



ANNUAL REPORT
CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS
AT DECEMBER 31, 2004 — 99TH FISCAL YEAR



FIAT S.P.A.



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Fiat S.p.A.

Corporate Headquarters: 250 Via Nizza, Turin, Italy

Paid-in Capital: 4,918,113,540 euros

Entered in the Turin Company Register

Fiscal Code: 00469580013

BALANCE SHEET

■ ASSETS

	December 31, 2004 (in euros)	December 31, 2003 (in euros)
FIXED ASSETS		
Intangible fixed assets (note 1)		
Start-up and expansion costs	41,726,538	56,916,950
Concessions, licenses, trademarks and similar rights	54,868	97,891
Intangible assets in progress and advances	185,759	180,080
Other intangible fixed assets	8,187,824	19,422,996
Total	50,154,989	76,617,917
Property, plant and equipment (note 2)		
Land and buildings	35,831,465	37,187,059
Plant and machinery	2,887,128	3,881,608
Other assets	4,766,873	4,169,698
Total	43,485,466	45,238,365
Financial fixed assets (note 3)		
Investments in:		
Subsidiaries	5,122,130,119	7,143,056,463
Other companies	126,730,177	139,075,478
Total investments	5,248,860,296	7,282,131,941
Other securities	74,180	74,672
Total	5,248,934,476	7,282,206,613
TOTAL FIXED ASSETS	5,342,574,931	7,404,062,895
CURRENT ASSETS		
Inventories (note 4)		
Contract work in progress	91,261,958	74,402,481
Advances to suppliers	7,053,456,999	5,162,514,994
Total	7,144,718,957	5,236,917,475
Receivables (note 5)		
Trade receivables (*)	350,602,953	198,904,177
Receivables from subsidiaries	25,250,689	16,437,527
Tax receivables (**)	288,901,943	404,210,624
Deferred tax assets	277,000,000	-
Receivables from others (***)	32,795,820	75,013,535
Total	974,551,405	694,565,863
Financial assets not held as fixed assets (note 6)		
Treasury stock (total par value 21,920,095 euros)	26,413,309	28,044,570
Financial receivables:		
From subsidiaries	2,320,580,431	1,436,664,083
Total	2,346,993,740	1,464,708,653
Cash (note 7)		
Bank and post office accounts	324,705	245,921
Cheques	-	1,200
Cash on hand	554	487
Total	325,259	247,608
TOTAL CURRENT ASSETS	10,466,589,361	7,396,439,599
ACCRUED INCOME AND PREPAID EXPENSES (note 8)	6,881,119	11,560,153
■ TOTAL ASSETS	15,816,045,411	14,812,062,647
(*) Amounts due within one year	350,318,902	198,594,303
Amounts due beyond one year	284,051	309,874
(**) Amounts due within one year	286,720,362	401,752,997
Amounts due beyond one year	2,181,581	2,457,627
(***) Amounts due within one year	32,735,791	74,990,162
Amounts due beyond one year	60,029	23,373

BALANCE SHEET

■ MEMORANDUM ACCOUNTS (note 14)

	December 31, 2004 (in euros)	December 31, 2003 (in euros)
GUARANTEES GRANTED		
Unsecured guarantees		
Suretyships on behalf of:		
Subsidiaries	672,385,005	789,465,315
Others	1,116,275,497	1,283,134,073
	1,788,660,502	2,072,599,388
Other unsecured guarantees on behalf of:		
Subsidiaries	9,596,883,852	13,422,684,768
Others	171,364,028	217,686,478
	9,768,247,880	13,640,371,246
TOTAL GUARANTEES GRANTED	11,556,908,382	15,712,970,634
COMMITMENTS		
Commitments related to supply contracts	10,261,146,601	8,010,928,125
Commitments related to derivative financial instruments	90,397,500	61,730,000
Other commitments	9,296,224	12,853,280
TOTAL COMMITMENTS	10,360,840,325	8,085,511,405
■ TOTAL MEMORANDUM ACCOUNTS	21,917,748,707	23,798,482,039

STATEMENT OF OPERATIONS

	2004 (in euros)	2003 (in euros)
VALUE OF PRODUCTION (note 15)		
Revenues from sales and services	59,775,406	73,271,898
Change in contract work in progress	16,859,476	20,038,288
Other income and revenues	11,851,617	19,217,446
TOTAL VALUE OF PRODUCTION	88,486,499	112,527,632
COSTS OF PRODUCTION (note 16)		
Raw materials, supplies and merchandise	423,376	384,685
Services	109,849,162	99,821,396
Leases and rentals	949,056	735,001
Personnel		
Wages and salaries	29,980,662	41,480,282
Social security contributions	9,873,787	12,845,132
Employee severance indemnities	4,088,328	30,443,304
Employee pensions and similar obligations	2,189,912	5,101,776
Other costs	6,745,987	7,664,954
	52,878,676	97,535,448
Amortization, depreciation and writedowns		
Amortization of intangible fixed assets	26,496,908	26,522,758
Depreciation of property, plant and equipment	3,220,295	3,250,914
	29,717,203	29,773,672
Other operating costs	13,451,449	14,491,726
TOTAL COSTS OF PRODUCTION	207,268,922	242,741,928
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION	(118,782,423)	(130,214,296)
FINANCIAL INCOME AND EXPENSES (note 17)		
Investment income		
Subsidiaries	676,123,797	397,034,992
Other companies	6,433,015	2,892,475
	682,556,812	399,927,467
Other financial income		
From securities held as fixed assets other than equity investments	2,467	2,556
Other income		
Subsidiaries	63,019,390	40,523,699
Others	9,955,470	13,215,790
	72,974,860	53,739,489
	72,977,327	53,742,045
Interest and other financial expenses		
Subsidiaries	17,686,797	16,787,602
Others	192,535,010	206,355,568
	210,221,807	223,143,170
Foreign exchange gains and losses	283,349	604,146
TOTAL FINANCIAL INCOME AND EXPENSES	545,595,681	231,130,488

STATEMENT OF OPERATIONS

	2004 (in euros)	2003 (in euros)
ADJUSTMENTS TO FINANCIAL ASSETS	(note 18)	
Writedowns		
Equity investments	1,639,152,526	2,373,625,928
Securities among current assets other than equity investments	1,631,261	5,076,490
TOTAL ADJUSTMENTS	(1,640,783,787)	(2,378,702,418)
EXTRAORDINARY INCOME AND EXPENSES	(note 19)	
Income		
Gains on disposals	28,000	106,366
Other income	1,551,187	88,482
	1,579,187	194,848
Expenses		
Losses on disposals	428,922	-
Taxes relating to prior years	-	2,440,787
Other expenses	14,721,837	18,093,821
	15,150,759	20,534,608
TOTAL EXTRAORDINARY INCOME AND EXPENSES	(13,571,572)	(20,339,760)
INCOME (LOSS) BEFORE TAXES	(1,227,542,101)	(2,298,125,986)
Income taxes	(note 20)	
	(278,441,579)	60,663,938
NET GAIN (LOSS)	(949,100,522)	(2,358,789,924)

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND METHODS

The financial statements at December 31, 2004, which include the balance sheet, the statement of operations and the notes to the financial statements, have been prepared in accordance with the format and regulations set forth in Legislative Decree No. 127 of April 9, 1991, and in compliance with the new provisions of the Italian Civil Code enacted by the Legislative Decree No. 6 of January 17, 2003 (Reform for the system of governance of listed companies and cooperatives). Accordingly, certain items on the balance sheet and statement of operations for the previous year have been reclassified using the terms introduced by the new legislation.

The Statutory Financial Statements also provide the additional information required by CONSOB.

The valuation criteria used, which are discussed below, are consistent with those used in previous fiscal years, where not amended by the new provisions of the Italian Civil Code, and comply with the provisions of Article 2426 of the Italian Civil Code. In particular, the adoption of new statutory provisions governing valuation criteria did not impact determination of the loss for the year and comparison with the loss reported for the previous year.

In particular:

■ BALANCE SHEET

Intangible fixed assets

Start-up and expansion costs consist of costs incurred in connection with capital increases. They are capitalized on the basis of their estimated useful life. They are amortized on a straight-line basis over five years.

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

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

Property, plant and equipment and depreciation

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

Financial fixed assets

Financial fixed assets include equity investments and other securities.

Equity investments are 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 relevant legislation.

Investments in companies for which other than temporary impairment occurred are written down accordingly.

If in subsequent fiscal years the reasons for these adjustments are no longer valid, the writedowns are reversed. No reversals are made for writedowns recognized prior to the effective date of Decree Law No. 127/1991.

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

Inventories

Inventories include contract work in progress and advances to suppliers.

Work in progress relates to long-term contracts (i.e. contracts signed between Fiat and Treno Alta Velocità - T.A.V. S.p.A. in connection with the High-Speed Railway Project, described in Note 4) and is valued on the basis of the respective production cost.

Amounts received from the bidder company T.A.V. S.p.A. while work is in progress are treated as a form of financing and are included among the liabilities under advances, while those paid to the subcontracting consortia are booked under inventories - advances to suppliers.

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

Treasury stock

Treasury stock is valued at the lower of its purchase cost (calculated using the LIFO method in annual installments) and its market value or the stock option exercise price when it is used to cover it.

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

Receivables and payables

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

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

The 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 statement of operations.

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

Accruals and deferrals

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

Reserves for risks and charges

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

Reserve for employee severance indemnities

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

MEMORANDUM ACCOUNTS

Suretyships and other unsecured guarantees

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

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

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

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

Commitments

The Group's commitments are posted under memorandum accounts in their amount at December 31. In particular, the supply commitments for the High-Speed Railway Project include the amount of supply commitments envisaged in the original

agreements made with Treno Alta Velocità - T.A.V. S.p.A., the amounts envisaged in agreements for alterations during construction, and relative monetary adjustments.

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

Derivative financial instruments

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

More specifically, derivative financial instruments classified as trading instruments insofar as they do not satisfy the requirements for hedge accounting treatment, are valued at their market value and the differential, if negative compared to the contractual value, is recorded in the statement of operations, in Financial income and expenses in accordance with the principle of prudence. In contrast, for instruments that can be classified as hedging, the effects of the transaction are posted on the statement of operations in such a way as to offset the effects of the hedged flows.

STATEMENT OF OPERATIONS

Dividends

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

Financial income and expenses

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

Income taxes

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

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

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

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 contributes its taxable income or loss to the consolidated tax return; Fiat S.p.A. posts a credit in its favor 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, 2004, they totaled 41,727 thousand euros, and include costs (bank charges and other charges) incurred in connection with the 2002 and 2003 capital increases.

The decrease of 15,190 thousand euros since December 31, 2003 is the result of amortization during the fiscal year.

Concessions, licenses, trademarks and similar rights

This item, which amounted to 55 thousand euros at December 31, 2004, includes trademarks owned by the Company, which are amortized over three years.

The net decrease of 43 thousand euros compared with December 31, 2003 is the net effect of the following items:

<i>(in thousands of euros)</i>	
Amortization	(71)
Capitalization of expenses for new trademark registrations	31
Deletions	(3)
Net change	(43)

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, 2003 it showed a net increase of 5 thousand euros to 185 thousand euros at December 31, 2004.

Other intangible fixed assets

They totaled 8,188 thousand euros at December 31, 2004 and represented the commissions and charges paid for organization of the three-year convertible facility granted in 2002 by a pool of banks arranged by Capitalia, Banca Intesa, Sanpaolo IMI, and Unicredit Banca. They are amortized on a pro-rated basis according to the term of the facility (September 24, 2002 - September 16, 2005).

The decrease of 11,235 thousand euros with respect to December 31, 2003 is due to the amortization for the fiscal year.

2 Property, plant and equipment

At December 31, 2004, property, plant and equipment totaled 43,485 thousand euros (45,238 thousand euros at December 31, 2003). These amounts are net of accumulated depreciation of 20,362 thousand euros at December 31, 2004 and 17,910 thousand euros at December 31, 2003.

The net decrease of 1,753 thousand euros is the effect of the following items:

<i>(in thousands of euros)</i>	
Additions	
New vehicles (2,600); purchase of furniture and equipment (73)	2,673
Disposals	
Sales of vehicles (1,198), elimination of obsolete furniture and equipment (7)	(1,205)
Depreciation	(3,221)
Net change	(1,753)

Depreciation taken in 2004 was computed using the following rates:

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

3 Financial fixed assets

Investments

This item totaled 5,248,860 thousand euros at December 31, 2004, down 2,033,272 thousand euros from December 31, 2003.

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.	2003 Book value	Acquisitions Capital increases	Capital reim- bursements Disposals	Writedowns	2004 Book value
Subsidiaries						
Ferrari S.p.A. – Modena	56.00	161				161
Magneti Marelli Holding S.p.A. – Corbetta	99.99	667				667
Comau S.p.A. – Grugliasco	100.00	–	83			83
Teksid S.p.A. – Turin	80.48	–	97			97
Business Solutions S.p.A. – Turin	100.00	–	65			65
Itedi - Italiana Edizioni S.p.A. – Turin	100.00	16				16
Fiat Finance North America Inc. – Wilmington (United States)	39.47	17			(4)	13
Fiat Ge.Va. S.p.A. – Turin	100.00	222				222
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)	60.56	2,350				2,350
Fiat Partecipazioni S.p.A. – Turin	100.00	3,015			(1,624)	1,391
Fiat USA Inc. – New York (United States)	100.00	25			(2)	23
IHF - Internazionale Holding Fiat S.A. – Paradiso (Switzerland)	100.00	668		(635)		33
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni – Turin	26.00	–	9		(9)	–
Other companies		2		(1)		1
Total subsidiaries		7,143	254	(636)	(1,639)	5,122
Other companies						
Mediobanca S.p.A. – Milan	1.80	93				93
Istituto per la Ricerca e la Cura del Cancro S.p.A. – Turin	–	6		(6)		–
Istituto Europeo di Oncologia S.r.l. – Milan	–	6		(6)		–
Fin.Priv. S.r.l. – Milan	14.29	14				14
Consortium S.r.l. – Milan	2.62	20				20
Total other companies		139	–	(12)	–	127
■ Grand total		7,282	254	(648)	(1,639)	5,249

In particular, increases include:

<i>(in thousands of euros)</i>	
Acquisitions	
Subsidiaries:	
100% of Comau S.p.A. from Fiat Partecipazioni S.p.A.	82,413
80.48% of Teksid S.p.A. from Fiat Partecipazioni S.p.A.	96,644
100% of Business Solutions S.p.A. from Fiat Partecipazioni S.p.A.	65,360
Total	244,417
Capital increases	
Subsidiaries:	
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	9,547
Total increases	253,964

In particular, decreases include:

<i>(in thousands of euros)</i>	
Disposals	
Subsidiaries:	
100% of Fiat International S.p.A. to Fiat Partecipazioni S.p.A.	278
100% of Fiat Oriente S.A.E. in liquidation to Fiat Partecipazioni S.p.A.	7
Total subsidiaries	285
Other companies:	
19.35% of Istituto per la Ricerca e la Cura del Cancro S.p.A. to Fiat Partecipazioni S.p.A.	6,197
10.90% of Istituto Europeo di Oncologia S.r.l. to Fiat Partecipazioni S.p.A.	6,148
Total other companies	12,345
Total	12,630
Capital reimbursements	
Subsidiaries:	
IHF – Internazionale Holding Fiat S.A.	635,453
Writedowns of carrying value	
Subsidiaries:	
Fiat Partecipazioni S.p.A. (mainly due to the negative performance of the Automobile Sector)	1,623,973
Fiat Finance North America Inc.	3,976
Fiat U.S.A. Inc.	1,657
Isvor Fiat Società consortile di sviluppo e addestramento industriale per Azioni	9,547
Total	1,639,153
Total decreases	2,287,236

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

The purchases from and sales to Fiat Partecipazioni S.p.A. of the indicated investments were carried out as part of the ongoing program to streamline the corporate structure of the Group, aimed at focusing Fiat S.p.A. more on its role as the direct holding company of the Operating Sectors, with the exclusion of the Automobiles Sector for contingent reasons, while concentrating portfolio investments or those pertaining to “non-core” activities in other sub-holdings. The acquisitions of investments in Comau S.p.A., Teksid S.p.A., and Business Solutions S.p.A. were made at a price in line with the value of the relevant stockholders’ equity on a consolidated basis at December 31, 2004. This amount was considered to be prudently representative of the current value of the transferred companies in consideration of their current financial situation and the prospects resulting from the plans.

The decrease for the investment in IHF - Internazionale Holding Fiat S.A. is the result of the reduction in the capital stock of the subsidiary carried out during the fiscal year, from 2 billion Swiss francs to 100 million Swiss francs, through reimbursement of 1.9 billion Swiss francs. This reimbursement involved a 635 million euros reduction in the book value of the investment upon cancellation of shares, and income of 606 million euros for the remaining part of revenue (note 17).

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

In particular, the values of the investments in Magneti Marelli Holding S.p.A., Fiat Partecipazioni S.p.A., and Ferrari S.p.A. determined on the basis of the abovementioned criteria that are reported on the balance sheet are higher than the corresponding shares of stockholders' equity in the companies (34 million euros, 482 million euros, and 65 million euros, respectively). When determining possible adjustments for permanent losses, it was taken into account that these investments have objectively higher inherent values than what is documented by accounting records.

In particular:

- Magneti Marelli Holding S.p.A.: the higher values for the investment reported on the balance sheet were maintained in consideration of the positive performance of the subsidiary during the fiscal year and a positive business outlook;
- Fiat Partecipazioni S.p.A.: when determining the adjustment for the impairment, the contractually agreed gain on the indirect investment in Italenergia Bis S.p.A. that can be realized in 2005 upon exercise of the put option for sale to EDF was taken into account; in addition to the higher current value (represented by the stock market price at year end), with respect to the carrying value of the investment in Rizzoli Corriere della Sera MediaGroup S.p.A.;
- Ferrari S.p.A.: the higher values for the investment on the balance sheet was maintained in consideration of the current value shown on the occasion of the sale of 34% of the investment to Mediobanca in 2002 (see Note 14 hereunder for the disclosure of the mutual commitments assumed at that time) and a positive business outlook.

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

Other securities

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

At December 31, 2004, their book value totaled 74 thousand euros (based on their quotations at December 30, 2004), compared with 75 thousand euros at December 31, 2003.

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

- the additional information on cost, upward adjustments, writedowns and amortization and depreciation required under Article 2427 of the Italian Civil Code; and
- as required under Article 10 of Law No. 72 of March 19, 1983, a mention of the assets held at December 31, 2004 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, 2004, contract prices for the works were the following: 3,825 million euros for the Bologna-Florence line, 4,456 million euros for the Turin-Novara line, and 1,981 million euros for the Novara-Milan line. Work on this latter line began following the signing of the amendment of July 21, 2004.

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

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

The following items are included under Inventories:

■ **Contract work in progress**

This item, which totaled 91,262 thousand euros at December 31, 2004, includes cumulative costs for coordination, organization, and project management work. This item refers for 54,316 thousand euros (48,346 thousand euros at December 31, 2003) to the Florence-Bologna line, for 35,124 thousand euros (26,056 thousand euros at December 31, 2003) to the Turin-Novara line and for 1,822 thousand euros to the Novara-Milan line. The item presents an increase in contract work in progress totaling 16,860 thousand euros with respect to the end of 2003.

■ **Advances to suppliers**

Advances totaled 7,053,457 thousand euros and include disbursements made to the Alta Velocità Emilia Toscana - CAVE.T. (3,083,502 thousand euros) and Alta Velocità Torino-Milano - CAV.TO.MI. Consortia (3,495,604 thousand euros for the Turin-Novara line and 474,253 thousand euros for the Novara-Milan line), and to engineering companies commissioned to supervise work (98 thousand euros) mainly progress payments due for work completed and contractual advances. Work completed as at December 31, 2004 totaled 6,413,023 thousand euros. Of this amount, the Bologna-Florence line accounted for 2,835,931 thousand euros (2,491,634 thousand euros at December 31, 2003), the Turin-Novara line for 3,355,210 thousand euros (2,091,650 thousand euros at December 31, 2003), and the Novara-Milan line for 221,882 thousand euros.

This item shows an increase of 1,890,942 thousand euros from December 31, 2003, as a result of the advances paid to CAVE.T. for 317,438 thousand euros, to CAV.TO.MI. for 1,573,406 thousand euros (1,099,153 thousand euros for the Turin-Novara line and 474,253 thousand euros for the Novara-Milan line) and to engineering companies for 98 thousand euros.

As explained later, the item Advances on the liabilities side of the balance sheet includes contractual advances totaling 7,336,406 thousand euros paid by the bidder company Treno Alta Velocità - T.A.V. S.p.A.

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totaling 1,971,807 thousand euros (642,342 thousand euros for the Bologna-Florence line, 816,516 thousand euros for the Turin-Novara line, and 512,949 thousand euros for the Novara-Milan line) as security for contractual advances received and proper execution of work. Conversely, the CAVE.T. Consortium provided Fiat S.p.A. with bank suretyships totaling 617,638 thousand euros, as envisaged by contract. The CAV.TO.MI. Consortium issued suretyships totaling 785,687 thousand euros for the Turin-Novara line and 493,221 thousand euros for the Novara-Milan line.

5 Receivables

Receivables amounted to 974,552 thousand euros at December 31, 2004. A breakdown of the net increase of 279,986 thousand euros from the figure at the end of 2003 is provided in the following table:

<i>(in thousands of euros)</i>	12/31/04	12/31/03	Change
Trade receivables	350,861	199,162	151,699
Allowance for doubtful accounts	(258)	(258)	–
Total trade receivables	350,603	198,904	151,699
Subsidiaries	25,251	16,438	8,813
Due from Tax Authorities	288,902	404,211	(115,309)
Deferred tax assets	277,000	–	277,000
Other (mainly factoring companies)	32,796	75,013	(42,217)
Total receivables	974,552	694,566	279,986

Compared with December 31, 2003, trade receivables increased by 151,699 thousand euros. These receivables are mainly the result of corresponding amounts owed by T.A.V. S.p.A. for works completed in 2004, net of receivables sold.

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

The receivables from subsidiaries at December 31, 2004 consist primarily of the provision of services (4,779 thousand euros) and credits for IRES calculated on the taxable income contributed by the Italian companies participating in the national tax consolidation program (18,286 thousand euros). They show a net increase of 8,813 thousand euros with respect to December 31, 2003.

At the end of 2004, tax credits totaled 288,902 thousand euros and included credits for consolidated Group VAT of 45,976 thousand euros (of which 20,025 thousand euros were requested for reimbursement, net of conversion into cash, and 25,951 thousand euros were carried forward), credits for IRPEG (mainly for 2003) of 183,439 thousand euros, 55,848 thousand euros for advances and other credits for IRES transferred to Fiat S.p.A. by Italian companies that participate in the national tax consolidation program, and other minor amounts for 3,639 thousand euros.

There was a net decrease in tax credits of 115,309 thousand euros with respect to December 31, 2003, resulting from:

<i>(in thousands of euros)</i>	
Lower consolidated Group VAT credits	(170,060)
IRES credit deriving from the national tax consolidation program	55,848
Miscellaneous items	(1,097)
Net change	(115,309)

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, 2004 and IRPEG of 34% at December 31, 2003, can be broken down as follows:

<i>(in thousands of euros)</i>	12/31/2004	12/31/2003
Deferred tax assets for temporary differences:		
Writedowns of investments deductible in future fiscal years	632,944	694,591
Taxed liabilities and risk reserves and other minor differences	12,525	10,459
Total deferred tax assets	645,469	705,050
Deferred tax liabilities for:		
Gains (sale of Ferrari S.p.A. stock) deferred for taxation in future fiscal years	(79,602)	(119,580)
Total theoretical benefit on temporary differences	565,867	585,470
Theoretical benefit on tax losses that can be carried forward	253,936	122,306
Value adjustments for assets whose recoverability is not reasonably certain	(542,803)	(707,776)
Total deferred tax assets	277,000	-

As previously indicated in the Accounting Principles and Methods, deferred tax assets are recognized only when it is reasonably certain that they will be recovered. In particular, thanks to the indemnity paid to Fiat S.p.A. by General Motors in February 2005 for termination of the Master Agreement, the recovery of a portion of the tax effect on the temporary differences that arose in previous fiscal years and tax losses carried forward became certain.

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

Miscellaneous items showed a net decrease of 42,217 thousand euros, mainly due to less 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, note that:

- Amounts of receivables due from companies abroad are not significant.
- Amounts of receivables with a residual term of more than five years are not significant.

6 Financial assets not held as fixed assets

Treasury stock

At December 31, 2004, treasury stock amounted to 26,413 thousand euros, which is 1,631 thousand euros less compared with December 31, 2003. Treasury stock included 4,384,019 ordinary shares, for a total par value of 21,920 thousand euros. These shares are held to cover the commitments undertaken in connection with stock option plans for directors and employees. The decrease in treasury stock with respect to December 31, 2003 is due to its alignment to the stock option exercise price.

Financial receivables

This item totaled 2,320,581 thousand euros at December 31, 2004, compared with 1,436,664 thousand euros at the end of 2003. This item consists of two fixed rate loans of 800,000 thousand euros and 1,200,000 thousand euros, due on February 22, 2005 and March 16, 2005, respectively, provided to the subsidiary Fiat Ge.Va. S.p.A, and liquidity left on deposit with this same company (320,581 thousand euros).

7 Cash

Bank and post office accounts

This item, which at the end of December 31, 2004 amounted to 325 thousand euros, showed an increase of 79 thousand euros with respect to December 31, 2003.

Cheques

At December 31, 2004, there were no cheques.

Cash on hand

Cash on hand at December 31, 2004 was in line with the figure at December 31, 2003.

8 Accrued income and prepaid expenses

Accrued income

At 2,353 thousand euros, accrued income showed a decrease of 969 thousand euros from the amount at December 31, 2003. Of this amount, 2,223 thousand euros represent accrued interest on the loans granted to the subsidiary Fiat Ge.Va. S.p.A.

Prepaid expenses

These totaled 4,528 thousand euros at December 31, 2004, for a net decrease of 3,710 thousand euros compared with December 31, 2003, mainly connected to the consideration that is contractually owed to TOROC for sponsorship of the XX Winter Olympic Games in 2006, applicable to future fiscal years.

9 Stockholders Equity

Capital stock

Capital stock, fully paid-in, amounted to 4,918,114 thousand euros at December 31, 2004 and consists of 983,622,708 shares as follows:

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

all with a par value of 5 euros each.

With reference to Capital stock, it should be mentioned that:

- Pursuant to resolutions by the Board of Directors on December 10, 2001 and June 26, 2003, the capital may be further increased through rights offerings for a maximum of 82 million euros, and thus reach a total of 5 billion 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 exercise of the residual "FIAT ordinary share warrants 2007" issued as part of the capital increase of February 2002 and still outstanding. It should be recalled that Fiat reserved the right to pay the warrant holders in cash, starting on January 2, 2007, in lieu of the shares to be issued (shares in exchange for warrants), for the difference between the arithmetic average of the official market price of Fiat ordinary shares in December 2006 and the warrant exercise price, unless this difference exceeds the maximum amount set and previously communicated by Fiat, in which case the holder of the warrants may opt to subscribe to the shares in exchange for the warrants.
- Pursuant to the resolution 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, of which 3 billion euros are to be reserved, pursuant to paragraph 7 of Article 2441 of the Italian Civil Code, to the banks that underwrote the "Mandatory Convertible Facility" described in Note 12 if the facility is not reimbursed earlier than the contractual deadline of September 16, 2005.

In fact, in this case, any residual debt for the principal will be reimbursed in the form of ordinary shares of Fiat S.p.A. subscribed by the banks, with the obligation that they be offered as an option to all Fiat stockholders.

- The resolutions for the capital increases servicing the stock option plans (28 million euros) have been revoked, as the Board of Directors decided on June 26, 2003 to use ordinary treasury stock to be purchased for this purpose.

Additional paid-in capital

At December 31, 2004, there was no additional paid-in capital in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Legal reserve

The legal reserve totaled 446,562 thousand euros, a decrease of 212,778 thousand euros from the prior year, in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Treasury stock valuation reserve

The treasury stock valuation reserve totaled 26,413 thousand euros at December 31, 2004, with a decrease of 1,631 thousand euros from the prior year, following the alignment of the stock to the stock option exercise value.

Other reserves

Extraordinary reserve

At December 31, 2004, the extraordinary reserve totaled 1,631 thousand euros, with a net decrease of 110,623 thousand euros from the previous year in consequence of its being used to cover the loss for fiscal 2003 (112,254 thousand euros), as resolved by the stockholders meeting of May 11, 2004, and the transfer of the writedown of the adjustment of the stock to the exercise value of the stock options (1,631 thousand euros).

Reserve for purchase of treasury shares

At December 31, 2004, there was no reserve for purchase of treasury shares, in consequence of its being used to cover the loss of fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Out-of-period income reserve under Art. 55 of Presidential Decree No. 917 of December 22, 1986 (Art. 18 of Law No. 675 of August 12, 1977)

At December 31, 2004, there was no out-of-period income reserve under Art. 55 of Presidential Decree No. 917 of December 22, 1986 (Art. 18 of Law No. 675 of August 12, 1977), in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Reserve for capital grants under Art. 102 of Presidential Decree No. 1523 of June 30, 1967

At December 31, 2004, there was no reserve for capital grants under Art. 102 of Presidential Decree No. 1523 of June 30, 1967, in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Reserve for capital grants under Regional Law 19/84

At December 31, 2004, there was no reserve for capital grants under Regional Law 19/84, in consequence of its being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

Retained earnings

At December 31, 2004, there were no retained earnings, in consequence of their being used to cover the loss for fiscal 2003, as resolved by the stockholders meeting of May 11, 2004.

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

- tax treatment applicable to reserves and capital;
- 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 2002, 2003 and 2004:

<i>(in millions of euros)</i>	Total	Capital stock	Additional paid-in capital	Revaluation reserve under Law No. 413 of 12/30/91	Legal reserve	Treasury stock valuation reserve	Other reserves (*)	Retained earnings	Net income (loss) for the fiscal year
Balance at December 31, 2001	7,168.8	2,753.0	1,636.0	22.6	659.3	37.6	1,094.4	587.2	378.7
Allocation of net income for the 2001 fiscal year:									
Dividends paid to Stockholders	(202.8)								(202.8)
Transfer of the remaining net income	-							175.9	(175.9)
Utilization of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	-					3.5	(3.5)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	-					(20.4)	20.4		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares for assignment of shares to the Chairman of the Board of Directors	-					(0.3)	0.3		
Transfer of part of extraordinary reserve to reserve for purchase of treasury shares	(18.7) 18.7						(18.7) 18.7		
Capital increase from 2,753 million euros to 3,082.1 million euros through issue of shares with a share premium as resolved by the Board of Directors on December 10, 2001	1,020.2	329.1	691.1						
Loss for the year	(2,052.6)								(2,052.6)
Balance at December 31, 2002	5,933.6	3,082.1	2,327.1	22.6	659.3	20.4	1,111.6	763.1	(2,052.6)
Coverage of the loss for fiscal 2002 through recourse to a portion of the additional paid-in capital	-		(2,052.6)						2,052.6
Utilization of part of the reserve for purchase of treasury shares with transfer to treasury stock valuation reserve	-					12.8	(12.8)		
Transfer of part of treasury stock valuation reserve to reserve for purchase of treasury shares following writedown of treasury stock	-					(5.1)	5.1		
Allocation to additional paid-in capital of the value of unexercised option rights sold on the stock market	4.5		4.5						
Capital increase from 3,082.1 million euros to 4,918.1 million euros through issue of ordinary shares as resolved by the Board of Directors on June 26, 2003	1,836.0	1,836.0							
Loss for the year	(2,358.8)								(2,358.8)
Balance at December 31, 2003	5,415.3	4,918.1	279.0	22.6	659.3	28.1	1,103.9	763.1	(2,358.8)
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 12/22/86	-						(1.9)		1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/67	-						(17.7)		17.7
Reserve for capital grants under Regional Law No. 19/84	-						(0.1)		0.1
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)

(*) Broken down as follows	12/31/2004	12/31/2003	12/31/2002
Extraordinary reserve	1.6	112.3	112.3
Out-of-period income reserve under Article 55 of Presidential Decree No. 917 of 12/22/86	–	1.9	1.9
Reserve for capital grants under Article 102 of Presidential Decree No. 1523 of 6/30/67	–	17.7	17.7
Reserve for capital grants under Regional Law No. 19/84	–	0.1	0.1
Reserve for purchase of treasury shares	–	971.9	979.6
Total	1.6	1,103.9	1,111.6

10 Reserves for risks and charges

Reserve for pensions and similar obligations

This reserve covers early retirement incentives and payments and bonuses due to retired employees. It was established as a result of supplemental collective and individual agreements, the latter being determined on the basis of actuarial computations. At December 31, 2004, it totaled 19,273 thousand euros, for a net decrease of 4,691 thousand euros compared with the end of 2003, broken down as follows:

<i>(in thousands of euros)</i>	
Provisions for the fiscal year charged to income	2,525
Cash conversion of reserve for early retirement incentives	(3,130)
Utilization for the fiscal year	(4,086)
Net change	(4,691)

Other reserves

This item consists of contractually envisaged commissions owed for future listing of Ferrari S.p.A. shares (23,256 thousand euros) on the stock market, expenses for employee bonuses (6,423 thousand euros) and scholarships (60 thousand euros). It totaled 29,739 thousand euros at December 31, 2004, a net decrease of 1,279 thousand euros compared with December 31, 2003.

The change resulted from the following:

<i>(in thousands of euros)</i>	
Provision for the fiscal year charged to income	6,443
Utilization for the fiscal year, mainly for bonuses granted to employees	(6,405)
Cash conversion of excess reserve	(1,317)
Net change	(1,279)

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

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

11 Reserves for employee severance indemnities

At December 31, 2004, this reserve totaled 11,616 thousand euros, a net decrease of 2,496 thousand euros from the end of 2003.

A breakdown of the change is as follows:

<i>(in thousands of euros)</i>	
Provision for the fiscal year charged to income	4,088
Utilization for the fiscal year	(6,584)
Net change	(2,496)

12 Payables

Borrowings from banks

This item amounted to 3,060,245 thousand euros at December 31, 2004 with an increase of 30,245 thousand euros comparable to the figure at December 31, 2003.

They are represented by 3 billion euros for the mandatory convertible facility granted pursuant to the Framework Agreement of May 27, 2002 with Capitalia, Banca Intesa, SanPaolo IMI, and Unicredit Banca (the Lending Banks) for the purpose of providing the Fiat Group with the financial support it needs to implement its industrial plan. The facility was disbursed on September 24, 2002 by a pool of banks comprising the lending banks and BNL, Monte dei Paschi di Siena, ABN Amro, BNP Paribas, Banco di Sicilia, and Banca Toscana (hereinafter referred to as "the Banks"). They also include the commissions contractually owed for the first two years (60,000 thousand euros). The principal characteristics of the Mandatory Convertible Facility are as follows:

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

At December 31, 2004, gross indebtedness totals 19.2 billion euros and continues to be within the targets agreed upon with the Lending Banks under the Mandatory Convertible Facility Agreement (23.6 billion euros), while the proforma net financial position (calculated, as envisaged in the facility agreement, by subtracting from the net financial position the Citigroup loan of approximately 1,150 million euros exceeds the limit of 3.6 billion euros contractually agreed for this parameter. The Lending Banks therefore have the right, in accordance with the contractual terms and conditions, to proceed with the conversion of the facility into capital for an amount up to 2 billion euros.

At December 31, 2004, the ratings assigned to the Group by the major rating agencies are the following:

	Short-term	Medium-term
Moody's Investors Service (*)	Not Prime	Ba3
Standard & Poor's Rating Services (*)	B	BB-
Fitch Ratings	B	BB-

(*) For purposes of the Mandatory Convertible facility, the most important rating agencies are Standard & Poor's and Moody's.

The ratings of the Group represented in the table refer to the "non-investment grade" category. The Banks did not exercise their consequent right to demand early repayment of the facility and to proceed with the conversion of the debt into capital for an amount up to 2 billion euros.

Advances

Advances totaled 7,336,406 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 3,203,920 thousand euros, the Turin-Novara line for 3,639,264 thousand euros and the Novara-Milan line for 493,222 thousand euros. Work completed as at December 31, 2004 amounted to 2,949,350 thousand euros, 3,494,780 thousand euros and 230,757 thousand euros, respectively.

The 1,965,374 thousand euro increase since December 31, 2003 is due to 330,118 thousand euros in advances received for work completed on the Florence-Bologna line, 1,142,034 thousand euros in advances received for work completed on the Turin-Novara line, contractual advances (262,465 thousand euros) and advances for work completion on the Novara-Milan line (230,757 thousand euros).

T.A.V. S.p.A. has been provided with bank suretyships to secure these advances and proper execution of work for a total of 1,971,807 thousand euros, as described more exhaustively in Notes 4 and 14.

Trade payables

Trade payables stem from services received (consulting, publications, etc.) and amounts due to CAVE.T. and CAV.TO.MI. for progress payments due for work completed in the fourth quarter of 2004 and paid in the first quarter of 2005. They totaled 501,655 thousand euros at December 31, 2004, a net increase of 102,170 thousand euros compared with December 31, 2003, mainly due to the consideration owed to the CAV.TO.MI. Consortium for the new Novara-Milan line for which works have started.

Payables to subsidiaries

These stood at 222,730 thousand euros at December 31, 2004, showing a net decrease of 180,089 thousand euros from a year earlier.

A breakdown of this item is as follows:

(in thousands of euros)	12/31/04	12/31/03	Change
Financial payables	101,746	383,334	(281,588)
Trade payables	10,683	15,635	(4,952)
Payables for consolidated IRES	71,816	–	71,816
Other payables	38,485	3,850	34,635
Total payables to subsidiaries	222,730	402,819	(180,089)

Financial payables at December 31, 2004 include 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.

The payables for consolidated IRES refer to the payables to the Italian subsidiaries for IRES calculated on the portion of the tax losses contributed by these companies as part of the national tax consolidation and offset during the year with taxable income contributed by others, as well as advances and other IRES transferred to Fiat S.p.A. by the companies participating in this program.

The other payables include 30,017 thousand euros for price equalizations owed to Fiat Partecipazioni S.p.A. for the purchase of investments in Comau S.p.A., Teksid S.p.A., and Business Solutions S.p.A.

Payables to controlling company

These total 234 thousand euros at December 31, 2004, with an increase by the same amount with respect to December 31, 2003. They refer almost entirely to recovery of the expenses incurred by the controlling company on behalf of Fiat S.p.A.

Taxes payable

At December 31, 2004, taxes payable totaled 8,987 thousand euros, a net decrease of 1,715 thousand euros from the figure at December 31, 2003. A breakdown is as follows:

(in thousands of euros)	12/31/04	12/31/03	Change
VAT payable	5,672	5,866	(194)
Taxes withheld on payments to employees and independent contractors	2,887	2,624	263
Liability for substitute tax payable on the capital gain from the sale of IN.TE.SA. (Legislative Decree No. 358/1997)	–	1,747	(1,747)
Miscellaneous items	428	465	(37)
Total taxes payable	8,987	10,702	(1,715)

Social security payable

This item totaled 2,797 thousand euros at December 31, 2004, an increase of 453 thousand euros from December 31, 2003.

Other payables

At December 31, 2004, other payables amounted to 26,484 thousand euros, for a net year-on-year increase of 7,486 thousand euros. A breakdown is provided below:

(in thousands of euros)	12/31/04	12/31/03	Change
Former Chief Executive Officer for retirement incentives to be paid in installments over 20 years	6,063	6,310	(247)
Employees for fees to be paid	10,187	2,356	7,831
Payables to employees who left the Company	7,472	5,963	1,509
Payables to stockholders of Toro Assicurazioni S.p.A., Magneti Marelli S.p.A. and Comau S.p.A. for public offerings	869	869	–
Dividends payable	315	449	(134)
Miscellaneous payables	1,578	3,051	(1,473)
Total other payables	26,484	18,998	7,486

Finally, in regard to payables posted on the balance sheet, note that:

- The amount of payables to foreign entities are not significant.
- Payables with a residual term of more than five years amount to 10,623 thousand euros.

13 Accrued expenses and deferred income

Accrued expenses

The balance of 129,650 thousand euros at December 31, 2004 is 37,394 thousand euros higher than the figure at December 31, 2003. A breakdown of this item is provided below:

<i>(in thousands of euros)</i>	12/31/04	12/31/03	Change
Interest on convertible facility	30,258	29,833	425
Commissions on convertible facility	98,951	58,952	39,999
Interest due to Intermap (Nederland) B.V.	395	344	51
Interest on Fiat Ge.Va. S.p.A. loans	–	3,101	(3,101)
Miscellaneous	46	26	20
Total accrued expenses	129,650	92,256	37,394

Deferred income

Deferred income totaled 19 thousand euros at December 31, 2004, representing a decrease of 2 thousand euros with respect to the end of the previous year and regarding income to be collected in 2005.

14 Memorandum accounts

Guarantees granted

Unsecured guarantees

Suretyships

Suretyships totaled 1,788,660 thousand euros at December 31, 2004.

They include suretyships provided on behalf of FiatSava S.p.A. (1,008,367 thousand euros) to secure a debenture issue and to secure Billets de Trésorerie issued by Group companies and third parties (totaling 200,000 thousand euros), bank loans (172,361 thousand euros), and rent payment obligations for buildings in relation to real estate securitization operations carried out during the past fiscal years (407,932 thousand euros).

The net decrease of 283,939 thousand euros from December 31, 2003 is mainly due to lower guarantees provided to secure Sava debentures (166,475 thousand euros) and bank loans (107,456 thousand euros).

Other unsecured guarantees

This item totaled 9,768,248 thousand euros at December 31, 2004.

It includes the following:

- 9,596,884 thousand euros in guarantees provided on behalf of subsidiaries to secure loans (Banco CNH Capital S.A. 496,143 thousand euros, Fiat Automoveis S.A. 89,629 thousand euros, Iveco Fiat Brasil Ltda 19,540 thousand euros, CNH America LLC 125,716 thousand euros, Iveco Latin America Ltda 2,366 thousand euros, Fiat Partecipazioni S.p.A. 1,130,387 thousand euros in favor of Citigroup), bond issues (Fiat Finance and Trade Ltd. 7,088,647 thousand euros, Fiat Finance North America Inc. 100,000 thousand euros, Fiat Finance Luxembourg S.A. 12,623 thousand euros, Fiat Finance Canada Ltd. 100,000 thousand euros), credit lines (New Holland Credit Company LLC 25,475 thousand euros, CNH Capital Australia Pty Ltd 18,799 thousand euros, Case Credit Ltd 61,052 thousand euros, Fiat Finance North America Inc. 1,468 thousand euros), VAT credit under the Group consolidation process (125,111 thousand euros), as provided under Ministerial Decree of 12/13/79 as amended, and sundry guarantees (199,928 thousand euros);
- 87,204 thousand euros for the risk of nonpayment on receivables due from tax authorities;
- 84,160 thousand euros in miscellaneous guarantees.

The turnover of receivables sold with recourse in 2004 was 183 million euros (387 million euros in 2003).

Although they are not included in the memorandum accounts, trade receivables and other receivables due after December 31, 2004 were sold without recourse for a total of 415 million euros (396 million euros in 2003 for receivables due after December 31, 2003). The turnover of receivables sold without recourse totaled 843 million euros in 2004 (1,471 million euros in 2003).

The net decrease of 3,872,123 thousand euros compared to December 31, 2003, is due mainly to fewer guarantees on behalf of subsidiaries following the reimbursement of bonds and reduced use of credit facilities.

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

Commitments

Commitments related to supply contracts

This item totaled 10,261,147 thousand euros at December 31, 2004. Of this amount, 3,824,713 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, 4,455,909 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 1,980,525 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 2,250,219 thousand euros compared with December 31, 2003 includes agreements reached during 2004 regarding the Florence-Bologna line, specifically alterations to the network (95,009 thousand euros), urgent corrective measures (38,468 thousand euros) and monetary adjustments (53,306 thousand euros), agreements regarding the Turin-Novara line, specifically relating to alterations (9,662 thousand euros) and monetary adjustments (73,249 thousand euros), and the agreement regarding the Novara-Milan line (1,976,000 thousand euros) and monetary adjustments (4,525 thousand euros).

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

Fiat S.p.A. provided T.A.V. S.p.A. with bank suretyships totaling 1,971,807 thousand euros as security for contractual advances received and proper execution of work. These guarantees are not recorded under the Memorandum Accounts since advances are included under Liabilities - Advances. Likewise, the CAVE.T. and CAV.TO.MI Consortia provided Fiat S.p.A. with the contractually envisaged bank suretyships totaling 617,638 thousand euros and 1,278,908 thousand euros, respectively.

Commitments for derivative financial instruments

These totaled 90,398 thousand euros at December 31, 2004, reflecting an increase of 28,668 thousand euros with respect to December 31, 2003, and refer for 65,830 thousand euros to the equity swap on Fiat shares 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.

With particular regard to the previously mentioned equity swap arrangements, the amount at December 31, 2004 represents the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,000,000 stock options granted to Mr. Marchionne. In particular, the Board of Directors resolved to grant Mr. Marchionne, as a portion of his variable compensation as Chief Executive Officer, options for the purchase of 10,670,000 Fiat ordinary shares at the price of 6.583 euros per share, exercisable from June 1, 2008 to January 1, 2011. In each of the first three years, he accrues the right to purchase, from June 1, 2008, a maximum of 2,370,000 shares per year and on June 1, 2008 he accrues the right to purchase, effective that date, the residual portion amounting to 3,560,000 shares. The right to exercise the options related to this last portion of shares is subject to certain predetermined profitability targets that should be reached during the reference period. The risk of a significant increase in the Fiat share price above the exercise price for these options has been covered, with reference to 670,000 shares, by treasury stock in portfolio, whereas with reference to the remaining 10,000,000 shares, the aforementioned "Total Return Equity Swap" agreement was put into place with a reference price of 6.583 euro per share and expiring on July 29, 2005.

In accordance with accounting principles, the aforementioned Equity Swap, despite being 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 statement of operations; if, instead, the performance is negative, the negative fair value of the instrument is recorded immediately as a cost under financial expenses.

At December 31, 2004, the Equity Swap has a negative fair value of 6,830 thousand euros that has therefore been recorded in the financial statements.

At December 31, 2003, the Equity Swaps caption included, for 61,730 thousand euros, the notional amount of the equity swap stipulated to hedge the risk of an increase in the Fiat share price above the exercise price of 10,000,000 stock options granted to Mr. Morchio. Near the contract expiration date (August 31, 2004), the equity swap was replaced by the aforementioned contract in respect of the stock options granted to Mr. Marchionne. The replacement gave rise to income of 5,010 thousand euros. It is to specify that, during 2004, the aforementioned stock options expired upon the resignation of Mr. Morchio.

Four forward rate agreements were made in the last quarter of 2004 with the subsidiary Fiat Ge.Va. S.p.A., with an aggregate par value of 2,000 million euros, to hedge the risk related to an increase in interest rates. In particular, these agreements predetermine in the form of fixed rates the variable part of the interest that will be paid on the mandatory convertible facility during the final period of its term in 2005. At December 31, 2004, these FRA had an aggregate negative fair value of 912 thousand euros, but since the transactions in question must be classified as hedging, satisfying the requirements of the accounting principle for treatment in hedge accounting and having to offset the effects of the 2005 transaction that was subject to hedging, expenses were not charged for fiscal 2004.

Other commitments

This item, which totaled 9,296 thousand euros at December 31, 2004 (12,853 thousand euros at December 31, 2003), represents the residuary amount of the commitment, undertaken by Fiat on the occasion of its centennial under a resolution adopted by the Stockholders Meeting on June 22, 1998, to defray, over a ten-year period, the costs incurred to provide courses for a Degree in Automotive Engineering and pay for the renovation of the respective building. The decrease of 3,557 thousand euros from December 31, 2003 reflects the outlays incurred in the year to renovate the building and teach the courses.

A summary is presented below of the rights arising from the purchase, 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. Fiat realized a gain of 671 million euros on this sale, net of selling expenses. The sales contract sets out the following principal elements:

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

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

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

15 Value of production

Service revenues

Service revenues, which amounted to 59,776 thousand euros in 2004, are mainly the result of transactions with Group companies.

They refer for 47,695 thousand euros (of which 47,153 thousand euros Fiat Auto and 542 thousand euros Al Ghazi Tractors Ltd.) to fees paid for the use of the Fiat trademark by the individual companies determined as a percentage of sales. The contractually established percentages are as follows: Fiat Auto S.p.A. 0.5% and Al Ghazi Tractors S.p.A. 0.75%.

Service revenues also include 12,081 thousand euros for services rendered by management personnel of Fiat S.p.A. at the main Group companies.

Overall, they decreased by 13,497 thousand euros over 2003, due to less bills to Group companies in consequence of the divestiture of activities.

Change in contract work in progress

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

Totaling 16,859 thousand euros in 2004, or 3,179 thousand euros less than in 2003, it mainly consists of services provided by suppliers outside the Group (16,486 thousand euros).

Other income and revenues

Other income and revenues amounted to 11,852 thousand euros in 2004 and include 2,337 thousand euros in rental income from buildings owned by Fiat S.p.A. and leased to Group companies; 3,562 thousand euros in fees paid by miscellaneous companies for services performed by employees of Fiat S.p.A. in the capacity of Directors; 706 thousand euros in miscellaneous income and expense reimbursements; 5,247 thousand euros in prior period income, largely represented by provisions for early retirement incentives not owed following the premature severance of employees and bonuses to employees that were ascertained upon audit to be less than what was paid. They show a decrease of 7,366 thousand euros compared with 2003 mainly in consequence of lower fees paid to Directors performed by employees.

16 Costs of production

Raw materials, supplies and merchandise

This item totaled 423 thousand euros in 2004, against 385 thousand euros in 2003.

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

Services

Service costs amounted to 109,849 thousand euros in 2004, an increase of 10,028 thousand euros compared with 2003 due to higher expenses for services related to projects in the administrative area of interest to the Group.

This item represents expenses for consulting services and research studies, as well as for travel, financial, administrative, tax and external relations services. It also includes ordinary and extraordinary maintenance and general expenses (security, cleaning, EDP, telephone, insurance, etc.). Amounts paid to Group companies for services provided totaled 46,916 thousand euros and include support and administrative and financial consulting services in Italy (3,244 thousand euros to Fiat Gesco S.p.A., 1,073 thousand euros to Fiat Ge.Va. S.p.A., and 3,258 thousand euros to KeyG Consulting S.p.A.) and abroad (900 thousand euros to Fiat do Brasil S.A.); external relations services (1,056 thousand euros to Fiat I&CS S.c.p.A.); personnel training services (3,460 thousand euros to Isvor Fiat S.c.p.A.); office management, maintenance (9,922 thousand euros to Ingest Facility S.p.A.); personnel management and similar services (6,543 thousand euros to Fiat Se.p.In. S.c.p.A.); information technology services (3,045 thousand euros to Global Value S.p.A., 1,892 thousand euros to eSPIN S.p.A.); security services (3,266 thousand euros to Consorzio Orione and 1,180 thousand euros to Consorzio Sirio), and accounting and internal audit services (5,087 thousand euros to Fiat Revisione Interna S.c.r.l.).

It also includes consulting, research and professional fees of 48,645 thousand euros.

Leases and rentals

Leases and rentals totaled 949 thousand euros in 2004, or 214 thousand euros more than in 2003.

Personnel

This item amounted to 52,879 thousand euros in 2004 and includes provisions to the Reserve for pensions and similar obligations for bonuses and severance incentives (2,190 thousand euros). This item shows a decrease of 44,656 thousand euros with respect to 2003

due to lower wage and salary and social security contributions and decreased retirement incentives. The Company's average number of staff decreased from 167 employees in 2003, including 87 managers, 75 clerical staff, and 5 blue collar workers to 151 employees in 2004, including 83 managers, 63 clerical staff, and 5 blue collar workers.

During 2004, 12 managers were seconded to the Group's main subsidiaries (15 in 2003), which were billed for the respective costs.

Amortization and depreciation

This item totaled 29,717 thousand euros in 2004, with a net decrease of 57 thousand euros from the previous year. They refer for 26,496 thousand euros to the amortization of intangible fixed assets and for 3,221 thousand euros to the depreciation of property, plant and equipment.

Other operating costs

At 13,452 thousand euros, this item was 1,040 thousand euros less than in 2003.

It includes indirect taxes and fees (42 thousand euros for municipal property taxes, 127 thousand euros for nondeductible VAT, etc.); contributions and association fees (1,228 thousand euros); costs connected to contributions to fund the automotive engineering degree course (3,661 thousand euros); losses on sales of vehicles and office equipment (217 thousand euros), prior period expenses (990 thousand euros) and sundry items.

It also includes fees paid to the Statutory Auditors and Directors of Fiat S.p.A. amounting to 147 thousand euros and 5,463 thousand euros, respectively.

Directors' fees included 5,091 thousand euros in compensation awarded by the Stockholders' Meeting as well as fees set by the Board of Directors for Directors vested with particular offices, and 372 thousand euros for compensation provided in kind, which was booked under services.

17 Financial income and expenses

Investment income

Income from investments came to 682,557 thousand euros in 2004, an increase of 282,630 thousand euros compared with 2003.

A breakdown is as follows:

<i>(in thousands of euros)</i>	2004	2003
Subsidiaries		
Dividends distributed by:		
Fiat Ge.Va. S.p.A.	70,000	6,700
FiatAvio S.p.A.	-	100,000
Fiat Partecipazioni S.p.A.	-	70,000
Business Solutions S.p.A.	-	67,000
Itedi S.p.A.	-	10,620
Toro Assicurazioni S.p.A.	-	49
Total	70,000	254,369
Tax credit on dividends paid	-	142,666
Reimbursements of capital (portion in excess of the reduction of the book value)		
IHF - Internazionale Holding Fiat S.A.	606,124	-
Total subsidiaries	676,124	397,035
Other companies		
Dividends distributed by:		
Mediobanca S.p.A.	5,647	2,541
Fin. Priv. S.r.l.	786	351
Total other companies	6,433	2,892
Total investment income	682,557	399,927

Regarding the gain resulting from the reimbursement of capital of IHF - Internazionale Holding Fiat S.A. see comments contained in the previous Note 3.

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 totaled 2 thousand euros in 2004, in line with 2003.

Other income

Other income came to 72,975 thousand euros in 2004, an increase of 19,235 thousand euros compared with 2003.

A breakdown is as follows:

(in thousands of euros)	2004	2003
Subsidiaries		
Interest earned from:		
Fiat Ge.Va. S.p.A.	48,968	33,840
Miscellaneous	335	21
Total	49,303	33,861
Fees for suretyships and unsecured guarantees provided on behalf of the following Group companies:		
Fiat Finance and Trade Ltd	2,299	2,815
Fiat Partecipazioni S.p.A.	711	706
Fiat France S.A.	396	–
Fiat Auto Financial Services Limited	333	371
Banco CNH Capital S.A.	297	278
Fiat Finance Luxembourg S.A.	249	569
New Holland Credit Company LLC	212	255
Fiat Auto S.p.A.	204	270
Ingest Facility S.p.A.	201	201
Miscellaneous	561	608
Total	5,463	6,073
Income on derivative financial instruments		
Intermap (Nederland) B.V.	5,010	–
Fiat Ge.Va. S.p.A.	2,617	–
Total	7,627	–
Other income	626	590
Total subsidiaries	63,019	40,524
Others		
Interest earned on bank deposits	1	1
Interest earned on amounts receivable from the Tax Authorities	6,847	9,926
Other interest income	330	51
Fees for suretyships provided:		
FiatSava S.p.A.	2,681	3,111
Miscellaneous	97	127
Total	2,778	3,238
Total others	9,956	13,216
Total other income	72,975	53,740

Interest and other financial expenses

Interest and other financial expenses amounted to 210,222 thousand euros in 2004, or 12,921 thousand euros less than in 2003.

A breakdown is provided below:

(in thousands of euros)	2004	2003
Subsidiaries		
Interest and other financial expenses paid to:		
Fiat Ge.Va. S.p.A.	8,327	15,010
Intermap (Nederland) B.V.	2,379	844
Total	10,706	15,854
Fees paid to:		
Fiat Ge.Va. S.p.A.	151	12
Interest on derivative financial instruments	6,830	906
Miscellaneous	-	15
Total subsidiaries	17,687	16,787
Others		
Interest paid on convertible facility	109,511	123,489
Fees paid on convertible facility	70,200	70,200
Interest and other financing charges paid to banks	8	20
Interest paid to other lenders	444	327
Interest expenses and charges for the sale of receivables	11,763	11,807
Charges for stock listings, dividend payments and other charges	609	513
Total others	192,535	206,356
Total interest and other financial expenses	210,222	223,143

Foreign exchange gains and losses

This is a new item added in compliance with the provisions of Legislative Decree no. 6 of January 17, 2003.

It refers to net foreign exchange gains totaling 283 thousand euros in 2004, with a net decrease of 321 thousand euros from 2003.

The item includes a net loss of 7 thousand euros that has not yet been realized, deriving from an 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

Writedowns of equity investments

This item totaled 1,639,153 thousand euros in 2004 and 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).

In 2003, writedowns included Fiat Netherlands Holding N.V. (1,000,425 thousand euros), Fiat Partecipazioni S.p.A. (1,210,084 thousand euros), Magneti Marelli Holding S.p.A. (144,221 thousand euros), Fiat USA Inc. (9,747 thousand euros), Istituto Europeo di Oncologia S.r.l. (2,939 thousand euros), Isvor Fiat S.c.p.A. (4,321 thousand euros), Fiat International S.p.A. (1,279 thousand euros), Fiat Se.p.In. S.c.p.A. (569 thousand euros), and Fiat Revisione Interna S.c.r.l. (41 thousand euros).

Writedowns of securities among current assets other than equity investments

This item amounted to 1,631 thousand euros and consists of the adjustment of the book value of treasury stock to the stock option exercise price.

In 2003, it amounted to 5,076 thousand euros.

19 Extraordinary income and expenses

Extraordinary income

Extraordinary income totaled 1,579 thousand euros in 2004, for an increase of 1,384 thousand euros from the previous year. It consists of 1,464 thousand euros for tax expenses determined in previous years in an amount exceeding what was owed upon payment and 115 thousand euros in other income.

Extraordinary expenses

Extraordinary expenses in 2004 totaled 15,151 thousand euros and consisted of 429 thousand euros from losses on the disposal of investments, 14,704 thousand euros on incentives and expenses for the retirement of personnel in consequence of corporate restructuring and reorganization plans, and 18 thousand euros for other costs.

The losses on disposals refer to the sale to Fiat Partecipazioni S.p.A. of 100% of Fiat International S.p.A. (84 thousand euros), of 19.35% of the Istituto per la Ricerca e la Cura del Cancro S.p.A. (197 thousand euros), and 10.90% of the Istituto Europeo di Oncologia S.r.l. (148 thousand euros).

In 2003 they essentially referred to bank commissions paid to Mediobanca S.p.A. for the postponement of the commitments undertaken in connection with the "Ferrari" contract (15,504 thousand euros) and expenses connected with the valuation of the Insurance Sector headed by Toro Assicurazioni S.p.A. (1,617 thousand euros), and IRPEG (corporate income taxes) for fiscal 2002 (2,441 thousand euros).

20 Income taxes

In 2004, there was income for 278,442 thousand euros. In particular, they include current income taxes (IRES) (credit 1,442 thousand euros) stemming mainly from the income owed to Fiat S.p.A. for the tax loss used in connection with the consolidated tax return to set off taxable income contributed by other companies, as well as deferred tax assets of 277,000 thousand euros, which were previously commented on at note 5.

On the other hand, in 2003 there was a net tax liability of 60,664 thousand euros following cancellation of the deferred tax assets determined in previous fiscal years when it became unlikely that they could be recovered and thus posted on the financial statements.

In 2004, taxes represented 22.7% of income before taxes, and the difference with the theoretical IRES rate of 33% is due mainly to the negative effect of writedowns of the investments carried out in the fiscal year that are no longer deductible according to current tax norms, 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.

ANALYSIS OF FIXED ASSETS AND SUPPLEMENTAL INFORMATION

Cost of fixed assets

	Gross value at beginning of fiscal year			Increases			Decreases			Gross value at the end of fiscal year		
	Historical cost	Upward adjustments	Total	Reclassifications	Purchases	Reclassifications	Disposals, sales and contributions		Historical cost	Upward adjustments	Total	
							Historical cost	Upward adjustments				
<i>(in thousands of euros)</i>												
Intangible fixed assets												
Start-up and expansion costs:												
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/01)	19,224		19,224						19,224		19,224	
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/03)	56,729		56,729						56,729		56,729	
Leasehold improvements	651		651				(651)		-		-	
	76,604	-	76,604	-	-	-	(651)	-	75,953	-	75,953	
Concessions, licenses, trademarks and similar rights	910		910	24	7		(44)		897		897	
Intangible assets in progress and advances	180		180	(24)	31		(2)		185		185	
Other Intangible fixed assets												
Expenses connected to convertible facility	33,628		33,628						33,628		33,628	
	111,322	-	111,322	-	38	-	(697)	-	110,663	-	110,663	
Property, plant and equipment												
Land and buildings	45,945	102	46,047						45,945	102	46,047	
Plant and machinery	10,057		10,057						10,057		10,057	
Other fixed assets	7,044		7,044		2,673		(1,974)		7,743		7,743	
	63,046	102	63,148	-	2,673	-	(1,974)	-	63,745	102	63,847	

	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		Historical cost	Upward adjustments	Total	
							Historical cost	Upward adjustments				
<i>(in thousands of euros)</i>												
Financial fixed assets												
Investments in:												
Subsidiaries	12,939,729	38,583	12,978,312	253,964			(637,900)	(7)	12,555,793	38,576	12,594,369	
Other companies	148,743		148,743				(22,013)		126,730		126,730	
	13,088,472	38,583	13,127,055	253,964	-	-	(659,913)	(7)	12,682,523	38,576	12,721,099	
Other securities:												
Debt securities	75		75				(1)		74		74	
	75	-	75	-	-	(1)	-	-	74	-	74	

Upward adjustments of fixed assets

Classes of assets (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
Property, plant and equipment				
Land and buildings	102			102
Plant and machinery	–			–
	102	–	–	102
Financial fixed assets				
Investments in:				
Subsidiaries	38,583	–	(7)	38,576

Depreciation and amortization of fixed assets

Classes of assets (in thousands of euros)	Amortization and depreciation at beginning of fiscal year	Increases due to additions during the fiscal year	Decreases due to disposals during the fiscal year	Reclassifi- cations	Amortization and depreciation at end of fiscal year
Intangible fixed assets					
Start-up and expansion costs					
Cost of capital increase to 3,082.13 million euros (Board Resolution of 12/10/2001)	7,690	3,844			11,534
Cost of capital increase to 4,918.11 million euros (Board Resolution of 06/26/2003)	11,346	11,346			22,692
Leasehold improvements	651		(651)		–
	19,687	15,190	(651)	–	34,226
Concessions, licenses, trademarks and similar rights	812	71	(41)		842
Other Intangible fixed assets					
Expenses connected to convertible facility	14,205	11,235			25,440
	34,704	26,496	(692)	–	60,508
Property, plant and equipment					
Land and buildings	8,861	1,355			10,216
Plant and machinery	6,175	995			7,170
Other fixed assets	2,874	871	(769)		2,976
	17,910	3,221	(769)	–	20,362

Writedowns of financial fixed assets

Classes of assets (in thousands of euros)	Writedowns at beginning of fiscal year	Increases due to additions during the fiscal year	Disposals during the fiscal year	Decreases due to Permanent losses in value	Reversals of writedowns	Writedowns at end of fiscal year
Financial fixed assets						
Investments in:						
Subsidiaries	5,835,255	1,639,153	(2,169)			7,472,239
Other companies	9,668		(9,668)			–
	5,844,923	1,639,153	(11,837)	–	–	7,472,239

Art. 10, Law No. 72 of March 19, 1983 - Analysis of assets adjusted for inflation as of December 31, 2004

Classes of assets (in euros)	Historical cost		Upward adjustments permitted by Law			Upward adjustments included in book value at end of period
	not subject to upward adjustments	subject to upward adjustments	No. 74 of 2/11/52	No. 72 of 3/19/83	No. 413 of 12/30/91	
Property, plant and equipment						
Land and buildings	45,791,125	154,566	19,385		82,785	102,170
Plant and machinery	10,056,829					–
Other fixed assets	7,742,667					–
	63,590,621	154,566	19,385	–	82,785	102,170

Classes of assets (in euros)	Historical cost		Valuation reserves	Upward adjustments permitted by Law			Upward adjustments included in book value at end of period
	not subject to upward adjustments	subject to upward adjustments		No. 74 of 2/11/52	No. 576 of 12/2/75	No. 72 of 3/19/83	
Financial fixed assets							
Investments in:							
Subsidiaries	12,527,892,044	27,900,031	(7,472,238,385)	41,933	2,123,212	36,411,284	38,576,429
Other companies	126,730,177						–
	12,654,622,221	27,900,031	(7,472,238,385)	41,933	2,123,212	36,411,284	38,576,429

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

■ Subsidiaries

included in financial fixed assets

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders equity (in euros)	% owned by Fiat S.p.A	Number of shares	Total book value (in euros)
Ferrari S.p.A. – Modena						
At 12/31/03	20,000,000	(23,527,637)	124,591,315	56.00	4,480,000	160,675,480
At 12/31/04	20,000,000	41,251,883	165,843,199	56.00	4,480,000	160,675,480
Magneti Marelli Holding S.p.A. – Corbetta						
At 12/31/03	254,324,998	(136,247,494)	626,990,476	99.99	254,301,607	666,932,086
Ordinary shares						
At 12/31/03				100.00	250,500,601	656,936,752
At 12/31/04				100.00	250,500,601	656,936,752
Preference shares						
At 12/31/03				99.39	3,801,006	9,995,334
At 12/31/04				99.39	3,801,006	9,995,334
At 12/31/04	254,324,998	(14,516,304)	612,474,172	99.99	254,301,607	666,932,086
Comau S.p.A. – Grugliasco						
At 12/31/03				–	–	–
■ Purchase					140,000,000	82,413,200
At 12/31/04	140,000,000	(10,895,549)	112,186,408	100.00	140,000,000	82,413,200
Teksid S.p.A. – Turin						
At 12/31/03				–	–	–
■ Purchase					192,834,000	96,644,200
At 12/31/04	239,600,000	(17,608,985)	113,624,939	80.48	192,834,000	96,644,200
Business Solutions S.p.A. – Turin						
At 12/31/03				–	–	–
■ Purchase					10,000,000	65,360,200
At 12/31/04	10,000,000	(5,278,785)	13,338,609	100.00	10,000,000	65,360,200
Itedi - Italiana Edizioni S.p.A. – Turin						
At 12/31/03	5,980,000	12,028,000	30,400,212	100.00	11,500,000	15,899,105
At 12/31/04	5,980,000	(1,265,986)	28,434,950	100.00	11,500,000	15,899,105
Elasis Società Consortile per Azioni – Pomigliano d'Arco						
At 12/31/03	20,000,000	9,000	20,009,000	0.17	33,334	29,974
At 12/31/04	20,000,000	44,342	20,104,768	0.17 +99.83 ind.	33,334	29,974
Fiat Finance North America Inc. Wilmington (United States)						
At 12/31/03	USD 31,741,892 40,090,010	617,447 779,835	35,841,888 45,268,304	39.47	150	17,118,000
■ Writedown to reflect loss in value						(3,976,000)
At 12/31/04	USD 29,432,501 40,090,010	57,785 78,709	33,291,985 45,347,013	39.47 +60.53 ind.	150	13,142,000
Fiat Ge.Va. S.p.A. – Turin						
At 12/31/03	224,440,000	5,169,726	313,371,830	100.00	224,440,000	222,262,897
At 12/31/04	224,440,000	47,711,134	291,082,964	100.00	224,440,000	222,262,897
Fiat Information & Communication Services società consortile per azioni – Turin						
At 12/31/03	800,000	61,735	904,776	51.00	408,000	430,000
At 12/31/04	800,000	23,846	928,622	51.00 +49.00 n.v. ind.	408,000	430,000
Fiat International S.p.A. – Turin						
At 12/31/03	1,300,000	(1,200,616)	277,791	100.00	1,300,000	277,791
■ Disposal					(1,300,000)	(277,791)
At 12/31/04	–	–	–	–	–	–

List of investments (continued)

Company and registered office	Capital (in euros)	Result for the last fiscal year (in euros)	Stockholders equity (in euros)	% owned by Fiat S.p.A	Number of shares	Total book value (in euros)
Fiat Netherlands Holding N.V. – Amsterdam (Netherlands)						
At 12/31/03	4,366,482,748	(735,461,574)	3,879,759,231	60.56	57,488,376	2,349,582,656
At 12/31/04	4,366,482,748	157,044,140	3,850,560,371	60.56 +39.44 ind.	57,488,376	2,349,582,656
Fiat Oriente S.A.E. (in liquidation) – Cairo (Egypt)						
At 12/31/03	EGP 6,437 50,000	1,285 9,985	43,394 337,057	100.00	12,500	7,472
█ Disposal					(12,500)	(7,472)
At 12/31/04	–	–	–	–	–	–
Fiat Partecipazioni S.p.A. – Turin						
At 12/31/03	3,924,685,869	(1,617,149,865)	2,947,512,055	100.00	3,924,685,869	3,015,465,082
█ Writedown to reflect loss in value						(1,623,973,000)
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
Fiat-Revisione Interna S.c.r.l. – Turin						
At 12/31/03	300,000	(297,162)	306,870	14.00 n.v.	42,000	42,962
At 12/31/04	300,000	26,438	333,308	14.00 n.v. +86.00 ind.	42,000	42,962
Fiat Servizi per l'Industria S.c.p.a. – Turin						
At 12/31/03	3,850,000	(1,558,840)	1,414,323	36.47	1,404,000	515,803
At 12/31/04	3,850,000	238,346	1,652,669	36.47 +63.53 ind.	1,404,000	515,803
Fiat U.S.A. Inc. – New York (United States)						
At 12/31/03	USD 13,325,416 16,830,000	239,242 302,163	24,839,837 31,372,714	100.00	1,000	24,897,726
█ Writedown to reflect loss in value						(1,657,000)
At 12/31/04	USD 12,355,921 16,830,000	207,961 283,264	23,240,568 31,655,978	100.00	1,000	23,240,726
IHF - Internazionale Holding Fiat S.A. – Paradiso (Switzerland)						
At 12/31/03	CHF 1,283,779,447 2,000,000,000	(331,572,733) (516,557,161)	1,283,854,912 2,000,117,568	100.00	2,000,000	668,897,557
█ Reimbursements of capital					(1,900,000)	(635,452,680)
At 12/31/04	CHF 64,808,814 100,000,000	181,021,006 279,315,412	245,906,014 379,432,980	100.00	100,000	33,444,877
Isvor Fiat Società consortile di sviluppo e addestramento Industriale per Azioni – Turin						
At 12/31/03	300,000	(16,617,627)	(571,053)	26.00	78,000	–
█ Advance on capital increase						46,526
█ Advance on capital contribution						9,500,000
█ Writedown to reflect loss in value						(9,546,526)
At 12/31/04	300,000	(9,139,001)	539,946	26.00 +74.00 ind.	78,000	–
Orione - Consorzio Industriale per la Sicurezza e la Vigilanza – Turin						
At 12/31/03	26,342	(387,543)	(361,201)	82.01		21,108
At 12/31/04	26,342	(479,932)	(453,590)	82.01 +14.00 ind.		21,108
Consorzio "Sirio" per la Sicurezza Industriale – Turin						
At 12/31/03	56,239	2,799	69,613	1.59		764
At 12/31/04	56,364	49,478	119,216	1.59 +70.23 ind.		764
█ Total subsidiaries						5,122,130,119

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

■ Other companies included in financial fixed assets

Company and registered office	% owned by Fiat S.p.A.	Number of shares	Total book value (in euros)
Mediobanca S.p.A. – Milan			
At 12/31/03	1.81	14,118,350	92,840,388
At 12/31/04	1.80	14,118,350 ^{*)}	92,840,388 168,149,548
Istituto per la Ricerca e la Cura del Cancro S.p.A. – Turin			
At 12/31/03	19.35	6,000,000	6,197,483
■ Disposal		(6,000,000)	(6,197,483)
At 12/31/04	–	–	–
Istituto Europeo di Oncologia S.r.l. – Milan			
At 12/31/03	10.90		6,147,818
■ Disposal			(6,147,818)
At 12/31/04	–		–
Fin.Priv. S.r.l. – Milan			
At 12/31/03	14.29		14,354,662
At 12/31/04	14.29		14,354,662
Consortium S.r.l. – Milan			
At 12/31/03	2.27		19,529,683
At 12/31/04	2.62		19,529,683
Consorzio Fiat Media Center – Turin			
At 12/31/03	1.67		5,165
At 12/31/04	1.85		5,165
Consorzio Lingotto – Turin			
At 12/31/03	5.40		279
At 12/31/04	5.40		279
■ Total other companies			126,730,177

*) Based on market prices on December 30, 2004.

% owned by Fiat S.p.A.

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

Treasury stock at December 31, 2004

	% owned by Fiat S.p.A.	Number of shares	Book value		Par value	
			per share (in euros)	total (in euros)	per share (in euros)	total (in euros)
Ordinary shares						
At 12/31/03	0.45	4,384,019	6.40	28,044,569	5.00	21,920,095
Alignment of the stock option exercise price				(1,631,261)		
At 12/31/04	0.45	4,384,019	6.025	26,413,308 *) 25,852,560	5.00	21,920,095

*) Based on market prices on December 30, 2004.

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

Description	Total amount of equity reserves and other reserves which would be included in the Company's taxable income in the event of distribution (in euros)	Total amount of other reserves generated from net income (in euros)	Total amount of equity reserves and other reserves which would not be included in the stockholders' taxable income in the event of distribution (in euros)	Total (in euros)
Revaluation reserve under Law No. 413 of Dec. 30, 1991	22,590,857			22,590,857
Legal reserve	352,292,766	32,898,413	61,370,584	446,561,763
Treasury stock valuation reserve		26,413,309		26,413,309
Other reserves				
Extraordinary reserve		1,631,261		1,631,261
	374,883,623	60,942,983	61,370,584	497,197,190

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	Amount (in euros)	Possibility of use	Available share (in euros)	Summary of the applications made during the last three years	
				For coverage of losses (in euros)	For other reasons (in euros)
Capital stock	4,918,113,540				
Capital stock reserves:					
Legal reserve	61,370,584	B	–	29,241,925	
Revaluation reserve under Law No. 413 of Dec. 30, 1991	22,590,857	A,B,C	22,590,857		
Earnings reserves:					
Legal reserve	385,191,179	B	–	183,536,323	
Treasury stock valuation reserve	26,413,309	–	–		
Extraordinary reserve	1,631,261	A,B,C	1,631,261		
Total	5,415,310,730		24,222,118	212,778,248	
Portion that cannot be distributed (*)			24,222,118		
Residual portion that can be distributed			–		

Legend:

A: For capital increases

B: For coverage of losses

C: For distribution to stockholders

(*) Cannot be distributed due to start-up and expansion costs that must still be amortized (Art. 2426 Italian Civil Code, number 5).

Analysis of cash flow

<i>(in thousands of euros)</i>	2004	2003
A. Initial short-term financial assets	1,303,578	1,359,994
B. Cash flow - operating activities		
Income (loss) for the fiscal year	(949,101)	(2,358,790)
Depreciation and amortization	29,717	29,774
Losses (gains) on disposals of fixed assets	595	(1,462)
Income from reimbursement of principal IHF – Internazionale Holding Fiat S.p.A.	(606,124)	–
Writedowns of equity investments	1,639,153	2,369,573
Net change in reserve for employee severance indemnities and other reserves	(8,466)	(21,367)
Changes in capital stock	31,415	(196,675)
	137,189	(178,947)
C. Cash flow - investing activities		
Investments in fixed assets		
Equity investments	(253,964)	(1,602,430)
Other fixed assets	(2,711)	(59,154)
Selling price, or redemption value, of long-term investments	1,254,823	3,665
	998,148	(1,657,919)
D. Cash flow - financing activities		
Contributions by stockholders	–	1,835,986
Changes in reserves	–	4,464
Other changes	30,000	30,000
Repayment of borrowings	(250,000)	(90,000)
	(220,000)	1,780,450
E. Net cash flow for the period	(B+C+D)	(56,416)
F. Final short-term financial assets	(A+E)	1,303,578

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

Fees paid to Directors, Statutory Auditors and General Managers (in thousands of euros) (Article 78 of Consob Regulation No. 11971/99)

First name and last name	Office held in 2004	Term of office	Expiration (*)	Compensation for office held	Non-cash benefits (**)	Bonuses and other incentives	Other compensation
Still in office:							
Luca Cordero di Montezemolo	Director	1/1-5/30	2006	354.3	54.2		6,660.2
	Chairman	5/30-12/31		1)			2)
John Elkann	Director	1/1-5/30	2006	354.3	27.5		
	Vice Chairman	5/30-12/31		3)			
Sergio Marchionne	Director	1/1-5/30	2006	1,948.0	26.9		506.3
	Chief Executive Officer	6/1-12/31		4)			5)
Andrea Agnelli	Director	5/30-12/31	2005	47.5	4.0		
Angelo Benessia	Director	1/1-12/31	2006	98.0	26.9		
Tiberto Brandolini d'Adda	Director	5/30-12/31	2005	47.5	4.0		
Flavio Cotti	Director	1/1-12/31	2006	92.0	26.9		
Luca Garavoglia	Director	1/1-12/31	2006	98.0	26.9		
Hermann Josef Lamberti	Director	1/1-12/31	2006	95.0	26.9		
Pasquale Pistorio	Director	12/23-12/31	2005	4.2			
Daniel John Winteler	Director	1/1-12/31	2006	92.0	26.9		
				6)			
Cesare Ferrero	Chairman of the Board of Statutory Auditors	1/1-12/31	2006	63.0			30.0
Giuseppe Camosci	Statutory Auditor	1/1-12/31	2006	42.0			
Giorgio Ferrino	Statutory Auditor	1/1-12/31	2006	42.0			
No longer in office:							
Umberto Agnelli	Chairman	1/1-5/27		730.3	44.3		
Giuseppe Morchio	Chief Executive Officer	1/1-5/30		517.3	58.8		
Franz Grande Stevens	Director	1/1-4/26		277.9	17.4		
	Secretary of the Board			7)			

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

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

1) The gross annual compensation for the office of Chairman amounts to 500,000 euros.

2) The compensations for the offices held in the subsidiaries Itedi (143.2) and Ferrari (6,517), the latter inclusive of the variable compensation and a result-related bonus.

3) The gross annual compensation for the office of Vice Chairman amounts to 500,000 euros.

4) The gross annual fixed compensation for the office of Chief Executive Officer amounts to 1,600,000 euros, while the variable compensation can be equal to 100% of fixed compensation as a maximum.

5) Compensation for office held at the subsidiary IHF S.A. (171.7) and annual provision for severance indemnities (334.6).

6) Compensation channeled to IFIL Investments S.p.A.

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

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

Grantee		Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expired in the year		Options held at the end of the year		
		Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Exercise period (mm/yy)	Number of options	Average exercise price	Average market price at exercise date	Number of options	Number of options	Average exercise price	Exercise period (mm/yy)	
Paolo Fresco	Chairman	2,250,000	20.614	07/01-01/10							2,250,000	20.614	07/01-01/10		
Giuseppe Morchio	Chief Executive Officer	13,338,076	5.623	03/04-03/10						10,670,461 (*)	2,667,615	5.623	05/05		
Sergio Marchionne	Chief Executive Officer				10,670,000	6.583	06/08-01/11(**)				10,670,000	6.583	06/08-01/11		

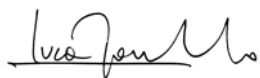
(*) Options expired upon termination of office.

(**) 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, March 24, 2005

The Board of Directors

By:



Luca Cordero di Montezemolo

Chairman