Q1 2005 Results Review

May 10, 2005

Q1 2005 Financial highlights (all financial data under IAS/IFRS)

- **Group revenues at €10.8bn, down 2.4%**
  - Non-auto businesses up 3.2%
  - Auto revenues down 8.3% on lower market demand and channel mix optimization
- **Group trading profit at €47mn, up €23mn on 2004 despite tough auto markets**
  - Satisfactory performance across all business sectors
  - Fiat Auto losses down to €129mn from €146mn notwithstanding lower sales
- **Net profit at €0.3bn, up €0.7bn y-o-y, in part due to recognition of gain on first instalment of GM settlement (€0.5bn net of tax in Q1 '05, €0.3bn net of tax to be recorded in Q2 '05)**
- **Net industrial cash outflow of ~€550mn driven by seasonal working capital patterns and lower auto sales (working capital absorption:€1.1bn)**
- **Pro-forma for conversion of mandatory convertible and other 2005 transactions, net industrial debt to Group equity stands at 0.53x**
- **2005 Group financial objectives confirmed**

2005 Operational and strategic update

- **Powertrain Technologies industrial business unit set up to converge all engine and transmission know-how, reinforce technology development and drive third party sales**
- **Maserati acquisition to extend reach of Alfa Romeo brand into high-end sports market**
- **Alliance between Iveco Finance and Barclays to strengthen financial services to Iveco customers**
- **Consolidation of New Holland CE brands in Europe & Latin America**
- **New LCV cooperation agreement between Fiat, PSA and Tofas in Turkey**
- **Significant re-alignment of cost structure of Fiat Auto underway**
  - Right-sizing of blue and white collar workforce, management structure and related governance costs
    - To be completed by Q2
    - Annualized savings of €180mn
  - Other governance costs
- **GM relationship resolved with final instalment expected May 13, subject to finalization of legal documentation**
- **Mandatory convertible will provide €3bn equity boost in September 2005**

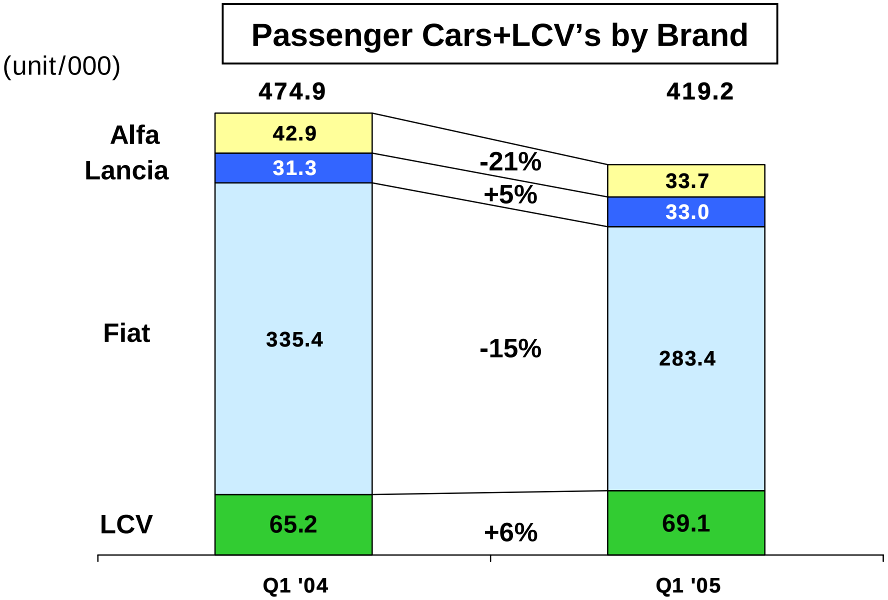
Q1 '05 - Revenues & trading profit (all financial data under IAS/IFRS)

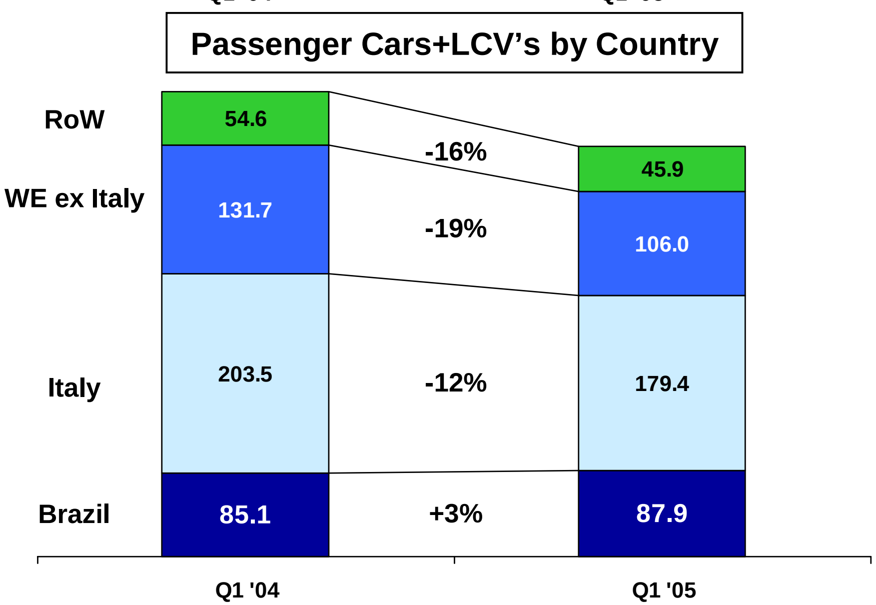
(€mn)	2005			Change 2005/2004		
	Cons.	**Industrial**	**Financial**	**Cons.**	**Industrial**	**Financial**
Revenues						
Fiat Group	**10,755**	**10,441**	**485**	**-269**	**-205**	**-54**
of which						
Automobiles	4,981	4,861	153	-450	-385	-41
Fiat Auto	4,623	4,503	153	-472	-407	-41
Ferrari/Maserati	358	358		+22	+22	
CNH	2,333	2,153	186	+36	+22	+15
Iveco	2,228	2,198	130	+102	+82	-24
Components	1,519	1,519		+86	+86	
Others & Elim.	(306)	(290)	16	-43	-10	-4
CNH ($)	*3,059*	*2,824*	*244*	*+188*	*+161*	*+31*
Trading profit						
Fiat Group	**47**	**(27)**	**74**	**+23**	**+11**	**+12**
of which						
Automobiles	(166)	(180)	14	+19	+17	+2
Fiat Auto	(129)	(143)	14	+17	+15	+2
Ferrari/Maserati	(37)	(37)		+2	+2	
CNH	124	72	52	+6	-4	+10
Iveco	65	60	5	+5	+3	+2
Components	29	29		-6	-6	
Others & Elim.	(5)	(8)	3	-1	+1	-2
CNH ($)	*163*	*95*	*68*	*+15*	*=*	*+15*

Top-line highlights

- **Group industrial revenues at €10.4bn, down 1.9%**
  - **Fiat Auto industrial revenues down 8.3% to €4.5bn on 11.8% drop in unit sales**
    - Significant shift in distribution mix choices to protect margins and keep inventories in check
    - Depressed demand in WE, particularly Italy
    - Strong performance in Brazil and LCV
  - **Revenues at Ferrari-Maserati up 6.5% on higher unit sales at Maserati more than offsetting lower Ferrari volume**
  - **CNH industrial revenues up 6% in $ terms (up 1% in € terms) on improved CE business and inadequate AG performance (ex forex +17% in CE; -2% in AG).**
  - **Iveco unit sales increased 14.4%, but industrial revenues up 3.9%, on unfavorable geographical & product mix**
  - **Component businesses holding up well in slower auto market**

Automobiles – Worldwide unit sales (incl. sales w/buybacks)

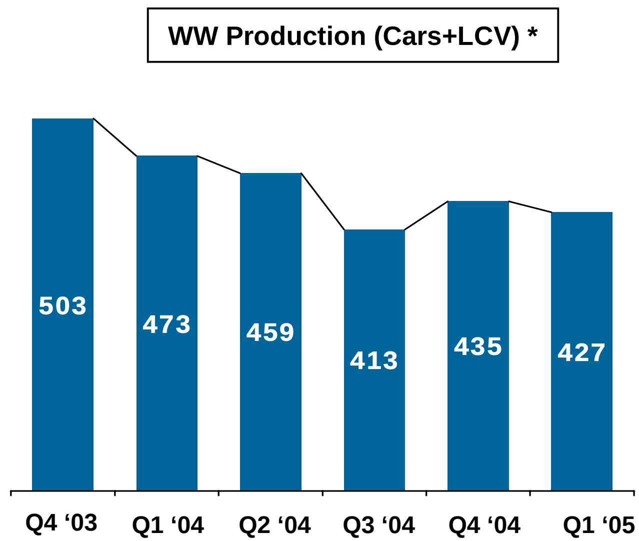


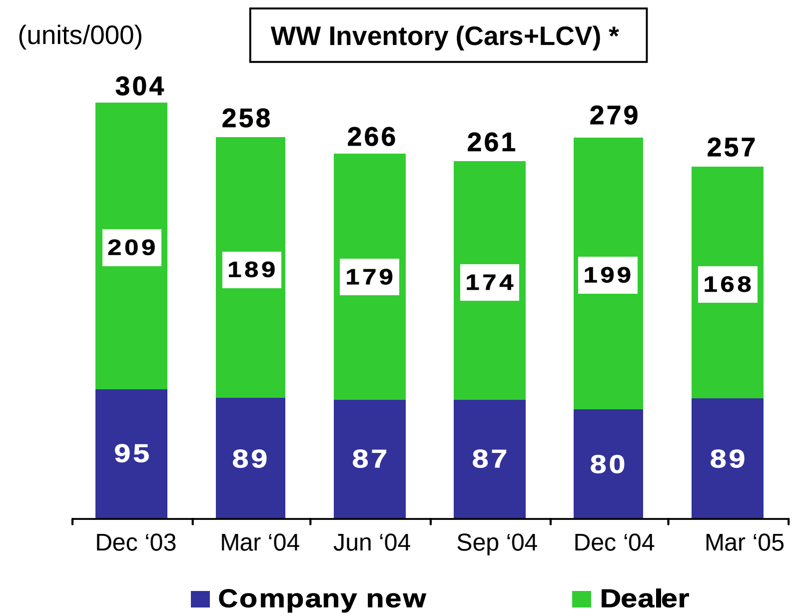


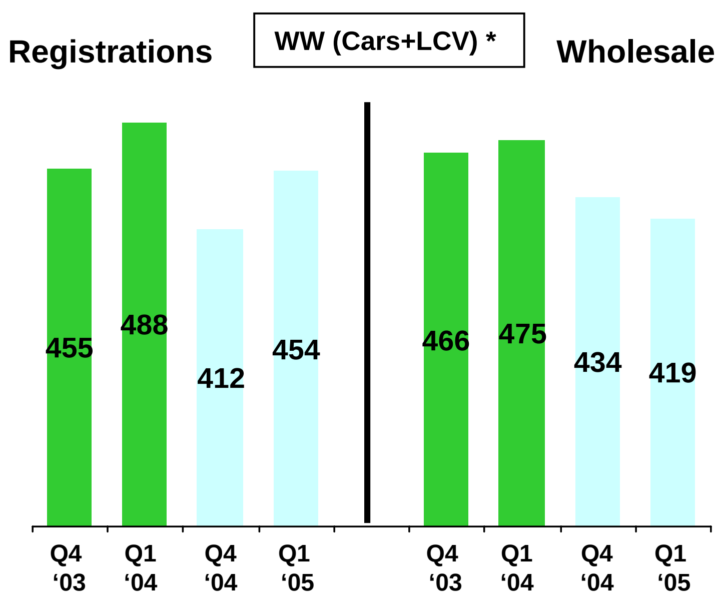
- **Sharp drop in units sold (-14.9%) in declining WE market (-2.6%)**
  - Channel mix realignment driven by margin and brand protection objective
  - Punto and Stilo volumes down sharply
  - Panda holding market share well
  - Lancia sales up on the back of strong Musa penetration
  - Alfa down on both 147 and 156, ahead of 159 launch
- **Good sales performance in Brazil in a healthy market environment, continuing in April**
- **Light Commercial Vehicles up 6%,** driven by good performances in both Brazil and WE

FY 2005 target volume ~1,650K units

Automobiles – Reducing production and inventory







- **Q1 production adjusted to wholesale demand**
- **Lower sell-in to dealers than registrations**
- **Used vehicle inventory at 38K, down from 46K at beginning of the year**

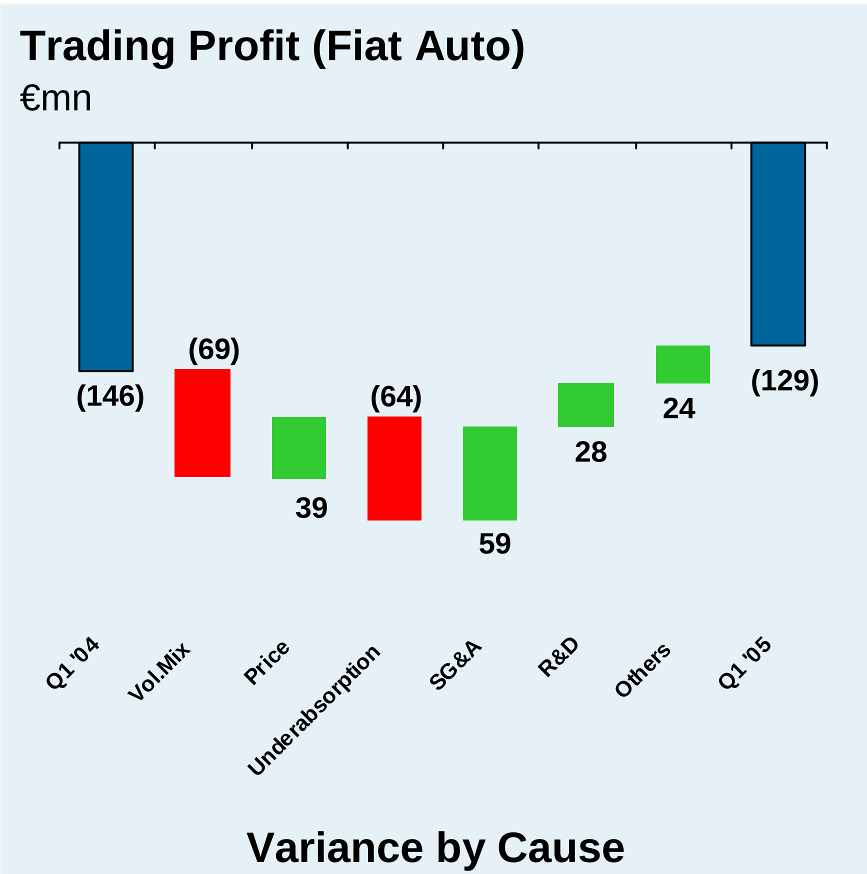
* Excl. Ferrari & Maserati

Automobiles – What we are doing

- **Governance cost structure right-sized to match demand**
  - Central staff headcount: ~30% reduction in 2005; €65mn savings in 2005, €130mn annualized
  - Operating costs of commercial activities outside Italy: ~22% headcount reduction, ~€40mn savings in 2005, €50mn annualized
  - Re-balance advertising spend (Italy vs rest of Europe, shift in media mix,..): €150mn y-o-y reduction targeted, €33mn in Q1
  - Rationalize R&D spend, focus only on product-driven initiatives, share costs with partners: ~€200mn reduction targeted, ~€38mn in Q1
- **Short-to-medium term differentiated market strategies in Italy vs. rest of Western Europe**
  - Objective is to make most effective use of limited resources
  - Strengthening of market share position in home market is key
    - Work ongoing on dealership network quality and development ahead of fall product launches
  - Other WE markets activities have been right sized to establish solid base on which to build market share
  - Alfa Romeo readying for head-on engagement in WE sports / upscale market
- **Aligning production to prevailing demand through temporary plant shutdowns**
- **New product commercial availability on schedule**
  - New Fiat Croma end of May, new Fiat Punto in October; Alfa 159 in October, Alfa Brera in November

On track to achieve ~€500mn annualized savings in 2005

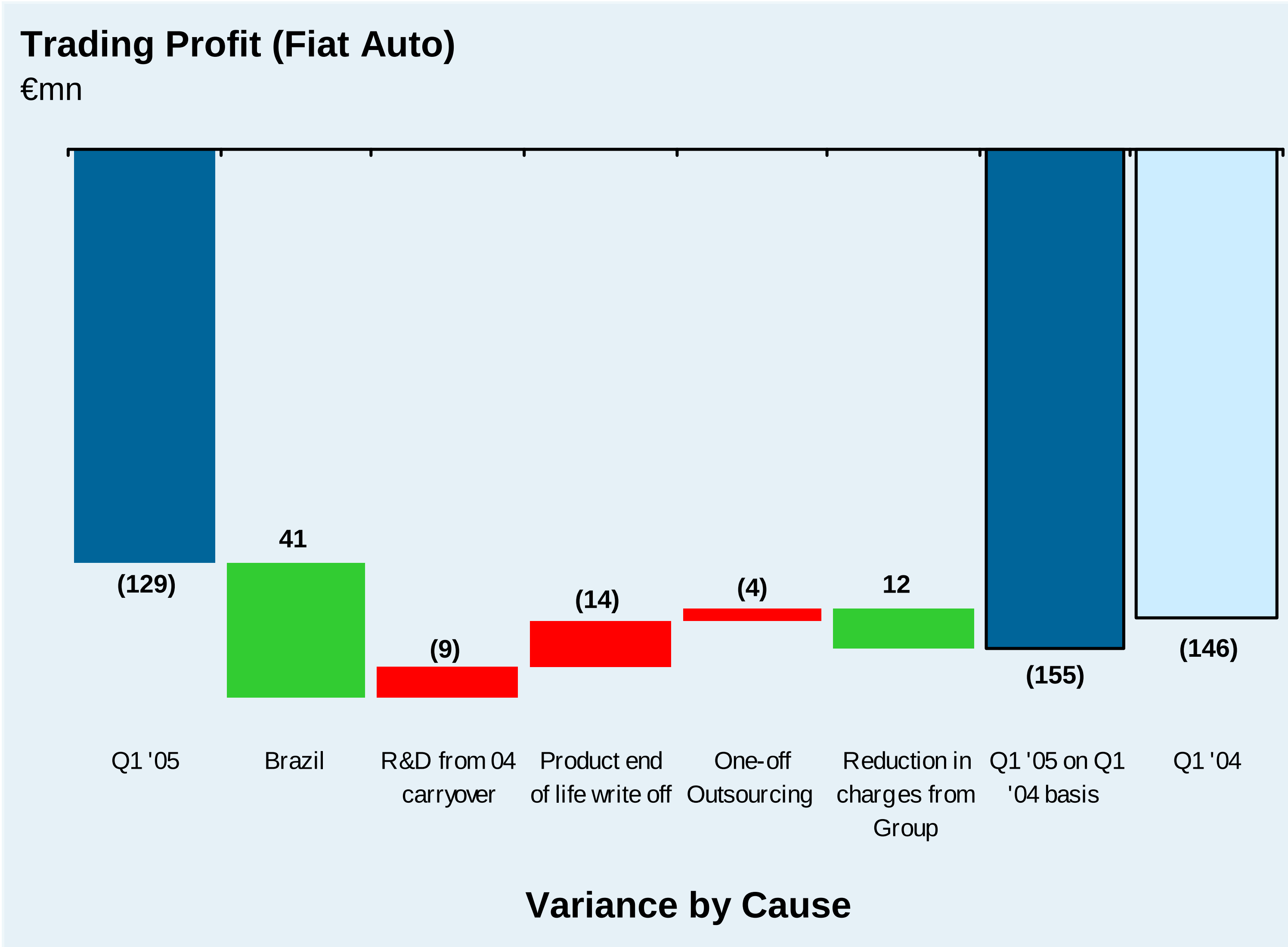
Automobiles – Q1 '05 Trading profit variance



- **Negative impact of volume/mix (down 56K units, of which 52K Fiat, 9K Alfa Romeo, Lancia up 5K)**
- **Change in channel mix strategy yielding improvement in pricing of new and used cars**
- **Higher raw material prices negatively impacting margins (€40mn), offset by purchasing efficiencies**
- **Lower production of 44K vehicles negatively impacting fixed cost absorption**
- **Volume & margin improvement in Brazil**
- **Business governance costs reduced (SG&A, of which €33mn advertising), R&D rationalization**

Adjusting cost base to lower break-even point

Automobiles – Q1 '05 Trading profit on '04 basis



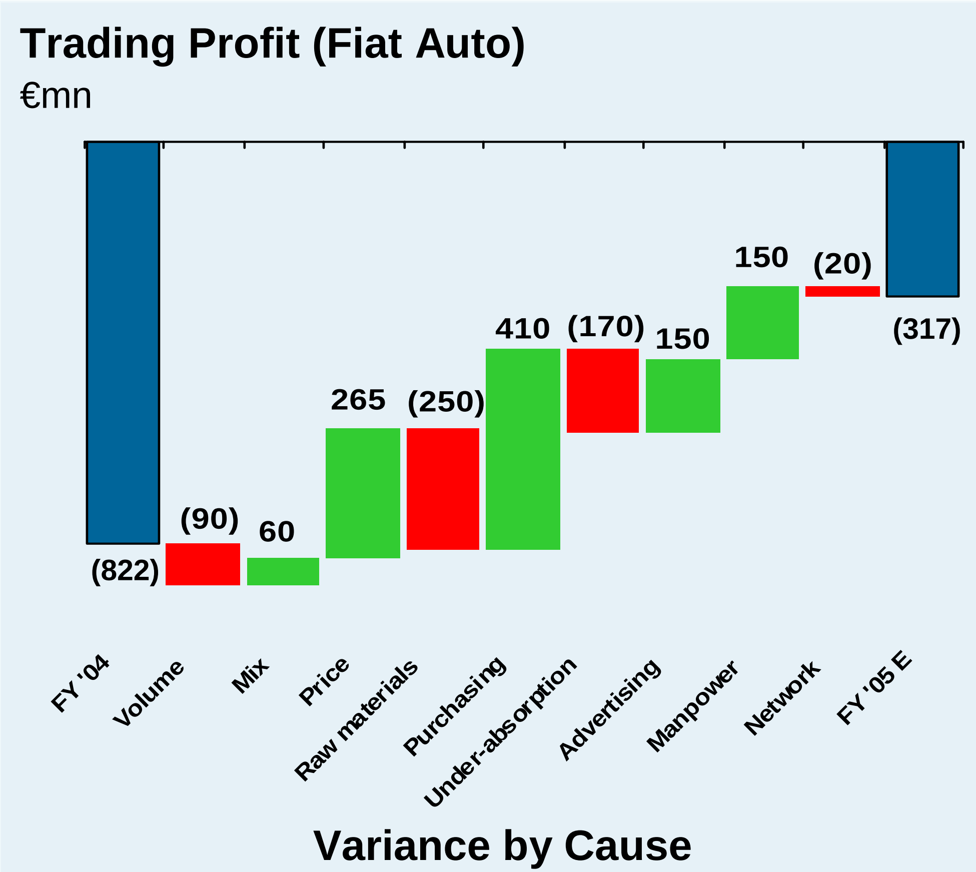
FIAT

New Fiat Croma

- ❖ **Launched late April; in showrooms end of May**
- ❖ **50-60K units targeted on FY basis**
- ❖ **Step-change in quality and product positioning for Fiat brand**

- ❖ **"***…Evviva! Croma beats the competition on value and roominess. Excellent quality and superb diesel engines..***"** **AutoMotor und Sport (Germany)**
- ❖ *" … the new greatness of Fiat with highly improved quality.."* **AutoBild (Germany)**
- ❖ *" ...class-leading levels of space for all, plus plenty of room for luggage..."* **– AutoExpress (UK)**

Automobiles – FY '05 Trading profit variance



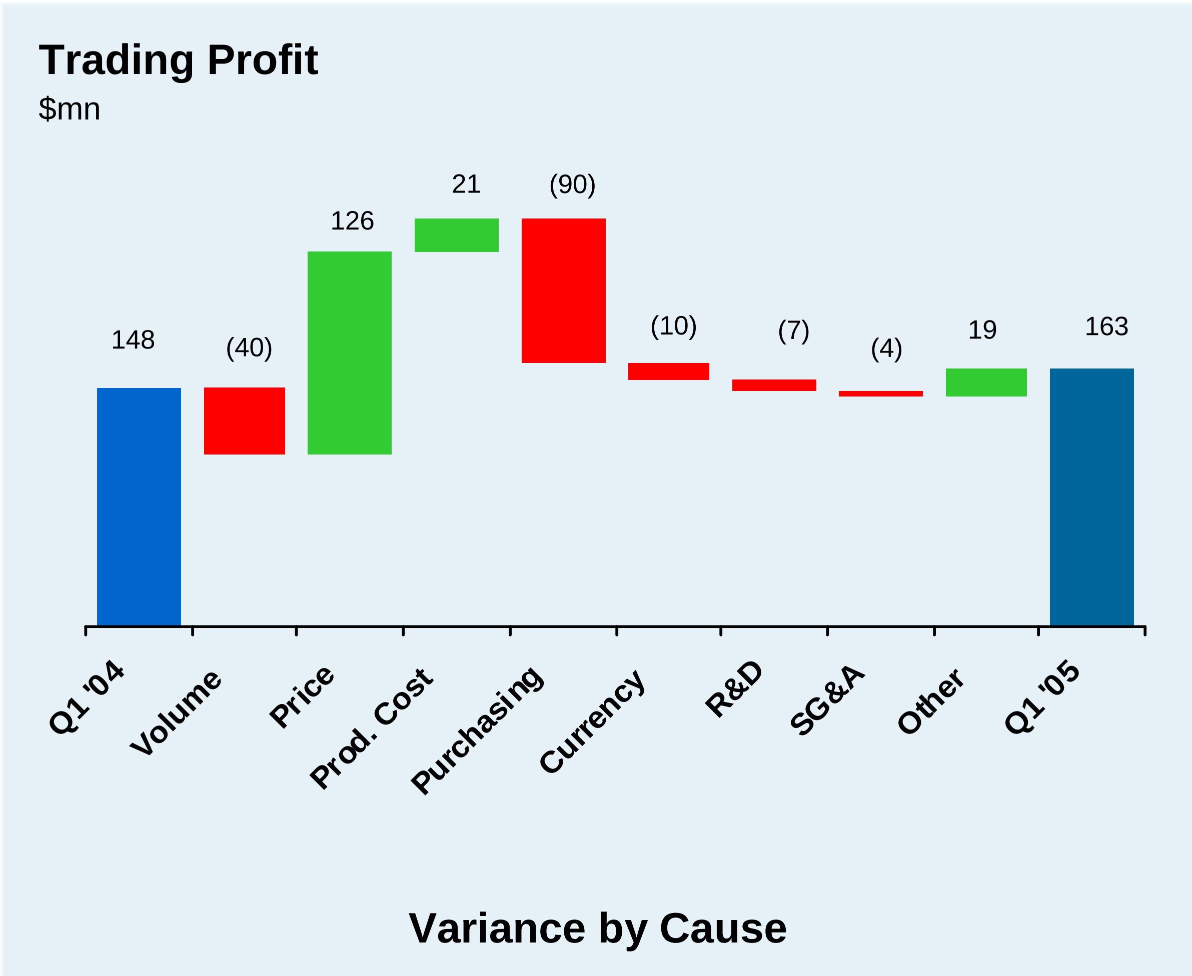
- Negative impact of volume in WE, partly offset by Brazil
- Change in channel mix strategy yielding improvement in pricing of new and used cars
  - Brazil: €90mn
  - Spare parts: €70mn
  - Used cars: €60mn
  - Other: €45mn
- Purchasing efficiencies partially offset by higher raw material prices
- Lower production of ~83K vehicles negatively impacting fixed cost absorption
- Business governance costs reduction

Adjusting cost base to lower break-even point

CNH – Q1 ‘05 Highlights

- **Agricultural equipment**
  - Strong North American market for tractors and combines but sharp decline in combines in LAM (Brazil)
  - Market share in tractors and combines down in NA, stable in WE
- **Construction equipment**
  - Worldwide industry strength (demand +18% in NA, +14% in WE)
  - Worldwide market share stable in heavy CE, but down in skid steer loaders due to delay in new product launch
- **Financial Services**
  - Continuing reduction of credit risk cost
- **Favorable pricing allowed recovery of raw material cost hikes and other economics, but negative volume/mix, especially on combines, offset manufacturing efficiencies**
- **Disappointing AG performance but CE and Capital better than 2004**

CNH – Q1 '05 Trading profit variance



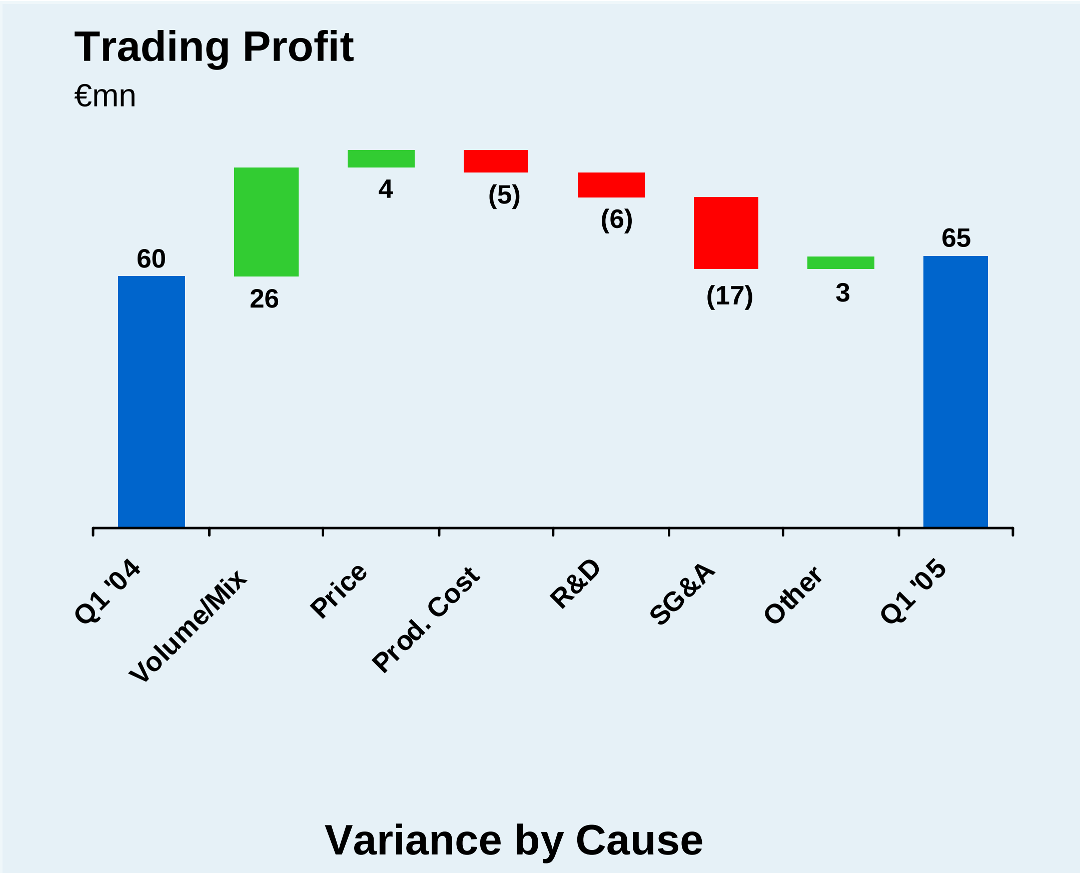
- ❖ Negative AG volume
- ❖ Favorable pricing in both AG & CE recovering material, other economics and FX
- ❖ Manufacturing efficiencies

FIAT

Iveco – Q1 '05 Highlights

- Demand growth in all segments in WE (+4.5%), registrations up 5.4% for a 10.8% market share (+0.1 ppt)
- Unit sales up 14.4% with increases in all major markets but Italy and in all segments
- Good order intake (+5.6%) in Q1 and sound backlog (~26K; +40%); slowdown in orders from public entities, expected to pick up in H2
- Trading profit at €65mn, up €5mn, as higher SG&A partly offsets improved pricing and mix

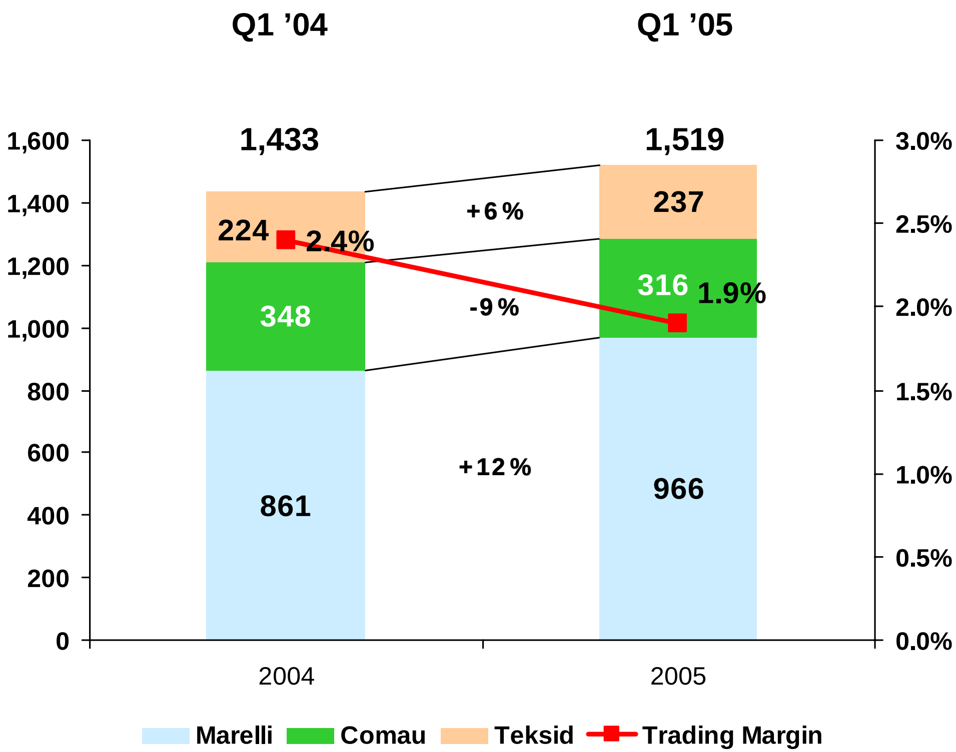
Iveco – Q1 '05 Trading profit variance



- Volume up on growing demand
- 2004 price increase holding up
- Manufacturing efficiency gains offset by raw material costs increase, especially steel
- SG&A increase on special projects and sales & marketing headcount

Components – Q1 '05 Operating highlights

Revenues by business (€mn)



- **Magneti Marelli**
  - Weak automotive industry environment; revenues up on change in scope
  - Manufacturing efficiencies offset by raw materials cost increase
  - Cost increase difficult to recover through pricing
- **Comau**
  - Revenue change mainly due to scope (Service activities)
  - Slower order acquition in Q1
  - Manufacturing efficiencies & headcount reduction offset unfavorable pricing
- **Teksid**
  - Revenues up on favorable pricing; raw material costs largely recovered through pricing
  - First signs of softening price environment for scrap steel

Q1 '05 – From trading profit to net result

(€mn) – All data under IAS/IFRS

	Q1		
	2005	**2004**	**Δ**
Trading profit	**47**	**24**	**+23**
Unusual items, net	**682**	**47**	**+635**
Operating income	**729**	**71**	**+658**
Financial charges, net *	(199)	(375)	+176
Investment income, net	31	37	-6
Pre-tax result	**561**	**(267)**	**+828**
Taxes	(268)	(125)	-143
Net result	**293**	**(392)**	**+685**

❖€0.7bn gain on first installment of settlement with GM; remaining €0.4bn to be booked in Q2

❖~€155mn GM shares equity swap IAS/IFRS adjustment in 2004

* Including reclassification of interest cost on employee benefits for €33mn in 2005, €31mn in 2004

Q1 '05 Cash flow statement – Industrial activities

(€mn) – All data under IAS/IFRS

Net Industrial debt, December 31, '04	**(9,447)**
Net income	294
D&A (excl. Buy backs)	499
Change in Funds & Others	135
Cash Flow from Op. Activities bef. Chg. in W.C.	**928**
Change in Working Capital	(1,147)
Cash Flow from Operating Activities	**(219)**
Tangible & Intangible Capex (excl. Buy backs)	(372)
Cash Flow from Operating Activities net of Capex	**(591)**
Changes in Receivables from Financing	129
Other Changes in loans, securities & financing	(59)
Change in investments & scope	(29)
Net Industrial Cash Flow	**(550)**
Capital increase/dividends	3
FX translation effect	(67)
Change in Net Industrial Debt	**(614)**
Net Industrial debt, March 31, '05	**(10,061)**

❖ Net industrial debt at €10.0bn from €9.4bn at 2004 year end following seasonal working capital absorption of €1.1bn, expected to be reversed in remainder of 2005, and FX translation effect

Debt & Liquidity Review

Debt & liquidity review – Net debt breakdown

(€bn)

Mar 31, 2005				Dec 31, 2004		
Cons.	**Ind.**	**Fin.**		**Cons.**	**Ind.**	**Fin.**
32.1	14.7	17.4	Gross Debt *	32.2	15.2	17.0
0.5	0.5	0.0	Derivatives M-to-M, Net	0.7	0.7	0.0
5.7	4.2	1.5	Cash & Marketable Securities	6.1	5.1	1.0
25.9	**10.0**	**15.9**	**Net Debt**	**25.4**	**9.4**	**16.0**

* Net of intersegment receivables

❖ Industrial debt up on working capital seasonality, FX

❖ Financial services debt lower on reduced Fiat Auto dealer financing and BUC lending activity, increased CNH Capital portfolio mainly due to translation adjustments

Debt & liquidity review– Gross debt

(€bn)

Outstanding Mar 31, 05		Outstanding Dec 31, 04
15.6	**Cash Maturities**	15.2
5.3	Bank Debt	5.1
9.5	Capital Market	9.3
0.8	Other Debt	0.8
1.2	**BUC - Banca Unione di Credito**	1.3
10.1	**Securitisations and Sale of Receivables** (on book)	10.4
7.5	ABS	7.1
0.1	Warehouse Facilities	0.3
2.5	Sale of Receivables	3.0
5.2	**Non-Cash Maturities**	5.3
1.8	Italenergia Loan	1.8
3.0	Mandatory Convertible	3.0
0.2	Real Estate Transaction	0.2
0.2	Adjust. for Hedge Accounting on Fin. Payables	0.3
32.1	**Gross Debt**	**32.2**

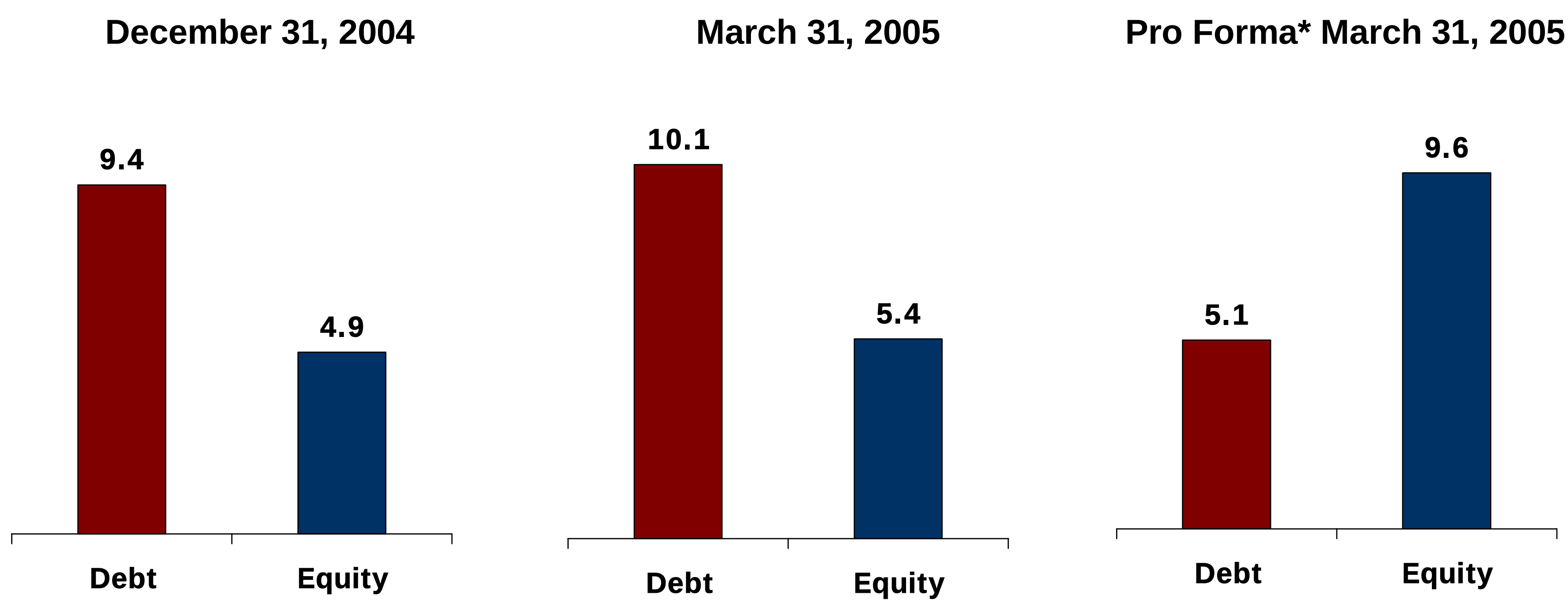
Debt & liquidity review – Maturity schedule

(€bn)

Outstanding Mar. 31, 05		Next 12 M	9M 06	2007	Beyond
5.3	Bank Debt	2.9	1.3	0.5	0.6
9.5	Capital Market	2.4	2.4	0.2	4.5
0.8	Other Debt	0.6	0.1		0.1
15.6	**Total Cash Maturities**	5.9	3.8	0.7	5.2
0.7	of which Interest Accruals	0.7			
5.7	**Cash & Marketable Securities**	**5.7**			
0.2	of which BUC				
1.0	of which ABS related				
1.5	Sale of Receivables (IFRS derecognition compliant)				

Debt & liquidity review – Strong de-leveraging in 2005

(€bn) – All data under IAS/IFRS



	Net Industrial Debt / Group Equity
December 31, 2004	= 1.92x
March 31, 2005	= 1.86x
Pro Forma* March 31, 2005	= 0.53x

*Pro-forma for known transactions: Balance of GM settlement gain, Mandatory Convertible, Italenergia Bis and Real Estate

Debt & liquidity review – Conclusions

❖ **Improving financial condition in coming months:**

- Confirmed conversion of mandatory convertible
- Ongoing support from banking system
- Remaining €0.5bn GM cash settlement due May 13
- Italenergia Bis loan requiring no cash outlay
- Joint-venture in financial services between Iveco and Barclays to provide ~€2.0bn additional resources upon completion (Q2/Q3)
- Positive industrial operating cash flow in excess of €0.5bn expected for remainder of 2005
- Gross debt expected to pass below €25bn by year end

2005 Outlook

❖ **All Group financial targets confirmed**

- Positive net income due to unusual items
- Net industrial cash-flow of approximately €2.0bn, including:
  - Italenergia Bis:€1.8bn
  - Real estate: €0.2bn
  - GM settlement net of assumed Powertrain debt: €1.0bn

2004 trading profit & margin (IAS/IFRS)

❖ Auto:	(€822)mn	(4.2%)
❖ CNH:	€467mn	4.7%
❖ Iveco:	€371mn	4.2%
❖ Components:	€166mn	2.6%

2005 operating targets confirmed

❖ Auto:	(1.5%)
❖ CNH:	6-6.5%
❖ Iveco:	>4%
❖ Components:	~3%

Upcoming events

- June 23, 2005: Annual General Shareholders Meeting
- July 28, 2005: Q2 ‘05 Reporting and Conference Call

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.

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