



Quarterly Report

3rd Quarter 2003

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

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Fiat S.p.A.

Head Office: Via Nizza 250, Turin, Italy
Paid-in capital: 4,918,113,540 euros
Entered in the Turin Company Register – Fiscal Code: 00469580013



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Directors Angelo Benessia (2)
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O V E R V I E W

FINANCIAL OVERVIEW

As anticipated in earlier forecasts, the performance of the Fiat Group in the third quarter of 2003, in addition to being affected by unfavorable seasonal factors, reflects the challenges of a difficult transition period. Nevertheless, the Group made further progress in strengthening its financial structure and returning to growth, as it continued to reap the benefits of the cost-cutting and streamlining program carried out under the Relaunch Plan started this past June. More specifically, operating result, consolidated net result and financial position all show improvement compared to the corresponding period of 2002. When comparing the results of this quarter with those of the corresponding period of the previous year, changes in the scope of consolidation resulting from asset divestitures must be considered. In addition to these changes, revenues were impacted by the mixed market environment, resulting in lower unit sales at the principal Group Sectors. Fiat Auto, in particular, was adversely affected in two key segments as customers deferred buying decisions ahead of the introduction of new models. The beneficial impact on sales of the Panda and Ypsilon, which were introduced in September, will be felt starting from the fourth quarter of the year.

RESULTS FOR THE QUARTER

Consolidated Group **revenues** totaled 9.8 billion euros in the third quarter of 2003, compared with 12 billion euros in the same period last year. The main reasons for this 2.2-billion-euro decline were a change in the scope of consolidation (-1.8 billion euros) caused by numerous asset divestitures, the depreciation of the U.S. dollar against the euro and negative trends in some of the markets where the principal Group Sectors operate. During the period from July to September 2003, demand for agricultural and construction equipment increased in North America but decreased in Europe and Latin America. At the same time, shipments of commercial vehicles held steady in Europe, despite a contraction in Italy. In the automobile market, which showed modest growth in Italy but was virtually flat in Europe, Fiat Auto's performance was affected by aggressive price competition and by the impact of upcoming model introductions on customer orders.

The Group reported an **operating loss** of 285 million euros, compared with an operating loss of 339 million euros in the third quarter of 2002. The year-over-year improvement (+54 million euros) is even more significant (approximately +110 million euros) when the comparison is made between figures restated on a comparable consolidation basis, i.e., eliminating the contributions of divested operations. This achievement reflects better performance by certain Group Sectors, in particular CNH, which posted an improvement of 84 million euros, and Fiat Auto, with an improvement of 46 million euros on a comparable consolidation basis. These results were achieved under uneven market conditions that, while ranging from stable to recessive, were always less favorable than those in the third quarter of 2002.

The **consolidated net loss** in the third quarter of 2003 amounted to 145 million euros (Group interest: loss of 84 million euros), a sharp improvement over the consolidated net loss of 479 million euros reported in the third quarter of 2002. This positive performance was made possible by the net gain of 781 million euros earned on the sale of FiatAvio, which was offset by the Group's operating loss, financial expenses of 245 million euros, and restructuring costs and other extraordinary expenses of about 360 million euros.

At September 30, 2003, Fiat's **net financial position** showed net indebtedness of 2,952 million euros, as compared to 4,812 million euros at the end of June. This improvement was made possible by proceeds from the capital increase and disposal of FiatAvio, offset in part by the loss for the period, an increase in working capital requirements tied mainly to seasonal factors, and a reduction in discounted receivables.

RESULTS FOR THE FIRST NINE MONTHS OF THE YEAR

Consolidated Group revenues amounted to 34.6 billion euros in the first nine months of 2003, or 6.1 billion euros less than the 40.7 billion euros reported in the first nine months of 2002. More than half of this decrease is attributable to asset divestitures. On a same-scope basis, revenues decreased by 2.5 billion euros, reflecting several factors: anemic demand and lower unit sales in many markets (Fiat Auto and Iveco); a weak product line during the beginning of the year and the transition from old to new models (Fiat Auto); and, lastly, the negative impact of an unfavorable euro/U.S. dollar exchange rate.

The **operating loss** totaled 652 million euros for the first nine months of 2003, or 113 million euros less than the operating loss of 765 million euros reported a year earlier. On a comparable consolidation basis, the operating loss narrows by 220 million euros, entirely attributable to the 330-million-euro reduction in operating loss achieved by Fiat Auto.

The **consolidated net loss** decreased to 882 million euros (792 million euros attributable to the Group), down from 1,282 million euros in the first nine months of 2002. The decrease of about 400 million euros reflects the improvement achieved at the operating level, as well as higher gains earned on asset divestitures: in 2003, mainly the sale of Toro and FiatAvio and in 2002, the sale of an interest in Ferrari. These gains were offset in part by an increase in restructuring costs and other extraordinary charges as well as by higher taxes.

At September 30, 2003, the Group's **net financial position** showed net indebtedness of 2,952 million euros, or 828 million euros less than at December 31, 2002. This improvement was made possible by the sale of Toro and FiatAvio and the capital increase carried out by Fiat S.p.A., offset in part by increased operating cash requirements as a result of the net loss for the period, higher working capital requirements and a reduction in discounted receivables.

SUBSEQUENT EVENTS

On October 26, 2003, Fiat and General Motors signed two important agreements that clarify the position of both groups with regard to the put option. GM has questioned Fiat's ability to exercise this put option due to the sale of certain financing businesses by Fiat Auto and the recapitalization of Fiat Auto Holdings. Fiat, on the other hand, contends that the put option remains fully effective.

These agreements reaffirm the strong desire of both partners to continue to develop their existing industrial ventures while seeking new opportunities for cooperation. At the same time, the parties decided to postpone the option exercise period by one year (from January 24, 2004 – July 24, 2009 to January 24, 2005 – July 24, 2010) and agreed to refrain until December 15, 2004 from initiating legal proceedings relating to the Master Agreement.

By providing an additional year to redefine the relationship between Fiat and General Motors, the new agreements give the parties a platform for future discussions on how to amend the Master Agreement without harming the interests of either partner, or their shareholders, while continuing the constructive development of their existing industrial relationship. Fiat, in particular, will be able to pursue its Relaunch Plan with determination, free of any uncertainty as to the nature of its relationship with its partner.

OUTLOOK FOR THE BALANCE OF THE YEAR

The results reported by the Group, which were largely in line with forecasts, showed improvements in key operating parameters. They also confirm that, as repeatedly stated, 2003 is proving to be a difficult and challenging year of transition. However, several factors will positively impact the closing quarter of 2003. They include: the full effect of the restructuring programs carried out under the Relaunch Plan, the positive contribution of Fiat Auto's new models, and a strong performance by Sectors such as CNH, which expects to report much improved year-end results.

Notwithstanding recent divestitures, which caused the Group to exit from certain areas of business, the Company reaffirms the objectives stated in its Relaunch Plan, which calls for a significantly smaller operating loss in 2003 than in 2002 and an improved net financial position.

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 has been prepared applying the accounting principles adopted for the preparation of the annual and consolidated financial statements, insofar as they are applicable. In particular, the consolidation methods, accounting principles and valuation criteria applied are consistent with those used to prepare the annual consolidated financial statements at December 31, 2002, to which reference should be made, taking into account the specific accounting principle on interim financial reporting published by the National Board of “Dottori Commercialisti e dei Ragionieri”, supplemented, where there is none and not at variance, by the analogous standard published by the International Accounting Standards Board. However, it is noted that certain valuation procedures, and in particular more complex procedures such as the determination of possible impairment losses on fixed assets, are generally completed only at the time of preparation of the annual financial statements, when all the necessary information is available.

CHANGES IN THE STRUCTURE OF THE GROUP

Subsequent to September 30, 2002, the Fiat Group completed several transactions that had an impact on its structure.

The most important transactions affecting the scope of consolidation in the first nine months 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 conformity with Group accounting principles, Iveco has valued the activities of **Naveco**, the 50-50 joint venture with the Yueijin Group, according to the equity method since January 1, 2003. This investment was previously consolidated using the proportional integration method.
- 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.
- 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 of January 1, 2003, operates in the field of large property improvement, management, and sales.
- Following the agreements signed in December 2002, Fiat Auto Holdings' **retail financing** activities in **Brazil** were sold to the Itaú banking group at the end of March 2003 and deconsolidated from that date.
- The agreement to sell **Toro Assicurazioni** to the DeAgostini Group was signed on May 2, 2003 and the Sector's operations were therefore deconsolidated as of the same date. The sales proceeds were collected on July 30, 2003, concurrently with the official endorsement of the Toro Assicurazioni shares.

- On May 27, 2003, as part of the agreement signed by Fiat and Capitalia, Banca Intesa, San Paolo-IMI and Unicredito on March 11, 2003, and following approval by the competent authorities, the first part of the transaction for the sale by Fiat to the Banks of a majority interest (51%) of **Fidis Retail Italia** was concluded. Fidis Retail Italia is the company that controls the European activities of Fiat Auto Holdings in the field of retail consumer financing for automobile purchases.

The sale to Fidis Retail Italia of the majority of the investments in the other financial companies covered by the agreements was finalized in October 2003.

The transaction will be completed in the closing months of 2003 with the sale of the remaining companies, after obtaining clearance from competent local authorities.

- In execution of the contract signed on July 1, 2003 and after having met the conditions precedent, the sale of the aerospace activities of **FiatAvio** to Avio Holding S.p.A., a company 70% owned by The Carlyle Group and 30% by Finmeccanica S.p.A., was finalized. Said activities were therefore deconsolidated effective from the date of the agreement (July 2003).

The section “Financial Position and Operating Results by Activity Segment” shows separately for each period presented consolidated data for the continuing and discontinuing operations.

OPERATING PERFORMANCE OF THE FIAT GROUP

<i>Fiscal 2002</i>	<i>(in millions of euros)</i>	<i>3rd quarter 2003</i>	<i>3rd quarter 2002</i>	<i>1.1 – 9.30 2003</i>	<i>1.1 – 9.30 2002</i>
55,649	Net revenues	9,837	11,987	34,611	40,742
48,619	Cost of sales	8,589	10,527	30,173	35,585
7,030	Gross operating result	1,248	1,460	4,438	5,157
5,782	Overhead	1,085	1,341	3,684	4,461
1,748	Research and development	386	403	1,302	1,343
(262)	Other operating income (expenses)	(62)	(55)	(104)	(118)
(762)	Operating result	(285)	(339)	(652)	(765)
(690)	Investment income (expenses)	-	(177)	(42)	(280)
(2,503)	Non-operating income (expenses)	895	(6)	1,158	511
(3,955)	EBIT	610	(522)	464	(534)
(862)	Financial income (expenses)	(245)	(93)	(669)	(609)
(4,817)	Income (loss) before taxes	365	(615)	(205)	(1,143)
(554)	Income taxes	510	(136)	677	139
(4,263)	Net income (loss) before minority interest	(145)	(479)	(882)	(1,282)
(3,948)	Group interest in net income (loss)	(84)	(413)	(792)	(976)

Revenues

Consolidated revenues totaled 9,837 million euros in the third quarter of 2003. The decrease of 17.9 % from the figure of 11,987 million euros posted during the same period of 2002 is mainly due to asset divestitures. FiatAvio was sold during the third quarter, contributing to the effect of previous divestments (Toro Assicurazioni, sold in May, Fraikin, the financial activities of Fiat Auto in Brazil, the first part of the transaction for the sale of Fidis Retail Italia, and the Aluminum Business Unit of Teksid). On a comparable consolidation basis, the decrease would have only been about 4%, mainly because of lower volumes at Fiat Auto and Iveco and the negative foreign exchange effect deriving from conversion into euros of revenues generated in other currencies, a factor of particular significance in the case of CNH. On the other hand, revenues increased at Ferrari and Magneti Marelli.

During the first nine months of the fiscal year, revenues totaled 34,611 million euros, down by 15% from the 40,742 million euros reported for the same period in 2002 (approximately -7% on a comparable consolidation basis).

<i>Fiscal 2002</i>	<i>(in millions of euros)</i>	<i>3rd quarter 2003</i>	<i>3rd quarter 2002</i>	<i>1.1 – 9.30 2003</i>	<i>1.1 – 9.30 2002</i>
22,147	Automobiles (Fiat Auto Holdings)	4,155	4,664	14,304	16,434
10,513	Agricultural and Construction Equipment (CNH Global)	2,214	2,244	7,014	7,935
9,136	Commercial Vehicles (Iveco)	1,810	2,190	5,985	6,698
1,208	Ferrari	297	281	921	868
3,288	Components (Magneti Marelli)	731	626	2,342	2,410
2,320	Production Systems (Comau)	537	530	1,619	1,522
1,539	Metallurgical Products (Teksid)	191	385	630	1,335
1,534	Aviation (FiatAvio) (*)	-	316	625	1,103
4,916	Insurance (Toro Assicurazioni) (**)	-	921	1,654	3,367
1,965	Services (Business Solutions)	436	435	1,379	1,357
360	Publishing and Communications (Itedi)	77	74	267	255
(3,277)	Miscellanea and Eliminations	(611)	(679)	(2,129)	(2,542)
55,649	Total for the Group	9,837	11,987	34,611	40,742

(*)Revenues for the Aviation Sector are shown until the date of its sale (July 1, 2003)

(**)Revenues for the Insurance Sector are shown until the date of its sale (May 2, 2003)

Following is a breakdown of Net revenues by Sector:

- **Fiat Auto** had revenues of 4,155 million euros in the third quarter of 2003, down 10.9% from the 4,664 million euros reported for the same period of the previous year, mainly due to lower sales volumes and, to a lesser extent, the divestment of financial activities.

In Western Europe, the market was generally stable during July-September 2003 with respect to the third quarter of 2002 (+0.7%). On the major European markets, the contraction in demand reported in France during the third quarter (-6%) was compensated by growth in Spain (up by approximately +8%) and Great Britain (+1.2%), while the German market remained stable. In Italy, demand grew by 4.6%, recovering from the same period of 2002, which had remained soft in spite of the introduction of government incentives.

Aggregate sales by Fiat Auto during the third quarter of 2003 totaled 362,000 units, or 6.8% less than in third quarter of 2002. In Western Europe, Fiat Auto sold 239,000 vehicles, posting a decrease of 6.2% with respect to the same period of 2002. The decrease was largely due to the contraction of sales in Italy (approximately -15%), which was impacted by the upcoming models introduction and only partially compensated by the increases posted in other European countries (+3.4%).

The market share of Fiat Auto in Italy was 28.3% in the third quarter of 2003, down slightly (-0.7%) from the same period in 2002. Similar performance was reported for Western Europe as a whole, where its market share contracted by 0.5 percentage points with respect to the third quarter of 2002, and amounted to 7.1%.

Outside of Western Europe, sales increased in Poland (+16.7%), stimulated by a buoyant market (up approximately 9%), but the Sector's market share decreased by 3.1 percentage points to 16.1%. In Brazil, demand decreased by 13.8% during the third quarter of 2003 compared with the third quarter of 2002. In this context, Fiat Auto sales declined by 21.5% while its market share contracted by only 1.7 percentage points.

Fiat Auto had revenues of 14,304 million euros during the first nine months of 2003, down by 13% with respect to the same period of 2002. A total of 1,229,200 units (automobiles and light commercial vehicles) were sold during the first nine months of the year (-11% compared with 2002), including 871,300 in Western Europe (-9.7% compared with 2002).

- **CNH Global** had revenues of 2,214 million euros in the third quarter, virtually unchanged from the same period a year earlier, due to the extremely negative foreign exchange effect caused by the weakening of the dollar against the euro. When stated in dollars, the Sector's reporting currency, revenues would have risen approximately 5% thanks to higher sales of agricultural equipment on principal markets.

The agricultural equipment market grew as a whole by 2.3% in the third quarter of 2003 as compared with the same period of 2002, thanks to positive performance in North America (+25.9%), with increased demand for tractors in all ranges, particularly low powered tractors and combine harvesters, and in Latin America, where the demand for combine harvesters continued to grow strongly. In Western Europe demand fell (-1.5%), particularly for combine harvesters, while demand sharply contracted in Asian countries.

Compared with the third quarter of 2002, the Sector reported major growth in sales volumes in North America (+21.5%), with improvements in the shares of combine harvesters and high powered tractors, and in the combine harvester segment in Latin America. Despite a soft market, sales rose in Western Europe as well (+4.7%) with an improvement in the market share of tractors. On the other hand, the severe plunge in demand elsewhere on the world markets caused volumes to contract sharply in those areas (-35.8%).

The construction equipment market performed well in North America (+9.9% compared with the third quarter of 2002), where demand for all product lines increased, and in Asian countries, while it continued to contract in Western Europe (-8%), particularly in the case of

light range equipment, and in Latin America (-9.1%), particularly on account of the decrease in heavy range equipment.

Aggregate unit sales decreased by 11.3% compared with the same period of 2002, as they were heavily impacted by the effect of market downturns in Western Europe and Latin America. On the North American market, the sales volumes and market share of the Sector in the heavy range equipment segment expanded, in contrast with the decreases posted for the other product lines, while Sector sales on Asian markets remained at the same levels as reported in the third quarter of 2002.

Between January and September 2003, CNH had revenues of 7,014 million euros, down by 11.6% with respect to the first nine months of 2002 due to the negative foreign exchange effect mentioned above. On a comparable exchange basis, revenues would have been substantially the same as in the previous year.

- **Iveco** had revenues of 1,810 million euros in the third quarter, down by 17.4% compared with the third quarter of 2002, due in part to the disposal of activities and in part to lower sales volumes: on a comparable consolidation basis, the decrease would have been approximately 11%.

In Western Europe, the market for commercial vehicles with a curb weight of ≥ 2.8 tons stayed as a whole at the same levels posted during the third quarter of 2002 (-0.4%), although demand contracted sharply for medium range vehicles and less so for heavy range vehicles, against a recovery in demand for light range vehicles. The Italian market remained soft (-5.1%) in all product segments, especially medium range vehicles, partly on account of the end of tax incentives offered by the "Tremonti bis" law. Elsewhere in Europe, demand contracted in France (4.8%), while it increased in Spain for light range vehicles and in Great Britain for light and heavy range vehicles. The market share of Iveco in Western Europe contracted by 1 percentage point with respect to the third quarter of 2002, particularly on account of the decrease in the medium and heavy range vehicle segments.

Iveco sold a total of 30,900 vehicles in the third quarter of 2003. The downturn (-19.8%) from the same period of 2002, reflects declines in some of the key European countries, as well as the different principle for consolidation of the Chinese joint-venture Naveco (approximately 1,900 units sold in the third quarter of 2002). In Western Europe, 23,000 vehicles were sold, with the decrease of 16.5% reflecting a downturn in all vehicle ranges due to the contraction in certain market segments, particularly in the Sector's most important markets, such as Italy, where sales fell by 29.8% and France (-9.1%).

Iveco had revenues of 5,985 million euros in the first nine months of 2003, down by 10.6% with respect to the same period of 2002, or by approximately 4% on a comparable consolidation basis. Approximately 104,800 vehicles were sold, or 10.1% less with respect to the first nine months of 2002, due in part to the deconsolidation of Naveco. On a comparable consolidation basis, the decrease would have been of about 6%.

- **Ferrari** closed the third quarter with revenues of 297 million euros, up 5.7% from the same quarter of 2002 thanks to higher sales of Ferrari models. Sales of the new 12-cylinder 575M model and of the "Enzo Ferrari" limited edition remained strong and brought about an improvement of product mix. On the other hand, sales of Maserati models declined due to a decrease in demand in its product segments, particularly on the United States market.
- **Magneti Marelli** had revenues of 731 million euros in the third quarter of 2003, up 16.8% with respect to the same period of 2002. The performance of the Sector benefited from the higher volumes of sales, improved product mix, particularly products associated with diesel engine control, which were only partly reduced by the negative foreign exchange effect.
- **Comau** had revenues of 537 million euros in the third quarter of 2003, reflecting a slight improvement (+1.3%) compared with the corresponding period of 2002, notwithstanding the negative impact of exchange rates on revenues posted in North America. The maintenance activities of Comau Service reported an increase, while contract work in Europe remained at the same levels as posted in the third quarter of 2002.

- **Teksid** closed the third quarter of 2003 with revenues of 191 million euros; the decrease of 50.4% as compared with the same period of 2002 is mainly attributable to the different scope of consolidation. Excluding the sale of the Aluminum Business Unit, the Sector would have posted a decrease of approximately 4% due to the negative foreign exchange effect and a slight contraction in volumes of the Cast Iron Business Unit. The Magnesium Business Unit, whose principal market is represented by SUV's in the NAFTA area, posted improved volumes compared with the third quarter of 2002, both on that market and in Europe.
- **Business Solutions** had revenues of 436 million euros in the third quarter, in line with the figure reported for the same period in 2002 notwithstanding the reduction caused by disposal of activities. On a comparable consolidation basis, the Sector would have posted a slight improvement thanks to growth in the activity of Fiat Engineering and in the facility management segment.
- **Itedi** posted revenues of 77 million euros during the quarter, reflecting an increase of 4.1% compared with the same quarter a year earlier due to higher revenues in certain advertising segments, brand-stretching initiatives, and the higher price charged for the newspaper paired with the weekly magazine "Specchio," partly reduced by the effect of lower numbers of copies sold.

Operating result

The Fiat Group posted an operating loss of 285 million euros in the third quarter of 2003, compared with an operating loss of 339 million euros in the third quarter of 2002. When the results posted by businesses sold or in the process of being sold in 2003 are excluded from the 2002 figures, the decrease in the loss posted by continuing operations comes to 138 million euros (operating loss in the third quarter of 2003: 303 million euros; operating loss in the third quarter of 2002: 441 million euros).

Performance during the quarter was affected by the continued negative result of the Automobiles Sector, which nevertheless continued to contain its losses, and the decrease in the operating results of Iveco and Ferrari, while the positive changes were realized principally by CNH, Magneti Marelli, and Comau.

<i>Fiscal 2002</i>	<i>(in millions of euros)</i>	<i>3rd quarter 2003</i>	<i>3rd quarter 2002</i>	<i>1.1 – 9.30 2003</i>	<i>1.1 – 9.30 2002</i>
(1,343)	Automobiles (Fiat Auto Holdings)	(314)	(340)	(882)	(1,163)
163	Agricultural and Construction Equipment (CNH Global)	25	(59)	130	102
102	Commercial Vehicles (Iveco)	(2)	27	20	63
70	Ferrari	9	22	(7)	32
(16)	Components (Magneti Marelli)	13	(6)	16	(16)
(101)	Production Systems (Comau)	(1)	(21)	(8)	(26)
27	Metallurgical Products (Teksid)	4	14	9	26
210	Aviation (FiatAvio) (*)	-	35	53	154
147	Insurance (Toro Assicurazioni) (**)	-	2	44	107
67	Services (Business Solutions)	9	7	26	45
3	Publishing and Communications (Itedi)	(2)	(5)	3	(6)
(91)	Miscellaneous and Eliminations	(26)	(15)	(56)	(83)
(762)	Total for the Group	(285)	(339)	(652)	(765)

(*) Operating result for the Aviation Sector is shown until the date of its sale (July 1, 2003)

(**) Operating result for the Insurance Sector is shown until the date of its sale (May 2, 2003)

As for the first nine months of 2003, the operating loss decreased to 652 million euros from the 765 million euros recorded in the first nine months of 2002, in consequence of the lower losses at Fiat Auto.

Taking into consideration the continuing operations only, the operating loss decreased by 353 million euros (operating loss in the first nine months of 2003: 846 million euros; operating loss in the corresponding period of 2002: 1,199 million euros).

- **Fiat Auto** reduced its operating loss from 340 million euros in the third quarter of 2002 to 314 million euros in the third quarter of 2003, while the improvement would have been 46 million euros on a comparable consolidation basis. Although the negative result reflected recovery from the previous year, it was penalized by the general contraction in sales volumes and growing investments in research and development to support new products.

The savings on product costs and overhead and the industrial synergies realized through the joint ventures partially attenuated the negative impact of these factors.

Continued implementation of measures to achieve greater efficiency, strategic investments in the dealer network, and the benefits that will be derived from the sale of newly introduced models represent the basis for improvement in operating performance expected in the fourth quarter.

- **CNH Global** closed the third quarter of 2003 with operating income of 25 million euros, compared with a loss of 59 million euros during the same period of 2002. The Sector benefited from higher volumes and improved margins for new products in the agricultural equipment segment, slight increases in prices, and efficiency gains realized on product costs and overhead. Thanks to these positive factors, it was possible to absorb the effect of deterioration in volumes and mix in the construction equipment segment and higher pension and medical costs for its employees.
- **Iveco** closed the third quarter of 2003 with a small operating loss of 2 million euros, down from the operating income of 27 million euros posted in the same period of 2002. The Sector operating result was adversely affected by the contraction in volumes and decrease in net sales prices, as well as by the negative foreign exchange effect and changes in the scope of consolidation, factors that were only partially offset by cost savings on materials and overhead.
- **Ferrari** had operating income of 9 million euros in the third quarter, down from the operating income of 22 million euros posted during the same period of 2002. This was mainly due to the negative foreign exchange effect and higher research and development expenses for future models, which were partly offset by the effect of higher volumes and improved product mix of the Ferrari brand.
- **Magneti Marelli** reported an improvement in its operating result, which rose from a loss of 6 million euros in the third quarter of 2002 to income of 13 million euros in the third quarter of 2003, confirming the growth trend of the first half of the year, largely on account of materials cost containment measures and efficiency gains.
- The operating result of **Comau** was close to break-even (-1 million euros), compared with an operating loss of 21 million euros in the third quarter of 2002. The improvement stemmed from recovery of the profitability of production systems in Europe and maintenance activities, which offset the problems faced on the North American market.
- **Teksid** closed the third quarter of 2003 with operating income of 4 million euros, compared with operating income of 14 million euros in the same period of 2002, which included the positive result of the Aluminum Business Unit for approximately 3 million euros. Excluding this factor, the reduction reflected an increase in the cost of raw materials and the negative foreign exchange effect.
- **Business Solutions** posted operating income of 9 million euros in the third quarter of 2003, up slightly from the operating income of 7 million euros reported in the third quarter of 2002, thanks to efficiency gains.
- **Itedi**, during a period of traditionally negative seasonal results, reduced its operating loss from 5 million euros in the third quarter of 2002 to 2 million euros in the third quarter of 2003, thanks to its efficiency recovery plans, lower paper costs, and the positive effect resulting from higher revenues.

EBIT (Earnings before interest and taxes)

EBIT in the third quarter of 2003 was a positive 610 million euros. The sharp rise from the negative result of 522 million euros in the analogous period of 2002 was caused by the high level of net non-operating income, in addition to the reduced operating loss and increase in investment income.

Between January and September 2003, **EBIT** was a positive 464 million euros, compared with a loss of 534 million euros during the first nine months of 2002.

In the third quarter of 2003, **net result from investments** reached the breakeven point, reflecting an improvement compared with the net expenses of 177 million euros posted in the third quarter of 2002, which included the expenses related to writedowns taken to mark to market the portfolio of listed securities held by the Group's insurance companies, which were sold at the beginning of May 2003.

In the January-September 2003 period, the net loss from investments was 42 million euros, compared with net expenses of 280 million euros in the corresponding period of 2002.

In the third quarter, **net non-operating income** totaled 895 million euros, impacted by the gain of 1,258 million euros, net of transaction costs, realized upon the sale of FiatAvio, partially reduced by expenses and reserves for restructuring and other provisions to cover specific risks and prior-period expenses totaling about 360 million euros.

In the third quarter of 2002, net non-operating expenses totaled 6 million euros.

In the first nine months of 2003, net non-operating income totaled 1,158 million euros, inclusive of the items mentioned in the preceding paragraph and the gains on the disposal of Toro Assicurazioni (390 million euros net of transaction costs), the Brazilian retail financing activities of Fiat Auto (103 million euros), and IPI (15 million euros). These gains were partially offset by the loss resulting from the disposal of Fraikin, as well as by non-operating charges and provisions for restructuring and other extraordinary charges amounting to about 580 million euros.

In the first nine months of 2002, net non-operating income totaled 511 million euros.

Net Result for the Period

In the third quarter of 2003, the Group earned **income before taxes** of 365 million euros, compared with a loss of 615 million euros in the same period a year earlier.

Net financial expenses totaled 245 million euros in the third quarter of 2003, compared with net expenses of 93 million euros in the same period of 2002. The net financial expenses posted in the third quarter of 2002 were positively impacted by the financial income of Toro Assicurazioni and the positive effect of foreign exchange and interest rate hedging activities. If those positive effects were excluded, the net financial expenses for the third quarter of 2002 would have been approximately 260 million euros. The improvement posted in the third quarter of 2003 is principally the result of lower net borrowings during the period and lower interest rates, which were partially offset by a higher spread paid on most recent borrowings.

Net financial expenses for the period January-September 2003 totaled 669 million euros, up from the 609 million euros posted in the first nine months of 2002. Just as indicated and for the same reasons as given for the third quarter, if the effects of foreign exchange and interest rate hedging activities and the deconsolidation of Toro were disregarded, a net positive effect of approximately 70 million euros would have been posted for the first nine months of 2003 compared with the same period of 2002.

In the third quarter of 2003, **income taxes** totaled 510 million euros, including 477 million euros on the gain realized from the sale of FiatAvio and 22 million euros in IRAP (regional tax on production activity) for the quarter.

The total amount for the first nine months of 2003 (677 million euros) includes, in addition to the amounts stated above, the capital gains tax on the sale of Toro Assicurazioni (111 million euros) and IRAP for the first six months of 2003 (58 million euros).

The **net loss before minority interest** for the third quarter of 2003 was 145 million euros, down sharply from the loss of 479 million euros reported in the same period of 2002.

Group interest in net loss amounted to 84 million euros in the third quarter of 2003, against a loss of 413 million euros during the same period of 2002.

In the first nine months of 2003, the loss before taxes was 205 million euros, compared with a loss of 1,143 million euros in the same period of 2002. Group interest in net loss was 792 million euros for the first nine months of 2003, compared with a loss of 976 million euros in the same period of 2002.

Please note that, pursuant to the Accounting Principles described in the Notes to the Consolidated Financial Statements at December 31, 2002, the losses pertaining to General Motors, the minority stockholder in Fiat Auto Holdings B.V., were charged to the Group to the extent that they exceeded the value of its share of the capital of the company.

BALANCE SHEET OF THE FIAT GROUP

The Balance Sheet of the Fiat Group at September 30, 2003 is illustrated in the following table:

<i>(in millions of euros)</i>	<i>At 9/30/2003</i>	<i>At 6/30/2003</i>	<i>At 12/31/2002</i>
▪ ASSETS			
Intangible fixed assets	4,023	4,198	5,200
Property, plant and equipment	9,946	10,407	12,106
Financial fixed assets	4,121	4,123	6,638
Investments on behalf of life insurance policyholders who bear the risk	-	-	6,930
Financial receivables held as fixed assets (*)	24	21	48
Financial leasing of Group assets (*)	2,645	3,060	2,947
Financial assets not held as fixed assets	121	114	6,094
Net inventories (1)	6,818	7,377	7,050
Trade receivables	4,580	5,858	5,784
Other receivables	3,239	3,373	3,351
Financial receivables (*)	13,880	16,597	18,411
Net deferred tax assets (2)	1,577	2,082	2,263
Cash and securities (*)	7,206	2,630	4,996
Trade accruals and deferrals	487	493	579
Financial accruals and deferrals (*)	414	375	661
▪ TOTAL ASSETS	59,081	60,708	83,058
▪ LIABILITIES AND STOCKHOLDERS' EQUITY			
Stockholders' equity	9,011	7,457	8,679
Reserves for risks and charges	5,464	5,465	15,390
Reserve for employee severance indemnities	1,481	1,581	1,609
Policy liabilities and accruals where the investment risk is borne by policyholders	-	-	7,000
Trade payables	10,982	12,741	13,267
Other payables (1)	3,413	4,430	4,771
Financial payables (*)	26,000	26,275	28,923
Trade accruals and deferrals	1,609	1,539	1,499
Financial accruals and deferrals (*)	1,121	1,220	1,920
▪ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	59,081	60,708	83,058
▪ NET FINANCIAL POSITION (*)	(2,952)	(4,812)	(3,780)

(1) Net of advances received for contract work in progress (8,270 million euros at September 30, 2003, 8,893 million euros at June 30, 2003 and 8,227 million euros at December 31, 2002).

(2) Net of deferred income tax reserve (959 million euros at September 30, 2003, 981 million euros at June 30, 2003 and 1,236 million euros at December 31, 2002).

The tables in the following pages 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

Trade payables and other payables offset the total of trade receivables and net inventory, for a balance of 880 million euros (at June 30, 2003, this balance was 1,609 million euros, and at December 31, 2002 it was 2,773 million euros).

At 9/30/2002	(in millions of euros)	At 9/30/2003	At 6/30/2003	At 12/31/2002
7,907	Net inventories	6,818	7,377	7,050
5,267	Trade receivables	4,580	5,858	5,784
(12,159)	Trade payables	(10,982)	(12,741)	(13,267)
(1,818)	Other receivables / (payables)	(1,296)	(2,103)	(2,340)
(803)	Working capital	(880)	(1,609)	(2,773)

The decrease in net inventories with respect to December 31, 2002 was caused by deconsolidation of the activities of FiatAvio during the third quarter. On a comparable consolidation basis, net inventories increase by about 415 million euros with respect to December 31, 2002, mainly as a result of the increase in the stock of Fiat Auto, particularly in the third quarter of 2003, connected with the launch and start of sale of new models. The seasonal reduction in stock at CNH and Iveco that characterized the third quarter of 2003 contrasted with overall growth since the beginning of the year.

The contraction in trade receivables with respect to December 31, 2002 was caused by changes in the scope of consolidation (mainly represented by the sale of Toro Assicurazioni and FiatAvio). During the third quarter, the reduction, net of deconsolidation of FiatAvio, stemmed from the decrease in sales at Fiat Auto and Iveco and unfavorable seasonal factors which characterize the activity of CNH.

The summer shutdown of production activity in Italy by Fiat Auto and Iveco caused a net reduction in trade payables.

The negative balance of "Other receivables/payables" was reduced on a comparable consolidation basis mainly due to the increase in receivables from Tax Authorities.

At September 30, 2003, the Group had assigned trade receivables and other receivables maturing after the end of the third quarter. The receivables assigned with recourse totaled 2,168 million euros (2,505 million euros at December 31, 2002), while those assigned without recourse totaled 3,767 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 September 30, 2003. As of the end of the third quarter, 12 million euros were assigned with recourse (13 million euros at December 31, 2002) and 5,608 million euros were assigned without recourse (9,257 million euros at December 31, 2002).

Net invested capital

Net invested capital at September 30, 2003 totaled 11,963 million euros, down 306 million euros with respect to the amount at June 30, 2003.

At 9.30.2002	(in millions of euros)	At 9/30/2003	At 6/30/2003	At 12/31/2002
5,892	Intangible fixed assets	4,023	4,198	5,200
12,204	Property, plant and equipment	9,946	10,407	12,106
22,081	Financial fixed assets	4,242	4,237	19,662
1,516	Net deferred tax assets	1,577	2,082	2,263
(23,100)	Reserves for risks and charges and Reserve for employee severance indemnities (*)	(6,945)	(7,046)	(23,999)
(803)	Working capital	(880)	(1,609)	(2,773)
17,790	Net invested capital	11,963	12,269	12,459

(*) Figures as of September 30, 2002 and December 31, 2002 include the technical reserves of insurance companies, which were deconsolidated as of May 2003.

Changes with respect to June 30, 2003 show that:

- The reduction in intangible fixed assets of 175 million euros is largely attributable not only to amortization for the period but also to changes in the scope of consolidation (disposal of the activities of FiatAvio) and the foreign exchange effect of items denominated in dollars (particularly the goodwill of CNH), net of investments made during the period.
- Property, plant, and equipment decreased by 461 million euros due mainly to changes in the scope of consolidation (approximately -360 million euros), depreciation amounting to 394 million euros, and the change stemming from currency conversion differences, which were only partially offset by investments during the period, totaling 439 million euros (572 million euros in the third quarter of 2002). The latter includes investments connected with long-term leasing operations totaling 62 million euros (171 million euros in the third quarter of the previous year).

Compared with December 31, 2002, net invested capital decreased by a total of 496 million euros. The increase in working capital was more than offset by the effect of disposals during the first nine months. On a comparable consolidation basis, net invested capital would have increased by approximately 675 million euros, mainly due to the increase in the value of equity investments, i.e. the value of the 49% equity interest in Fidis Retail Italia and of the one held in Naveco (previously consolidated using the proportional integration method).

During the period January-September 2003, investments in fixed assets totaled 1,210 million euros (1,729 million euros in the previous year), including those connected with long-term leasing operations, which decreased to 245 million euros, compared with the 652 million euros in the same period of 2002, principally in consequence of the disposal of Fraikin by Iveco. During the first nine months of 2003, depreciation and amortization of fixed assets totaled 1,316 million euros, down from the 1,565 million euros charged in 2002.

Net Financial Position

At September 30, 2003, the Group's net indebtedness totaled 2,952 million euros, 1,860 million euros less than the 4,812 million euros posted at June 30, 2003.

The level of net indebtedness was also 828 million euros lower than the figure posted at December 31, 2002, when it totaled 3,780 million euros.

Compared with December 31, 2002, operating cash requirements – i.e., the increase in working capital and loss for the period – were more than offset by the net proceeds generated by disposals and the capital increase that was completed in August.

The breakdown of the net financial position of the Fiat Group is illustrated in the following table.

At 9.30.2002	(in millions of euros)		At 9/30/2003	At 6/30/2003	At 12/31/2002
4,161	Cash		4,670	2,203	3,489
971	Marketable securities		2,536	427	1,507
22,620	Financial receivables and leased assets		16,549	19,678	21,406
707	Accrued financial income		323	276	543
(1,470)	Deferred financial income		(544)	(686)	(1,135)
26,989	Total financial assets	(A)	23,534	21,898	25,810
(9,260)	Short-term debt		(7,264)	(8,478)	(8,310)
(22,827)	Long-term debt		(18,736)	(17,797)	(20,613)
(832)	Accrued financial expenses		(577)	(534)	(785)
86	Prepaid financial expenses		91	99	118
(32,833)	Total financial liabilities	(B)	(26,486)	(26,710)	(29,590)
(5,844)	Net financial position	(A-B)	(2,952)	(4,812)	(3,780)

The Group is continuing to operate in compliance with the net debt reduction targets agreed upon with the banks in the Mandatory Convertible Facility Agreement. The financing secured by the agreements with EDF in connection with the Italennergia transaction (1,150 million euros) must be taken into account in view of that commitment.

The level of gross indebtedness is lower than 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 transfer to Fidis Retail Italia (51% of which has been sold to the lending banks) of the residual investments in the other financial companies covered by the agreement and for which the requested authorization is pending.

At September 30, 2003, financial payables due beyond one year include 1,913 million euros (2,229 million dollars) for the five-year bond issue carried out at the beginning of 2002 and exchangeable for 32,053,422 General Motors shares. However, all bondholders have the right to request early redemption of all or part of their bonds pursuant to the terms and conditions envisaged in the issue prospectus. In this case, the bonds in question will be redeemed in advance on July 9, 2004.

In the course of 2003 the principal rating agencies lowered Fiat's credit rating below investment grade level, and should this condition persist in July 2004 the Banks may proceed in advance with the conversion of debt into capital for an amount up to 2 billion euros.

Stockholders' Equity

Consolidated stockholders' equity before minority interest totaled 9,011 million euros at September 30, 2003, compared with 8,679 million euros at December 31, 2002. The increase (+332 million euros) is due to the capital increase concluded in August (+1,836 million euros), less reductions stemming from the net loss for the first nine months (-882 million euros), currency conversion differences caused by appreciation of the euro (-458 million euros), and distribution of dividends (-12 million euros). The remaining decrease of 152 million euros was mainly due to the sale of IPI and Toro Assicurazioni for the part corresponding to the minority interest.

The **Group's interest in stockholder's equity** increased from 7,641 million euros at December 31, 2002 to 8,276 million euros at September 30, 2003, thanks to the effect of the abovementioned capital increase, reduced by the net loss for the period (-792 million euros) and currency conversion differences caused by appreciation of the euro (-415 million euros).

PERSONNEL

At September 30, 2003, the Group had 168,035 employees, 6,106 less than the 174,141 employees it had at June 30, 2003 and 18,457 less than the 186,492 employees at December 31, 2002.

The reduction of the third quarter includes a decrease of approximately 5,100 employees due to changes in the scope of consolidation, mainly as a result of the sale of FiatAvio, while an actual decrease of approximately 1,000 employees is connected with the implementation of Group restructuring plans.

Compared with December 31, 2002, changes in the scope of consolidation resulted in a decrease of approximately 14,400 employees that include, in addition to operations during the quarter, the sale of Toro Assicurazioni, the disposal of Fraikin and deconsolidation of Naveco by Iveco, the withdrawal of Fiat Auto from the Brazilian retail financing and contact center activities and the first part of the transaction for the sale of Fidis Retail Italia.

In addition to changes in the scope of consolidation, the Group recorded a reduction in the number of employees for about 4,000 people, mainly at Fiat Auto, CNH, Iveco, and the Services Sector.

FINANCIAL POSITION AND OPERATING RESULTS BY ACTIVITY SEGMENT

The following analyses of the consolidated statement of operations and consolidated balance sheet show separately consolidated data of the Group's continuing operations, broken down by Industrial Activities and Financial Activities, and of the Group's discontinuing operations, i.e. businesses that were sold or will be sold in 2003.

As previously stated, the schedules show separately data for the discontinuing operations, in accordance with the provision of Article 39, Section 3, of Legislative Decree No. 127/91, given the significant changes that occurred or are being completed in the Groups' structure in 2003.

Principles of analysis

The classification between Industrial Activities and Financial Activities (continuing operations only) was realized by defining specific sub-consolidated financial statements for the two 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-Internazionale Holding Fiat S.A., Fiat Partecipazioni S.p.A., and 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 third parties.

When the sub-consolidated figures for the various segments were processed, 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.

The discontinuing operations include operations that have already been deconsolidated following their sale in the period under review (Toro Assicurazioni, Fraikin, IPI, FiatAvio, Fidis Retail Italia and the Brazilian retail financing operations) and operations for which Fiat has entered into binding sale agreements (i.e. the financing companies yet to be sold to Fidis Retail Italia) and which will be finalized in the coming months.

Statement of Operations by Activity Segment – 3rd quarter 2003

(in millions of euros)	3rd quarter 2003				3rd quarter 2002			
	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations
Net revenues	9,837	9,426	457	106	11,987	10,018	454	1,670
Cost of sales	8,589	8,360	321	60	10,527	8,922	310	1,450
Gross operating result	1,248	1,066	136	46	1,460	1,096	144	220
Overhead	1,085	995	76	14	1,341	1,109	86	146
Research and development	386	386	-	-	403	392	-	11
Other operating income (expenses)	(62)	(51)	3	(14)	(55)	(87)	(7)	39
Operating result	(285)	(366)	63	18	(339)	(492)	51	102
Investment income (expenses)	-	33	(7)	-	(177)	(35)	1	(108)
Non-operating income (expenses)	895	913	(20)	2	(6)	4	10	(20)
EBIT	610	580	36	20	(522)	(523)	62	(26)
Financial income (expenses)	(245)	(229)	(16)	-	(93)	(148)	(5)	60
Income (loss) before taxes	365	351	20	20	(615)	(671)	57	34
Income taxes	510	474	25	11	(136)	(156)	4	16
Net result of normal operations	(145)	(123)	(5)	9	(479)	(515)	53	18
Result of intersegment investments	-	(20)	-	-	-	30	-	(3)
Net income (loss) before minority interest	(145)	(143)	(5)	9	(479)	(485)	53	15

Statement of Operations by Activity Segment – At September 30, 2003

	At September 30, 2003				At September 30, 2002			
	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations
Net revenues	34,611	30,999	1,352	2,754	40,742	33,997	1,436	5,730
Cost of sales	30,173	27,295	934	2,438	35,585	29,973	977	5,056
Gross operating result	4,438	3,704	418	316	5,157	4,024	459	674
Overhead	3,684	3,213	242	229	4,461	3,740	284	437
Research and development	1,302	1,279	-	23	1,343	1,303	-	40
Other operating income (expenses)	(104)	(208)	(26)	130	(118)	(329)	(26)	237
Operating result	(652)	(996)	150	194	(765)	(1,348)	149	434
Investment income (expenses)	(42)	45	(15)	(46)	(280)	(76)	11	(180)
Non-operating income (expenses)	1,158	1,230	(58)	(14)	511	514	16	(19)
EBIT	464	279	77	134	(534)	(910)	176	235
Financial income (expenses)	(669)	(714)	(43)	88	(609)	(698)	(62)	151
Income (loss) before taxes	(205)	(435)	34	222	(1,143)	(1,608)	114	386
Income taxes	677	519	51	107	139	(35)	22	152
Net result of normal operations	(882)	(954)	(17)	115	(1,282)	(1,573)	92	234
Result of intersegment investments	-	67	-	-	-	273	-	6
Net income (loss) before minority interest	(882)	(887)	(17)	115	(1,282)	(1,300)	92	240

Industrial Activities

The **revenues** of industrial activities in the third quarter of 2003 totaled 9,426 million euros, for a decrease of approximately 6% with respect to the corresponding period a year earlier (10,018 million euros), mainly reflecting the contraction in sales volumes at Fiat Auto and Iveco, while the sharp reduction in revenues posted by Teksid is attributable to the sale of the Aluminum Business Unit in September 2002.

In the first nine months of 2003, revenues totaled 30,999 million euros, or approximately 9% less than the 33,997 million euros reported in the same period of 2002.

The **operating loss** for the third quarter of 2003 was 366 million euros. The improvement compared with the corresponding period of 2003 (when a loss of 492 million euros was posted) is

attributable both to the reduction in losses at Fiat Auto and an improvement in the results of CNH, Magneti Marelli, and Comau.

The operating loss at September 30, 2003 totaled 996 million euros, compared with an operating loss of 1,348 million euros for the first nine months of 2002.

Financial Activities

In the third quarter of 2003, **revenues** totaled 457 million euros, in line with those posted during the same period of 2002.

During the first nine months of 2003, revenues totaled 1,352 million euros, reflecting a decrease from the 1,436 million euros posted on September 30, 2002.

In the third quarter of 2003, **income before taxes** amounted to 20 million euros, compared with 57 million euros in the same quarter of 2002: the decrease is mainly attributable to higher non-operating expenses, stemming mainly from prior-period expenses upon the sale of activities (Leasys).

Income before taxes during the first nine months of 2003 totaled 34 million euros, down from the 114 million euros reported during the same period of 2002.

Discontinuing operations

The **revenues** from discontinuing operations totaled 106 million euros in the third quarter of 2003, generated by the foreign companies that must be sold to Fidis Retail Italia as soon as authorization is received from competent local authorities (149 million euros in the corresponding period of 2002). The figure for the third quarter of 2002 also included the revenues of Toro Assicurazioni (921 million euros), FiatAvio (310 million euros), Fraikin (133 million euros), IPI (5 million euros), Fidis Retail Italia (69 million euros), and the Brazilian retail financing activities of Fiat Auto (83 million euros).

In the third quarter of 2003, **operating income** from discontinuing operations totaled 18 million euros and was represented almost entirely by the foreign companies of Fidis Retail Italia (17 million euros, compared with 49 million euros in the corresponding period of 2002). The values for the third quarter of 2002 also included FiatAvio (34 million euros), Toro Assicurazioni (-5 million euros), Fidis Retail Italia (8 million euros), Fraikin (4 million euros), and the Brazilian retail financing activities of Fiat Auto (12 million euros).

The **revenues** from discontinuing operations totaled 2,754 million euros at September 30, 2003, including six months for FiatAvio (623 million euros, compared with 1,078 million euros in the first nine months of 2002), the first four months of 2003 of Toro Assicurazioni (1,654 million euros, compared with 3,367 million euros in the first nine months of 2002), five months of the activities of Fidis Retail Italia (110 million euros, compared with 216 million euros in the first nine months of 2002), the first quarter of the Brazilian retail financing activities of Fiat Auto (55 million euros, compared with 299 million euros in the first nine months of 2002), and the first nine months of the foreign companies that must be sold to Fidis Retail Italia as soon as authorization is granted by competent local authorities (312 million euros, compared with 373 million euros in the corresponding period of 2002). The revenues of IPI (19 million euros) and Fraikin (378 million euros) were also present at September 30, 2002.

Operating income from discontinuing operations at September 30, 2003 totaled 194 million euros, broken down as follows: six months for FiatAvio (54 million euros, compared with 154 million euros in the first nine months of 2002), the first four months of 2003 for Toro Assicurazioni (35 million euros, compared with 74 million euros in the first nine months of 2002), five months for the Fidis Retail Italia activities (39 million euros, compared with 23 million euros for the first nine months of 2002), the first quarter for the Brazilian retail financing activities of Fiat Auto (7 million

euros, compared with 61 million euros in the first nine months of 2002), and nine months for the foreign companies that must be sold to Fidis Retail Italia as soon as authorization is granted by competent local authorities (59 million euros, compared with 92 million euros in the first nine months of 2002). The contribution of IPI (16 million euros) and Fraikin (14 million euros) was also included at September 30, 2002.

Balance Sheet by Activity Segment

(in millions of euros)	At 9/30/2003				At 12/31/2002			
	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations
■ ASSETS								
Intangible fixed assets	4,023	3,872	150	1	5,200	4,242	157	801
Property, plant and equipment	9,946	8,915	1,028	3	12,106	9,450	1,179	1,477
Financial fixed assets	4,121	5,951	629	-	6,638	7,912	692	3,053
Investments on behalf of life insurance policyholders who bear the risk	-	-	-	-	6,930	-	-	6,930
Financial receivables held as fixed assets (*)	24	24	-	-	48	46	1	1
Financial leasing of Group assets (*)	2,645	-	1,829	816	2,947	-	1,462	1,485
Financial assets not held as fixed assets	121	121	-	-	6,094	143	-	5,956
Net inventories (1)	6,818	6,789	29	-	7,050	6,423	37	590
Trade receivables	4,580	4,129	735	4	5,784	3,946	1,371	1,059
Other receivables	3,239	2,718	573	37	3,351	2,371	663	507
Financial receivables from others (*)	13,880	3,191	8,418	2,271	18,411	2,457	9,478	6,476
Net deferred tax assets (2)	1,577	1,570	23	(16)	2,263	2,252	46	(28)
Cash and securities (*)	7,206	6,401	669	136	4,996	3,132	491	1,373
Trade accruals and deferrals	487	411	43	36	579	402	64	117
Financial accruals and deferrals	414	362	18	34	661	414	51	196
■ TOTAL ASSETS	59,081	44,454	14,144	3,322	83,058	43,190	15,692	29,993
■ LIABILITIES AND STOCKHOLDERS' EQUITY								
Total Stockholders' Equity	9,011	9,011	2,007	452	8,679	8,351	1,504	3,676
Reserve for net deferred tax assets	-	-	-	-	-	-	7	-
Reserve for risks and charges	5,464	5,305	155	4	15,390	5,532	314	9,716
Reserve for employee severance indemnities	1,481	1,461	10	10	1,609	1,437	9	163
Policy liabilities and accruals where the investment risk is borne by policyholders	-	-	-	-	7,000	-	-	7,000
Trade payables	10,982	10,897	338	35	13,267	12,503	459	883
Other payables (1)	3,413	2,984	438	80	4,771	3,546	246	1,187
Financial payables net of intersegment activities (*)	26,000	12,781	10,883	2,336	28,923	10,051	12,629	6,243
Trade accruals and deferrals	1,609	1,478	91	43	1,499	1,145	205	149
Financial accruals and deferrals (*)	1,121	537	222	362	1,920	625	319	976
■ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	59,081	44,454	14,144	3,322	83,058	43,190	15,692	29,993
■ NET FINANCIAL POSITION (*)	(2,952)	(3,340)	(171)	559	(3,780)	(4,627)	(1,465)	2,312

(1) Net of advances received for contract work in progress (8,270 million euros at September 30, 2003 and 8,227 million euros at December 31, 2002)

(2) Net of deferred income tax reserve (959 million euros at September 30, 2003 and 1,236 million euros at December 31, 2002)

Cash and cash equivalents collected by the centralized cash management in the course of its activities have been recorded at the item Financial payables net of intersegment activities in the Industrial Activities column, as shown in the following table:

<i>(in millions of euros)</i>	At 9/30/2003				At 12/31/2002			
	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations	Consolidated	Industrial Activities	Financial Activities	Discontinuing Operations
Financial payables to third parties	26,000	21,736	2,523	1,741	28,923	21,598	3,170	4,155
(Intersegment financial receivables)	-	(9,521)	(566)	-	-	(12,547)	(490)	(514)
Intersegment financial payables	-	566	8,926	595	-	1,000	9,949	2,602
Financial payables net of intersegment activities	26,000	12,781	10,883	2,336	28,923	10,051	12,629	6,243

Industrial Activities

The financial structure of Industrial Activities shows an increase in cash with respect to December 31, 2002, in consequence of the capital increase and divestments carried out during the period, while the increase in financial receivables is mainly due to the residual loans to the divested Fidis companies (reimbursed in October).

The indebtedness of industrial companies increased mainly on account of operating requirements. However, aggregate borrowings from lenders outside the Group were reduced (principally as the result of divestment of Fidis Retail activities).

Financial Activities

Financial activities show a reduction in aggregate borrowings, due both to the reduction in the portfolio of financial receivables and lower trade receivables. The improvement in the financial position reflects not only the reduction in trade receivables and other receivables but also the proceeds from the sale of Fraikin.

Discontinuing Operations

Discontinuing operations at September 30, 2003 refer to the foreign companies not yet transferred to Fidis Retail Italia as part of the sale of 51% of this company to the lending banks. However, the transfer of most of these companies was completed in October 2003. Completion of this transaction is expected towards the end of the fiscal year, once authorization is granted by the competent local authorities.

The Fiat Group in 2003
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