

ARCHIVED REPORT

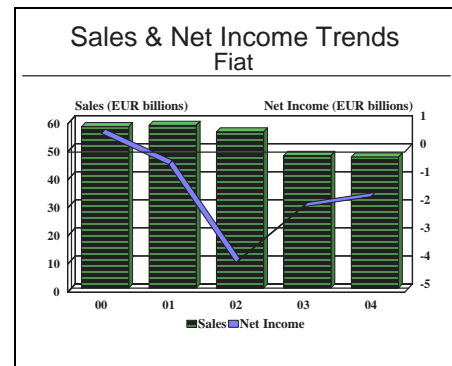
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Fiat SpA - Archived 1/2007

Outlook

- Fiat's 2004 sales dropped 1 percent to EUR46.7 billion, from EUR47.3 billion in 2003
- FiatAvio was sold to the Carlyle Group and Finmeccanica in a deal valued at \$1.7 billion
- Fiat Iveco's Defense Vehicles Division designs and produces armored and soft-skinned military vehicles



Headquarters

Fiat SpA
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Web site: <http://www.fiatgroup.com>

Fiat (Fabbrica Italiana Automobili Torino), which celebrated its centenary in 1999, was founded in Turin in 1899 and incorporated in 1906 as a manufacturer of automobiles. It quickly expanded into the production of buses and motor coaches, commercial vehicles, and aviation and marine engines. Fiat SpA (also referred to as Gruppo Fiat) is a major industrial conglomerate and one of the largest manufacturing concerns in Europe. The group is active in transportation, production processes, and diversified activities. Today, Fiat SpA is Italy's largest private company. The concern, which controls scores of subsidiaries and associate firms in Italy and abroad, has been controlled by the powerful Agnelli family since the 1960s.

Fiat is perhaps best known worldwide as a producer of vehicles for civil, commercial/industrial, and agricultural applications. Fiat controls production of

automobiles under the Fiat, Lancia, Autobianchi, Alfa-Romeo, Maserati, and Ferrari marques. With Fiat's investments in companies such as Iveco and Magirus, the company is a well-established manufacturer of commercial vehicles, as well as vehicles for military applications.

In mid-2003, Fiat sold its aero engine operation, FiatAvio, to a group made up of the U.S.-based Carlyle Group and Italy's Finmeccanica in a deal valued at \$1.7 billion. FiatAvio was the focus of Fiat's defense and aerospace activity. The subsidiary was formed in 1976 as Fiat Aviazione SpA to take over all gas turbine engine activity previously carried out by Fiat's aviation division. Fiat's historical involvement in aviation stretches back to 1908, when Fiat was established as a major Italian airframe manufacturer. Aeritalia (now Alenia as a result of the Aeritalia/Selenia merger) was formed in 1969 from the aircraft activities of Gruppo Fiat. (For more details on Avio SpA, refer to the report located in this binder.)

Fiat is one of the world's largest industrial groups, operating in 56 countries with an estimated 160,549 employees.

Structure and Personnel

Board of Directors
Giovanni Agnelli
Honorary Chairman

Luca Cordero Di Montezemolo
Chairman

John Elkann
Vice Chairman
Sergio Marchionne
Chief Executive Officer
Andrea Agnelli
Director
Angelo Benessia
Director
Tiberto Brandolini D'adda
Director
Flavio Cotti
Director
Luca Garavaglia
Director

Gian Maria Gros-Pietro
Director
Hermann-Josef Lamberti
Director
Virgilio Marrone
Director
Vittorio Mincato
Director
Pasquale Pistorio
Director
Daniel John Winteler
Director
Mario Zibetti
Director

Product Areas

Fiat SpA is a worldwide conglomerate active in automobiles, aerospace, heavy machinery, and agricultural machinery. Fiat is also involved in a diversified array of activities to support the three main areas. The firm is involved in petrochemicals and materials technology. Extensive manufacturing enterprises to support automobile, heavy machinery, and agricultural equipment production have been incorporated or acquired by Fiat. In addition, Fiat SpA has several subsidiaries that specialize in support services such as finance, leasing, and credit services. The company manages its various operations in the following manner:

Fiat SpA

1. Automotive Activities
 - 1.1 Automobiles - Fiat Auto
 - 1.2 Commercial Vehicles - Iveco
 - 1.3 Agricultural and Construction Equipment - CNH Global
2. Other Industrial Companies
 - 2.1 Metallurgical Products - Teksid
 - 2.2 Components - Magneti Marelli
 - 2.3 Production Systems - Comau
3. Non Industrial
 - 3.1 Publishing and Communications - Itedi
 - 3.2 Business Solutions
 - 3.3 Other Service Companies

Automotive Activities. Fiat's automotive activities include the extensive production of automobiles and trucks of Fiat as well as Ferrari, Alfa Romeo, and Lancia. In the field of commercial and military utility vehicles, Fiat oversees production of Iveco, Magirus, Deutz, Lancia Veicoli Speciali, and Unic. Fiat agricultural equipment includes crawler and wheeled agricultural tractors, and machinery and spares operations for the support of agricultural efforts. Construction machinery is also a strong area of activity for Fiat, which manufactures earthmoving equipment, bulldozers, and loading vehicles.

Other Industrial Companies. Through this segment, Fiat is involved in the field of metallurgy; in the manufacture of products including iron and aluminum castings, hot forgings and pressings; and in cold steel permanent set formation. Fiat is also active in the lubricants sector, producing oils, greases, and similar products for machinery, power systems, and vehicles. In the field of product systems, Fiat designs, develops, and manufactures automated engineering machinery and assembly systems, stock transfer and storage systems, large and medium sheetmetal presses, and industrial plants.

Facilities

Fiat's main defense facilities include the following:

Iveco SpA, Via Puglia, 35, 10156 Turin, Italy.
Telephone: + 39 011 007-2111. Iveco designs, produces, and sells commercial vehicles, special-purpose and quarry vehicles, vehicles for defense and

civil protection applications, firefighting equipment, and diesel engines.

Web site: <http://www.iveco.com>

Iveco's Defense Vehicles Division designs and produces armored and soft skinned military vehicles.

Corporate Overview

Fiat SpA, a family-owned firm, remains the largest private Italian corporation. Its complex web of ownership is spun around an increasingly large number of subsidiaries and affiliates. Overall, Fiat is best known for its production of automobiles and commercial vehicles. The firm's aerospace and defense interests were managed primarily through its subsidiary FiatAvio. With that operation's divestiture in 2003, the company still maintains an interest in producing military vehicles.

New Products and Services

No new aerospace or defense related products or services have been announced by Fiat or its subsidiaries in the past two years.

Plant Expansion/Organization Update

No aerospace or defense organizational changes have occurred at Fiat in the past two years.

Mergers/Acquisitions/Divestitures

Fiat Sells FiatAvio. In July 2003, the Carlyle Group and Finmeccanica signed an agreement for the acquisition from Fiat Group of the aerospace businesses of FiatAvio SpA. The acquisition was carried out through a special-purpose vehicle, Avio Holding SpA, which will be 70-percent owned by the Carlyle Group and 30-percent by Finmeccanica. Avio Holding will

purchase the entire share capital of Avio SpA, to which all aerospace businesses of FiatAvio had been transferred effective July 1, 2003. The total value of the acquired businesses is approximately EUR1.5 billion, which was funded through a combination of debt financing and equity from the Carlyle Group and Finmeccanica. Finmeccanica, as an industrial partner in the deal, assumed a board seat and voting rights in accordance with corporate governance, and is involved in defining Avio's corporate strategy and managerial decisions. Carlyle has four board seats, Finmeccanica two, and Avio's management one. Finmeccanica holds veto rights over major strategic decisions.

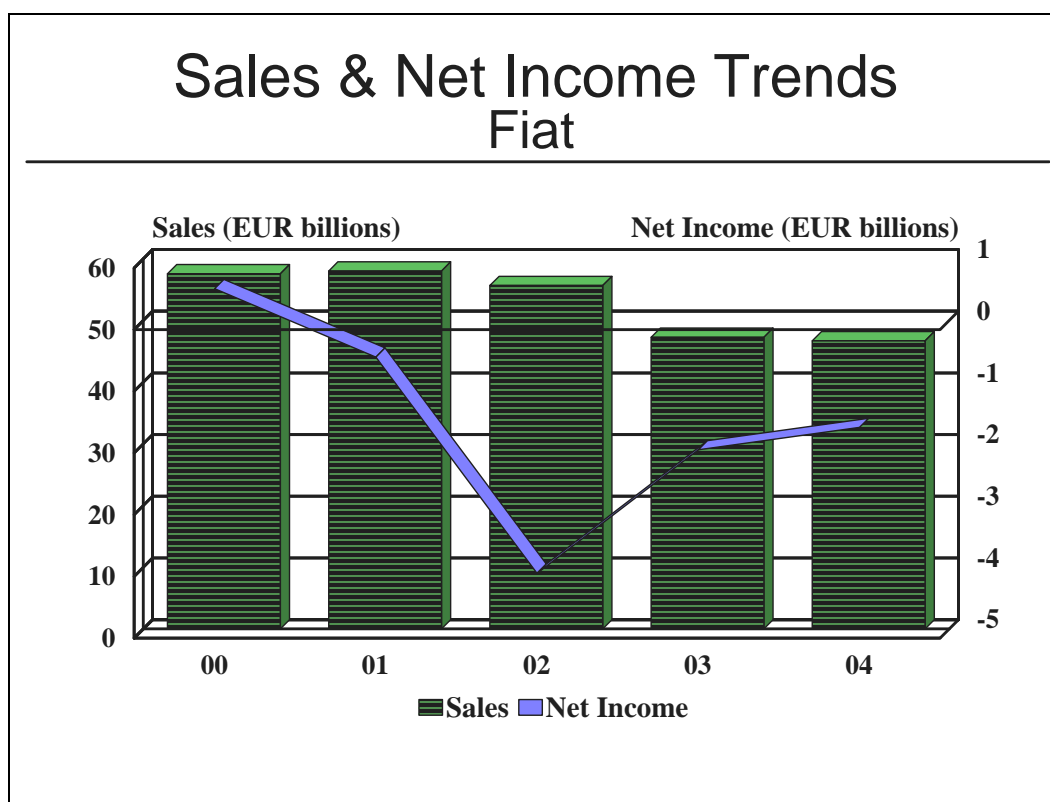
Teaming/Competition/Joint Ventures

Consorzio Iveco Fiat - Oto Melara. This is a consortium formed by Iveco SpA, Defence Vehicles Division and the (then) Oto Melara Division of Finmeccanica to manufacture the Ariete tank. Iveco Fiat carried out the development of the Ariete tank, and Oto Melara the development of the turret and weapon systems.

Financial Results/Corporate Statistics

Fiat's 2004 sales dropped 1 percent to EUR46.7 billion, from EUR47.3 billion in 2003. Latest available year statistics are provided below. U.S. dollar figures, in millions, translated as of December 31, 2004, at the rate of EUR1 = USD1.364

Y/E December 31	2000	2001	2002	2003	2004	2004
(EUR millions)						USD
Net Sales	57,555	58,006	55,649	47,271	46,703	63,703
Net Income	664	-445	-3,948	-1,948	-1,586	-2,163
R&D Expenditures	1,725	1,817	1,748	1,747	1,810	2,469



Industry Segments

A breakdown of Fiat's sales and operating income by selected market segment for 2001-2004 is provided below. Data for the aviation sector is up until its sale on July 1, 2003.

SALES	2001	2002	2003	2004
(EUR millions)				
Automobiles (Fiat Auto)	24,440	22,147	20,010	20,539
Agricultural & Construction Equipment (CNH)	10,777	10,513	9,418	9,796
Commercial Vehicles (Iveco)	8,650	9,136	8,440	9,292
Ferrari and Maserati	1,058	1,208	1,261	1,512
Components (Magneti Marelli)	4,073	3,288	3,206	3,804
Production Systems (Comau)	2,218	2,320	2,293	1,716
Metallurgical Products (Teksid)	1,752	1,534	844	911
Aviation (FiatAvio)	1,636	1,534	625	-
Insurance (Toro Assicurazioni)	5,461	4,916	1,654	-
Services (Business Solutions)	1,805	1,965	1,816	1,572
Publishing and Communications (Itedi)	347	360	383	407
Miscellanea and eliminations	-4,211	-3,277	-2,679	-2846
TOTAL	58,006	55,644	47,271	46,703

OPERATING INCOME	2001	2002	2003	2004
(EUR billions)				
Automobiles (Fiat Auto Holdings)	-549	-1,343	-979	-840
Agricultural & Construction Equipment	209	163	229	407
Commercial Vehicles (Iveco)	271	102	81	357
Ferrari	62	70	32	6
Components (Magneti Marelli)	-74	-16	32	116
Production Systems (Comau)	60	-101	2	32
Metallurgical Products (Teksid)	15	27	12	35
Aviation (FiatAvio)	186	210	53	-
Insurance (Toro Assicurazioni)	68	147	44	-
Services (Business Solutions)	73	67	45	36
Publishing and Communications (Itedi)	-2	3	10	12
Miscellanea and eliminations	-1	-91	-71	-139
TOTAL	318	-762	-510	22

Strategic Outlook

Fiat's aerospace and defense activities are a minuscule part of the conglomerate's operations. The majority of the company's interests in aerospace were carried out by aero engine manufacturer FiatAvio, which was sold in mid-2003. (For details on FiatAvio, refer to the report on Avio SpA located in this binder.)

With the completion of that sale, Fiat still maintains a minor interest in defense markets through the production of military vehicles.

Prime Award Summary

Information unavailable.

Program Activity

The following are the company's business interests:

- Commercial Vehicles
- Military Vehicles
- Space Systems
- Power Generation and Propulsion Systems

Military Vehicle Programs

B1 Centauro

The Centauro is under development by the Defense Vehicle Division of Iveco headquartered in Rome, Italy. Iveco-Fiat of Bolzano is the overall prime contractor, and Oto Melara is responsible for the armament. Production of the B1 Centauro for the Italian Army has been completed; 400 were delivered. The serial production of the B1 Centauro is ongoing, and the vehicle is in service with the Italian Army. The current production is for the Spanish requirement. Development of the vehicle, as the Centauro VBC, continues. The Centauro VBC armored personnel carrier is optimized for transporting infantry during offensive and defensive operations.

C1 Ariete

As the main tank for the Italian ground forces, the C1 is replacing Italy's obsolescent M47 and M60A1 tanks. A full-scale development program with six prototypes has been completed, and the C1 Ariete is in serial production. The first acceptance deliveries to the Italian Army were made in May 1998. The initial C1 Ariete 1 serial-production run of 200 tanks was completed in 2002 to meet the Italian Army requirement. C1 Ariete exports are unlikely, given the current glut in the international tank market. Development of a new and greatly improved model, the Ariete 2, continues.

OF 40

This tank was developed and manufactured by Oto Melara and Fiat, Turin, Italy. Production of the OF 40 Mk 2 is now complete; development of the OF 40 Mk 3 continues, and this model is available for purchase.

Iveco-Fiat Tactical Vehicles

Through its wholly owned subsidiary, Iveco, Fiat dominates the Italian tactical vehicle market. The giant Iveco organization was created in 1975 under the aegis

of Italy's largest automotive firm, Fiat. The five companies that were merged to form Iveco were Fiat Veicoli Industriali, OM, and Lancia Veicoli Industriali of Italy; Magirus Deutz of Germany; and Unic of

France. In the larger Iveco organization, the Defense Vehicle Division addresses the military market with the development, marketing, sales, and aftermarket support of military trucks.

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