



Quarterly Report

1st Quarter 2003

**This report has been translated from the original version in Italian.
In case of doubt the Italian version prevails.**

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www.fiatgroup.com

Fiat S.p.A.

Head Office: 250 Via Nizza, Turin, Italy

Paid-in Capital: 3,082,128,000 euros

Entered in the Turin Company Register – Fiscal Code: 00469580013



Board of Directors

Chairman Umberto Agnelli ⁽¹⁾

Vice Chairman Alessandro Barberis ⁽¹⁾

Chief Executive Officer Giuseppe Morchio ⁽¹⁾

Directors

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Luca Cordero di Montezemolo
Flavio Cotti ⁽²⁾
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Virgilio Marrone
Daniel John Winteler

⁽¹⁾ Member of the Nominating and Compensation Committee

⁽²⁾ Member of the Audit Committee

⁽³⁾ Secretary of the Board

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 Deloitte & Touche Italia S.p.A.

O V E R V I E W

FINANCIAL OVERVIEW

As expected, the first quarter of 2003 was another difficult period for the Fiat Group, as it continued to confront the problems that hampered its profitability last year in a weak global economy that continues to be characterized by a climate of uncertainty.

The key financial data for the first quarter are reviewed below.

Revenues amounted to about 12.3 billion euros, compared with 14.1 billion euros in the first three months of 2002. The decline was about 10% on a comparable consolidation basis. This shortfall is largely the result of lower unit sales by Fiat Auto and CNH and of non-operating factors, including the impact of the conversion of CNH's dollar-denominated revenues into euros (which reduced revenues by about 500 million euros) and, of lesser magnitude, the divestitures of certain Group businesses in 2002 and at the beginning of 2003 (Teksid's Aluminum Business Unit and Iveco's Fraikin).

The **operating loss** for the quarter totaled 342 million euros, compared with 299 million euros in the first three months of 2002, when the bottom line benefited from higher gains (about 50 million euros) earned on the sale of real estate assets, especially by Toro Assicurazioni. Overall, while Fiat Auto narrowed its loss, the Group's other businesses saw their operating profits fall, even though, in the aggregate, they operated close to breakeven.

The **net consolidated loss** for the quarter came to 699 million euros (681 million euros attributable to the Group), compared with 663 million euros (529 million euros attributable to the Group) in the first three months of 2002. The main reasons for the loss are the costs and lost profits resulting from the flood that completely stopped production at the Termoli engine plant this past January and two charges of a temporary nature: an entry booked to mark to market the equity securities held by Toro Assicurazioni and the adjustment of the total return equity swap on General Motors shares, which was booked to reflect the fair market value of these shares at March 31, 2003. This loss, however, would almost totally disappear if the shares were valued at today's market prices. There were also some positive factors, including the extraordinary income earned on the sale of the Brazilian automobile retail financing activities.

At March 31, 2003, the **net financial position** showed net borrowings of 5.2 billion euros, up about 1.4 billion euros from December 31, 2002 but down from the 6.6 billion euros recorded at March 31, 2002. The increase from the beginning of the year was due mainly to a rise in working capital caused by higher inventories held by CNH (due to seasonal factors) and Iveco (due to seasonal factors and the launch of new products), a drop in the amount of trade receivables held by Fiat Auto and a rise in receivables owed by the tax authorities. Another factor affecting the level of indebtedness was the negative cash flow experienced during this period. The resources absorbed by these factors were replaced in part by the proceeds generated by divestitures.

When the financing secured by an agreement with EDF within the context of the Italenergia transaction (1,150 million euros) and the expected sale of the entire capital stock of Toro Assicurazioni, which is covered by a binding agreement and will bring in about 1.4 billion euros, are taken into account, the Group is fully in compliance with the requirements for reduction of net indebtedness stipulated in the terms of the mandatory convertible facility provided by the banks.

OUTLOOK FOR 2003

2003 will be a difficult and challenging transition year for the Fiat Group, since it will be working to overcome its operational difficulties, especially those that have been penalizing Fiat Auto's profitability, in an economic climate characterized by low growth and aggressive competition.

The Group's key markets are not expected to show appreciable signs of a turnaround until later this year. In Europe, demand for automobiles will be lower than in 2002. The market for agricultural equipment should hold relatively steady, but sales of construction equipment are expected to decline further. Demand for commercial vehicles will be down across the board.

Despite such an unfavorable environment, all Group Sectors are working hard to achieve significant improvements in operating results and cash flow through rigorous cost-cutting programs and other measures.

The exceptionally rapid pace at which the divestitures of Fidis, Toro and FiatAvio were completed in recent months underscores the Group's commitment to meet the debt-reduction requirements agreed upon with its lending banks and to permanently strengthen its balance sheet.

By June, the Group's management intends to present to the financial markets the industrial and financial action guidelines that it will implement to achieve a lasting structural turnaround of its operations. At that time, management will also be able to provide a better forecast of the Group's performance for all of 2003. It can already be stated that, though the operating result is expected to remain negative, it should mark an improvement from the full year 2002 level.

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

ACCOUNTING PRINCIPLES AND METHODS

This quarterly report has been prepared in accordance with Article 82 of the "Regulations for the Implementation of Legislative Decree No. 58 of February 24, 1998 on the Activities of Issuers of Securities" (Consob Resolution No. 11971 of May 14, 1999, as amended).

This quarterly report is consistent with the accounting principles that govern the preparation of the annual and consolidated financial statements, insofar as they are applicable.

INTRODUCTION

Subsequent to March 31, 2002, the Fiat Group completed several transactions that had an impact on its organization.

The most important transactions affecting the scope of consolidation in the first quarter of 2003, as compared with the same period last year, are reviewed below:

- The Teksid **Aluminum Business Unit** was sold at the end of September 2002 to a pool of investors comprised by Questor Management Company, JPMorgan Partners, and Private Equity Partners.
- In the first quarter of 2003, Iveco sold the activities of **Fraikin** to Eurazeo. The operations of Fraikin, which specializes in the long-term vehicle leasing business, were deconsolidated as of the beginning of this year.
- Following the agreements signed in December 2002, Fiat Auto Holdings **retail financing** activities in **Brazil** were sold to the Itaù banking group at the end of March 2003 and deconsolidated from that date.
- In conformity with Group accounting principles, Iveco has valued the activities of **Naveco**, the 50-50 joint venture with the Yuejin Group, according to the equity method since January 1, 2003. This investment was previously consolidated according to the proportional method.
- In the first quarter of 2003, Business Solutions sold approximately 56% of **IPI S.p.A.** to the Zunino Group. IPI S.p.A., which was deconsolidated as at January 1, 2003, operates in the field of large property improvement, management, and sales.

Finally, several major agreements were reached during the first quarter of 2003 and are expected to be concluded during the year:

- On March 11, Fiat and Capitalia, Banca Intesa, San Paolo-IMI, and Unicredito signed the agreement for sale by Fiat to the Banks of 51% of Fidis Retail Italia ("FRI"), a Fiat Group consumer credit company that provides retail customers with financing for automobile purchases in Europe.
This transaction is part of the program defined in the framework agreement signed by Fiat and the Banks on May 27, 2002 to improve its financial situation. The Fiat Group expects to reduce its consolidated gross debt by approximately 6 billion euros through this sale.
- On March 22, the Fiat Board of Directors accepted the binding offer of 2.4 billion euros made by the DeAgostini Group for the purchase of 100% of Toro Assicurazioni. This transaction will reduce Group net debt by approximately 1.4 billion euros.

OPERATING PERFORMANCE OF THE FIAT GROUP

<i>Fiscal</i> 2002 (in millions of euros)	1st Quarter 2003	1st Quarter 2002	Change
55,649 Net revenues	12,314	14,147	(1,833)
48,619 Cost of sales	10,846	12,382	(1,536)
7,030 Gross operating result	1,468	1,765	(297)
5,782 Overhead	1,345	1,573	(228)
1,748 Research and development	460	483	(23)
(262) Other operating income (expenses)	(5)	(8)	3
(762) Operating result	(342)	(299)	(43)
(690) Investment income (expenses)	(73)	18	(91)
(2,503) Non-operating income (expenses)	37	-	37
(3,955) EBIT	(378)	(281)	(97)
(862) Financial income (expenses)	(279)	(275)	(4)
(4,817) Income (loss) before taxes	(657)	(556)	(101)
(554) Income taxes	42	107	(65)
(4,263) Net income (loss) before minority interest	(699)	(663)	(36)
(3,948) Group interest in net income (loss)	(681)	(529)	(152)

Revenues

Consolidated revenues totaled 12,314 million euros in the first quarter of 2003, or 13% less than in the corresponding period of the previous year (approximately 10% less on a comparable consolidation basis). The principal causes of this decrease were the contraction in sales volumes at Fiat Auto, the negative foreign exchange effect on CNH revenues caused by strengthening of the euro against the dollar, and the disposal of activities that account for the reduction in revenues at Iveco and Teksid. Lower revenues were also posted by Magneti Marelli and FiatAvio, while growth was reported by Ferrari, Comau, and Business Solutions.

The following table provides a breakdown of net revenues by Operating Sector.

<i>Fiscal</i> 2002 (in millions of euros)	1st Quarter 2003	1st Quarter 2002	Change %
22,147 Automobiles (Fiat Auto Holdings)	4,928	5,993	(17.8)
10,513 Agricultural and Construction Equipment (CNH Global)	2,234	2,720	(17.9)
9,136 Commercial Vehicles (Iveco)	2,004	2,101	(4.6)
1,208 Ferrari	284	253	12.3
3,288 Components (Magneti Marelli)	773	945	(18.2)
2,320 Production Systems (Comau)	502	443	13.3
1,539 Metallurgical Products (Teksid)	221	469	(52.9)
1,534 Aviation (FiatAvio)	301	388	(22.4)
4,916 Insurance (Toro Assicurazioni)	1,290	1,252	3.0
1,965 Services (Business Solutions)	445	413	7.7
360 Publishing and Communications (Itedi)	90	84	7.1
(3,277) Miscellanea and Eliminations	(758)	(914)	(17.1)
55,649 Total for the Group	12,314	14,147	(13.0)

- **Fiat Auto** had revenues of 4,928 million euros in the first quarter of 2003, or 17.8% less than in the same period of 2002 due to lower sales volumes.

The market remained soft in Western Europe, contracting by 2.7% overall with respect to the first quarter of 2002, with widespread decreases in many different countries, with the exception of Italy, where demand stimulated by Government environmental incentives spiked in March, generating a quarterly increase of 5.8%.

Aggregate sales by Fiat Auto during the quarter totaled 419,200 units, 19% less than in the first quarter of 2002. In Western Europe, 300,400 vehicles were sold, approximately 21% less than in the same period a year earlier. The principal reasons for this decline were the temporary production shutdown at the Termoli plant due to flooding in January, strong competitive pressures in the face of a weak demand, and major cutbacks in dealership car inventories in preparation for the introduction of new models during the year. The market share of Fiat Auto in Western Europe retreated from 9.2% in the first quarter of 2002 to 8.2% in the first quarter of 2003.

Outside Western Europe, demand recovered sharply in Poland (+11.4%), but sales dipped slightly (-3%) when local production was diverted to the Italian market to cover the shortfalls resulting from the temporary production shutdown of the Termoli plant. In Brazil, the contracting market caused a decrease in sales; however, Fiat Auto, whose market share was nearly the same as in the first quarter of 2002, maintained its leadership on the market.

At the beginning of March 2003, on the occasion of the Geneva International Motor Show, Fiat Auto unveiled the Fiat Gingo city car, a compact minivan called Fiat Idea, the Lancia Ypsilon and the Alfa GT Coupé.

Planning for the medium term, we are in the process of finalizing an agreement with General Motors to develop another common architecture for cars, this time in the "C" segment, which is the most important in Europe.

- **CNH Global** had revenues of 2,234 million euros in the first quarter of 2003, down 17.9% from the same period in the previous year due to the negative foreign exchange effect caused by strengthening of the euro against the dollar. On a comparable exchange basis, revenues would have been 5% lower, mainly due to a decrease in revenues from construction equipment business.

The agricultural equipment market grew as a whole by 4.6%, but with different trends in different areas: it was stable in Western Europe, expanded in North America (+5.2%) thanks to an increase in demand for light tractors in contrast with lower demand for high powered tractors and combine harvesters, growth on Asian markets and decline in Latin America. Overall, the Sector maintained its sales volumes in line with those of the same period of the previous year, posting improvements in Western Europe and emerging countries, stable results in North America in spite of contraction in certain product lines, and a decrease in Latin America.

The construction equipment market remained soft in North America (-11.7%), where even higher declines were posted for light equipment, and in Europe (-5.3%). This performance was the cause of the overall decrease in unit sales, which were down by 10% with respect to the first quarter of 2002, both on the European and American markets. Only the Asian markets reported improvements in demand and sales.

- **Iveco** had revenues of 2,004 million euros in the first quarter of 2003, down 4.6% from the first quarter of 2002 due to the sale of Fraikin and consolidation of Naveco by the equity method rather than by the proportional method, as previously. On a comparable consolidation basis, revenues would have increased by 2% thanks to higher vehicle sales volumes.

In Western Europe, the commercial vehicle market^(*) grew by 2.7% from the particularly depressed levels of the first quarter of 2002, thanks to higher demand for heavy-range vehicles and to a lesser extent for light vehicles, in contrast with lower demand for medium-range vehicles. Iveco's market share contracted, particularly in the medium-range and light vehicle segments.

In the first quarter of 2003, Iveco sold a total of 35,900 vehicles, up 1.1% from the same period in 2002. In particular, 27,300 vehicles were registered in Western Europe, with an improvement of 1.3% thanks to higher sales of light vehicles in Italy, Germany, and France, and heavy-range vehicles mainly in Great Britain and Spain, in contrast with a sharp decrease in sales of medium-range vehicles due to market contraction and anticipation for the New Eurocargo line. Bus sales remained on a satisfactory level.

- **Ferrari** had revenues of 284 million euros, up 12.3% from the first quarter of 2002 due to higher sales of Ferrari models – thanks to the new 12-cylinder 575M and the Enzo Ferrari limited edition introduced last year – and Maserati models.
- The **other automotive Sectors (Magneti Marelli, Comau, Teksid)** had aggregate revenues of 1,496 million euros in the first quarter of 2003, compared with 1,857 million euros in the same period of 2002, for a decrease of 19.4%. In particular:

Magneti Marelli (773 million euros; -18.2%) was hard hit by the contraction in volumes, caused principally by lower demand at Fiat Auto, and the negative foreign exchange effect.

Comau (502 million euros; +13.3%) realized improvements in its North American activities connected with the moderate recovery in investments by car makers as compared with the first quarter of last year, while activity in Europe remained at the same levels as in the first quarter of 2002.

Teksid (221 million euros, -52.9%) would have posted a decrease of 5% if the disposal of its Aluminum Business Unit were excluded, mainly on account of the negative foreign exchange effect. However, its Magnesium Business Unit posted higher results thanks to strong sales of SUV's in North America.

- **FiatAvio** had revenues of 301 million euros in the first quarter of 2003, or 22.4% lower than in the same period of 2002 due to lower sales in its commercial segment, which suffered from a slowdown in the civil aircraft market and the negative foreign exchange effect, as well as postponement of scheduled spacecraft launches. On the other hand, government programs continued to grow.
- **Toro Assicurazioni** generated 1,290 million euros in premium revenues during the first quarter of 2003, up 3% with respect to the first quarter of 2002. The positive trend involved both the life insurance business, thanks in particular to revenues generated by the bancassurance channel, and the casualty business.
- **Business Solutions**, with revenues of 445 million euros, posted growth of 7.7% in the first quarter of 2003, notwithstanding the negative impact caused by deconsolidation of IPI during the quarter. The improvement is mainly attributable to the activities of Global Value, the temporary employment agency services, and Fiat Engineering.
- **Itedi** had revenues of 90 million euros in the first quarter of 2003, 7.1% higher than in the first quarter of the previous year. This result was achieved thanks to increased revenues in certain advertising segments and the support for sales of daily newspapers provided by brand-stretching initiatives.

^(*) The reference market is that of commercial vehicles with curb weight ≥ 2.8 tons.

Operating Result

The Fiat Group posted an operating loss of 342 million euros in the first quarter of 2003, compared with a loss of 299 million euros in the first quarter of 2002. This was attributable in particular to lower operating profits in certain non-automotive sectors, while losses were reduced at Fiat Auto.

<i>Fiscal</i> 2002 (in millions of euros)	1st Quarter 2003	1st Quarter 2002	Change
(1,343) Automobiles (Fiat Auto Holdings)	(334)	(429)	95
163 Agricultural and Construction Equipment (CNH Global)	(8)	30	(38)
102 Commercial Vehicles (Iveco)	2	11	(9)
70 Ferrari	(23)	(18)	(5)
(16) Components (Magneti Marelli)	(10)	(16)	6
(101) Production Systems (Comau)	(26)	(12)	(14)
27 Metallurgical Products (Teksid)	1	(5)	6
210 Aviation (FiatAvio)	24	54	(30)
147 Insurance (Toro Assicurazioni)	43	115	(72)
67 Services (Business Solutions)	12	27	(15)
3 Publishing and Communications (Itedi)	2	(2)	4
(91) Miscellanea and Eliminations	(25)	(54)	29
(762) Total for the Group	(342)	(299)	(43)

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

- **Fiat Auto** reduced its operating loss from 429 million euros in the first quarter of 2002 to 334 million euros in the first quarter of 2003. Its economic performance was significantly affected by the decline in sales of both vehicles and, to a lesser extent, spare parts, as well as higher sales discounts.

The Sector countered and attenuated the effects of these difficulties by proceeding with the programs for cost reduction and realization of industrial synergies through the industrial alliance with General Motors, which generated major savings on product costs and overhead.
- **CNH Global** closed the first quarter of 2003 with an operating loss of 8 million euros, compared with income of 30 million euros in the first quarter of 2002.

The main causes for this decline were higher social security and medical costs for its employees, principally in the United States, and deterioration in sales volumes and product mix. These effects were only partially offset by improved margins on new products in the agricultural segment, higher prices, and the synergies deriving from integration of New Holland and Case.
- **Iveco** posted lower operating income, down to 2 million euros from the 11 million euros reported in the first quarter of 2002 in spite of the favorable impact of higher volumes and an improved sales mix, particularly in the light vehicle and bus segments. The result was penalized by downward price pressures, lower revenues stemming from changes in the scope of consolidation, higher costs for warranties and depreciation of used vehicles, and a negative foreign exchange effect that affected the Brazilian currency in particular.
- **Ferrari** reported an operating loss of 23 million euros in the first quarter of 2003, reflecting the customary seasonal increase in costs for racing activities. The deterioration with respect to the 18-million-euro operating loss posted in the first quarter of 2002 stemmed from higher

research and development outlays for new products and the negative foreign exchange effect, while sales performance benefited from improved volumes and mix.

- The **other automotive Sectors (Magneti Marelli, Comau, Teksid)** posted an operating loss of 35 million euros, roughly the same as the operating loss of 33 million euros reported for the first quarter of 2002. In particular:

Magneti Marelli reduced its operating loss to 10 million euros from the loss of 16 million euros posted in the first quarter of 2002, as efficiency gains more than compensated for the negative effect of lower volumes and deterioration in the price/cost ratio.

Comau had an operating loss of 26 million euros, 14 million euros more than the loss reported in the same period a year earlier, almost entirely due to the higher costs incurred to complete outstanding orders, which had already negatively impacted the result for fiscal 2002. This effect was only partially attenuated by the improvement in North American activities generated by higher volumes.

Teksid posted operating income of 1 million euros, compared with an operating loss of 5 million euros in the first quarter of 2002, thanks to efficiency gains, especially in the Cast Iron Business Unit, and the positive effect of changes in the scope of consolidation, factors that were partially offset by higher commodity prices.

- **FiatAvio** closed the first quarter with operating income of 24 million euros. The dampening effect of shrinking volumes in the civil aircraft segment and the negative foreign exchange effect caused by strengthening of the euro against the dollar pushed the operating income reported for this quarter below the 54 million euros posted in the first quarter of 2002.
- The operating income of **Toro Assicurazioni** decreased from 115 million euros in the first quarter of 2002 to 43 million euros in the first quarter of 2003 due to the unfavorable effect of lower gains on the disposal of real estate, which were particularly high in the first quarter of 2002. If those gains were excluded, the operating income for the two periods would be about the same.
- **Business Solutions** posted operating income of 12 million euros, down from the 27 million euros reported in the first quarter of 2002, mainly in consequence of lower income from intermediation activity and disposal of real estate, as well as changes in the scope of consolidation.
- **Itedi** reported an improvement in its operating income, moving from a loss of 2 million euros in the first quarter of 2002 to income of 2 million euros in the first quarter of 2003, thanks to cost savings and new brand stretching initiatives.

EBIT (Earnings Before Interest and Taxes)

EBIT for the first quarter was a negative 378 million euros, worse than the negative 281 million euros for the first quarter of 2002, due to lower operating result and lower investment result, partially offset by the positive balance of non-operating items.

<i>Fiscal 2002 (in millions of euros)</i>	<i>1st Quarter 2003</i>	<i>1st Quarter 2002</i>	<i>Change</i>
(2,214) Automobiles (Fiat Auto Holdings)	(282)	(443)	161
165 Agricultural and Construction Equipment (CNH Global)	(9)	24	(33)
(409) Commercial Vehicles (Iveco)	(17)	8	(25)
44 Ferrari	(23)	(18)	(5)
(348) Components (Magneti Marelli)	(12)	11	(23)
(247) Production Systems (Comau)	(38)	(15)	(23)
(137) Metallurgical Products (Teksid)	-	(7)	7
183 Aviation (FiatAvio)	22	54	(32)
(203) Insurance (Toro Assicurazioni)	-	143	(143)
(140) Services (Business Solutions)	19	24	(5)
1 Publishing and Communications (Itedi)	2	(2)	4
(650) Miscellanea and Eliminations	(40)	(60)	20
(3,955) Total for the Group	(378)	(281)	(97)

Investment Income and Expenses

In the first quarter of 2003, the net loss from investments totaled 73 million euros, compared with net investment income of 18 million euros in the first quarter of 2002.

The decrease was partially attributable to the writedowns taken to mark to market the portfolio of listed securities held by the Group's insurance companies and partially to the negative result of certain investments.

Non-operating Income and Expenses

In the first quarter of 2003, net non-operating income totaled 37 million euros, compared with the break-even result posted in the same period of 2002. The improvement was due to gains on disposal of the Brazilian retail financing activities of Fiat Auto (107 million euros) and IPI (15 million euros). These gains were partially offset by the residual loss resulting from disposal of Fraikin (19 million euros), and an estimate of the damages stemming from the flooding at the Termoli plant in excess of the amount expected to be indemnified by insurance.

In the first quarter of 2002, the gain realized by Magneti Marelli upon disposal of its Aftermarket activities was offset by sundry restructuring costs at certain Sectors.

Net Result for the Period

The **loss before taxes** for the first quarter was 657 million euros, compared with a loss of 556 million euros in the same period a year earlier due to the aforementioned decrease in EBIT, while financial expenses were basically the same as those reported in the first quarter of 2002. **Net financial expenses** in the first quarter of 2003 would have totaled 205 million euros if the effects deriving from adjustment of the Total Return Equity Swap on General Motors shares to their fair market value at March 31, 2003 (74 million euros) were excluded. The improvement from the 275 million euros posted for the first quarter of last year derived from the lower level of

debt and reduced interest rates in Europe and the United States, notwithstanding the unfavorable impact of higher corporate spread.

The **net income tax effect** decreased from 107 million euros in the first quarter of 2002 to 42 million euros in the first quarter of 2003, due to lower current taxes.

The **consolidated net loss before minority interest** for the first quarter was 699 million euros, compared with a loss of 663 million euros in the same period of 2002.

Group interest in net loss was 681 million euros, worse than the net loss of 529 million euros posted in the first quarter of 2002.

BALANCE SHEET

The Group balance sheet at March 31, 2003 in statutory format is as follows:

<i>(in millions of euros)</i>	<i>At 3/31/2003</i>	<i>At 12/31/2002</i>	<i>Change</i>
ASSETS			
Intangible fixed assets	4,939	5,200	(261)
Property, plant and equipment	11,142	12,106	(964)
Financial fixed assets	6,806	6,638	168
Investments on behalf of life insurance policyholders who bear the risk	7,221	6,930	291
Financial receivables held as fixed assets (*)	66	48	18
Financial leasing of Group assets (*)	3,106	2,947	159
Financial assets not held as fixed assets	6,043	6,094	(51)
Net inventories (1)	7,343	7,050	293
Trade receivables	5,796	5,784	12
Other receivables	3,941	3,351	590
Financial receivables (*)	17,441	18,411	(970)
Net deferred tax assets	2,256	2,263	(7)
Cash and securities (*)	3,232	4,996	(1,764)
Trade accruals and deferrals	525	579	(54)
Financial accruals and deferrals (*)	675	661	14
TOTAL ASSETS	80,532	83,058	(2,526)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Stockholders' Equity	7,707	8,679	(972)
Reserve for risks and charges	15,260	15,390	(130)
Reserve for employee severance indemnities	1,622	1,609	13
Policy liabilities and accruals where the investment risk is borne by policyholders	7,221	7,000	221
Trade payables	12,676	13,267	(591)
Other payables (1)	4,868	4,771	97
Financial payables (*)	28,119	28,923	(804)
Trade accruals and deferrals	1,483	1,499	(16)
Financial accruals and deferrals (*)	1,576	1,920	(344)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	80,532	83,058	(2,526)
NET FINANCIAL POSITION (*)	(5,175)	(3,780)	(1,395)

(1) Net of advances received for contract work in progress (8,341 million euros at March 31, 2003 and 8,227 million euros at December 31, 2002)

The following tables provide the information necessary for analysis of the principal balance sheet indicators used in previous periods, such as working capital, net invested capital and net financial position.

Working Capital

<i>At 3/31/2002 (in millions of euros)</i>	<i>At 3/31/2003</i>	<i>At 12/31/2002</i>	<i>Change</i>
9,012 Net inventories	7,343	7,050	293
6,969 Trade receivables	5,796	5,784	12
(14,011) Trade payables	(12,676)	(13,267)	591
(2,371) Other receivables (payables)	(1,885)	(2,340)	455
(401) Working capital	(1,422)	(2,773)	1,351

At March 31, 2003, the Group had negative working capital of 1,422 million euros, representing an increase of 1,351 million euros compared to the negative working capital posted at December 31, 2002 (-2,773 million euros). It also improved with respect to the corresponding

period of the previous year. This comparison is useful to monitoring the seasonal nature of various business activities.

With respect to December 31, 2002, the seasonal variations that characterize the activities of CNH and Iveco and, with regard to Iveco, the introduction on the market of new products in the medium and heavy-range vehicle segments, account for the increase in inventories reported by the two Sectors in the first quarter of 2003.

Additional financing requirements were generated by the reduction in trade payables, mainly due to the contraction in levels of activity at Fiat Auto resulting from the temporary production shutdowns caused by flooding at the Termoli plant in January 2003 and continued dealer network inventory cutbacks.

The negative balance of "Other receivables/payables" was reduced to a great extent in consequence of the higher amount of receivables due from Tax Authorities.

At March 31, 2003, the Group had assigned trade receivables and other receivables maturing after the end of the first quarter. The receivables assigned with recourse totaled 2,334 million euros (2,505 million euros at December 31, 2002), while those assigned without recourse totaled 3,968 million euros (4,537 million euros at December 31, 2002).

Additional factoring transactions that did not have an impact on working capital and the net financial position include the assignment of financial receivables (chiefly amounts owed by retail customers to the Group's financial services companies) maturing after March 31, 2003. As of the end of the first quarter, 18 million euros were assigned with recourse (13 million euros at December 31, 2002), and 8,139 million euros were assigned without recourse (9,257 million euros at December 31, 2002).

Net Invested Capital

<i>At 3/31/2002 (in millions of euros)</i>	<i>At 3/31/2003</i>	<i>At 12/31/2002</i>	<i>Change</i>
6,566 Intangible fixed assets	4,939	5,200	(261)
13,483 Property, plant and equipment	11,142	12,106	(964)
22,604 Financial fixed assets	20,070	19,662	408
1,703 Net deferred tax assets	2,256	2,263	(7)
(23,394) Insurance policy liabilities and accruals	(24,103)	(23,999)	(104)
(401) Working capital	(1,422)	(2,773)	1,351
20,561 Net invested capital	12,882	12,459	423

Net invested capital at March 31, 2003 was 12,882 million euros, or 423 million euros more than at December 31, 2002, mainly due to the aforementioned increase in working capital

In particular, the principal items show that:

- The reduction in intangible fixed assets is largely attributable not only to amortization for the period but also to the sale of Fraikin and the foreign exchange effect of items denominated in dollars (particularly the goodwill of CNH), which was only partially offset by the increase in capitalized costs for acquisition of licenses by FiatAvio for technological and product development.
- Property, plant, and equipment decreased due to depreciation totaling 460 million euros (546 million euros in the first quarter of 2002), changes in the scope of consolidation (approximately 560 million euros due to the disposal of Fraikin activities and deconsolidation of Naveco), and a decrease stemming from currency conversion differences (approximately 100 million euros) which were only partially offset by investments during the period, totaling 333 million euros (515 million euros in the first quarter of 2002).

The latter includes investments connected to long-term leasing operations totaling 83 million euros (192 million euros in the first quarter of 2002).

- The increase in financial fixed assets is mainly attributable to consolidation of the investment in Naveco according to the equity method as at January 1, 2003, instead of according to the proportional method as previously, and the increased amount of securities managed by insurance companies on behalf and in the name of policyholders.

Net Financial Position

At March 31, 2003, the Group's net indebtedness totaled 5,175 million euros, or 1,395 million euros more than the 3,780 million euros posted at December 31, 2002, but was lower than the 6,602 million euros reported at March 31, 2002.

The increase in debt compared to December 31, 2002 is mainly attributable to operating cash requirements, which suffered from negative cash flow, the net losses realized on disposals during the period, and the increase in working capital previously discussed.

These requirements were partially offset by the proceeds generated by disposal of the retail financing activity in Brazil, Fraikin, and IPI.

The breakdown of the net financial position of the Fiat Group at March 31, 2003 is illustrated in the following table, which includes comparisons with the situation at March 31, 2002 and December 31, 2002.

3/31/2002 (in millions of euros)	Situation at:	
	3/31/2003	12/31/2002
3,550 Cash	2,177	3,489
1,994 Marketable securities	1,055	1,507
24,492 Financial receivables and leased assets	20,612	21,406
586 Accrued financial income	555	543
(1,650) Deferred financial income	(899)	(1,135)
28,972 Total financial assets (A)	23,500	25,810
(12,803) Short-term debt	(9,249)	(8,310)
(22,193) Long-term debt	(18,870)	(20,613)
(693) Accrued financial expenses	(677)	(785)
115 Prepaid financial expenses	121	118
(35,574) Total financial liabilities (B)	(28,675)	(29,590)
(6,602) Net financial position (A-B)	(5,175)	(3,780)

On the basis of the provisions of the convertible facility agreement with the banks and thus by subtracting the value of assets (such as Toro Assicurazioni) for which binding sales agreements have been reached, the Group has more than realized set targets.

The level of gross indebtedness is largely in line with the figure reported at December 31, 2002: it is expected that the target of reducing it to 23.6 billion euros will be achieved upon conclusion of the sale of 51% of Fidis Retail Italia.

Stockholders' Equity

Consolidated stockholders' equity before minority interest decreased by 972 million euros, declining from 8,679 million euros at December 31, 2002 to 7,707 million euros at the end of March 2003 due to the net loss posted for the first quarter of 2003, the currency conversion

differences caused by appreciation of the euro, and the decrease corresponding to the minority interest in IPI upon its disposal

The **Group's interest in stockholders' equity** decreased from 7,641 million euros at the end of December 31, 2002 to 6,805 million euros at March 31, 2003.

PERSONNEL

At March 31, 2003, the Group had 179,878 employees, about 6,600 less than the 186,492 employees at December 31, 2002. This reduction includes a decrease of approximately 5,900 employees due to changes in the scope of consolidation, particularly in consequence of the disposal of Fraikin and deconsolidation of Naveco by Iveco, while Fiat Auto sold its retail financing activities in Brazil and its contact center activities.

Therefore, the actual change was a decrease of 700 employees, mainly at Fiat Auto, CNH, and the Services Sector.

FINANCIAL POSITION AND OPERATING RESULTS BY ACTIVITY SEGMENT

Principles of Analysis

The classification between Industrial, Financial and Insurance activities was realized by defining specific sub-consolidated financial statements for the three activity segments according to the normal business performed by each Group company.

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

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

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

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

When the sub-consolidated figures for the various segments were elaborated, the relative goodwill was allocated to the activities themselves.

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

Statement of Operations by Activity Segment

(in millions of euros)	1st Quarter 2003				1st Quarter 2002			
	Consolidated	Industrial Activities	Financial Activities	Insurance Activities	Consolidated	Industrial Activities	Financial Activities	Insurance Activities
Net revenues	12,314	10,526	672	1,290	14,147	12,099	934	1,260
Cost of sales	10,846	9,305	516	1,199	12,382	10,653	710	1,165
Gross operating result	1,468	1,221	156	91	1,765	1,446	224	95
Overhead	1,345	1,143	122	80	1,573	1,334	162	77
Research and development	460	460	-	-	483	483	-	-
Other operating income (expenses)	(5)	(78)	46	27	(8)	(135)	44	83
Operating result	(342)	(460)	80	38	(299)	(506)	106	101
Investment income (expenses) (*)	(73)	(25)	(3)	(45)	18	(8)	8	18
Non-operating income (expenses)	37	48	(12)	1	-	(9)	(1)	10
EBIT	(378)	(437)	65	(6)	(281)	(523)	113	129
Financial income (expenses)	(279)	(324)	(20)	65	(275)	(281)	(44)	50
Income (loss) before taxes	(657)	(761)	45	59	(556)	(804)	69	179
Income taxes	42	(1)	17	26	107	26	29	52
Net result of normal operations	(699)	(760)	28	33	(663)	(830)	40	127
Result of intersegment investments	-	56	-	-	-	164	-	-
Net income (loss) before minority interest	(699)	(704)	28	33	(663)	(666)	40	127

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

Balance Sheet by Activity Segment

(in millions of euros)	At 3/31/2003				At 12/31/2002			
	Consolidated	Industrial Activities	Financial Activities	Insurance Activities	Consolidated	Industrial Activities	Financial Activities	Insurance Activities
ASSETS								
Intangible fixed assets	4,939	4,138	181	620	5,200	4,295	274	631
Property, plant and equipment	11,142	9,416	1,136	590	12,106	9,770	1,700	636
Financial fixed assets	6,806	7,938	160	3,082	6,638	7,886	161	3,043
Investments on behalf of life insurance policyholders who bear the risk	7,221	-	-	7,221	6,930	-	-	6,930
Financial receivables held as fixed assets (*)	66	65	-	1	48	46	1	1
Financial leasing of Group assets (*)	3,106	-	3,106	-	2,947	-	2,947	-
Financial assets not held as fixed assets	6,043	38	-	6,009	6,094	45	-	6,054
Net inventories (1)	7,343	7,310	33	-	7,050	7,011	39	-
Trade receivables	5,796	4,301	1,077	635	5,784	4,157	1,482	737
Other receivables	3,941	2,678	1,108	307	3,351	2,405	835	301
Financial receivables from others (*)	17,441	2,484	14,899	58	18,411	2,495	15,876	40
Net deferred tax assets	2,256	2,201	-	55	2,263	2,278	-	57
Cash and securities (*)	3,232	1,785	389	1,058	4,996	2,977	844	1,175
Trade accruals and deferrals	525	399	135	-	579	405	176	2
Financial accruals and deferrals (*)	675	405	116	154	661	410	101	150
TOTAL ASSETS	80,532	43,158	22,340	19,790	83,058	44,180	24,436	19,757
LIABILITIES AND STOCKHOLDERS' EQUITY								
Total Stockholders' Equity	7,707	7,558	2,232	2,293	8,679	8,519	2,183	2,262
Reserve for net deferred tax assets	-	-	-	-	-	-	72	-
Reserve for risks and charges	15,260	5,463	158	9,641	15,390	5,519	396	9,647
Reserve for employee severance indemnities	1,622	1,547	31	44	1,609	1,536	29	44
Policy liabilities and accruals where the investment risk is borne by policyholders	7,221	-	-	7,221	7,000	-	-	7,000
Trade payables	12,676	12,176	423	294	13,267	12,867	657	321
Other payables (1)	4,868	4,097	575	347	4,771	4,198	506	275
Financial payables net of intersegment activities(*)	28,119	10,458	17,711	(50)	28,923	9,744	18,981	198
Trade accruals and deferrals	1,483	1,299	194	-	1,499	1,171	318	10
Financial accruals and deferrals (*)	1,576	560	1,016	-	1,920	626	1,294	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	80,532	43,158	22,340	19,790	83,058	44,180	24,436	19,757
NET FINANCIAL POSITION (*)	(5,175)	(6,279)	(217)	1,321	(3,780)	(4,442)	(506)	1,168

(1) Net of advances received for contract work in progress (8,341 million euros at March 31, 2003 and 8,227 million euros at December 31, 2002).

Cash and cash equivalents collected by the centralized treasury in the course of its activities have been recorded at the item Financial payables net of intersegment activities in the Industrial Activities column. Funds transferred to other activity segments, particularly Financial Activities, were posted net of the related intersegment balances, as shown in the following table:

(in millions of euros)	At 3/31/2003				At 12/31/2002			
	Consolidated	Industrial Activities	Financial Activities	Insurance Activities	Consolidated	Industrial Activities	Financial Activities	Insurance Activities
Financial payables to third parties	28,119	21,521	6,578	20	28,923	21,630	7,115	178
(Intersegment financial receivables)	-	(11,676)	(538)	(70)	-	(12,548)	(643)	(18)
Intersegment financial payables	-	613	11,671	-	-	662	12,509	38
Financial payables net of intersegment activities	28,119	10,458	17,711	(50)	28,923	9,744	18,981	198

The Fiat Group in 2003
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