



Annual Report
Consolidated and Statutory Financial Statements
at December 31, 2003

98th Fiscal Year

Fiat S.p.A. — Financial Statements at December 31, 2003

Fiat S.p.A.

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

Balance Sheet

■ ASSETS

	December 31, 2003 in euros	December 31, 2002 in euros
FIXED ASSETS		
Intangible fixed assets (note 1)		
Start-up and expansion costs	56,916,950	15,405,925
Concessions, licenses, trademarks and similar rights	97,891	62,159
Intangible assets in progress and advances	180,080	242,084
Other intangible fixed assets	19,422,996	29,876,447
Total	76,617,917	45,586,615
Property, plant and equipment (note 2)		
Land and buildings	37,187,059	38,947,852
Plant and machinery	3,881,608	4,917,146
Other assets	4,169,698	4,309,108
Total	45,238,365	48,174,106
Financial fixed assets (note 3)		
Investments in:		
Subsidiaries	7,143,056,463	7,908,826,095
Associated companies	–	500,000
Other companies	139,075,478	140,867,643
Total investments	7,282,131,941	8,050,193,738
Other securities	74,672	74,974
Total	7,282,206,613	8,050,268,712
TOTAL FIXED ASSETS	7,404,062,895	8,144,029,433
CURRENT ASSETS		
Inventories (note 4)		
Contract work in progress	74,402,481	54,364,194
Advances to suppliers	5,162,514,994	3,711,196,990
Total	5,236,917,475	3,765,561,184
Receivables (note 5)		
Trade receivables (*)	198,904,177	216,836,545
Receivables from subsidiaries (**)	16,437,527	7,124,425
Receivables from others (***)	479,224,159	385,413,113
Total	694,565,863	609,374,083
Financial assets not held as fixed assets (note 6)		
Treasury stock (total par value 21,920,095 euros)	28,044,570	20,374,862
Financial receivables:		
From subsidiaries	1,436,664,083	1,475,178,226
From others	–	10,396,148
Total	1,436,664,083	1,485,574,374
Cash (note 7)		
Bank and post office accounts	245,921	850,810
Cheques	1,200	130,804
Cash on hand	487	474
Total	247,608	982,088
TOTAL CURRENT ASSETS	7,396,439,599	5,881,866,591
ACCRUED INCOME AND PREPAID EXPENSES (note 8)	11,560,153	1,013,765
■ TOTAL ASSETS	14,812,062,647	14,026,909,789
(*) Amounts due within one year	198,594,303	216,500,848
Amounts due beyond one year	309,874	335,697
(**) Amounts due within one year	16,437,527	7,124,425
(***) Amounts due within one year	476,743,159	361,624,827
Amounts due beyond one year	2,481,000	23,788,286

Balance Sheet

MEMORANDUM ACCOUNTS (note 14)

	December 31, 2003 in euros	December 31, 2002 in euros
GUARANTEES GRANTED		
Unsecured guarantees		
Suretyships on behalf of:		
Subsidiaries	789,465,315	2,094,695,513
Others	1,283,134,073	163,522,241
	2,072,599,388	2,258,217,754
Other unsecured guarantees on behalf of:		
Subsidiaries	13,422,684,768	15,830,466,835
Others	217,686,478	171,465,991
	13,640,371,246	16,001,932,826
TOTAL GUARANTEES GRANTED	15,712,970,634	18,260,150,580
COMMITMENTS		
Commitments related to supply contracts	8,010,928,125	7,717,521,984
Commitments related to derivative financial instruments	61,730,000	-
Other commitments	12,853,280	16,431,045
TOTAL COMMITMENTS	8,085,511,405	7,733,953,029
OTHER MEMORANDUM ACCOUNTS	-	19,244,380
MEMORANDUM ACCOUNTS	23,798,482,039	26,013,347,989

Statement of Operations

	2003 in euros	2002 in euros
VALUE OF PRODUCTION (note 15)		
Revenues from sales and services	73,271,898	68,927,335
Change in contract work in progress	20,038,288	16,219,800
Other income and revenues	19,217,446	10,230,420
TOTAL VALUE OF PRODUCTION	112,527,632	95,377,555
COSTS OF PRODUCTION (note 16)		
Raw materials, supplies and merchandise	384,685	428,191
Services	99,821,396	115,877,073
Leases and rentals	735,001	982,252
Personnel		
Wages and salaries	41,480,282	36,328,802
Social security contributions	12,845,132	7,333,885
Employee severance indemnities	30,443,304	10,077,951
Employee pensions and similar obligations	5,101,776	7,869,665
Other costs	7,664,954	4,584,858
	97,535,448	66,195,161
Amortization, depreciation and writedowns		
Amortization of intangible fixed assets	26,522,758	6,988,334
Depreciation of property, plant and equipment	3,250,914	3,146,922
	29,773,672	10,135,256
Other operating costs	14,491,726	28,206,031
TOTAL COSTS OF PRODUCTION	242,741,928	221,823,964
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION	(130,214,296)	(126,446,409)
FINANCIAL INCOME AND EXPENSES (note 17)		
Investment income		
Subsidiaries	397,034,992	273,446,956
Other companies	2,892,475	4,989,540
	399,927,467	278,436,496
Other financial income		
From receivables held as fixed assets		
Subsidiaries	-	441,189
From securities held as fixed assets other than equity investments	2,556	3,277
Other income		
Subsidiaries	40,543,680	60,390,523
Others	13,923,956	8,220,122
	54,467,636	68,610,645
	54,470,192	69,055,111
Interest and other financial expenses		
Subsidiaries	16,885,354	18,773,875
Others	206,381,817	75,551,420
	223,267,171	94,325,295
TOTAL FINANCIAL INCOME AND EXPENSES	231,130,488	253,166,312

Statement of Operations

	2003 in euros	2002 in euros
ADJUSTMENTS TO FINANCIAL ASSETS	(note 18)	
Writedowns		
Equity investments	2,373,625,928	2,846,000,910
Securities among current assets other than equity investments	5,076,490	20,434,360
TOTAL ADJUSTMENTS	(2,378,702,418)	(2,866,435,270)
EXTRAORDINARY INCOME AND EXPENSES	(note 19)	
Income		
Gains on disposals	106,366	672,955,280
Other income	88,482	209,110
	194,848	673,164,390
Expenses		
Taxes relating to prior years	2,440,787	–
Other expenses	18,093,821	41,185,543
	20,534,608	41,185,543
TOTAL EXTRAORDINARY INCOME AND EXPENSES	(20,339,760)	631,978,847
INCOME (LOSS) BEFORE TAXES	(2,298,125,986)	(2,107,736,520)
Income taxes	(note 20)	
	60,663,938	(55,115,524)
NET LOSS	(2,358,789,924)	(2,052,620,996)

Notes to the Financial Statements

ACCOUNTING PRINCIPLES AND METHODS

Consistently with the previous fiscal year, the financial statements at December 31, 2003, which include the balance sheet, the statement of operations and the notes to the financial statements, have been prepared in accordance with the format and regulations set forth in Legislative Decree No. 127 of April 9, 1991, and provide the additional information required by CONSOB.

The valuation criteria used, which are discussed below, are consistent with those used in previous fiscal years, and conform to the provisions of Article 2426 of the Italian Civil Code.

In particular:

■ BALANCE SHEET

Intangible fixed assets

Start-up and expansion costs consist of costs incurred in connection with capital increases. They are capitalized on the basis of their estimated useful life. They are amortized on a straight-line basis over five years; the available reserves exceed not already amortized costs by a substantial amount.

Trademarks are recorded at a value that reflects only the administrative cost of registration. To ensure a conservative valuation, this amount is amortized on a straight-line basis over three years.

The other intangible fixed assets are represented by the commissions paid for organization of the convertible facility granted in 2002. They are amortized on a pro-rated basis according to the term of the facility.

Property, plant and equipment and depreciation

Property, plant and equipment is recorded at acquisition cost plus directly attributable charges. As indicated in a separate schedule, the value of some of these assets includes the inflation adjustments required under the pertinent laws. Improvement costs are added to the value of the asset in question only when they permanently increase their value. Depreciation is computed on a straight-line basis at rates deemed adequate in view of the estimated useful life of the assets. For assets acquired during the fiscal year, the annual depreciation is taken at half the regular rate. The cost of maintenance and repairs is charged directly to income when incurred.

Financial fixed assets

Financial fixed assets include equity investments and other securities.

Equity investments are shown in the balance sheet at their historical cost and, more exactly, on the basis of the costs incurred or, when business operations are transferred, at the values set forth in the respective contracts in accordance with

the appraisals required by law, determined by the LIFO method with annual adjustments. As shown in a separate schedule, some of these assets have been adjusted for inflation, as required by the relevant legislation.

Investments in companies that have suffered a permanent loss in value are written down accordingly. If in subsequent fiscal years the reasons for these adjustments are no longer valid, the writedowns are reversed. No reversals are made for writedowns recognized prior to the effective date of Decree Law No. 127/1991.

Other securities include securities shown at their net purchase price, adjusted for the accrual of any premium or discount earned or incurred upon issuance or purchase, because the securities, which are pledged to fund scholarship grants, are not held for trading purposes.

Inventories

Inventories include contract work in progress and advances to suppliers.

Work in progress under long-term contracts (i.e. contracts signed between Fiat and Treno Alta Velocità – T.A.V. S.p.A. in connection with the High-Speed Railway Project, described in Note 4) is valued on the basis of the respective production cost. Amounts received from the bidder company T.A.V. S.p.A. while work is in progress are treated as a form of financing and are included among the liabilities under advances, while those paid to the subcontracting consortia are booked under inventories – advances to suppliers.

Revenues are booked when the work is actually delivered and accepted by customers.

Treasury stock

Treasury stock is stated at the lower of purchase cost, determined using the annual lot LIFO method and the average market price for the last month of the fiscal year.

If in subsequent fiscal years the reasons for these adjustments are no longer valid, the writedowns are reversed.

A corresponding treasury stock reserve for the same amount has been recorded in the balance sheet under stockholders' equity. This reserve cannot be used to cover losses.

Receivables and payables

Accounts receivable are shown at their estimated realizable value, which represents the difference between their face value and the adjustments included in the allowance for doubtful accounts. The individual items are shown in the balance sheet net of the respective allowances.

Based on past experience, the amount of these allowances is determined in accordance with a prudent estimate of uncollectible amounts and reflects the risks associated with specific delinquent accounts.

Receivables and payables denominated in currencies of non-EMU countries are converted into euros using the exchange rate prevailing at the time when booked. These receivables and payables are adjusted at year-end exchange rates only in the case where balances translated at year-end exchange rates produce a material net exchange loss.

Accruals and deferrals

Accruals and deferrals are determined by the accrual method, in accordance with the general principle of assigning revenues and expenses to the accounting period in which they are earned or incurred.

Reserves for risks and charges

Reserves for risks and charges are established to cover costs or liabilities that have already been incurred or the occurrence of which was probable or definite at the end of the fiscal year, but were undetermined either as to amount or time of probable occurrence.

Reserve for employee severance indemnities

The reserve for employee severance indemnities represents the actual liability toward employees accrued as of the end of the fiscal year and is adjusted each year in accordance with current laws and collective bargaining agreements.

MEMORANDUM ACCOUNTS

Suretyships and other unsecured guarantees

The suretyships and other unsecured guarantees granted on behalf of subsidiaries and others are posted under memorandum accounts.

The suretyships granted against payment of the leases of subsidiaries are posted in the amount of the provided guarantee; the suretyships for the Sava Notes are posted in the amount of the outstanding notes; the suretyships and other unsecured guarantees granted for financing, bonds, credit facilities, and commercial paper of subsidiaries and others are posted for the value of these notes at December 31.

The Other unsecured guarantees include the amount of the risk of withdrawal on sales of receivables with recourse.

The receivables sold with recourse are eliminated from the balance sheet; the risk of withdrawal is reported under memorandum accounts and described in the notes to the financial statements.

The suretyships granted by others for enterprise debts, in particular those granted by the Consortia participating in the High-Speed Railway Project to guarantee the successful conclusion of work and the advances posted on the balance sheet under "Advances," are not reported under memorandum accounts but described instead in the notes to the financial statements.

Commitments

The Group's commitments are posted under memorandum accounts in their amount at December 31. In particular, the supply commitments for the High-Speed Railway Project include the amount of supply commitments envisaged in the original agreements made with Treno Alta Velocità – T.A.V. S.p.A., the amounts envisaged in agreements for alterations during construction, and relative monetary adjustments.

If the amount of a commitment cannot be quantified, the commitment is not posted under memorandum accounts but described instead in the notes to the financial statements.

Derivative financial instruments

Derivative financial instruments are recorded at inception in the memorandum accounts at their notional contract amount.

More specifically, derivative financial instruments classified as trading instruments insofar as they do not satisfy the requirements for hedge accounting treatment (e.g. equity swaps), are valued at their market value and the differential, if negative compared to the contractual value, is recorded in the statement of operations, in Financial income and expenses in accordance with the principle of prudence.

STATEMENT OF OPERATIONS

Dividends

Dividends are recorded in the year when declared by the disbursing companies.

The respective tax credits are booked when the dividends are collected.

Financial income and expenses

Financial income and expenses are recorded on the accrual basis.

Costs relating to the sale of receivables of any type (with and without recourse) and nature (trade, financial, other) are charged to the statement of operations on an accrual basis.

Income taxes

Liability for corporate income taxes due for the fiscal year is determined in accordance with the current legislation.

Deferred tax assets and liabilities are determined on the basis of the temporary differences that arise between asset and liability items and the corresponding tax items.

In particular, deferred tax assets are recognized only when it is reasonably certain that they will be recovered. Conversely, deferred tax liabilities are not recognized if it is unlikely that the corresponding obligations will in fact arise.

ANALYSIS OF THE INDIVIDUAL ITEMS**Fixed assets****1 Intangible fixed assets***Start-up and expansion costs*

At December 31, 2003, they totaled 56,917 thousand euros, and include costs (bank charges and other charges) incurred in connection with the 2002 and 2003 capital increases.

The net increase of 41,511 thousand euros since December 31, 2002 is the net result of:

(in thousands of euros)

Capitalization of costs connected with the capital increase resolved on June 26, 2003	56,729
Amortization for the fiscal year	(15,218)
Net change	41,511

Concessions, licenses, trademarks and similar rights

This item, which amounted to 98 thousand euros at December 31, 2003, includes trademarks owned by the Company, which are amortized over three years.

The net increase of 36 thousand euros compared with December 31, 2002 is the net effect of the following items:

(in thousands of euros)

Capitalization of expenses for new trademark registrations	106
Amortization for the fiscal year	(70)
Net change	36

Intangible assets in progress and advances

This item reflects the costs incurred in connection with ongoing administrative procedures required to register trademarks.

With respect to December 31, 2002 it showed a net decrease of 62 thousand euros to 180 thousand euros at December 31, 2003, as a result of new trademark registrations.

Other intangible fixed assets

They totaled 19,423 thousand euros at December 31, 2003 and are represented by the commissions and charges paid for organization of the three-year convertible facility granted in 2002 by a pool of banks arranged by Capitalia, Banca Intesa, Sanpaolo IMI, and Unicredit Banca. They are amortized on a pro-rated basis according to the term of the facility (September 24, 2002 – September 16, 2005).

The net decrease of 10,453 thousand euros with respect to December 31, 2002 is due to:

(in thousands of euros)

Amortization for the fiscal year	(11,235)
Capitalization of costs	782
Net change	(10,453)

2 Property, plant and equipment

At December 31, 2003 and 2002, property, plant and equipment totaled 45,238 thousand euros and 48,174 thousand euros, respectively. These amounts are net of accumulated depreciation of 17,910 thousand euros at December 31, 2003 and 16,364 thousand euros at December 31, 2002.

The net decrease of 2,936 thousand euros is the net effect of the following items:

(in thousands of euros)

Additions	
New vehicles (786); purchase of furniture and equipment (812)	1,598
Disposals	
sale of real estate (C.so Dante 102)	(445)
sales of vehicles	(397)
elimination of obsolete furniture and equipment	(441)
Total disposals	(1,283)
Provision for the fiscal year charged to accumulated depreciation	(3,251)
Net change	(2,936)

Depreciation taken in 2003 was computed using the following rates:

	<i>Depreciation rates</i>
Buildings	3%
Plant and machinery	10%
Furniture	12%
Equipment	20%
Vehicles	25%

3 Financial fixed assets

Investments

This item totaled 7,282,132 thousand euros at December 31, 2003, down 768,062 thousand euros from December 31, 2002. A breakdown of changes occurred during the year is provided in the following tables:

<i>(in millions of euros)</i>								
<i>Company name</i>	<i>% owned by Fiat S.p.A.</i>	<i>2002 Book value</i>	<i>Acquisitions Capital increases</i>	<i>Contri- butions</i>	<i>Mergers</i>	<i>Disposals</i>	<i>Write-downs</i>	<i>2003 Book value</i>
Subsidiaries								
Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.) – Turin	100.00	3,007	100		1,118		(1,210)	3,015
FiatAvio Partecipazioni S.p.A. (formerly FiatAvio S.p.A.) – Turin	–	161			(161)			–
Fiat Gestione Partecipazioni S.p.A. (formerly Business Solutions S.p.A.) – Turin	–	229			(229)			–
Fiat Partecipazioni S.p.A. (formerly Fiat Auto Partecipazioni S.p.A.) – Turin	–	728			(728)			–
Fiat Netherlands Holding N.V. (formerly Iveco N.V.) – Amsterdam (Netherlands)	60.56	668			2,682		(1,000)	2,350
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)	–	1,167		1,382	(2,549)			–
CNH Global N.V. – Amsterdam (Netherlands)	–	–	1,382	(1,382)				–
Comau B.V. – Amsterdam (Netherlands)	–	33		100	(133)			–
Comau S.p.A. – Turin	–	–	100	(100)				–
Magneti Marelli Holding S.p.A. – Turin	99.99	803	8				(144)	667
IHF - Internazionale Holding Fiat S.A. – Paradiso (Switzerland)	100.00	669						669
Fiat GE.VA. S.p.A. – Turin	100.00	222						222
Ferrari S.p.A. – Modena	56.00	161						161
Itedi - Italiana Edizioni S.p.A. – Turin	100.00	6	10					16
Fiat USA Inc. – New York (U.S.A.)	100.00	35					(10)	25
Fiat Finance North America Inc. – Wilmington (U.S.A.)	39.47	17						17
Fiat International S.p.A. – Turin	100.00	1					(1)	–
Fiat Servizi per l'Industria SE.PIN. S.c.p.a. – Turin	36.47	1					(1)	–
Other companies		1	1				(1)	1
Total subsidiaries		7,909	1,601	–	–	–	(2,367)	7,143
Associated companies								
GPWC Holdings B.V. – Amsterdam (Netherlands)	–	1					(1)	–
Total associated companies		1	–	–	–	–	(1)	–
Other companies								
Mediobanca S.p.A. – Milan	1.81	93						93
Istituto per la Ricerca e la Cura del Cancro S.p.A. - Turin	19.35	6						6
Istituto Europeo di Oncologia S.r.l. – Milan	10.90	8	1				(3)	6
Fin.Priv. S.r.l. – Milan	14.29	14						14
Consortium S.r.l. – Milan	2.27	20						20
Total other companies		141	1	–	–	–	(3)	139
■ Grand total		8,051	1,602	–	–	(1)	(2,370)	7,282

In particular, increases include:

(in thousands of euros)

Acquisitions

Subsidiaries

51% of Fiat Information & Communication Services S.r.l. from Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)	430
5% of Fiat Revi S.c.r.l. from Toro Assicurazioni S.p.A.	15

Total	445
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Capital increases

Subsidiaries

CNH Global N.V. through contribution of financial receivables	1,381,990
Magneti Marelli Holding S.p.A.	8,649
Comau S.p.A.	100,000
Itedi S.p.A.	10,000
Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)	100,000
Isvor Fiat S.c.p.A.	156
Fiat Revi S.c.r.l.	42
Elasis S.c.p.A.	7

Total subsidiaries	1,600,844
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Other companies

Istituto Europeo di Oncologia S.r.l.	1,142
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Total	1,601,986
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Contributions

Subsidiaries

Fiat Netherlands Holding N.V. shares received following contribution of CNH Global N.V. shares	1,381,990
Comau B.V. shares received following contribution of Comau S.p.A. shares	100,000

Total	1,481,990
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Mergers

Subsidiaries

Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.) shares received following merger of Fiat Partecipazioni S.p.A. for 727,821 thousand euros, of FiatAvio Partecipazioni S.p.A. (formerly FiatAvio S.p.A.) for 161,109 thousand euros, and Fiat Gestione Partecipazioni S.p.A. (formerly Business Solutions S.p.A. until June 30, 2003) for 229,559 thousand euros	1,118,489
Fiat Netherlands Holding N.V. (formerly Iveco N.V.) shares received following merger of Fiat Netherlands Holding N.V. for 2,548,603 thousand euros and of Comau B.V. for 133,372 thousand euros	2,681,975

Total	3,800,464
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Total increases	6,884,885
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In particular, decreases include:

<i>(in thousands of euros)</i>	
Disposals	
Subsidiaries	
0.06% of the preference shares of Toro Assicurazioni S.p.A. to DeAgostini Invest S.A.	420
Associated companies	
20% of GPWC Holdings B.V. to Ferrari S.p.A.	500
Total	920
Contributions	
Subsidiaries	
shares of CNH Global N.V. contributed to Fiat Netherlands Holding N.V.	1,381,990
shares of Comau S.p.A. contributed to Comau B.V.	100,000
Total	1,481,990
Mergers	
Subsidiaries	
Cancellation of shares following merger in Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.) of Fiat Partecipazioni S.p.A. (727,821 thousand euros), of FiatAvio Partecipazioni S.p.A. (formerly FiatAvio S.p.A.) (161,109 thousand euros) and of Fiat Gestione Partecipazioni S.p.A. (formerly Business Solutions S.p.A. until June 30, 2003) (229,559 thousand euros)	1,118,489
Cancellation of shares following merger in Fiat Netherlands Holding N.V. (formerly Iveco N.V.) of Fiat Netherlands Holding N.V. (2,548,603 thousand euros) and of Comau B.V. (133,372 thousand euros)	2,681,975
Total	3,800,464
Writedowns of carrying value	
Subsidiaries	
Fiat Partecipazioni S.p.A. (mainly due to the negative performance of the Automobile Sector)	1,210,084
Fiat Netherlands Holding N.V. (due to the losses of the Iveco and CNH subsidiaries)	1,000,425
Magneti Marelli Holding S.p.A.	144,221
Fiat USA Inc.	9,747
Isvor Fiat S.c.p.A.	268
Fiat International S.p.A.	1,279
Fiat Se.p.In. S.c.p.A.	569
Fiat Revi S.c.r.l.	41
Total subsidiaries	2,366,634
Other companies	
Istituto Europeo di Oncologia S.r.l.	2,939
Total	2,369,573
Total decreases	7,652,947

The table at the end of these Notes to the Financial Statements contains a list of equity investments and the additional information required under Article 2427 of the Italian Civil Code and the supplemental data recommended by CONSOB, including changes in quantity and value of subsidiaries and associated companies and, for publicly traded companies, a comparison between the book value and the market value.

As required by Article 2426, Section 3, of the Italian Civil Code, we wish to emphasize that certain investments are carried at an amount that exceeds the value of the corresponding portion of the underlying stockholders' equity in the latest approved financial statements, after deducting dividends and after the adjustments required for consolidation purposes.

In particular, the values of the investments in Magneti Marelli Holding S.p.A., Fiat Partecipazioni S.p.A., Ferrari S.p.A., and Fiat Finance North America Inc. that are reported on the balance sheet of Fiat S.p.A. are higher than the corresponding shares of stockholders' equity in the companies (123 million euros, 271 million euros, 55 million euros, and 3 million euros, respectively) because these investments have objectively higher inherent values than what is documented by accounting records.

The higher values for the investment in Magneti Marelli Holding S.p.A. are confirmed by the external appraisal performed at the end of 2002 when the Company was formed; those for Fiat Partecipazioni S.p.A. by the contractually agreed gain on the indirect investment in Italergergia Bis S.p.A. that can be realized at the beginning of 2005 upon exercise of the put option for sale to EDF; those for Ferrari S.p.A. by the current values recently realized upon sale of 34% of the investment to Mediobanca in 2002 (see Note 14 hereunder for an updated disclosure of the mutual commitments assumed at that time).

All the other investments in subsidiaries have a book value that is less than or equal to the stockholders' equity determined in accordance with the aforesaid principles.

Other securities

These consist of listed Treasury securities pledged to fund scholarship grants.

At December 31, 2003, their book value totaled 75 thousand euros (based on their quotations at December 30, 2003), in line with the previous year.

As regards fixed assets, the tables at the end of these Notes to the Financial Statements include the following:

- the additional information on cost, upward adjustments, writedowns and amortization and depreciation required under Article 2427 of the Italian Civil Code; and
- as required under Article 10 of Law No. 72 of March 19, 1983, a mention of the assets held at December 31, 2003 which have been adjusted for inflation pursuant to the relevant laws.

Current assets

4 Inventories

This item consists of costs incurred in connection with the High-Speed Railway Project. Fiat, as general contractor, has signed contracts with Treno Alta Velocità – T.A.V. S.p.A. (which, in turn, had received the order from F.S. S.p.A. - Italian State Railways) for the executive design and construction of two high-speed rail lines (Bologna-Florence and Turin-Milan) for a contract price of 3,638 million euros and 4,373 million euros, respectively.

Fiat S.p.A. has entrusted the CAVE.T. and CAV.TO.MI. consortia with the design and execution of works, retaining responsibility for coordination and organization, while project management was subcontracted. The contract for the job connected to the Turin-Novara line is still in course of definition with the CAV.TO.MI. Consortium.

Financing of the project is carried out by means of advances paid by T.A.V. S.p.A. to Fiat S.p.A., which then transfers to the two consortia the net amounts after deducting its fee (about 3.8%).

The following items are included under Inventories:

■ Contract work in progress

This item, which totaled 74,402 thousand euros at December 31, 2003, refers for 48,346 thousand euros (42,673 thousand euros at December 31, 2002) to the Florence-Bologna line and for 26,056 thousand euros (11,691 thousand euros at December 31, 2002) to the Turin-Novara line. The item includes cumulative costs for coordination, organization, and project management work. The increase in contract work in progress totaled 20,038 thousand euros with respect to the end of 2002.

■ Advances to suppliers

Advances totaled 5,162,515 thousand euros and include disbursements made to the Alta Velocità Emilia Toscana – CAVE.T. (2,766,064 thousand euros) and Alta Velocità Torino-Milano – CAV.TO.MI. Consortia (2,396,451 thousand euros) mainly for work completed and contractual advances. Work completed as at December 31, 2003 totaled 4,583,284 thousand euros. Of this amount, the Bologna-Florence line accounted for 2,491,634 thousand euros (2,151,803 thousand euros at December 31, 2002) and the Turin-Novara sub-line for 2,091,650 thousand euros (763,024 thousand euros at December 31, 2002).

This item shows an increase of 1,451,526 thousand euros from December 31, 2002, as a result of the advances for work completed during the fiscal year paid to CAVE.T. for 305,024 thousand euros and to CAV.TO.MI. for 1,146,502 thousand euros.

As explained later, the item Advances on the liabilities side of the balance sheet includes contractual advances totaling 5,371,032 thousand euros paid by the bidder company Treno Alta Velocità – T.A.V. S.p.A.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totaling 1,565,814 thousand euros (641,732 thousand euros for the Bologna-Florence line and 924,082 thousand euros for the Turin-Milan line) as security for contractual advances received and proper execution of work. Conversely, the CAV.E.T. Consortium provided Fiat S.p.A. with bank suretyships totaling 617,051 thousand euros, as envisaged by contract. In 2003, the CAV.TO.MI. Consortium issued the contractually envisaged bank suretyships (889,115 thousand euros) and obtained reimbursement of the cash collateral of 250,000 thousand euros paid in 2002.

5 Receivables

Receivables amounted to 694,566 thousand euros at December 31, 2003. A breakdown of the net increase of 85,192 thousand euros from the figure at the end of 2002 is provided in the following table:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
Trade receivables	199,162	217,095	(17,933)
Allowance for doubtful accounts	(258)	(258)	–
Total trade receivables	198,904	216,837	(17,933)
Subsidiaries	16,438	7,124	9,314
Others			
Due from the Tax Authorities	404,211	318,982	85,229
Receivables for net deferred tax assets	–	56,096	(56,096)
Due from employees	311	484	(173)
Receivables from factoring companies	74,402	9,695	64,707
Other (security deposits, social security institutions, advances to suppliers, etc.)	300	156	144
Total others	479,224	385,413	93,811
Total receivables	694,566	609,374	85,192

Compared with December 31, 2002, trade receivables decreased by 17,933 thousand euros. These receivables are mainly the result of corresponding amounts owed by T.A.V. S.p.A. for works completed in 2003, net of receivables sold.

The liabilities include, under trade payables, the amounts owed to CAV.E.T. and CAV.TO.MI.

Receivables from subsidiaries stem from the provision of services. At December 31, 2003, they were 9,314 thousand euros higher than at the end of 2002.

Receivables from others totaled 479,224 thousand euros at December 31, 2003 and include receivables from Tax Authorities for a total of 404,211 thousand euros. This latter amount includes the consolidated Group VAT credits of 216,036 thousand euros (of which 112,914 thousand euros were requested in the form of reimbursements, net of receivables sold, and 103,122 thousand euros were carried forward), IRPEG (mainly for 2003) of 184,444 thousand euros, IRAP of 448 thousand euros, prepayment of taxes on employee severance indemnities of 1,058 thousand euros, and other minor credits of 2,225 thousand euros.

Receivables from others showed a net increase of 93,811 thousand euros from December 31, 2002, as a net result of the following items:

<i>(in thousands of euros)</i>	
Lower consolidated Group VAT receivables	(8,183)
Corporate income tax receivables for the fiscal year (IRPEG)	142,666
2002 corporate income tax receivables transferred to Group companies	(40,200)
Higher receivables from factoring companies	64,707
Elimination of receivables for net deferred tax assets	(56,096)
Miscellaneous items	(9,083)
Net change	93,811

The increase in receivables from factoring companies refers in part to receivables sold to factors and not yet paid.

The credit for net deferred tax assets was the result of provisions to reserves in fiscal 2002 for tax prepayments on losses from equity investments deductible in subsequent fiscal years (238,000 thousand euros) net of deferred tax liabilities on the gain from disposal of Ferrari S.p.A. shares taxable in future fiscal years (177,791 thousand euros).

It has been eliminated because there is no reasonable certainty that it will be recovered in future fiscal years.

Net deferred tax assets refer mainly to quotas of losses deductible in future fiscal years and amount to about 700 million euros. As there is no reasonable certainty of their recovery they have not been recorded in the balance sheet.

There are no receivables with a residual term of more than five years.

6 Financial assets not held as fixed assets

Treasury stock

This item consists of 4,384,019 ordinary shares with a total par value of 21,920 thousand euros, earmarked for the Stock Option Plans. Treasury stock totaled 28,045 thousand euros at December 31, 2003. A breakdown of the net increase by 7,670 thousand euros from December 31, 2002 is provided in the following table:

<i>(in thousands of euros)</i>	
Purchases	12,746
Writedown to market value during the last month of the fiscal year	(5,076)
Net change	7,670

Financial receivables

This item totaled 1,436,664 thousand euros at December 31, 2003, compared with 1,485,574 thousand euros at the end of 2002.

A breakdown is provided below:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
Subsidiaries			
Fiat Ge.Va. S.p.A.	1,436,664	1,475,178	(38,514)
Others			
Tax Authorities	–	10,396	(10,396)
Total financial receivables	1,436,664	1,485,574	(48,910)

This item consists of a fixed rate loan of 1,300,000 thousand euros, due on January 15, 2004, provided to the subsidiary Fiat Ge.Va. S.p.A. and liquidity left on deposit with the same company (136,664 thousand euros).

In April 2003, Fiat S.p.A. acquired financing (financial receivables) due within and beyond the fiscal year from Fiat Finance & Trade Ltd. for US\$ 1,480 million (equal to 1,381 million euros). Subsequently, these loans were contributed to the indirect subsidiary CNH Global N.V. against issuance of 5,920,000 preferred shares (Note 3).

In 2003 receivables due from tax authorities, for which Government securities have already been requested in lieu of cash, were sold without recourse to Ifitalia.

7 Cash

Bank and post office accounts

This item, which at the end of December 31, 2003 amounted to 246 thousand euros, showed a decrease of 605 thousand euros with respect to December 31, 2002.

Cheques

This item, which at the end of December 31, 2003 amounted to 1 thousand euros, showed a decrease of 130 thousand euros compared with the figure at December 31, 2002.

Cash on hand

Cash on hand at December 31, 2003 was in line with the figure at December 31, 2002.

8 Accrued income and prepaid expenses

Accrued income

At 3,322 thousand euros, accrued income showed an increase of 3,243 thousand euros from the amount at December 31, 2002. Of this amount, 3,191 thousand euros represent accrued interest on the loan granted to the subsidiary Fiat Ge.Va. S.p.A.

Prepaid expenses

These total 8,238 thousand euros at December 31, 2003, for a net increase of 7,303 thousand euros compared with December 31, 2002, mainly connected to the consideration that is contractually owed to TOROC for sponsorship of the XX Winter Olympic Games in 2006, applicable to future fiscal years.

They include:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
Interest on the sale of receivables due from Tax Authorities	502	254	248
Other operating costs	7,736	681	7,055
Total prepaid expenses	8,238	935	7,303

9 Stockholders' Equity

Capital stock

Capital stock, fully paid-in, amounts to 4,918,114 million euros at December 31, 2003 and consists of 983,622,708 shares as follows:

- 800,417,598 ordinary shares;
- 103,292,310 preference shares;
- 79,912,800 savings shares;

all with a par value of 5 euros each.

Compared to December 31, 2002, capital stock increased by 1,835,986 thousand euros, corresponding to 367,197,108 ordinary shares. Such shares were issued in a ratio of three new ordinary shares for every five shares of any class of stock outstanding, at the price of 5 euros, following the execution in August 2003 of the capital stock increase voted by the Board of Directors on June 26, 2003.

The capital stock increase was effected on the basis of the mandate given by the Extraordinary Stockholders' Meeting on September 12, 2002. This Meeting authorized the Board of Directors to increase capital stock, by September 11, 2007, in one or more times, up to a maximum of 8 billion euros, of which 3 billion euros is to be reserved, with reference to the mandatory convertible facility (Note 12), according to Paragraph 7 of Article 2441 of the Italian Civil Code, to the banks identified in the same resolution, in the event the facility is not paid at an earlier date, with subscription and payment of the newly issued ordinary shares to be achieved exclusively by compensating the Banks' receivables for principal up to a maximum total of 3 billion euros.

It should be pointed out that when the capital increase voted by the Board of Directors on December 10, 2001 was perfected in February 2002, 65,820,600 warrants were issued for the purchase in January 2007 of one ordinary share, always with a par value of 5 euros, at the price of euro 29.448 each, for every four warrants. In execution of the resolution passed on June 26, 2003, up to the limits established in the mandate by the stockholders' meeting, in order to implement the capital increase, the Company purchased 311,432 "FIAT ordinary share warrants 2007" and 2,100,000 "option rights" for cancellation. Accordingly, on the basis of the resolutions passed by the Board of Directors Meetings on December 10, 2001 and June 26, 2003, the capital stock could ultimately be increased against payment for a maximum of 81,886 thousand euros, thus reaching 5 billion euros, through the issue of a maximum of 16,377,292 ordinary shares of par value 5 euros each, on February 1, 2007, following the exercise of outstanding "FIAT ordinary share warrants 2007".

Again with reference to the "FIAT ordinary share warrants 2007", Fiat reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the arithmetic average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference exceeds the maximum amount set and previously communicated by Fiat, in which case the holder of the warrants may opt to subscribe to the shares in exchange for warrants.

The resolutions regarding capital increases to service the stock option plans (27,530 thousand euros) have been revoked since the Board of Directors decided on June 26, 2003 to use ordinary treasury stock to be bought back for this purpose.

Additional paid-in capital

Additional paid-in capital totaled 278,962 thousand euros at December 31, 2003, reflecting a net decrease of 2,048,157 thousand euros compared with December 31, 2002, in consequence of its being used to cover the loss for fiscal 2002 (2,052,621 thousand euros), as resolved by the stockholders' meeting of May 13, 2003. The decrease was partly compensated by the proceeds from the sale of the option rights of the 2003 capital increase that were not exercised and which were sold on the stock market pursuant to Article 2441, paragraph 3 Italian Civil Code, net of the amount paid for the option rights and warrants purchased to execute the Board of Directors resolution of June 26, 2003.

Treasury stock valuation reserve

The treasury stock valuation reserve totaled 28,045 thousand euros at December 31, 2003, with a net increase of 7,670 thousand euros from the prior year. The change comes from the difference between the increase of 12,746 thousand euros equal to the countervalue of the stock purchased during 2003 and a decrease of 5,076 thousand euros for the writedown of the stock to market value during the last month of the fiscal year.

Other reserves

Reserve for purchase of treasury shares

The reserve for purchase of treasury shares totaled 971,955 thousand euros at December 31, 2003, with a net decrease of 7,670 thousand euros from the prior year as a result of the transfer to the treasury stock valuation reserve of the equivalent amount of the purchased shares (12,746 thousand euros), net of the transfer from the treasury stock valuation reserve of the amount corresponding to the writedown of the stock to market value (5,076 thousand euros).

The table appearing at the end of the Notes to the Financial Statements provides a detailed breakdown of the tax status of the various components of stockholders' equity.

The table below shows the changes that affected stockholders' equity in 2002 and 2003:

(in millions of euros)	Total	Capital stock	Additional paid-in capital	Revaluation reserve under Law No. 413 of 12/30/91	Legal reserve	Treasury stock valuation reserve	Other reserves (*)	Retained earnings	Net income/(loss) for the fiscal year
Balance at December 31, 2001	7,168.8	2,753.0	1,636.0	22.6	659.3	37.6	1,094.4	587.2	378.7
Allocation of net income for the 2001 fiscal year:									
Dividends paid to Stockholders	(202.8)								(202.8)
Transfer of the remaining net income	-							175.9	(175.9)
Utilization of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	-					3.5	(3.5)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	-					(20.4)	20.4		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares for assignment of shares to the Chairman of the Board of Directors	-					(0.3)	0.3		
Transfer of part of extraordinary reserve to reserve for purchase of treasury shares	(18.7) 18.7						(18.7) 18.7		
Capital increase from 2,753 million euros to 3,082.1 million euros through issue of shares with a share premium as resolved by the Board of Directors on December 10, 2001	1,020.2	329.1	691.1						
Loss for the year	(2,052.6)								(2,052.6)
Balance at December 31, 2002	5,933.6	3,082.1	2,327.1	22.6	659.3	20.4	1,111.6	763.1	(2,052.6)
Coverage of the loss for fiscal 2002 through recourse to a portion of the additional paid-in capital	2,052.6 (2,052.6)		(2,052.6)						2,052.6
Utilization of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	-					12.8	(12.8)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	-					(5.1)	5.1		
Allocation to additional paid-in capital of the value of unexercised option rights sold on the stock market	4.5		4.5						
Capital increase from 3,082.1 million euros to 4,918.1 million euros through issue of ordinary shares as resolved by the Board of Directors on June 26, 2003	1,836.0	1,836.0							
Loss for the year	(2,358.8)								(2,358.8)
Balance at December 31, 2003	5,415.3	4,918.1	279.0	22.6	659.3	28.1	1,103.9	763.1	(2,358.8)

(*) Broken down as follows

	12/31/03	12/31/02
Extraordinary reserve	112.3	112.3
Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 12/22/86	1.9	1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/67	17.7	17.7
Reserve for capital grants under Regional Law No. 19/84	0.1	0.1
Reserve for purchase of treasury shares	971.9	979.6
Total	1,103.9	1,111.6

10 Reserves for risks and charges**Reserve for pensions and similar obligations**

This reserve covers early retirement incentives and payments and bonuses due to retired employees. Determined on the basis of actuarial computations, it was established as a result of supplemental collective and individual agreements.

At December 31, 2003, it totaled 23,964 thousand euros, for a net decrease of 13,979 thousand euros compared with the end of 2002, broken down as follows:

<i>(in thousands of euros)</i>	
Provisions for the fiscal year charged to income	5,461
Cash conversion of reserve for early retirement incentives	(3,763)
Personnel transfers within the Group	(3,298)
Utilization for the fiscal year	(12,379)
Net change	(13,979)

Other reserves

This item consists of contractually envisaged commissions owed for future listing of Ferrari S.p.A. shares (23,256 thousand euros) on the stock market, expenses for employee bonuses (7,103 thousand euros), losses of equity investments in excess of their book value (148 thousand euros), scholarships (68 thousand euros), and costs connected to personnel laid off with long-term unemployment benefits (443 thousand euros). It totaled 31,018 thousand euros at December 31, 2003, or 2,975 thousand euros more than at December 31, 2002.

The change resulted from the following:

<i>(in thousands of euros)</i>	
Provision for the fiscal year charged to income	8,026
Utilization for the fiscal year, mainly for bonuses granted to employees	(5,051)
Net change	2,975

Fiat S.p.A. is still subject to a pending lawsuit for damages resulting from alleged violation of an agreement granting the pre-emption right on the sale of land located at Via Rivalta 15 in Turin.

Given the pending nature of this action, as well as its specific conditions, no reasonable prediction can be made as to its outcome or the costs that the company might sustain.

The Company settled the tax litigation regarding its IRPEG (corporate income taxes) liability for 1992 by utilizing the tax relief envisaged in Article 16 of Law no. 289 of December 27, 2002.

11 Reserves for employee severance indemnities

At December 31, 2003, this reserve totaled 14,112 thousand euros, a net decrease of 10,363 thousand euros from the end of 2002.

A breakdown of the change is as follows:

<i>(in thousands of euros)</i>	
Provision for the fiscal year charged to income	30,443
Utilization for the fiscal year	(40,806)
Net change	(10,363)

12 Payables**Borrowings from banks**

This item amounted to 3,030,000 thousand euros at December 31, 2003 with an increase of 30,000 thousand euros comparable to the figure at December 31, 2002.

They are represented by 3 billion euros for the mandatory convertible facility granted pursuant to the Framework Agreement of May 27, 2002 with Capitalia, Banca Intesa, SanPaolo IMI, and Unicredit Banca (the Lending Banks) for the purpose of providing the Fiat Group with the financial support it needs to implement its industrial plan. The facility was disbursed on September 24, 2002 by a pool of banks comprising the lending banks and BNL, Monte dei Paschi di Siena, ABN Amro, BNP Paribas, Banco di Sicilia, and Banca Toscana (hereinafter referred to as "the Banks"). They also include the commissions contractually owed for the first year (30,000 thousand euros). The principal characteristics of the Mandatory Convertible Facility are as follows:

- The facility has a term of three years, it expires on September 16, 2005 and it may be repaid with newly issued Fiat S.p.A. ordinary shares. Moreover, Fiat may elect to repay the facility in cash at an earlier date, even partially, on a six-monthly basis on condition that, even after the repayment, its rating remains at least equal to the investment grade level. Any residual liability for principal will be repaid with ordinary shares of Fiat S.p.A., which the banks have agreed to underwrite and offer pre-emptively to all Fiat stockholders. The issue price per share will be the average of 14.4409 euros (in accordance with the rules of the Italian Association of Financial Analysts – AIAF – the value has been adjusted with respect to the original value of 15.50 euros following the capital increase of Fiat S.p.A.) and the average stock market price in the last three or six months, depending on the case, preceding the facility repayment date. The same formula will be applied in the event of an earlier expiration date.
- The capital increase shall be approved at the expiration of the three-year term of the facility, for an amount equal to the outstanding balance of the facility.
- Conditions giving rise to an earlier expiration date of the facility include the occurrence of an event that creates a serious crisis for the company, such as the request for a court-appointed administrator or other proceedings of composition with creditors, a bankruptcy filing, or one of the causes of business dissolution set forth in Article 2484 of the Italian Civil Code (formerly Article 2448). In addition, the Banks have the authority to demand early repayment of the entire amount of the facility and proceed with the conversion of the debt into capital in the following cases:
 - Fiat Group companies have not fulfilled their duty to repay liquid and current financial obligations of an aggregate amount of more than 1 billion euros;
 - the external auditors have issued a negative opinion on the consolidated financial statements, unless new auditors, who must have accepted the assignment within 30 days, issue a favorable opinion no later than 60 days thereafter;
 - Fiat becomes the target of a take-over bid in accordance with Article 106 and 107 of the Consolidated Law on Financial Intermediation by third parties.
- Lastly, the Banks also have the right but are not obliged to demand early repayment of a portion of the amount of the facility, up to a maximum of 2 billion euros, after 24 months have elapsed from the signing of the agreement (and, therefore, beginning from July 26, 2004), in the event that at least one of the leading international rating agencies does not maintain the "investment grade" rating and, after 18 months have elapsed from the signing of the agreement (January 26, 2004), in the event that the level of net and/or gross financial indebtedness (respectively in the definitions of "net financial position" and "financial payables" used by the Group and detailed in the Report on Operations) is more than 20% higher than the corresponding level established by the Financial Objectives stipulated in the facility agreement.
- The aforementioned Financial Objectives refer, in particular, to the reduction of the negative balance of the net financial position to less than 3 billion euros by the date the Board of Directors approves the 2002 financial statements and the maintenance of that level until the expiration of the facility. Pursuant to the agreement, the proceeds generated from the transactions related to the sale of the investment in Italenergia Bis S.p.A. are also considered, including those connected with the Citigroup facility of 1,150 million euros, and the financial effects arising from binding contracts for the sale of assets (equity investments, companies, plant and equipment, etc.), including those not yet executed. The agreement also states that gross indebtedness must be reduced by 12 billion euros, compared to March 31, 2002, by the date the Board of Directors approves the 2002 financial statements and must be maintained at less than 23.6 billion euros until the expiration of the facility.

The Group confirms that it has met the Financial Objectives agreed to with the lending banks under the mandatory convertible facility, in terms of both reduction of the net financial position to 3 billion euros and reduction of gross indebtedness to 23.6 billion euros.

At December 31, 2003, ratings assigned to the Group by the leading rating agencies were as follows:

	<i>Short-term</i>	<i>Medium-term</i>
Moody's Investors Service	Not Prime	Ba3
Standard & Poor's Rating Services	B	BB-
Fitch Ratings	B	BB

The ratings of the Group shown in the above table are non-investment grade ratings.

Should this condition persist, as of July 26, 2004 the banks will have the right but not the obligation to demand early repayment of the facility and proceed with the conversion of the debt into capital for an amount up to 2 billion euros.

Advances

Advances totaled 5,371,032 thousand euros and consisted of advances received from Treno Alta Velocità – T.A.V. S.p.A. for the High-Speed Railway Project, as previously described at Note 4, Inventories. They refer mainly to work completion and contractual advances. The Florence-Bologna line accounted for 2,873,802 thousand euros and the Turin-Novara sub-line for 2,497,230 thousand euros. Work completed as at December 31, 2003 amounted to 2,591,299 thousand euros and 2,181,817 thousand euros, respectively. The 1,511,988 thousand euro increase since December 31, 2002 is due to 317,225 thousand euros in advances received for work completed on the Florence-Bologna line and advances for work completion on the Turin-Novara sub-line in the amount of 1,194,763 thousand euros.

T.A.V. S.p.A. has been provided with bank suretyships to secure these advances and proper execution of work for a total of 1,565,814 thousand euros, as described more exhaustively in Notes 4 and 14.

Trade payables

Trade payables stem from services received (consulting, publications, etc.) and amounts due to CAV.E.T. and CAV.TO.MI. for progress payments due for work completed in the fourth quarter of 2003 and paid in the first quarter of 2004. They totaled 399,485 thousand euros at December 31, 2003, a net increase of 76,357 thousand euros compared with December 31, 2002, mainly due to the consideration owed to the CAV.TO.MI. Consortium.

Payables to subsidiaries

These stood at 402,819 thousand euros at December 31, 2003, showing a net decrease of 77,746 thousand euros from a year earlier.

A breakdown of this item is as follows:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
Financial payables	383,334	466,563	(83,229)
Trade payables	15,635	12,991	2,644
Other payables	3,850	1,011	2,839
Total payables to subsidiaries	402,819	480,565	(77,746)

Financial payables at December 31, 2003 include 250,000 thousand euros for the fixed rate loan payable to the subsidiary Fiat Ge.Va. S.p.A. and due on July 15, 2004, and amounts payable to subsidiaries for their VAT receivables, which they transferred to Fiat S.p.A. under the consolidated VAT filing system (133,334 thousand euros).

Trade payables reflect the purchase of external relations, administrative and general services.

Taxes payable

At December 31, 2003, taxes payable totaled 10,702 thousand euros, a net decrease of 997 thousand euros from the figure at December 31, 2002. A breakdown is as follows:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
VAT payable	5,866	4,631	1,235
Liability for substitute tax payable on the capital gain from the sale of IN.TE.SA. (Legislative Decree No. 358/1997)	1,747	3,494	(1,747)
Taxes withheld on payments to employees and independent contractors	2,624	3,143	(519)
Miscellaneous items	465	431	34
Total taxes payable	10,702	11,699	(997)

The last installment of the substitute tax payable on the capital gain earned on the sale of IN.TE.SA. S.p.A. will be paid within the filing deadline for the 2003 tax return.

Social security payable

This item totaled 2,344 thousand euros at December 31, 2003, an increase of 909 thousand euros from December 31, 2002.

Other payables

At December 31, 2003, other payables were 18,998 thousand euros, for a net year-on-year decrease of 246,159 thousand euros. A breakdown is provided below:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
Former Chief Executive Officer for retirement incentives to be paid in installments over 20 years	6,310	6,549	(239)
Employees for fees to be paid	2,356	3,219	(863)
Payables to employees who left the Company	5,963	568	5,395
Payables to stockholders of Toro Assicurazioni S.p.A., Magneti Marelli S.p.A. and Comau S.p.A. for public offerings	869	909	(40)
Dividends payable	449	560	(111)
CAV.TO.MI. "Cash Collateral" (see the item "Inventories")	–	250,000	(250,000)
Miscellaneous payables (mainly charges for capital increase)	3,051	3,352	(301)
Total other payables	18,998	265,157	(246,159)

There are no payables with a residual term of more than five years.

13 Accrued expenses and deferred income

Accrued expenses

The balance of 92,256 thousand euros at December 31, 2003 is 30,507 thousand euros higher than the figure at December 31, 2002.

A breakdown of this item is provided below:

<i>(in thousands of euros)</i>	12/31/03	12/31/02	Change
Interest on convertible facility	29,833	38,653	(8,820)
Commissions on convertible facility	58,952	18,785	40,167
Interest on Fiat Ge.Va. S.p.A. loans	3,101	4,068	(967)
Interest due to Intermap (Nederland) B.V.	344	–	344
Miscellaneous	26	243	(217)
Total accrued expenses	92,256	61,749	30,507

Deferred income

Deferred income totaled 21 thousand euros at December 31, 2003, representing an increase of 1 thousand euros with respect to the end of the previous year and regarding income to be collected in 2004.

14 Memorandum accounts

Guarantees granted

Unsecured guarantees

Suretyships

Suretyships totaled 2,072,599 thousand euros at December 31, 2003.

They include suretyships provided on behalf of FiatSava S.p.A. (1,174,843 thousand euros) to secure a debenture issue and to secure Billets de Trésorerie issued by Group companies (totaling 210,000 thousand euros), bank loans (279,816 thousand euros), and rent payment obligations for buildings leased from Morgan Stanley & Co. International Ltd. and other lessors (407,940 thousand euros).

The net decrease of 185,618 thousand euros from December 31, 2002 is mainly due to lower guarantees provided to secure Sava debentures (93,926 thousand euros) and bank loans (216,347 thousand euros), net of increases for Billets de Trésorerie (133,800 thousand euros).

Other unsecured guarantees

This item totaled 13,640,371 thousand euros at December 31, 2003, or 2,361,562 thousand euros less than at the end of 2002.

It includes the following:

- 13,422,685 thousand euros in guarantees provided on behalf of subsidiaries to secure loans (Banco CNH Capital S.A. 568,949 thousand euros, Fiat Automoveis S.A. 101,091 thousand euros, Iveco Fiat Brasil Ltda 26,978 thousand euros, Case LLC 148,389 thousand euros, Iveco Latin America Ltda 6,945 thousand euros, Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.) 1,130,387 thousand euros in favor of Citigroup), bond issues (Fiat Finance and Trade Ltd. 8,118,721 thousand euros, Fiat Finance North America Inc. 187,632 thousand euros, Fiat Finance Luxembourg S.A. 1,764,842 thousand euros, Fiat Finance Canada Ltd. 100,000 thousand euros), credit lines (New Holland Credit Company LLC 395,883 thousand euros, Fiat Auto Financial Services Limited 582,577 thousand euros), VAT receivable under the Group consolidation process (57,647 thousand euros), as provided under Ministerial Decree of 12/13/79 as amended, and sundry guarantees (232,645 thousand euros);
- 128,791 thousand euros for the risk of nonpayment on receivables due from tax authorities;
- 88,895 thousand euros in miscellaneous guarantees.

The turnover of receivables sold with recourse in 2003 was 387 million euros (350 million euros in 2002).

Although they are not included in the memorandum accounts, trade receivables and other receivables due after December 31, 2003 were sold without recourse for a total of 396 million euros (341 million euros in 2002 for receivables due after December 31, 2002). The turnover of receivables sold without recourse totaled 1,471 million euros in 2003 (364 million euros in 2002).

The guarantees issued on behalf of subsidiaries show a net decrease, largely on account of fewer guarantees granted following the reimbursement of bonds and reduced use of credit facilities.

Pursuant to the General Motors Co. stock equity swap agreement between Intermap (Nederland) B.V. (a subsidiary of Fiat Partecipazioni S.p.A.) and Merrill Lynch International, Fiat S.p.A. granted the latter a guarantee securing the obligations assumed by Intermap (Nederland) B.V. in connection with its commitment to pay for the eventual difference between the price of the sold 32,053,422 General Motors Co. shares that was fixed at beginning of the contract (December 2002) in the amount of USD 36.11 per share and the price of the shares upon maturity (March 16, 2007), in the case of unfavorable performance of the shares, plus interest on the initial value of the agreement (USD 1,157 million), net of the dividends distributed on the shares during the term of the agreement itself.

At December 31, 2003 the performance of said shares was positive and quantifiable in 439 thousand euros.

Upon sale of its controlling interest in the rolling stock activities, Fiat S.p.A. assumed certain obligations towards the purchaser Alstom N.V. in guarantee of any breaches of contract occurring prior to the sale. On the basis of due diligence results, it is believed that Fiat does not face a reasonable likelihood of loss.

Commitments

Commitments related to supply contracts

This item totaled 8,010,928 thousand euros at December 31, 2003. Of this amount, 3,637,930 thousand euros represent the commitment (corresponding to the contractual amounts) stemming from the agreement executed on May 7, 1996 and the supplemental agreements signed by Fiat S.p.A. and Treno Alta Velocità – T. A.V. S.p.A. for the design and construction of the Bologna-Florence high-speed rail line, and 4,372,998 thousand euros for the commitment undertaken pursuant to the agreement of February 14, 2002 and subsequent supplement agreements for the design and construction of the Turin-Novara sub-line. The increase of 293,406 thousand euros compared with December 31, 2002 includes agreements reached during 2003 regarding the Florence-Bologna line, specifically alterations to the network (28,407 thousand euros), urgent corrective measures (26,311 thousand euros) and monetary adjustments (46,026 thousand euros) and agreements regarding the Turin-Novara sub-line, specifically relating to alterations (129,095 thousand euros), and monetary adjustments (63,567 thousand euros).

Fiat S.p.A. has subcontracted design and construction to the CAVE.T. and CAV.TO.MI. Consortia.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totaling 1,565,814 thousand euros as security for contractual advances received and proper execution of work. These guarantees are not recorded under the Memorandum Accounts since advances are included under Liabilities – Advances. Likewise, the CAVE.T. and CAV.TO.MI Consortia provided Fiat S.p.A. with the contractually envisaged bank suretyships totaling 617,051 thousand euros and 889,115 thousand euros, respectively.

Commitments for derivative financial instruments

These totaled 61,730 thousand euros at December 31, 2003, reflecting an increase by the same amount with respect to December 31, 2002, and refer to the equity swap on Fiat shares.

In 2003, the Board of Directors approved a resolution granting Giuseppe Morchio options to purchase 13,338,076 ordinary Fiat shares at a price of 5.623 euros per share. These options, which are exercisable between March 27, 2004 and March 27, 2010, constitute the only variable compensation awarded to Mr. Morchio for his services as Chief Executive Officer. In each of the first five years, Mr. Morchio will earn the right to purchase up to 20% of the total number of available shares. Two-thirds of the options that will vest on March 27 of each year from 2005 to 2008 will be exercisable only if certain predetermined profitability targets are reached during the reference period. The risk that Fiat's stock price will significantly rise above the exercise price of the options has been hedged through the allocation of 3,338,076 treasury shares and, for the remaining 10,000,000 shares, by executing a total return equity swap contract with a reference price of 6.173 euros per share. The swap matures on August 31, 2004. Under current accounting principles, hedge-accounting rules cannot be applied to equity swaps, even when they are executed for hedging purposes, because these swaps constitute negotiable financial derivatives. As a result, in keeping with a conservative approach, if over the life of the contract the performance of the Fiat stock is favorable, the instrument's positive fair value will not be recognized in earnings. Conversely, if its performance is unfavorable, the instrument's negative fair value will be recognized as a financial expense. At December 31, 2003, the abovementioned equity swap had a negative fair value 906 thousand euros, which was recognized in the statement of income.

Other commitments

This item, which totaled 12,853 thousand euros at December 31, 2003 (16,431 thousand euros at December 31, 2002), represents the residuary amount of the commitment, undertaken by Fiat on the occasion of its centennial under a resolution adopted by the Stockholders' Meeting on June 22, 1998, to defray, over a ten-year period, the costs incurred to provide courses for a Degree in Automotive Engineering and pay for the renovation of the respective building. The decrease of 3,578 thousand euros from December 31, 2002 reflects the outlays incurred in the year to renovate the building and teach the courses.

A summary is presented below of the rights arising from the purchase of 34% of the capital stock of Ferrari S.p.A. for 775 million euros by Mediobanca S.p.A., within the framework of a consortium set up for the acquisition and placement of the Ferrari shares. Fiat realized a gain of 671 million euros on this sale, net of selling expenses. The sales contract sets out the following principal elements:

- Mediobanca assumed the responsibility of sole Global Coordinator in charge of coordinating and leading the consortium.
- Mediobanca can not sell its Ferrari shares to another group in the automobile industry as long as the Fiat Group maintains a 51% controlling interest in Ferrari. Barring certain specific assumptions, the Fiat Group can not reduce its investment in Ferrari below 51% until the end, depending on the case, of the third or fourth year subsequent to signing the contract.
- Fiat holds a call option that allows it to repurchase the Ferrari shares at any time before June 30, 2006 (the original date of June 30, 2005 was extended by one year during the course of 2003), except during the five months subsequent to the presentation of an IPO application to the competent authorities. The option exercise price is equal to the original price at which the shares were sold plus interest during the period based on the BOT yield plus 4%.
- Mediobanca, moreover, does not hold any put option to resell the purchased Ferrari shares to Fiat, even in the event that the IPO does not occur or is not completed.
- Fiat may share, in declining percentages, in any gain realized by Mediobanca and the other members of the consortium in the event of an IPO.

As part of the sale of Piemongest S.p.A. to Iupiter S.r.l., Fiat S.p.A. guaranteed performance of the obligations envisaged under that transaction.

It should be noted that, while Renault has a 19.52% interest in Teksid S.p.A., Fiat S.p.A. and Renault have agreed that this may be resold to Fiat S.p.A., should there be a material change in the conditions upon which the original agreement was based.

Other memorandum accounts

Company assets held by third parties

There were no company assets held by third parties at December 31, 2003.

15 Value of production

Service revenues

Service revenues, which amounted to 73,272 thousand euros in 2003, are mainly the result of transactions with Group companies.

The main component of this item (47,748 thousand euros) is fees paid for the use of the Fiat trademark. The amounts paid by the individual companies, which are determined as a percentage of sales, are: 44,803 thousand euros from Fiat Auto S.p.A., 2,899 thousand euros from Iveco S.p.A. (only for the January 1 – May 7, 2003 period as a result of the name of the company changing from Iveco Fiat S.p.A. to Iveco S.p.A.), 43 thousand euros from FiatAvio S.p.A., until its activities were sold to third parties. The percentages are as follows: Fiat Auto S.p.A. and FiatAvio S.p.A. 0.5% and Iveco S.p.A. 0.2%.

Service revenues also include 25,524 thousand euros for services rendered by management personnel of Fiat S.p.A. at the main Group companies. Overall, they increased by 4,345 thousand euros over a year earlier.

Change in contract work in progress

This item represents mainly direct costs incurred during the fiscal year for project management, coordination, and organization in connection with the High-Speed Railway Project and capitalized as part of inventories.

Totalling 20,038 thousand euros in 2003, or 3,818 thousand euros more than in 2002, it mainly consists of services provided by suppliers outside the Group (19,676 thousand euros).

Other income and revenues

These amounted to 19,218 thousand euros in 2003 and include 2,237 thousand euros in rental income from buildings owned by Fiat S.p.A. and leased to Group companies; 9,110 thousand euros in fees paid by subsidiaries for services performed by employees of Fiat S.p.A. in the capacity of Directors; 1,557 thousand euros deriving from the capital gain on the sale of the building located in Corso Dante 102, 999 thousand euros in miscellaneous income and expense reimbursements and 5,315 thousand euros in prior period income, largely represented by provisions for early retirement incentives not owed following the premature severance of employees. They show an increase of 8,987 thousand euros compared with 2002.

16 Costs of production

Raw materials, supplies and merchandise

This item totaled 385 thousand euros in 2003, against 428 thousand euros in 2002.

It consists mainly of the cost of research publications, office supplies and printed forms.

Services

Service costs amounted to 99,821 thousand euros in 2003, a decrease of 16,056 thousand euros compared with 2002 due to lower expenses for financial and legal consulting services, general services and travel.

This item represents expenses for consulting services and research studies, as well as for travel, financial, administrative, tax and external relations services. It also includes ordinary and extraordinary maintenance and general expenses (security, cleaning, EDP, telephone, insurance, etc.). Amounts paid to Group companies for services provided totaled 38,663 thousand euros and include support and consulting services in Italy (3,067 thousand euros to Fiat Gesco S.p.A., 1,137 thousand euros to Fiat Ge.Va. S.p.A., 1,230 thousand euros to Fiat International S.p.A. and 448 thousand euros to KeyG Consulting S.p.A.) and abroad (708 thousand euros to Fiat do Brasil S.A.); external relations services (2,778 thousand euros to Fiat I&CS S.r.l.); personnel training services (866 thousand euros to Isvor Fiat S.c.p.A.); office management, maintenance (7,481 thousand euros to Ingest Facility S.p.A.); personnel management and similar services (6,016 thousand euros to Fiat Se.p.In. S.c.p.A.); information technology services (3,234 thousand euros to Global Value S.p.A.); security services (5,285 thousand euros to Consorzio Orione and 1,161 thousand euros to Consorzio Sirio), and accounting and internal audit services (1,830 thousand euros to Fiat Revi S.c.r.l.).

It also includes consulting, research and professional fees of 43,174 thousand euros.

Leases and rentals

Leases and rentals totaled 735 thousand euros in 2003, or 247 thousand euros less than in 2002.

Personnel

This item amounted to 97,535 thousand euros in 2003 and includes provisions to the Reserve for pensions and similar obligations for bonuses and severance incentives (5,102 thousand euros). This item shows an increase of 31,340 thousand euros with respect to 2002 due to higher retirement incentives and increased wage and salary and social security contributions. The Company's average number of staff decreased from 210 employees in 2002, including 108 managers, 96 clerical staff, and 6 blue collar workers, to 167 employees in 2003, including 87 managers, 75 clerical staff, and 5 blue collar workers.

During 2003, 15 managers were seconded to the Group's main subsidiaries (16 in 2002), which were billed for the respective costs.

Amortization and depreciation

This item totaled 29,774 thousand euros in 2003, with a net increase of 19,639 thousand euros from the previous year. This change is largely attributable to amortization, determined on a pro-rated basis for the entire fiscal year, of the expenses for the convertible facility, and the amortization of costs incurred in connection with the capital increase which are capitalized in the fiscal year.

Amortization of intangible fixed assets totaled 26,523 thousand euros, and depreciation of property, plant and equipment amounted to 3,251 thousand euros.

Other operating costs

At 14,492 thousand euros, this item was 13,714 thousand euros less than in 2002.

It includes indirect taxes and fees (45 thousand euros for municipal property taxes, 237 thousand euros for nondeductible VAT, etc.); contributions and association fees (1,149 thousand euros); costs connected to contributions to fund the automotive engineering degree course (2,606 thousand euros); losses on sales of vehicles and office equipment (231 thousand euros), prior period expenses for employee bonuses (2,379 thousand euros) that were ascertained upon audit to be less than what was paid and sundry items.

It also includes fees paid to the Statutory Auditors and Directors of Fiat S.p.A. amounting to 147 thousand euros and 4,763 thousand euros, respectively.

Directors' fees included 4,132 thousand euros in compensation awarded by the Stockholders' Meeting as well as annual fees approved by the Board of Directors for Directors vested with particular offices, and 631 thousand euros for compensation provided in kind, which was booked under services.

17 Financial income and expenses**Investment income**

Income from investments came to 399,927 thousand euros in 2003, an increase of 121,491 thousand euros compared with 2002.

A breakdown is as follows:

<i>(in thousands of euros)</i>	2003	2002
Subsidiaries		
Dividends distributed by:		
FiatAvio S.p.A.	100,000	67,000
Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)	70,000	–
Business Solutions S.p.A.	67,000	–
Itedi S.p.A.	10,620	–
Fiat Ge.Va. S.p.A.	6,700	–
Toro Assicurazioni S.p.A.	49	–
Ferrari S.p.A.	–	108,000
Elasis S.c.p.A.	–	9
Total	254,369	175,009
Tax credit on dividends paid	142,666	98,438
Total subsidiaries	397,035	273,447
Other companies		
Dividends distributed by:		
Mediobanca S.p.A.	2,541	2,118
Fin. Priv. S.r.l.	351	292
Tredicimarzo S.r.l.	–	783
Total	2,892	3,193
Tax credit on dividends paid	–	1,796
Total other companies	2,892	4,989
Total investment income	399,927	278,436

Other financial income**From receivables held as fixed assets**

This item was equal to zero in 2003. This item represented accrued interest on a loan to Elasis S.c.p.A. paid off in the first half of 2002.

From securities held as fixed assets other than equity investments

This item consists of interest earned on securities pledged to fund scholarship grants.

Income from these securities totaled 2 thousand euros in 2003, 1 thousand euros less than in 2002.

Other income

Other income came to 54,468 thousand euros in 2003, a decrease of 14,143 thousand euros compared with 2002.

A breakdown is as follows:

<i>(in thousands of euros)</i>	2003	2002
Subsidiaries		
Interest earned from:		
Fiat Ge.Va. S.p.A.	33,840	50,320
Miscellaneous	21	–
Total	33,861	50,320
Fees for suretyships and unsecured guarantees provided on behalf of the following Group companies:		
Fiat Finance and Trade Ltd	2,815	3,281
Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)	706	178
Fiat Finance Luxembourg S.A.	569	678
Fiat Auto Financial Services Limited	371	272
Banco CNH Capital S.A.	278	165
Fiat Auto S.p.A.	270	280
New Holland Credit Company LLC	255	306
FiatSava S.p.A.	–	3,274
Miscellaneous	809	1,373
Total	6,073	9,807
Other income	590	–
Foreign exchange gains	20	264
Total subsidiaries	40,544	60,391
Others		
Interest earned on bank deposits	1	227
Interest earned on amounts receivable from the Tax Authorities	9,926	7,735
Other interest income	51	80
Fees for suretyships provided:		
FiatSava S.p.A.	3,111	–
Miscellaneous	127	–
Total	3,238	–
Foreign exchange gains	708	178
Total others	13,924	8,220
Total other income	54,468	68,611

Interest and other financial expenses

Interest and other financial expenses amounted to 223,267 thousand euros in 2003, or 128,941 thousand euros more than in 2002.

A breakdown is provided below:

<i>(in thousands of euros)</i>	2003	2002
Subsidiaries		
Interest and other financial expenses paid to:		
Fiat Ge.Va. S.p.A.	15,010	18,538
Intermap (Nederland) B.V.	844	-
Total	15,854	18,538
Fees paid to:		
Fiat Ge.Va. S.p.A.	12	41
Foreign exchange losses	98	156
Interest on derivative financial instruments	906	-
Miscellaneous	15	39
Total subsidiaries	16,885	18,774
Others		
Interest paid on convertible facility	123,489	38,655
Fees paid on convertible facility	70,200	18,838
Interest and other financing charges paid to banks	20	20
Interest paid to other lenders	327	3,170
Interest expenses and charges for the sale of receivables	10,807	12,955
Charges for stock listings, dividend payments and other charges	513	1,844
Foreign exchange losses	26	70
Total others	205,382	75,552
Total interest and other financial expenses	222,267	94,326

18 Adjustments to financial assets**Writedowns of equity investments**

This item totaled 2,373,626 thousand euros in 2003 and includes 2,369,572 thousand euros for writedown to book value of several equity investments and 4,054 thousand euros for losses in excess of their book value. These include Fiat Netherlands Holding N.V. (1,000,425 thousand euros), Fiat Partecipazioni S.p.A. (1,210,084 thousand euros), Magneti Marelli Holding S.p.A. (144,221 thousand euros), Fiat USA Inc. (9,747 thousand euros), Istituto Europeo di Onclogia S.r.l. (2,939 thousand euros), Isvor Fiat S.c.p.A. (4,321 thousand euros), Fiat International S.p.A. (1,279 thousand euros), Fiat Se.p.In. S.c.p.A. (569 thousand euros), and Fiat Revi S.c.r.l. (41 thousand euros).

In 2002 writedowns included Fiat Partecipazioni S.p.A. (1,189,200 thousand euros), Iveco N.V. (280,025 thousand euros), Fiat Netherlands Holding N.V. (732,359 thousand euros), Comau B.V. (349,673 thousand euros), Sicind S.p.A. (291,376 thousand euros), Isvor Fiat S.c.p.A. (580 thousand euros), Istituto Europeo di Onclogia S.r.l. (1,641 thousand euros), Fiat Se.p.In. S.c.p.A. (320 thousand euros), and Fiat Revi S.c.r.l. (27 thousand euros).

Writedowns of securities among current assets other than equity investments

This item amounted to 5,076 thousand euros and consists of writedown of the book value of treasury stock to the average stock market price for the month of December 2003.

In 2002, it amounted to 20,434 thousand euros.

19 Extraordinary income and expenses

Extraordinary income

Extraordinary income totaled 195 thousand euros in 2003, for a decrease of 672,969 thousand euros from the previous year. It consists of 106 thousand euros in gains from the disposal of investments and 89 thousand euros in other income.

The gains from disposal of investments derive from the sale of 0.06% of the preference capital of Toro Assicurazioni S.p.A. to DeAgostini Invest S.A.

In 2002, the gains from disposal of investments mainly derived from the sale of 34% of the capital stock of Ferrari S.p.A. to Mediobanca S.p.A. (670,970 thousand euros).

Extraordinary expenses

Extraordinary expenses in 2003 totaled 20,535 thousand euros and referred to bank commissions paid to Mediobanca S.p.A. for the postponement of the commitments undertaken by Mediobanca in connection with the "Ferrari" contract described in Note 14 (15,504 thousand euros) and valuation of the Insurance Sector headed by Toro Assicurazioni S.p.A. (1,617 thousand euros), which was subsequently sold.

They also include IRPEG (corporate income taxes) for fiscal 2002 (2,441 thousand euros) and other expenses (973 thousand euros).

In 2002, they consisted of 40,582 thousand euros connected with the sale of 34% of the capital of Ferrari S.p.A. and listing of its stock.

20 Income taxes

Income tax owed for 2003 totaled 60,664 thousand euros, consisting of the elimination of net deferred tax assets set aside in reserves in previous fiscal years, insofar as there is no reasonable certainty that they can be recovered in future fiscal years.

Net deferred tax assets, which mainly refer to the portions of losses deductible in subsequent fiscal years and are not posted on the balance sheet because there is no reasonable certainty that they will be recovered, total approximately 700 million euros.

ANALYSIS OF FIXED ASSETS AND SUPPLEMENTAL INFORMATION

Cost of fixed assets

(in thousands of euros)	Gross value at beginning of fiscal year			Increases			Decreases		Gross value at the end of fiscal year		
	Historical cost	Upward adjustments	Total	Reclassifications	Purchases	Reclassifications	Disposals, sales and contributions		Historical cost	Upward adjustments	Total
							Historical cost	Upward adjustments			
Intangible fixed assets											
Start-up and expansion costs:											
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/01)	19,224		19,224						19,224		19,224
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/03)	–		–		56,729				56,729		56,729
Leasehold improvements	651		651						651		651
	19,875		19,875		56,729				76,604		76,604
Concessions, licenses, trademarks and similar rights	854		854	86	20		(50)		910		910
Intangible assets in progress and advances	242		242	(86)	25		(1)		180		180
Other Intangible fixed assets											
Expenses connected to convertible facility	32,846		32,846		782				33,628		33,628
	53,817		53,817	–	57,556	–	(51)		111,322		111,322
Property, plant and equipment											
Land and buildings	46,066	918	46,984				(121)	(816)	45,945	102	46,047
Plant and machinery	10,142	37	10,179				(85)	(37)	10,057		10,057
Other fixed assets	7,375		7,375		1,598		(1,929)		7,044		7,044
Construction in progress and advances	–		–						–		–
	63,583	955	64,538	–	1,598	–	(2,135)	(853)	63,046	102	63,148

(in thousands of euros)	Gross value at beginning of fiscal year			Increases			Decreases			Gross value at the end of fiscal year		
	Historical cost	Upward adjustments	Total	Capital increases, purchases	Reclassifications	Permanent losses in value	Disposals		Historical cost	Upward adjustments	Total	
							Historical cost	Sales				
Financial fixed assets												
Investments in:												
Subsidiaries	11,339,306	38,583	11,377,889	1,601,290		(442)	(420)	(5)	12,939,729	38,583	12,978,312	
Associated companies	500		500				(500)		–		–	
Other companies	147,596		147,596	1,142	5				148,743		148,743	
	11,487,402	38,583	11,525,985	1,602,432	5	(442)	(920)	–	(5) 13,088,472	38,583	13,127,055	
Other securities:												
Debt securities	75		75						75		75	
	75		75						75		75	

Upward adjustments of fixed assets

<i>Classes of assets (in thousands of euros)</i>	<i>Upward adjustments included in gross value at beginning of period</i>	<i>Increases</i>	<i>Deductions for divested assets</i>	<i>Upward adjustments included in gross value at end of period</i>
Property, plant and equipment				
Land and buildings	918		(816)	102
Plant and machinery	37		(37)	–
	955	–	(853)	102
Financial fixed assets				
Investments in:				
Subsidiaries	38,583	–	–	38,583

Depreciation and amortization of fixed assets

<i>Classes of assets (in thousands of euros)</i>	<i>Amortization and depreciation at beginning of fiscal year</i>	<i>Increases due to additions during the fiscal year</i>	<i>Decreases due to disposals during the fiscal year</i>	<i>Reclassifi- cations</i>	<i>Amortization and depreciation at end of fiscal year</i>
Intangible fixed assets					
Start-up and expansion costs					
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/2001)	3,845	3,845			7,690
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/2003)	–	11,346			11,346
Leasehold improvements	624	27			651
	4,469	15,218	–	–	19,687
Concessions, licenses, trademarks and similar rights	792	70	(50)		812
Other Intangible fixed assets					
Expenses connected to convertible facility	2,970	11,235			14,205
	8,231	26,523	(50)	–	34,704
Property, plant and equipment					
Land and buildings	8,037	1,355	(531)		8,861
Plant and machinery	5,262	995	(82)		6,175
Other fixed assets	3,065	901	(1,092)		2,874
	16,364	3,251	(1,705)	–	17,910

Writedowns of financial fixed assets

<i>Classes of assets (in thousands of euros)</i>	<i>Writedowns at beginning of fiscal year</i>	<i>Increases due to additions during the fiscal year</i>	<i>Disposals during the fiscal year</i>	<i>Decreases due to Permanent losses in value</i>	<i>Reversals of writedowns</i>	<i>Writedowns at end of fiscal year</i>
Financial fixed assets						
Investments in:						
Subsidiaries	3,469,062	2,366,367		(174)		5,835,255
Other companies	6,729	2,939				9,668
	3,475,791	2,369,306	–	(174)	–	5,844,923

Art. 10, Law No. 72 of March 19, 1983 – Analysis of assets adjusted for inflation as of December 31, 2003

Classes of assets (in euros)	Historical cost		Upward adjustments permitted by Law			Upward adjustments included in book value at end of period
	not subject to upward adjustments	subject to upward adjustments	No. 74 of 2/11/52	No. 72 of 3/19/83	No. 413 of 12/30/91	
Property, plant and equipment						
Land and buildings	45,791,125	154,566	19,385		82,785	102,170
Plant and machinery	10,056,829					–
Other fixed assets	7,043,693					–
	62,891,647	154,566	19,385	–	82,785	102,170

Classes of assets (in euros)	Historical cost			Upward adjustments permitted by Law			Upward adjustments included in book value at end of period
	not subject to upward adjustments	subject to upward adjustments	Valuation reserves	No. 74 of 2/11/52	No. 576 of 12/2/75	No. 72 of 3/19/83	
Financial fixed assets							
Investments in:							
Subsidiaries	12,911,832,253	27,900,943	(5,835,254,559)	48,494	2,123,212	36,411,284	38,582,990
Other companies	148,738,690		(9,668,377)				–
	13,060,570,943	27,900,943	(5,844,922,936)	48,494	2,123,212	36,411,284	38,582,990

List of investments in subsidiaries and associated companies required under Art. 2427, Section 5, of the Italian Civil Code and additional information specified in the Consob communication of February 23, 1994

Subsidiaries

included in financial fixed assets

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
CNH Global N.V. – Amsterdam (Netherlands)						
At 12/31/02				–	–	–
Subscription of capital increase through contribution of financial receivables					5,920,000	1,381,990,254
Contribution to Fiat Netherlands Holding N.V.					(5,920,000)	(1,381,990,254)
At 12/31/03	–	–	–	–	–	–
Ferrari S.p.A. – Modena						
At 12/31/02	20,000,000	72,455,471	148,118,953	56.00	4,480,000	160,675,480
At 12/31/03	20,000,000	(23,527,637)	124,591,315	56.00	4,480,000	160,675,480
Magneti Marelli Holding S.p.A. – Turin						
At 12/31/02	152,595,000	(402,949,641)	754,587,980	99.99	152,571,947	802,505,100
Ordinary shares						
At 12/31/02				100.00	150,300,361	790,556,905
Advance on capital contribution						8,445,508
Issue of new shares following a capital increase					100,200,240	
Writedown to reflect loss in value						(142,065,661)
At 12/31/03				100.00	250,500,601	656,936,752
Preference shares						
At 12/31/02				98.99	2,271,586	11,948,195
Advance on capital contribution						127,642
Issue of new shares following a capital increase					1,514,390	
Subscription of unexercised share options					15,030	75,150
Writedown to reflect loss in value						(2,155,653)
At 12/31/03				99.39	3,801,006	9,995,334
At 12/31/03	254,324,998	(136,247,494)	626,990,476	99.99	254,301,607	666,932,086
Comau B.V. – Amsterdam (Netherlands)						
At 12/31/02	150,000	(350,169,459)	33,372,261	100.00	300	33,372,261
Contribution of Comau S.p.A.					20	100,000,000
Merger with Fiat Netherlands Holding N.V. (formerly Iveco N.V.)					(320)	(133,372,261)
At 12/31/03	–	–	–	–	–	–
Comau S.p.A. – Turin						
At 12/31/02				–	–	–
Subscription of capital increase					100,000,000	100,000,000
Contribution to Comau B.V.					(100,000,000)	(100,000,000)
At 12/31/03	–	–	–	–	–	–
Fiat Gestione Partecipazioni S.p.A. (formerly Business Solutions S.p.A., until June 30, 2003) – Turin						
At 12/31/02	101,412,065	(35,390,761)	491,212,014	100.00	101,412,065	229,558,489
Merger with Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)					(101,412,065)	(229,558,489)
At 12/31/03	–	–	–	–	–	–
Itedi - Italiana Edizioni S.p.A. – Turin						
At 12/31/02	5,980,000	619,970	18,992,182	100.00	11,500,000	5,899,105
Advance on capital contribution						10,000,000
At 12/31/03	5,980,000	12,028,000	30,400,212	100.00	11,500,000	15,899,105

List of investments (continued)

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Elasis S.c.p.A. – Pomigliano d'Arco						
At 12/31/02	19,240,000	(7,618,741)	15,660,471	0.17	61,667	22,741
▮ Cancellation and reverse stock split of shares					(61,667)	32,067
▮ Cancellation of shares upon reduction of capital to cover losses					(5,966)	
▮ Capital stock increase					7,233	7,233
At 12/31/03	20,000,000	9,000	20,009,000	0.17 +99.83 ind.	33,334	29,974
FiatAvio Partecipazioni S.p.A. (formerly FiatAvio S.p.A.) – Turin						
At 12/31/02	148,200,000	100,094,436	364,890,316	100.00	285,000,000	161,109,227
▮ Cancellation and reverse stock split of shares					(285,000,000)	148,200,000
▮ Merger with Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)					(148,200,000)	(161,109,227)
At 12/31/03	–	–	–	–	–	–
Fiat Finance North America Inc. – Wilmington (United States)						
At 12/31/02	38,228,292 USD 40,090,010	514,005 539,037	42,422,494 44,488,469	39.47	150	17,118,000
At 12/31/03	31,741,892 USD 40,090,010	617,447 779,835	35,841,888 45,268,304	39.47 +60.53 ind.	150	17,118,000
Fiat GE.VA. S.p.A. – Turin						
At 12/31/02	224,440,000	15,327,404	314,902,104	100.00	224,440,000	222,262,897
At 12/31/03	224,440,000	5,169,726	313,371,830	100.00	224,440,000	222,262,897
Fiat Information & Communication Services S.r.l. – Turin						
At 12/31/02				–	–	–
▮ Purchase of shareholding				n.v.	408,000	430,000
At 12/31/03	800,000	61,735	904,776	51.00 +49.00 ind.	408,000	430,000
Fiat International S.p.A. – Turin						
At 12/31/02	1,300,000	51,813	1,478,408	100.00	1,300,000	1,556,235
▮ Writedown to reflect loss in value						(1,278,444)
At 12/31/03	1,300,000	(1,200,616)	277,791	100.00	1,300,000	277,791
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)						
At 12/31/02	134,325,000	(1,290,175,839)	1,576,503,191	74.00	220,890,000	1,166,612,361
▮ Contribution of CNH Global N.V.					65,771,200	1,381,990,254
▮ Merger with Fiat Netherlands Holding N.V. (formerly Iveco N.V.)					(286,661,200)	(2,548,602,615)
At 12/31/03	–	–	–	–	–	–
Fiat Netherlands Holding N.V. (formerly Iveco N.V.) – Amsterdam (Netherlands)						
At 12/31/02	1,179,440,000	(535,031,985)	1,494,146,956	44.71	11,464,864	668,033,099
▮ Merger of Fiat Netherlands Holding N.V.					43,734,807	2,548,602,615
▮ Merger of Comau B.V.					2,288,705	133,372,261
▮ Writedown to reflect loss in value						(1,000,425,319)
At 12/31/03	4,366,482,748	(735,461,574)	3,879,759,231	60.56 +39.44 ind.	57,488,376	2,349,582,656
Fiat Oriente S.A.E. (in liquidation) – Cairo (Egypt)						
At 12/31/02	10,331 EGP 50,000	2,448 11,849	67,580 327,072	100.00	12,500	7,472
At 12/31/03	6,437 EGP 50,000	1,285 9,985	43,394 337,057	100.00	12,500	7,472

List of investments (continued)

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Fiat Partecipazioni S.p.A. (formerly Fiat Auto Partecipazioni S.p.A.) – Turin						
At 12/31/02	1,667,963,158	(2,915,398,746)	956,652,282	76.08	1,268,921,428	727,821,056
┆ Merger with Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.)					(1,268,921,428)	(727,821,056)
At 12/31/03	-	-	-	-	-	-
Fiat Partecipazioni S.p.A. (formerly Sicind S.p.A.) – Turin						
At 12/31/02	1,547,290,108	(132,243,443)	3,007,060,140	100.00	1,547,290,108	3,007,060,140
┆ Issue of new shares following capital increase					1,399,999,892	
┆ Merger of Fiat Partecipazioni S.p.A. (formerly Fiat Auto Partecipazioni S.p.A.)					727,783,804	727,821,056
┆ Merger of FiatAvio Partecipazioni S.p.A. (formerly FiatAvio S.p.A.)					101,412,065	161,109,227
┆ Merger of Fiat Gestione Partecipazioni S.p.A. (formerly Business Solutions S.p.A. until June 30, 2003)					148,200,000	229,558,489
┆ Advance on capital contribution						100,000,000
┆ Writedown to reflect loss in value						(1,210,083,830)
At 12/31/03	3,924,685,869	(1,617,149,865)	2,947,512,055	100.00	3,924,685,869	3,015,465,082
Fiat Revi S.c.r.l. – Turin						
At 12/31/02	300,000	(295,968)	304,032	9.00 n.v.	27,000	27,363
┆ Purchase of shareholding					n.v. 15,000	15,000
┆ Advance on capital contribution						42,000
┆ Writedown to reflect loss in value						(41,401)
At 12/31/03	300,000	(297,162)	306,870	14.00 +86.00 n.v. ind.	42,000	42,962
Fiat Servizi per l'Industria SE.P.IN. S.c.p.a. – Turin						
At 12/31/02	3,850,000	(876,837)	2,973,163	36.47	1,404,000	1,084,313
┆ Writedown to reflect loss in value						(568,510)
At 12/31/03	3,850,000	(1,558,840)	1,414,323	36.47 +61.03 ind.	1,404,000	515,803
Fiat USA Inc. – New York (United States)						
At 12/31/02	16,048,441 USD 16,830,000	254,565 266,962	29,627,683 31,070,551	100.00	1,000	34,644,823
┆ Writedown to reflect loss in value						(9,747,097)
At 12/31/03	USD 13,325,416 16,830,000	289,214 365,277	24,897,726 31,445,828	100.00	1,000	24,897,726
IHF - Internazionale Holding Fiat S.A. – Paradiso (Switzerland)						
At 12/31/02	1,377,031,121 CHF 2,000,000,000	15,892,733 23,082,606	1,732,769,712 2,516,674,730	100.00	2,000,000	668,897,557
At 12/31/03	CHF 1,283,779,447 2,000,000,000	(331,572,733) (516,557,161)	1,283,854,912 2,000,117,568	100.00	2,000,000	668,897,557
Isvor Fiat S.c.p.a. - Società di Sviluppo e Addestramento Industriale – Turin						
At 12/31/02	780,000	(5,543,233)	428,630	26.00	202,800	111,444
Ordinary shares						
At 12/31/02				52.00	202,800	111,444
┆ Cancellation and capital replenishment					(202,800) 78,000	156,000
┆ Writedown to reflect loss in value						(267,444)
At 12/31/03				26.00	78,000	-
Preference shares						
At 12/31/02				-	-	-
At 12/31/03				-	-	-
At 12/31/03	300,000	(16,617,627)	(571,053)	26.00 +74.00 ind.	78,000	-

List of investments (continued)

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A	Number of shares	Total book value (in euros)
"Orione" - Consorzio Industriale per la Sicurezza e la Vigilanza – Turin						
At 12/31/02	26,342	(14,109)	12,233	82.01		21,108
At 12/31/03	26,342	(387,543)	(361,201)	82.01 +14.99 ind.		21,108
Consorzio Fiat Media Center – Turin						
At 12/31/02	214,329	–	214,329	1.59		5,165
■ Transfer to Other companies						(5,165)
At 12/31/03	–	–	–	–		–
Consorzio "Sirio" per la Sicurezza Industriale – Turin						
At 12/31/02	56,139	6,909	66,714	1.59		764
At 12/31/03	56,239	2,799	69,613	1.59 + 69.46 ind.		764
Toro Assicurazioni S.p.A. – Turin						
At 12/31/02	181,841,880	24,787,248	1,165,202,946	0.03	46,500	419,895
Ordinary shares						
At 12/31/02				–	–	–
At 12/31/03				–	–	–
Preference shares						
At 12/31/02				0.06	46,500	419,895
■ Disposals					(46,500)	(419,895)
At 12/31/03				–	–	–
At 12/31/03	–	–	–	–	–	–
■ Total subsidiaries						7,143,056,463

■ **Associated companies**
included in financial fixed assets

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders' equity (in euros)	% owned by Fiat S.p.A	Number of shares	Total book value (in euros)
GPWC Holdings B.V. – Amsterdam (Netherlands)						
At 12/31/02	2,500,000	(1,756,389)	743,611	20.00	5,000	500,000
■ Disposals					(5,000)	(500,000)
At 12/31/03	–	–	–	–	–	–
■ Total associated companies						–
■ Total subsidiaries and associated companies						7,143,056,463

List of investments in other companies and additional information specified in the Consob communication of February 23, 1994

■ Other companies included in financial fixed assets

Company and registered office	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Mediobanca S.p.A. – Milan			
At 12/31/02	1.81	14,118,350	92,840,388
At 12/31/03	1.81	14,118,350 ^{o)}	92,840,388
Istituto per la Ricerca e la Cura del Cancro S.p.A. – Turin			
At 12/31/02	19.35	6,000,000	6,197,483
At 12/31/03	19.35	6,000,000	6,197,483
Istituto Europeo di Oncologia S.r.l. – Milan			
At 12/31/02	12.69		7,945,148
■ Subscription of capital increase			1,142,100
■ Writedown to reflect loss in value			(2,939,430)
At 12/31/03	10.90		6,147,818
Fin.Priv. S.r.l. – Milan			
At 12/31/02	14.29		14,354,662
At 12/31/03	14.29		14,354,662
Consortium S.r.l. – Milan			
At 12/31/02	2.27		19,529,683
At 12/31/03	2.27		19,529,683
Consorzio Fiat Media Center – Turin			
At 12/31/02	–		–
■ Transfer from Subsidiaries			5,165
At 12/31/03	1.67		5,165
Consorzio Lingotto – Turin			
At 12/31/02	5.40		279
At 12/31/03	5.40		279
■ Total other companies			139,075,478

^{o)} Based on market prices on December 30, 2003.

% owned by Fiat S.p.A.
The indirect percentage held in the ordinary capital of subsidiaries is also indicated.

Treasury stock at December 31, 2003

	% owned by Fiat S.p.A.	Number of shares	Book value		Par value	
			per share (in euros)	total (in euros)	per share (in euros)	total (in euros)
Ordinary shares						
At 12/31/02	0.38	2,330,420	8.74	20,374,862	5.00	11,652,100
■ Purchases		2,053,599	6.21	12,746,197	5.00	10,267,995
■ Writedown to market value during the month of December				(5,076,490)		
At 12/31/03	0.45	4,384,019	6.40	28,044,569 *) 26.663.604	5.00	21,920,095

*) Based on market prices on December 30, 2003.

Tax status on equity reserves and other reserves – Presidential Decree No. 917 of December 22, 1986

Description	Total amount of equity reserves and other reserves which would be included in the Company's taxable income in the event of distribution (in euros)	Total amount of other reserves generated from net income (in euros)	Total amount of equity reserves and other reserves which would not be included in the stockholders' taxable income in the event of distribution (in euros)	Total (in euros)
Additional paid-in capital			278,962,232	278,962,232
Revaluation reserve under Law No. 413 of Dec. 30, 1991	22,590,857			22,590,857
Legal reserve	520,153,616	48,573,886	90,612,509	659,340,011
Treasury stock valuation reserve		28,044,569		28,044,569
Other reserves				
Extraordinary reserve	16,526,621	95,726,966		112,253,587
Reserve for purchase of treasury shares	299,115,106	672,840,325		971,955,431
Out-of-period income reserve under Art. 55 of Presidential Decree No. 917 of Dec. 22, 1986 (Law No. 675 of Aug. 12, 1977, Art. 18)	1,914,925			1,914,925
Reserve for capital grants under Art. 102 of Presidential Decree No. 1523 of June 30, 1967	17,027,454	665,644		17,693,098
Reserve for capital grants under Regional Law No. 19/84	92,962	29,818		122,780
Retained earnings		763,109,624		763,109,624
	877,421,541	1,608,990,832	369,574,741	2,855,987,114

In accordance with specific resolutions of the Stockholders' Meeting, the following reserves were transferred to capital stock:

Reserve under Art. 34 of Law No. 576 of 12/2/75	453,070,328
Revaluation reserve under Law No. 576 of 12/2/75	97,675,103
Revaluation reserve under Law No. 72 of 3/19/83	266,350,533

which in the event of distribution would be included in the Company's taxable income, and:

Revaluation reserve under Law No. 74 of 2/11/52	20,052,596
Extraordinary reserve	953,046

Analysis of cash flow

<i>(in thousands of euros)</i>	2003	2002
A. Initial short-term financial assets	1,359,994	(119,987)
B. Cash flow - operating activities		
Income (loss) for the fiscal year	(2,358,790)	(2,052,621)
Depreciation and amortization	29,774	10,135
Capital gains on sales of fixed assets	(1,462)	(672,557)
Writedowns of equity investments	2,369,573	2,845,201
Net change in reserve for employee severance indemnities and other reserves	(21,367)	7,608
Changes in capital stock	(196,675)	68,790
	(178,947)	206,556
C. Cash flow - investing activities		
Investments in fixed assets		
Equity investments	(1,602,430)	(3,322,036)
Other fixed assets	(59,154)	(55,136)
Selling price, or redemption value, of long-term investments	3,665	833,133
	(1,657,919)	(2,544,039)
D. Cash flow - financing activities		
New borrowings	-	3,000,000
Contributions by stockholders	1,835,986	1,020,219
Changes in reserves	4,464	-
Other changes	30,000	-
Repayment of borrowings	(90,000)	-
	1,780,450	4,020,219
E. Distribution of net income	-	(202,755)
F. Net cash flow for the period	(B+C+D+E)	1,479,981
G. Final short-term financial assets	(A+F)	1,359,994

N.B. The short-term financial assets include the financial receivables from subsidiaries and cash, net of payables to subsidiaries for the VAT receivable transferred to Fiat.

Fees paid to Directors, Statutory Auditors and Chief Operating Officers (in thousands of euros) (Article 78 of Consob Resolution No. 11971/99)

First name and last name	Office held in 2003	Term of office	Expiration (*)	Compensation for office held	Non-cash benefits (**)	Bonuses and other incentives	Other compensation
Umberto Agnelli	Chairman	2/28 – 12/31	2006	1,528.3	51.3		
				1)			
Giuseppe Morchio	Chief Executive Officer	2/28 – 12/31	2006	1,062.7	83.6		
				2)			
Angelo Benessia	Director	1/1 – 12/31	2006	99.1	52.3		
Luca Cordero di Montezemolo	Director	2/28 – 12/31	2006	65.4	34.6		6,626.2
							3)
Flavio Cotti	Director	1/1 – 12/31	2006	96.1	52.3		
John Philip Elkann	Director	1/1 – 12/31	2006	84.1	52.3		
Luca Garavoglia	Director	5/13 – 12/31	2006	70.8	34.0		
Franzo Grande Stevens	Vice Chairman	1/1 – 2/28	2006	343.1	52.3		
	Director and Secretary of the Board	2/28 – 12/31		4)			
Hermann Josef Lamberti	Director	1/1 – 12/31	2006	78.1	52.3		
Sergio Marchionne	Director	5/13 – 12/31	2006	64.8	34.0		
Daniel John Winteler	Director	1/1 – 12/31	2006	78.1	52.3		
Alessandro Barberis	Chief Executive and Operating Officer	1/1 – 2/28		322.9	10.3		277.4
	Vice Chairman	2/28 – 5/13		5)			6)
Paolo Fresco	Chairman	1/1 – 2/28		194.1	20.3		
Gabriele Galateri di Genola	Director	1/1 – 4/12		17.7	13.8		
Virgilio Marrone	Director	1/1 – 5/13		19.3	18.4		
Felix George Rohatyn	Director	1/1 – 2/28		3.7	8.0		
John Francis Welch	Director	1/1 – 2/28		3.7	8.0		
Cesare Ferrero	Chairman of the Board of Statutory Auditors	1/1 – 12/31	2006	63.0			20.0
Giuseppe Camosci	Statutory Auditor	5/14 – 12/31	2006	26.6			
Giorgio Ferrino	Statutory Auditor	1/1 – 12/31	2006	42.0			
Lamberto Jona Celesia	Statutory Auditor	3/1 – 5/31		15.3			104.7

(*) Year in which the Stockholders' Meeting is convened for approval of the Annual Report, coinciding with expiration of the term of office.

(**) They include the pro-rata and pro-quota share of the insurance policy approved by the Stockholders' Meeting and the use of means of transport for personal purposes.

1) The gross annual fee for the office of Chairman amounted to 1,750,000 euros.

2) The Chief Executive Officer's annual gross fixed fee is 1,200,000 euros. His only variable compensation is represented by the stock option illustrated in the following table. The non-cash benefits include the annual premium for a professional and extra-professional health insurance policy. Following the termination of his employment relationship with FIAT S.p.A., after four years in office he will be paid an amount in deferred quarterly installments for twenty years that, inclusive of interest at 3.5%, will be proportionate to the actual number of years he served as CEO, but which, after ten years, may not be greater than five times his last annual fixed fee.

3) The fees for the offices held in the subsidiaries Itedi (258,000 euros) and Ferrari (6,368,000 euros), the latter inclusive of an extraordinary bonus related to the results achieved.

4) The gross annual fee for the post of Secretary amounted to 250,000 euros.

5) The fee for the office of Vice Chairman amounted to 301,000 euros. No compensation was paid for his services as Chief Executive Officer.

6) Gross fee for employment as Chief Operating Officer (167,000 euros) and compensation for his post at the subsidiary Comau (110,000 euros).

Stock Options granted to Directors and Chief Operating Officers (Article 78 of Consob Resolution No. 11971/99)

Grantee		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expired in the year	Options held at the end of the year		
		Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Average market price at exercise date	Number of options	Number of options	Average exercise price	Exercise period (mm/yy)
Paolo Fresco	Chairman	2,250,000	20.614	7/01-1/10								2,250,000	20.614	7/01-1/10
Alessandro Barberis	Chief Operating Officer	150,000	12.96	6/03-6/10								150,000(*)		
Gabriele Galateri	Chief Executive Officer	400,000	12.96	6/03-6/10								400,000(*)		
Giuseppe Morchio	Chief Executive Officer				13,338,076	5.623	3/04-3/10(**)					13,338,076	5.623	3/04-3/10

(*) Options expired upon termination of office.

(**) The options are partially exercisable only upon satisfaction of the profitability targets, whose amount and reference period are defined in advance. The options are exercisable in annual installments of no more than 20% for the first five years.

Turin, March 26, 2004

The Board of Directors

By:

V. A. - 14

Umberto Agnelli

Chairman