



FIAT S.P.A.
Registered Office: 250 Via Nizza, Turin, ITALY
Share Capital: €6,377,262,975
Turin Companies Register/Tax Code: 00469580013

Explanatory Report

The purpose of this Explanatory Report is the disclosure of certain information relating to the partial spin-off of the wholly owned subsidiary Fiat Partecipazioni S.p.A. in favor of Fiat S.p.A..

Corporate structure of the Group and proposed transaction

Under the current corporate structure of the Group, Fiat Partecipazioni S.p.A. (FP) is the Group's sub-holding which, directly or indirectly, holds the shareholdings in the most of the Fiat Group industrial Sectors, namely Fiat Group Automobiles S.p.A., Fiat Powertrain Technologies S.p.A., Magneti Marelli Holding S.p.A., Maserati S.p.A. and Teksid S.p.A.. In addition to that, Fiat Partecipazioni S.p.A. holds approximately 40% of the capital stock of Iveco S.p.A. and Fiat Netherlands Holding N.V. (FNH), the company which holds the control of CNH, as well as the 10.5% of the ordinary share capital of RCS Media Group S.p.A..

Under the current structure, Fiat S.p.A. directly holds, in addition to 100% of the capital stock Fiat Partecipazioni S.p.A., 100% of Comau S.p.A., 85% of the capital stock of Ferrari S.p.A. and the remaining stake of approximately 60% of Iveco and FNH.

Through the proposed Spin Off the Group intends to simplify its corporate structure as advised by the most recent market best practices. By granting to Fiat the direct control of all its industrial Sectors, the Spin Off will allow a strengthened operational efficiency, an improved financial optimization and the streamlining of the transfer of dividends.

On the other hand, Fiat Partecipazioni S.p.A. will focus its activity in the areas where it is already present, namely the real estate business in favor of the Group and as in-house service provider.

The proposed transaction represents a partial Spin-off of a subsidiary in favor of the sole shareholder, therefore Fiat S.p.A. shall not issue any new share. Fiat S.p.A. will account for the transaction consistently with the present carrying value of the investment in FP (*"in continuità di valori"*). As a result, the book value of the Fiat S.p.A.'s investment in Fiat Partecipazioni will be replaced by the book values of the assets and liabilities received in addition to the residual book value of FP.

The Spun-off Company shall reduce its shareholders equity by an amount equal to the net assets transferred.

Fiat Partecipazioni's assets and liabilities to be transferred

As a result of the Spin-off, the shareholdings owned by the Spun-off Company and listed in the table below shall be assigned to Fiat together with the debt vis-à-vis Fiat Finance S.p.A.:

Company's name	Headquarters	Tax code/ registration no. with Trade Register	Share Capital (Euro)	% of ownership	No. of shares owned by FP	Book value in FP (Euro)
Fiat Group Automobiles S.p.A.	Torino	07973780013	745,031,979	100	745,031,979	4,670,000,000
Fiat Netherlands Holding N.V.	Amsterdam	003324436 33142210	2,610,397,295	39.437	37,435,162	1,532,477,429
Fiat Powertrain Technologies S.p.A.	Torino	07979870016	397,500,000	100	750,000,000	297,935,000
Iveco S.p.A.	Torino	01053960017	369,500,000	39.437	145,720,362	509,988,810
Magneti Marelli Holding S.p.A.	Corbetta (Mi)	08082990014	254,324,998	99.991	254,301,607	726,251,268
Maserati S.p.A.	Modena	08245890010	40,000,000	100	40,000,000	103,682,000
RCS Media Group S.p.A.	Milano	12086540155	762,019,050	10.497*	76,907,627	131,785,440
Teksid Aluminum S.r.l	Carnagola (To)	08349600018	5,000,000	100	5,000,000	70,292,021
Teksid S.p.A.	Torino	08310210011	71,403,261	84.791	60,543,388	75,866,000
Total						8,118,277,968

*percentage on the total ordinary stock issued

The net value of the assets assigned according to the Spin-off Plan will amount to Euro 7,318,277,968. Such value will result from the difference between (i) the overall value of the said shareholdings reflected in the Fiat Partecipazioni balance sheet (and amounting to Euro 8,118,277,968) and (ii) the value of the debt vis-à-vis Fiat Finance S.p.A. (and amounting for Euro 800,000,000).

The value indicated above shall not be subject to any adjustment, in consideration of the circumstance that any possible change of the shareholdings' book value shall be offset reciprocally or, alternatively, in cash.

The FP shareholders' equity shall be consequently reduced of Euro 7,318,277,968 and the said amount shall reduce the following reserves: Reserve for capital contribution (Euro 3,950,000,000), Retained earnings (Euro 2,435,876,585) and Additional paid-in capital (Euro 932,401,383).

FP will assign to Fiat the assets and liabilities abovementioned at book value.

Legal aspects

The Spin-off Plan does not provide for any emission of new Fiat shares. As Fiat Partecipazioni is a company fully owned by Fiat, article 2504-ter, para. 2 and article 2506-ter, para. 5 of the Italian civil code - which prevent such emission of new shares for fully owned companies -- shall apply.

As the Spin Off does not cause the delisting of the securities of any of the companies involved in such Spin Off, no withdrawal right is applicable pursuant article 2437-quinquies of the Italian civil code. Furthermore no other withdrawal right may be granted lacking the grounds upon which such withdrawal right could arise in accordance with the Italian regulations.

The ownership of the companies participating to the Spin Off, and the control thereof, will not be modified as a result of the Spin Off.

There are no shareholders' agreements pursuant to article 122 of the Consolidated Financial Act and therefore the Spin Off will not have any effect thereof.

As the Spin Off does not provide for granting of shares, there are neither exchange ratios, nor rights arising from such granting.

Pursuant to article 2506-quater of the Italian civil code, the Spin-off shall be effective from the latter of: (i) the registration of the Spin-off Deed in the Trade Register; or (ii) the effective date possibly indicated in the Spin-off Deed.

The accounting effects of the Spin-off shall be concurrently reflected in the Beneficiary balance sheet in compliance with article 2501-ter no. 6 and article 2506-quater of the Italian civil code.

Tax aspects

The Spin Off is a tax neutral transaction for direct tax purposes on the basis of Art. 173 of the Italian Tax Code (Presidential Decree No. 917/1986).

In particular, the total or partial spin off does not create taxable income or deductible costs for the companies involved in the transaction.

For the Spun-off Company, the transfer of a part of the net equity to the Beneficiary is not a taxable event in relation to the latent capital gains or losses of the assets and liabilities. In the same way, assets and liabilities received by the Beneficiary are taken at the same tax value they had before the Spin-off.

In the determination of the taxable income of the Beneficiary, the positive or negative surplus emerging in the balance sheet for the cancellation of the shares is tax neutral and the increase of the assets deriving from the allocation of the positive surplus in the Beneficiary balance sheet has no tax value.

Taxable reserves belonging to the Spun-off Company balance sheet are accounted for in the Beneficiary balance sheet in accordance to para. 9 of Art. 173 of the Italian Tax Code.

Tax losses of the Spun-off Company can be used to offset the Beneficiary taxable income in proportion to the net equity transferred to the Beneficiary and in accordance to the rules and limitations provided by paragraph 10 of Art. 173 of the Italian Tax Code.

The Spin-off is out of the scope of the Italian VAT and is subject to registration tax in a fixed amount.

September 18, 2008

On behalf of the Board of Directors
/s/ LUCA CORDERO DI MONTEZEMOLO
Luca Cordero di Montezemolo
Chairman