

# Annual Report Consolidated and Statutory Financial Statements

at december 31, 2005

100<sup>th</sup> Fiscal Year



# 03

## Fiat S.p.A.

### Financial Statements at December 31, 2005

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## FINANCIAL REVIEW OF FIAT S.P.A.

The following tables, described and commented on below, have been prepared from the company's statutory financial statements at December 31, 2005, to which reference should be made. Pursuant to the provisions of the Italian civil code, the statutory financial statements at December 31, 2005 have been prepared on the basis of the requirements set forth in Italian Legislative Decree no. 127 of April 9, 1991, as amended. Starting from fiscal 2006, Fiat S.p.A. will prepare its statutory financial statements in accordance with International Financial Reporting Standards (IFRS).

### Operating Performance

The income statement of the Parent Company showed net income of 223 million euros for the year ended December 31, 2005, against a loss of 949 million euros for the year ended December 31, 2004.

An analysis of this result is provided in the following table:

| (in millions of euros)                         | 2005       | 2004         |
|--|------------|--------------|
| Adjustments to financial assets                | (429)      | (1,641)      |
| Investment income                              | 8          | 683          |
| Net financial expenses                         | (56)       | (137)        |
| Cost of personnel and services net of revenues | (142)      | (119)        |
| Net extraordinary income (expenses)            | 1,121      | (13)         |
| Income taxes                                   | (279)      | 278          |
| <b>Net income/(loss)</b>                       | <b>223</b> | <b>(949)</b> |

**Adjustments to financial assets**, resulting in costs of 429 million euros, mainly reflected the operating performance of subsidiaries during the fiscal year. In particular, they refer to the write-down in the equity investments held in Fiat Partecipazioni S.p.A. (811 million euros, due to the loss at Fiat Auto), Teksid S.p.A. (53 million euros), Comau S.p.A. (42 million euros) and Business Solutions S.p.A. (52 million euros), net of revaluations for the restoration of the carrying value of the equity investment in Fiat Netherlands Holding N.V. (376 million euros, due to the positive performance of the CNH and Iveco subsidiaries), Magneti Marelli Holding S.p.A. (144 million euros) and other minor companies. During 2004, these adjustments resulted in costs of 1,641 million euros, mainly as a result of the write-down of the investment in Fiat Partecipazioni S.p.A. (1,624 million euros), which had been impacted by the negative performance of the Automobiles Sector.

**Investment income** totalled 8 million euros and consisted of dividends paid by subsidiaries. In 2004 this item also included income of 606 million euros that had its origin in the partial capital repayment by the IHF – Internazionale Holding Fiat S.A. subsidiary.

**Net financial expenses** totalled 56 million euros, a decrease from the 137 million euros incurred in 2004, due to lower interest expenses as a result of the extinguishment of the Mandatory Convertible Facility and to the increased interest income earned as a result of the higher level of financial assets.

**Cost of personnel and services net of revenues** amounted to 142 million euros with respect to 119 million euros in 2004.

In particular:

- **Cost of personnel and services** totalled 187 million euros and consisted of services costs (76 million euros), personnel costs (42 million euros) and, for the remainder, of amortisation and other operating costs. The 20 million euro decrease over the previous fiscal year stemmed for 11 million euros from lower personnel costs and for 9 million euros from lower services costs, depreciation and amortisation and other net costs. The average number of employees in 2005 was 133 (including 11 persons seconded to the principal companies of the Group), against an average number of 151 employees in 2004 (including 12 persons seconded to those Group companies);
- **Revenues** totalled 45 million euros and consisted of royalties for the use of the Fiat trademark, calculated as a percentage of the revenues generated by the Group companies that use it, and the services rendered by executives at the main Group companies. The decrease of 43 million euros with respect to fiscal 2004 is mainly due to lower charges for the use of the trademark.

**Net extraordinary income** amounted to 1,121 million euros and consisted of the net extraordinary gain on the transaction regarding the termination of the Master Agreement with General Motors for an amount of 1,133 million euros, and costs for the restructuring of the Parent Company.

In 2004, net extraordinary expenses were connected with the implementation of the Parent Company's restructuring and reorganisation plan.

**Income taxes** totalled 279 million euros, an amount which includes the realisation of deferred tax assets of 277 million euros, initially recognised in the financial statements for the year ended December 31, 2004 in relation to the settlement subsequently made with General Motors for the termination of the Master Agreement.

## Balance Sheet

The following table provides highlights of the Parent Company's balance sheet:

| (in millions of euros)             | At 12.31.2005  | At 12.31.2004 |
|------------------------------------|----------------|---------------|
| Fixed assets                       | 5,052          | 5,342         |
| of which: equity investments       | 4,983          | 5,249         |
| Working capital                    | (314)          | 99            |
| <b>Total net invested capital</b>  | <b>4,738</b>   | <b>5,441</b>  |
| <b>Stockholders' equity</b>        | <b>7,689</b>   | <b>4,466</b>  |
| <b>Net debt (Net liquid funds)</b> | <b>(2,951)</b> | <b>975</b>    |

**Fixed assets** refer mainly to equity investments in the principal Group companies, in which Fiat S.p.A. holds a controlling interest.

The net decrease in fixed assets of 290 million euros with respect to December 31, 2004 is mainly due to the decrease of 266 million euros in equity investments as a result of the adjustments to financial assets discussed earlier net of the recapitalisations of the Teksid S.p.A., Comau S.p.A., Business Solutions S.p.A. and Itedi S.p.A. subsidiaries carried out during the year (for a total amount of 165 million euros).

**Working capital** comprises inventories net of advances received, trade, tax and employee receivables/payables and provisions, which in total result in a net liability of 342 million euros, together with treasury stock of 28 million euros (represented by 4,331,708 ordinary shares). The 413 million euro decrease from December 31, 2004 stems from the reduction in receivables, mainly due to the previously mentioned realisation of deferred tax assets (277 million euros) and the higher amount of receivables sold.

**Stockholders' equity** at December 31, 2005 totalled 7,689 million euros. The increase of 3,223 million euros with respect to December 31, 2004 is due to the capital increase of resolved by the Board of Directors on September 15, 2005 and subscribed by the financing banks to offset the Mandatory Convertible Facility (3 billion euros), and net income for the year of 223 million euros.

**Net liquid funds** at December 31, 2005 totalled 2,951 million euros against net debt of 975 million euros at December 31, 2004. These may be analysed as follows:

| (in millions of euros)             | At 12.31.2005  | At 12.31.2004 |
|------------------------------------|----------------|---------------|
| Financial receivables and cash     | (3,059)        | (2,321)       |
| Financial payables                 | 117            | 3,169         |
| Financial accruals and deferrals   | (9)            | 127           |
| <b>Net debt (Net liquid funds)</b> | <b>(2,951)</b> | <b>975</b>    |

Financial receivables include short-term financing granted to the subsidiary Fiat Ge.Va. S.p.A. falling due in 2006, and cash deposited in a current account with that company.

At December 31, 2004, financial payables consisted primarily of the 3 billion euro Mandatory Convertible Facility granted by a pool of banks in 2002 and extinguished in September 2005 through the previously mentioned subscription to a capital increase.

The reader is referred to the statement of cash flows at the end of the notes to the statutory financial statements of Fiat S.p.A. for a more complete analysis of the items included in the income statement and balance sheet.

## Transition to International Financial Reporting Standards (IFRS) by Fiat S.p.A.

As a result of the implementation of European Regulation no. 1606 of July 19, 2002, the Fiat Group has adopted International Financial Reporting Standards (IFRS) for the preparation of its consolidated financial statements with effect from January 1, 2005. On the basis of Italian law implementing this regulation, the statutory financial statements of the Parent Company Fiat S.p.A. will be prepared in accordance with these standards from fiscal 2006.

As a consequence, Fiat is currently making the transition to IFRS for its statutory financial statements and will report its 2006 first half results and prior year comparatives in accordance with IFRS.

This note describes the policies that Fiat has adopted in preparing its IFRS opening balance sheet at January 1, 2005, as well as the main differences in relation to Italian GAAP used to prepare its statutory financial statements up until December 31, 2005.

As part of this transition programme, an opening balance sheet of Fiat S.p.A. at January 1, 2005 will be prepared in accordance with IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, on the basis of the IFRS applicable from January 1, 2006, as published at December 31, 2005. In particular, the amendments to IFRS 4 and IAS 39 issued in 2005 and effective from January 1, 2006 will be applied, which regard the measurement and recognition of financial guarantee contracts in the financial statements of the guarantor and the limitation in the use of the “fair value option” to financial instruments satisfying specific conditions.

### FIRST-TIME ADOPTION OF IFRS

#### *General principle*

In accordance with IFRS 1, the Parent Company Fiat S.p.A. is required to apply the accounting standards in force at the reporting date for its first IFRS financial statements retrospectively to all periods presented, except for one permitted exemption adopted by Fiat S.p.A. and described in the following paragraph.

The opening IFRS balance sheet at January 1, 2005 will therefore reflect the following differences with the statutory balance sheet prepared at December 31, 2004 in accordance with Italian GAAP:

- all assets and liabilities qualifying for recognition under IFRS, including assets and liabilities that were not recognised under Italian GAAP, will be recognised and measured in accordance with IFRS;

- all assets and liabilities recognised under Italian GAAP that do not qualify for recognition under IFRS will be eliminated;
- certain balance sheet items will be reclassified in accordance with IFRS.

The impact of these adjustments will be recognised directly in opening equity at January 1, 2005, the date of transition to IFRS.

In summary, the assets and liabilities to be included in the statutory financial statements of the Parent Company Fiat S.p.A. prepared in accordance with IFRS will be recognised and measured in the same manner as that used to prepare the financial statements drafted for inclusion in the Group's consolidated financial statements, in accordance with IFRS 1, with the exception of consolidation entries.

### OPTIONAL EXEMPTION ADOPTED BY FIAT S.P.A.

**Employee benefits:** Fiat S.p.A. has elected to recognise all cumulative actuarial gains and losses that existed at January 1, 2005, but will use the corridor approach for those arising after that date.

### DESCRIPTION OF THE MAIN DIFFERENCES BETWEEN ITALIAN GAAP AND IFRS

The following paragraphs provide a description of the main differences between Italian GAAP and IFRS that will have effect on the statutory financial statements of Fiat S.p.A.

#### *1. Write-off of deferred costs*

Under Italian GAAP, Fiat S.p.A. defers and amortises certain costs (mainly start-up and expansion costs). IFRS require these to be expensed when incurred.

In particular, costs incurred in connection with share capital increases which are deferred and amortised under Italian GAAP are deducted directly from the proceeds of the increase and debited to stockholders' equity under IFRS.

#### *2. Valuation of investments in other companies not held as current assets*

In the financial statements of Fiat S.p.A. prepared in accordance with Italian GAAP, equity investments included under financial fixed assets

(investments in subsidiaries and in other companies) are stated at historical cost, which is written down in the event of an impairment loss; the impairment loss is reversed if in subsequent years the reasons for the write-down no longer apply.

Under IFRS, IAS 27 requires that investments in subsidiaries be either recorded at cost or at their fair value. If there are reasons to believe that all or part of the cost cannot be recovered, the carrying amount must be reduced to the recoverable amount of the investment in accordance with IAS 36. If this loss is subsequently reduced or is entirely recovered, the carrying amount is increased back up to the newly estimated recoverable amount, which may not exceed the amount that would have been determined if no impairment loss had been recorded. Any restoration of the carrying amount is recorded immediately in the income statement.

On the basis of current analyses, the measurement of the carrying amount of subsidiaries using the cost method as stated in IAS 27 is not expected to lead to the recognition of significant differences in the preparation of the IFRS opening balance sheet.

In accordance with IAS 39, investments in other companies represented by available-for-sale financial assets, are measured at their fair value, if this can be determined, and the gains and losses resulting from changes in the fair value are recognised directly in stockholders' equity until the financial assets are disposed of or determined to be impaired. At that time, all gains and losses previously recognised in equity are included in the income statement for the period.

The investment held by Fiat S.p.A. in Mediobanca S.p.A. satisfies these requirements, with its fair value being determined as its stock market quotation at the date of the financial statements. The adoption of IFRS on January 1, 2005 will therefore lead to the recognition of the excess of the stock market price of the investment over its carrying value at that date, with a net positive impact on stockholders' equity.

### 3. Contract work in progress

As permitted under Italian GAAP, Fiat S.p.A. accounts for contract work in progress at its production cost. This refers in particular to the execution of long-term agreements (contracts signed between Fiat and Treno Alta Velocità – T.A.V. S.p.A.). As a result, revenue is recognised after delivery and when accepted by the customer on a final basis, that is, income is recognised only when the contract is completed.

Amounts received from the customer during the performance of the contract are treated as financial advances and accounted for as a liability under advances from customers, while any amounts paid to subcontractors are booked as advances under inventories.

Under IFRS (IAS 11), when the outcome of a construction contract can be estimated reliably, revenue and expenses regarding construction contracts must be accounted by reference to the percentage of work completed, in this way recognising margins for the contract activity performed up to the balance sheet date. The terms and conditions regarding the legal transfer of title are irrelevant to the reporting of these amounts in the financial statements. Thus, any advances received are deducted from the value of inventories (contract work in progress and advances to suppliers).

Consequently, the adoption of IFRS will entail recognition of the margins earned on contracts, with a positive net impact on stockholders' equity at January 1, 2005.

### 4. Treasury stock

In accordance with Italian GAAP, Fiat S.p.A. accounts for treasury stock as an asset and records any related value adjustments and gains or losses on disposal in the income statement.

Under IFRS, treasury stock is deducted from stockholders' equity and all movements in treasury stock are recorded in stockholders' equity rather than in the income statement.

### 5. Sale of receivables

Fiat S.p.A. sells a significant part of its trade and tax receivables through factoring transactions.

Factoring transactions may be with or without recourse to the seller; certain factoring agreements without recourse include deferred purchase price clauses (i.e. the payment of a minority portion of the purchase price is conditional upon the full collection of the receivables), require a first loss guarantee of the seller up to a limited amount or imply a continuing significant exposure to the cash flows from receivables sold.

Under Italian GAAP, all receivables sold through factoring transactions (both with and without recourse) have been derecognised.

Under IFRS, IAS 39 permits the derecognition from assets of a financial asset when, and only when, the risks and rewards of the ownership of the assets are substantially transferred: consequently, all portfolios sold with recourse, and part of those sold without recourse, will be reinstated in the IFRS balance sheet.

### 6. Employee benefits

Under IFRS, employee severance indemnities (TFR), which are accounted for pursuant to specific statutory rules under Italian GAAP, are considered defined benefit obligations pursuant to IAS 19 – *Employee Benefits*. As a result, they are recalculated using the “Projected Unit Credit Method” under IFRS.

Fiat S.p.A. also grants employees and former employees various forms of benefits (retirement incentives, compensation, bonuses) under past or current supplemental company or individual agreements that are qualified as defined benefit pension plans, just like other long-term benefits. Although these benefits are accrued in the statutory financial statements in a manner that is consistent with Italian GAAP, under IFRS they will need to be accounted for in accordance with IAS 19.

For IFRS purposes, Fiat S.p.A. has elected to recognise all accumulated actuarial gains and losses at January 1, 2005, and this will have a net positive impact on stockholders’ equity.

### 7. Stock options

No obligations or compensation expenses are recognised for share-based payment transactions under Italian GAAP.

In accordance with IFRS 2 – *Share-based Payment*, the full fair value amount of stock options at the grant date is reflected in the income statement on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognised directly in equity. Changes in fair value after the grant date have no impact on the initial measurement.

Fiat S.p.A. will apply the transitional provisions stated in IFRS 2 and therefore will apply this standard to all stock options granted after November 7, 2002 and not yet vested at January 1, 2005, the effective

date of IFRS 2. No compensation expense is required to be recognised for stock options granted prior to November 7, 2002.

### 8. Recognition and measurement of financial receivables and financial debt

Financial receivables consist of short-term financing granted to the subsidiary Fiat Ge.Va. S.p.A., as well as cash deposited on its cash management account. These receivables can be immediately converted into cash and are subject to an insignificant risk of change in value. The transition to IFRS will not impact their amount.

Financial debt at January 1, 2005 principally reflected the Mandatory Convertible Facility. Under Italian GAAP, the gross amount received is recognised. The various fees owed to the lending banks (for the organisation of the facility, for the share subscription commitment, etc.) at different dates (at the beginning, over the years, and upon maturity) are charged against income over the term of the facility (on a pro-rated basis).

Under IFRS, financial debt is recognised at the amounts received stated net of transaction costs and is subsequently measured at its amortised cost using the effective interest method. Adoption of IFRS will thus entail recomputation of the expenses charged to income for the various years affected, with a net positive effect on stockholders’ equity at January 1, 2005.

Furthermore, the Mandatory Convertible Facility agreement envisaged that the facility would either be reimbursed in cash or converted into shares subscribed for by the lending banks and through subsequent rights offerings to the stockholders. In the statutory financial statements of Fiat S.p.A. prepared in accordance with Italian GAAP, the conversion of the facility led to an entry for the increase in capital stock and in additional paid-in capital at subscription price, with the counter entry extinguishing the debt.

In the statutory financial statements of Fiat S.p.A. prepared in accordance with IFRS, the increase in capital and in additional paid-in capital is recorded in equity at its current value, in line with the accounting treatment in the consolidated financial statements, with the difference between the subscription price of the new shares (10.28 euros per share) and their current value at the time of subscription (7.337 euros per share) then recognised in the income statement as unusual financial income (858 million euros net of expenses).

### 9. Recognition and measurement of derivatives

Fiat S.p.A. adopted IAS 39 - *Financial Instruments: Recognition and Measurement* on January 1, 2001 to the extent that it is consistent and not in contrast with the general principles set forth in the Italian law governing financial statements. In particular, taking into account the restrictions under Italian law, Fiat S.p.A. maintained that IAS 39 was applicable only in part and only in reference to the designation of derivative financial instruments as "hedging" or "non-hedging instruments" and with respect to the symmetrical accounting of the result of the valuation of the hedging instruments and the result attributable to the hedged items ("hedge accounting"). Those transactions which, according to Fiat S.p.A.'s policy for risk management, are able to satisfy the conditions stated by the accounting principle for hedge accounting treatment, are designated as hedging transactions; the others, although set up for the purpose of managing risk exposure (inasmuch as speculative transactions are not permitted as a rule), are designated as trading transactions.

The main differences between Italian GAAP and IFRS may be summarised as follows:

- **Financial instruments designated as "hedging instruments"** - under Italian GAAP, the instrument is valued symmetrically with the underlying hedged item. Therefore, where the hedged item has not been adjusted to fair value in the financial statements, the hedging instrument has also not been adjusted. Similarly, where the hedged item has not yet been recorded in the financial statements (hedging of future flows), the valuation of the hedging instrument at fair value is deferred.

Under IFRS:

- In the case of a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement and the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the income statement. Consequently, no impact arises on net income (except for the ineffective portion of the hedge, if any) or on stockholders' equity, while adjustments impact the carrying values of hedging instruments and hedged items.
  - In the case of a cash flow hedge (hedging of future flows), the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion of the gain or loss is recognised in the income statement. Consequently, with reference to the effective portion, only a difference in stockholders' equity will arise between Italian GAAP and IFRS.
- **Instruments designated as "non-hedging instruments"** (except for foreign currency derivative instruments) - under Italian GAAP, these instruments are valued at market value and the difference, if negative compared to the contractual value, is recorded in the income statement, in accordance with the concept of prudence. Under IAS 39 any positive difference is also recorded. The accounting treatment adopted for foreign currency derivative instruments under Italian GAAP is, however, in line with IAS 39.

## Balance Sheet

### ASSETS

|  | At 12.31.2005<br>(in euros) | At 12.31.2004<br>(in euros) |
|--|-----------------------------|-----------------------------|
| <b>FIXED ASSETS</b>  |                             |                             |
| <b>Intangible fixed assets</b> (note 1)  |                             |                             |
| Start-up and expansion costs   | 27,627,109                  | 41,726,538                  |
| Concessions, licenses, trademarks and similar rights   | 91,536                      | 54,868                      |
| Intangible assets in progress and advances   | 221,163                     | 185,759                     |
| Other intangible fixed assets  | 362,900                     | 8,187,824                   |
| <b>Total</b>   | <b>28,302,708</b>           | <b>50,154,989</b>           |
| <b>Property, plant and equipment</b> (note 2)  |                             |                             |
| Land and buildings   | 34,477,620                  | 35,831,465                  |
| Plant and machinery  | 1,925,748                   | 2,887,128                   |
| Other assets   | 4,330,833                   | 4,766,873                   |
| <b>Total</b>   | <b>40,734,201</b>           | <b>43,485,466</b>           |
| <b>Financial fixed assets</b> (note 3)   |                             |                             |
| Investments in:  |                             |                             |
| Subsidiaries   | 4,856,539,398               | 5,122,130,119               |
| Other companies  | 126,725,012                 | 126,730,177                 |
| Total investments  | 4,983,264,410               | 5,248,860,296               |
| Other securities   | 73,175                      | 74,180                      |
| <b>Total</b>   | <b>4,983,337,585</b>        | <b>5,248,934,476</b>        |
| <b>TOTAL FIXED ASSETS</b>  | <b>5,052,374,494</b>        | <b>5,342,574,931</b>        |
| <b>CURRENT ASSETS</b>  |                             |                             |
| <b>Inventories</b> (note 4)  |                             |                             |
| Contract work in progress  | 104,837,856                 | 91,261,958                  |
| Advances to suppliers  | 8,326,204,876               | 7,053,456,999               |
| <b>Total</b>   | <b>8,431,042,732</b>        | <b>7,144,718,957</b>        |
| <b>Receivables</b> (note 5)  |                             |                             |
| Trade receivables (*)  | 207,965,283                 | 350,602,953                 |
| Receivables from subsidiaries  | 112,581,102                 | 25,250,689                  |
| Tax receivables (**)   | 102,569,479                 | 288,901,943                 |
| Deferred tax assets  | -                           | 277,000,000                 |
| Receivables from others (***)  | 35,029,595                  | 32,795,820                  |
| <b>Total</b>   | <b>458,145,459</b>          | <b>974,551,405</b>          |
| <b>Financial assets not held as fixed assets</b> (note 6)  |                             |                             |
| Treasury stock (total par value 21,658,540 euros)  | 27,709,936                  | 26,413,309                  |
| Financial receivables:   |                             |                             |
| From subsidiaries  | 3,058,299,491               | 2,320,580,431               |
| <b>Total</b>   | <b>3,086,009,427</b>        | <b>2,346,993,740</b>        |
| <b>Cash</b> (note 7)   |                             |                             |
| Bank and post office accounts  | 344,879                     | 324,705                     |
| Cheques  | 150,356                     | -                           |
| Cash on hand   | -                           | 554                         |
| <b>Total</b>   | <b>495,235</b>              | <b>325,259</b>              |
| <b>TOTAL CURRENT ASSETS</b>  | <b>11,975,692,853</b>       | <b>10,466,589,361</b>       |
| <b>ACCRUED INCOME AND PREPAID EXPENSES</b> (note 8)  | <b>13,303,183</b>           | <b>6,881,119</b>            |
| <b>■ TOTAL ASSETS</b>  | <b>17,041,370,530</b>       | <b>15,816,045,411</b>       |
| Receivables are to be considered as due within the subsequent fiscal year, except the following: |                             |                             |
| (*) Amounts due within one year  | 207,965,283                 | 350,318,902                 |
| Amounts due beyond one year  | -                           | 284,051                     |
| (**) Amounts due within one year   | 98,067,732                  | 286,720,362                 |
| Amounts due beyond one year  | 4,501,747                   | 2,181,581                   |
| (***) Amounts due within one year  | 34,984,515                  | 32,735,791                  |
| Amounts due beyond one year  | 45,080                      | 60,029                      |

## Balance Sheet

## LIABILITIES AND STOCKHOLDERS' EQUITY

|   | At 12.31.2005<br>(in euros) | At 12.31.2004<br>(in euros) |
|---|-----------------------------|-----------------------------|
| <b>STOCKHOLDERS' EQUITY</b> (note 9)  |                             |                             |
| Capital   | 6,377,257,130               | 4,918,113,540               |
| Additional paid-in capital  | 1,540,856,410               | –                           |
| Revaluation reserve under Law No. 413 of 12/30/91   | 22,590,857                  | 22,590,857                  |
| Legal reserve   | 446,561,762                 | 446,561,762                 |
| Treasury stock valuation reserve  | 27,709,936                  | 26,413,309                  |
| Other reserves  |                             |                             |
| Extraordinary reserve   | 334,634                     | 1,631,261                   |
| Retained earnings/(losses)  | (949,100,522)               | –                           |
| Net income/(loss)   | 223,019,671                 | (949,100,522)               |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>7,689,229,878</b>        | <b>4,466,210,207</b>        |
| <b>RESERVES FOR RISKS AND CHARGES</b> (note 10)   |                             |                             |
| Reserve for pensions and similar obligations  | 21,666,308                  | 19,273,212                  |
| Other reserves  | 31,037,811                  | 29,738,650                  |
| <b>TOTAL RESERVES FOR RISKS AND CHARGES</b>   | <b>52,704,119</b>           | <b>49,011,862</b>           |
| <b>RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES</b> (note 11)                                   | <b>11,995,621</b>           | <b>11,616,488</b>           |
| <b>PAYABLES</b> (note 12)   |                             |                             |
| Borrowings from banks   | –                           | 3,060,245,135               |
| Advances  | 8,656,661,821               | 7,336,405,933               |
| Trade payables  | 380,335,441                 | 501,654,329                 |
| Payables to subsidiaries (*)  | 222,848,288                 | 222,730,082                 |
| Payables to controlling company   | –                           | 234,360                     |
| Taxes payable   | 2,749,639                   | 8,986,970                   |
| Social security payable   | 1,717,427                   | 2,797,294                   |
| Other payables (**)   | 22,606,627                  | 26,484,115                  |
| <b>TOTAL PAYABLES</b>   | <b>9,286,919,243</b>        | <b>11,159,538,218</b>       |
| <b>ACCRUED EXPENSES AND DEFERRED INCOME</b> (note 13)   | <b>521,669</b>              | <b>129,668,636</b>          |
| <b>■ TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>17,041,370,530</b>       | <b>15,816,045,411</b>       |
| Payables are to be considered as due within the subsequent fiscal year, except the following: |                             |                             |
| (*) Amounts due within one year   | 220,225,807                 | 222,730,082                 |
| Amounts due beyond one year   | 2,622,481                   | –                           |
| (**) Amounts due within one year  | 8,976,923                   | 13,491,702                  |
| Amounts due beyond one year   | 13,629,704                  | 12,992,413                  |

## Balance Sheet

### MEMORANDUM ACCOUNTS (NOTE 14)

|   | At 12.31.2005<br>(in euros) | At 12.31.2004<br>(in euros) |
|---|-----------------------------|-----------------------------|
| <b>GUARANTEES GRANTED</b>                               |                             |                             |
| <b>Unsecured guarantees</b>                             |                             |                             |
| Suretyships on behalf of:                               |                             |                             |
| Subsidiaries  | 797,456,604                 | 672,385,005                 |
| Others  | 460,303,341                 | 1,116,275,497               |
|   | 1,257,759,945               | 1,788,660,502               |
| Other unsecured guarantees on behalf of:                |                             |                             |
| Subsidiaries  | 7,100,923,987               | 9,596,883,852               |
| Others  | 119,781,615                 | 171,364,028                 |
|   | 7,220,705,602               | 9,768,247,880               |
| <b>TOTAL GUARANTEES GRANTED</b>                         | <b>8,478,465,547</b>        | <b>11,556,908,382</b>       |
| <b>COMMITMENTS</b>                                      |                             |                             |
| Commitments related to supply contracts                 | 10,906,319,695              | 10,261,146,601              |
| Commitments related to derivative financial instruments | 70,240,610                  | 90,397,500                  |
| Other commitments                                       | 6,972,168                   | 9,296,224                   |
| <b>TOTAL COMMITMENTS</b>                                | <b>10,983,532,473</b>       | <b>10,360,840,325</b>       |
| <b>■ TOTAL MEMORANDUM ACCOUNTS</b>                      | <b>19,461,998,020</b>       | <b>21,917,748,707</b>       |

## Income Statement

|  | 2005<br>(in euros)   | 2004<br>(in euros)   |
|--|----------------------|----------------------|
| <b>VALUE OF PRODUCTION</b> (note 15)                                 |                      |                      |
| Revenues from sales and services                                     | 20,169,500           | 59,775,406           |
| Change in contract work in progress                                  | 13,575,898           | 16,859,476           |
| Other income and revenues  | 11,702,535           | 11,851,617           |
| <b>TOTAL VALUE OF PRODUCTION</b>                                     | <b>45,447,933</b>    | <b>88,486,499</b>    |
| <b>COSTS OF PRODUCTION</b> (note 16)                                 |                      |                      |
| Raw materials, supplies and merchandise                              | 406,725              | 423,376              |
| Services   | 76,217,668           | 109,849,162          |
| Leases and rentals   | 987,596              | 949,056              |
| Personnel  |                      |                      |
| Wages and salaries   | 22,992,468           | 29,980,662           |
| Social security contributions  | 7,222,924            | 9,873,787            |
| Employee severance indemnities                                       | 4,087,033            | 4,088,328            |
| Employee pensions and similar obligations                            | 3,590,586            | 2,189,912            |
| Other costs  | 3,812,121            | 6,745,987            |
|  | 41,705,132           | 52,878,676           |
| Amortisation, depreciation and writedowns                            |                      |                      |
| Amortisation of intangible fixed assets                              | 23,745,920           | 26,496,908           |
| Depreciation of property, plant and equipment                        | 3,285,314            | 3,220,295            |
|  | 27,031,234           | 29,717,203           |
| Other operating costs  | 40,701,141           | 13,451,449           |
| <b>TOTAL COSTS OF PRODUCTION</b>                                     | <b>187,049,496</b>   | <b>207,268,922</b>   |
| <b>DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION</b>          | <b>(141,601,563)</b> | <b>(118,782,423)</b> |
| <b>FINANCIAL INCOME AND EXPENSES</b> (note 17)                       |                      |                      |
| Investment income  |                      |                      |
| Subsidiaries   | –                    | 676,123,797          |
| Other companies  | 7,713,904            | 6,433,015            |
|  | 7,713,904            | 682,556,812          |
| Other financial income   |                      |                      |
| From securities held as fixed assets other than equity investments   | 2,072                | 2,467                |
| From securities held as current assets other than equity investments | 85,750               | –                    |
| Other income   |                      |                      |
| Subsidiaries   | 101,199,017          | 63,019,390           |
| Others   | 11,415,199           | 9,955,470            |
|  | 112,614,216          | 72,974,860           |
|  | 112,702,038          | 72,977,327           |
| Interest and other financial expenses                                |                      |                      |
| Subsidiaries   | 2,941,624            | 17,686,797           |
| Others   | 165,735,025          | 192,535,010          |
|  | 168,676,649          | 210,221,807          |
| Foreign exchange gains and losses                                    | (58,155)             | 283,349              |
| <b>TOTAL FINANCIAL INCOME AND EXPENSES</b>                           | <b>(48,318,862)</b>  | <b>545,595,681</b>   |

## Income Statement

|  | 2005<br>(in euros)   | 2004<br>(in euros)     |
|--|----------------------|------------------------|
| <b>ADJUSTMENTS TO FINANCIAL ASSETS</b> (note 18)                           |                      |                        |
| Revaluations of:   |                      |                        |
| Equity investments   | 526,753,314          | –                      |
| Securities held as current assets<br>other than equity investments         | 1,611,796            | –                      |
|  | 528,365,110          | –                      |
| Writedowns   |                      |                        |
| Equity investments   | 957,542,000          | 1,639,152,526          |
| Securities among current assets<br>other than equity investments           | –                    | 1,631,261              |
|  | 957,542,000          | 1,640,783,787          |
| <b>TOTAL ADJUSTMENTS</b>   | <b>(429,176,890)</b> | <b>(1,640,783,787)</b> |
| <b>EXTRAORDINARY INCOME AND EXPENSES</b> (note 19)                         |                      |                        |
| Income   |                      |                        |
| Gains on disposals   | 615,204              | 28,000                 |
| Other income   | 1,135,073,884        | 1,551,187              |
|  | 1,135,689,088        | 1,579,187              |
| Expenses   |                      |                        |
| Losses on disposals  | 1,915,338            | 428,922                |
| Other expenses   | 12,829,210           | 14,721,837             |
|  | 14,744,548           | 15,150,759             |
| <b>TOTAL EXTRAORDINARY INCOME AND EXPENSES</b>                             | <b>1,120,944,540</b> | <b>(13,571,572)</b>    |
| <b>INCOME (LOSS) BEFORE TAXES</b>  | <b>501,847,225</b>   | <b>(1,227,542,101)</b> |
| Income taxes, current and deferred<br>tax assets and liabilities (note 20) | 278,827,554          | (278,441,579)          |
| <b>NET INCOME (LOSS)</b>   | <b>223,019,671</b>   | <b>(949,100,522)</b>   |

## Notes to the Financial Statements

### ACCOUNTING PRINCIPLES AND METHODS

The statutory financial statements at December 31, 2005, which include the Balance Sheet, the Income Statement and the Notes to the financial statements, have been prepared in compliance with the provisions of the Italian Civil Code and provide the additional information required by CONSOB.

As envisaged in Legislative Decree No. 127/1991 the Group has prepared consolidated financial statements.

The valuation criteria used, which are illustrated below, are consistent with those used in the past fiscal year and comply with 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 capitalised on the basis of their estimated useful life. They are amortised on a straight-line basis over five years.

Trademarks are recorded at a value that reflects only the costs incurred for their realisation and the administrative procedure for their registration. To ensure a conservative valuation, this amount is amortised on a straight-line basis over three years.

The other intangible fixed assets are represented by costs expected to benefit future periods and are amortised systematically over the period to be benefited.

#### Property, plant and equipment

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 assets in question only when they permanently increase their value or useful life. 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 stated 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 pertinent laws.

Equity investments in companies that show a permanent impairment 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 recognised prior to the effective date of Legislative Decree 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 relates to long-term contracts (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) and is valued on the basis of the respective production cost.

Amounts received from the client 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 valued at the lower of its purchase cost (calculated using the LIFO method in annual instalments) and its market value, or

the option exercise price when the shares are to be used for stock options.

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 is 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 realisable 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.

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

Receivables and payables denominated in the currencies of countries not belonging to the EMU are expressed in euros at the spot exchange rate on the closing date of the fiscal year, and the relative exchange losses and gains are posted to the income statement.

Any net income arising is set aside, for the portion not used to cover any loss for the year, in a special reserve that cannot be distributed until the gain is realised.

### 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 the occurrence of which is probable or certain at the end of the fiscal year, but which are indeterminable either as to amount or timing.

### 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

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

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 financings, bonds, credit lines, commercial paper and other financial instruments of subsidiaries and others are posted for the reimbursement value of these notes at the balance sheet date.

The Other unsecured guarantees include the amount of the risk of withdrawal on sales of receivables with recourse. Receivables sold with recourse are eliminated from the balance sheet; the risk of withdrawal is reported under memorandum accounts and disclosed in the notes.

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 liability side of the balance sheet under advances, are not reported under memorandum accounts but disclosed instead in the notes.

### Commitments

The Group's commitments are posted under memorandum accounts in their amount at the balance sheet date. 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 the respective monetary adjustments.

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

### 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, are valued at their market value and the differential, if negative compared to the contractual value, is recorded in the income statement, under financial income and expenses, in accordance with the principle of prudence. In contrast, for instruments that can be classified as hedging, the effects of the transaction are posted to the income statement in such a way as to offset the effects of the hedged flows.

### *Income Statement*

#### Dividends

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

#### Financial income and expenses

Financial income and expenses are recorded on an 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 income statement on an accrual basis.

### Income taxes

Liability for corporate income taxes due for the fiscal year is determined in accordance with 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 recognised only when it is reasonably certain that they will be recovered. Conversely, deferred tax liabilities are not recognised if it is unlikely that the corresponding obligations will in fact arise.

For a three-year period starting in 2004, Fiat S.p.A. and almost all of its Italian subsidiaries have decided to participate in the national tax consolidation program envisaged in Articles 117 and 129 of the Consolidated Law on Income Tax (T.U.I.R.).

Fiat S.p.A. functions as a consolidating company and determines a single taxable base for the group of companies participating in the tax consolidation program, which thus benefits from the possibility of setting off taxable income with tax losses on a single tax return.

Each company participating in the tax consolidation program contributes its taxable income or loss to the consolidating company; Fiat S.p.A. posts a credit in its favour for the IRES (corporate income tax) to be paid. In contrast, for those companies that contribute tax losses, Fiat S.p.A. posts a payable equal to the IRES on the portion of the loss that is actually set off at the group level.

## ANALYSIS OF THE INDIVIDUAL ITEMS

### Fixed assets

#### 1. Intangible fixed assets

##### *Start-up and expansion costs*

At December 31, 2005, they totalled 27,627 thousand euros. They include costs incurred in connection with the capital increases resolved in fiscal 2002, 2003 and 2005 and are amortised over a 5-year period.

The net decrease of 14,100 thousand euros since December 31, 2004 is the result of:

|  |                 |
|--|-----------------|
| <i>(in thousands of euros)</i>   |                 |
| Capitalisation of costs connected with the capital increase resolved on September 15, 2005 | 1,363           |
| Amortisation for the fiscal year   | (15,463)        |
| <b>Net change</b>  | <b>(14,100)</b> |

##### *Concessions, licenses, trademarks and similar rights*

This item, which amounted to 92 thousand euros at December 31, 2005, includes trademarks owned by the Company, which are amortised over three years.

The net increase of 37 thousand euros compared with December 31, 2004 is the net effect of the following items:

|   |           |
|---|-----------|
| <i>(in thousands of euros)</i>  |           |
| Capitalisation of expenses for the realisation and registration of new trademarks | 122       |
| Amortisation for the fiscal year  | (85)      |
| <b>Net change</b>   | <b>37</b> |

##### *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, 2004 it showed a net increase of 36 thousand euros to 221 thousand euros at December 31, 2005.

*Other intangible fixed assets*

They totalled 363 thousand euros at December 31, 2005 and reflect leasehold improvement costs incurred following the move of representative offices in Rome and Brussels. These costs are amortised according to the term of the leases.

The net decrease of 7,825 thousand euros with respect to December 31, 2004 is the result of:

|  |                |
|--|----------------|
| (in thousands of euros)                  |                |
| Capitalisation of leasehold improvements | 373            |
| Amortisation for the fiscal year         | (8,198)        |
| <b>Net change</b>                        | <b>(7,825)</b> |

At December 31, 2004 other intangible fixed assets represented the residual amount yet to be amortised of the commissions and charges paid for organisation of the Mandatory Convertible Facility granted in 2002 by a pool of banks arranged by Capitalia, Banca Intesa, Sanpaolo IMI, and Unicredit Banca that was extinguished on September 20, 2005. They were amortised on a pro-rated basis according to the term of the facility.

**2. Property, plant and equipment**

At December 31, 2005, property, plant and equipment totalled 40,734 thousand euros (43,485 thousand euros at December 31, 2004). These amounts are net of accumulated depreciation of 22,964 thousand euros at December 31, 2005 and 20,362 thousand euros at December 31, 2004.

The net decrease of 2,751 thousand euros is the effect of the following items:

|                          |                |
|--------------------------|----------------|
| (in thousands of euros)  |                |
| New capital expenditures | 1,221          |
| Net disposals            | (687)          |
| Depreciation             | (3,285)        |
| <b>Net change</b>        | <b>(2,751)</b> |

Depreciation taken in 2005 was computed using the following rates:

|                     |                    |
|---------------------|--------------------|
|                     | Depreciation rates |
| Buildings           | 3%                 |
| Plant and machinery | 10%                |
| Furniture           | 12%                |
| Equipment           | 20%                |
| Vehicles            | 25%                |

### 3. Financial fixed assets

#### Equity investments

This item totalled 4,983,264 thousand euros at December 31, 2005, a net decrease of 265,596 thousand euros from December 31, 2004. A breakdown of changes occurred during the year is provided in the following tables:

#### Increases/(decreases)

(in millions of euros)

| Company name and registered office                            | % owned by Fiat S.p.A. | 2004 Book value | Acquisitions Capital increases | Capital reimbursements Disposals | Revaluations (Writedowns) | 2005 Book value |
|---|------------------------|-----------------|--------------------------------|----------------------------------|---------------------------|-----------------|
| <b>Subsidiaries</b>   |                        |                 |                                |                                  |                           |                 |
| Fiat Partecipazioni S.p.A. – Turin                            | 100.00                 | 1,391           |                                |                                  | (811)                     | 580             |
| Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)       | 60.56                  | 2,350           |                                |                                  | 376                       | 2,726           |
| Ferrari S.p.A. – Modena                                       | 56.00                  | 161             |                                |                                  |                           | 161             |
| Magneti Marelli Holding S.p.A. – Corbetta                     | 99.99                  | 667             |                                |                                  | 144                       | 811             |
| Teksid S.p.A. – Turin   | 84.79                  | 97              | 32                             |                                  | (53)                      | 76              |
| Comau S.p.A. – Grugliasco                                     | 100.00                 | 83              | 100                            |                                  | (42)                      | 141             |
| Business Solutions S.p.A. – Turin                             | 100.00                 | 65              | 23                             |                                  | (52)                      | 36              |
| Itedi - Italiana Edizioni S.p.A. – Turin                      | 100.00                 | 16              | 10                             |                                  |                           | 26              |
| IHF - Internazionale Holding Fiat S.A. – Lugano (Switzerland) | 100.00                 | 33              |                                |                                  |                           | 33              |
| Fiat GE.VA. S.p.A. – Turin                                    | 100.00                 | 222             |                                |                                  |                           | 222             |
| Fiat Finance North America Inc. – Wilmington (United States)  | 39.47                  | 13              |                                |                                  | 3                         | 16              |
| Fiat USA Inc. – New York (U.S.A.)                             | 100.00                 | 23              |                                |                                  | 4                         | 27              |
| Other companies   |                        | 1               |                                |                                  |                           | 1               |
| <b>Total subsidiaries</b>                                     |                        | <b>5,122</b>    | <b>165</b>                     | <b>–</b>                         | <b>(431)</b>              | <b>4,856</b>    |
| <b>Other companies</b>  |                        |                 |                                |                                  |                           |                 |
| Mediobanca S.p.A. – Milan                                     | 1.77                   | 93              |                                |                                  |                           | 93              |
| Fin.Priv. S.r.l. – Milan                                      | 14.28                  | 14              |                                |                                  |                           | 14              |
| Consortium S.r.l. – Milan                                     | 2.76                   | 20              |                                |                                  |                           | 20              |
| <b>Total other companies</b>                                  |                        | <b>127</b>      | <b>–</b>                       | <b>–</b>                         | <b>–</b>                  | <b>127</b>      |
| <b>■ Grand total</b>  |                        | <b>5,249</b>    | <b>165</b>                     | <b>–</b>                         | <b>(431)</b>              | <b>4,983</b>    |

## 03 Fiat S.p.A.

In particular, changes include:

(in thousands of euros)

### Capital increases

Subsidiaries:

|                                  |                |
|----------------------------------|----------------|
| Comau S.p.A.                     | 100,000        |
| Teksid S.p.A.                    | 32,193         |
| Business Solutions S.p.A.        | 23,000         |
| Itedi – Italiana Edizioni S.p.A. | 10,000         |
| <b>Total capital increases</b>   | <b>165,193</b> |

(in thousands of euros)

### Revaluations

Subsidiaries:

|                                 |                |
|---------------------------------|----------------|
| Fiat Netherlands Holding N.V.   | 376,100        |
| Magneti Marelli Holding S.p.A.  | 144,221        |
| Fiat U.S.A. Inc.                | 4,017          |
| Fiat Finance North America Inc. | 2,415          |
| <b>Total</b>                    | <b>526,753</b> |

### Writedowns

Subsidiaries:

|  |                  |
|--|------------------|
| Fiat Partecipazioni S.p.A.             | 810,700          |
| Teksid S.p.A.                          | 52,986           |
| Business Solutions S.p.A.              | 52,056           |
| Comau S.p.A.                           | 41,800           |
| <b>Total</b>                           | <b>957,542</b>   |
| <b>Total revaluations/(writedowns)</b> | <b>(430,789)</b> |

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 book value and market value.

The following illustrate the value adjustments to financial fixed assets:

- The revaluation of the equity investment in Fiat Netherlands Holding N.V. reflects the partial restoration of its original carrying value after the writedown recorded in fiscal 2003. This restoration in value was based on the positive operating results reported during the year by its subsidiaries CNH and Iveco, their favourable operating outlook, and the increase in value of CNH's stockholders' equity following recovery of the dollar in 2005, which is the functional currency used to express most of CNH accounts.

- In consideration of the positive performance of Magneti Marelli Holding S.p.A. and its subsidiaries since 2004, and the favourable operating outlook, it was concluded that the reasons for the impairment writedown in 2003 no longer existed. The original book value was consequently restored.
- Revaluation of the equity investments in Fiat U.S.A. Inc. and Fiat Finance North America Inc. constitute a partial restoration of their respective carrying values, which had been written down in 2003 and 2004, mainly due to the devaluation of the dollar against the euro.
- The impairment writedown of the equity investment in Fiat Partecipazioni S.p.A. originated from the losses recorded during the fiscal year by some of its subsidiaries (principally Fiat Auto Holdings B.V. and its subsidiaries) net of the positive effects deriving from the sale of the equity investment in Italennergia Bis to EDF and the higher value of the stake held in Fiat Netherlands Holding N.V., which was determined on the basis of the above described criteria.
- The impairment writedowns of the equity investments in Teksid S.p.A., Comau S.p.A., and Business Solutions S.p.A. reflect permanent losses in value mainly determined in consideration of the negative operating performance during the fiscal year.

It is stated pursuant to Article 2426, Section 3 of the Italian Civil Code, that the book value of the investment in Fiat Netherlands Holding N.V. at December 31, 2005 was 127 million euros higher than the portion of the company's stockholders' equity owned, determined after making the adjustments required by the accounting principles used to draft the consolidated financial statements. In this context, it is recalled that on January 1, 2005 the Fiat Group adopted IFRS for the preparation of its consolidated financial statements, pursuant to EU Regulation no. 1606 of July 19, 2002. Thus, the consolidated financial reporting prepared according to these principles was used for the comparison required pursuant to the abovementioned article of the Italian Civil Code.

The foregoing difference stems principally from the fact that the stockholders' equity of the subsidiary CNH was negatively impacted upon adoption of the new accounting standards. This was due to the immediate recognition of the actuarial losses realised on employee benefit plans that had previously been deferred under the "corridor approach" (which was formerly used to prepare the Fiat Group consolidated financial statements under the previous accounting standards). Therefore if Italian GAAP had continued to be applied, this negative impact would not have been recognised, and consequently this difference is not considered an impairment loss, also in view of the subsidiary's positive earnings prospects.

All the other equity investments in subsidiaries had a carrying value at December 31, 2005 that was less than or equal to the value of stockholders' equity determined in accordance with the aforesaid principles.

### *Other securities*

These consist of listed Italian government securities pledged to fund scholarship grants.

At December 31, 2005, they totalled 73 thousand euros (a value that is also in line with their quotations at December 30, 2005), compared with 74 thousand euros at December 31, 2004.

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 amortisation 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, details of the assets held at December 31, 2005 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 Railways) for the executive design and construction of two high-speed rail lines (Bologna-Florence and Turin-Milan; the latter is split up in the Turin-Novara and Novara-Milan lines). At December 31, 2005, contract prices for the works were the following: 4,297 million euros for the Bologna-Florence line, 4,547 million euros for the Turin-Novara line, and 2,062 million euros for the Novara-Milan line. 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 organisation, while project management was subcontracted. The contract for the Turin-Novara and Novara-Milan lines was signed with the CAV.TO.MI. consortium on December 23, 2005.

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 3.6%).

The following items are included under Inventories:

- **Contract work in progress**

This item, which totalled 104,838 thousand euros at December 31, 2005 (91,262 thousand euros at December 31, 2004), includes cumulative costs for coordination, organisation, and project management work. It refers for 58,417 thousand euros (54,316 thousand euros at December 31, 2004) to the Florence-Bologna line, for 40,862 thousand euros (35,124 thousand euros at December 31, 2004) to the Turin-Novara line and for 5,559 thousand euros to the Novara-Milan line (1,822 thousand euros at December 31, 2004). The item presents an increase in contract work in progress totalling 13,576 thousand euros with respect to the end of 2004.

- **Advances to suppliers**

Advances totalled 8,326,205 thousand euros (7,053,457 thousand euros at December 31, 2004) and include advances paid to the Alta Velocità Emilia Toscana - CAVE.T. (3,358,681 thousand euros) and Alta Velocità Torino-Milano - CAV.TO.MI. Consortia (4,134,962 thousand euros for the Turin-Novara line and 832,562 thousand euros for the Novara-Milan line). The portion of advances paid for work completion totalled 8,011,033 thousand euros as of December 31, 2005. Of this amount, the Bologna-Florence line accounted for 3,273,419 thousand euros (2,835,931 thousand euros at December 31, 2004), the Turin-Novara line for 4,098,522 thousand euros (3,355,210 thousand euros at December 31, 2004), and the Novara-Milan line for 639,092 thousand euros (221,882 thousand euros at December 31, 2004).

This item shows an increase of 1,272,748 thousand euros from December 31, 2004, mainly as a result of the advances paid to CAVE.T. for 275,179 thousand euros, and to CAV.TO.MI. for 997,667 thousand euros (639,358 thousand euros for the Turin-Novara line and 358,309 thousand euros for the Novara-Milan line).

As explained further on, the item Advances on the liabilities side of the balance sheet includes contractual advances totalling 8,656,662 thousand euros paid by the client company Treno Alta Velocità – T.A.V. S.p.A.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totalling 1,904,058 thousand euros (646,510 thousand euros for the Bologna-Florence line, 788,545 thousand euros for the Turin-Novara line, and 469,003 thousand euros for the Novara-Milan line) as a guarantee for contractual advances received and proper execution of work. Conversely, the CAVE.T. consortium provided Fiat S.p.A. with bank suretyships totalling 621,646 thousand euros, as envisaged by contract. The CAV.TO.MI. consortium issued suretyships totalling 759,054 thousand euros for the Turin-Novara line and 450,975 thousand euros for the Novara-Milan line.

## 5. Receivables

Receivables amounted to 458,146 thousand euros at December 31, 2005. A breakdown of the net decrease of 516,406 thousand euros from the figure at the end of 2004 is provided in the following table:

| (in thousands of euros)            | At 12.31.05    | At 12.31.04    | Change           |
|------------------------------------|----------------|----------------|------------------|
| Trade receivables                  | 208,193        | 350,861        | (142,668)        |
| Allowance for doubtful accounts    | (228)          | (258)          | 30               |
| Total trade receivables            | 207,965        | 350,603        | (142,638)        |
| Subsidiaries                       | 112,581        | 25,251         | 87,330           |
| Due from Tax Authorities           | 102,570        | 288,902        | (186,332)        |
| Deferred tax assets                | -              | 277,000        | (277,000)        |
| Other (mainly factoring companies) | 35,030         | 32,796         | 2,234            |
| <b>Total receivables</b>           | <b>458,146</b> | <b>974,552</b> | <b>(516,406)</b> |

Compared with December 31, 2004, trade receivables decreased by 142,638 thousand euros. These receivables are mainly the result of amounts owed by T.A.V. S.p.A. for works completed in 2005, net of receivables sold.

The liabilities include, under trade payables, the amounts owed to CAV.E.T. and CAV.TOMI for the receivables to be collected against completed work.

Receivables from subsidiaries at December 31, 2005 primarily refer to the use of the trademark (6,574 thousand euros), receivables for IRES calculated on the taxable income contributed by the Italian companies participating in the national tax consolidation program (74,024 thousand euros) and receivables for IRES sold to Italian subsidiaries for having made tax prepayments on their behalf (30,894 thousand euros). They show a net increase of 87,330 thousand euros with respect to December 31, 2004.

At the end of 2005, tax credits totalled 102,570 thousand euros and included credits for consolidated Group VAT of 79,835 thousand euros (of which 54,695 thousand euros were carried forward and 25,140 thousand euros for interest on requested tax refunds), 10,868 thousand euros for receivables for IRES transferred to Fiat S.p.A. by Italian Group companies that participate in the national tax consolidation program for fiscal 2005, and other minor amounts for 11,867 thousand euros.

There was a net decrease in tax credits of 186,332 thousand euros with respect to December 31, 2004, resulting from:

| (in thousands of euros)  |                  |
|--|------------------|
| Receivables for IRES sold in factoring   | (208,006)        |
| Receivables for IRES sold to Group companies   | (30,894)         |
| Receivables for IRES transferred in relation to the national tax consolidation program for fiscal 2005 | 10,868           |
| Higher consolidated Group VAT receivables  | 33,859           |
| Miscellaneous items  | 7,841            |
| <b>Net change</b>  | <b>(186,332)</b> |

Deferred taxes consist of the balance of deferred tax assets net of deferred tax liabilities. Overall, the temporary differences and relative theoretical tax effects, calculated on the basis of the IRES rate of 33% at December 31, 2005 and at December 31, 2004, can be broken down as follows:

| (in thousands of euros)   | At 12/31/2005 | At 12/31/2004 |
|---|---------------|---------------|
| Deferred tax assets for temporary differences:                                      |               |               |
| - Writedowns of equity investments deductible in future fiscal years                | 391,907       | 632,944       |
| - Taxed reserves for risks and charges and other minor differences                  | 15,547        | 12,525        |
| Total deferred tax assets   | 407,454       | 645,469       |
| Deferred tax liabilities for:   |               |               |
| - Gains (sale of Ferrari S.p.A. stock) deferred for taxation in future fiscal years | (39,736)      | (79,602)      |
| Total theoretical benefit on temporary differences                                  | 367,718       | 565,867       |
| Theoretical benefit on tax losses that can be carried forward                       | 141,244       | 253,936       |
| Value adjustments for assets whose recoverability is not reasonably certain         | (508,962)     | (542,803)     |
| <b>Total deferred tax assets</b>  | -             | 277,000       |

Deferred tax assets of 277,000 thousand euros at December 31, 2004 were realised during fiscal 2005 following the payment in February 2005 of the first instalment of the General Motors settlement in relation to the termination of the Master Agreement.

At December 31, 2005 no deferred tax assets on temporary differences and losses carried forward were recognised as there was no reasonable certainty regarding the terms and conditions for their recovery.

Miscellaneous items showed a net increase of 2,234 thousand euros, mainly due to a higher amount of receivables sold in factoring, in expectation of liquidation at the end of the year.

Finally, in regard to the items on the financial statements that represent receivables, it is noted that:

- Amounts of receivables due from companies abroad are not significant.
- There are no receivables with a residual term of more than five years.

## 6. Financial assets not held as fixed assets

### *Treasury stock*

At December 31, 2005, treasury stock amounted to 27,710 thousand euros and included 4,331,708 ordinary shares, for a total par value of 21,659 thousand euros. These shares are held to cover, on a generic basis, the commitments undertaken in connection with stock option plans for employees. At December 31, 2005, the exercise prices of said stock options were higher than the carrying value of the treasury stock.

The net increase of 1,297 thousand euros with respect to December 31, 2004 can be broken down as follows:

|  |              |
|--|--------------|
| (in thousands of euros)                      |              |
| Disposals                                    | (315)        |
| Revaluation for partial restoration of value | 1,612        |
| <b>Net change</b>                            | <b>1,297</b> |

The revaluation for partial restoration of value (mainly reflecting the writedown recorded in 2004) was made following the increase in market value during 2005, within the limits allowed by the treasury stock valuation reserve recorded in stockholders' equity. On the basis of the market value at December 30, 2005, the value of treasury stock would be equal to 31,764 thousand euros.

#### *Financial receivables*

This item totalled 3,058,299 thousand euros at December 31, 2005, compared with 2,320,581 thousand euros at the end of 2004.

This item consists of a fixed rate (4.41%) loan of 2,700,000 thousand euros, due on January 16, 2006, provided to the subsidiary Fiat Ge.Va. S.p.A. and liquidity left on deposit with this same company (358,299 thousand euros). The net increase of 737,718 thousand euros with respect to December 31, 2004 is the result of cash flows for 2005 which benefited from the receipt of 1,135 million euros from General Motors.

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## **7. Cash**

### *Bank and post office accounts*

This item, which at the end of December 31, 2005 amounted to 345 thousand euros, showed an increase of 20 thousand euros with respect to December 31, 2004.

### *Cheques*

At December 31, 2005, cheques amounted to 150 thousand euros. At December 31, 2004 there were no cheques.

### *Cash on hand*

There was no cash on hand at December 31, 2005.

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## **8. Accrued income and prepaid expenses**

### *Accrued income*

At 10,560 thousand euros, accrued income showed an increase of 8,207 thousand euros from the amount at December 31, 2004. Of this amount, 9,592 thousand euros represent accrued interest on the loan granted to the subsidiary Fiat Ge.Va. S.p.A.

### *Prepaid expenses*

These totalled 2,743 thousand euros at December 31, 2005, for a net decrease of 1,785 thousand euros compared with December 31, 2004, mainly connected with the fees contractually due to TOROC for sponsorship of the XX Winter Olympic Games, applicable to fiscal 2006.

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## 9. Stockholders' Equity

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### *Capital stock*

Fully paid-in capital amounted to 6,377,257,130 euros at December 31, 2005 and consisted of 1,275,451,426 shares as follows:

- 1,092,246,316 ordinary shares;
- 103,292,310 preference shares;
- 79,912,800 savings shares;

all with a par value of 5 euros each.

With reference to the capital stock, it should be mentioned that:

- On September 24, 2002 a pool of banks (see Note 12) extended a Mandatory Convertible Facility to Fiat S.p.A. for 3 billion euros due on September 20, 2005. According to the conditions of the facility agreement, the facility could be reimbursed by means of conversion into ordinary Fiat shares, which the banks would be required to subscribe.
- On September 12, 2002, the Extraordinary Stockholders meeting authorised the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to resolve a capital increase servicing the banks' subscription commitment as envisaged in the Mandatory Convertible Facility agreement.
- On September 20, 2005, the facility was converted in accordance with the agreement and by previous arrangement amongst the parties. This involved offsetting the 3 billion euros in principal owed to the banks by having them subscribe the rights offering resolved by the Board of Directors on September 15, 2005.
- As a result of this capital increase, for 1,459,143,590 euros (from 4,918,113,540 euros to 6,377,257,130 euros), 291,828,718 ordinary shares with a par value of 5 euros each were issued with the same characteristics as those already outstanding (including dividend rights at January 1, 2005). These newly issued shares were reserved for subscription pursuant to Article 2441, Section 7, of the Italian Civil Code to the subscribing banks at the price of 10.28 euros each, with 5.28 euros as a share premium. Pursuant to the facility agreement, the price of 10.28 euros per newly issued share was determined as the average of 14.4409 euros (the stock market quotation of Fiat ordinary stock at the facility date, which was subsequently adjusted) and the weighted average of official market prices for Fiat ordinary stock during the six months preceding the due date of the facility.
- Pursuant to the first three sections of Article 2441 of the Italian Civil Code and Article 134, Section 1, Legislative Decree no. 58/98 (Consolidated Law on Financial Intermediation), the banks subsequently offered these shares to Fiat shareholders at the price of 10.28 euros per share, at the ratio of 149 new shares for every 500 shares owned in any class.

With reference to the capital stock, for completeness of information it is noted that:

- Pursuant to resolutions approved by the Board of Directors on December 10, 2001 and June 26, 2003, capital may be increased through rights offerings for a maximum of 81,886,460 euros, with the issuance of a maximum of 16,377,292 ordinary shares at a par value of 5 euros

each on February 1, 2007, following the exercise of 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 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 warrant holder may opt to subscribe to the shares in exchange for the warrants.

- Pursuant to the resolution approved by the Extraordinary Stockholders Meeting on September 12, 2002, the Board of Directors has the right to increase the capital one or more times by September 11, 2007, up to a maximum of 8 billion euros.
- The resolutions for the capital increases servicing the stock option plans (28 million euros) have been revoked, as the Board of Directors resolved on June 26, 2003 to use ordinary treasury stock to be purchased for this purpose.

#### *Additional paid-in capital*

At December 31, 2005, additional paid-in capital amounted to 1,540,857 thousand euros, representing an increase of the same amount with respect to December 31, 2004 as a result of the capital increase approved by the Board of Directors on September 15, 2005 and previously commented on.

#### *Legal reserve*

The legal reserve totalled 446,562 thousand euros at December 31, 2005 and was unchanged with respect to December 31, 2004.

#### *Treasury stock valuation reserve*

The treasury stock valuation reserve totalled 27,710 thousand euros at December 31, 2005, reflecting a net increase of 1,297 thousand euros from December 31, 2004, following the revaluation for partial restoration of value and the reduction recorded following the disposal of treasury shares during the year.

The value of this reserve at December 31, 2005 corresponded to the value approved by the Stockholders Meeting on May 11, 2004, in proportion to treasury stock still owned by the Company.

#### *Other reserves*

##### **Extraordinary reserve**

At December 31, 2005, the extraordinary reserve totalled 334 thousand euros, with a net decrease of 1,297 thousand euros from the previous year reflecting the counter entries to the aforementioned increase in the treasury stock valuation reserve.

#### *Losses carried forward*

This item totalled 949,101 thousand euros at December 31, 2005. This is the exact amount of the change from the previous year and reflects the net loss for fiscal 2004 that was carried forward following a resolution by the Stockholders Meeting on June 23, 2005.

In the tables at the end of the Notes to the Financial Statements the following are illustrated:

- the tax treatment applicable to reserves and capital;
- the origin, possibility of use, and possibility of distribution of items posted under stockholders' equity.

The table below shows the changes that affected stockholders' equity in 2003, 2004 and 2005:

| (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 / losses carried forward | Net income (loss) for the fiscal year |
|---|-----------|---------------|----------------------------|---|---------------|----------------------------------|--------------------|--|---------------------------------------|
| 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                               |
| Utilisation 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)                             |
| Coverage of the loss for fiscal 2003 through recourse to the additional paid-in capital   | -         |               | (279.0)                    |   |               |                                  |                    |  | 279.0                                 |
| Coverage of the loss for fiscal 2003 through recourse to portion of the legal reserve   | -         |               |                            |   | (212.8)       |                                  |                    |  | 212.8                                 |
| Coverage of the loss for fiscal 2003 through recourse to:   |           |               |                            |   |               |                                  |                    |  |                                       |
| Extraordinary reserve   | -         |               |                            |   |               |                                  | (112.3)            |  | 112.3                                 |
| Reserve for purchase of treasury shares   | -         |               |                            |   |               |                                  | (971.9)            |  | 971.9                                 |
| Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 1986  | -         |               |                            |   |               |                                  | (1.9)              |  | 1.9                                   |
| Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 1967  | -         |               |                            |   |               |                                  | (17.7)             |  | 17.7                                  |
| Reserve for capital grants under Regional Law No. 19/84   | -         |               |                            |   |               |                                  | (0.1)              |  | 0.1                                   |
| Coverage of the loss for fiscal 2003 through recourse to retained earnings  | -         |               |                            |   |               |                                  |                    | (763.1)                                    | 763.1                                 |
| Transfer of part of treasury stock valuation reserve to extraordinary reserve following writedown of treasury stock   | -         |               |                            |   |               | (1.6)                            | 1.6                |  |                                       |
| Loss for the year   | (949.1)   |               |                            |   |               |                                  |                    |  | (949.1)                               |
| Balance at December 31, 2004  | 4,466.2   | 4,918.1       | -                          | 22.6  | 446.5         | 26.5                             | 1.6                | -  | (949.1)                               |
| Capital increase from 4,918.1 million euros to 6,377.2 million euros through issue of ordinary shares as resolved by the Board of Directors on September 15, 2005 | 3,000.0   | 1,459.1       | 1,540.9                    |   |               |                                  |                    |  |                                       |
| 2004 loss carried forward   | -         |               |                            |   |               |                                  |                    | (949.1)                                    | 949.1                                 |
| Transfer of part of treasury stock valuation reserve to extraordinary reserve following sale of treasury stock on the stock exchange                              | -         |               |                            |   |               | (0.3)                            | 0.3                |  |                                       |
| Transfer of part of extraordinary reserve to treasury stock valuation reserve following restoration of value of treasury stock                                    | -         |               |                            |   |               | 1.6                              | (1.6)              |  |                                       |
| Income for the year   | 223.0     |               |                            |   |               |                                  |                    |  | 223.0                                 |
| Balance at December 31, 2005  | 7,689.2   | 6,377.2       | 1,540.9                    | 22.6  | 446.5         | 27.8                             | 0.3                | (949.1)                                    | 223.0                                 |

| (*) Broken down as follows:  | At 12.31.2005 | At 12.31.2004 | At 12.31.2003  |
|--|---------------|---------------|----------------|
| Extraordinary reserve  | 0.3           | 1.6           | 112.3          |
| Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 12/22/1986 | -             | -             | 1.9            |
| Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/1967  | -             | -             | 17.7           |
| Reserve for capital grants under Regional Law No. 19/84                                    | -             | -             | 0.1            |
| Reserve for purchase of treasury shares  | -             | -             | 971.9          |
| <b>Total</b>   | <b>0.3</b>    | <b>1.6</b>    | <b>1,103.9</b> |

## 10. Reserves for risks and charges

### *Reserve for pensions and similar obligations*

This reserve amounted to 21,666 thousand euros at December 31, 2005 and covered severance indemnities and payments and bonuses accrued vis-à-vis employees and retired employees as a result of supplemental collective or individual agreements determined on the basis of actuarial computations.

The net increase of 2,393 thousand euros compared with the end of 2004, may be broken down as follows:

| (in thousands of euros)                          |              |
|--|--------------|
| Provisions for the fiscal year charged to income | 4,391        |
| Utilisation for the fiscal year                  | (1,998)      |
| <b>Net change</b>                                | <b>2,393</b> |

### *Other reserves*

This item amounted to 31,038 thousand euros at December 31, 2005 and consisted of contractual commissions (23,256 thousand euros) for the listing on the stock market of Ferrari S.p.A. shares which were sold to Mediobanca in 2002, expenses for bonuses to be paid to employees for the achievement of objectives (3,620 thousand euros), expenses for the retirement of personnel in consequence of corporate restructuring plans (4,115 thousand euros) and scholarships (47 thousand euros).

The net increase of 1,299 thousand euros with respect to December 31, 2004 resulted from the following:

| (in thousands of euros)  |              |
|--|--------------|
| Provision for the fiscal year charged to income                          | 7,736        |
| Utilisation for the fiscal year, mainly for bonuses granted to employees | (4,599)      |
| Release to income of excess reserve                                      | (1,838)      |
| <b>Net change</b>  | <b>1,299</b> |

Fiat S.p.A. is still subject to pending lawsuits for damages mainly related to real estate properties that were sold in prior fiscal years. Given the pending nature of these actions, as well as their specific conditions, no reasonable prediction can be made as to their outcome and, as a consequence, the costs that the company might incur.

## 11. Reserves for employee severance indemnities

At December 31, 2005 this reserve totalled 11,996 thousand euros, a net increase of 380 thousand euros from the end of 2004.

A breakdown of the change is as follows:

| (in thousands of euros)                                     |            |
|---|------------|
| Provision for the fiscal year charged to income             | 4,087      |
| Utilisation for the fiscal year                             | (3,891)    |
| Balance of personnel intragroup transfers and other changes | 184        |
| <b>Net change</b>   | <b>380</b> |

## 12. Debt

### *Borrowings from banks*

There were no borrowings from banks at December 31, 2005, for a decrease of 3,060,245 thousand euros with respect to December 31, 2004.

The balance at December 31, 2004 was comprised of 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 needed 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 Bank, BNP Paribas, Banco di Sicilia, and Banca Toscana (the "Banks"). As previously mentioned at Note 9, the facility was converted on September 20, 2005 through subscription by the Banks of a rights offering, following the capital increase from 4,918,113,540 euros to 6,377,257,130 euros approved by the Board of Directors on September 15, 2005. At December 31, 2004, borrowings from banks also included two years of commissions (60,000 thousand euros) for the subscription commitment that were owed under the agreement to the Banks and paid in 2005.

### *Advances*

Advances totalled 8,656,662 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 3,486,925 thousand euros, the Turin-Novara line for 4,304,045 thousand euros and the Novara-Milan line for 865,692 thousand euros. Work completed as of December 31, 2005 amounted to 3,398,254 thousand euros, 4,267,725 thousand euros and 664,444 thousand euros, respectively.

The 1,320,256 thousand euro increase from December 31, 2004 is due to 283,006 thousand euros in advances received for work completed on the Florence-Bologna line, 664,780 thousand euros in advances received for work completed on the Turin-Novara line, and 372,470 thousand euros in advances for work completion on the Novara-Milan line.

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 1,904,058 thousand euros, as described more exhaustively in Notes 4 and 14.

### Trade payables

Trade payables stem from services received and amounts due to CAVE.T. and CAV.TOMI. for progress payments due for work completed in the fourth quarter of 2005 and paid in the first quarter of 2006. They totalled 380,335 thousand euros at December 31, 2005, a net decrease of 121,320 thousand euros compared with December 31, 2004, mainly due to the amounts due to the CAV.TOMI. Consortium for the Turin-Novara line.

### Payables to subsidiaries

These stood at 222,848 thousand euros at December 31, 2005, showing a net increase of 118 thousand euros from a year earlier.

A breakdown of this item is as follows:

| (in thousands of euros)               | At 12.31.05    | At 12.31.04    | Change     |
|---------------------------------------|----------------|----------------|------------|
| Financial payables                    | 117,028        | 101,746        | 15,282     |
| Trade payables                        | 4,847          | 10,683         | (5,836)    |
| Payables for consolidated IRES        | 100,548        | 71,816         | 28,732     |
| Other payables                        | 425            | 38,485         | (38,060)   |
| <b>Total payables to subsidiaries</b> | <b>222,848</b> | <b>222,730</b> | <b>118</b> |

Financial payables at December 31, 2005 included amounts payable to subsidiaries for their VAT credits, which they transferred to Fiat S.p.A. under the consolidated VAT filing system.

Trade payables reflect the purchase of administrative and general services.

Payables for consolidated IRES refer for 73,591 thousand euros to amounts payable to Italian subsidiaries for IRES calculated on the portion of the tax losses contributed by these companies as part of the national tax consolidation program and offset with the taxable income contributed by other Italian subsidiaries during the year, and for 26,957 thousand euros to advances and other IRES credits transferred to Fiat S.p.A. by the companies participating in this program. Of the latter amount, 14,759 thousand euros were transferred in 2004 and 12,198 thousand euros in 2005.

### Payables to controlling company

There were no payables to the controlling company at December 31, 2005, with a decrease of 234 thousand euros with respect to December 31, 2004.

### Taxes payable

At December 31, 2005, taxes payable totalled 2,750 thousand euros, a net decrease of 6,237 thousand euros from the figure at December 31, 2004. A breakdown is as follows:

| (in thousands of euros)   | At 12.31.05  | At 12.31.04  | Change         |
|---|--------------|--------------|----------------|
| VAT payable   | –            | 5,672        | (5,672)        |
| Taxes withheld on payments to employees and independent contractors | 2,322        | 2,887        | (565)          |
| Miscellaneous items   | 428          | 428          | –              |
| <b>Total taxes payable</b>  | <b>2,750</b> | <b>8,987</b> | <b>(6,237)</b> |

## 03 Fiat S.p.A.

### Social security payable

This item totalled 1,717 thousand euros at December 31, 2005, a decrease of 1,080 thousand euros from December 31, 2004.

### Other payables

At December 31, 2005, other payables amounted to 22,607 thousand euros, for a net year-on-year decrease of 3,877 thousand euros. A breakdown is provided below:

| (in thousands of euros)   | At 12.31.05   | At 12.31.04   | Change         |
|---|---------------|---------------|----------------|
| Former Chief Executive Officer for retirement incentives to be paid in instalments over 20 years                    | 5,807         | 6,063         | (256)          |
| Directors and employees for fees to be paid   | 6,191         | 10,187        | (3,996)        |
| Payables to employees who left the Company  | 8,432         | 7,472         | 960            |
| Payables to stockholders of Toro Assicurazioni S.p.A., Magneti Marelli S.p.A. and Comau S.p.A. for public offerings | 864           | 869           | (5)            |
| Dividends payable   | 247           | 315           | (68)           |
| Miscellaneous payables  | 1,066         | 1,578         | (512)          |
| <b>Total other payables</b>   | <b>22,607</b> | <b>26,484</b> | <b>(3,877)</b> |

Finally, in regard to payables posted in the balance sheet, it should be noted that:

- The amount of payables to foreign entities is not significant.
- Payables with a residual term of more than five year amount to 10,561 thousand euros.

## 13. Accrued expenses and deferred income

### Accrued expenses

The balance of 503 thousand euros at December 31, 2005 is 129,147 thousand euros lower than the figure at December 31, 2004.

A breakdown of this item is provided below:

| (in thousands of euros)                           | At 12.31.05 | At 12.31.04    | Change           |
|---|-------------|----------------|------------------|
| Interest on the Mandatory Convertible Facility    | –           | 30,258         | (30,258)         |
| Commissions on the Mandatory Convertible Facility | –           | 98,951         | (98,951)         |
| Interest due to Intermap (Nederland) B.V.         | 434         | 395            | 39               |
| Other   | 69          | 46             | 23               |
| <b>Total accrued expenses</b>                     | <b>503</b>  | <b>129,650</b> | <b>(129,147)</b> |

### *Deferred income*

Deferred income amounted to 19 thousand euros at December 31, 2005, unchanged with respect to the figure reported at December 31, 2004. Deferred income refers to income to be recognised in 2006.

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## 14. Memorandum accounts

### Guarantees granted

#### *Unsecured guarantees*

##### **Suretyships**

Suretyships totalled 1,257,760 thousand euros at December 31, 2005.

They include suretyships provided on behalf of FiatSava S.p.A. to secure a debenture issue (410,303 thousand euros) and to secure Billets de Trésorerie issued by Group companies and third parties (totalling 314,000 thousand euros), bank loans (344,359 thousand euros), and rental obligations for buildings in relation to real estate securitisation operations carried out in previous years (189,098 thousand euros).

The net decrease of 530,900 thousand euros from December 31, 2004 is mainly due to lower guarantees provided to secure Sava debentures (598,064 thousand euros) and rental obligations for buildings (218,834 thousand euros), partially offset by higher guarantees for financings (171,998 thousand euros) and the issuance of Billets de Trésorerie (114,000 thousand euros).

##### **Other unsecured guarantees**

This item totalled 7,220,706 thousand euros at December 31, 2005.

It includes the following:

- 7,100,924 thousand euros in guarantees provided on behalf of subsidiaries to secure loans (Banco CNH Capital S.A. 651,973 thousand euros, CNH America LLC 130,103 thousand euros, Fiat Automoveis S.A. 78,040 thousand euros, Iveco Fiat Brasil Ltda 14,724 thousand euros, Magneti Marelli Controle Motor Ltda 3,248 thousand euros, Iveco Latin America Ltda 2,178 thousand euros), bond issues (Fiat Finance and Trade Ltd 5,426,621 thousand euros, Fiat Finance Canada Ltd. 100,000 thousand euros, Fiat Finance Luxembourg S.A. 14,571 thousand euros), credit lines (CNH Capital America LLC 127,130 thousand euros, CNH Capital Canada Ltd. 39,738 thousand euros, New Holland Credit Company LLC 32,920 thousand euros, CNH Capital Australia Pty Ltd 12,057 thousand euros, Fiat India Private Limited 6,686 thousand euros, Comau India Private Limited 201 thousand euros, New Holland Tractors (India) Pty Ltd 73 thousand euros), VAT credits under the Group consolidation process (278,260 thousand euros), as provided under Ministerial Decree of 12/13/79 as amended, and sundry guarantees (182,401 thousand euros);
- 119,782 thousand euros in miscellaneous guarantees.

The net decrease of 2,547,542 thousand euros with respect to December 31, 2004 is due mainly to fewer guarantees on behalf of subsidiaries following the reimbursement of bonds and the extinguishment of financings.

Although they are not included in memorandum accounts, mention is made of the following:

- At December 31, 2005, outstanding trade and other receivables sold without recourse and due after that date totalled 688 million euros (415 million euros in 2004 due after December 31, 2004). The turnover of discounting without recourse totalled 1,537 million euros in 2005 (843 million euros in 2004). At December 31, 2005, there was no risk of recourse against sold receivables as there were no receivables sold with recourse outstanding at that date.

- A new three-year credit line was granted to Fiat Ge.Va. S.p.A. and other Fiat Group subsidiaries as part of an agreement signed on June 22, 2005 with a pool of Italian and international banks coordinated by Citibank International. Under this agreement, Fiat S.p.A. guaranteed use of this credit line by its subsidiaries. At December 31, 2005 this credit line had not been used. It is also pointed out that Fiat S.p.A. granted its subsidiary CNH Global N.V. and its subsidiaries a 1 billion dollar revolving credit line, due at the end of January 2007, which may be drawn by Fiat Group cash management companies.
- In 2005, Fiat Partecipazioni S.p.A. collected the balance from the sale of Fiat Group interest in aviation activities ahead of schedule. Consequently, Fiat S.p.A. assumed a joint obligation with Fiat Partecipazioni S.p.A. towards the purchaser Avio Holding S.p.A. if Fiat Partecipazioni S.p.A. does not satisfy obligations to pay compensation (either in consequence of an arbitration award or a settlement agreement) deriving from the sale agreement signed in 2003 with the seller. Likewise, on the occasion of the sale of the Fiat Group interest in rolling stock and railway systems activities, Fiat S.p.A. assumed obligations to compensate Alstom N.V. if the seller (now Fiat Partecipazioni S.p.A.) of railway activities defaulted on compensation obligations under the sale agreement. A review of these obligations leads us to believe that there is no reasonable likelihood Fiat S.p.A. will incur direct costs for these commitments.

### Commitments

#### Commitments related to supply contracts

This item totalled 10,906,320 thousand euros at December 31, 2005. Of this amount, 4,296,833 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, 4,547,205 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 line, and 2,062,282 thousand euros for the commitment undertaken pursuant to the agreement of July 21, 2004 for the design and construction of the Novara-Milan line. The increase of 645,173 thousand euros compared with December 31, 2004 includes agreements reached during 2005 regarding the Florence-Bologna line, specifically alterations (422,625 thousand euros), and monetary adjustments (49,495 thousand euros), agreements regarding the Turin-Novara line, specifically relating to alterations (38,953 thousand euros) and monetary adjustments (52,343 thousand euros), and the Novara-Milan line, specifically relating to alterations (53,659 thousand euros) and monetary adjustments (28,098 thousand euros).

Fiat S.p.A. has subcontracted design and construction of the works to the CAVE.T. and CAV.TOMI. consortia.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totalling 1,904,058 thousand euros as guarantee for contractual advances received and proper execution of work. These guarantees are not recorded under memorandum accounts since advances are included under Liabilities – Advances. Likewise, the CAVE.T. and CAV.TOMI consortia provided Fiat S.p.A. with the contractually envisaged bank suretyships totalling 621,646 thousand euros and 1,210,029 thousand euros, respectively.

#### Commitments for derivative financial instruments

These totalled 70,241 thousand euros at December 31, 2005, reflecting a decrease of 20,157 thousand euros with respect to December 31, 2004.

The amount at December 31, 2005 represents the notional amount of the equity swap on Fiat shares made to hedge the risk of an increase in the share price above the exercise price of the 10,670,000 stock options granted to Mr. Marchionne. The risk of a significant increase in the Fiat share price above the exercise price for these options (6.583 euros) has been covered through the aforementioned "Total Return Equity Swap" agreement with a reference price of 6.583 euros per share and expiring on October 30, 2006. In accordance with accounting principles, the aforementioned Equity Swap, despite the fact that it was entered into for hedging purposes, cannot be treated in hedge accounting and accordingly is defined as a trading derivative financial instrument. It follows that, in accordance with the principle of prudence, if during the

period of the contract the Fiat shares perform positively, the positive fair value of the instrument is not recorded in the income statement; if, instead, the performance is negative, the negative fair value of the instrument is recorded as a cost under financial expenses. At December 31, 2005, the Equity Swap had a positive fair value of 8,002 thousand euros that was not therefore recorded in the financial statements.

At December 31, 2004, commitments for derivate financial instruments amounted to 90,398 thousand euros and referred to the Equity Swap on Fiat shares for 65,830 thousand euros and for 24,568 thousand euros to Forward Rate Agreements made to cover the risks connected with changes in the rate of the Mandatory Convertible Facility.

### Other commitments

This item totalled 6,972 thousand euros at December 31, 2005, with respect to 9,296 thousand euros at December 31, 2004, and 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 defer, 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 2,324 thousand euros from December 31, 2004 reflects the outlays incurred in the year for the management of degree courses.

A summary is presented below of the rights still in place at December 31, 2005 arising from the purchase, during 2002, 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. The sales contract sets out the following principal elements:

- Mediobanca agreed to coordinate and lead the consortium as the sole Global Coordinator, if placement takes place by June 30, 2006.
- Mediobanca cannot sell its Ferrari shares to another automobile manufacturer as long as the Fiat Group maintains a 51% controlling interest in Ferrari. Barring certain specific assumptions, the Fiat Group cannot 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, 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 (listed Italian government securities) 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.
- If agreed by the parties, Fiat may share in any gain realised 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 residual obligations.

With reference to the stake held by Renault in Teksid S.p.A., it should be noted that Fiat S.p.A. and Renault have agreed that said stake may be resold to Fiat S.p.A. should there be a material change in the conditions upon which the original agreement was based.

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## 15. Value of production

### *Service revenues*

Service revenues, which amounted to 20,170 thousand euros in 2005, are the result of transactions with Group companies.

They mainly refer to amounts due from Fiat Auto S.p.A. for the use of the Fiat trademark and to services rendered by management personnel of Fiat S.p.A. at the main Group companies.

The decrease over 2004 is due to lower bills for the license to use the trademark.

### *Change in contract work in progress*

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

Totalling 13,576 thousand euros in 2005, or 3,283 thousand euros less than in 2004, it mainly consists of services provided by suppliers outside the Group (12,995 thousand euros).

### *Other income and revenues*

Other income and revenues amounted to 11,702 thousand euros in 2005 and include 2,262 thousand euros in rental income from buildings owned by Fiat S.p.A. and leased to Group companies, 6,454 thousand euros in fees paid by miscellaneous companies for services performed by employees or coordinated and continuing collaborators of Fiat S.p.A. in the capacity of Directors, 476 thousand euros in miscellaneous income and expense reimbursements, and 2,510 thousand euros in prior period income, largely represented by bonuses to employees that were accrued in an amount that was greater than what had actually been paid. This item shows a decrease of 150 thousand euros from 2004.

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## 16. Costs of production

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### *Raw materials, supplies and merchandise*

This item totalled 407 thousand euros in 2005, against 423 thousand euros in 2004.

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

### *Services*

Service costs amounted to 76,218 thousand euros in 2005, a decrease of 33,631 thousand euros compared with 2004 due to lower expenses for professional services and consulting related to projects of interest to the Group in the administrative and financial areas, which were completed or are in the process of being completed, as well as lower expenses for facilities management services.

Amounts paid to Group companies for services provided totalled 32,670 thousand euros and include support and administrative and financial consulting services (4,493 thousand euros to Fiat Gesco S.p.A., 656 thousand euros to Fiat Ge.Va. S.p.A., and 168 thousand euros to KeyG Consulting S.p.A.); external relations services (1,815 thousand euros to Fiat I&CS S.c.p.A.); office management and maintenance (7,178 thousand euros to Ingest Facility S.p.A.); personnel management and other services (5,170 thousand euros to Fiat Se.p.In. S.c.p.A.); information technology services (223 thousand euros to PDL Service S.r.l. and 1,023 thousand euros to eSPIN S.p.A.); security services (2,924 thousand euros to Consorzio Orione and 1,089 thousand euros to Consorzio Sirio), and internal audit activities (5,038 thousand euros to Fiat-Revisione Interna S.c.r.l.).

Expenses for services provided by others totalled 43,548 thousand euros and include professional services, studies and consulting in the technical field (TAV), legal, administrative, and financial advice for 23,277 thousand euros, sponsorship and advertising expenses of 6,259 thousand euros, information services for 2,870 thousand euros, and insurance and other overhead expenses.

### *Leases and rentals*

Leases and rentals totalled 987 thousand euros in 2005, or 38 thousand euros more than in 2004.

### *Personnel*

This item amounted to 41,705 thousand euros in 2005 and includes provisions to the Reserve for pensions and similar obligations and to "other" reserves for bonuses and severance incentives as well as bonuses for the achievement of objectives. This item shows a decrease

of 11,174 thousand euros with respect to 2004 mainly due to lower wage and salary and social security contributions and lower provisions set aside for employee bonuses. The Company's average number of staff decreased from 151 employees in 2004 (83 managers, 63 clerical staff, and 5 blue collar workers) to 133 employees in 2005 (63 managers, 65 clerical staff and 5 blue collar workers).

During 2005, 11 managers were seconded to the Group's main subsidiaries (12 in 2004), which were billed for the respective costs.

#### *Amortisation and depreciation*

This item totalled 27,031 thousand euros in 2005 and refers for 23,746 thousand euros to the amortisation of intangible fixed assets and for 3,285 thousand euros to the depreciation of property, plant and equipment. The 2,686 thousand euro decrease with respect to 2004 is mainly due to the lower depreciation rate, with respect to 2004, connected to commissions and costs for organisation of the Mandatory Convertible Facility, which was extinguished in 2005.

#### *Other operating costs*

These costs totalled 40,701 thousand euros in 2005. The increase over 2004 is mainly due to the indemnity paid for the unwinding of the agreements with IBM and to contributions made to Group companies for initiatives to enhance the image of the Group.

The item includes fees paid to the Directors, Statutory Auditors and External Auditors. Directors' fees included compensation awarded by the Stockholders Meeting as well as fees set by the Board of Directors for Directors vested with particular offices.

## **17. Financial income and expenses**

### *Investment income*

Income from investments came to 7,714 thousand euros in 2005, a decrease of 674,843 thousand euros compared with 2004.

A breakdown is as follows:

| (in thousands of euros)  | 2005  | 2004    |
|--|-------|---------|
| <b>Subsidiaries</b>  |       |         |
| Dividends distributed by:  |       |         |
| Fiat Ge.Va. S.p.A.   | -     | 70,000  |
| Reimbursements of capital (portion in excess of the reduction of the book value) |       |         |
| IHF-Internazionale Holding Fiat S.A.   | -     | 606,124 |
| <b>Total subsidiaries</b>  | -     | 676,124 |
| <b>Other companies</b>   |       |         |
| Dividends distributed by:  |       |         |
| Mediobanca S.p.A.  | 6,777 | 5,647   |
| Fin. Priv. S.r.l.  | 937   | 786     |
| <b>Total other companies</b>   | 7,714 | 6,433   |
| <b>Total investment income</b>   | 7,714 | 682,557 |

### *Other financial income*

#### **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 totalled 2 thousand euros in 2005, in line with 2004.

**Securities among current assets other than equity investments**

This item amounted to 86 thousand euros in 2005, with an increase of the same amount with respect to December 31, 2004.

It refers to the gain realised during the year upon sale of treasury stock on the stock market.

**Other income**

Other income came to 112,614 thousand euros in 2005, an increase of 39,639 thousand euros compared with 2004.

A breakdown is as follows:

| (in thousands of euros)  | 2005           | 2004          |
|--|----------------|---------------|
| <b>Subsidiaries</b>  |                |               |
| Interest earned from:  |                |               |
| Fiat Ge.Va. S.p.A.   | 89,255         | 48,968        |
| Other companies  | -              | 335           |
| Total  | 89,255         | 49,303        |
| Fees for suretyships and unsecured guarantees provided on behalf of the following Group companies: |                |               |
| Fiat Finance and Trade Ltd   | 2,005          | 2,299         |
| Fiat France S.A.   | 581            | 396           |
| Fiat Partecipazioni S.p.A.   | 529            | 711           |
| Banco CNH Capital S.A.   | 424            | 297           |
| F.M.A. – Fabbrica Motori Automobilistici S.r.l.  | 116            | -             |
| Fiat Auto S.p.A.   | 113            | 204           |
| Ingest Facility S.p.A.   | 53             | 201           |
| New Holland Credit Company LLC   | 21             | 212           |
| Fiat Finance Luxembourg S.A.   | 4              | 249           |
| Fiat Auto Financial Services Limited   | -              | 333           |
| Other companies  | 551            | 561           |
| Total  | 4,397          | 5,463         |
| Income from derivative financial instruments   |                |               |
| Intermap (Nederland) B.V.  | 6,830          | 5,010         |
| Fiat Ge.Va. S.p.A.   | -              | 2,617         |
| Total  | 6,830          | 7,627         |
| Other income   | 717            | 626           |
| <b>Total subsidiaries</b>  | <b>101,199</b> | <b>63,019</b> |
| <b>Others</b>  |                |               |
| Interest earned on bank deposits   | 79             | 1             |
| Interest earned on amounts receivable from the Tax Authorities                                     | 9,464          | 6,847         |
| Other interest income  | 36             | 330           |
| Fees for suretyships provided:   |                |               |
| FiatSava S.p.A.  | 1,762          | 2,681         |
| Other companies  | 74             | 97            |
| Total  | 1,836          | 2,778         |
| <b>Total others</b>  | <b>11,415</b>  | <b>9,956</b>  |
| <b>Total other income</b>  | <b>112,614</b> | <b>72,975</b> |

### Interest and other financial expenses

Interest and other financial expenses amounted to 168,677 thousand euros in 2005, or 41,545 thousand euros less than in 2004.

A breakdown is provided below:

| (in thousands of euros)                                   | 2005           | 2004           |
|---|----------------|----------------|
| <b>Subsidiaries</b>                                       |                |                |
| Interest and other financial expenses paid to:            |                |                |
| Fiat Ge.Va. S.p.A.  | –              | 8,327          |
| Intermap (Nederland) B.V.                                 | 2,557          | 2,379          |
| Total   | 2,557          | 10,706         |
| Fees paid to:   |                |                |
| Fiat Ge.Va. S.p.A.  | 5              | 151            |
| Interest from derivative financial instruments:           |                |                |
| Intermap (Nederland) B.V.                                 | 380            | 6,830          |
| <b>Total subsidiaries</b>                                 | <b>2,942</b>   | <b>17,687</b>  |
| <b>Others</b>   |                |                |
| Interest paid on the Mandatory Convertible Facility       | 97,288         | 109,511        |
| Fees paid on the Mandatory Convertible Facility           | 56,062         | 70,200         |
| Interest expenses and charges for the sale of receivables | 11,695         | 11,763         |
| Other charges   | 690            | 1,061          |
| <b>Total others</b>                                       | <b>165,735</b> | <b>192,535</b> |
| <b>Total interest and other financial expenses</b>        | <b>168,677</b> | <b>210,222</b> |

### Foreign exchange gains and losses

Net foreign exchange losses totalled 58 thousand euros in 2005, with a net decrease of 341 thousand euros from 2004. The item includes a net loss of 1 thousand euros that has not yet been realised, deriving from the adjustment of receivables and payables denominated in foreign currency at the spot exchange rates on the closing date of the fiscal year.

## 18. Adjustments to financial assets

### Revaluations of equity investments

This item totalled 526,753 thousand euros in 2005 for a change of the same amount with respect to 2004. It includes partial restoration of the original book value of the investments held in Fiat Netherlands Holding N.V. (376,100 thousand euros), Magneti Marelli Holding S.p.A. (144,221 thousand euros), Fiat Finance North America Inc. (2,415 thousand euros) and Fiat U.S.A. Inc. (4,017 thousand euros) which are discussed at Note 3.

### Revaluations of securities among current assets other than equity investments

This item amounted to 1,612 thousand euros in 2005, for a change of the same amount with respect to 2004. It reflects the partial restoration of value of treasury stock, which are discussed at Note 6.

### *Writedowns of equity investments*

In 2005 this item totalled 957,542 thousand euros, for a decrease of 681,611 thousand euros with respect to 2004. It refers to the writedowns of the equity investments held in Fiat Partecipazioni S.p.A. (810,700 thousand euros), Teksid S.p.A. (52,986 thousand euros), Comau S.p.A. (41,800 thousand euros) and Business Solutions S.p.A. (52,056 thousand euros), which are discussed at Note 3.

In 2004 writedowns included Fiat Partecipazioni S.p.A. (1,623,973 thousand euros), Isvor Fiat S.c.p.A. (9,547 thousand euros), Fiat Finance North America Inc. (3,976 thousand euros), and Fiat USA Inc. (1,657 thousand euros).

### *Writedowns of securities included as current assets which do not represent equity investments*

This item amounted to 1,631 thousand euros in 2004 and consists of the writedown of treasury stock.

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## 19. Extraordinary income and expenses

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### *Extraordinary income*

Extraordinary income totalled 1,135,689 thousand euros in 2005 and consisted mainly of the extraordinary income of 1,135,000 thousand euros received under the settlement for termination of the Master Agreement with General Motors. It also included the adjustment to the sale price of the investment held in the Istituto Europeo di Oncologia S.r.l., which was sold at the end of 2004, and sundry items.

In 2004, it mainly consisted of lower tax expenses with respect to those determined in previous years.

### *Extraordinary expenses*

In 2005 extraordinary expenses totalled 14,745 thousand euros and consisted of expenses connected to the transaction with General Motors (legal expenses and other expenses for 1,890 thousand euros), incentives and expenses for the retirement of personnel in consequence of corporate restructuring plans (10,939 thousand euros) and the adjustment of the sale price of the investment held in the Istituto per la Ricerca e Cura del Cancro S.p.A. sold at the end of the prior fiscal year.

In 2004 these mainly referred to incentives and expenses for the retirement of personnel in consequence of corporate restructuring plans (14,704 thousand euros) and losses on the disposal of investments.

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## 20. Income taxes, current and deferred tax assets and liabilities

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Income taxes totalled 278,828 thousand euros in 2005 and include:

- current income taxes (IRES) for 1,828 thousand euros, payable on the income generated by some subsidiaries outside Italy (Article 167 T.U.I.R.) and on the national tax consolidation program (balance of taxes filed for fiscal 2004, net of a benefit for fiscal 2005, for tax losses used to offset taxable income contributed by other subsidiaries); and
- deferred taxes of 277,000 thousand euros stemming from realisation of deferred tax assets reported in the financial statements at December 31, 2004.

On the other hand, in 2004 there was a net tax credit of 278,442 thousand euros, mainly due to the recognition of deferred tax assets of 277,000 thousand euros, as previously discussed at Note 5.

In 2005, taxes represented 55.6% of income before taxes, and the difference with respect to the theoretical IRES rate of 33% is due mainly to the negative effect (28.2%) of impairment adjustments to financial assets (net writedowns of equity investments) carried out in the fiscal year that are not tax deductible, partially balanced by the positive effect (-5.6%) of tax losses carried forward and temporary differences that arose in previous years but, on a prudential basis, have not been accounted for as deferred tax assets.

In 2004, taxes represented 22.7% of income before taxes, and the difference with respect to the theoretical IRES rate of 33% was due mainly to the negative effect of writedowns of equity investments carried out in the fiscal year that are not tax deductible, but partially balanced by the positive effect of deferred tax assets posted in consequence of temporary differences that arose in previous years and tax losses carried forward.

Finally, taxable income for IRAP was negative in 2005 as in 2004.

## ANALYSIS OF FIXED ASSETS AND SUPPLEMENTAL INFORMATION

| (In thousands of euros)   | Gross value at beginning of fiscal year |                       | Increases      |                        |              | Decreases<br>Disposals, sales and<br>contributions |                    |                       | Gross value at the end of fiscal year |                       |                |
|---|---|-----------------------|----------------|------------------------|--------------|--|--------------------|-----------------------|---------------------------------------|-----------------------|----------------|
|   | Historical<br>cost                      | Upward<br>adjustments | Total          | Reclassifi-<br>cations | Purchases    | Reclassifi-<br>cations                             | Historical<br>cost | Upward<br>adjustments | Historical<br>cost                    | Upward<br>adjustments | Total          |
|   |   |                       |                |                        |              |  |                    |                       |                                       |                       |                |
| <b>Cost of fixed assets</b>   |   |                       |                |                        |              |  |                    |                       |                                       |                       |                |
| <b>Intangible fixed assets</b>  |   |                       |                |                        |              |  |                    |                       |                                       |                       |                |
| Start-up and expansion costs:   |   |                       |                |                        |              |  |                    |                       |                                       |                       |                |
| Cost of capital increase to<br>3,082.13 million euros<br>(Board Resolution of 12/10/01) | 19,224                                  |                       | 19,224         |                        |              |  |                    |                       | 19,224                                |                       | 19,224         |
| Cost of capital increase to<br>4,918.11 million euros<br>(Board Resolution of 06/26/03) | 56,729                                  |                       | 56,729         |                        |              |  |                    |                       | 56,729                                |                       | 56,729         |
| Cost of capital increase to<br>6,377.26 million euros<br>(Board Resolution of 09/15/05) | -                                       |                       | -              |                        | 1,363        |  |                    |                       | 1,363                                 |                       | 1,363          |
|   | <b>75,953</b>                           | <b>-</b>              | <b>75,953</b>  | <b>-</b>               | <b>1,363</b> | <b>-</b>   | <b>-</b>           | <b>-</b>              | <b>77,316</b>                         | <b>-</b>              | <b>77,316</b>  |
| Concessions, licenses, trademarks<br>and similar rights                                 | 897                                     |                       | 897            | 28                     | 94           |  | (16)               |                       | 1,003                                 |                       | 1,003          |
| Intangible assets in progress and advances  | 185                                     |                       | 185            |                        | 65           | (28)   | (1)                |                       | 221                                   |                       | 221            |
| Other Intangible fixed assets   |   |                       |                |                        |              |  |                    |                       |                                       |                       |                |
| Expenses connected with the<br>Mandatory Convertible Facility                           | 33,628                                  |                       | 33,628         |                        |              |  |                    |                       | 33,628                                |                       | 33,628         |
| Leasehold improvements  | -                                       |                       | -              |                        | 373          |  |                    |                       | 373                                   |                       | 373            |
|   | <b>110,663</b>                          | <b>-</b>              | <b>110,663</b> | <b>28</b>              | <b>1,895</b> | <b>(28)</b>  | <b>(17)</b>        | <b>-</b>              | <b>112,541</b>                        | <b>-</b>              | <b>112,541</b> |
| <b>Property, plant and equipment</b>  |   |                       |                |                        |              |  |                    |                       |                                       |                       |                |
| Land and buildings  | 45,945                                  | 102                   | 46,047         |                        |              |  |                    |                       | 45,945                                | 102                   | 46,047         |
| Plant and machinery   | 10,057                                  |                       | 10,057         |                        | 30           |  |                    |                       | 10,087                                |                       | 10,087         |
| Other fixed assets  | 7,743                                   |                       | 7,743          |                        | 1,191        |  | (1,370)            |                       | 7,564                                 |                       | 7,564          |
|   | <b>63,745</b>                           | <b>102</b>            | <b>63,847</b>  | <b>-</b>               | <b>1,221</b> | <b>-</b>   | <b>(1,370)</b>     | <b>-</b>              | <b>63,596</b>                         | <b>102</b>            | <b>63,698</b>  |

| (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 Sales |                    | Reclassifications | Historical cost                       | Upward adjustments | Total             |
|                               |   |                    |                   |                              |                   | Historical cost           | Historical cost | Upward adjustments |                   |                                       |                    |                   |
| <b>Financial fixed assets</b> |   |                    |                   |                              |                   |                           |                 |                    |                   |                                       |                    |                   |
| Investments in:               |   |                    |                   |                              |                   |                           |                 |                    |                   |                                       |                    |                   |
| Subsidiaries                  | 12,555,793                              | 38,576             | 12,594,369        | 165,193                      | 5                 | (9,615)                   |                 |                    |                   | 12,711,376                            | 38,576             | 12,749,952        |
| Other companies               | 126,730                                 |                    | 126,730           |                              |                   |                           |                 |                    | (5)               | 126,725                               |                    | 126,725           |
|                               | <b>12,682,523</b>                       | <b>38,576</b>      | <b>12,721,099</b> | <b>165,193</b>               | <b>5</b>          | <b>(9,615)</b>            | <b>-</b>        | <b>-</b>           | <b>(5)</b>        | <b>12,838,101</b>                     | <b>38,576</b>      | <b>12,876,677</b> |
| Other securities:             |   |                    |                   |                              |                   |                           |                 |                    |                   |                                       |                    |                   |
| Debt securities               | 74                                      |                    | 74                | 61                           |                   |                           | (62)            |                    |                   | 73                                    |                    | 73                |
|                               | <b>74</b>                               | <b>-</b>           | <b>74</b>         | <b>61</b>                    | <b>-</b>          | <b>-</b>                  | <b>(62)</b>     | <b>-</b>           | <b>-</b>          | <b>73</b>                             | <b>-</b>           | <b>73</b>         |

### Upward adjustments of fixed assets

| Classes of assets<br>(in thousands of euros) | Upward adjustments included in gross value at beginning of period | Increases     | Deductions for divested assets | Upward adjustments included in gross value at end of period |
|--|---|---------------|--------------------------------|---|
| <b>Property, plant and equipment</b>         |   |               |                                |   |
| Land and buildings                           |   | 102           |                                | 102   |
| Plant and machinery                          |   | -             |                                | -   |
|  |   | <b>102</b>    | <b>-</b>                       | <b>102</b>  |
| <b>Financial fixed assets</b>                |   |               |                                |   |
| Investments in:                              |   |               |                                |   |
| Subsidiaries                                 |   | <b>38,576</b> | <b>-</b>                       | <b>38,576</b>   |

## Depreciation and amortisation of fixed assets

| Classes of assets<br>(in thousands of euros)  | Amortisation and depreciation at beginning of fiscal year | Increases due to additions during the fiscal year | Decreases due to disposals during the fiscal year | Reclassifications | Amortisation and depreciation at end of fiscal year |
|---|---|---|---|-------------------|---|
| <b>Intangible fixed assets</b>  |   |   |   |                   |   |
| <b>Start-up and expansion costs</b>   |   |   |   |                   |   |
| Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/2001) | 11,534  | 3,845   |   |                   | 15,379  |
| Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/2003) | 22,692  | 11,346  |   |                   | 34,038  |
| Cost of capital increase to 6,377.26 million euros (Board Resolution of 09/15/2005) | –   | 272   |   |                   | 272   |
|   | <b>34,226</b>   | <b>15,463</b>                                     | –   | –                 | <b>49,689</b>                                       |
| Concessions, licenses, trademarks and similar rights                                | 842   | 85  | (16)  |                   | 911   |
| <b>Other Intangible fixed assets</b>  |   |   |   |                   |   |
| Expenses connected with the Mandatory Convertible Facility                          | 25,440  | 8,188   |   |                   | 33,628  |
| Leasehold improvements  | –   | 10  |   |                   | 10  |
|   | <b>60,508</b>   | <b>23,746</b>                                     | <b>(16)</b>                                       | –                 | <b>84,238</b>                                       |
| <b>Property, plant and equipment</b>  |   |   |   |                   |   |
| Land and buildings  | 10,216  | 1,354   |   |                   | 11,570  |
| Plant and machinery   | 7,170   | 991   |   |                   | 8,161   |
| Other fixed assets  | 2,976   | 940   | (683)   |                   | 3,233   |
|   | <b>20,362</b>   | <b>3,285</b>                                      | <b>(683)</b>                                      | –                 | <b>22,964</b>                                       |

## Writedowns of financial fixed assets

| Classes of assets<br>(in thousands of euros) | Writedowns at beginning of fiscal year | Increases due to additions during the fiscal year | Disposals during the fiscal year | Permanent losses in value | Decreases due to Reversals of writedowns | Writedowns at end of fiscal year |
|--|--|---|----------------------------------|---------------------------|--|----------------------------------|
| <b>Financial fixed assets</b>                |  |   |                                  |                           |  |                                  |
| <b>Investments in:</b>                       |  |   |                                  |                           |  |                                  |
| Subsidiaries                                 | 7,472,239                              | 957,542   |                                  | (9,615)                   | (526,753)                                | 7,893,413                        |
| Other companies                              | –                                      |   |                                  |                           |  | –                                |
|  | <b>7,472,239</b>                       | <b>957,542</b>                                    | –                                | <b>(9,615)</b>            | <b>(526,753)</b>                         | <b>7,893,413</b>                 |

**Art. 10, Law No. 72 of March 19, 1983 – Analysis of assets adjusted for inflation as of December 31, 2005**

| Classes of assets<br>(in euros)      | Historical cost                         |                                     | Upward adjustments permitted by Law |                      |                        | Upward adjustments<br>included in book<br>value at end of period |
|--------------------------------------|---|-------------------------------------|-------------------------------------|----------------------|------------------------|--|
|                                      | not subject<br>to upward<br>adjustments | subject<br>to upward<br>adjustments | No. 74 of<br>2/11/52                | No. 72 of<br>3/19/83 | No. 413 of<br>12/30/91 |  |
| <b>Property, plant and equipment</b> |   |                                     |                                     |                      |                        |  |
| Land and buildings                   | 45,791,125                              | 154,566                             | 19,385                              |                      | 82,785                 | 102,170  |
| Plant and machinery                  | 10,086,397                              |                                     |                                     |                      |                        | –  |
| Other fixed assets                   | 7,564,021                               |                                     |                                     |                      |                        | –  |
|                                      | <b>63,441,543</b>                       | <b>154,566</b>                      | <b>19,385</b>                       | <b>–</b>             | <b>82,785</b>          | <b>102,170</b>   |

| Classes of assets<br>(in euros) | Historical cost                         |                                     | Valuation reserves     | Upward adjustments permitted by Law |                       |                      | Upward adjustments<br>included in book<br>value at end of period |
|---------------------------------|---|-------------------------------------|------------------------|-------------------------------------|-----------------------|----------------------|--|
|                                 | not subject<br>to upward<br>adjustments | subject<br>to upward<br>adjustments |                        | No. 74 of<br>2/11/52                | No. 576 of<br>12/2/75 | No. 72 of<br>3/19/83 |  |
| <b>Financial fixed assets</b>   |   |                                     |                        |                                     |                       |                      |  |
| Investments in:                 |   |                                     |                        |                                     |                       |                      |  |
| Subsidiaries                    | 12,683,475,444                          | 27,900,031                          | (7,893,412,506)        | 41,933                              | 2,123,212             | 36,411,284           | 38,576,429   |
| Other companies                 | 126,725,012                             |                                     |                        |                                     |                       |                      | –  |
|                                 | <b>12,810,200,456</b>                   | <b>27,900,031</b>                   | <b>(7,893,412,506)</b> | <b>41,933</b>                       | <b>2,123,212</b>      | <b>36,411,284</b>    | <b>38,576,429</b>  |

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<br>(in euros) | Result for<br>the last fiscal year<br>(in euros) | Stockholders'<br>equity<br>(in euros) | % owned by<br>Fiat S.p.A.    | Number of shares     | Total book value<br>(in euros) |
|--|-----------------------|--|---------------------------------------|------------------------------|----------------------|--------------------------------|
| <b>Fiat Partecipazioni S.p.A. – Turin</b>                          |                       |  |                                       |                              |                      |                                |
| At 12/31/04  | 3,924,685,869         | (1,779,119,739)                                  | 1,168,392,316                         | 100.00                       | 3,924,685,869        | 1,391,492,082                  |
| ■ Writedown to reflect loss in value                               |                       |  |                                       |                              |                      | (810,700,000)                  |
| <b>At 12/31/05</b>   | <b>3,924,685,869</b>  | <b>(862,234,014)</b>                             | <b>306,158,302</b>                    | <b>100.00</b>                | <b>3,924,685,869</b> | <b>580,792,082</b>             |
| <b>Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)</b>     |                       |  |                                       |                              |                      |                                |
| At 12/31/04  | 4,366,482,748         | 157,044,140                                      | 3,850,560,371                         | 60.56                        | 57,488,376           | 2,349,582,656                  |
| ■ Revaluation for restoration of book value                        |                       |  |                                       |                              |                      | 376,100,000                    |
| <b>At 12/31/05</b>   | <b>4,366,482,748</b>  | <b>207,060,528</b>                               | <b>4,255,797,815</b>                  | <b>60.56<br/>+39.44 ind.</b> | <b>57,488,376</b>    | <b>2,725,682,656</b>           |
| <b>Ferrari S.p.A. – Modena</b>                                     |                       |  |                                       |                              |                      |                                |
| At 12/31/04  | 20,000,000            | 41,251,883                                       | 165,843,199                           | 56.00                        | 4,480,000            | 160,675,480                    |
| <b>At 12/31/05</b>   | <b>20,000,000</b>     | <b>52,962,628</b>                                | <b>218,805,827</b>                    | <b>56.00</b>                 | <b>4,480,000</b>     | <b>160,675,480</b>             |
| <b>Magneti Marelli Holding S.p.A. – Corbetta</b>                   |                       |  |                                       |                              |                      |                                |
| At 12/31/04  | 254,324,998           | (14,516,304)                                     | 612,474,172                           | 99.99                        | 254,301,607          | 666,932,086                    |
| <b>Ordinary shares</b>   |                       |  |                                       |                              |                      |                                |
| At 12/31/04  |                       |  |                                       | 100.00                       | 250,500,601          | 656,936,752                    |
| ■ Revaluation for restoration of book value                        |                       |  |                                       |                              |                      | 142,065,661                    |
| At 12/31/05  |                       |  |                                       | 100.00                       | 250,500,601          | 799,002,413                    |
| <b>Preference shares</b>   |                       |  |                                       |                              |                      |                                |
| At 12/31/04  |                       |  |                                       | 99.39                        | 3,801,006            | 9,995,334                      |
| ■ Revaluation for restoration of book value                        |                       |  |                                       |                              |                      | 2,155,653                      |
| <b>At 12/31/05</b>   |                       |  |                                       | <b>99.39</b>                 | <b>3,801,006</b>     | <b>12,150,987</b>              |
| <b>At 12/31/05</b>   | <b>254,324,998</b>    | <b>(64,320,893)</b>                              | <b>548,153,279</b>                    | <b>99.99</b>                 | <b>254,301,607</b>   | <b>811,153,400</b>             |
| <b>Teksid S.p.A. – Turin</b>                                       |                       |  |                                       |                              |                      |                                |
| At 12/31/04  | 239,600,000           | (17,608,985)                                     | 113,624,939                           | 80.48                        | 192,834,000          | 96,644,200                     |
| ■ Cancellation of shares upon reduction of capital to cover losses |                       |  |                                       |                              | (101,386,790)        |                                |
| ■ Capital stock increase   |                       |  |                                       |                              | 32,192,800           | 32,192,800                     |
| ■ Writedown to reflect loss in value                               |                       |  |                                       |                              |                      | (52,986,000)                   |
| <b>At 12/31/05</b>   | <b>145,817,739</b>    | <b>(43,497,815)</b>                              | <b>102,319,924</b>                    | <b>84.79</b>                 | <b>123,640,010</b>   | <b>75,851,000</b>              |
| <b>Comau S.p.A. – Grugliasco</b>                                   |                       |  |                                       |                              |                      |                                |
| At 12/31/04  | 140,000,000           | (10,895,549)                                     | 112,186,408                           | 100.00                       | 140,000,000          | 82,413,200                     |
| ■ Capital contribution   |                       |  |                                       |                              |                      | 100,000,000                    |
| ■ Writedown to reflect loss in value                               |                       |  |                                       |                              |                      | (41,800,000)                   |
| <b>At 12/31/05</b>   | <b>140,000,000</b>    | <b>(55,231,582)</b>                              | <b>156,954,825</b>                    | <b>100.00</b>                | <b>140,000,000</b>   | <b>140,613,200</b>             |

## 03 Fiat S.p.A.

### List of investments (continued)

| Company and registered office  | (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) |
|--|-----------------------|--|---------------------------------|------------------------|--------------------|-----------------------------|
| <b>Business Solutions S.p.A. – Turin</b>   |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | 10,000,000            | (5,278,785)                                | 13,338,609                      | 100.00                 | 10,000,000         | 65,360,200                  |
| ■ Capital contribution   |                       |  |                                 |                        |                    | 23,000,000                  |
| ■ Writedown to reflect loss in value   |                       |  |                                 |                        |                    | (52,056,000)                |
| <b>At 12/31/05</b>   | <b>10,000,000</b>     | <b>(31,547,213)</b>                        | <b>4,791,396</b>                | <b>100.00</b>          | <b>10,000,000</b>  | <b>36,304,200</b>           |
| <b>Itedi - Italiana Edizioni S.p.A. – Turin</b>  |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | 5,980,000             | (1,265,986)                                | 28,434,950                      | 100.00                 | 5,980,000          | 15,899,105                  |
| ■ Capital contribution   |                       |  |                                 |                        |                    | 10,000,000                  |
| <b>At 12/31/05</b>   | <b>5,980,000</b>      | <b>1,919,935</b>                           | <b>40,354,885</b>               | <b>100.00</b>          | <b>5,980,000</b>   | <b>25,899,105</b>           |
| <b>IHF - Internazionale Holding Fiat S.A. – Lugano (Switzerland)</b>                       |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | CHF 64,808,814        | 181,021,006                                | 245,906,014                     | 100.00                 | 100,000            | 33,444,877                  |
|  | CHF 100,000,000       | 279,315,412                                | 379,432,980                     |                        |                    |                             |
| <b>At 12/31/05</b>   | <b>CHF 64,304,546</b> | <b>109,326,187</b>                         | <b>353,318,843</b>              | <b>100.00</b>          | <b>100,000</b>     | <b>33,444,877</b>           |
|  | CHF 100,000,000       | 170,013,153                                | 549,446,133                     |                        |                    |                             |
| <b>Fiat Ge.Va. S.p.A. – Turin</b>  |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | 224,440,000           | 47,711,134                                 | 291,082,964                     | 100.00                 | 224,440,000        | 222,262,897                 |
| <b>At 12/31/05</b>   | <b>224,440,000</b>    | <b>21,035,715</b>                          | <b>312,118,679</b>              | <b>100.00</b>          | <b>224,440,000</b> | <b>222,262,897</b>          |
| <b>Fiat Finance North America Inc. – Wilmington (United States)</b>                        |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | USD 29,432,501        | 57,785                                     | 33,291,985                      | 39.47                  | 150                | 13,142,000                  |
|  | USD 40,090,010        | 78,709                                     | 45,347,013                      |                        |                    |                             |
| ■ Revaluation for restoration of book value  |                       |  |                                 |                        |                    | 2,415,000                   |
| <b>At 12/31/05</b>   | <b>USD 33,983,225</b> | <b>971,635</b>                             | <b>39,411,080</b>               | <b>39.47</b>           | <b>150</b>         | <b>15,557,000</b>           |
|  | USD 40,090,010        | 1,146,238                                  | 46,493,251                      | +60.53 ind.            |                    |                             |
| <b>Fiat U.S.A. Inc. – New York (United States)</b>   |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | USD 12,355,921        | 207,961                                    | 23,240,568                      | 100.00                 | 1,000              | 23,240,726                  |
|  | USD 16,830,000        | 283,264                                    | 31,655,978                      |                        |                    |                             |
| ■ Revaluation for restoration of book value  |                       |  |                                 |                        |                    | 4,017,000                   |
| <b>At 12/31/05</b>   | <b>USD 14,266,339</b> | <b>421,594</b>                             | <b>27,255,517</b>               | <b>100.00</b>          | <b>1,000</b>       | <b>27,257,726</b>           |
|  | USD 16,830,000        | 497,355                                    | 32,153,333                      |                        |                    |                             |
| <b>Elasis Società Consortile per Azioni – Pomigliano d'Arco</b>                            |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | 20,000,000            | 44,342                                     | 20,104,768                      | 0.17                   | 33,334             | 29,974                      |
| <b>At 12/31/05</b>   | <b>20,000,000</b>     | <b>29,905</b>                              | <b>20,134,672</b>               | <b>0.17</b>            | <b>33,334</b>      | <b>29,974</b>               |
|  |                       |  |                                 | +99.83 ind.            |                    |                             |
| <b>Fiat Information &amp; Communication Services società consortile per azioni – Turin</b> |                       |  |                                 |                        |                    |                             |
| At 12/31/04  | 800,000               | 23,846                                     | 928,622                         | 51.00                  | 408,000            | 430,000                     |
| <b>At 12/31/05</b>   | <b>800,000</b>        | <b>26,635</b>                              | <b>955,257</b>                  | <b>51.00 p.v.</b>      | <b>408,000</b>     | <b>430,000</b>              |
|  |                       |  |                                 | +49.00 ind.            |                    |                             |

## List of investments (continued)

| Company and registered office   | (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) |
|---|------------------|--|---------------------------------|---|------------------|-----------------------------|
| <b>Fiat Media Center S.p.A. – Turin</b>   |                  |  |                                 |   |                  |                             |
| At 12/31/04   |                  |  |                                 | –                                       |                  | –                           |
| ■ Transfer from other companies   |                  |  |                                 |   | 6,977            | 5,165                       |
| <b>At 12/31/05</b>  | <b>219,757</b>   | <b>1,210</b>                               | <b>220,967</b>                  | <b>3.17</b><br><b>+68.25 ind.</b>       | <b>6,977</b>     | <b>5,165</b>                |
| <b>Fiat-Revisione Interna S.c.r.l. – Turin</b>  |                  |  |                                 |   |                  |                             |
| At 12/31/04   | 300,000          | 26,438                                     | 333,308                         | 14.00 p.v.                              | 42,000           | 42,962                      |
| <b>At 12/31/05</b>  | <b>300,000</b>   | <b>55,930</b>                              | <b>389,238</b>                  | <b>14.00 p.v.</b><br><b>+86.00 ind.</b> | <b>42,000</b>    | <b>42,962</b>               |
| <b>Fiat Servizi per l'Industria S.c.p.A. – Turin</b>  |                  |  |                                 |   |                  |                             |
| At 12/31/04   | 3,850,000        | 238,346                                    | 1,652,669                       | 36.47                                   | 1,404,000        | 515,803                     |
| ■ cancellation of shares upon reduction of capital to cover losses                              |                  |  |                                 |   | (801,312)        |                             |
| <b>At 12/31/05</b>  | <b>1,652,669</b> | <b>349,291</b>                             | <b>2,001,960</b>                | <b>36.47</b><br><b>+63.53 ind.</b>      | <b>602,688</b>   | <b>515,803</b>              |
| <b>Isvor Fiat Società consortile di sviluppo e addestramento Industriale per Azioni – Turin</b> |                  |  |                                 |   |                  |                             |
| At 12/31/04   | 300,000          | (9,139,001)                                | 539,946                         | 26.00                                   | 78,000           | –                           |
| <b>At 12/31/05</b>  | <b>300,000</b>   | <b>175,142</b>                             | <b>715,087</b>                  | <b>26.00</b><br><b>+74.00 ind.</b>      | <b>78,000</b>    | <b>–</b>                    |
| <b>Orione - Consorzio Industriale per la Sicurezza e la Vigilanza – Turin</b>                   |                  |  |                                 |   |                  |                             |
| At 12/31/04   | 26,342           | (479,932)                                  | (453,590)                       | 82.01                                   |                  | 21,108                      |
| <b>At 12/31/05</b>  | <b>26,605</b>    | <b>60,906</b>                              | <b>87,511</b>                   | <b>81.20</b><br><b>+13.86 ind.</b>      |                  | <b>21,108</b>               |
| <b>Sirio - Sicurezza Industriale Società consortile per azioni – Turin</b>                      |                  |  |                                 |   |                  |                             |
| At 12/31/04   | 56,364           | 49,478                                     | 119,216                         | 1.59                                    |                  | 764                         |
| <b>At 12/31/05</b>  | <b>120,000</b>   | <b>14,974</b>                              | <b>197,826</b>                  | <b>0.75</b><br><b>+88.50 ind.</b>       | <b>901</b>       | <b>764</b>                  |
| ■ Total subsidiaries  |                  |  |                                 |   |                  | <b>4,856,539,398</b>        |

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


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

| Company and registered office              | % owned by<br>Fiat S.p.A. | Number<br>of shares | Total book value<br>(in euros) |
|--|---------------------------|---------------------|--------------------------------|
| <b>Mediobanca S.p.A. – Milan</b>           |                           |                     |                                |
| At 12/31/04                                | 1.80                      | 14,118,350          | 92,840,388                     |
| At 12/31/05                                | 1.77                      | 14,118,350          | 92,840,388                     |
|  |                           | )                   | 227,108,261                    |
| <b>Fin.Priv. S.r.l. – Milan</b>            |                           |                     |                                |
| At 12/31/04                                | 14.29                     |                     | 14,354,662                     |
| At 12/31/05                                | 14.29                     |                     | 14,354,662                     |
| <b>Consortium S.r.l. – Milan</b>           |                           |                     |                                |
| At 12/31/04                                | 2.62                      |                     | 19,529,683                     |
| At 12/31/05                                | 2.76                      |                     | 19,529,683                     |
| <b>Consorzio Fiat Media Center – Turin</b> |                           |                     |                                |
| At 12/31/04                                | 1.85                      |                     | 5,165                          |
| ■ Transfer to subsidiaries                 |                           |                     | (5,165)                        |
| At 12/31/05                                | –                         | –                   | –                              |
| <b>Consorzio Lingotto – Turin</b>          |                           |                     |                                |
| At 12/31/04                                | 5.40                      |                     | 279                            |
| At 12/31/05                                | 5.40                      |                     | 279                            |
| ■ Total other companies                    |                           |                     | 126,725,012                    |

) Based on market prices on December 30, 2005.

**% owned by Fiat S.p.A.**

The indirect percentage held in the ordinary capital of subsidiaries is also indicated.

### Treasury stock at December 31, 2005

|   | % owned by<br>Fiat S.p.A. | Number<br>of shares | per share<br>(in euros) | Book value<br>total<br>(in euros) | per share<br>(in euros) | Par value<br>total<br>(in euros) |
|---|---------------------------|---------------------|-------------------------|-----------------------------------|-------------------------|----------------------------------|
| <b>Ordinary shares</b>                              |                           |                     |                         |                                   |                         |                                  |
| At 12/31/04   | 0.45                      | 4,384,019           | 6.025                   | 26,413,308                        | 5.00                    | 21,920,095                       |
| ■ Sale  |                           | (52,311)            | 6.025                   | (315,169)                         |                         |                                  |
| ■ Revaluation for partial restoration of book value |                           |                     |                         | 1,611,797                         |                         |                                  |
| At 12/31/05   | 0.34                      | 4,331,708           | 6.397                   | 27,709,936<br>°) 31,764,415       | 5.00                    | 21,658,540                       |

°) Based on market prices on December 30, 2005

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


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| 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 earnings reserves (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                             |  |  | 1,540,854,410  | 1,540,854,410        |
| Revaluation reserve under Law No. 413 of Dec. 30, 1991 | 22,590,857   |  |  | 22,590,857           |
| Legal reserve  | 352,292,766  | 32,898,413   | 61,370,583   | 446,561,762          |
| Treasury stock valuation reserve                       |  | 27,709,936   |  | 27,709,936           |
| Other reserves   |  |  |  |                      |
| Extraordinary reserve                                  |  | 334,634  |  | 334,634              |
|  | <b>374,883,623</b>   | <b>60,942,983</b>                                  | <b>1,602,224,993</b>   | <b>2,038,051,599</b> |

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     |

## Origin, possibility of use, and possibility of distribution of Stockholders' equity reserves

| Nature/description  | At 12.31.05<br>(in euros) | Possibility<br>of use | Available<br>share<br>(in euros) | Summary of the applications<br>made during the last three years (**) |                                 |
|---|---------------------------|-----------------------|----------------------------------|--|---------------------------------|
|   |                           |                       |                                  | For coverage<br>of losses<br>(in euros)                              | For other reasons<br>(in euros) |
| <b>Capital stock</b>                                      | 6,377,257,130             |                       |                                  |  |                                 |
| <b>Capital reserves:</b>                                  |                           |                       |                                  |  |                                 |
| Additional paid-in capital                                | 1,540,856,410             | B                     | 1,540,856,410                    | 2,331,583,228  |                                 |
| Legal reserve   | 61,370,583                | B                     | –                                | 29,241,925   |                                 |
| Revaluation reserve under Law<br>No. 413 of Dec. 30, 1991 | 22,590,857                | A,B,C                 | 22,590,857                       |  |                                 |
| <b>Earnings reserves:</b>                                 |                           |                       |                                  |  |                                 |
| Legal reserve   | 385,191,179               | B                     | –                                | 183,536,323  |                                 |
| Treasury stock valuation reserve                          | 27,709,936                | –                     | –                                |  |                                 |
| Extraordinary reserve                                     | 334,634                   | A,B,C                 | 334,634                          | 112,253,586  | 1,611,796                       |
| <b>Total</b>  | <b>8,415,310,729</b>      |                       | <b>1,563,781,901</b>             | <b>2,656,615,062</b>   | <b>1,611,796</b>                |
| <b>Portion that cannot be distributed (*)</b>             |                           |                       | <b>1,563,781,901</b>             |  |                                 |
| <b>Residual portion that can be distributed</b>           |                           |                       | <b>–</b>                         |  |                                 |

Legend:

A: For capital increases

B: For coverage of losses

C: For distribution to stockholders

(\*) Pursuant to Article 2431 of the Italian Civil Code, additional paid-in capital may not be distributed until the legal reserve equals at least one-fifth of the capital stock. The other available reserves (revaluation reserve and extraordinary reserve) may not be distributed because 27,627 thousand euros in start-up and expansion costs have not yet been amortised (Article 2426, Section 5 of the Italian Civil Code).

(\*\*) For uses of reserves no longer existing at December 31, 2005, reference is made to the schedule of changes in stockholders' equity (note 9).

| <b>Statement of cash flows</b>  |                  |                  |
|---|------------------|------------------|
| (in thousands of euros)   | 2005             | 2004             |
| <b>A. Initial short - term financial assets</b>                                 | <b>2,218,915</b> | <b>1,303,578</b> |
| <b>B. Cash flow - operating activities</b>                                      |                  |                  |
| Income (loss) for the fiscal year   | 223,019          | (949,101)        |
| Depreciation and amortisation   | 27,031           | 29,717           |
| Losses (gains) on disposals of fixed assets                                     | -                | 595              |
| Income from reimbursement of principal IHF - Internazionale Holding Fiat S.p.A. | -                | (606,124)        |
| Writedowns (revaluations) of equity investments                                 | 430,789          | 1,639,153        |
| Net change in reserve for employee severance indemnities and other reserves     | 4,072            | (8,466)          |
| Changes in capital stock  | 265,562          | 31,415           |
|   | <b>950,473</b>   | <b>137,189</b>   |
| <b>C. Cash flow - investing activities</b>                                      |                  |                  |
| Investments in fixed assets   |                  |                  |
| Equity investments  | (165,193)        | (253,964)        |
| Other fixed assets  | (3,116)          | (2,711)          |
| Selling price, or redemption value, of long-term investments                    | 688              | 1,254,823        |
|   | <b>(167,621)</b> | <b>998,148</b>   |
| <b>D. Cash flow - financing activities</b>                                      |                  |                  |
| Contributions by stockholders (*)   | -                | -                |
| Repayment of borrowings (*)   | -                | (250,000)        |
| Change in payables due to banks   | (60,000)         | 30,000           |
|   | <b>(60,000)</b>  | <b>(220,000)</b> |
| <b>E. Net cash flow for the period</b>  | <b>(B+C+D)</b>   | <b>915,337</b>   |
| <b>F. Final short-term financial assets</b>                                     | <b>(A+E)</b>     | <b>2,218,915</b> |

(\*) The capital increase subscribed by the lending banks to offset the Mandatory Convertible Facility (3 billion euros) was not indicated because it did not give rise to any cash flow.

N.B. Short-term financial assets include 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 General Managers  
(in thousands of euros) (Article 78 of Consob Regulation No. 11971/99)**

| First name and last name    | Office held in 2005                         | Term of office | Expiration (*) | Compensation for office held | Non-cash benefits (**) | Bonuses and other incentives | Other fees    |
|-----------------------------|---|----------------|----------------|------------------------------|------------------------|------------------------------|---------------|
| <b>In office:</b>           |   |                |                |                              |                        |                              |               |
| Luca Cordero di Montezemolo | Chairman                                    | 1/1-12/31      | 2006           | 551.2<br>1)                  | 4.3                    |                              | 6,484.0<br>2) |
| John Elkann                 | Vice Chairman                               | 1/1-12/31      | 2006           | 550.0<br>3)                  | 17.1                   |                              |               |
| Sergio Marchionne           | Chief Executive Officer                     | 1/1-12/31      | 2006           | 2,000.0                      |                        | 4,648.0<br>4)                | 351.9<br>5)   |
| Andrea Agnelli              | Director                                    | 1/1-12/31      | 2006           | 77.0                         |                        |                              |               |
| Angelo Benessia             | Director                                    | 1/1-12/31      | 2006           | 98.0                         |                        |                              |               |
| Tiberio Brandolini d'Adda   | Director                                    | 1/1-12/31      | 2006           | 77.0                         |                        |                              |               |
| Flavio Cotti                | Director                                    | 1/1-12/31      | 2006           | 80.0                         |                        |                              |               |
| Luca Garavoglia             | Director                                    | 1/1-12/31      | 2006           | 92.0                         |                        |                              |               |
| Gian Maria Gros-Pietro      | Director                                    | 06/23-12/31    | 2006           | 41.3                         |                        |                              |               |
| Hermann-Josef Lamberti      | Director                                    | 1/1-12/31      | 2006           | 71.0                         |                        |                              |               |
| Virgilio Marrone            | Director                                    | 06/23-12/31    | 2006           | 41.3<br>6)                   |                        |                              |               |
| Vittorio Mincato            | Director                                    | 06/23-12/31    | 2006           | 47.3                         |                        |                              |               |
| Pasquale Pistorio           | Director                                    | 1/1-12/31      | 2006           | 92.0                         |                        |                              |               |
| Daniel John Winteler        | Director                                    | 1/1-12/31      | 2006           | 92.0<br>7)                   |                        |                              |               |
| Mario Zibetti               | Director                                    | 06/23-12/31    | 2006           | 53.3                         |                        |                              | 3.3<br>8)     |
| Cesare Ferrero              | Chairman of the Board of Statutory Auditors | 1/1-12/31      | 2006           | 63.0                         |                        |                              | 30.0<br>9)    |
| Giuseppe Camosci            | Statutory Auditor                           | 1/1-12/31      | 2006           | 42.0                         |                        |                              |               |
| Giorgio Ferrino             | Statutory Auditor                           | 1/1-12/31      | 2006           | 42.0                         |                        |                              |               |

(\*) 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 use of means of transport for personal purposes.

- 1) The gross annual compensation for the office of Chairman amounts to 500,000 euros.
- 2) Compensation for the office held in the subsidiary Ferrari inclusive of the variable portion of his compensation. Starting from the fourth year of office, the Chairman and Chief Executive Officer of Ferrari will accrue the right to receive the following severance package: a sum payable over twenty years, the amount of which, after ten years, may not be greater than five times the fixed portion of his annual compensation, which in 2005 amounted to 2,742 thousand euros. The relevant accrual posted by Ferrari in 2005 amounted to 1.37 million euros. In addition, the Chairman and Chief Executive Officer of Ferrari was granted options for the purchase of 184,000 Ferrari shares at the price of 175 euros per share, exercisable until December 31, 2010. The exercise of 80,000 of said shares is subject to the placement of Ferrari shares on the stock market.
- 3) The gross annual compensation for the office of Vice Chairman amounts to 500,000 euros.
- 4) Variable compensation whose payment is subject to the achievement of predetermined targets related to the annual budget and which may not be greater than 2.5 times the gross annual fixed compensation.
- 5) The amount includes compensation for the office held in the subsidiaries IHF (342.3 thousand euros) and Buc (9.6 thousand euros) but does not include compensation for the office held in Fiat Auto (500 thousand euros), which he does not receive but is channelled to Fiat S.p.A. In 2005, the Company posted an accrual of 800.6 thousand euros for the Chief Executive Officer's severance package.
- 6) Compensation channelled to IFI S.p.A.
- 7) Compensation channelled to IFIL Investments S.p.A.
- 8) Compensation for the office of Statutory Auditor, held until June 8, 2005, in the subsidiary Atlanet.
- 9) Compensation for the office of Chairman of the Board of Statutory Auditors in Fiat Auto.

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**Stock Options granted to Directors and General Managers (Article 78 of Consob Regulation No. 11971/99)**


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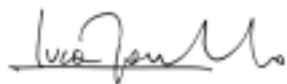
| Grantee           | Office held at the date of the grant | Options held at the beginning of the year |                        |                         | Options granted during the year |                        |                         | Options exercised during the year |                        |                                       | 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                 | 07/01-01/10             |                                 |                        |                         |                                   |                        |                                       |                             | 2,250,000                           | 20.614                 | 07/01-01/10             |
| Sergio Marchionne | Chief Executive Officer              | 10,670,000                                | 6.583                  | 06/08-01/11*            |                                 |                        |                         |                                   |                        |                                       |                             | 10,670,000                          | 6.583                  | 06/08-01/11             |

\* The options are exercisable for one-third of the shares only upon satisfaction of the profitability targets, whose amount and reference period are defined in advance.

Turin, February 28, 2006

The Board of Directors

By:



Luca Cordero di Montezemolo  
Chairman