

FIAT  
GROUP





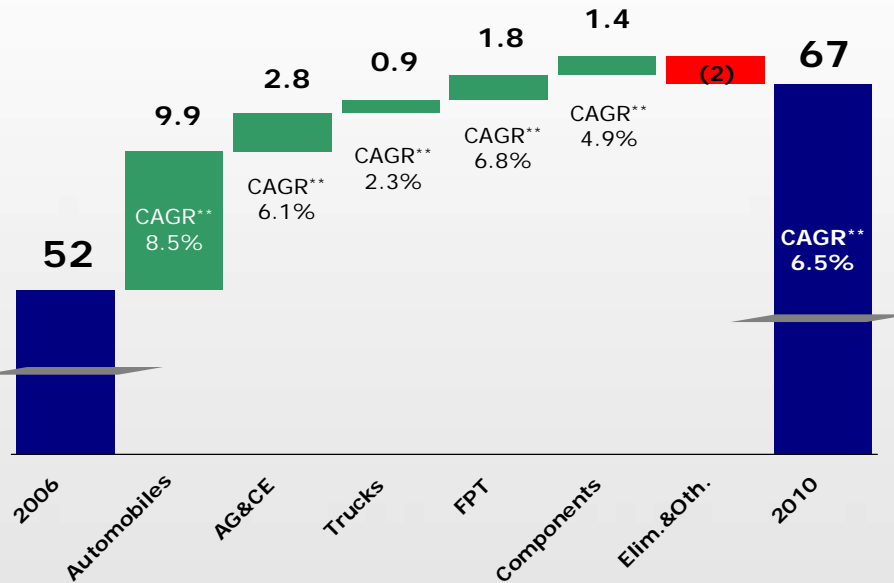
# Building a world-class competitor

**Sergio Marchionne**  
Chief Executive

# 2007-10 Plan\* – Our commitment to the future



Contribution to Group Revenues by sector (€bn)



- 2010 Group trading profit at ~€5bn, more than 2.5x 2006 level
  - ▶ Continuing operating performance improvements across all businesses
- Sound Capex & R&D spend to support growth
  - ▶ €16bn 2007-10
  - ▶ 1.26x D&A
- 2010 net income projected at ~€3.4-3.6bn
- Cumulative dividend pay-out of ~€2bn over plan period (assuming 25% pay-out ratio)
- Net cash-on-hand of ~€3bn in 2010

**A transformed automotive industrial Group, a goal-driven house**

\* Targets set in 2006  
 \*\* 2006-10 CAGR

# 2007: an unprecedented year

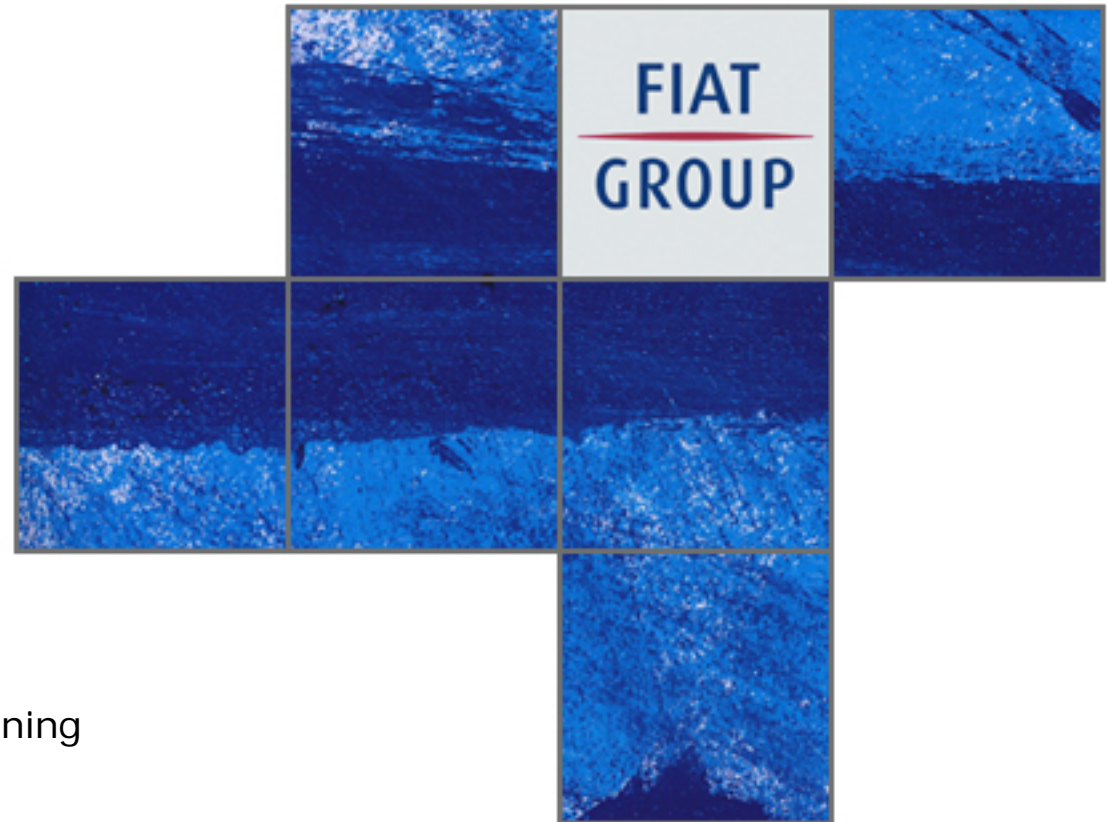


- **Group Trading Profit: €3.2bn (+66% over 2006)**
  - ▶ The highest level in Fiat's history
- **Group debt free, with €10bn in cash generation over 3 years**
- **Fiat Group Automobiles: 2,234mn vehicles sold worldwide**
  - ▶ The best result since 2000
- **Iveco: 211,700 units sold worldwide**
  - ▶ The highest level in its history
- **CNH: €11.8bn in revenues and €990mn in trading profit with a trading margin of 8.4%**
  - ▶ The best result since 1999 (year of Case/New Holland merger)
- **Ferrari: 15% increase in revenues and 45% increase in trading profit**
  - ▶ The best ever results
- **Maserati: €24mn in trading profit**
  - ▶ First year of profitability since 1993

# Key “building-blocks” for growth

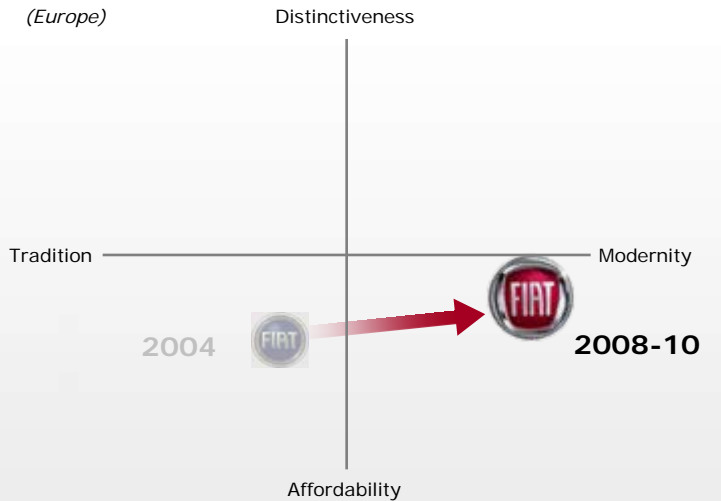


# 1. Brand unbundling



- 1.1 Distinctive market positioning
- 1.2 Recapturing brand spirit
- 1.3 Targeting core customers & segments
- 1.4 Continuous rejuvenation of product offer
- 1.5 Enhancement in customer service

# 1.1 Distinctive market positioning



*You are. We Car.*

- Improving image of each model gradually enhancing overall brand perception...
    - ▶ Italy: brand now in line with non-premium best-in-class competitors
    - ▶ Image improvements in key European countries
- ...Fiat 500 is not the final stage in current brand journey, but the first step of the next one

- The fastest growing full-liner brand in WE
  - ▶ Volume up 45% (May YTD: '08 vs. '05)
- Progressively closing pricing gap vs. competition in WE
  - ▶ Panda (A-Segment): avg price +€1.0k in 2007 vs. -€3.1k in 2002
  - ▶ G. Punto (B-Segment): avg price +€0.65k in 2007 vs. -€1.5k in 2002
  - ▶ Bravo (C-Segment): avg price -€0.09k in 2007 vs. -€0.62k in 2002 (3/5-door, ex premium)

# 1.1 Distinctive market positioning



**A premium-luxury brand targeting 300k units in 2010**

Registrations; units/000	2007	2010	Delta	Specialty
Italy	104	135	35	●
WE current	18	55	25	●
New Markets (incl. UK)		20	10	●
	122	210	70	20

*Delta*

"The power to be different"



- **Sporty yet practical saloon concept reinventing Lancia tradition**
  - ▶ Italian exclusivity & elegance
  - ▶ Targeting the most upscale layers of C&D segment
  - ▶ Wide offering of turbocharged gas and diesel engines
  - ▶ Innovative technical features unique to category

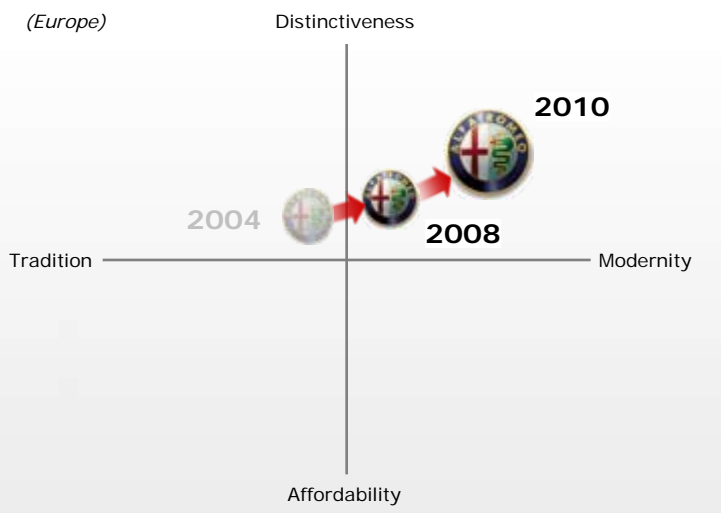
- **Capex and R&D spending of ~€300mn**

- **'08 sales targets: 20k units**

- **Roll out plan**

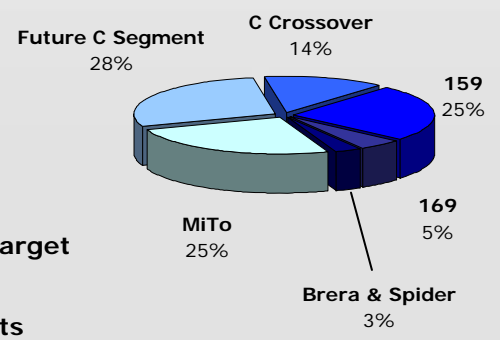


# 1.1 Distinctive market positioning



- **Disciplined & aggressive actions to accelerate brand repositioning process**
  - ▶ Complete revamp of product offering
    - Modernity with MiTo
    - Distinctiveness with new large-segment family
  - ▶ Improve technical contents & enlarge powertrain offering
    - Exploiting technology transfer from Ferrari & Maserati
    - Quality level competing with German car brands

**A historical brand with high potential in terms of volumes and margin**



**2010 sales target = 300k units**



**MiTo**

**...the first step in Alfa's future**

- Innovative concept of 3-door sporty compact car
- 90-230hp engine power range
- First B segment car with innovative technological content "Alfa DNA" system ("manettino")
- Commercially available in Q3 '08
- '08 sales target: 30-40k units

# 1.2 Recapturing brand spirit



**Powerful, great tradition, strong American heritage**

- Premium brand of powerful agricultural equipment for large professional operations
- Providing products and services for the complete farm cycle



**Innovative, application specialist in harvesting, value-for-money equipment**

Full-range provider, including hay & forage for livestock & cash crop customers



**American, traditional, full-line provider**

Residential construction, specialist contractors



**EU full-liner, NA light-to-mid specialist, providing solid value for money**

Landscaping & civil engineering



**Strong technological leadership in fuel consumption, productivity & operator comfort**

# 1.3 Targeting core customers & segments



## Light Range



Daily family

- **Drivability of a car, robustness & performance of a truck**
- **Best Light Truck 2008 Award**
  - ▶ 5 engines (96- 176hp)
  - ▶ Competitive ownership cost
  - ▶ Over 2,500 possible configurations (wheelbase, heights, lengths, load capacity...) to comply with all possible customers needs

## Medium Range



Eurocargo

New Eurocargo  
(launched mid-May '08)

- **One of the most awarded truck in the world & 400k+ units sold since 1991**
- **Very low emissions & high fuel-efficiency engines**
- **New Eurocargo leveraging on its predecessor's success**
  - ▶ Sturdy, versatile & powerful vehicle optimizing drivability & productivity
  - ▶ Improved safety & driving comfort

## Heavy Range



New Trakker  
(off-road)

New Stralis  
(on-road)

- **Gaining ground in segment of historical weakness**
- **Quality in line with best competitors**
- **Environmentally friendly engine range**
  - ▶ Euro 5-compliant engine, two years ahead of regulation
  - ▶ Material edge in fuel efficiency due to SCR technology
  - ▶ CNG-powered vehicles, with emission levels significantly lower than EU standards

# 1.4 Continuous rejuvenation of product offer



## ● 2007

- ▶ Automobiles: 5 new models & 6 model upgrades
- ▶ AG&CE: 20+ new products and 100+ upgrades & re-powering
- ▶ Trucks: New Stralis & 4x4 version for Daily
- ▶ Powertrain: New Fire 1.4 Turbo (120–150hp), F32 light duty-engine

## ● Key launches in 2008

- ▶ Automobiles: Fiat Fiorino, Lancia Delta, Alfa MiTo, Maserati GTS, Ferrari California...
- ▶ AG&CE: CaseIH Class 9 Combine, Case 1221E Wheel Loader, NH T5000, NH B-Series Crawler Excavator...
- ▶ Trucks: New Eurocargo & Massif
- ▶ Powertrain: 1.6 Multijet, 1.8 DI Turbo, 1.9 JTDM Twin-stage Turbo

## ● ...and plenty of news in 2009-10

- ▶ Automobiles: Fiat Future Panda & B-Compact (plus New City Car & New Multipla as additions vs. Lingotto plan), Lancia Future Ypsilon, Alfa Romeo Future C-Segment, C-Crossover & 169...
- ▶ AG&CE: 150+ new products and upgrades or re-powering
- ▶ Trucks: Hybrid versions for Light & Medium range
- ▶ Powertrain: 2-cylinder gas engine, New V6 gas engine, New 635 dry dual-clutch transmission, Multiair technology, Multijet II



**“If you’ve just developed a great product, your next task is to develop a better one to make the first one obsolete.**

**If you don’t do it, someone else will”**

Don Tapscott, The Digital Economy

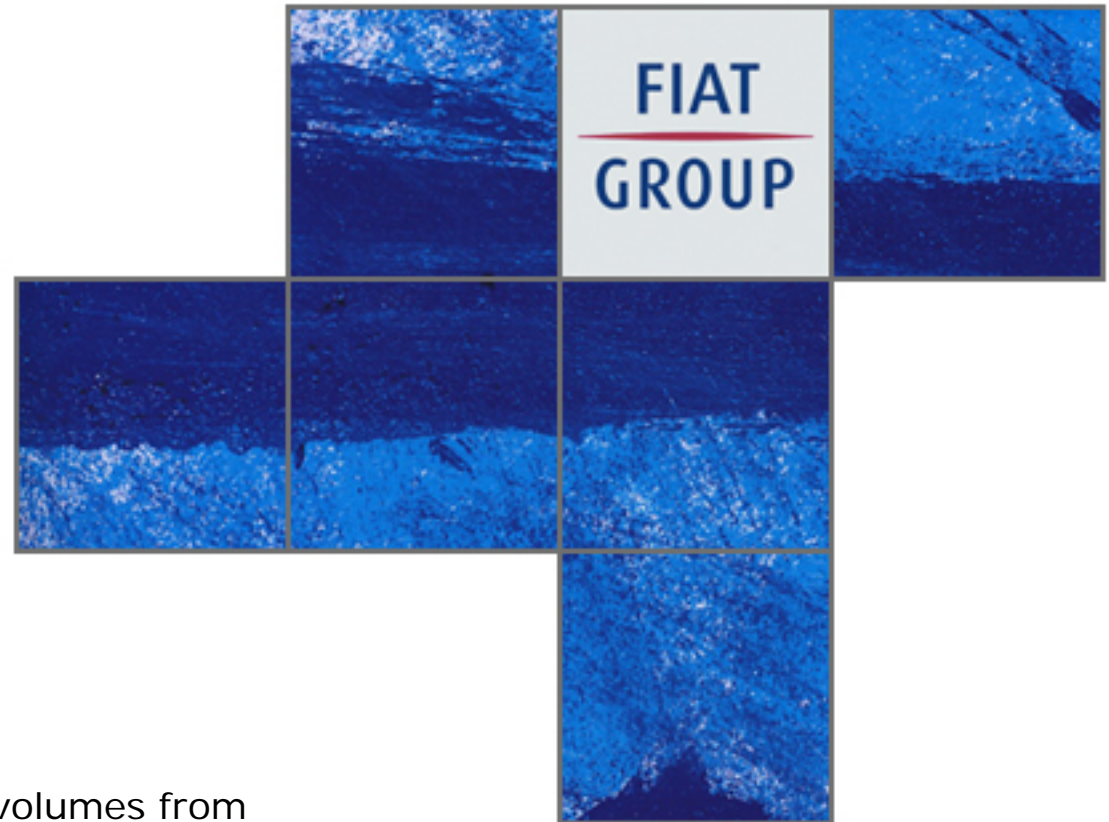
# 1.5 Enhancement in customer service



- The biggest Customer Services Centre in EU serving all Group brands for Customer Care activities
  - ▶ Contacts with customers increasing 80% a year (2006-'08E) in 2-year service
- Building world-class excellence in customer experience (brand-dealer-customer bridge)
  - ▶ Customer satisfaction rating at 8.6 (1-10 scale) up 30% in 2007 vs. prior year
  - ▶ Time-to-fix customer complaints at 7.9 days down 70% vs. 2006
  - ▶ Brand-specific customer support
    - FGA: vehicle down-time improved by 30% vs. '06
    - CNH: "Break Down Assistance" now fully operational in NA and major EU markets
    - Iveco: "Assistance Non Stop": 24/7 service now available with customer care centers covering more than 30 countries (extension to Latin America in '08) & workshops on all major EU routes



## 2. Market share gains



- 2.1 Our commitment in 2006
- 2.2 Brands designed to gain volumes from competition at healthy conditions
- 2.3 Network enhancement

## 2.1 Our commitment in 2006



### IVECO

#### Western Europe

- Reversing market share erosion

- ▶ Market share targets set by brand
- ▶ Aligning offerings to customer needs
- ▶ Improving relationship with top customers
- ▶ Re-establishing brand leadership positions

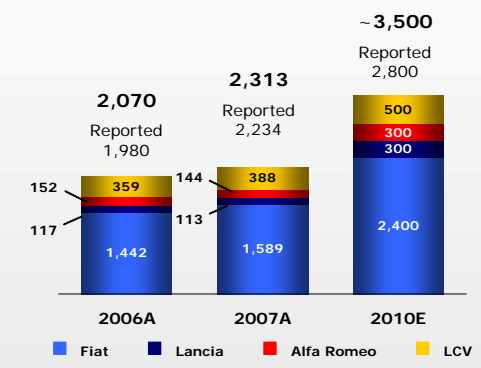
- Overall market share from 11% in 2006 to 12.5% in 2010

- ▶ 10.3% in FY '07, slightly down due to margin protection
- ▶ Market leadership in 2.8-6T segment for Iveco & Fiat Professional combined

#### Eastern Europe

- Overall market share from 12.7% in 2006 to 17.7% in 2010

- ▶ 13% in FY '07



- 1.4 mn unit growth in 2010 vs. '06 with JVs contributing ~600k units

- ▶ +200k units a year over 2007-10

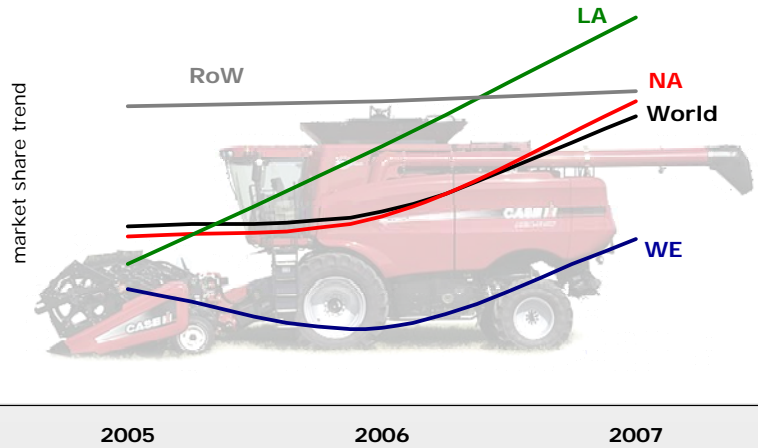
- 2010 passenger car market share target

- ▶ Italy ~35%
- ▶ WE >11%

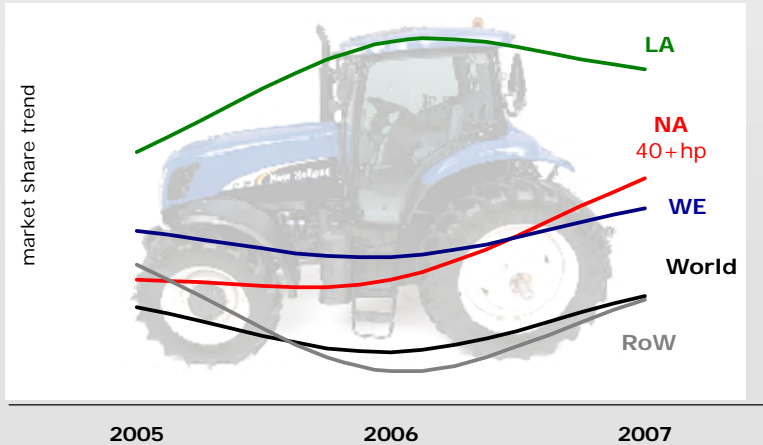
# 2.2 Share gains on most fronts, especially in AG



Combine harvesters...

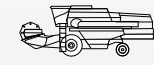


...and tractors



## Agricultural Equipment (Q1 '08)

Industry (unit retail, YoY % change)				CNH (performance relative to mkt)			
NA	WE	LA	RoW	NA	WE	LA	RoW
+12	+16	+84	+55	=	=	+	+
-18 (<40hp)	+1	+44	+2	-	+	=	+
-3 (40+hp)				=			



Combines



Tractors

## Construction Equipment (Q1 '08)

Industry (unit retail, YoY % change)				CNH (performance relative to mkt)			
NA	WE	LA	RoW	NA	WE	LA	RoW
-24	-3	+36	+17	=	=	+	=
-28	+16	+32	+29	=	=	=	=



Light

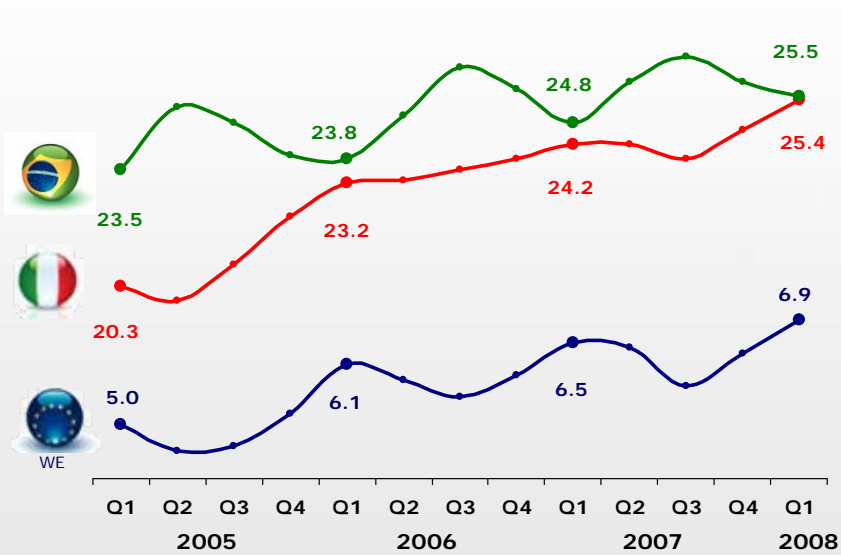


Heavy

## 2.2 Fiat brand gaining ground in key markets



Market share (passenger car); %



May YTD 2008

25.9

25.5

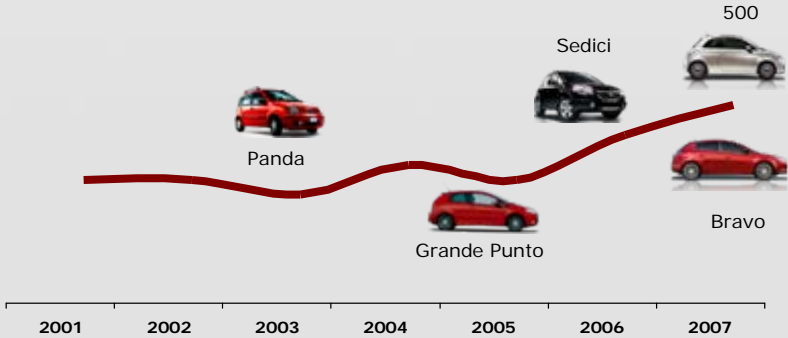
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Expected trend vs. May YTD '07



- Constant quarterly year-over-year gains since 2005 both in Italy & WE
- Increasing penetration in some key WE markets (Apr YTD '08 vs. '07)
  - ▶ WE ex Italy: registrations up 24%; market share at 3.1% (0.6 p.p. gain)
  - ▶ France: registrations up 51%, market share at 3.5% or 1 p.p. gain
  - ▶ Germany: registrations up 33%, market share at 3.0% or +0.6 p.p.
- Outperforming Brazilian passenger car market in May '08 YTD
  - ▶ 235k registrations or +29% vs. prior year

Brand overall image (Italy)

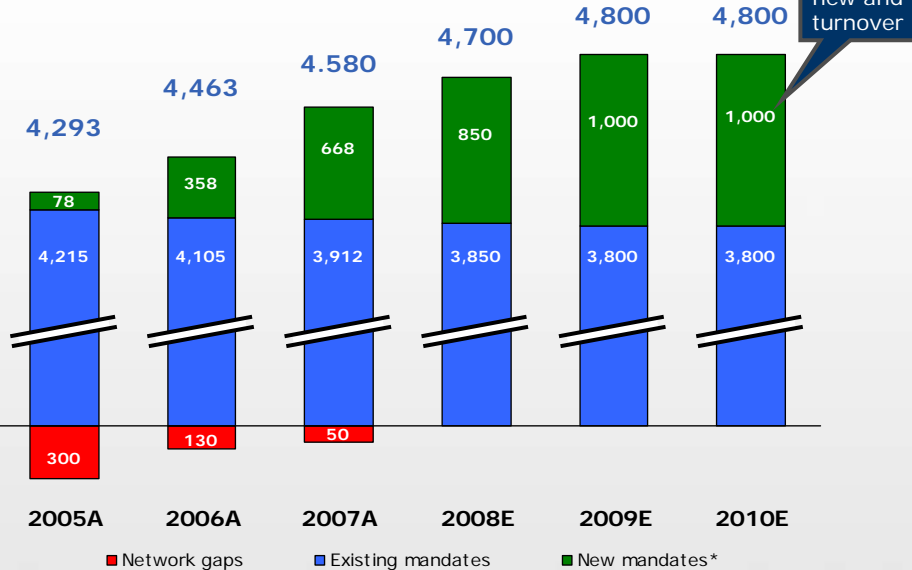


## 2.3 Network Enhancement at FGA

A year ahead of original plan



### # of mandates in Europe (Autos & LCV)



### 2007-10 plan drivers

- ▶ Fully committed to finding new partners and improving performance of existing dealers
- ▶ Launch of owned flagship stores in metropolitan areas
- ▶ Quantitative and qualitative improvement of EU dealer salesforce
- ▶ €900mn investment for distribution network enhancement (specific action plan for Alfa & Lancia)

\* Includes gap closure, dealer turnover and mandate reconfiguration

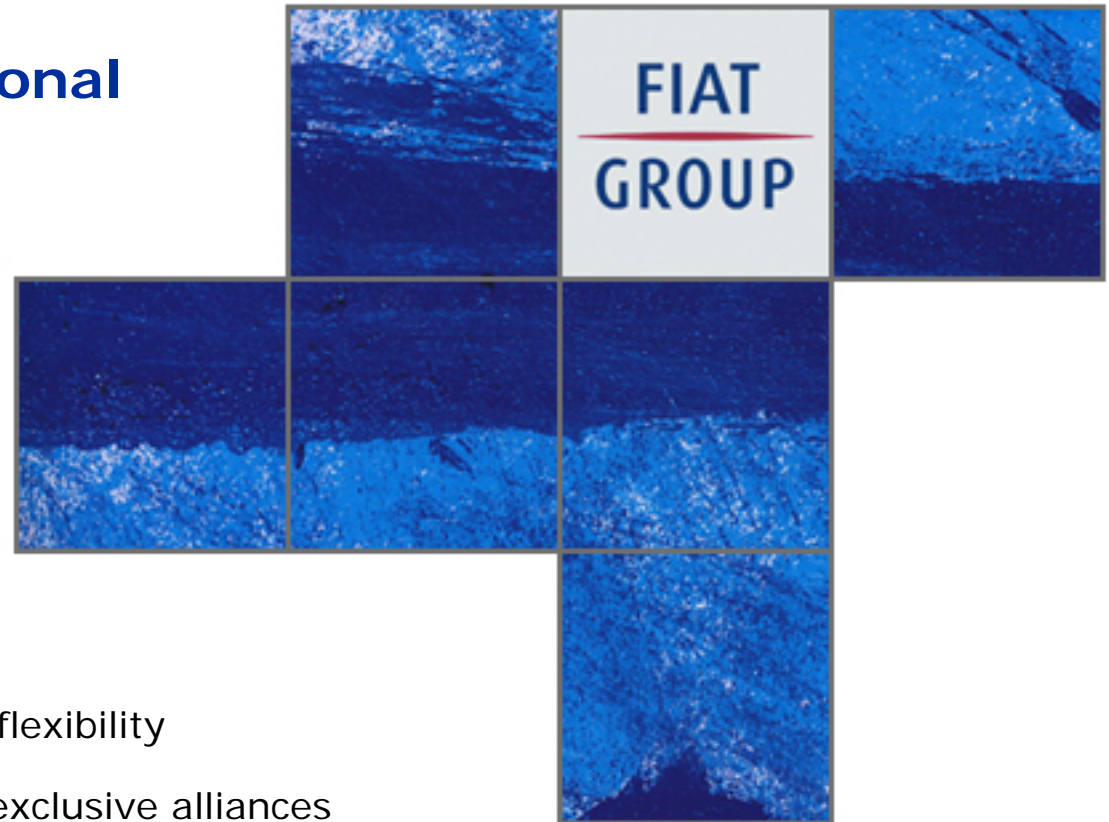
### Enhanced dealer network

- ▶ 80 dealer appointments in Q1 '08 (310 dealer appointments of which 80 network gaps closed in FY '07)
- ▶ New dealerships in strategic EU cities (Paris now counting 20 outlets, Madrid 17, London 15, Berlin 13, Frankfurt 8, Athens 16, Lisbon 9, Warsaw 7)
  - New owned dealers opened in Q1 '08 downtown in London, Frankfurt, Berlin & Lisbon
- ▶ New partners now accounting for ~15% of EU network
- ▶ Abarth: 38 show-rooms opened in Italy and 7 in Switzerland
  - Dealer selection in UK, Germany, France and Greece started in Q1 (50+ dealers already appointed)
- ▶ Top 25% dealers now above 2.5% EBT

### Quantitative and qualitative improvement of EU dealer salesforce

- ▶ Cross-sector organization now in place for salesforce training to build a backbone in commercial & technical knowledge

### 3. Expanding international reach



- 3.1 Reinforcing our strategic flexibility
- 3.2 A global network of non-exclusive alliances
- 3.3 And some new developments

## 3.1 Reinforcing our strategic flexibility



- **Signed 30+ non-exclusive agreements since July 2004**

- ▶ Sharing investment risks
- ▶ Achieving economies of scale
- ▶ Entering new segments or technologies
- ▶ Capitalizing on our internal know-how & taking advantage of local partner knowledge

### Automobiles

- **Strengthening our position and entering new segments, technologies and accessing new markets**

### AG&CE

- **Broadening territory coverage, product offering & strengthening dealer networks in all international areas (India, China and Far East, Africa-Middle East, Russia and CIS)**

### Trucks

- **From an international to a global player**

### Components

- **FPT**
  - ▶ Tie-up with market development of Fiat vehicle companies & non-captive business development
- **Magneti Marelli**
  - ▶ Establishing a competitive manufacturing footprint, including partnerships with key local players

## 3.2 A global network of non-exclusive alliances

### Some key partnerships



#### ● Fiat Group Automobiles

- ▶ Industrial JV in India to manufacture Fiat & Tata branded cars in the same facility for Indian and overseas markets
- ▶ Sharing of dealer network

#### ● FPT

- ▶ Industrial JV in India to produce engines & transmissions (yearly output up to 300k each) for Fiat & Tata branded cars

#### ● Iveco

- ▶ MoU for cooperation in commercial vehicles

### DAIMLER

- **FPT to supply light-duty diesel engines to Mitsubishi Fuso under a long-term agreement**

- ▶ Yearly supply of ~80k units starting 2009



#### ● Iveco

- ▶ JV agreements with SAIC & Chongqing in Heavy commercial vehicles

#### ● FPT

- ▶ JV agreement in medium & heavy duty engines (start-up production expected in 2008)



#### ● Fiat Group Automobiles

- ▶ 50-50 JV for production of Fiat Linea, marketing, sale & distribution of Fiat passenger cars and LCV in Russia
- ▶ Production of Fiat Linea starting later this year (FY sales target: 50k units), beside assembly of Fiat Ducato, Albea & Doblò

#### ● FPT

- ▶ 50-50 JV to produce light-duty diesel engine
- ▶ Start of production by 2008 year-end (yearly output up to 90k engines)

## 3.3 And some new developments



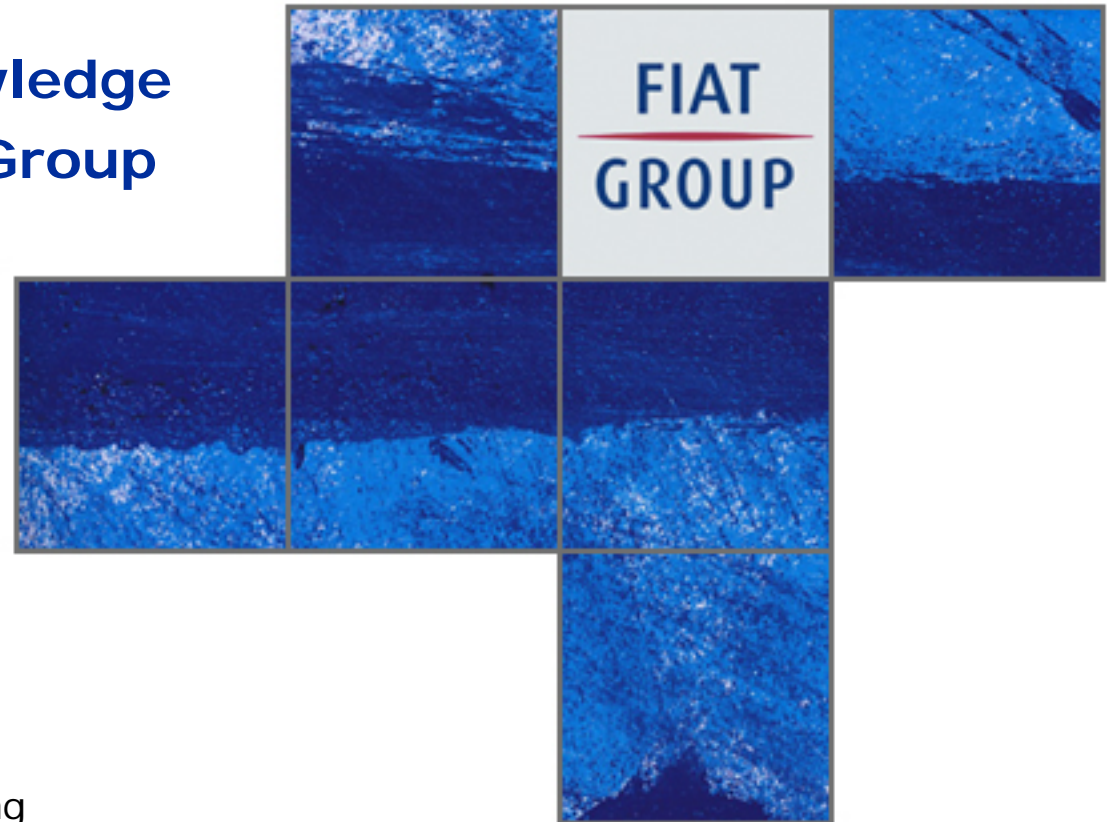
### TRITEC

- **Purchase of plant in Brazil and of mid-size engine technology**
  - ▶ Sale to Fiat Group Automobiles and to potential non-captive customers in a booming LA market
- **Overall investment of R\$250mn including further development costs**
  - ▶ New range of mid-size gasoline & flex-fuel engines

### ZASTAVA

- **MoU with Republic of Serbia forming basis for acquisition of assets of Zastava plant by FGA**
  - ▶ Less than one-month of negotiations prior to signing
  - ▶ JV's target ownership structure: 70% FGA & 30% Republic of Serbia
  - ▶ Overall investment of €700mn by 2010
  - ▶ Contribution of €200mn from Republic of Serbia
  - ▶ Expected expansion of production capacity to 300k units/year by 2010
- **Republic of Serbia willing to provide financial support for new investment in the country**
- **Possibility of extending cooperation to other Fiat Group sectors**
  - ▶ Region with a good logistics infrastructure

## 4. A backbone of knowledge & competencies at Group level

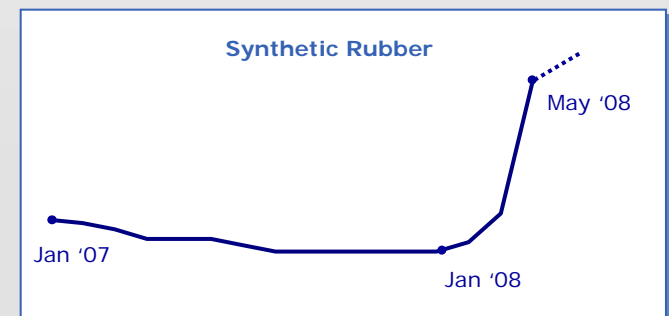
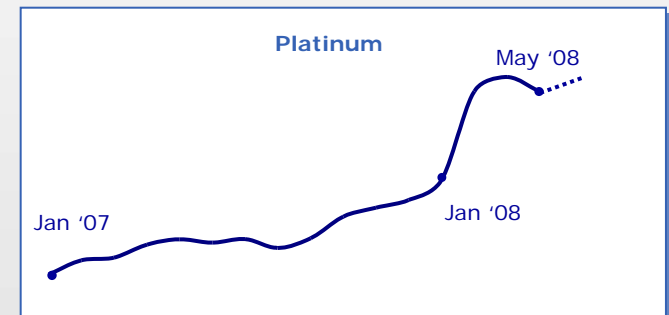
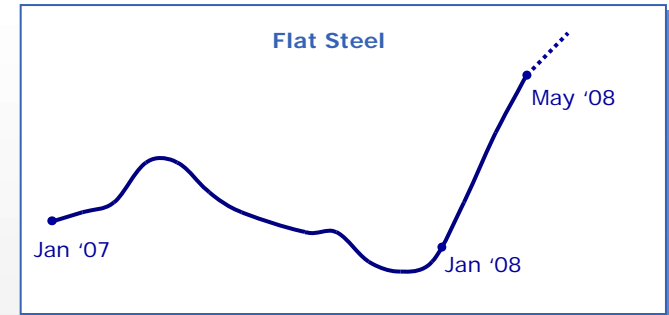


- 4.1 Group Purchasing
- 4.2 World-Class Manufacturing
- 4.3 Group Engineering

## 4.1 Group Purchasing



- **Group committed to €2.6bn cumulative net purchasing savings\* over 2007-10 despite raw material price developments**
  - ▶ Net savings at ~€300mn achieved in 2007
  - ▶ Group net synergies at some €420mn expected in 2008 (€68mn in Q1)
- **Acceleration of measures to offset impact of increasing raw material prices...**
  - ▶ Long-term contracts
  - ▶ Partial hedge on non-metal raw materials
  - ▶ Development in best-cost countries
  - ▶ Strengthening of strategic partnership with suppliers
  - ▶ Design-to-cost, through standardization of components & platforms
  - ▶ Extension of WCM program to top suppliers
- **...and review of pricing policy to close remaining gap vs. original plan**



\* According to Lingotto Plan

## 4.2 World-Class Manufacturing



- Excellence across Logistics & Production
- All plants at premium level by 2010
  - ▶ Implementation underway at all Fiat Group Automobiles & eight Group plants – fully on track for 100% roll-out in 2008
  - ▶ ~2,300 improvement projects implemented in 2007, mostly related to quality & productivity
  - ▶ Extension of the WCM Program to top 20 suppliers started in Oct '07, on-site activities at top 13 suppliers kicked-off in Jan '08
- 2010 key targets at Fiat Group Automobiles
  - ▶ Average hours per vehicle down 20% vs. '06 (~5% improvement Dec '07 YTD)
    - Leadership in A, B & LCV segments
    - Top 5 in C segment
    - Top 10 in D segment
  - ▶ 25% reduction of losses at European plants vs. '06 (~8% down Dec '07 YTD)
- More than €500mn in savings targeted at Group level by 2010

### CRASH PROGRAMS IN 2008 - UPDATE

- Upgrade G. Vico plant to best-in-class performance levels
  - ▶ Extraordinary 2-month shutdown in Q1, production resumed early March
  - ▶ Over €100mn investment for refurbishing production equipment, re-engineering material workflows & workplace re-qualification
- Speeding-up program implementation at CNH operations
  - ▶ Focus on 16 plants for upgrade
  - ▶ Specific crash plan in 4 EU & 4 NA plants involving team of FGA experts to quickly remove bottlenecks and improve productivity
  - ▶ Extension of WCM towards key suppliers



NOW



## 4.3 Group Engineering



- **Centralized worldwide organization with rigorous standards and discipline (including niche products & applications)**
- **Complexity reduction & total quality control by standardized architectures, components and technical product/process solutions**
- **Beyond a new edge of product development process**
  - ▶ Significant changes in process organization in order to allow parallel phases of activities
  - ▶ Virtual analysis as key factor
  - ▶ Integrated approach to marketing, engineering & manufacturing since early stage of development
  - ▶ Early involvement of suppliers
- **Leading-edge product innovation**
  - ▶ Preserving brand distinctiveness
  - ▶ Improving product competitiveness (safety, weight, performance, fuel economy, productivity)



**Fiat Bravo**

- First introduction of world-class time to market (18 months from design freeze)

**Lancia Delta**

- Developed in 15.5 months from design freeze off Bravo platform



**Case IH Small Frame Magnum**  
(under development)

- 16-month development from program approval vs. previous standard of 24 months

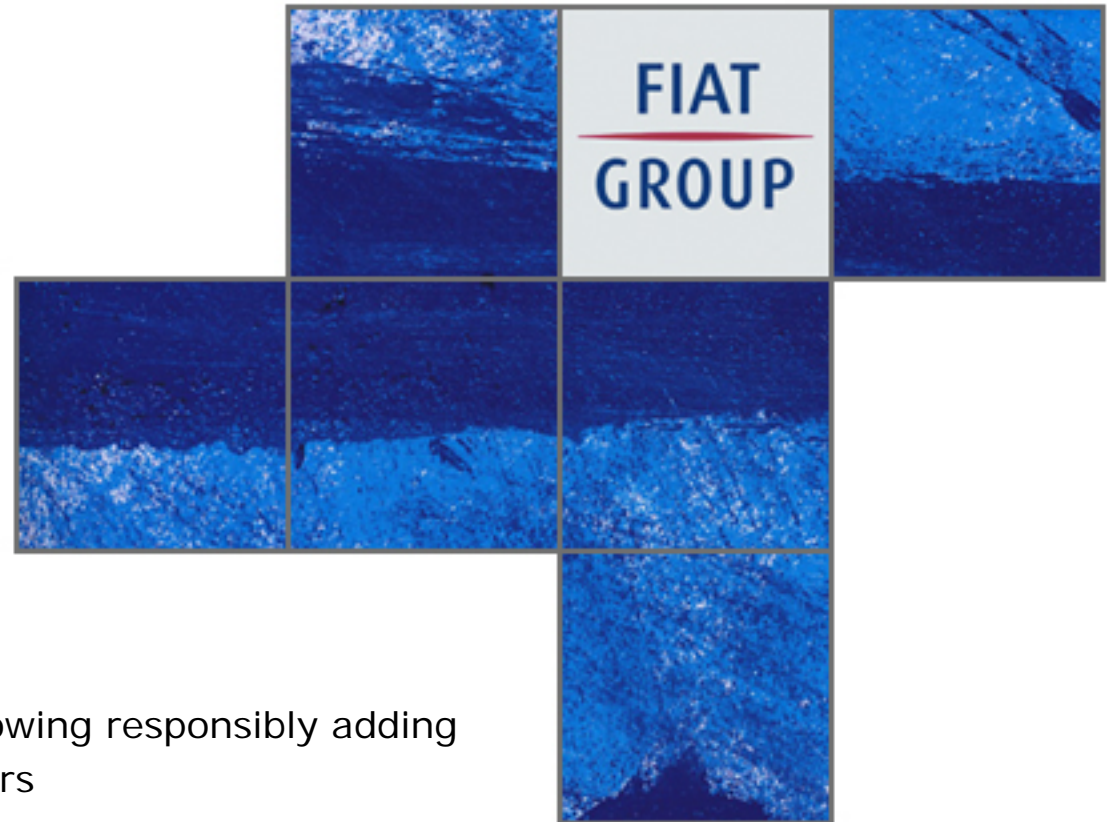
**Small Gasoline Engine**  
(under development)

- 30 months from concept to first application
- Current average competitor development time about 36-40 months



**Excellence in speed, cost, quality, innovation**

## 5. Sustainability



- 5.1 "Fiat Group Respect": growing responsibly adding more value to stakeholders
- 5.2 More & more environmentally friendly vehicles

## 5.1 “Fiat Group Respect”: growing responsibly adding more value to stakeholders



We cannot avoid Commitment!

### Maximize social benefit

- Vehicle & road safety
- Customer relations
- Access to mobility
- Supply chain
- Congestion management
- Communities

**R**esponsibility  
**E**nvironment  
**S**ociety  
**P**eople  
**E**thics  
**C**ommitment  
**T**ransparency

### Minimize environmental impact

- Emissions
- Recycling
- Noise pollution
- Pollution from production processes
- Resource utilization in production

## 5.2 More & more environmentally friendly vehicles

Top-10 selling brands

Make	Volume-weighted average CO <sub>2</sub> emissions (2007) (g/km)
FIAT	137.3
PEUGEOT	141.9
CITROEN	142.2
RENAULT	146.4
TOYOTA	148.8
FORD	149.1
OPEL/VAUXHALL	152.9
VOLKSWAGEN	161.7
BMW	176.7
MERCEDES	188.4



**- Our Commitment –  
To reach the lowest weighted average CO<sub>2</sub> emission level by 2012**

# Fiat's 5 core principles



- Leadership is a function of leading change and leading people
- We are a meritocracy
- We embrace and relish competition
- We aim to achieve best-in-class performance
- We deliver what we promise

# Safe Harbor Statement



Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially. The Company's businesses include its automotive, automotive-related and other sectors, and its outlook is predominantly based on its interpretation of what it considers to be the key economic factors affecting these businesses. Forward-looking statements with regard to the Group's businesses involve a number of important factors that are subject to change, including: the many interrelated factors that affect consumer confidence and worldwide demand for automotive and automotive-related products; factors affecting the agricultural business including commodities prices, weather, and governmental farm programs; general economic conditions in each of the Group's markets; legislation, particularly that relating to automotive-related issues, agriculture, the environment, trade and commerce and infrastructure development; actions of competitors in the various industries in which the Group competes; production difficulties, including capacity and supply constraints and excess inventory levels; labor relations; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties. Any forward-looking statements contained in this document are referred to the current date and, therefore, any of the assumptions underlying this document or any of the circumstances or data mentioned in this document may change. Fiat S.p.A. expressly disclaims and does not assume any liability in connection with any inaccuracies in any of these forward-looking statements or in connection with any use by any third party of such forward-looking statements. This document does not represent investment advice or a recommendation for the purchase or sale of financial products and/or of any kind of financial services. Finally, this document does not represent an investment solicitation in Italy, pursuant to Section 1, letter (t) of Legislative Decree no. 58 of February 24, 1998, or in any other country or state.



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