booked by the Sector totaled 1,670 million euros, or about 11% less than in 1999. This decline was due to the impact of a downturn in the U.S. business cycle, which was offset only in part by increased orders in Europe and the Mercosur countries.

Major contracts signed during the period include two large orders for bodywork welding systems for the European factories of a U.S. carmaker, and mechanical assembly lines and two painting systems for a French automotive manufacturer.

At the end of 2000, the order portfolio totaled 1,416 million euros, down from 1,762 million euros at December 31, 1999. Comau Service experienced continued growth, as the operating units established in 1999 became operational and took on new outsourcing assignments for the maintenance of production facilities, most of which belonging to Fiat Auto, Iveco and CNH Global. Additional operating companies were established in Belgium, Spain and the United Kingdom.

At the end of April 2000, upon the successful completion of a tender offer launched a month earlier, Fiat S.p.A. increased its interest in Comau's capital stock to 100%. It then transferred its investment in Comau S.p.A. to Comau B.V. (which already held the positions acquired in connection with the Pico acquisition), officially making it the Sector’s new holding company. On June 30, 2000, Comau S.p.A. changed its name to Comau Systems S.p.A.

During 2000, the Sector launched a plan to streamline its operations and integrate the activities of Comau and Pico. The purpose of this program is to increase efficiency, lower costs, exploit industrial and commercial synergies, and strengthen Comau’s competitive position.

In particular, Pico’s integration enabled the Sector to book orders from U.S. carmakers for products that are manufactured in Europe and start promising maintenance service contracts.

In April 2000, as part of its effort to increase sales by entering new markets, Comau Systems acquired an 85% interest in
Aims (Australia) Pty. Ltd., which then changed its name to Comau Australia Pty. Ltd. In September 2000, it established a new company in China called Comau (Shanghai) Automotive Equipment Co. Ltd.

RESULTS FOR THE YEAR
At 2,440 million euros, revenues were more than 44% higher than in 1999. This increase is due in part to changes in the scope of consolidation — the former Pico operations are reflected for the full year instead of the eight-month basis used in 1999 — and favorable exchange rates. On a comparable basis, revenues still show a healthy increase of 17.5%, thanks to increased orders from customers in Europe and the growing contribution of the maintenance service operations.

Operating income grew in absolute terms and as a percentage of revenues, rising to 87 million euros (3.6% of revenues), up from 43 million euros (2.5% of revenues) in 1999. This improvement reflects higher business volume, changes in the scope of consolidation and favorable exchange rates. In addition, substantial gains in efficiency helped the Sector absorb rising price and cost pressures. Depreciation and amortization totaled 57 million euros, about the same as in 1999. Research and development expenditures also held steady at 20 million euros.

Net income for the year came to 6 million euros, compared with a net loss of 8 million euros in the previous fiscal year. The Sector’s interest in these results was net income of 6 million euros in 2000 and a net loss of 10 million euros in 1999. Cash flow more than doubled to 63 million euros, up from 30 million euros in 1999.

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

Comau’s global presence enables it to guarantee full-service support for its customers anywhere in the world.
Since its founding, Fiat has been noted for its ability to develop, test and manufacture propulsion systems for the different businesses of the Group.

Saverio Strati, FiatAvio’s Chief Executive Officer.

HIGHLIGHTS

<table>
<thead>
<tr>
<th>Item</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>1,491</td>
<td>1,361</td>
<td>1,361</td>
</tr>
<tr>
<td>Operating income</td>
<td>143</td>
<td>109</td>
<td>60</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>9.6</td>
<td>8.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Income before minority interest</td>
<td>83</td>
<td>61</td>
<td>79</td>
</tr>
<tr>
<td>Cash flow</td>
<td>173</td>
<td>145</td>
<td>167</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>36</td>
<td>42</td>
<td>36</td>
</tr>
<tr>
<td>Research and development</td>
<td>104</td>
<td>128</td>
<td>99</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>71</td>
<td>163</td>
<td>159</td>
</tr>
<tr>
<td>Number of employees</td>
<td>5,362</td>
<td>5,590</td>
<td>5,962</td>
</tr>
</tbody>
</table>

Revenues by geographical region of destination:
- Italy: 47%
- Rest of Europe: 19%
- Rest of the world: 34%

OPERATING PERFORMANCE

During 2000, the Sector benefited from a favorable business environment in the markets where it operates. Sales of commercial aircraft engines increased, European governments showed a new willingness to renew navy and air force fleets, demand for commercial engine overhaul services continued to expand and space programs showed good growth.

In this environment, the Sector booked new orders totaling 1,859 million euros (1,458 million euros in 1999). At the end of 2000, the order portfolio had risen to 3,038 million euros, compared with 2,752 million euros at December 31, 1999.

Significant events in the area of commercial aircraft engines included: agreements with Pratt & Whitney for the development of geared-fan engines for commuter aircraft and the production of the accessory gearbox for the F119 engine of the F22 aircraft; agreement with General Electric for the development and production of a more powerful version of the GE90 engine for the Boeing B777 aircraft; an increase in the interest held in a revenue sharing agreement with General Electric for the manufacturing of CF6-80 engines; and agreements for the production of EH101 and NH90 helicopters.

Government programs continued to be a fundamental part of FiatAvio’s business. To enhance growth opportunities in this rapidly changing and increasingly competitive market, the Sector created a new Business Unit during the first six months of 2000 that will pursue government orders for aircraft, ships and integrated services.

In the area of military transports, FiatAvio joined Rolls Royce, Snecma, MTU, ITP and Techspace Aero in a European consortium that will develop the TP 400 engine. This engine, which is the largest turboprop ever built in a Western country, will power the A400M aircraft.

Fighter engine projects included work on the Eurofighter 2000, which is being developed in cooperation with Rolls Royce, MTU and ITP. During the year, the Sector completed the final phase of the industrialization process and began shipping the first kits.

During the first half of 2000, in response to a market environment where the major aircraft engine manufacturers and the largest airlines are increasingly consolidating their operations, including their service activities, the Sector restructured its organization, establishing a Commercial...
Engine Overhaul Division. It also reengineered its manufacturing operations, seeking to improve its competitive position and increase their profitability.

The Space Business Unit continued its involvement in the Ariane 5 program, contributing to four successful launches. In order to accommodate the expected increase in launches, the Sector signed a contract for the expansion of the facilities where the boosters are manufactured.

In the area of liquid-fuel propulsion systems for satellites, work continued on the SICRAL, an Italian military satellite that will power a new three-frequency telecommunications network linking airborne, land-based and vessel-based terminals. FiatAvio is responsible for the launcher’s liquid-fuel propulsion system and for the launch services.

In December, the countries that joined the ESA signed an agreement for the development of the VEGA launcher, which will be used to put small satellites into orbit. The contract for this system will be managed by E.L.V. S.p.A., a newly established company owned by FiatAvio (70%) and the Italian Space Agency (30%). One of the highlights of the year was the development of the Zefiro 16 engine, which will power the first stage of the launcher. The Zefiro 16 was test-fired successfully in December.

RESULTS FOR THE YEAR

In 2000, the Sector had revenues of 1,491 million euros, or 9.6% more than in the previous fiscal year (+5.8% on a comparable consolidation and foreign exchange basis).

Revenues by business unit

Overhaul of commercial aircraft engines.

Operating income grew to 143 million euros (9.6% of revenues), compared with 109 million euros (8% of revenues) in 1999, due in part to a favorable dollar/euro exchange rate and the positive impact of programs designed to reduce costs and improve operating efficiency.

Additions to fixed assets totaled 36 million euros, while depreciation and amortization amounted to 51 million euros and 39 million euros, respectively.

Net income grew to 83 million euros, compared with 61 million euros in 1999.

Cash flow improved to 173 million euros, up from 145 million euros in 1999.
Fiat has been active in the publishing business since 1926, when it established Editrice La Stampa, the eponymous publisher of Turin’s newspaper.

**HIGHLIGHTS**

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>354</td>
<td>413</td>
<td>437</td>
</tr>
<tr>
<td>Operating income</td>
<td>10</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>As a % of revenues</td>
<td>2.8</td>
<td>4.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Net income</td>
<td>2</td>
<td>11</td>
<td>–</td>
</tr>
<tr>
<td>Cash flow</td>
<td>8</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>17</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Net invested capital</td>
<td>46</td>
<td>25</td>
<td>21</td>
</tr>
<tr>
<td>Number of employees</td>
<td>954</td>
<td>934</td>
<td>1,473</td>
</tr>
</tbody>
</table>

Revenues by business unit

- **Newspaper publishing**
  - 20%
- **Advertising**
  - 80%

Itedi focused its resources on the publishing field, which enabled it to accelerate the development of a multi-location brand for La Stampa, and in the area of licensed advertising sales.

**OPERATING PERFORMANCE**

In 2000, sales of Italian newspapers totaled about 6 million copies a day, roughly the same as in 1999.

Over the same period, the print advertising market expanded by about 15%.

**Editrice La Stampa S.p.A.** reported an average daily circulation of 391,000 copies, up slightly from 390,000 copies in 1999.

Major developments that occurred during the year included the launch of La Stampa – CiaoNordovest, a horizontal portal specifically designed for the Piedmont, Liguria and Valle d’Aosta Regions, and the start of new business tie-ins linking La Stampa with local newspapers in major Italian cities. In addition, the Sector continued to carry out a series of editorial projects designed to improve product quality, broaden the newspaper readership base (contests for students) and increase reader loyalty (bonus coupon programs).

At the beginning of the year, Editrice La Stampa underwrote its pro-rata share (41.4%) of a capital increase carried out by the associated company EDM S.r.l., at a cost of 8.6 million euros. EDM S.r.l. used these new resources to acquire several specialized periodicals and the Corriere dell’Umbria, which is the leading newspaper in the Umbria region.

Since September, the magazine Specchio has been distributed free of charge with La Stampa.

Revenues from sales of newspapers and promotional items totaled 69 million euros in 2000, compared with 74 million euros in 1999. The main reasons for this decline are the revenue shortfall caused by the free distribution of the weekly magazine Specchio and lower sales of copies coupled with promotional items (CDs, videocassettes, etc.).

Advertising revenues totaled 108 million euros (about 13% more than in 1999), accounting for about 61% of Editrice La Stampa’s total revenues.

In 2000, **Publikompass S.p.A.** booked advertising billings in excess of 281 million euros, or 14.2% more than in 1999. All segments of its business performed well, with an especially strong gain in television advertising (+147%), where the Sector...
was awarded a license to sell airtime for Stream’s digital television system and the Areali television network. In addition, Internet advertising sales almost tripled. With 45 websites among its customers, Publikompass has become a leading player in this industry.

In November 2000, Itedi sold 100% of Koinet S.p.A. to the newly-established Fiat Group Services Sector (Business Solutions). Koinet is a vertical portal that specializes in providing services to business customers.

RESULTS FOR THE YEAR

The Sector posted net revenues of 354 million euros in 2000. The deconsolidation of Satiz is the main reason for the decline from the 413 million euros reported in 1999. On a comparable basis, revenues show a gain of 10%, which is attributable to higher advertising billings.

Operating income totaled 10 million euros, compared with 17 million euros in 1999. On a comparable basis, there is little difference between the figures for the two years.

The return on sales declined from 4.1% in 1999 to 2.8% in 2000, but was virtually unchanged on a comparable basis.

Net income came to 2 million euros, or about 9 million euros less than in 1999, when it included the gain earned on the sale of Satiz.

The Sector’s interest in net income amounted to 3 million euros. The decrease in cash flow, which fell by about 11 million euros to 8 million euros, is largely the result of the decline in net income.
Established in 1833, Toro Assicurazioni gradually expanded its operations to include all segments of the insurance business.

HIGHLIGHTS

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated premiums</td>
<td>4,498</td>
<td>4,088</td>
<td>3,169</td>
</tr>
<tr>
<td>Premiums earned</td>
<td>4,363</td>
<td>3,922</td>
<td>2,959</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>163</td>
<td>178</td>
<td>116</td>
</tr>
<tr>
<td>Income before minority interest</td>
<td>85</td>
<td>92</td>
<td>64</td>
</tr>
<tr>
<td>Insurance reserves</td>
<td>12,010</td>
<td>9,733</td>
<td>6,386</td>
</tr>
<tr>
<td>Investments in financial assets and real estate</td>
<td>13,232</td>
<td>10,867</td>
<td>7,393</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>1,593</td>
<td>1,444</td>
<td>1,334</td>
</tr>
<tr>
<td>Number of employees</td>
<td>2,875</td>
<td>2,907</td>
<td>2,869</td>
</tr>
</tbody>
</table>

Revenues by geographical region of destination
- Italy: 83%
- Abroad: 17%

Employees by geographical region
- Italy: 70%
- Abroad: 30%

OPERATING PERFORMANCE

The Italian insurance market continued to expand in 2000, but at a slower rate than in recent years, chiefly as a result of weaker growth in the bank distribution channel and the freeze of automobile insurance rates imposed by the Government.

In France, the Sector’s other major market, demand held steady at about the same level as in 1999.

Against this background, the Sector consolidated its position as Italy’s third largest insurance group and laid the groundwork for continued growth in future years. In particular:

- Roma Vita, a joint venture with Banca di Roma, was again one of the top performing distributors in the bankassurance channel. Toward the end of the year, the acquisition of Banco di Sicilia by Banca di Roma enabled Roma Vita to add more than 600 bank branches to its distribution network, significantly enhancing the potential for future growth.

- In life insurance, the Sector added new product lines to the indexed and unit-linked families of insurance policies, which are being marketed by Toro and Nuova Tirrena with remarkable success.

- In France, Le Continent Group, which acquired Guardian Vie and Guardian Risques (later renamed Altegia) at the end of 1999, increased premiums by more than 66% over the previous year.

- In Poland, Fiat Ubezpieczenia, a subsidiary of Toro Targa Assicurazioni, began commercial operations in September, selling insurance products through the Fiat dealer network.

- In December, the Sector signed a preliminary agreement, subject to the approval of the antitrust authorities, for the purchase of the entire capital stock of Lloyd Italico Danni and Lloyd Italico Vita. From their headquarters in Genoa, these companies operate a network of more than 180 agencies, generating revenues of about 300 million euros.

In July, Fiat carried out a tender offer for the shares of Toro Assicurazioni with the goal of acquiring 100% of the capital stock and obtaining the high degree of strategic flexibility it needs to conclude agreements that can strengthen the Sector’s competitiveness in the international markets. The outcome of the tender offer is discussed in the section of this report entitled Significant Events Occurring since the End of the Fiscal Year.
RESULTS FOR THE YEAR

Consolidated premiums totaled 4,498 million euros in 2000, or 10% more than in 1999. Casualty insurance contributed 2,029 million euros (+7.8%) and life insurance 2,468 million euros (+12%).

Net premiums earned amounted to 4,363 million euros, for a gain of 11.2% over 1999.

The insurance operations were adversely affected by the freeze of automobile insurance rates in Italy and an increase in the average cost of claims. However, these negative factors were offset by the sharp gains achieved in other areas of casualty insurance as a result of programs launched to increase efficiency and improve profitability. Overall, the ratio of claims to premiums showed a modest improvement.

The investment portfolio generated income of 325 million euros (331 million euros in 1999) after transaction costs and net of the share distributed to holders of life insurance policies.

Income before taxes came to 163 million euros, compared with 178 million euros in 1999. The 2000 figure is net of a provision of 24.4 million euros set aside as a conservative measure in connection with an administrative fine levied in Italy for alleged antitrust violations. An appeal of this fine is pending before the Regional Administrative Court of Lazio. Net income came to 85 million euros, compared with 92 million euros in 1999.

At the end of 2000, investments in financial assets and real estate totaled more than 13,200 million euros, for an increase of more than 2,300 million euros over the previous fiscal year, exceeding insurance reserves by more than 1,200 million euros (1,134 million euros in 1999).

Toro has played a key role in the recent evolution of the competitive scenario. It has forged partnerships and carried out acquisitions that provided more strength and a better dimensional balance to its operations. Toro will continue to pursue internal expansion by focusing the efforts of its operations on strategic opportunities in bankassurance and new technologies, and external expansion by pursuing a targeted and selective growth on foreign markets.
In 2000, Ferrari achieved the two goals it had set out to accomplish at the beginning of the 1990s: Regain the Formula One World Championship and Constructors’ Championship and post strong sales gains, creating value while pursuing an ambitious program to revamp Maserati’s image.

The salient events of the year just ended were the launch of the 360 Spider, which was universally well received; the presentation of the limited edition 550 Barchetta Pininfarina; and the successful introduction of the 3200 GT coupé, which helped relaunch the Maserati brand.

Sales to end customers totaled 6,040 cars (5,313 in 1999), including 4,070 made by Ferrari (3,735 in 1999) and 1,970 manufactured by Maserati (1,853 in 1999). For Ferrari, unit sales were up for the seventh consecutive year in 2000.

A breakdown of cars shipped under the Ferrari brand shows a gain of 12% in the United States, which at 1,113 units was the company’s largest market. European customers purchased 2,289 cars, or 6% more than in 1999. With 600 units (-2%) Germany was Ferrari’s largest European market and second in the world, followed by Great Britain with 460 units (+2%). Italian customers purchased 417 units (+12%).
Gratifying sales results were also achieved in Australia, Portugal, Hong Kong, the Middle East and Scandinavia.

In 2000, Maserati reported a further improvement, with sales of the 3200 GT and Quattroporte Evoluzione models reaching almost 2,000 units. Maserati’s biggest markets are Germany (426 units, +27%), Great Britain (301 units, -14%) and Italy (300 units, +3%). Sales were up strongly in Japan, which was again the main market for the Quattroporte.

The Sector worked very hard to establish a sales network in the United States ahead of the upcoming launch of Maserati models.

At the consolidated Ferrari/Maserati level, revenues were almost 900 million euros, or 18% more than the 758 million euros reported in 1999.

Operating income totaled 46 million euros, or almost double the amount earned in 1999, reflecting strong sales and favorable foreign exchange rates.

Depreciation and amortization increased to 64 million euros, up from 60 million euros in 1999. Over the same period, research and development outlays were also up, rising from 55 million euros to 63 million euros.

At 7 million euros, net income was about the same as in the previous fiscal year.

2000 was an exceptional year for the Sector’s racing activities. The Ferrari Team reached both of its stated objectives, winning its tenth World Championship (after a 21 year hiatus) and retaining the Constructors’ Championship (its tenth overall), which it had regained in 1999.

Ferrari won ten of the seventeen races in the championship series, earning a total of 170 points, the most since the team began competing in the F1 World Championship. This success rewards the great professional commitment of the team’s members and the effort made by the company to deploy the most sophisticated technologies.
Fiat Engineering, while continuing to pursue its fundamental mission as a designer and builder of civil engineering and industrial projects for the Fiat Group, focused its efforts on strengthening its position among external customers. In 2000, it entered this market as a designer and general contractor for major projects in the areas of energy, infrastructure, manufacturing facilities and civil engineering, both in Italy and abroad.

In the energy field, the Sector is completing a cogenerating, combined-cycle power plant in Avezzano and signed a contract for the construction of a 120-MW cogenerating, combined-cycle power plant adjacent to a Burgo paper mill in Verzuolo (Cuneo). In addition, negotiations for a contract to build a 230-MW combined-cycle power plant in Brazil are in the final stage.

In the field of infrastructure, Fiat Engineering is continuing to work on the executive design for the Florence-Bologna and Turin-Milan lines of the high-speed railway system. As part of this project, it completed large-scale environmental impact studies.

Under a contract with Satti and in cooperation with Matra Transport (Siemens Group), it began work on the design and construction of the electromechanical facilities for the Turin automated subway system. The first line of this system is scheduled to go into service for the 2006 Olympics.

In the field of civil engineering, the Sector is carrying out large-scale urban renewal projects in Florence and Milan.

Industrial facility projects carried out for the Fiat Group included the construction of a new building for Ferrari in Maranello that incorporates cutting-edge technological and ergonomic solutions.


At December 31, 2000, the order portfolio amounted to 537 million euros, about the same as at the end of 1999.

Consolidated revenues totaled 250 million euros, compared with 277 million euros in 1999. Consolidated operating income came to 11 million euros (4.4% of revenues), down from 14 million euros (5% of revenues) in 1999.

In 2000, the Sector reported a consolidated net loss of 5 million euros, reflecting an increase in financial expenses and higher provisions for current and deferred taxes.
In order to provide a reference point for an effective corporate governance system, the Fiat Group adopted the Code of Conduct for Listed Companies, which supplemented the framework of statutory provisions and internal regulations introduced by the Consolidated Law on Financial Intermediation.

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

The Company’s overall corporate governance system is largely consistent with the recommendations and provisions of the Code of Conduct, providing specific behavioral guidelines.

In accordance with the disclosure requirements provided by the Regulations of Borsa Italiana, the most important aspects of the system of Corporate Governance are reviewed here below.

STOCKHOLDERS OF THE COMPANY

Fiat’s stockholder base includes about 300,000 holders of ordinary and preference shares and an undeterminable, but certainly large, number of owners of savings shares. Many employees of the Group are stockholders, also owing to various capital increases, part of which were reserved for them. Italian and foreign institutional investors own a significant percentage of Fiat’s capital stock. Shareholders who hold significant interests or whose interest amounts to 2% or more of the voting capital (ordinary and preference shares), are: the IFI Group, which holds an overall interest equal to 30.5% of the ordinary shares and 19% of the preference shares, i.e. 28% of the total capital stock; Mediobanca (3.16% of the ordinary shares and 2.47% of the capital stock); the Assicurazioni Generali Group (3.4% and 2.75%), the Deutsche Bank Group (2.9% and 2.44%) and the SanPaolo IMI Group (2.78% and 2.26%). A Consultation Pact, which has been disclosed pursuant to law, has been signed among IFI/IFIL, Assicurazioni Generali, the Deutsche Bank Group and Nuova Holding SanPaolo IMI.

THE BOARD OF DIRECTORS

As a general rule, the Board of Directors meets eight times a year. On those occasions, it reviews the performance of the operating Sectors, the Company’s quarterly reports, strategic plans, organizational proposals, and all material transactions proposed by executive Directors.

In order to establish a more efficient management system, the Board of Directors has favored a type of organization based on the delegation of equal powers to those corporate officers who, in accordance with Article 18 of the Articles of Association, have been authorized to act severally as the Company’s legal representatives. Consequently, on June 23, 1999, the Board of Directors gave the Chairman, Paolo Fresco, and the Chief Executive Officer, Paolo Cantarella, broad operating powers, authorizing them to perform all acts that are consistent with the Company’s purpose. However, the Chairman has indicated that he intends to primarily focus the exercise of his functions, in close collaboration with the Chief Executive Officer, on the Group’s strategy, its international relationships and negotiations, the development and enhancement of its human resources and the optimization of its financial resources.

Notwithstanding the ample powers granted to them, the Chairman and the Chief Executive Officer regularly submit for approval to the Board of Directors all transactions that have a material impact on the Company’s profitability, balance sheet and financial position, and provide Directors and Statutory Auditors with adequate information on any transaction performed by virtue of the powers granted to them which may be atypical, unusual or involve related parties.

The current Board of Directors, which will remain in office until a Stockholders’ Meeting is convened to approve the financial statements at December 31, 2001, comprises 12 members, including the Chairman and the Chief Executive Officer who have executive powers.

An adequate number of the remaining 10 Directors are completely independent of the Company. In 2000, these Directors were: F. Bernabè, F. Cotti, R. Ruggiero and J.F. Welch. They were joined recently by F.G. Rohatyn, who was coopted in replacement of V. Marrone. The remaining Directors, either directly or through companies that employ them, have relationships of varying financial importance with the Company, its controlling stockholders or the stockholders who have signed the Consultation Pact mentioned above.

APPOINTMENT OF DIRECTORS

Two new Directors were appointed at the Stockholders’ Meeting of June 5, 2000. The motions for the two candidates were presented by the Chairman to the Board of Directors which approved them and asked the Chairman the submit these motions to the Stockholders.

The Board of Directors will act in a similar way as regards future appointments.
COMPENSATION OF DIRECTORS AND COMPENSATION COMMITTEE

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

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

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

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

In 2000, the Compensation Committee met four times. Important topics on the Agenda included the definition of stock option plans for the Group's senior managers.

The Board of Directors, with the favorable opinion of Statutory Auditors, determines the compensation of those Directors who are asked to perform special tasks. The entire compensation payable to the Chairman is variable, while only a portion of the compensation payable to the Chief Executive Officer is variable. In both cases, as explained in a special schedule included in the Notes to the Financial Statements, the variable compensation is based on the average market price of the Fiat ordinary share. These two Directors are also covered by the stock option plan, which is reviewed in detail in the Notes to the Financial Statements.

INTERNAL CONTROL SYSTEM AND AUDIT COMMITTEE

With regard to the Internal Control System, the Company already has a Code of Ethics, which it published several years ago. In May 1999, it adopted and disseminated an Internal Control Policy and the Board of Directors established an Audit Committee that provides it with consulting and decision-making support and performs functions that are consistent with the guidelines of the Code of Conduct.

This Committee comprises four non-executive Directors and is chaired by G. Galateri. It meets at least twice a year, or whenever a meeting is requested by the Chairman of the Board of Statutory Auditors or by one of the Supervisors of the Internal Control System. The Chairman of the Board of Directors, the Chief Executive Officer and representatives of the independent auditors are invited to attend meetings of the Audit Committee.

The Audit Committee met twice in 2000. On those occasions, it discussed several issues with the specific purpose of obtaining detailed information on the risk assessment process followed by the Group's industrial Sectors and of ascertaining the true efficacy of the Internal Control System.

The Supervisors of the Internal Control System are appointed by the Board of Directors. While performing this task they do not follow under the jurisdiction of operations managers, but report directly to the Audit Committee and, upon request, to the Board of Statutory Auditors.

ADDITIONAL CORPORATE GOVERNANCE PROCEDURES AND GUIDELINES

The Company has adopted an internal procedure for the handling of confidential information that defines the functions and responsibilities of those who are charged with handling such information and deciding when it should be made public in accordance with the rules that govern the disclosure of price-sensitive news. The true purpose of this procedure is to prevent and avoid potential leaks of confidential information. It imposes the penalties that the Code of Ethics provides for employees who violate confidentiality obligations.

It is in the interest of the Company to establish and maintain an ongoing dialog with its stockholders and institutional investors. With this in mind, Fiat created specific entities responsible for managing these relationships. The Group's website (www.fiatgroup.com) is used to disseminate operating and financial information on a regular basis and in connection with special transactions. In addition, a toll-free number (800-804027) and two e-mail addresses (serviziotitoli@fiatgroup.com and investor.relations@geva.fiatgroup.com) are available to anyone seeking additional information. Discussions and meetings with institutional investors are held frequently.

Regulations were adopted last year 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, providing clear and unambiguous rules, without limiting or in any way hampering the right of individual stockholders to voice their opinions and demand explanations about the items on the Agenda.
In keeping with what has become an established international practice, the Board of Directors agreed that stock options provide the best means of strengthening management’s loyalty, because they give executives a stake in the Company’s operating success and in its ability to create growing value for the stockholders. Consequently, as allowed under a resolution adopted by the Extraordinary Stockholders’ Meeting on June 22, 1998, the Board approved three Stock Option Plans offered to about 900 managers of the Group’s Italian and foreign companies who are qualified as “Direttore” or have been included in the Management Development Program for high-potential managers. These Plans share the following common features:

- Options are awarded to individual managers on the basis of objective parameters that take into account the level of responsibility assigned to each person and his or her performance.

- If employment is terminated or an employee’s relationship with the Group is otherwise severed, options that are not exercisable shall become null and void. However, vested options may be exercised within 30 days from the date of termination, with certain exceptions.

- The option exercise price, which is determined based on the average stock market price for the month preceding the option award, can vary as a result of transactions affecting the Company’s capital stock and shall be paid in cash upon the purchase of the underlying shares.

A total of 1,248,000 options, giving the holder the right to purchase ordinary Fiat shares at a price of 28.45 euros per share, were awarded in March 1999. Half of these options may be exercised on or after April 1, 2001, with the remaining 50% exercisable on or after April 1, 2002. All options expire on March 31, 2007.

A total of 5,158,000 options, giving the holder the right to purchase ordinary Fiat shares at a price of 30.63 euros per share, were awarded in February 2000. These options may be exercised between February 18, 2001 and February 18, 2008. However, during the first four years, the options may only be exercised in cumulative annual tranches not exceeding 25% of the total number awarded.

A total of 755,000 options, giving the holder the right to purchase ordinary Fiat shares at a price of 27.07 euros per share, were awarded in February 2001. These options, which were reserved for the Group’s top management, may be exercised between February 27, 2002 and February 27, 2009. However, during the first four years, the options may only be exercised in cumulative annual tranches not exceeding 25% of the total number awarded.

Pursuant to these plans, a total of 5,506,000 shares, equivalent to 1% of the Company’s total capital stock and about 1.5% of its ordinary shares, will be issued through a special dedicated capital increase, which the Board has already approved, while 1,655,000 treasury shares will be sold to option holders in accordance with the provisions of the applicable Regulations.

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

The table below summarizes the data for the options outstanding at December 31, 2000:

<table>
<thead>
<tr>
<th>Options outstanding on 1/1</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>Average exercise price (*)</td>
<td>Market price</td>
</tr>
<tr>
<td>Options outstanding on 12/31</td>
<td>1,248,000</td>
<td>28.45</td>
</tr>
<tr>
<td>Of which exercisable on 12/31</td>
<td>1,248,000</td>
<td>28.45</td>
</tr>
</tbody>
</table>

(*) Average exercise price of options.
Transactions among Group Companies and with Related Parties

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

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

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


- Issuance of guarantees for bank loans provided to Fiat Brasil Ltda, Teksid S.p.A., FMA S.p.A. and Banco CNH Capital S.A.; and for bonds issued and credit lines received by Fiat Finance and Trade Ltd and New Holland Credit LLC.

Ongoing transactions include:

- Licensing of the right to use the Fiat trademark, for a consideration based on a percentage of sales, to Fiat Auto S.p.A. (0.5%), Iveco S.p.A. (0.2%) and Soparind S.p.A. (formerly Fiat Ferroviaria S.p.A.) (0.5%).


- Deposit of liquid funds with Fiat Ge.Va. S.p.A.

- Loan to Elasis S.c.p.A.

- Purchase of support and consulting services provided by Fiat Gesco S.p.A. (taxation, law and administration), Fiat Ge.Va. S.p.A. (financial services) and Fiat International S.p.A. (international relations). These companies were established specifically for these purposes.

- Purchase of inspection and internal auditing services from Fiat Revi S.c.p.A.

- Purchase of information technology services provided by ITS S.r.l. and Fiat G.S.A. S.r.l.

- Purchase of external relations services provided by Fiat I.&C.S. S.r.l.

- Purchase of telecommunications services provided by Telexis S.r.l.

- Purchase of support and consulting services outside Italy provided by Fiat USA Inc., Fiat U.K. Ltd. and Fiat Iberica S.A.


- 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.


In addition, it transferred the entire capital stock of Magneti Marelli S.p.A. to Fiat Netherlands Holding N.V.

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. Based on the information received from the various Group companies, there were no particularly significant intra-Group transactions of an extraordinary nature.

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

<table>
<thead>
<tr>
<th>First and last name</th>
<th>Description of investment</th>
<th>Interest held at 12/31/99</th>
<th>Bought in 2000</th>
<th>Sold in 2000</th>
<th>Interest held at 12/31/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paolo Cantarella</td>
<td>Fiat ordinary</td>
<td>312</td>
<td></td>
<td></td>
<td>312</td>
</tr>
<tr>
<td></td>
<td>Fiat savings</td>
<td>662</td>
<td></td>
<td></td>
<td>662</td>
</tr>
<tr>
<td>John Philip Elkann</td>
<td>Fiat ordinary</td>
<td>300</td>
<td></td>
<td></td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>Magneti Marelli ordinary</td>
<td>1,250</td>
<td>1,250</td>
<td></td>
<td>1,250</td>
</tr>
<tr>
<td>Gabriele Galateri di Genola</td>
<td>Fiat ordinary</td>
<td>(1)</td>
<td>2,750</td>
<td></td>
<td>2,750</td>
</tr>
<tr>
<td></td>
<td>Fiat preference</td>
<td>(1)</td>
<td>440</td>
<td></td>
<td>440</td>
</tr>
<tr>
<td>Gianfranco Gutty</td>
<td>Fiat ordinary</td>
<td>520</td>
<td>1,000</td>
<td>520</td>
<td>1,000</td>
</tr>
<tr>
<td>Cesare Ferrero</td>
<td>Fiat ordinary</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Toro Assicurazioni ordinary</td>
<td>(1)</td>
<td>7,500</td>
<td>7,500</td>
<td></td>
</tr>
<tr>
<td>Giorgio Ferrino</td>
<td>Fiat ordinary</td>
<td>1,500</td>
<td></td>
<td>1,500</td>
<td></td>
</tr>
</tbody>
</table>

(1) Held indirectly through his spouse.
The Board of Directors submits to the Stockholders’ Meeting for approval the financial statements for the 2000 fiscal year and proposes that the net income for the fiscal year of 692,122,057 euros be allocated as follows:

- to the Stockholders a dividend of:
  - euros 0.62 on ordinary shares (equivalent to about 227 million euros)
  - euros 0.62 on preference shares (equivalent to about 64 million euros)
  - euros 0.775 on savings shares (equivalent to about 62 million euros)
  provided they are outstanding (treasury shares excluded) on the dividend payment date of June 21, 2001 for a total maximum payout of 353,761,584 euros

- to retained earnings the remainder, which shall not be less than so that after this entry retained earnings will amount to about 586 million euros 338,360,473 euros

Matching total 692,122,057 euros

The dividend payable to each ordinary and preference share carries a regular and therefore unrestricted tax credit of 0.528 euros, and a limited tax credit of 0.092 euros. The dividend payable to each savings share carries a regular and therefore unrestricted tax credit of 0.660 euros, and a limited tax credit of 0.115 euros.

Turin, March 29, 2001

The Board of Directors
By:

[Signature]

Paolo Fresco
Chairman
FMA’s plant in Pratola Serra received ISO 14001 certification in 2000.
## Automotive companies

<table>
<thead>
<tr>
<th>AUTOMOBILES</th>
<th>AGRICULTURAL AND CONSTRUCTION EQUIPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiat Auto Holdings B.V. Netherlands</td>
<td>CNH Global N.V. Netherlands</td>
</tr>
<tr>
<td>F.A. Powertrain Italia S.p.A. Italy</td>
<td>Fiat Hitachi Excavators S.p.A. Italy</td>
</tr>
<tr>
<td>Fiat Auto S.p.A. Italy</td>
<td>New Holland Italia S.p.A. Italy</td>
</tr>
<tr>
<td>FMA - Fabbrica Motori Automobilistici S.p.A. Italy</td>
<td>Case Brasil &amp; Cia. Brazil</td>
</tr>
<tr>
<td>F.A. Powertrain Polska Sp. z o.o. Poland</td>
<td>Case Canada Corporation Canada</td>
</tr>
<tr>
<td>Fiat Auto Argentina S.A. Argentina</td>
<td>Case Corporation United States</td>
</tr>
<tr>
<td>Fiat Auto Belgio S.A. Belgium</td>
<td>Case Corporation Pty Ltd Australia</td>
</tr>
<tr>
<td>Fiat Auto Espanola S.A. Spain</td>
<td>Case France S.A. France</td>
</tr>
<tr>
<td>Fiat Auto (France) S.A. France</td>
<td>Case Germany GmbH Germany</td>
</tr>
<tr>
<td>Fiat Auto Hellas S.A. Greece</td>
<td>Case Harvesting Systems GmbH Germany</td>
</tr>
<tr>
<td>Fiat Auto (Ireland) Ltd. Ireland</td>
<td>Case United Kingdom Limited Great Britain</td>
</tr>
<tr>
<td>Fiat Auto Japan K.K. Japan</td>
<td>FiatAllis Latino Americana Ltda Brazil</td>
</tr>
<tr>
<td>Fiat Auto Maroc S.A. Morocco</td>
<td>New Holland Australia Pty Ltd. Australia</td>
</tr>
<tr>
<td>Fiat Auto Nederland B.V. Netherlands</td>
<td>New Holland Belgium N.V. Belgium</td>
</tr>
<tr>
<td>Fiat Auto Poland S.A. Poland</td>
<td>New Holland Canada Ltd Canada</td>
</tr>
<tr>
<td>Fiat Auto Portuguesa, S.A. Portugal</td>
<td>New Holland Deutschland GmbH Germany</td>
</tr>
<tr>
<td></td>
<td>New Holland France S.A. France</td>
</tr>
</tbody>
</table>

| | Flexi-Coil Ltd Canada |
| | New Holland Latino Americana Ltda Brazil |
| | New Holland North America Inc. United States |
| | New Holland U.K. Limited Great Britain |
| | O&K Orenstein & Koppel AG Germany |
| | Al-Ghazi Tractors Limited (*) Pakistan |
| | New Holland de Mexico S.A. de C.V. (*) Mexico |
| | Türk Traktör Ve Ziraat Makineri A.S. (*) Turkey |

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

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

| | Fiat Sava S.p.A. Italy |
| | Fiat Bank Polska S.A. Poland |
| | Fiat Credit France S.A. France |
| | Fiat Credito Compama Financiera S.A. Argentina |
| | Fiat Credito Portugal S.A. Portugal |
| | Fiat Distribuidora Portugal S.A. Portugal |
| | Fiat Finance Netherlands B.V. Netherlands |
| | Fiat Financiera, S.A. Spain |
| | Sofice - Société de Financement des Concessionnaires S.A. France |

| | Fidis S.p.A. Italy |
| | Banco Fiat S/A Brazil |
| | Fiat Auto Contracts Ltd Great Britain |
| | Fiat Auto Financial Services Ltd Great Britain |
| | Fiat Bank GmbH Germany |
| | Fiat Bank Polska S.A. Poland |
| | Fiat Credit France S.A. France |
| | Fiat Credito Compama Financiera S.A. Argentina |
| | Fiat Credito Portugal S.A. Portugal |
| | Fiat Distribuidora Portugal S.A. Portugal |
| | Fiat Finance Netherlands B.V. Netherlands |
| | Fiat Financiera, S.A. Spain |
| | Sofice - Société de Financement des Concessionnaires S.A. France |

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

| | Flexi-Coil Ltd Canada |
| | New Holland Latino Americana Ltda Brazil |
| | New Holland North America Inc. United States |
| | New Holland U.K. Limited Great Britain |
| | O&K Orenstein & Koppel AG Germany |
| | Al-Ghazi Tractors Limited (*) Pakistan |
| | New Holland de Mexico S.A. de C.V. (*) Mexico |
| | Türk Traktör Ve Ziraat Makineri A.S. (*) Turkey |
### Other industrial companies

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

#### METALLURGICAL PRODUCTS
- **Teksid S.p.A.** Italy
  - **Fonderies Aluminium Cleon S.A.** France
  - **Fonderies du Poitou S.A.** France
  - **Meridian Technologies Inc.** Canada
  - **Société Bretonne de Fonderie et Mecanique S.A.** France
  - **Teksid Aluminio de Mexico S.A. de C.V.** Mexico
  - **Teksid Aluminum Foundry, Inc.** United States
  - **Teksid do Brasil Ltda.** Brazil
  - **Teksid, Inc.** United States
  - **Teksid Poland S.A.** Poland
  - **Teksid Hierro de Mexico S.A. (†)** Mexico

#### COMPONENTS
- **Magneti Marelli S.p.A.** Italy
  - **Magneti Marelli Climatizzazione S.p.A.** Italy
  - **Sistemi Sospensioni S.p.A.** Italy
  - **Magneti Marelli Argentina S.A.** Argentina
  - **Magneti Marelli Cofap S.A.** Brazil
  - **Magneti Marelli Components B.V.** Netherlands
  - **Magneti Marelli Deutschland GmbH** Germany
  - **Magneti Marelli do Brasil Industria e Comercio Ltda.** Brazil
  - **Magneti Marelli France S.A.** France
  - **Magneti Marelli Iberica S.A.** Spain
  - **Magneti Marelli Mexico S.A.** Mexico
  - **Magneti Marelli Polska S.A.** Poland
  - **Magneti Marelli U.K. Ltd** Great Britain
  - **Magneti Marelli Powertrain U.S.A. Inc.** United States
  - **Automotive Lighting Holding GmbH (†)** Austria

#### PRODUCTION SYSTEMS
- **Comau B.V.** Netherlands
- **Comau Systems S.p.A.** Italy
- **Geico S.p.A.** Italy
- **Italtex S.p.A.** Italy
- **Autodie International, Inc.** United States
- **Comau Argentina S.A.** Argentina
- **Comau Deutschland GmbH** Germany
- **Comau do Brasil Ind. e Com. Ltda.** Brazil
- **Comau Estil Uni.** Great Britain
- **Comau France S.A.** France
- **Comau India Pvt. Ltd.** India
- **Comau Pico Holdings Corporation** United States
- **Comau Poland Sp. z o.o.** Poland
- **Comau Scialy S.A.** France
- **Comau South Africa (Pty) Ltd.** Republic of South Africa
- **Mecaner S.A.** Spain
- **Progressive Mexico S.de R.L. de C.V.** Mexico
- **Progressive Tools & Industries Co.** United States
- **Renault Automation Comau S.A.** France

#### COMMERCIAL VEHICLES
- **Transolver Finance S.p.A.** Italy
- **Transolver Service S.p.A.** Italy
- **Fraikin Société Anonyme** France
- **Transolver Finance S.A.** France
- **Transolver Financial Services Ltd** Great Britain
- **Transolver Operational Services Ltd** Great Britain
- **Transolver Services S.A.** France

#### METALLURGICAL PRODUCTS
- **Midas Europe S.A. M. Princ. of Monaco**
- **Viasat S.p.A. (†)** Italy
**AVIATION**

FiatAvio S.p.A.  
Italy  
SE.CO.SV.IM. S.r.l.  
Italy  
Sepa S.p.A.  
Italy  
FiatAvio Inc.  
United States  
Regulus S.A.  
French Guiana  
FiatAvio Power Services S.p.A. (*)  
Italy  
Serene S.p.A. (*)  
Italy  
Sogetel S.p.A. (*)  
Italy  
Vegaspazio S.p.A. (*)  
Italy  
Eurojet Turbo GmbH (*)  
Germany  
Europropulsion S.A. (*)  
France  
Turbo-Union Ltd (*)  
Great Britain

**INSURANCE**

Toro Assicurazioni S.p.A.  
Italy  
D.A.S. - Difesa Automobilistica  
Siniestri S.p.A.  
Italy  
Giano Assicurazioni S.p.A.  
Italy  
Iniziative Sviluppo Immobiliare - Isim S.p.A.  
Italy  
Nuova Tirrena S.p.A.  
Italy  
Roma Vita S.p.A.  
Italy  
Toro Targa Assicurazioni S.p.A.  
Italy  
Altegia S.A.  
France  
Companhia de Seguros Maritimos e Terrestres Phenix  
Brazil  
Continent Assistance S.A.  
France  
Fiat Ubezpieczenia Towarzystwo S.A.  
Poland  
Fiat Ubezpieczenia Zyciowe S.A.  
Poland  
Guardian Vie S.A.  
France  
Le Continent I.A.R.D. S.A.  
France  
Le Continent Vie S.A.  
France  
L’Union Générale du Nord S.A.  
France

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

**PUBLISHING AND COMMUNICATIONS**

Itedi - Italiana Edizioni S.p.A.  
Italy  
Editrice La Stampa S.p.A.  
Italy  
La Stampa Interattiva S.p.A.  
Italy  
Publikompass S.p.A.  
Italy

**MISCELLANEOUS AND HOLDING COMPANIES**

Fiat Engineering S.p.A.  
Italy  
Sicind S.p.A.  
Italy  
Fiat Argentina S.A.  
Argentina  
Fiat Deutschland GmbH  
Germany  
Fiat do Brasil S.A.  
Brazil  
Fiat France S.A.  
France  
Fiat Iberica, S.A.  
Spain  
Fiat Netherlands Holdings N.V.  
Netherlands  
Fiat United Kingdom Ltd  
Great Britain  
Fiat U.S.A., Inc.  
United States  
I.H.F., Internazionale Holding  
Fiat S.A.  
Switzerland

**OTHER SERVICE COMPANIES**

Business Solutions S.r.l.  
Italy  
Centro Ricerche Fiat Società Consortile per Azioni  
Italy  
Elasis - Sistema Ricerca FIAT nel Mezzogiorno - Società Consortile per Azioni  
Italy  
Fenice S.p.A.  
Italy  
Fiat Gesco S.p.A.  
Italy  
Fiat GE.VA. S.p.A.  
Italy  
Fiat G.S.A. S.r.l.  
Italy  
IPI S.p.A.  
Italy  
Isvor Fiat S.p.A.  
Italy  
ITS S.r.l.  
Italy

(*) Associated Company.

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