ANNUAL REPORT

AT 31 DECEMBER 2011

FIAT INDUSTRIAL

FIAT INDUSTRIAL
IS A GLOBAL
LEADER IN
THE CAPITAL GOODS
SECTOR IN A UNIQUE
COMPETITIVE POSITION
DUE TO ITS
COMPREHENSIVE
PRODUCT OFFERING
AND EXTENSIVE
GEOGRAPHIC PRESENCE.

Sergio Marchionne
Chairman

ORDINARY AND EXTRAORDINARY GENERAL MEETING

The Company wishes to notify holders of **ordinary** and **preference shares** that an Ordinary and Extraordinary General Meeting will be held at Centro Congressi Lingotto, 280 Via Nizza, Turin at 11 a.m. on 5 April 2012 (single call) to vote on the following:

Agenda

1. Motion for approval of the Statutory Financial Statements for the year ended 31 December 2011 and allocation of profit for the year
2. Election of the Board of Directors:
   a. Determination of the number of members and compensation
   b. Election of the Board of Directors
3. Compensation and own shares:
   a. Compensation policy pursuant to Article 123-*ter* of Legislative Decree 58/98
   b. Incentive Plan, resolutions pursuant to Article 114-*bis* of Legislative Decree 58/98
   c. Authorization for the purchase and disposal of own shares
4. Mandatory conversion of preference and savings shares into ordinary shares and consequent changes to the By-laws; related resolutions

Attendance and Representation

Those holding the right to vote at the close of business on the record date of 27 March 2012 and for whom the Company has received the necessary communication from an authorized intermediary are entitled to attend the general meeting. Anyone becoming a shareholder subsequent to 27 March 2012 will not be entitled to attend or vote at the meeting. Holders of ordinary shares will have the right to vote on all items on the Agenda. Holders of preference shares will have the right to vote on item 4 on the Agenda only.

As provided by law, those entitled to attend the meetings may appoint a proxy in writing, using the proxy form provided on the Company's website (**www.fiatindustrial.com**/Investor Relations/Shareholder Info/Shareholder Meetings).

The Company has designated Servizio Titoli S.p.A. as the representative, pursuant to Article 135-*undecies* of Legislative Decree 58/98, upon whom holders of voting rights may, by 2 April 2012, confer proxy and instruct to vote on all or some of the motions on the agenda. The above representative must be appointed proxy in accordance with the instructions and using the proxy form provided on the Company's website (as indicated above). Details on how to communicate appointment of a proxy to the Company electronically are also provided. Proxies are only valid for motions where instructions have been given.

Election of the Board of Directors

Pursuant to Article 11 of the By-laws, the Board of Directors is elected using lists of candidates submitted to the Company's registered office by 12 p.m. on 12 March 2012.

Lists may be submitted by those shareholders who, individually or together with others, own ordinary shares representing a percentage of at least 1% of shares carrying the right to vote at ordinary general meetings. Certification of that percentage, if not presented at the time the lists are filed, must be received by the Company by 15 March 2012.

To ensure presentation of a list and related documentation is valid, shareholders should follow the provisions of Article 11 of the By-laws for the election of the Board of Directors and the instructions provided on the Company's website (**www.fiatindustrial.com**/Investor Relations/Shareholder Info/Shareholder Meetings).

Lists or candidates presented that do not fully comply with the requirements of the By-laws will not be considered.

Other Rights of Shareholders

Shareholders entitled to attend the meeting may submit questions on agenda items, including prior to the meeting, in accordance with the instructions and deadline provided on the Company's website.

Shareholders that, jointly or individually, represent at least one-fortieth of share capital may request additions to the agenda within 10 days of the publication of this notice, indicating the additional items proposed. Conditions, procedures and deadlines for exercise of those rights are provided on the Company's website.

Documentation

Documentation relating to items on the agenda for the meeting and the Annual Report on Corporate Governance will be made available at the Company's registered office, at Borsa Italiana S.p.A. and on the Company's website (**www.fiatindustrial.com**).

CONTENTS

This document has been translated into English for the convenience of international readers. The original Italian document should be considered the authoritative version.

BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

Chairman

Sergio Marchionne

Directors

Alberto Bombassei (2)

Gianni Coda

John Elkann (1)

Robert Liberatore (1)

Libero Milone (2)

Giovanni Perissinotto

Guido Tabellini (2)

John Zhao (1)

BOARD OF STATUTORY AUDITORS

Regular Auditors

Paolo Piccatti – Chairman

Valter Cantino

Lucio Pasquini

Alternate Auditors

Riccardo Rota

Vittorio Sansonetti

Giorgio Cavalitto

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

(1) Member of Nominating, Compensation and Sustainability Committee
(2) Member of Internal Control Committee


FIAT

LETTER FROM THE CHAIRMAN

Dear Shareholders,

2011 was a year full of significance for Fiat Industrial, as it embarked on its new life as an independent, quoted industrial group.
It has been said that every noble work seems impossible at first.
In fact, many of the things we have achieved in recent years were certainly impossible for many to imagine.
One of those things was dividing Fiat Group into two, even if only because we had known it as a single entity for more than a century.
But this was an obligatory step, a move made necessary by the evolution of global markets which built and continuously reinforced the dividing walls between the operational and strategic challenges faced by Fiat Industrial and Fiat.
In its very first year, Fiat Industrial exceeded all targets -- and those targets were even revised upward during the year.
Revenues totaled €24.3 billion, a 13.8% increase over the prior year with double-digit increases for all businesses. Trading profit was up more than 54% to €1.7 billion, once again with all businesses contributing to margin growth (+1.8 percentage points to 6.9%). Net profit came in at €701 million, a significant increase over €378 million for the prior year.
Cash generation was strong. Net industrial debt was reduced to €1.2 billion (€1.9 billion at year-end 2010) on the back of strong operating performance and continued discipline in managing costs and working capital. Available liquidity was strengthened to €7.3 billion.

In its first year as a quoted company, Fiat Industrial entered the DJSI World and DJSI Europe indexes, ranking as Industry Leader in both, with a score of 81/100 compared to the average of 49/100 for the Industrial Engineering sector. These prestigious equity indexes only include companies judged best-in-class in managing their businesses sustainably from an economic, social and environmental perspective. This recognition is important, because it demonstrates that our results are being built on the bedrock of integrity and responsibility.
Behind every one of these achievements are the efforts and dedication of everyone in the Group.
We would like to thank all the men and women at Fiat Industrial around the world for what they have contributed professionally and personally to developing this Group and making it stronger.

The results achieved and the opportunities that lie ahead of us were made possible by the decision to give Fiat Industrial the autonomy and independence it deserved. Today, we are reaping the first fruits of the transition to a new model that has provided our businesses the operating freedom necessary to fully develop their human, industrial and financial potential.
Among those freedoms is the ability to forge alliances unfettered by the strategic limitations that inevitably resulted from the coexistence of very different businesses within a single group. This new group is able to focus on its core business with well-defined objectives that are clearly understandable to the market.
The creation of Fiat Industrial has unleashed new sources of energy vital to the growth and efficiency of its businesses.
At the same time, we have preserved certain other resources that are invaluable to our Group's development: our identity, the integrity and sense of responsibility with which we rebuilt Fiat in 2004, the spirit of competitiveness and the power of leadership.
These principles, which are at the very core of Fiat Industrial, are our best guarantee for the future.

During the year, the Group grew rapidly into its newfound independence, drawing on its already strong values, significant experience and solid global presence. Today, Fiat Industrial is a global leader in the capital goods sector in a unique competitive position due to its comprehensive product offering and extensive geographic presence. Its portfolio of activities includes 12 commercial brands – managed through 3 companies: CNH, Iveco and FPT Industrial – 64 plants, some 67,000 employees and commercial relationships with customers in around 190 countries. In addition, innovation activities involve some 5,000 people at 51 R&D centers on 5 continents.

Despite market turbulence and the global economic uncertainty, particularly in the second half, all businesses made a strong contribution to the Group's operating performance.

CNH achieved excellent top line results, trading profit and margins, with growth distributed across geographies and product segments.
Iveco also achieved a significant increase in revenues, profits and margins for the year. The sector registered sales gains in all markets and upgraded the product range, positioning itself competitively to better benefit from future market opportunities.
The Powertrain business recorded improvements on the back of strong volume increases, particularly for engines, with an all-time record of 560,000 units sold during the year.

These results demonstrate the solidity of the Group and its businesses. On the basis of the results, the Board of Directors intends to propose a total dividend, for all 3 share classes, of €240 million.
With regard to dividend policy going forward, in view of the consistent performance of the businesses and the cash generation capabilities of the Group as a whole, the Board expects that Fiat Industrial will be in a position to distribute between 25% and 35% of consolidated profit for any given year, with a minimum payout in normal circumstances of €150 million.

As announced in October, the Board of Directors also intends to propose the conversion of preference and savings shares into Fiat Industrial ordinary shares. If approved, preference and savings shares will, in any event, retain their economic rights in relation to 2011 and new ordinary shares resulting from the conversion will be eligible for dividends declared from 2012. The objective of this transaction is to simplify the company's capital and governance structure, and will benefit all sharesholders by satisfying market demands for clarity and simplicity.

With regard to the near-term outlook, even though 2012 has begun under the shadow of sovereign debt problems in the Eurozone and uncertainties surrounding the state of public finances in the U.S., we believe conditions will remain generally positive for all sectors.
For the current year, in particular, we expect the worldwide agricultural equipment market to be substantially stable and the construction equipment market to experience significant growth.
For the truck market, a contraction is expected in Europe in the first half of the year, with a potential recovery from the third quarter, while in Latin America performance is expected to be impacted by the fact that many customers brought their purchase decision forward to 2011, in anticipation of the introduction of Euro V emissions standards in Brazil at the beginning of 2012.
The global scale of our industrial and commercial activities and our experience in managing the unexpected are valuable characteristics that will enable us to compensate for dramatic downturns that may eventuate in some geographic areas or businesses with optimum results in others, as well as being ready to take advantage of opportunities that present themselves.
On the back of the Group's performance to date, Fiat Industrial has ambitious objectives for 2012: revenues of approximately €25 billion, trading profit between €1.9 and €2.1 billion, net profit of approximately €0.9 billion, net industrial debt between €1.0 and €1.2 billion, cash and cash equivalents in excess of €4.0 billion and capital expenditure between €1.2 and €1.4 billion.

In its first year, the new Group met and exceeded all expectations.
It has set out on its new course with decisiveness, efficiency and responsibility. It has tackled its mission with a global and open approach, armed with the belief that continuous improvement and change are the key to becoming more competitive and with the humility of one who knows that success is never permanent but has to be earned every single day.
We want to thank our shareholders for having been by our side during our first year and hope you will remain with us for the long term, so that we can enjoy the fruits of our success together.

22 February 2012

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

THE GROUP AT A GLANCE

2011 IN SUMMARY

2011 RESULTS

REVENUES
€24.3
BILLION

TRADING PROFIT
€1.7
BILLION

NET PROFIT
€0.7
BILLION

NET INDUSTRIAL DEBT
€1.2
BILLION

AVAILABLE LIQUIDITY
€7.3
BILLION

THE GROUP

3
SECTORS

12
BRANDS

190
NATIONAL MARKETS

51
R&D CENTERS

64
PLANTS

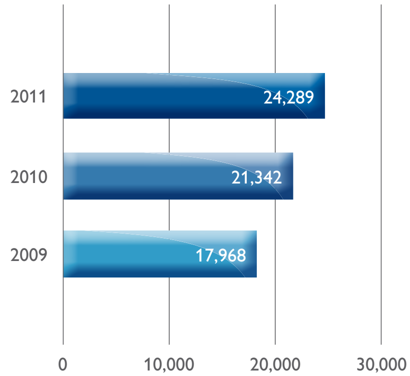
66,998
EMPLOYEES

5,000
INDIVIDUALS DEDICATED TO INNOVATION

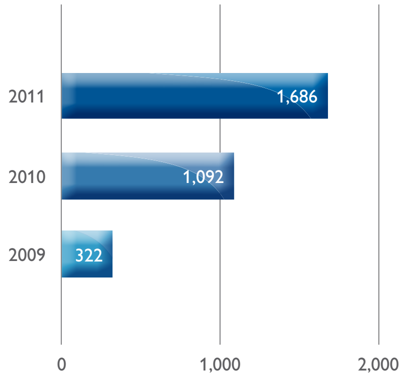
€742 MILLION
INVESTED IN R&D

€24.7 MILLION
INVESTED IN TRAINING

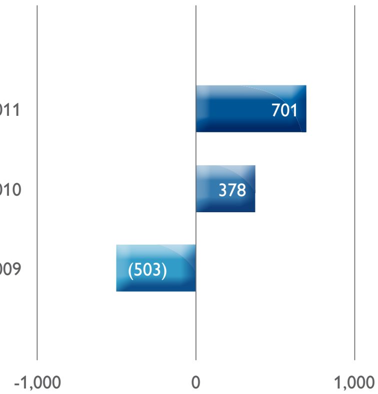
REVENUES
(€ million)



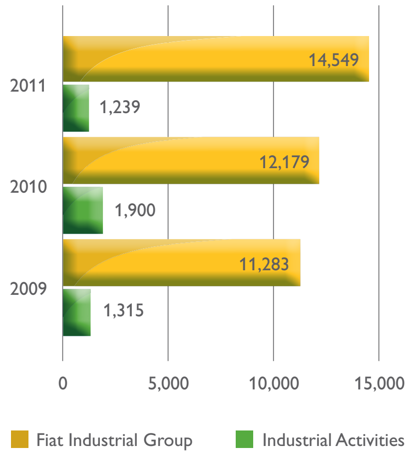
TRADING PROFIT
(€ million)



PROFIT/(LOSS)
(€ million)



NET DEBT
(€ million)



INTRODUCTION

During 2010, Fiat Group initiated and completed a strategic project to separate the Agricultural and Construction Equipment (CNH) and Trucks and Commercial Vehicles (Iveco) activities, as well as the "Industrial & Marine" business line of FPT Powertrain Technologies (now FPT Industrial), from the Automobile and Automobile-related Components and Production Systems activities, consisting of Fiat Group Automobiles, Maserati, Ferrari, Magneti Marelli, Teksid, Comau and the "Passenger & Commercial Vehicles" business line of FPT Powertrain Technologies.

The separation of those activities, through the demerger from Fiat S.p.A. and transfer to Fiat Industrial S.p.A. on 1 January 2011, resulted in the creation of Fiat Industrial Group, which consists of CNH, Iveco and FPT Industrial.

Since 3 January 2011, Fiat S.p.A. and Fiat Industrial S.p.A. have been listed separately on the MTA (Mercato Telematico Azionario) and operate as independent companies, each with its own management and Board of Directors.

GROUP STRUCTURE

FIAT INDUSTRIAL

CNH	FPT INDUSTRIAL	IVECO
88.4%	100%	100%
AGRICULTURAL & CONSTRUCTION EQUIPMENT	POWERTRAIN	TRUCKS & COMMERCIAL VEHICLES

BRANDS

Fiat Industrial is a global leader in the capital goods sector with a significant industrial base, technological excellence in customer solutions, extensive product range and a worldwide presence. The Group – created through the demerger of activities from Fiat S.p.A. – operates through CNH, Iveco and FPT Industrial, each of which is a major international player in its sector. Those businesses design, produce and sell tractors, agricultural equipment, construction equipment (CNH), trucks and commercial vehicles, buses, coaches and special vehicles (Iveco), as well as engines and transmissions for those products and for marine applications (FPT Industrial).

The Group has industrial and financial services companies located in 45 countries around the world and a commercial presence in approximately 190 countries.

AGRICULTURAL AND CONSTRUCTION EQUIPMENT (CNH)

CNH was built on the experience of brands that over the years have played a key role in the development of the agricultural and construction equipment industries in both Europe and the United States and that today offer customers the best technological solutions available. Agricultural equipment is sold under the New Holland Agriculture and Case IH brands, as well as the Steyr brand in Europe. Construction equipment is sold under the New Holland Construction and Case Construction brands, as well as the Kobelco brand in North America.

CNH offers customers adaptable, high quality, high productivity products, backed by full service support (CNH Parts & Service) and tailored financing solutions (CNH Capital).

Case IH Agriculture

The Case IH Agriculture brand has a long tradition of leadership in the agricultural sector. The brand is synonymous with incomparable performance, reliability and operating efficiency.

The range of tractors, balers and combines continues in the tradition of notable predecessors such as Case International Harvester and David Brown, to name but a few.

Today, Case IH is a global supplier of powerful, reliable, highly-productive machines backed by an organization dedicated to the provision of professional services to support agriculture producers in the optimized, 360 degree management of their activities.

New Holland Agriculture

New Holland Agriculture provides solutions that improve farming efficiency and productivity through the use of affordable technologies. In 2006, the brand launched its Clean Energy Leader strategy to actively promote sustainable agricultural technology.

New Holland offers cash crop producers, livestock farmers, contractors, vineyards and ground-care professionals the largest choice of easy-to-operate tractors, harvesters and material handling equipment with more than 80 product lines and over 300 models.

New Holland complements its agricultural equipment offering with efficient parts & service support and a range of tailored financial services. Through its global network of highly professional dealers, the brand guarantees full service support.

Steyr

For more than 60 years, Steyr has been known for the quality, reliability and excellence of its agricultural tractors. Steyr's distinctive tractors, with the trademark red-white-red design first used in 1967, are produced at the St. Valentin plant in Austria. The brand is leader in the "premium" segment in Austria and exports 60% of production, principally to Germany, Switzerland, France, Italy, Belgium, the Netherlands, Luxembourg, Scandinavia and Eastern Europe.

Nineteen tractor models are produced at the St. Valentin plant in Austria, including the Kompakt, 9000 MT, Profi and CVT Series, as well as products for municipal and forestry applications. A range of products that demonstrates the brand's ability to respond rapidly to the ever-changing demands of the market.

New Holland Construction

New Holland Construction is a leader in the global construction equipment market. Behind the trademark black and yellow livery is the wealth of know-how and experience inherited from Fiat Kobelco, Kobelco, O&K, New Holland and Fiat Allis, whose strengths were combined to form a brand that offers advanced solutions to the construction sector and strives constantly for total customer satisfaction.

Complementing New Holland Construction's full product offer is an extensive network of dealers that operate by a simple yet key philosophy: listen to customers, take a personal approach to their problems and rapidly find an effective solution.

Case Construction

Since it was established in Racine, Wisconsin (USA) more than 170 years ago, Case Construction has built a reputation as a premium manufacturer of a wide range of technologically-advanced products for the construction equipment industry.

With more than 90 models carrying the Case name and colors, the brand has a solution for every application. The product lineup includes skid steer loaders, mini excavators, backhoe loaders, crawler and wheel excavators, and wheel loaders – all designed to face extreme climate conditions or operate in high-risk situations.

In addition, for more than a century, Case has had an enviable reputation as supplier to the armed forces, and governmental and non-governmental organizations around the world engaged in activities such as dismantling land mines and re-building communities devastated by natural disasters.

Kobelco

Kobelco manufactures and sells a complete range of compact, mid-size and full-size excavators ranging from 1.9 to 88 tons. Particular attention is given to the power and precision of its machines to ensure they exceed customer expectations. Kobelco excavators are sold through over 250 distribution outlets in North America and customers are supported by a network of experienced dealers.

TRUCKS AND COMMERCIAL VEHICLES (IVECO)

The sector's product portfolio includes: a range of light, medium and heavy commercial and industrial vehicles for the transportation and distribution of goods, which are cost efficient and minimize environmental impacts (Iveco); commuter buses and touring coaches designed for optimum environmental performance (Iveco Irisbus); quarry and mining equipment purpose-built to move heavy materials across any terrain with absolute reliability (Iveco Astra); special vehicles that can be deployed rapidly and effectively for firefighting (Iveco Magirus), as well as civil defense and peace-keeping missions (Iveco Defence Vehicles). Iveco guarantees customers the highest level of after-sales support worldwide and, through Iveco Capital, offers advanced financial services solutions for the purchase, lease or rental of its products. The sector operates through the following brands:

Iveco

IVECO

Iveco is one of the world leaders in goods transport solutions. It designs, manufactures and sells a wide range of light, medium and heavy commercial vehicles for both on-road and off-road use. The portfolio of cost-effective products is complemented by a range of after-sales, financing and used vehicle services.

From the beginning, the brand has been committed to safe, efficient and ecological mobility. It is the only producer to offer eco-performing diesel and natural gas engines across its entire range. From light segment vehicles (Daily), to medium (Eurocargo) and heavy (Stralis and Trakker), all products are available with engines that meet the Enhanced Environmentally-friendly Vehicle standard (EEV), the strictest emissions standard currently in effect in Europe.

Iveco Irisbus

Iveco Irisbus is one of the major European manufacturers in the passenger transport sector. It has been steadily expanding its activities globally and now sells products in more than 40 countries around the world. Iveco Irisbus offers a complete range of passenger transport solutions including local and intercity commuter buses, economy and luxury coaches, minibuses and school buses.

For years, Iveco Irisbus has had a significant commitment to development and testing, in close collaboration with European public transport operators, of new fuels and propulsion systems, with a particular focus on environmental footprint, passenger comfort and operating efficiency.

Iveco Astra

Established in 1946, the company has been part of Iveco since 1986 and is synonymous the world over with endurance, reliability and versatility. Astra has more than 60 years of experience in designing and producing vehicles for the most challenging tasks and extreme climate conditions. It builds vehicles that can operate in the most inaccessible quarries and mines and move huge quantities of material, such as rock and mud. The product range includes mining and construction vehicles, rigid and articulated dumptrucks, and special vehicles.

Iveco Magirus

For over 140 years, Magirus has been making equipment to deal with the most serious emergencies, including fires, floods, earthquakes and explosions. The business was established in 1864 by Conrad Magirus, chief of the local fire brigade in Ulm (Germany) and inventor of the first ever firefighting ladder. Today, the company is a major player globally in firefighting and emergency response equipment. Iveco Magirus actively collaborates with firefighters from Siberia to Africa to Europe, and from China to Japan to Brazil.

Iveco Defence Vehicles

Iveco Defence Vehicles produces and sells vehicles for defense and civil protection applications. The company is headquartered in Bolzano, Italy, where it produces the Lince, Iveco's flagship product in the armored vehicle segment sold to the armed forces around the world, and the new medium armored vehicle, the Freccia.

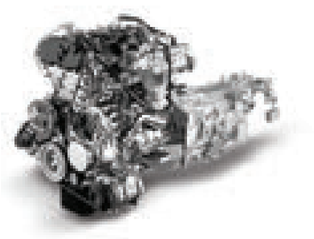
The widely-recognized technological excellence of Iveco Defence Vehicles is behind the significant international growth achieved in recent years which leverages on the company's ability to combine excellence in mobility with the most advanced protection solutions.

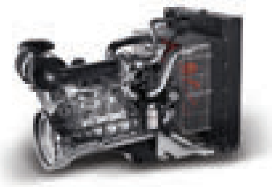
ENGINES AND TRANSMISSIONS

FPT Industrial

FPT Industrial is the Fiat Industrial Group sector specialized in the design, production and sale of propulsion and transmission systems for on- and off-road trucks and commercial vehicles, as well as engines for marine application and power generation.

With its extensive product portfolio (consisting of 5 engine families ranging in output from 50 to 870 hp and transmissions with maximum torque from 300 to 470 Nm), and strong emphasis on research and development, FPT Industrial is one of the world's leading producers of powertrains for industrial application. It is present in approximately 100 countries with a network of approximately 100 dealers and 1,300 service centers.





FIAT INDUSTRIAL AROUND THE WORLD

Fiat Industrial: a global group with a major industrial and commercial presence.

Employing a global vision but interacting at the local level, the Group is prepared to face new challenges, to achieve the maximum in each market and to react rapidly to the needs of its customers.

24,289	66,998	64	51
Revenues (€ million)	Employees	Plants	R&D Centers

ITALY

REVENUES BY DESTINATION	10.2%
EMPLOYEES	27.8%
PLANTS	14
R&D CENTERS	11

EUROPE (excluding Italy)

REVENUES BY DESTINATION	32.8%
EMPLOYEES	34.1%
PLANTS	24
R&D CENTERS	19

NORTH AMERICA

REVENUES BY DESTINATION	24.9%
EMPLOYEES	16.4%
PLANTS	10
R&D CENTERS	13

MERCOSUR

REVENUES BY DESTINATION	16.9%
EMPLOYEES	14.4%
PLANTS	8
R&D CENTERS	4

REST OF THE WORLD

REVENUES BY DESTINATION	15.2%
EMPLOYEES	7.3%
PLANTS	8
R&D CENTERS	4

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

Fiat Industrial continues in its commitment to sustainable development, building on the strength of the experience gained over the years as part of Fiat Group. The Group believes that growth only has value if it is also sustainable and, therefore, it considers management of the environmental and social impacts of its activities to be fundamental. Full integration of environmental and social considerations with economic objectives, also enables the Group to identify potential risks and seize additional development opportunities, resulting in a process of continuous improvement.

Sustainability is a core element in Fiat Industrial Group's system of governance with top management playing a direct and active role. At Board level, the Nominating, Compensation and Sustainability Committee evaluates proposals relating to strategic guidelines on sustainability and reviews the annual Sustainability Report. The Fiat Industrial Executive Council – the Group's highest decision-making body after the Board of Directors, composed of the CEOs of the Fiat Industrial Group companies and heads of key functions – defines the strategic approach, evaluates the congruity of the Sustainability Plan with business objectives and is kept informed on the Group's sustainability performance. The Sustainability Unit, part of Group Control which reports directly to the Chairman, plays a key role in promoting the culture of sustainability within the Group, facilitates the process of continuous improvement, and contributes to risk management and strengthening the relationship and perceptions of stakeholders, in addition to managing certain aspects of external reporting and communications.

Fiat Industrial's values and commitment have been appreciated and recognized at the international level, as demonstrated by the Group's ranking by several major sustainability rating agencies and international organizations. In its first year as a listed company, Fiat Industrial entered both the DJSI World and DJSI Europe indexes – which only admit companies judged best-in-class in terms of economic, environmental and social performance – ranking as Industry Leader in both.

The Company achieved a score of 81/100 compared to an average of 49/100 for all companies in its sector (Industrial Engineering) evaluated by SAM (the sustainability investment group).

Other European companies specialized in Socially Responsible Investing (SRI) also acknowledged Fiat Industrial's performance, including a "Prime" rating from Oekom Research.

The Group is also a member of other major sustainability indexes such as the MSCI WORLD ESG, MSCI WORLD ex USA ESG, MSCI EAFE ESG, MSCI EUROPE ESG, STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Leaders, FTSE ECPI Italia SRI Benchmark and FTSE ECPI Italia SRI Leaders, ECPI Developed Ethical+ Equity and ECPI Ethical EMU Equity.

In the Carbon Disclosure Project's Italy 100 Report, Fiat Industrial was included in the Carbon Disclosure Leadership Index (CDLI) at the top of the "Industrials" sector, with a score of 84/100 for the level of disclosure on issues linked to climate change and a "B" grade (on a scale from A-best to E-worst) for climate change mitigation.

The Group considers these awards and recognitions a starting point, further strengthening its conviction that the way to achieve solid long-term results is through continuous improvement of not only the economic, but also the environmental and social performance of its business.

A detailed description of the Group's environmental and social initiatives is provided in the 2011 Sustainability Report, the first for Fiat Industrial Group, which is also available online in the Sustainability section of the corporate website. This voluntary report, prepared in accordance with the Global Reporting Initiative (GRI-G3.1) guidelines, supplements the financial information presented in this document with an overview on the Group's environmental and social performance, and includes the Sustainability Plan, which reports on the progress of existing projects and establishes new targets aimed at ensuring continuous improvement in Fiat Industrial's sustainability performance.

Fiat Industrial Group, like Fiat Group, is committed to promoting increasingly sustainable development, in the firm belief that growth only has value if it is achieved responsibly. Making social and environmental considerations part of its strategic processes has become an integral part of Fiat Industrial's daily activities.

REPORT ON OPERATIONS

HIGHLIGHTS

(€ million)		2011	2010	2009
Net revenues		**24,289**	21,342	17,968
Trading profit/(loss)		**1,686**	1,092	322
Operating profit/(loss)		**1,629**	1,017	(19)
Profit/(loss) before taxes		**1,169**	576	(470)
Profit/(loss) for the year		**701**	378	(503)
Attributable to:				
Owners of the parent		**624**	341	(464)
Non-controlling interests		**77**	37	(39)
Basic earnings/(loss) per ordinary share (€)	(1)	**0.487**	0.265	(0.364)
Basic earnings/(loss) per preference share (€)	(1)	**0.487**	0.265	(0.364)
Basic earnings/(loss) per savings share (€)	(1)	**0.533**	0.311	(0.364)
Diluted earnings/(loss) per ordinary share (€)	(1)	**0.487**	0.265	(0.364)
Diluted earnings/(loss) per preference share (€)	(1)	**0.487**	0.265	(0.364)
Diluted earnings/(loss) per savings share (€)	(1)	**0.533**	0.311	(0.364)
Investments in tangible and intangible assets		**993**	872	708
of which: capitalized R&D costs		**400**	396	298
R&D expenditure	(2)	**742**	652	538
Total Assets		**38,643**	34,921	30,919
Net (debt)/cash		**(14,549)**	(12,179)	(11,283)
of which: net industrial (debt)/cash		**(1,239)**	(1,900)	(1,315)
Total equity		**5,411**	4,744	5,791
Equity attributable to owners of the parent		**4,555**	3,987	5,073
Employees at year end		**66,998**	62,123	61,243

(1) See Note 13 to the Consolidated Financial Statements for additional information on the calculation of basic and diluted earnings per share
(2) Includes capitalized R&D and R&D charged directly to the income statement

SELECT DATA BY REGION

	Companies		Employees		Plants		R&D Centers		Revenues by market (€ million)	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Italy	**28**	24	**18,645**	18,139	**14**	16	**11**	13	**2,465**	2,491
Europe (excluding Italy)	**138**	121	**22,875**	22,464	**24**	25	**19**	21	**7,971**	6,871
North America	**49**	49	**10,976**	9,733	**10**	11	**13**	13	**6,049**	5,200
Mercosur	**9**	8	**9,655**	7,973	**8**	8	**4**	4	**4,106**	3,684
Other regions	**42**	40	**4,847**	3,814	**8**	8	**4**	4	**3,698**	3,096
TOTAL	**266**	**242**	**66,998**	**62,123**	**64**	**68**	**51**	**55**	**24,289**	**21,342**

SHAREHOLDERS

FINANCIAL COMMUNICATION

In 2011, Fiat Industrial's first year as an independent, quoted entity, there was an intense program of activities to present the new Group to the market, which centered on the businesses, the interaction and synergies between those business and the strategic plan going forward.

Carrying on the approach employed by Fiat, the Group intends to continue in its objective of maintaining and reinforcing the trust of customers and investors through transparent and responsible management aimed at increasing the value of the enterprise on a sustainable basis. The Investor Relations team provides continuous information to the market through active communication with shareholders, investors and analysts for the purpose of maintaining and improving their understanding of the Company and its activities.

The Investor Relations team maintains constant contact with the financial community throughout the year and also organizes conference calls and public presentations to present financial results or other events that require direct communication to the market. Information presented or discussed on those occasions is also published on the corporate website (www.fiatindustrial.com). The IR program also includes regular seminars, industry conferences and non-deal roadshows in major financial centers that provide the opportunity for direct contact with management.

In March, management and the Investor Relations team took part in a roadshow which visited the main European financial centers (Paris, London and Frankfurt) to present the Company's strategy and financial performance to investors in preparation for two bonds issued by Fiat Industrial.

A key event during the year was the Iveco-FPT Industrial Investor Day held in Balocco on June 29th, during which the CEOs of those two businesses and the Group Treasurer presented the 2011-2014 strategic plan to a large number of investors.

In June, an event was held at the CNH site in Zedelgem (Belgium) at which sell-side equity analysts covering Fiat Industrial and CNH were given a tour of the plant and a presentation on the sector's strategy and business activities.

Several non-deal roadshows, one-to-one meetings and conferences on the capital goods sector were organized by equity and fixed income analysts in Paris, London, Geneva, Zürich, Stockholm, Barcelona, Milan and at the Company's head office in Turin, at which management and the IR team also had the opportunity to give additional briefings to investors on the operating performance of the Group's various businesses and their strategies going forward.

Financial information, institutional presentations, periodic publications, official press releases and real-time updates are available in the Industrial Relations section of the corporate website (www.fiatindustrial.com).

Shareholders can also contact the Company at the following:

Toll-free number in Italy: 800-804027
E-mail: serviziotitoli@fiatindustrial.com
investor.relations@fiatindustrial.com

FIAT INDUSTRIAL ORDINARY SHARES: PERFORMANCE RELATIVE TO THE FTSE MIB AND EUROSTOXX INDUSTRIAL (BASED AT 100 ON 3/1/2011) AND AVERAGE MONTHLY TRADING VOLUME

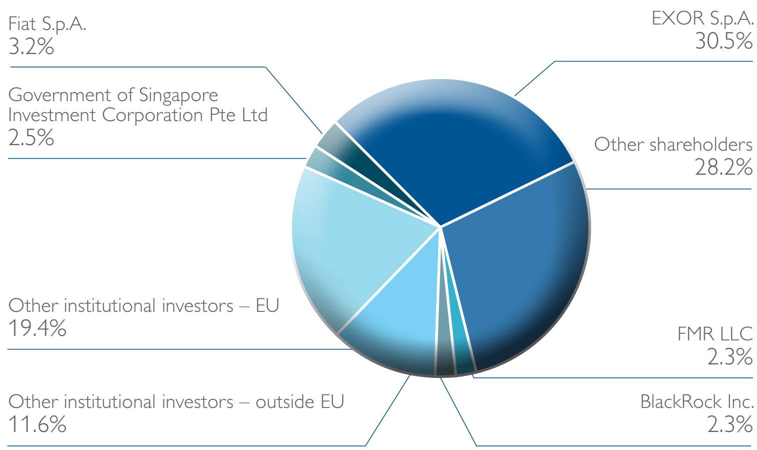
Following on from 2010 – a positive year overall despite significant variations in conditions between markets – 2011 began with the same positive momentum. However, during the course of the year, political and economic crises (including unrest in North Africa and the debt crisis in Europe) together with several natural disasters (including the earthquake in Japan) had a negative impact on financial markets. Many European stock markets, in particular, registered double-digit declines. In their first year of trading (listed 3 January 2011), Fiat Industrial shares closed the year down 26%, substantially in line with the performance of the FTSE MIB index.

MAJOR SHAREHOLDERS

At the date of this Report, Fiat Industrial had a total of 1,092,327,485 ordinary shares outstanding and the following institutions held more than 2% of ordinary shares:

ORDINARY SHARES: 1,092,327,485

EXOR S.p.A.	30.5%
Fiat S.p.A.	3.2%
Government of Singapore Investment Corporation Pte Ltd	2.5%
FMR LLC	2.3%
BlackRock Inc.	2.3%
Other institutional investors in the EU	19.4%
Other institutional investors outside the EU	11.6%
Other shareholders	28.2%



EARNINGS PER SHARE

(figures in €)	2011	2010	2009
Basic earnings/(loss) per ordinary and preference share	**0.487**	0.265	(0.364)
Basic earnings/(loss) per savings share	**0.533**	0.311	(0.364)
Diluted earnings/(loss) per ordinary and preference share	**0.487**	0.265	(0.364)
Diluted earnings/(loss) per savings share	**0.533**	0.311	(0.364)

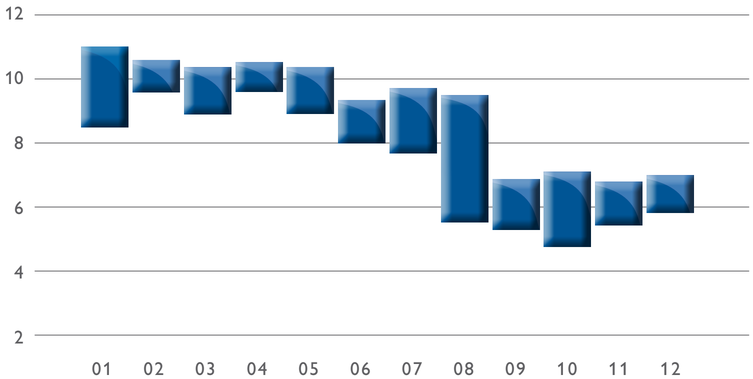
REFERENCE PRICE PER SHARE (*)

(figures in €)	30.12.11	03.01.11
Ordinary shares	**6.625**	9.000
Preference shares	**4.570**	6.250
Savings shares	**4.732**	6.180

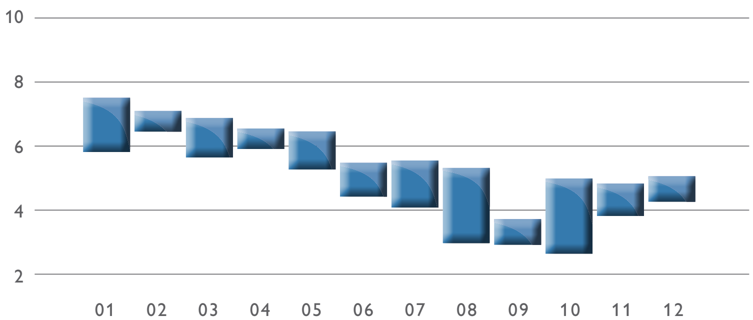
(Source: Reuters)
(*) Equivalent to the closing auction price

MONTHLY MINIMUM AND MAXIMUM PRICE IN 2011 (figures in €)

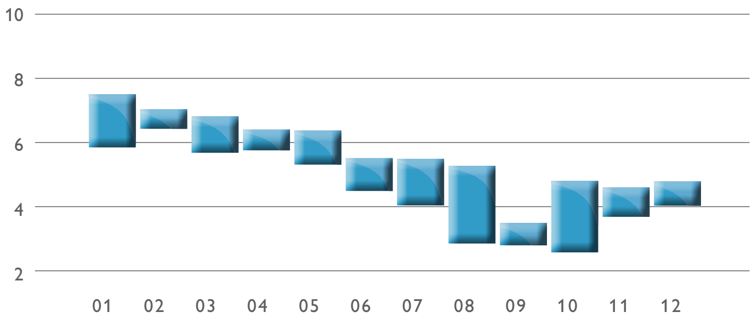
FIAT INDUSTRIAL ORDINARY



FIAT INDUSTRIAL SAVINGS



FIAT INDUSTRIAL PREFERENCE



KEY EVENTS IN 2011

JANUARY

From 1 January 2011 (the effective date of the demerger of activities from Fiat S.p.A.), Fiat Industrial begins operating as an independent entity. On 3 January, Fiat Industrial S.p.A. shares begin trading on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A.

On 5 January 2011, Moody's assigns Fiat Industrial S.p.A. a Ba1 Corporate Family Rating and a short-term "Not Prime" rating, with stable outlook.

ASABE awards the AE50 to New Holland Agriculture and Cash IH Agriculture for innovative technologies in agricultural equipment.

Release of 235-340 hp Tier 4A/Stage IIIB Magnum Series tractors (with global armrest controls) in North America and Europe.

Launch of the new C Series crawler excavator with Tier 4A/Stage IIIB engines.

Production begins on two-stage, turbo-charged Cursor 13 for Case IH Steiger and New Holland T9 Series tractors.

FEBRUARY

On February 24th, Standard & Poor's confirms Fiat Industrial's long-term rating of BB+ with negative outlook and a short-term rating of B.

Launch in Europe of new Tier 4A/Stage IIIB compliant CX combines equipped with ECOBlue SCR technology.

The new T4 PowerStar utility tractor range with 55-100 hp engines is introduced in Europe and North America.

Launch of new Alpha Series skid steers and compact track loaders for the agricultural and construction markets.

In Brazil, Iveco launches new version of the 8x4 Trakker, with 420 hp Cursor 13 engine produced by FPT Industrial and automatic transmission.

EPA10 and CARB certification (U.S. emissions standards) obtained for application of the heavy-duty F1C engine on light commercial vehicles.

MARCH

Fiat Industrial debuts in the debt capital markets with a €2.2 billion dual-tranche bond issue.

CNH Global N.V. acquires full ownership of L&T – Case Equipment Private Limited (a 50/50 JV with Larsen & Toubro Limited), part of CNH's long-term commitment to consolidating its construction and building equipment business in India.

U.S. launch of the Roll Belt 450 Utility round baler for small acreage farms.

Release of 350-500 hp Tier 4A/Stage IIIB Steiger Series tractors and Module Express 635 cotton picker with 400 hp engine in North America.

At ConExpo in Las Vegas, Case Construction introduces new B Series motor grader, with the 865B variable horsepower model, and new F Series wheel loaders, including the 1021F and 1221F for quarry, aggregate and truck-loading. All are equipped with SCR Tier 4A/Stage IIIB engines.

Launch of 3 new DV Series double-drum compactors and the PT240, the brand's first pneumatic tire compactor.

Launch of new CX800B crawler excavator in Latin America.

At ConExpo in Las Vegas, the brand launches updates to the B Series tractor loader backhoe and the all-new compact excavator E55BX.

Presentation at Samoter (in Italy) of new C Series crawler excavator with Tier 4A/Stage IIIB compliant SCR engines and new wheel loaders.

Also presented are the new 200 Series skid steer and compact track loaders with patented vertical lift Super Boom.

At Samoter, presentation of the new Astra RD40 rigid dumper with fully re-designed cabin and other innovative technological solutions.

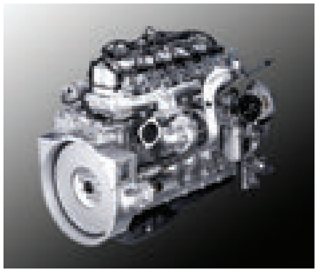
APRIL

CNH announces plan to produce combines and tractors in Argentina for the Latin American market. Initially, US $100 million is to be invested in new production lines and expansion of existing Fiat Industrial site in Cordoba.

In North America, Case IH begins shipment of 550-600 hp Steiger/Quadtrac 4WD Series tractors with best-in-class fuel efficiency and hydraulic flow.

Release in Latin America of the D140B dozer and new models of motor graders.

Presentation of the Magelys Pro touring coach to the international press.



Announcement of new unit to be established at Sete Lagoas site (Brazil) to produce amphibious armored personnel carriers (VBTP-MR) for the Brazilian Army.

At Auto Shanghai Iveco, through its JV Naveco, unveils the new Yuejin Ouka, developed for the medium-upper end of the light vehicle market in China and equipped with the F1C diesel engine from FPT Industrial.

China-based SAIC Fiat Powertrain Hongyan Co. Ltd. presents the new Euro V compliant Cursor 13 with Common Rail injection at Auto Shanghai 2011.

Production launch of Tier 4A/Stage IIIB compliant Cursor and NEF engines for CNH.

MAY

At Agrishow, the brand presents the 273-389 hp T8 tractor range, the highest horsepower tractors produced in Brazil, and the TL Exitus tractor and new SP3500 Sprayer.

Iveco and FPT Industrial announce introduction of Selective Catalytic Reduction (SCR) technology on the new Cursor and Tector engine ranges for heavy-duty trucks and buses, bringing those vehicles in line with Euro VI standards. The "SCR Only" technology patented by FPT Industrial achieves very high NOx conversion efficiency (over 95%).

In Brazil, Iveco presents a prototype of the bifuel diesel-ethanol Trakker, developed in collaboration with FPT Industrial.

The sector completes production start-up for Euro 5-compliant F1A and F1C engines to be launched on new Fiat Professional Ducato.

JUNE

"Top Ethanol Technology Prize" awarded in Brazil to the Trakker demonstration vehicle equipped with 360 hp bifuel (diesel-ethanol) Cursor 9 engine.

Case IH sugar cane harvesters receive "Top of Mind" award from *Revista Rural* in Brazil.

In North America, the Case 850L crawler dozer, Case 580M loader/backhoe, Case 440 Series 3 skid steer loader and Case 621E wheel loader are recognized as "Contractor's Choice" machines for 2011 by *Roads & Bridges*.

Launch of new B Series graders in Latin America.

AUGUST

At the Farm Progress Show in the U.S., the brand introduces the new Efficient Power Axial-Flow 30 Series combines, Patriot 4430 sprayer and Maxxum tractor series, all Tier 4A/Stage IIIB compliant.

Case IH launches new Magnum series tractors in Latin America and the new Axial Flow 2566, its first ever class 5 combine for that market.

EPA Tier 4A approval obtained on the 3.4-liter F5 Common Rail engine for power outputs above 56 kW.

Dow Jones Sustainability Indexes
Member 2011/12

SEPTEMBER

In its first year as a listed company, Fiat Industrial S.p.A. enters the DJSI World and Europe indexes, ranking as Industry Leader in both. The Company scores 81/100 compared to an average of 49/100 for all Industrial Engineering sector companies evaluated by SAM.

Inauguration of Fiat Industrial Village in Turin, a multi-functional center designed to showcase CNH, Iveco and FPT Industrial products and provide after-sales and financial services support.

On September 30th, the Company confirms its decision to withdraw from Confindustria (the Italian employers federation) with effect 1 January 2012.

Celebration of 600 thousandth tractor produced by TürkTraktör, the CNH joint venture with Koç Holding.

New Holland Agriculture consolidates leadership in Tier 4A/Stage IIIB compliant equipment with introduction of CX and flagship Twin Rotor CR Series in Europe and in North America. All combines feature ECOBlue SCR technology.

The Case IH Diesel Saver Automatic Productivity Management (APM) System – with fully-integrated drivetrain management for the Case IH Steiger 4WD and Quadtrac tractors – receives ASABE 2011 Rain Bird Engineering Concept of the Year Award.

IVECO

Launch of new Daily, with styling, content and performance enhancements and lower total cost of ownership. The vehicle also offers up to 10% reduction over the previous model in fuel consumption and CO_2 emissions. The vehicle is offered with a new range of propulsion systems, including a bifuel Natural Power engine and an electric version.

FPT

Production start-up for F1 Euro 5 and Euro V engines and transmissions for application on new Daily. The new 205 hp version of the 3.0-liter F1C with 470 Nm torque is at the top of its category in power output.

OCTOBER

FIAT INDUSTRIAL

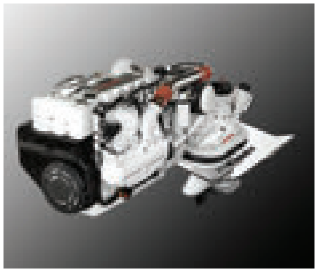
On October 27th, the Board of Directors of Fiat Industrial S.p.A. approves proposal to shareholders for conversion of preference and savings shares into Fiat Industrial ordinary shares for the purpose of simplifying the Company's capital and governance structure.

CNH

CNH announces a strategic alliance with Semeato, leader in Brazil for no-till grain seeding technologies. The collaboration will cover a variety of areas, further strengthening CNH's leadership in Latin America.

CNH

CNH announces agreement with De Lage Landen (a wholly-owned subsidiary of Rabobank) for provision of retail financing under the CNH Capital brand to customers in the Russian Federation.



Astra presents the new all-terrain HD9 equipped with FPT Industrial Cursor 13 engines. The new off-road vehicle further strengthens Astra's leadership in the segment.

Presentation in China of the Kingkan, a new heavy vehicle produced by SAIC Iveco Hongyan (SIH), which offers high performance and value for money.

Presentation at Fenatran in São Paulo of the new Euro V compliant Stralis, flagship of the new Ecoline range produced in Sete Lagoas.

Magelys Pro wins the prestigious "Styling & Design Award" during European Coach & Bus Week at Busworld 2011 in Belgium – the international show for collective passenger transport.

Presentation of the N500+POD Drive propulsion system at the 2011 Genoa International Boat Show: an integrated engine/transmission system representing FPT Industrial's entry into an important segment of the pleasure craft market.

Production startup of the NEF and Cursor Tier 4A engine ranges with SCR exhaust after-treatment systems for the retail market.

CARBON DISCLOSURE PROJECT

NOVEMBER

Fiat Industrial is included in Carbon Disclosure Leadership Index (CDLI) of Italy 100 Report, placing top in the "Industrials" sector with a score of 84/100 for the level of disclosure on issues linked to climate change.

CNH Capital LLC issues a US $500 million bond due November 2016.

Introduction of new mid-range T5 and T6 tractor series (with Tier 4A/ Stage IIIB engines) and TD5 at Agritechnica. The second-generation NH^{2TM} hydrogen tractor is also displayed.

Agritechnica awards "Machine of the Year 2012" to the new CR combine while DLG awards five silver medals for New Holland's innovative technologies.

The Braud 9090X olive harvester and ECOBraud sustainable viticulture, awarded at Agritechnica, also receive recognition from the awards panel of SITEVI, the international exhibition in France for the vine-wine & fruit-vegetable sectors.

In the UK, Iveco is named "Low Carbon Heavy Duty Vehicle Manufacturer of the Year 2011" by the Low Carbon Vehicle Partnership for its comprehensive portfolio of low emissions technologies, particularly the wide range of CNG, electric and hybrid vehicles.

DECEMBER

On December 13th, the Company announces signing of a new collective agreement, with the majority of trade unions, applicable to all Fiat Industrial employees in Italy with effect from 1 January 2012.

CNH announces initial US $90 million investment for new manufacturing plant in Harbin in northeast China. The new facility will produce high horsepower tractors, combine harvesters and other advanced machinery.

The new Case IH Patriot 4430 sprayer is chosen as the "2011 CropLife IRON Product of the Year".

Introduction in Europe of the new 40 ton class CX470C and the CX470C ME crawler excavators, Tier 4A/Stage IIIB compliant.

Inauguration of the 100th dealership in Brazil, which is also the first environmentally sustainable dealership in the country.

In Germany, the new Daily Electric receives the European Award for Sustainability in Transport from *Transport* magazine. In Spain, the European Transport Award, established by *Transporte Profesional* magazine and CETM, is given to the new Daily for technological innovation and haulage efficiency.

At the end of December, the Group agrees procedures for orderly termination of Iveco Finance Holdings Limited, the joint venture with Barclays in the financial services sector.

Production startup for EPA 10 F1C engines (for application on 2012 Mitsubishi Fuso) and F5C Tier 4A for CNH.

HIGHLIGHTS BY SECTOR

(€ million)	Net revenues 2011	Net revenues 2010	Trading profit/(loss) 2011	Trading profit/(loss) 2010	Operating profit/(loss) 2011	Operating profit/(loss) 2010	Total operating assets 2011	Total operating assets 2010
Agricultural and Construction Equipment (CNH)	13,896	11,906	1,154	755	1,181	754	21,267	19,356
Trucks and Commercial Vehicles (Iveco)	9,562	8,307	490	270	408	240	9,718	7,214
FPT Industrial	3,220	2,415	107	65	106	29	1,954	1,744
Other Businesses and Eliminations	(2,389)	(1,286)	(65)	2	(66)	(6)	(604)	(403)
TOTAL	24,289	21,342	1,686	1,092	1,629	1,017	32,335	27,911

(€ million)	Total operating liabilities 2011	Total operating liabilities 2010	Capital expenditure (1) 2011	Capital expenditure (1) 2010	R&D expense (2) 2011	R&D expense (2) 2010	Number of employees 2011	Number of employees 2010
Agricultural and Construction Equipment (CNH)	17,013	15,464	494	446	384	346	32,693	28,831
Trucks and Commercial Vehicles (Iveco)	8,853	6,139	343	273	254	214	26,202	25,583
FPT Industrial	1,389	1,199	155	152	104	92	8,008	7,707
Other Businesses and Eliminations	(488)	(339)	1	1	-	-	95	2
TOTAL	26,767	22,463	993	872	742	652	66,998	62,123

(1) Investments in tangible and intangible assets (net of vehicles sold under buy-back commitments and leased)
(2) Includes capitalized R&D and R&D charged directly to the income statement

MAIN RISKS AND UNCERTAINTIES TO WHICH FIAT INDUSTRIAL S.P.A. AND THE GROUP ARE EXPOSED

RISKS ASSOCIATED WITH GLOBAL FINANCIAL MARKETS AND GENERAL ECONOMIC CONDITIONS

The Group's earnings and financial position may be influenced by various macroeconomic factors – including increases or decreases in gross domestic product, the level of consumer and business confidence, changes in interest rates on consumer and business credit, energy prices, the cost of commodities or other raw materials – which exist in the various countries in which it operates.

For example, the on-going effects of the global economic recession that began in 2008, including the eurozone crisis, continue to have a negative impact on the earnings of companies within the Group. Weak economic conditions resulted in a significant decline in demand for most of the products produced by the Group. Demand in the capital goods sector, in particular, is highly correlated to the economic cycle and can be subject to even greater levels of volatility. Disruption in global financial markets or any continuation of economic recession could ultimately affect the industrial development of many businesses, including those of the Group.

In Europe, despite measures taken by several governments, international and supranational organizations and monetary authorities to provide financial assistance to eurozone member states of the European Union in economic difficulty and to face the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency (or, in more extreme circumstances, the possible dissolution of the euro entirely), given the diverse economic and political circumstances in individual eurozone member states. Such potential developments could adversely affect the businesses and operations of the Group.

Although the Group considers dissolution of the euro and disruption of the European Monetary Union a highly unlikely scenario, and although the Group's diversified product portfolio and international presence lessens its dependence on a single market and exposure to economic conditions or political instability in any one country or region, its businesses are nonetheless sensitive to changes in economic conditions. Accordingly, the present global credit and financial crisis, as well as the failure of European and international rescue packages could have a material adverse effect on the Group's business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH FINANCING REQUIREMENTS

The Group's future performance will depend on, among other things, its ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and possible recourse to capital markets or other sources of financing. Although the Group has measures in place to ensure that adequate levels of working capital and liquidity are maintained, further declines in sales volumes could have a negative impact on the cash-generating capacity of its operating activities. The Group could, therefore, find itself having to seek additional financing and/or refinance existing debt, including in unfavorable market conditions, with limited availability of funding and a general increase in funding costs. Any difficulty in obtaining financing could have a material adverse effect on the Group's business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH THE CREDIT RATING OF FIAT INDUSTRIAL S.P.A.

On 5 January 2011, Moody's Investors Service assigned Fiat Industrial S.p.A. a Ba1 Corporate Family Rating and a short-term "Not Prime" rating, with stable outlook. On February 24th, Standard & Poor's Rating Services confirmed Fiat Industrial's long-term rating of BB+ with negative outlook, assigned on 4 November 2010, and a short-term rating of B.

The ability to access capital markets and the related costs are highly dependent on the Group's credit rating. Any downgrade by rating agencies could increase the Group's cost of capital and potentially limit its access to sources of financing with a consequent material adverse effect on its business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH FLUCTUATIONS IN CURRENCY, INTEREST AND CREDIT RISK

The Group, which operates in numerous markets worldwide, is naturally exposed to market risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to the difference in geographic distribution between the Group's manufacturing activities and its commercial activities, resulting in cash flows from exports denominated in currencies that differ from those associated with production activities.

The Group uses various forms of financing to cover funding requirements for its industrial activities and for financing customers and dealers. The Financial Services companies operate a matching policy to offset the impact of differences in rates of interest on the financed portfolio and related liabilities. Nevertheless, changes in interest rates can result in increases or decreases in revenues, finance costs and margins.

Consistent with its risk management policies, the Group seeks to manage currency and interest rate risk through the use of financial hedging instruments. Despite such hedges being in place, however, sudden fluctuations in currency or interest rates could have an adverse effect on the Group's business prospects, earnings and/or financial position.

The Group's Financial Services activities are also subject to the risk of insolvency of dealers and end customers, as well as unfavorable economic conditions in markets where these activities are carried out, which the Group seeks to mitigate through credit policies applied to dealers and end customers.

RISKS ASSOCIATED WITH RELATIONSHIPS WITH EMPLOYEES AND SUPPLIERS

In many countries where the Group operates, Group employees are protected by various laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including downsizing or closure of production activities and reductions in personnel. Laws and/or collective labor agreements applicable to the Group could impair its flexibility in reshaping and/or strategically repositioning its business activities. The Group's ability to reduce personnel or implement other permanent or temporary redundancy measures is subject to government approvals and the agreement of the labor unions. Industrial action by employees could have an adverse impact on the Group's business activities.

Furthermore, the Group purchases raw materials and components from a large number of suppliers and relies on services and products provided by companies outside the Group. Some of these companies are highly unionized. Close collaboration between a manufacturer and its suppliers is common in the industries in which the Group operates and although this offers economic benefits in terms of cost reduction, it also means that the Group is more reliant on its suppliers and is exposed to the possibility that difficulties, including of a financial nature, experienced by those suppliers (whether caused by internal or external factors) could have a material adverse effect on the Group's business prospects, earnings and/or financial position.

RISK ASSOCIATED WITH INCREASE IN COSTS, DISRUPTION OF SUPPLY OR SHORTAGE OF RAW MATERIALS

Fiat Industrial uses a variety of raw materials in its business including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium. The prices for these raw materials fluctuate and at times in recent periods, prices have increased significantly in response to changing market conditions. Fiat Industrial seeks to manage this exposure, but it may not be successful in hedging these risks. Substantial increases in the prices for raw materials would increase the Group's operating costs and could reduce profitability if the increased costs will not be offset by changes in product prices. In addition, certain raw materials are sourced only from a limited number of suppliers and from a limited number of countries. The Group cannot guarantee that it will be able to maintain arrangements with these suppliers that assure access to these raw materials, and in some cases this access may be affected by factors outside of Group's control and the control of its suppliers. For instance, the recent earthquake and tsunami in Japan have negatively affected raw materials markets, and any similar event may have severe and unpredictable effects on the price of certain raw materials in the future. As with raw materials, the Group is also at risk for supply disruption and shortages in parts and components for use in its products.

Any interruption in the supply or any increase in the cost of raw materials, parts and components could negatively impact the Group's ability to achieve growth in product sales and improved profitability.

RISKS ASSOCIATED WITH MANAGEMENT

The Group's success is largely dependent on the ability of its senior executives and other members of management to effectively manage the Group and individual areas of business. The loss of any senior executive, manager or other key employee without an adequate replacement or the inability to attract and retain new, qualified personnel could therefore have an adverse effect on the Group's business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH THE HIGH LEVEL OF COMPETITION IN THE INDUSTRIES IN WHICH THE GROUP OPERATES

Substantially all of the Group's revenues are generated in highly competitive sectors that include the production and distribution of agricultural and construction equipment, trucks and commercial vehicles, and related powertrain systems. The Group faces competition from other international manufacturers of trucks and commercial vehicles in Europe and Latin America and from global, regional and local agricultural and construction equipment manufacturers, distributors and component suppliers in Europe, North America and Latin America. These markets are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service and financial services offered. Competition, particularly in pricing, has increased significantly in the Group's areas of activity in recent years. Should the Group be unable to adapt effectively to external market conditions, this could have an adverse effect on its business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH SELLING IN INTERNATIONAL MARKETS AND EXPOSURE TO CHANGES IN LOCAL CONDITIONS

A significant portion of the Group's existing activities are conducted and located outside of Italy and the Group expects that revenues from sales outside Italy – and, more generally, outside of the European Union – will account for an increasing portion of total revenues. The Group is subject to risks inherent to operating globally, including those related to:

- exposure to local economic and political conditions
- import and/or export restrictions
- multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on repatriation of funds, and/or
- the introduction of more stringent laws and regulations

Unfavorable developments in any one of these areas (which may vary from country to country) could have a material adverse effect on the Group's business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH ENVIRONMENTAL AND OTHER GOVERNMENT REGULATION

The Group's products and activities are subject to numerous environmental laws and regulations (local, national and international) which are becoming increasingly stringent in many countries in which it operates (particularly in the European Union). Such regulations govern, among other things, products – with requirements for emissions of polluting gases, reduced fuel consumption and safety becoming increasingly stricter – and industrial plants – with requirements for emissions, treatment of waste and water and prohibitions on soil contamination becoming increasingly stricter. To comply with such regulations, the Group employs considerable resources and expects it will continue to incur substantial costs in the future.

In addition, government initiatives to stimulate consumer demand for products sold by the Group, such as changes in tax treatment or purchase incentives for new vehicles, can substantially influence the timing and level of revenues. The size and duration of such government measures is unpredictable and outside of the Group's control. Any adverse change in government policy relating to those measures could have a material adverse effect on the Group's business prospects, operating results and/or financial position.

RISKS ASSOCIATED WITH THE ABILITY TO OFFER INNOVATIVE PRODUCTS

The success of the Group's businesses depends on their ability to maintain or increase share in existing markets and/or to expand into new markets through the development of innovative, high-quality products that provide adequate profitability. In particular, the failure to develop and offer innovative products that compare favorably to those of the Group's principal competitors in terms of price, quality, functionality and features, or delays in bringing strategic new products to market, could result in reduced market share, having a material adverse effect on the Group's business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH OPERATING IN EMERGING MARKETS

The Group operates in a number of emerging markets, both directly (e.g., Brazil, Argentina and India) and through joint ventures and other cooperation agreements (e.g., Turkey, China and Russia). The Group's exposure to these countries has increased in recent years, as has the number and importance of such joint ventures and cooperation agreements. Economic and political developments in these markets, including economic crises or political instability, have had and could in future have a material adverse effect on the Group's business prospects, earnings and/or financial position.

RISKS ASSOCIATED WITH THE CAPITAL GOODS MARKET

More than other sectors, producers in the capital goods sector, such as CNH and Iveco, are subject to:

- the condition of financial markets, in particular, the ability to access the securitization market and prevailing interest rates in that market. In North America, in particular, CNH makes considerable use of asset-backed securitization to fund financing offered to dealers and end customers. Negative conditions in the financial markets, and the asset-backed securitization market in particular, could have a significant impact on the Group's business prospects, earnings and/or financial position
- cyclicality, which can cause sudden declines in demand, with negative effects on inventory levels and product pricing, both new and used. In general, demand in the capital goods sector is highly correlated to the economic cycle and can be subject to even greater levels of volatility

RISKS ASSOCIATED WITH THE AGRICULTURAL AND CONSTRUCTION EQUIPMENT MARKETS

Performance of the agricultural equipment market is influenced, in particular, by factors such as:

- the price of agricultural commodities and the relative level of inventories
- the profitability of agricultural enterprises
- the demand for food products
- agricultural policies, including aid and subsidies to agricultural enterprises, provided by major governments and/or supranational organizations

In addition, unfavorable climactic conditions, especially during the spring, a particularly important period for generating sales orders, could have a negative impact on the decision to buy agricultural equipment and, consequently, on the Group's revenues.

Performance of the construction equipment market is influenced, in particular, by factors such as:

- public infrastructure spending, and
- new residential/non-residential construction

The above factors can significantly influence the demand for agricultural and construction equipment and, consequently, the Group's financial results.

RESEARCH AND INNOVATION

During 2011, Fiat Industrial Group carried out research and innovation activities, aimed at promoting sustainable mobility on several fronts, in close collaboration with CRF (Centro Ricerche Fiat).

Following the demerger of activities from Fiat S.p.A., CRF remained a part of Fiat Group. To ensure continued support for Fiat Industrial Group, a number of researchers involved in specific projects were transferred to Fiat Industrial and service agreements were established in relation to support for the research and development activities of Group sectors.

Development activities were primarily carried out by the sectors themselves.

Expenditure on Research and Development [(1)] totaled €742 million for the year, equivalent to 3.2% of net revenues for the Group's Industrial Activities, and R&D activities involved some 5,000 personnel at 51 centers.

CENTRO RICERCHE FIAT (CRF)

CRF was established in 1978 as a center for innovation and development. Internationally recognized today as a center of excellence, the mission of CRF (headquartered in Orbassano, near Turin) is to utilize innovation as a strategic lever for the businesses of Fiat and Fiat Industrial.

With approximately 1,000 employees, CRF draws on a broad array of technical skills in addition to a series of state-of-the-art laboratories for testing powertrain systems and electromagnetic compatibility, and conducting NVH analyses and driving simulations. CRF has achieved significant results over the years, with 2,860 patents filed or pending at the end of 2011, and has developed a global network of more than 1,760 industrial partners, universities and research centers that further strengthen the Center's innovation strategies, facilitate local implementation of projects, and enable development of specialized know-how.

At the international level, CRF had more than 19 projects approved in 2011 under the EU's Seventh Framework Program for 2007-2013, bringing the total active projects under this Program to 133. Its status as a well-established European research center together with its recognized know-how and extensive presence throughout Italy have also led to its participation in many public-private partnerships (PPPs) set up to focus public and private research on areas of common interest and on industrial applications both in Italy and at the European level. Particularly active in the area of sustainable mobility, CRF studies innovative solutions through a 360-degree approach to mobility encompassing vehicles, components, energy, safety, telematics, innovative materials and related technologies, mechatronics, as well as innovative concepts in engine technologies, alternative propulsion systems and transmissions.

(1) Includes capitalized R&D and R&D charged directly to the income statement

CRF's activities are focused in the following three macro areas: environmental sustainability, social sustainability and economically-sustainable competition.

CRF PROJECTS FOR FIAT INDUSTRIAL SECTORS

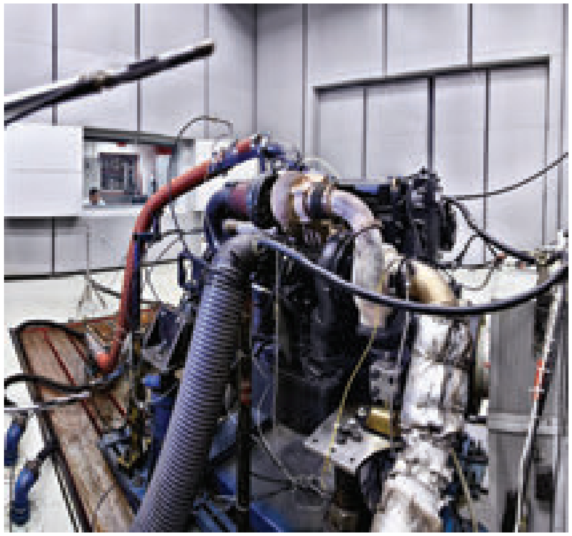
Environmental Sustainability

This area consists of research aimed at increasing the energy efficiency of vehicles and reducing environmental impacts over their entire life cycle (i.e., production to dismantling). Major achievements in 2011 include:

- **Liquid Natural Gas (LNG).** It has been amply demonstrated that natural gas engines can dramatically reduce polluting emissions such as gases that contribute to photochemical smog (nitrogen oxides), particulates, greenhouse gases (CO_2) and noise emissions. To date, however, use in the Heavy sector has been limited due to the weight of compressed gas tanks and their limited range. LNG provides a solution to this problem because it has 3 times the energy density of CNG, is 99% pure and costs less at the pump. A version of the Cursor 8 engine has been developed that can run on LNG which, using an on-board cryogenic storage system, is stored in liquid form and reconverted to gas prior to combustion. This significantly extends the vehicle's range, thereby overcoming the restrictions of the current limited distribution network. At the same time, a European initiative has been launched to create "LNG blue corridors" with strategic refueling points. The LNG version of the Cursor 8, available on the Iveco Stralis beginning 2012, offers a 70% reduction in polluting emissions and a 10% reduction in CO_2 emissions over the diesel version. Due to the innovative configuration of the air intake valves, it also has 5% lower fuel consumption than the existing CNG version and an effective power output of up to 243 kW. The higher level of purity of LNG compared to CNG

enables enhanced control of air intake/combustion and up to a 40% reduction in operating costs over the diesel version, particularly on long distances.

- **CNG-powered Steyr Tractor.** During the year, CRF completed development of a prototype CNG-powered Steyr tractor for CNH. The new tractor's versatile CNG-powered 136 hp, 3.0 4-cylinder F1C engine is also suitable for application on a variety of on-road vehicles (i.e., Fiat Ducato and Iveco Daily). This prototype engine can run on 100% CNG and has the same power output and torque as the diesel version, with a significant reduction in noise emissions. Equipped with 9 gas tanks, the tractor can carry 50 kg of CNG and operate for approximately half a day without refueling. Depending on local fuel prices, the use of CNG rather than diesel enables an average reduction in fuel costs of between 25% and 40%. The tractor is also equipped with a 15-liter gasoline tank for emergency use. On average, noxious emissions are 80% lower than the diesel version, so with a standard 3-way catalytic converter for exhaust treatment the tractor can achieve Tier 4 emissions levels without the use of urea or other costly after-treatment components. This engine can also run on biomethane, which farmers produce directly from organic waste, offering further cost savings and reducing CO_2 emissions almost to zero, as direct emission of biogases from the original biomass (e.g., animal refuse, vegetable waste) can be avoided in the production process (anaerobic digestion and purification). Testing on the prototype was completed in October and it was presented by CNH at Agritechnica 2011 in Hanover.
- **Hydrogen-CNG Blends.** In 2009, Autostrada del Brennero (operator of the A22 in Italy) launched the "green corridor" project, which forms part of an initiative to introduce alternative fuels (ranging from natural gas to renewable fuels, such as green hydrogen and biomethane) along the Berlin-Palermo route. Autostrada del Brennero commissioned CRF to develop a prototype hydrogen-CNG (HCNG) Iveco Daily for use as a road maintenance vehicle. Produced in collaboration with FPT Research & Technologies, the prototype was officially delivered to local authorities for the



provinces of Trento and Bolzano in May 2011. CNG propulsion technology is the starting point for the use of HCNG blends and certain properties of hydrogen are leveraged to enhance the already excellent ecological performance. Combustion and output are optimized through a variable engine control system that recognizes the exact quantity of hydrogen in the tank and adapts combustion to the available mix. Mixes of 30% hydrogen (by volume) offer up to an 11% reduction in CO_2 emissions compared to CNG only and also significantly reduce polluting emissions (carbon monoxide, uncombusted hydrocarbons, etc.). Development of the HCNG Iveco EcoDaily was based on the bifuel CNG/gasoline version of the Iveco EcoDaily already in production (model 35S14 with 3.3 meter wheelbase). The vehicle is equipped with the 3-liter S Series CNG engine (F1C) with power output of 136 hp (350 Nm maximum torque) produced by FPT Industrial which not only complies with the EEV emissions standard, currently the strictest in Europe, but is also close to meeting the emissions limits set by the future Euro VI regulation. The engine is turbocharged with compression ratio optimized for use with CNG and HCNG blends. CRF is also working together with Dolomiti Energia (a utility company based in Trento, Italy) to produce an HCNG Iveco Daily micro-fleet for waste collection in the city center. The aim of the project is to switch from diesel to more eco-friendly solutions and, in future, to replace CNG with biomethane produced from collected waste.

- **Iveco's Next Generation Auxiliaries Project.** During 2011, CRF developed a Stralis truck for Iveco that uses a kinetic energy recovery system to power innovative electric auxiliary systems. In long-haul operations, the system can reduce fuel consumption up to 4%. For heavy vehicles, energy used by auxiliary systems (e.g., climate control, fans, air compressor, alternator, pump, etc.) can account for an average of around 5% of total fuel consumption. That level is increasing as vehicle content is enriched and heavy vehicles, in particular, run on-board systems when the engine is off, such as climate control, lighting, security systems. In order to reduce the impact of electricity consumption on the

vehicle's total energy requirement, systems have been developed to increase the efficiency of electricity generation, recover kinetic energy produced by the vehicle during deceleration, store that energy in an efficient battery and enable electrification of auxiliary equipment. Those requirements were behind the development of a kinetic energy recovery system (KERS) to produce electricity for on-board use without consuming fuel. A lithium battery pack is used for storing the electricity needed to run the cabin's climate control systems overnight, as well as a high-voltage electric climate control system and electric air compressor for the braking system. In addition, control strategies for energy saving on auxiliary systems and optimization of vehicle's energy mix were developed. Enhancements were also made to the engine cooling fan and 24V alternator, and there are plans to install an innovative electro-hydraulic power steering system.

- **Advanced Temperature Management Systems.** As part of the "Next Generation Thermal Systems" project, an innovative heating system based on two cooling circuits was developed: a high temperature circuit dedicated to cooling the engine and hydraulic systems and a low temperature circuit that supplements the condenser cooling, intercooler and other on-board systems (e.g., batteries and electric propulsion systems). This system simplifies the forward thermal module consisting of two radiators, one high and one low temperature, and enables greater compactness of on-board systems (e.g., engine intake, climate control). In 2011, CRF completed development and testing of a system for the Iveco Daily light commercial vehicle based on this concept. That system adopts an active shutter system that uses a conventional thermal module for cooling, together with planar heat exchangers built into the aerodynamic base to reduce the thermal load on the radiators and maximize the efficiency of the active shutters. Tests of the prototype show a 15% reduction in fuel consumption and improved compactness of the system. The entire project, and in particular the development of the components, was supported by the European funded

Thermal Systems Integration for Fuel Economy (TIFFE) project. In 2011, CRF completed a feasibility study for CNH for application of the system on agricultural tractors. The study demonstrated the technical feasibility and identified prototype components already available that can be used to develop a prototype system able to demonstrate the benefits under test conditions.

- **Heat Pump Climate Control Systems for Electric Vehicles.** In 2011, CRF completed development of a climate control system, based on an electric heat pump, which can be installed on electric and hybrid vehicles. The system cools or heats the vehicle interior to provide climate comfort in summer and winter. The prototype system, installed on the Iveco Daily, transfers the low temperature heat produced by the propulsion systems to the vehicle interior to provide maximum climate comfort in all conditions. The control systems have been specifically designed to minimize energy demand and, therefore, the impact on range for electric vehicles and fuel consumption for hybrid vehicles. The particular feature of the system developed by CRF is its ability to achieve optimum performance of the heat pump even with low external temperatures, so that it can use all low temperature heat generated by the engine and the electronic systems.
- **Advanced Features for Urban Trucks.** Modular vehicle configurations, efficient and integrated management of auxiliary systems (particularly for transport of fresh and frozen foods), and anti-collision and anti-roll systems, are all solutions being developed under the CityMove project, which is focused on enhancements in urban goods transport for application on the Iveco Eurocargo. The objective of the project is to improve the vehicle's efficiency and flexibility, as well as handling safety and environmental performance. The identification of solutions, which was the main focus of work carried out in 2011, was based on a detailed analysis of the needs of a wide range of users, operators and public authorities and potential for widespread deployment.

- **Predictive Cruise Control for Commercial Vehicles.** In 2011, CRF developed and tested an integrated system that uses advanced navigation maps with topographical and other data necessary for an accurate rendering of the road in front of the vehicle. Using data inputs such as road gradient, the system can control speed and manage auxiliary systems automatically to increase energy efficiency and road safety. Initial simulations and road tests have shown a 3-4% reduction in fuel consumption.

Social Sustainability

This area consists of research aimed at enhancing accident prevention capabilities through systems that can identify potential dangers, assist the driver in taking evasive action, and also ensure maximum protection for the vehicle occupants and other road users in the event of an accident. One of the most significant achievements in 2011 was:

- **Intelligent Trailer Brake Valve.** The Intelligent Trailer Braking system improves safety through automatic activation of the trailer's braking system to equalize the braking effect between tractor and trailer. The system uses specially developed algorithms to calibrate the response independently from the braking action of the driver. This is particularly important for tractors using CVT transmission as it limits the potential for jack-knifing, when braking for combined tractor and the trailer relies solely on the tractor brakes. This enhanced control of stopping distance increases safety in all driving conditions, especially when combined with ABS on both tractor and trailer. The system was awarded a Silver Medal at Agritechnica 2011.

Economically-sustainable competition

This area consists of research aimed at increasing the competitiveness of new products through enhancements in performance and functionality and a reduction in the time it takes to bring new technologies to market.

- **Self-cleaning Plastics.** Agricultural equipment works in particularly hostile environments. Bodywork and external components are under constant attack from dust, mud, and chemicals used for treating crops (e.g., pesticides, herbicides and fertilizers). As a result, anything that reduces their impact or keeps vehicles cleaner can improve maintenance and the average life of vehicles and, ultimately, lead to a potential competitive advantage.

  In 2011, CRF worked with CNH to explore technological solutions that modify the chemical and physical characteristics of external surfaces to reduce dirt retention and improve cleaning. Transparent silicon- and fluoride-based protective coatings were examined and selected for their low cost, duration and performance. Preliminary laboratory tests were then conducted to assess the effectiveness and duration of the coatings, examine methods of application and whether expected characteristics matched those observed. Coatings with the greatest potential were then tested on agricultural vehicles under normal working conditions. The coatings were applied to various surface materials (glass, painted SMC) and components (cabin windows and engine hood) with different levels of exposure to the contaminants. Continuous monitoring of the state of the vehicles showed an improvement in the performance of the coated surfaces, which were more resistant to attack from chemicals in particular and were cleaner overall.

HUMAN RESOURCES

At 31 December 2011, Fiat Industrial Group had 66,998 employees, an increase of 4,875 over year-end 2010 (62,123). The change was partially attributable to the difference between new hires (approx. 9,800) and departures (approx. 6,500) during the year, driven primarily by hiring in Latin America and North America related to increases in production volumes. In addition, a net increase of around 1,600 employees was attributable to changes in the scope of operations associated with: the acquisition of full control of L&T Case Equipment Private Limited in India by CNH and the line-by-line consolidation of Iveco Finance Holdings Limited by Iveco (following agreement for orderly termination of the joint venture with Barclays), insourcing of some Iveco dealers in Europe and Australia, and transfer by Fiat Group companies of R&D activities and personnel to Fiat Industrial sectors in Italy, as well as activities and staff from Fiat Powertrain (Fiat Group) to FPT Industrial.

ORGANIZATIONAL AND MANAGERIAL DEVELOPMENT

Fiat Industrial, created on 1 January 2011 through the demerger of activities from Fiat S.p.A., is active in the capital goods business and operates through 3 sectors. CNH, global leader in the agricultural and construction equipment business, increased the number of employees by about 3,900 through both organic growth and acquisitions, in

support of growth of its business activities. Iveco, producer of trucks and commercial vehicles, implemented several organizational changes in 2011 to better meet new challenges and opportunities. During the year, the Group concentrated the industrial powertrain activities in FPT Industrial, a global leader in the design, manufacture and sale of powertrain solutions.

During 2011, SAP HR was extended to give full coverage to everyone in Fiat Industrial Group. First introduced by Fiat Group in 2009, the system is dedicated to management of the principal HR processes, and enables integration of all personnel and organizational information into a single database, as well as standardization of key processes. As a result, Fiat Industrial was able to focus on using the system to support global processes for human resources management:

- two new Compensation & Benefits modules have been launched to support Variable Pay and Salary Review processes for the whole Group
- for the first time, the 2011 Performance and Leadership Management process was managed for all Fiat Industrial companies through a single system that also facilitates management of evaluations for intercompany transfers
- the system is becoming the official source for headcount reporting for CNH (representing nearly 50% of the Fiat Industrial population) and, from 2012, the aim will be to incorporate Fiat Industrial's other sectors, which underwent significant reorganizations in 2011

The business process and system architectures were also improved to enhance management of human resources data for smaller countries.

In terms of the coordination of principal corporate processes, Fiat Industrial has adopted an entirely different approach to that used before the demerger. It is focusing on the needs and priorities of individual companies, through the support of

a very lean team of cross-company subject matter experts, to ensure the sharing of best practices and expertise group-wide. Most of the processes are managed in a decentralized manner. However, some administrative services are still provided by Fiat S.p.A. through service agreements.

The Performance and Leadership Management process, which has been in place for managers and professionals for a number of years, continues to serve as the basis for personnel management decisions, together with the Talent Review process, which enables early identification of high-potential individuals, as well as charting of their professional development.

Training

Investment in training in support of Fiat Industrial's business activities and the professional development of employees totaled around €24.7 million for the year. About 1.3 million hours of training were provided, including 80,175 hours of web-based distance learning.

Grants and Scholarships

In 2011, Fiat Industrial Group took part in the Fiat Grant and Scholarship Program for children of employees in Italy and abroad.

A total of 487 grants and scholarships were awarded (330 in Italy) totaling approximately €440,000. Recipients were located in Italy, as well as France, Spain, Poland, Belgium, England, Brazil, China and the United States: all countries where the Group has a significant presence.

INDUSTRIAL RELATIONS

In 2011, Fiat Industrial continued to work with trade unions and employee representatives to find common solutions for managing market conditions, which saw improvements over the prior year. Production stoppages, implemented using temporary layoff benefit schemes, were significantly reduced over 2010. A number of plants introduced measures aimed at increasing work flexibility, mainly through the utilization of overtime, and fixed-term and agency workers, to meet growing market demand. Intensive collective bargaining also took place at various levels, resulting in agreements with trade unions on pay and employment conditions in countries where Fiat Industrial is present.

Social dialogue

In February 2011, Fiat Industrial was asked to begin negotiations for the formation of a European Work Council (EWC). Accordingly, steps were taken to establish a Special Negotiating Body (SNB) consisting of employee representatives called to negotiate with company management on the scope of the EWC's activities, its composition and the duration of the mandate. At a meeting held in Turin on 16 December 2011, it was agreed that the SNB would consist of 12 members representing group employees in the EU.

In Italy, dialog continued with trade unions at the national and local level and addressed solutions for needs related both to low production and high production levels. Withdrawal from Confindustria was confirmed on 30 September 2011 and, as a consequence, Fiat Industrial companies gave notice of termination of existing agreements. Negotiations were subsequently initiated with trade unions to establish a new collective labor agreement to ensure flexibility and competitiveness, while guaranteeing employees better working conditions and adequate pay. On 13 December 2011, an agreement was reached with FIM, UILM, FISMIC, UGL Metalmeccanici and the Associazione Quadri e Capi Fiat for implementation of a new one-year agreement, commencing 1 January 2012.

Management of production levels

During the year, outlook improved in comparison to 2010 for those business areas particularly hard hit in recent years by a collapse in demand. In Italy, Fiat Industrial companies continued to make use of temporary layoff benefit schemes, albeit with a significant reduction over the prior year.

Production stoppages were reduced both in France and in Germany, while in Spain they continued to be quite extensive due to the lingering effects of the crisis. In North America and Latin America, Fiat Industrial companies utilized overtime and agency workers, in addition to increasing headcount, as a result of increases in production volumes.

Restructuring and reorganization in Italy involved implementation of various agreements with trade unions. The severe crisis in the commercial vehicle market resulted in a dramatic drop in production volumes at the Iveco plant in Brescia, generating a surplus of approximately 1,000 workers.

In order to minimize the social impact, an agreement was reached with employee and local union representatives for the dismissal of about 100 workers, who would become eligible for retirement within a maximum of 3 years, through the use of a government benefits scheme. That agreement also allows for a reduction in hours worked per week for the remaining plant workers in accordance with the "Contratto di Solidarietà" legislation. In addition, the crisis in the bus market resulted in the closure of the Irisbus plant in Valle Ufita. The Company reached an agreement with employee, and national and provincial union representatives for implementation of an extraordinary temporary layoff benefit scheme for a period of two years for all plant employees.

In Spain, Iveco España announced the closure of its Barcelona plant due to a continuous decline in production volumes in recent years, and reached an agreement with trade unions to establish a mechanism for managing the redundancy of about 150 workers.

In the United States, CNH closed its compact tractor assembly facility in Dublin (Georgia) to further optimize its manufacturing footprint and reduce fixed costs. In addition, CNH continued a voluntary redundancy scheme, in line with the provisions of the agreement reached with the UAW in 2008.

Collective bargaining

Significant negotiations for company-level agreements in 2011 included: the annual negotiation in France, which resulted in general salary increases of between 1.4% and 1.8%, and a renewal of the profit/performance bonus agreement for Iveco France and CNH France; an agreement in Spain made by Iveco to provide cost-of-living increases for 2011 and subsequent years (up to 2013), with payment of a one-off amount to compensate cost-of-living increases for 2009 and 2010; and agreements in Brazil for pay increases based on the growth of the domestic economy and in line with salary increases recorded for the country's industrial sector.

Labor unrest

The level of labor unrest in Italy was higher than in 2010. A significant factor was the strikes held by employees at the Valle Ufita plant, which lasted from July to October and accounted for more than 50% of total strike hours at Fiat Industrial plants for the year. The overall level of labor unrest during the year in countries outside of Italy was negligible.

FINANCIAL REVIEW – FIAT INDUSTRIAL GROUP

INTRODUCTION

During 2010, Fiat Group initiated and completed a strategic project to separate the Agricultural and Construction Equipment (CNH) and Truck and Commercial Vehicles (Iveco) activities, as well as the "Industrial & Marine" business line of FPT Powertrain Technologies (FPT Industrial), from the Automobile and Automobile-related Components and Production Systems activities, consisting of Fiat Group Automobiles, Maserati, Ferrari, Magneti Marelli, Teksid, Comau and the "Passenger & Commercial Vehicles" business line of FPT Powertrain Technologies.

That separation, through the demerger of activities from Fiat S.p.A. and transfer to Fiat Industrial S.p.A. on 1 January 2011, resulted in the creation of Fiat Industrial Group, which consists of CNH, Iveco and FPT Industrial.

Since 3 January 2011, Fiat S.p.A. and Fiat Industrial S.p.A. have been listed separately on the Mercato Telematico Azionario and operate as independent companies, each with its own management and board of directors.

Comparative data for 2010 have been prepared by combining information regarding the financial assets and liabilities, cash flows and results of operations of the Fiat Group which are the object of the Demerger (now forming the "Fiat Industrial Group") for the year ended 31 December 2010, based on the historical data included in the consolidated financial statements of the Fiat Group for that year; these operations were carried out in the Fiat Group during that period through the directly or indirectly held subsidiaries of Fiat S.p.A.

Principal changes in the scope of consolidation in 2011

- On 31 March 2011, CNH Global N.V. acquired full ownership of L&T – Case Equipment Private Limited, a 50/50 joint venture established in 1999 with Larsen & Toubro Limited that manufactures and sells construction and building equipment in India. The company (renamed Case New Holland Construction Equipment India Private Limited) has been fully consolidated by the Group since 31 March 2011.
- Following signature of an agreement at the end of December for orderly termination of the joint venture with Barclays, the Group consolidated the assets and liabilities of Iveco Finance Holdings Limited ("IFHL") on a line-by-line basis at 31 December 2011.

FINANCIAL REVIEW

Operating Performance

(€ million)	2011	2010
Net revenues	24,289	21,342
Cost of sales	20,038	17,979
Selling, general and administrative costs	2,002	1,793
Research and development costs	505	418
Other income/(expense)	(58)	(60)
TRADING PROFIT/(LOSS)	1,686	1,092
Gains/(losses) on disposal of investments	26	3
Restructuring costs	95	58
Other unusual income/(expense)	12	(20)
OPERATING PROFIT/(LOSS)	1,629	1,017
Financial income/(expense)	(546)	(505)
Result from investments	86	64
Share of profit/(loss) of investees accounted for using the equity method	97	70
Other income/(expense) from investments	(11)	(6)
PROFIT/(LOSS) BEFORE TAXES	1,169	576
Income taxes	468	198
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	701	378
Profit/(loss) from discontinued operations	-	-
PROFIT/(LOSS)	701	378
PROFIT/(LOSS) ATTRIBUTABLE TO:		
Owners of the parent	624	341
Non-controlling interests	77	37

Following is a review of net revenues and trading profit by sector. All other data relates to the Group as a whole.

Net revenues

The Group posted €24,289 million in **net revenues** for the year, an increase of 13.8% over 2010. All sectors achieved significant gains: CNH reported substantial growth in volumes and, for Agricultural Equipment, a more favorable product mix; Iveco increased deliveries in several major European markets, as well as Latin America; and FPT Industrial recorded higher sales to both Group and external customers.

Revenues by sector

(€ million)	2011	2010	% change
Agricultural and Construction Equipment (CNH)	13,896	11,906	16.7
Trucks and Commercial Vehicles (Iveco)	9,562	8,307	15.1
FPT Industrial	3,220	2,415	33.3
Eliminations and Other	(2,389)	(1,286)	-
Total for the Group	24,289	21,342	13.8

Agricultural and Construction Equipment

CNH reported €13,896 million in **revenues** for 2011, an increase of 16.7% over 2010 (+22.5% in US dollar terms), with agricultural equipment markets continuing to perform well in all regions and continued recovery in the construction equipment market.

Net sales for the Agricultural Equipment segment increased 17% for the year (+23% in US dollar terms), with solid trading conditions in all regions. Growth continued in the EAME & CIS (Europe, Africa, Middle East and CIS) markets and comparative revenues were up 29% (+36% in US dollar terms) on the back of firm demand across all product segments. Net sales for 2011 for the Construction Equipment segment were up 25% for the year (+32% in US dollar terms) with improvements in all regions.

Worldwide agricultural industry unit sales increased 12% over 2010. Global demand was up 12% for tractors and 16% for combines. Worldwide agricultural equipment market share was in line with industry demand with continued positive performance for tractors overall in Europe and in the high horsepower segment in North America, as the FPT Industrial powered Tier 4A/Stage IIIB equipment was well received by the market for its fuel efficiency and performance characteristics. Combine market share was up in North America, despite the year-over-year decrease in industry retail sales, and in the APAC region. Market share was down in the EAME & CIS regions, where unit retail sales increased, although less than the market overall due to local content tariff restrictions. In Latin America, market share performance was stable for tractors and flat for combines despite difficult trading conditions in the fourth quarter and a difficult environment for cross-border transactions.

Global construction equipment industry unit sales rose 27% over the prior year, with a positive trend in all regions. Light equipment was up 30% and heavy equipment up 23%. Worldwide construction equipment market share for 2011 was in line with industry growth in both the light and heavy segments. In North America, the success of new products in the light equipment segment continued to gain traction. Losses in market share experienced in the first half, resulting from manufacturing downtime attributable to new product launches, were regained over the second half. For heavy equipment, the supply of whole-goods and componentry improved in the second half as Japanese suppliers returned to normalcy and the APAC excavator market slowed. Trading conditions in Europe deteriorated in the fourth quarter as a result of the deepening financial crisis, and in Latin America demand for heavy equipment diminished as infrastructure spending was deferred to 2012.

Trucks and Commercial Vehicles

Iveco posted revenues of €9,562 million, a 15.1% increase over the prior year, mainly due to higher sales volumes, which reflected improved overall demand in Western European markets and positive trading conditions in Latin America.

A total of 153,384 vehicles were delivered, including buses and special vehicles, representing an increase of 18.3% over 2010. All segments registered growth, with light vehicles up 19.6%, medium up 24.0% and heavy up 21.0%. In Western Europe, Iveco delivered 87,981 vehicles (+12.3%), with strong growth in France (+17.8%), Germany (+14.7%), and the UK (+62.5%), and a modest increase in Italy (+2.1%). Deliveries in Spain, by contrast, were down 3.9%. In Latin America and Eastern Europe, deliveries increased 28.9% and 25.8%, respectively.

The Western European truck market (≥3.5 tons) experienced significant upward momentum, increasing 17.3% for the full year, albeit slowing in the second half. Iveco's estimated market share in Western Europe was 12.1% for the year (-1.1 percentage points vs. 2010). Share in the light segment was estimated at 13.0%, representing a 0.8 percentage points decrease attributable to purchases being deferred by some customers in anticipation of the launch of the new Daily in September and a shift in market demand toward car-based van models. In the medium segment, share was substantially unchanged at 23.6% (-0.1 percentage points), with significant increases in Spain (+5.2 percentage points to 47.6%), the UK (+3.1 percentage points to 23.1%) and Italy (+2.2 percentage points to 61.0%). In the heavy segment, estimated share was 7.3%, representing a 1.1 percentage point decline for the year, largely attributable to an unfavorable market and product mix.

FPT Industrial

FPT Industrial reported 2011 revenues of €3,220 million, up 33.3% over the prior year as a result of strong growth in volumes to both Group companies and external customers. Sales to external customers accounted for 32.8% of total revenues (35.4% in 2010).

A total of 560,026 engines were sold during the year, up 32.3% over 2010. By major customer, 32% of engines were supplied to Iveco and 27% to CNH (sectors within Fiat Industrial Group), while the remaining 41% was sold to external customers (including Sevel – the Fiat JV for light commercial vehicles – which accounted for 22% and Mitsubishi Fuso, which is supplied with F1C engines). In addition, 74,255 transmissions (+12.3%) and 169,722 axles (+22.5%) were delivered.

Trading profit/(loss)

Trading profit was €1,686 million for the year (trading margin 6.9%), up 54.4% over the €1,092 million profit for 2010 (trading margin 5.1%), primarily on the strength of higher volumes for all sectors.

Trading profit/(loss) by sector

(€ million)	2011	2010	Change
Agricultural and Construction Equipment (CNH)	1,154	755	399
Trucks and Commercial Vehicles (Iveco)	490	270	220
FPT Industrial	107	65	42
Eliminations and **Other**	(65)	2	-67
Total for the Group	**1,686**	**1,092**	**594**
Trading margin (%)	**6.9%**	**5.1%**	

Agricultural and Construction Equipment

CNH trading profit was €1,154 million for 2011 (trading margin 8.3%), up €399 million from €755 million for 2010 (trading margin 6.3%) on the strength of higher demand, with resulting increases in plant utilization, a more favorable mix and improved net pricing for Agricultural Equipment.

Trucks and Commercial Vehicles

For 2011, **Iveco** posted a trading profit of €490 million (trading margin 5.1%), up significantly over €270 million for the prior year (trading margin 3.3%) on the strength of higher volumes and production cost optimization.

FPT Industrial

FPT Industrial closed 2011 with a trading profit of €107 million, compared to €65 million for 2010 that included non-recurring income of €9 million. Net of that item, the trading margin was 1.0 percentage point higher as a result of volume increases.

Operating profit/(loss)

The Group closed 2011 with an **operating profit** of €1,629 million (€1,017 million for 2010). The €612 million increase reflects higher trading profit (+€594 million) and lower net unusual expense (€57 million vs. €75 million for 2010).

Gains/(losses) on disposals was a positive €26 million for 2011 and primarily represented the accounting effects of the acquisition of the remaining 50% in the joint venture L&T – Case Equipment Private Limited. In 2010, there was a €3 million gain, mainly relating to disposal of the joint venture LBX Company LLC by the Agricultural and Construction Equipment sector.

Restructuring costs totaled €95 million and mainly related to the Trucks and Commercial Vehicles sector. For 2010, restructuring costs totaled €58 million and related to FPT Industrial (€33 million), Trucks and Commercial Vehicles (€19 million) and Agricultural and Construction Equipment (€5 million).

Other unusual income totaled €12 million, mainly arising from the release to income of a provision for risks no longer existing in connection with a minor investee sold in 2011. In 2010, there was net unusual expense of €20 million.

Following is a summary of the principal components of operating profit, by sector:

	Trading profit/(loss)		Gains/(losses) on disposal of investments		Restructuring costs		Other unusual income/(expense)		Operating profit/(loss)	
(€ million)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Agricultural and Construction Equipment (CNH)	1,154	755	25	4	(2)	5	-	-	1,181	754
Trucks and Commercial Vehicles (Iveco)	490	270	2	-	95	19	11	(11)	408	240
FPT Industrial	107	65	-	-	2	33	1	(3)	106	29
Eliminations and Other	(65)	2	(1)	(1)	-	1	-	(6)	(66)	(6)
Total for the Group	1,686	1,092	26	3	95	58	12	(20)	1,629	1,017

Profit/(loss) for the year

Net financial expense totaled €546 million for the year, compared to €505 million for 2010, which included a €45 million one-off charge. Excluding that charge, net financial expense was up €86 million over the prior year due to a higher opening debt level deriving from the demerger debt allocation (€2.5 billion) and the substantial cost of carry associated with maintaining excess liquidity.

Result from investments for 2011 totaled €86 million, up from €64 million for 2010 mainly due to an increase in earnings for joint venture companies.

Profit before taxes was €1,169 million, up over the €576 million profit for 2010. This improvement reflects the higher operating result (+€612 million) and an increase in result from investments (+€22 million), net of the €41 million increase in net financial expense.

Income taxes totaled €468 million (€198 million for 2010), of which €29 million for IRAP (€19 million for 2010) and the remainder mainly relating to the taxable income of companies operating outside Italy. The effective tax rate of 40% (37.5% excluding current and deferred IRAP) was in line with expectations.

Net profit was €701 million, up significantly over the €378 million profit for 2010.

Profit attributable to owners of the parent was €624 million (€341 million for 2010).

Statement of Cash Flows

Following is a summary statement of cash flows. A complete statement of cash flows is provided in the Consolidated Financial Statements.

(€ million)	2011	2010
A) Cash and cash equivalents at beginning of the year	3,686	1,561
B) Cash from/(used in) operating activities	2,326	2,555
C) Cash from/(used in) investing activities	(2,266)	(428)
D) Cash from/(used in) financing activities	1,862	(120)
Currency translation differences	31	118
E) Net change in cash and cash equivalents	1,953	2,125
F) Cash and cash equivalents at end of the year	5,639	3,686

In 2011, €2 billion of the approximately €2.3 billion in cash generated by **operating activities** during the year was from income-related cash inflows (calculated as net profit plus amortization and depreciation, dividends, changes in provisions and various items related to sales with buy-back commitments and operating leases, net of gains/losses on disposals and other non-cash items) with approximately €0.3 billion resulting from a decrease in working capital (calculated on a comparable scope of operations and at constant exchange rates).

Cash used in **investing activities** totaled €2,266 million.

Expenditure on tangible and intangible assets (including €400 million in capitalized development costs) totaled €993 million.

Investments in subsidiaries and associates, totaling €104 million, mainly related to €35 million in cash paid to acquire L&T – Case Equipment Private Limited, as well as payment of €80 million owed to Fiat Group post Demerger in relation to the acquisition (in 2010) of the remaining 49% in Iveco Latin America, previously held by Fiat Group Automobiles.

The increase in receivables from financing activities (accounting for cash absorption of €1,152 million) relates primarily to dealer financing for CNH.

Cash generated by **financing activities** totaled €1,862 million for 2011, with cash proceeds from new bond issues (totaling €2.6 billion) and bank loans being offset by repayment to Fiat Group post Demerger of net debt outstanding at 31 December 2010 (totaling €2.8 billion).

Statement of Financial Position for Fiat Industrial Group at 31 December 2011

At 31 December 2011, **total assets** amounted to €38,643 million, increasing €3,722 million from the €34,921 million figure at 31 December 2010.

Non-current assets totaled €10,692 million, an increase of €663 million over 31 December 2010, primarily attributable to investments for the period (net of amortization/depreciation), line-by-line consolidation of the assets and liabilities of Iveco Finance Holdings Limited (€56 million) and positive currency translation differences (€68 million).

Current assets totaled €27,936 million, representing an increase of €3,055 million, mainly attributable to the consolidation of Iveco Finance Holdings Limited, with the remainder primarily consisting of an increase in cash and cash equivalents, net of currency translation differences.

Receivables from financing activities totaled €13,946 million at 31 December 2011, an increase of €3,038 million over 31 December 2010 (+€3,204 million net of currency translation differences and write-downs), principally related to the full consolidation of Iveco Finance Holdings Limited for €2,082 million and an increase in financing by CNH to the dealer network and end customers in North America for approximately €654 million.

Working capital (net of items relating to vehicles sold under buy-back commitments and vehicles no longer subject to lease agreements that are held in inventory) was a positive €799 million, representing a €354 million decrease over 31 December 2010.

(€ million)		31 December 2011	31 December 2010	Change
Inventory	(a)	4,723	3,739	984
Trade receivables		1,562	1,839	(277)
Trade payables		(5,052)	(4,077)	(975)
Net Current Taxes Receivable/(Payable) & Other Current Receivables/(Payables)	(b)	(434)	(348)	(86)
Working capital		**799**	**1,153**	**(354)**

(a) Inventory is reported net of vehicles held for sale by Iveco that have been bought back (under buy-back commitments) or returned following expiry of a lease agreement

(b) Other current payables, included under current taxes receivable/(payable) & other current receivables/(payables), exclude the buy-back price payable to customers upon expiration of lease contracts and advanced payments from customers for vehicles sold under buy-back commitments, which is equal to the difference, at the contract date, between the initial sale price and the buy-back price. Recognition of those amounts is apportioned over the life of the contract

At 31 December 2011, trade receivables, other receivables and receivables from financing activities falling due after that date and sold without recourse – and, therefore, eliminated from the statement of financial position pursuant to the derecognition requirements of IAS 39 – totaled €980 million (€1,239 million at 31 December 2010). At 31 December 2010, that amount included financial receivables of €390 million, related primarily to the dealer network, that were sold to associate financial services companies (Iveco Finance Holdings Limited).

For 2011, working capital decreased €333 million (on a comparable scope of operations and at constant exchange rates), principally due to an increase in trade payables associated with increased business volumes for Industrial Activities, partially offset by higher inventory.

At 31 December 2011, consolidated **net debt** totaled €14,549 million, up €2,370 million over the €12,179 million figure at 31 December 2010. Excluding negative currency translation differences (approximately €153 million), cash from operating activities for 2011 was more than offset by the impact of full consolidation of Iveco Finance Holdings Limited on the receivables portfolio of financial services companies, and by capital expenditure.

(€ million)	2011	2010	Change
Debt:	(20,217)	(18,695)	(1,522)
Asset-backed financing	(9,479)	(8,321)	(1,158)
Debt payable to Fiat Group post Demerger	-	(5,626)	5,626
Other debt	(10,738)	(4,748)	(5,990)
Financial receivables from Fiat Group post Demerger	-	2,865	(2,865)
Debt, net of financial receivables from Fiat Group post Demerger	**(20,217)**	**(15,830)**	**(4,387)**
Other financial assets (1)	118	88	30
Other financial liabilities (1)	(157)	(147)	(10)
Current securities	68	24	44
Cash and cash equivalents	5,639	3,686	1,953
Net (Debt)/Cash	**(14,549)**	**(12,179)**	**(2,370)**
Industrial Activities	(1,239)	(1,900)	661
Financial Services	(13,310)	(10,279)	(3,031)

(1) Includes fair value of derivative financial instruments

Debt for the Group increased €1,522 million during 2011. The increase in other debt is primarily attributable to 3 bond issues (€2.6 billion), an increase in bank loans (+€1.3 billion) and the line-by-line consolidation of Iveco Finance Holdings Limited (+€2.4 billion). Those increases were partially offset by payment of the €5.6 billion in debt payable to Fiat Group post Demerger at 31 December 2010.

At 31 December 2011, **cash and cash equivalents** totaled €5.6 billion, an increase of €1.9 billion over the €3.7 billion figure at year-end 2010. **Total available liquidity** (which included undrawn committed credit lines of €1.6 billion at 31 December 2011 and €2.0 billion at 31 December 2010) increased €1.6 billion for the year to €7.3 billion.

Cash and cash equivalents included cash with a pre-determined use of €728 million (€684 million at 31 December 2010), primarily associated with servicing of securitization vehicles (included under asset-backed financing).

Industrial Activities and Financial Services: results for 2011

The following tables provide a breakdown of the consolidated statements of income, financial position and cash flows between "Industrial Activities" and "Financial Services". Financial Services includes subsidiaries of CNH and Iveco engaged in retail and dealer finance, leasing and rental activities.

Prior to the end of 2011, Iveco Finance Holdings Limited (a joint venture between Iveco and Barclays) was accounted for under the equity method. Following signature of an agreement, in December 2011, for orderly termination of the joint venture, the assets and liabilities of Iveco Finance Holdings Limited were consolidated on a line-by-line basis at 31 December 2011.

Basis of analysis

The segmentation between Industrial Activities and Financial Services represents a sub-consolidation prepared on the basis of the core business activities carried out by each Group company.

Investments held by companies belonging to one segment in companies included in the other segment are accounted for under the equity method. To provide a more meaningful presentation of net profit, the results of investments accounted for in this manner are classified in the income statement under result from intersegment investments.

The holding companies (Fiat Industrial S.p.A. and Fiat Netherlands Holding N.V.) are included under Industrial Activities.

The sub-consolidation of Industrial Activities also includes companies that perform centralized treasury activities (i.e., raising funding in the market and financing Group companies). These activities do not, however, include the offer of financing to third parties.

Operating Performance by Activity

			2011			2010
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Net revenues	24,289	23,291	1,307	21,342	20,235	1,379
Cost of sales	20,038	19,239	1,108	17,979	17,131	1,120
Selling, general and administrative costs	2,002	1,860	142	1,793	1,657	136
Research and development costs	505	505	-	418	418	-
Other income/(expense)	(58)	(78)	20	(60)	(60)	-
TRADING PROFIT/(LOSS)	1,686	1,609	77	1,092	969	123
Gains/(losses) on disposal of investments	26	26	-	3	3	-
Restructuring costs	95	95	-	58	58	-
Other unusual income/(expense)	12	12	-	(20)	(20)	-
OPERATING PROFIT/(LOSS)	1,629	1,552	77	1,017	894	123
Financial income/(expense)	(546)	(546)	-	(505)	(505)	-
Result from investments (*)	86	85	1	64	76	(12)
PROFIT/(LOSS) BEFORE TAXES	1,169	1,091	78	576	465	111
Income taxes	468	389	79	198	150	48
PROFIT/(LOSS)	701	702	(1)	378	315	63
Result from intersegment investments	-	(1)	2	-	63	5
PROFIT/(LOSS)	701	701	1	378	378	68

(*) Includes income from investments as well as impairment (losses)/reversals on non-intersegment investments accounted for under the equity method

Industrial Activities

As a result of significant volume increases for all businesses, **net revenues** for Industrial Activities were up 15.1% to €23.3 billion. CNH posted an 18.8% increase (+24.8% in USD terms) with significant volume increases in all segments and, for Agricultural Equipment, a more favorable product mix. Iveco recorded a 15.5% increase driven by strong demand in both Europe and Latin America; and FPT Industrial posted a 33.3% increase with higher sales to both Group and external customers.

Trading profit for Industrial Activities totaled €1,609 million, increasing €640 million over the €969 million figure for 2010, primarily as a result of higher sales volumes.

Operating Profit came in at €1,552 million for the year, compared with €894 million for 2010. The increase was due to higher trading profit (up €640 million) and an €18 million reduction in net unusual expense.

Financial Services

Financial Services generated **net revenues** of €1,307 million (down 5.2% on 2010).

(€ million)	2011	2010	% change
Agricultural and Construction Equipment (CNH)	1,170	1,220	-4.1
Trucks and Commercial Vehicles (Iveco)	137	159	-13.8
Total	**1,307**	**1,379**	**-5.2**

Financial Services for the Agricultural and Construction Equipment sector reported full-year revenues of €1,170 million, down 4.1% over 2010. In US dollar terms, there was a slight improvement in revenues (+0.8%), with an increase in the managed portfolio associated with higher sales volumes being largely offset by a reduction in the interest rate charged to customers and negative currency translation differences.

Iveco Financial Services had net revenues of €137 million, down 13.8% over 2010, reflecting a contraction in rental activities for Transolver Service S.A. in Spain and a significant decline in Eastern European countries due to the continued economic weakness and uncertainty.

Trading profit for Financial Services totaled €77 million, a €46 million reduction over 2010.

(€ million)	2011	2010	Change
Agricultural and Construction Equipment (CNH)	227	155	72
Trucks and Commercial Vehicles (Iveco)	(151)	(32)	-119
Eliminations and **Other**	1	-	1
Total	**77**	**123**	**-46**

Trading profit for CNH's Financial Services totaled €227 million, a €72 million improvement over 2010, on the back of higher interest margins and lower risk costs on the managed portfolio.

Iveco's Financial Services businesses reported a trading loss of €151 million for 2011, compared with a €32 million loss for the prior year, reflecting provisions for past due receivables, losses associated with the resale of used vehicles (especially in Eastern European markets and Spain), as well as a contraction for the rental business in Spain.

Statement of Financial Position by Activity

	31 December 2011			31 December 2010		
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Intangible assets	3,909	3,794	115	3,567	3,466	101
Property, plant and equipment	4,177	4,174	3	3,856	3,852	4
Investments and other financial assets	666	2,247	70	737	2,076	227
Leased assets	558	33	525	492	22	470
Defined benefit plan assets	215	209	6	166	161	5
Deferred tax assets	1,167	1,022	145	1,211	1,115	96
Total non-current assets	**10,692**	**11,479**	**864**	**10,029**	**10,692**	**903**
Inventory	4,865	4,774	91	3,898	3,801	97
Trade receivables	1,562	1,467	222	1,839	1,810	112
Receivables from financing activities	13,946	3,235	15,220	10,908	1,841	11,501
Financial receivables from Fiat Group post Demerger	-	-	-	2,865	2,541	324
Current taxes receivable	685	627	58	618	477	141
Other current assets	1,053	860	409	955	741	231
Current financial assets:	186	117	71	112	70	42
Current securities	68	-	68	24	-	24
Other financial assets	118	117	3	88	70	18
Cash and cash equivalents	5,639	4,236	1,403	3,686	2,500	1,186
Total current assets	**27,936**	**15,316**	**17,474**	**24,881**	**13,781**	**13,634**
Assets held for sale	15	8	7	11	9	2
TOTAL ASSETS	**38,643**	**26,803**	**18,345**	**34,921**	**24,482**	**14,539**
Total Assets adjusted for asset-backed financing transactions	**29,164**	**26,588**	**8,921**	**26,600**	**24,377**	**6,323**
Equity	5,411	5,411	1,651	4,744	4,744	1,566
Provisions:	4,540	4,497	43	4,275	4,241	34
Employee benefits	2,070	2,047	23	2,017	2,001	16
Other provisions	2,470	2,450	20	2,258	2,240	18
Debt:	20,217	8,637	16,089	18,695	8,659	12,470
Asset-backed financing	9,479	215	9,424	8,321	105	8,216
Debt payable to Fiat Group post Demerger	-	-	-	5,626	4,291	1,335
Other debt	10,738	8,422	6,665	4,748	4,263	2,919
Other financial liabilities	157	140	19	147	126	21
Trade payables	5,052	5,004	177	4,077	4,057	102
Current taxes payable	660	599	61	508	376	132
Deferred tax liabilities	111	58	53	52	48	4
Other current liabilities	2,495	2,457	252	2,423	2,231	210
Liabilities held for sale	-	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**38,643**	**26,803**	**18,345**	**34,921**	**24,482**	**14,539**
Total Equity and Liabilities adjusted for asset-backed financing transactions	**29,164**	**26,588**	**8,921**	**26,600**	**24,377**	**6,323**

Net Debt by Activity

(€ million)		31 December 2011 Consolidated	Industrial Activities	Financial Services	31 December 2010 Consolidated	Industrial Activities	Financial Services
Debt:		(20,217)	(8,637)	(16,089)	(18,695)	(8,659)	(12,470)
Asset-backed financing		(9,479)	(215)	(9,424)	(8,321)	(105)	(8,216)
Debt payable to Fiat Group post Demerger		-	-	-	(5,626)	(4,291)	(1,335)
Other debt		(10,738)	(8,422)	(6,665)	(4,748)	(4,263)	(2,919)
Financial receivables from Fiat Group post Demerger		-	-	-	2,865	2,541	324
Intersegment financial receivables		-	3,185	1,324	-	1,774	660
Debt, net of intersegment balances and financial receivables from Fiat Group post Demerger		(20,217)	(5,452)	(14,765)	(15,830)	(4,344)	(11,486)
Other financial assets	(a)	118	117	3	88	70	18
Other financial liabilities	(a)	(157)	(140)	(19)	(147)	(126)	(21)
Current securities		68	-	68	24	-	24
Cash and cash equivalents		5,639	4,236	1,403	3,686	2,500	1,186
Net (Debt)/Cash		(14,549)	(1,239)	(13,310)	(12,179)	(1,900)	(10,279)

(a) Includes fair value of derivative financial instruments

Due to the operating role of the central treasury, debt for Industrial Activities also includes funding raised by the central treasury on behalf of the Financial Services companies (included under intersegment financial receivables).

Intersegment financial receivables for Financial Services companies, on the other hand, represent loans or advances to industrial companies – for receivables sold to Financial Services companies that do not meet the derecognition requirements of IAS 39 – as well as cash deposited temporarily with the central treasury.

At 31 December 2011, **net debt** for **Financial Services** companies was approximately €3 billion higher than the 31 December 2010 level as a result of the full consolidation of Iveco Finance Holdings Limited (approximately €2.1 billion) and increases in the loan portfolios of financial services companies (approximately €1.1 billion), partially offset by cash from operating activities (€0.3 billion).

Change in Net Industrial Debt

(€ million)	2011	2010
Net Industrial (Debt)/Cash at the beginning of the year	(1,900)	(1,315)
Profit/(loss) for the year	701	378
Amortization and depreciation (net of vehicles sold under buy-back commitments or leased out)	664	662
Change in provisions for risks and charges and similar	350	351
Cash from/(used in) operating activities during the year before change in working capital	1,715	1,391
Change in working capital	346	993
Cash from/(used in) operating activities	2,061	2,384
Tangible and intangible assets (net of vehicles sold under buy-back commitments and leased out)	(991)	(871)
Net cash from/(used in) operating activities, net of capital expenditures	1,070	1,513
Change in consolidation scope and other changes	(400)	114
Net industrial cash flow	670	1,627
Capital increases, dividends, purchase of ownership interests in subsidiaries	(9)	307
Currency translation differences	-	2
Change in net industrial debt	661	1,936
Net industrial (debt)/cash at end of year before Demerger		621
Effect of Demerger on the allocation of net debt (at 31 December 2010)		(2,521)
Net Industrial (Debt)/Cash at the end of the year	(1,239)	(1,900)

During 2011, net industrial debt decreased €661 million to €1,239 million.

Operating activities generated €2,061 million in cash, of which €1,715 million from income-related cash inflows (net profit plus amortization and depreciation and changes in provisions for risks and charges and other changes) and €346 million from the reduction in working capital. These positive items more than offset cash used for investments in tangible and intangible assets of €991 million.

Statement of Cash Flows by Activity

(€ million)		2011 Consolidated	2011 Industrial Activities	2011 Financial Services	2010 Consolidated	2010 Industrial Activities	2010 Financial Services
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,686**	**2,500**	**1,186**	**1,561**	**415**	**1,146**
B) CASH FROM/(USED IN) OPERATING ACTIVITIES:							
Profit/(loss) for the year		**701**	**701**	**1**	378	378	68
Amortization and depreciation (net of vehicles sold under buy-back commitments or leased)		**666**	**664**	**2**	665	662	3
(Gains)/losses on disposal of non-current assets (net of vehicles sold under buy-back commitments) and other non-cash items		**262**	**(38)**	**299**	192	(133)	257
Dividends received		**57**	**116**	**5**	32	312	5
Change in provisions		**178**	**178**	**-**	122	129	(7)
Change in deferred taxes		**101**	**82**	**19**	30	25	5
Changes relating to buy-back commitments	(a)	**40**	**20**	**18**	40	32	8
Changes relating to operating leases	(b)	**(12)**	**(8)**	**(4)**	26	(14)	40
Change in working capital		**333**	**346**	**(11)**	1,070	993	77
TOTAL		**2,326**	**2,061**	**329**	**2,555**	**2,384**	**456**
C) CASH FROM/(USED IN) INVESTING ACTIVITIES:							
Investments in:							
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments or leased)		**(993)**	**(991)**	**(2)**	(872)	(871)	(1)
Investments		**(104)**	**(289)**	**30**	(27)	(103)	-
Proceeds from the sale of non-current assets (net of vehicles sold under buy-back commitments)		**11**	**11**	**-**	42	42	-
Net change in receivables from financing activities		**(1,152)**	**(58)**	**(1,094)**	335	(11)	346
Change in other current securities		**(47)**	**-**	**(47)**	18	-	18
Other changes		**19**	**162**	**(143)**	76	316	(240)
TOTAL		**(2,266)**	**(1,165)**	**(1,256)**	**(428)**	**(627)**	**123**
D) CASH FROM/(USED IN) FINANCING ACTIVITIES:							
Net change in debt and other financial assets/liabilities		**1,871**	**853**	**1,018**	(1,183)	(741)	(442)
Increase in share capital		**-**	**-**	**155**	1,156	1,156	76
Dividends paid		**(8)**	**(8)**	**(64)**	(93)	(93)	(285)
(Purchase)/sale of ownership interests in subsidiaries		**(1)**	**(1)**	**-**	-	-	-
TOTAL		**1,862**	**844**	**1,109**	**(120)**	**322**	**(651)**
Currency translation differences		**31**	**(4)**	**35**	118	6	112
E) NET CHANGE IN CASH AND CASH EQUIVALENTS		**1,953**	**1,736**	**217**	2,125	2,085	40
F) CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,639**	**4,236**	**1,403**	3,686	2,500	1,186

(a) Cash generated from the sale of vehicles under buy-back commitments, net of amounts included in Profit/(loss) for the year, is recognized under operating activities in a single line item, which includes changes in working capital, capital expenditure, depreciation and impairment losses. The item also includes gains and losses arising from the sale of vehicles subject to buy-back commitments before the end of the agreement and without repossession of the vehicle

(b) Cash from operating leases is recognized under operating activities in a single line item, which includes capital expenditure, depreciation, write-downs and changes in inventory

Industrial Activities

For 2011, Industrial Activities generated cash and cash equivalents totaling €1,736 million.

- **Operating activities**, generated €1,365 million of cash from net profit plus amortization and depreciation. Adjusted for gains on disposal and other non-cash items, changes in provisions, deferred taxes, items relating to vehicles sold under buy-back commitments or leased, and dividends received, a total of €1,715 million was generated. In addition, a decrease in working capital (on a comparable scope of operations and at constant exchange rates) generated cash of €346 million.
- **Investing activities** absorbed a total of €1,165 million in cash primarily related to investments in tangible and intangible assets and equity investments (€1,280 million).
- **Financing activities** generated cash of €844 million, with cash proceeds from new bond issues (totaling €2.6 billion) and bank loans being almost entirely used to repay the debt payable to Fiat Group post Demerger at 31 December 2010 (totaling €2.8 billion).

Financial Services

At 31 December 2011, cash and cash equivalents for Financial Services totaled €1,403 million, up €217 million over 31 December 2010.

Changes in cash were attributable to:

- **Operating activities**, which generated €329 million in cash, principally from income-related cash inflows.
- **Investing activities** (including changes in financial receivables from/debt payable to the Group's industrial companies), which absorbed €1,256 million in cash, primarily due to an increase in the lending portfolio.
- **Financing activities**, which generated a total of €1,109 million associated with the increase in lending portfolios for financial services companies.


FIAT INDUSTRIAL VILLAGE
19 9 2011

CORPORATE GOVERNANCE

FOREWORD

Fiat Industrial Group adheres to the Corporate Governance Code for Italian Listed Companies issued in March 2006 (subsequently amended in 2010) and adopted by Borsa Italiana (hereinafter, the "Corporate Governance Code" or "Code"), with additions and amendments related to the specific characteristics of the Group, as indicated below. In relation to the new Corporate Governance Code approved in December 2011, Fiat Industrial will – as recommended in Section VIII of "Principal Guidelines and Transition Period" and in consideration of the fact that the principles and criteria resulting from those amendments are, in large part, already incorporated within the Group's governance model – formally adopt those amendments during the course of 2012, making the required public disclosures.

In accordance with legal and regulatory requirements, the **Annual Report on Corporate Governance** provides a general description of the Group's corporate governance system together with information on its ownership structure and adherence to the provisions of the Corporate Governance Code, including key governance practices and the principal characteristics of the system of risk management and internal control related to the financial reporting process. This Report, available in the Corporate Governance section of the Group website (www.fiatindustrial.com), is divided into four sections: the first contains a description of the governance structure; the second gives information on the ownership structure; the third provides an analysis of implementation of specific recommendations of the Corporate Governance Code and describes the principal characteristics of the system of risk management and internal control, including in relation to financial reporting and key governance practices; and, the fourth includes tables summarizing Fiat Industrial's ownership and board structure, a side-by-side comparison illustrating Fiat Industrial's application of the principles and criteria of the Code, as well as the principal corporate governance related documents.

The Corporate Governance Code is also available on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it).

DIRECTION AND COORDINATION

Fiat Industrial is not subject to the direction and coordination of any other company or entity and has full independence to define its strategic and operational guidelines. Fiat Industrial's direct and indirect subsidiaries in Italy have, with a few specific exceptions, named Fiat Industrial as the entity which, pursuant to Article 2497-*bis* of the Civil Code, exercises direction and coordination over them. That activity consists in setting general strategic and operating guidelines for the Group through definition and updating of the internal control system, corporate governance model and corporate structure, and establishment of a group-wide Code of Conduct, in addition to definition of policies for the management of personnel, financial resources and communications. Coordination of the Group also encompasses centralized cash management, including through specialized companies, as well as corporate and accounting, internal audit, and legal services.

Direction and coordination undertaken at group level enables subsidiaries, which retain full management and operating autonomy, to achieve economies of scale by availing themselves of professional and specialized services with improving levels of quality and to concentrate their resources on management of their core business.

BOARD OF DIRECTORS

The By-laws establish that the Company's Board of Directors may be composed of between 9 and 15 members.

On 6 December 2010, Shareholders elected a new Board of Directors consisting of 9 members to serve for a term of one financial year only, with effect from the date of the Demerger (1 January 2011) until the date of the General Meeting called to approve the 2011 financial statements. This provides minority shareholders the earliest opportunity possible to elect a director by the system of voting lists. The minimum equity interest required for submission of a list of candidates is that established by Consob on the basis of existing regulatory provisions. Each list must indicate at least one candidate that satisfies the legal requirements of independence, in addition to the requirements of the Corporate Governance Code adhered to by the Company.

The voting list system will be utilized for the election of the Board of Directors for the first time at the General Meeting of Shareholders called for approval of the 2011 financial statements.

Under Article 16 of the By-laws, all directors with executive responsibilities are vested, separately and individually, with the power to represent the Company and under Article 12 the Vice Chairman, if appointed, shall act as Chairman if the latter is absent or unable to carry out his duties. Additionally, the Board of Directors, for the sole year of its mandate, has adopted a model for delegation of powers of representation and consequent operating powers and authorizations to the Chairman, except for matters reserved for the Board of Directors by law or the Company's internal procedures. The Board of Directors is composed of a majority of independent directors, which guarantees their participation in establishing strategic guidelines and decisions taken by the Board that have a significant financial impact, as well as ensuring the effectiveness of the governance model.

From an operational perspective, the Chairman is supported by the Fiat Industrial Executive Council (FIEC), a decision-making body led by the Chairman and composed of the heads of the operating sectors and of certain central functions who are invited to attend all meetings of the Board of Directors. The corporate governance model establishes high levels of accountability (with consequent assignment of broad operating powers and authorizations) for the chief executives of the three principal Group companies.

In relation to adoption of procedures for related-party transactions pursuant to Article 2391-*bis* of the Civil Code and Consob Regulation 17221/2010, given the importance the Regulation places on the opinion expressed by independent directors prior to adoption of those procedures, in 2010 it was considered appropriate to defer their adoption until the independent directors took office (i.e., subsequent to the Demerger taking effect) to ensure their active participation in the approval of the procedures. On 21 April 2011, and with effect from the following day, the Board of Directors adopted **Procedures for Transactions with Related Parties** (the "Procedures") to ensure full transparency and substantial and procedural fairness in transactions with related parties, as defined under IAS 24.

The Procedures define "significant transactions", which require the prior approval of the Board – subject to the binding opinion of the committee responsible for related-party transactions – and must be publicly disclosed in the form of an information document. That responsibility has been assigned to the Internal Control Committee, except for matters relating to compensation, for which the Nominating, Compensation and Sustainability Committee is responsible. Other transactions, except those falling within the residual category of minor transactions – i.e., transactions less than €200,000 in value or, for transactions with legal entities having consolidated annual revenues in excess of €200 million only, transactions less than €10 million in value – are defined as "non-significant" and may be entered into with the prior non-binding opinion of the above committee.

The Procedures also establish exemptions, including: transactions taking place in the ordinary course of business and entered into at standard or market terms; transactions with or between subsidiaries and transactions with associates, provided that no other parties related to the Company have a significant interest; and transactions of minor value.

The task of implementing the Procedures and disseminating them to Group companies is assigned to the managers responsible for the Company's financial reporting, who must also ensure coordination with the administrative and accounting procedures required under Article 154-*bis* of Legislative Decree 58/98. In the meeting held on 21 April 2011, the Board also approved the **Guidelines for Significant Transactions**, under which transactions having a significant impact on the Company's earnings and financial position are subject to prior examination and approval by the Board.

As such, the powers conferred on the executive director specifically exclude decisions relating to significant transactions that, in and of themselves, require that the Company publish prospectuses or information documents in accordance with specific requirements established by regulatory authorities.

Prior to the Company undertaking a significant transaction, the executive directors are to provide the Board, a reasonable period in advance, with a summary analysis of the strategic compatibility, economic feasibility and expected return.

Pursuant to Article 12 of the By-laws, the Board of Directors shall appoint, following consultation with the Board of Statutory Auditors, **one or more managers responsible for the Company's financial reporting**. Where more than one individual is appointed, they shall have joint responsibility. Only individuals with several years of experience in the accounting and financial affairs of large companies may be appointed. In implementation of this provision, on 10 March 2011 the Board of Directors appointed the head of Group Control and the head of Treasury and Financial Services as jointly responsible for the Company's financial reporting, vesting them with the relevant powers.

At 31 December 2011, the Board of Directors was composed of 1 executive director and 8 non-executive directors (i.e., who have not been delegated specific authorities or executive responsibilities within the Company or the Group), 6 of whom qualified as independent on the basis of the requirements of the Corporate Governance Code, of which 2 also met the independence requirements established in Legislative Decree 58/98.

The Chairman is an **executive director** and also serves as Chairman of the principal subsidiaries (CNH Global N.V., Iveco S.p.A. and FPT Industrial S.p.A.), but with no operational powers.

An adequate number of independent directors is an essential element in the Group's corporate governance which ensures that the interests of shareholders and third parties are protected. The contribution of independent directors is also fundamental to the composition and proper functioning of committees tasked with undertaking preliminary examination of many issues deliberated on by the Board, as well as providing opinions and recommendations on matters within the scope of the respective committee charter.

The **independence of directors** is assessed annually. In addition, any time a circumstance arises that could potentially compromise a director's independent status, the director concerned must report that situation in writing. The results of the annual assessment are publicly disclosed. At the time of their appointment, A. Bombassei, R. Liberatore, L. Milone, G. Perissinotto and J. Zhao declared that they satisfied the requirements of independence set out in the Corporate Governance Code.

On 10 March 2011, the Board of Directors determined that Guido Tabellini – who was co-opted to the Board following the death of Tommaso Padoa-Schioppa – satisfied the requirements of independence. As required under the By-laws, L. Milone and A. Bombassei declared that they satisfy the requirements of independence set forth in Legislative Decree 58/98.

On 1 February 2012, the Board of Directors determined that those 6 directors continued to satisfy the independence requirements established in the Corporate Governance Code.

On 22 February 2012, the Board of Directors, on the basis of proposals formulated by the Nominating, Compensation and Sustainability Committee, approved the Report on Compensation which sets out a general compensation policy for executive directors, directors with specific responsibilities and executives with strategic responsibilities.

Some directors also hold positions at other listed companies or companies of significant interest. Excluding the positions within Fiat Industrial Group held by the executive director (as stated previously), the most significant are as follows:

- Alberto Bombassei: Chairman of Brembo S.p.A., Director of Atlantia S.p.A., Italcementi S.p.A., Nuovo Trasporto Viaggiatori S.p.A. and Pirelli & C. S.p.A.
- Gianni Coda: General Manager of Fiat Group Automobiles S.p.A., CEO of Fiat Powertrain Technologies S.p.A., Member of the Advisory Board of Fiat Automoveis S.A. – FIASA, Director of Magneti Marelli S.p.A. and Tofaş – Türk Otomobil Fabrikasi A.Ş.
- John Elkann: Chairman and General Partner of Giovanni Agnelli & C. S.a.p.A., Chairman and CEO of EXOR S.p.A., Chairman of Fiat S.p.A., Editrice La Stampa S.p.A., Itedi S.p.A., Director of RCS MediaGroup S.p.A., Gruppo Banca Leonardo S.p.A., The Economist Group and SGS S.A.
- Robert Liberatore: Senior Transatlantic Fellow of The German Marshall Fund, Chairman of the Faith and Politics Institute, Director of the Atlantic Council, National Democratic Institute and Federal City Council, Senior Advisor at Boston Consulting Group
- Sergio Marchionne: Chairman and CEO of Chrysler Group LLC, CEO of Fiat S.p.A., Chairman of SGS S.A., Chairman and CEO of Fiat Group Automobiles S.p.A., Director of EXOR S.p.A. and Philip Morris International Inc.
- Libero Milone: Director of Poltrona Frau S.p.A. and Falck Renewables S.p.A.
- Giovanni Perissinotto: CEO and General Manager of Assicurazioni Generali S.p.A., Chairman of Banca Generali S.p.A., Vice Chairman of BSI S.A., Director of INA Assitalia S.p.A. and Pirelli & C. S.p.A.
- Guido Tabellini: Director of CIR S.p.A. and Dean of Università Bocconi in Milan
- John Zhao: CEO and General Manager of Hony Capital Limited, Director and Executive Vice President of Legend Holdings

BOARD COMMITTEES

In 2010, the Board of Directors established the Internal Control Committee and the Nominating and Compensation Committee, whose role includes selecting and proposing candidates for the Board of Directors itself, as well as advising on compensation. The Board also established charters for these committees, which define their responsibilities, operating procedures and criteria for composition.

At the meeting of 10 March 2011, the Board of Directors appointed the members of both committees.

On 10 March 2011, as part of the continuous review of the system of corporate governance and to better align itself with best practice, as well as the recommendations of the Corporate Governance Code, the Board also assigned the Nominating and Compensation Committee responsibility for corporate governance and sustainability issues and subsequently renamed it the Nominating, Compensation and Sustainability Committee.

INTERNAL CONTROL SYSTEM

In 2010, Fiat Industrial adopted a corporate governance model (including mechanisms for implementation and a system of internal controls) which, in addition to ensuring compliance with legal and regulatory requirements in Italy, is also substantially in line with international best practice for groups of a similar scale and leverages on the systems and practices already in place for Fiat Group – particularly those already adopted by companies that subsequently became part of Fiat Industrial Group.

The Compliance Officer, who is appointed by the Board of Directors, is entirely independent from the operational reporting structure and reports exclusively to the Chairman, the Internal Control Committee, and the Board of Statutory Auditors. The role of Compliance Officer is currently attributed to the head of Fiat Industrial's Compliance and Audit function.

The **Code of Conduct**, adopted in 2010, and the **Compliance Program** (ex Legislative Decree 231/2001) are an integral part of the Internal Control System. The Code of Conduct contains the business ethics principles to which the Company adheres and with which directors, statutory auditors, employees, consultants and partners are required to comply. The Code of Conduct, which is fully consistent with the previous longstanding code adopted by Fiat Group, has been adopted by all Group companies worldwide and incorporates specific guidelines related to the Environment, Health and Safety, Business Ethics and Anti-Corruption, Suppliers, Management of Human Resources and Respect of Human Rights. Furthermore, the Code of Conduct is distributed to all employees in accordance with local legal and regulatory requirements. Consultants and partners are also informed of the Group's adherence to the Code either through direct notification or, when entering into contract agreements, through inclusion of specific clauses making reference to the principles contained in the Code.

In the meeting of 1 February 2012, the Board of Directors, at the recommendation of the Internal Control Committee, approved the revision of the Compliance Program of Fiat Industrial S.p.A. pursuant to Legislative Decree 231/2001 (Compliance Program) and the Guidelines for Adoption and Revision of Compliance Programs by Group Companies in Italy (Guidelines), first adopted in 2010, to better reflect the change in operating profile and to incorporate the new environmental offenses introduced to Legislative Decree 231/2001 through Legislative Decree 121/2011.

For 2011, the Compliance Program Supervisory Body consisted of a single individual operating on the basis of a specific supervisory program, who reported to the Board of Directors (including through the Internal Control Committee).

In application of the Compliance Program and Code of Conduct, **Whistleblowing Procedures** were adopted for the management of reports and claims received from persons inside and outside the Company that relate to suspected or presumed violations of the code of conduct, fraud involving company assets or financial reporting, and oppressive behavior towards employees or third parties, as well as reports or claims regarding accounting, internal controls and independent audits.

The purpose of the **Procedures for the Engagement of Audit Firms** is to regulate the engagement, by Fiat Industrial and its subsidiaries, of audit firms and other related parties in order to ensure the independence of firms engaged to audit the financial statements. In this context, "related parties" are considered companies or professional firms that maintain an ongoing relationship with the independent auditors (i.e., the network). The procedures make a distinction between audit services, audit-related services, and non-audit services and, for each category, they establish the scope of engagements, procedures for approval, and obligations relating to internal reporting of costs.

Fiat Industrial has put in place a **System of Risk Management and Internal Control over Financial Reporting** based on the model provided in the COSO Report, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives. In relation to financial reporting, the reliability, accuracy, completeness and timeliness of the information itself contributes to ensuring those corporate objectives are achieved. Risk management is an integral part of the internal control system. The periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework model (control environment, risk assessment, control activities, information and communication, monitoring) in achieving those objectives. The principal characteristics of the system of risk management and internal control over financial reporting are provided in the Annual Report on Corporate Governance.

Documents and financial information regarding the Company are made public, including via the internet, in accordance with legal and regulatory requirements, as well as the Company's own policies and procedures.

In application of the requirements of Articles 36 and 39 of Consob's Market Rules, having established the scope of application of that regulation within the Group, Fiat Industrial has determined that the accounting and reporting systems are adequate for public disclosure of accounting statements upon which the consolidated financial statements are based, as well as providing management and the independent auditors of the Parent Company with the information used for preparation of the consolidated financial statements. Similarly, information flows to the independent auditor of the Parent Company – in place at various levels in the chain of corporate control, continuous throughout the entire financial year and instrumental for the auditing of the Parent Company's interim and annual accounts – were found to be effective. Finally, Fiat Industrial receives regular information on the composition of corporate bodies within subsidiaries along with information on the position held by each member and is responsible for maintaining centralized records of formal documentation relating to the By-laws and delegation of powers to members of corporate bodies, in addition to maintaining those records properly updated.

During the year, no companies incorporated under the laws of a non-EU member State were acquired which, on an individual basis, are significant for the purposes of the aforementioned Regulation.

BOARD OF STATUTORY AUDITORS

In accordance with Article 17 of the By-laws, the Board of Statutory Auditors is composed of three regular auditors and three alternates, all of whom must be entered in the Register of Auditors and have at least three years of experience as a statutory account auditor. They may, within the legal limit, also hold other positions as director or statutory auditor.

In accordance with Legislative Decree 58/98, Article 17 of the By-laws establishes the right for appropriately constituted **minority groups** to appoint one regular auditor, who serves as Chairman, and one alternate. The By-laws also establish that the minimum equity interest required for submission of a list of candidates for elections of the Statutory Auditors may not be lower than the percentage required by law for elections of the Board of Directors. Where two or more lists receive the same number of votes, candidates from the list representing the greatest number of shares or, if equal, the list representing the greatest number of shareholders shall be elected. The lists, together with documentation required by law and the Company By-laws, must be placed on record at the Company's registered office at least 25 days prior to the date of the meeting.

The above voting procedure will be utilized for the first time at the General Meeting of Shareholders called for approval of the 2012 financial statements.

The Statutory Auditors are: Paolo Piccatti, Chairman; Valter Cantino and Lucio Pasquini, regular auditors; and Riccardo Rota, Vittorio Sansonetti and Giorgio Cavalitto, alternate auditors. The three regular auditors, together with the alternates Riccardo Rota and Vittorio Sansonetti, were appointed at the time of incorporation, while Giorgio Cavalitto was elected by Shareholders on 6 December 2010, and took office on the effective date of the Demerger. The current term for the Board of Statutory Auditors and the three alternate auditors expires on the date of the General Meeting of Shareholders called to approve the 2012 financial statements.

Following is a list of the most significant positions held by the members of the Board of Statutory Auditors. As required by law, more complete information is provided in the Report of the Board of Statutory Auditors on the 2011 Financial Statements. Paolo Piccatti is Chairman of the Board of Statutory Auditors at Banca Sella S.p.A., Fiat Partecipazioni S.p.A., Juventus F.C. S.p.A., FPT Industrial S.p.A., and regular auditor of Giovanni Agnelli & C. S.a.p.A., EXOR S.p.A., Banca Sella Holding S.p.A., Fiat Group Automobiles S.p.A. and Iveco S.p.A. Valter Cantino is Director at Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Lucio Pasquini is Chairman of the Board of Statutory Auditors at Elettrogruppo 01 S.p.A., Gever S.p.A., Burgo Distribuzione S.r.l. and regular auditor at Gruppo Banca Leonardo S.p.A., Alpitour S.p.A., Alpitour World Hotels & Resorts S.p.A., Finlav S.p.A. and Schneider Electric S.p.A.

TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

During the period, there were no transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Note 35 of the Consolidated Financial Statements and Note 24 of the Statutory Financial Statements.

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As part of the requirements of Legislative Decree 196/03 (the Italian data protection act), several activities, including specific audits, were performed to evaluate the system of data protection for information held by Group companies subject to this law. These activities confirmed that legislative requirements relating to the protection of personal data processed by Group companies had been substantially complied with, including preparation of the Security Planning Document.

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

- On 22 February 2012, the Board of Directors, in confirmation of the resolution of 27 October 2011, voted to submit a proposal to Shareholders, at the Extraordinary General Meeting called for 5 April 2012, for the conversion of preference and savings shares into Fiat Industrial S.p.A. ordinary shares. Holders of preference and savings shares will also be asked to approve the conversion at the respective Special Meetings called for 3 April 2012. For additional information, refer to Note 24 to the Consolidated Financial Statements and Note 15 to the Statutory Financial Statements.
- On the same date, the Board of Directors also voted to submit a proposal to Shareholders, at the General Meeting called for 5 April 2012, for adoption of a Long Term Incentive Plan, which takes the form of grants of Fiat Industrial S.p.A. ordinary shares based on performance and retention features. Additional information is provided in Note 24 to the Consolidated Financial Statements under Share-based compensation and Note 15 to the Statutory Financial Statements.
- Finally, on February 22nd the Board also voted to submit a proposal to Shareholders for renewal of the authorization for the purchase and disposal of own shares up to €500 million and for a period of 18 months, to service the above incentive plan and for other purposes permitted by law. Additional information is provided in Note 24 to the Consolidated Financial Statements and Note 15 to the Statutory Financial Statements.

OUTLOOK

On the back of the Group's performance to date and expectations of continuing strong trading conditions across all sectors, especially CNH, Fiat Industrial is setting 2012 guidance as follows:

- Revenues of approximately €25 billion
- Trading profit between €1.9 billion and €2.1 billion
- Net profit of approximately €0.9 billion
- Net industrial debt between €1.0 billion and €1.2 billion
- Cash and cash equivalents in excess of €4.0 billion
- Capital expenditure between €1.2 billion and €1.4 billion




OPERATING PERFORMANCE BY SECTOR







AGRICULTURAL AND CONSTRUCTION EQUIPMENT

CNH

HIGHLIGHTS

(€ million)	2011	2010
Net revenues	**13,896**	11,906
Trading profit/(loss)	**1,154**	755
Operating profit/(loss) (*)	**1,181**	754
Investments in tangible and intangible assets (**)	**494**	446
of which capitalized R&D costs	**173**	200
Total R&D expenditure (***)	**384**	346
Employees at year end	**32,693**	28,831

(*) Includes restructuring costs and other unusual income/(expense)
(**) Net of vehicles leased out
(***) Includes capitalized R&D and R&D charged directly to the income statement

COMMERCIAL PERFORMANCE

Worldwide **agricultural equipment** industry unit sales increased 12% over 2010, with global demand up 12% for tractors and 16% for combines. North American tractor sales were up 2%, for both over and under 40 hp segments, and combine sales were down 5%. Latin American tractor sales decreased 2% and combine sales increased 21%. EAME & CIS (Europe, Africa Middle East and CIS) markets continued to improve during 2011, with tractor sales up 25% and combine sales up 39%. APAC (Asia Pacific) markets recorded a 12% increase for tractors and 22% for combines.

Worldwide agricultural equipment market share was in line with industry demand with continued positive performance for tractors overall in Europe and in the high horsepower segment in North America, as the FPT Industrial powered Tier 4A/ Stage IIIB equipment was well received by the market for its fuel efficiency and performance characteristics. Combine market share was up in North America, despite the year-over-year decrease in industry retail sales, and in the APAC region. Market share was down in the EAME & CIS regions, where unit retail sales increased, although less than the market overall, due to local content tariff restrictions. In Latin America, market share performance was stable for tractors and for combines, despite difficult trading conditions in the fourth quarter and a difficult environment for cross-border transactions.

Industrial production trailed retail sales in the fourth quarter due to strong retail activity, as demonstrated by the fourth quarter market share performance. In addition, there was an overall effort to manage down company and dealer inventories. As a result, CNH began 2012 with a healthy profile for both new and used finished goods inventory.

Global **construction equipment** industry unit sales rose 27% over the prior year, with a positive trend in all regions. Light equipment was up 30% and heavy equipment up 23%. North American demand was up 38% and EAME & CIS markets rose 35% as the industry continued to rebuild from low 2010 levels. In Latin America, the market was up 25%, driven by strong demand from projects in both the public and private sectors. In APAC markets, industry sales were up 19% for the year, although significantly weaker in the second half of the year.

Worldwide construction equipment market share for 2011 was in line with industry growth in both the light and heavy segments. In North America, the success of new products in the light equipment segment continued to gain traction. Losses in market share experienced in the first half, resulting from manufacturing downtime attributable to new product launches, were regained over the second half. For heavy equipment, the supply of whole-goods and componentry improved in the second half as Japanese suppliers returned to normalcy and the APAC excavator market slowed. Trading conditions in Europe deteriorated in the fourth quarter as a result of the deepening financial crisis, and in Latin America demand for heavy equipment diminished as infrastructure spending was deferred to 2012. As a consequence, production activity was slowed in line with demand expectations for individual markets and to ensure company and dealer inventories matched demand on a worldwide basis.

As part of its global growth strategy, the sector conducted several significant operations.

At the end of March, CNH Global N.V. acquired full ownership of L&T – Case Equipment Private Limited, a 50/50 joint venture established in 1999 with Larsen & Toubro Limited that manufactures and sells construction and building equipment in India. The company employs around 600 people, with a production facility located Pithampur in Madhya Pradesh, a network of 56 dealers and a total of 144 outlets. This investment is an important step in CNH's long-term

commitment to consolidating its construction equipment business in India and other export markets, and developing a manufacturing base in India that is fully integrated with the CNH global industrial activities.

In April, CNH announced plans to produce combines and tractors in Argentina for the Latin American market. An initial US $100 million is to be invested in new production lines and expansion of the Fiat Industrial site in Cordoba, Argentina, generating some 600 direct and 1,500 indirect jobs. At the new facility, CNH will produce (for both agricultural brands) the most powerful class of advanced, high-productivity combines, as well as specialized tractors for vineyards and orchards, which CNH does not currently produce in Latin America. The machines will be equipped with locally-produced FPT Industrial engines. This investment is a key element in the Group's growth strategy in Latin America and it will provide Latin American customers better access to products that are currently being imported.

On September 26, TürkTraktör – CNH's joint venture with Koç Holding and one of the leading producers of agricultural equipment in Turkey since 1954 – celebrated the production of its 600 thousandth tractor at a special ceremony at the company's plant in Ankara.

During the latter part of the year, CNH was active in the development of strategic alliances. In October, CNH announced an alliance with Semeato, a leading supplier of agricultural equipment and attachments in Brazil that specializes in no-till grain seeding technologies. The two companies will collaborate in a variety of areas, further strengthening CNH's leadership in Latin America and enabling it to offer a full range of planters and seeders. Products will be sold through each partner's respective dealer network under the Semeato, Case IH and New Holland Agriculture brands.

Also in October, CNH entered into an agreement with De Lage Landen, a wholly-owned subsidiary of Rabobank, for the provision of retail financing to customers in the Russian Federation under the CNH Capital brand. The program has been operational since the beginning of 2012 and is being run by a dedicated sales team working closely with four CNH brands – Case IH, New Holland Agriculture, New Holland Construction and Case Construction Equipment – and their dealers and customers.

In December, CNH announced an initial investment of US $90 million to build a new plant in Harbin, in Heilongjiang Province in northeast China. The new facility will produce high horsepower tractors, combine harvesters and other advanced machinery, expanding CNH's existing manufacturing base in China, which currently includes a plant in Harbin where high horsepower tractors and other agricultural equipment is assembled and a plant in Shanghai where low and medium horsepower tractors are produced.

INNOVATION AND PRODUCTS

During 2011, **Case IH Agriculture** expanded its successful Tier 4A/Stage IIIB offering in Europe and North America releasing the Magnum 235-340 hp Series tractors with global armrest controls, the 4WD Steiger 350-500 hp Series tractors with row crop frames and cab suspension, and the 4WD Steiger/Quadtrac 550-600 hp Series tractors with best-in-class fuel efficiency and hydraulic flow. The Module Express 635 Cotton Picker is now available in North America with a 400 hp engine. At the Farm Progress Show in the USA, the brand introduced the new Efficient Power Axial-Flow 30 Series combines, Patriot 4430 sprayer and Maxxum tractor series, all Tier 4A/Stage IIIB compliant. In Latin America, Case IH launched the new Magnum tractor series and the new Axial Flow 2566, the brand's first ever Class 5 combine for the region.

SIMA, in France, awarded two prizes for innovation to Case IH for a new automatic vehicle-to-vehicle synchronization system and for the world's first continuous variable PTO transmission for tractors. Case IH sugar cane harvesters were honored with the "Top of Mind" award by the Brazilian trade publication *Revista Rural*. The Case IH Diesel Saver Automatic Productivity Management (APM) System was given the ASABE 2011 Rain Bird Engineering Concept of the Year Award for the fully-integrated drivetrain management system offered on the Case IH Steiger 4WD and Quadtrac tractors. The new Case IH Patriot 4430 sprayer was chosen as the "2011 CropLife IRON Product of the Year", receiving more than half of all votes cast. Also, Case IH Axial Flow combines were found by independent researchers at Göttingen University (Germany) to have the lowest parts costs and overall operating costs of all models tested.

During 2011, **New Holland Agriculture** consolidated its leadership as a supplier of Tier 4A/Stage IIIB compliant equipment with the introduction, in Europe and in North America, of the new CX and flagship CR Series combines all featuring the

ECOBlue SCR technology that delivers up to 10% lower fuel consumption. The Tier 4A/Stage IIIB product offering now includes 27 tractor and 16 combine models. The flagship CR Series Twin Rotor combines can now also be equipped with the all-new SmartTrax system for reduced soil compaction and the Dynamic Stone Protection system, as well as the new Opti-Spread technology for evenly chopped straw distribution across the full header width. Also launched in Europe and North America was the T4 PowerStar utility tractor range, available with engines from 55 to 100 hp and featuring an all-new cab design with improved headroom, visibility and comfort, and a newly designed fully-integrated loader. The Crop ID™ system, which records information for large square balers in real time, was launched in Europe and North America and received a Silver Medal in the SIMA Innovation Awards in France. In the U.S., New Holland also released the Roll Belt 450 Utility round baler, which is designed for small acreage farmers and requires as little as 40 PTO hp to operate. In Latin America, the brand launched the T8 tractor range, from 273 to 389 hp, the highest horsepower tractors produced in Brazil, targeted at cash grain and sugar cane growers, the new SP3500 Sprayer and the TL Exitus tractor with cab ideal for spraying applications.

In November, at Agritechnica in Germany, New Holland Agriculture introduced the new mid-range tractor series TD5, T5 and T6, completely remodeling the offering below 120 hp. The T5 and T6 now also feature Tier 4A/Stage IIIB engines. The second generation NH^2™ hydrogen powered tractor, which will be tested this year at La Bellotta in Italy (the first Energy Independent farm), was also on display. The Agritechnica judges named the new CR combine "Machine of the Year 2012" for its efficient Tier 4A/Stage IIIB ECOBlue SCR engines, new super-lightweight aluminum Varifeed header and state-of-the-art SmartTrax rubber track system. New Holland's innovative technologies also received five silver medals from the DLG jury at the fair for the Intelligent Trailer Braking System, the SmartKey, the SynchroKnife drive for combine headers, the Braud 9090X olive harvester and the ECOBraud sustainable viticulture.

The Braud 9090X and ECOBraud also received recognition from the SITEVI (international exhibition in France for the vine-wine & fruit-vegetable sectors) awards panel.

In January 2011, the American Society of Agricultural and Biological Engineers (ASABE) gave an AE50 award for innovation to Case IH Agriculture for the 3020 Flex Head, with patented Terra Flex system and to New Holland Agriculture for the new Opti-Fan^{TM} automatic speed regulator for the fan on the cleaning system for combines.

In 2011, **Case Construction** launched 38 new models, accounting for nearly half of its product range. At the ConExpo trade show in Las Vegas, Case Construction introduced the new B Series motor grader with the 865B variable horsepower model and the F Series wheel loader, with the largest models, 1021F and 1221F, specifically engineered for quarry, aggregate and truck-loading applications. The F Series, which was also introduced in Europe, offers customers increased productivity and reduced fuel consumption, as a result of the Tier 4A/Stage IIIB emission compliant diesel engines. With the launch of the first models in its F Series wheel loader line, Case became the first manufacturer to introduce a SCR Tier 4A/ Stage IIIB emission compliant machine in this class. In collaboration with Case IH, the brand also launched the new Alpha Series skid steers and compact track loaders for both the agricultural and construction markets. Also launched during the year were 3 new models in the DV Series of double-drum compactors and the PT240, the brand's first pneumatic tire compactor. Case Construction also launched cleaner and more efficient C Series crawler excavators, including the CX250C, CX300C, CX350C and CX370C models and, in Europe, the new 40-ton class CX470C crawler excavator and the CX470C ME, all equipped with Tier 4A/Stage IIIB emission compliant engines that offer up to a 10% fuel efficiency improvement over the B Series. In Latin America, the brand also launched the new CX800B Crawler Excavator and the new B Series motor graders. The Case 850L crawler dozer, the Case 580M loader/backhoe, the Case 440 Series 3 skid steer loader and the Case 621E wheel loader were recognized in North America as "Contractor's Choice" machines for 2011 by *Roads & Bridges* magazine.

At the Samoter exhibition in Italy, **New Holland Construction** presented the new C Series crawler excavators, with two 27 to 31 ton class models, as well as the W170C, W190C and W230C wheel loaders. In the fourth quarter, the brand introduced three more C Series crawler excavator models, extending the Series to a total of five models in the 21 to 35 ton range. The new C Series crawler excavators are all equipped with Tier 4A/Stage IIIB compliant SCR engines that deliver a 10% increase in productivity in terms of cubic meters per hour and up to 10% lower fuel consumption in ECO mode compared to the B Series. Also introduced were the new 200 Series Skid Steer and Compact Track loaders featuring the patented vertical lift Super Boom design delivering best-in-class forward dump height and reach. The new models were launched in North America, Latin America and Europe. At ConExpo in Las Vegas, the brand launched updates to the B Series tractor loader backhoe, that was also introduced in Latin America, and the E55BX, an all-new compact excavator model. In addition, New Holland Construction launched three new motor grader models and the D140B Dozer in Latin America.

SERVICES

CNH's Customer Care department actively collaborates with brands, dealers, technical services and many other CNH departments to develop, manage and support customer service solutions that contribute to building solid, long-term relationships with customers by meeting their needs and expectations. Its main objectives include providing customers easy access to CNH and its brands through multiple contact channels, offering the necessary support, and measuring customer satisfaction.

CNH Customer Care operates through three customer service centers (located in Europe, North America and Latin America), which serve as key points of contact between the CNH brands and their customers.

In 2011, CNH continued in its commitment to supporting the sales network through service programs for each brand that aim to strengthen relationships with customers and deliver rapid service response to minimize downtime and maximize productivity.

Breakdown Assistance (BDA) services are available to customers in the USA, Canada, Brazil and 19 European countries (including Baltic countries beginning 2011), to provide rapid response and repair and minimize loss of productivity for the customer.

In Europe, a new customer satisfaction survey pilot program was launched to gather customer feedback on sales and after-sales services. In North America, new procedures for information gathering and criteria for opening new cases were established to reduce service delays.

In Latin America, Customer Care launched customer relations services for CNH's construction brands and Breakdown

Assistance services for New Holland Agriculture and Case Construction Equipment. Case Construction also launched new customer relations services in Colombia in November and Peru in December. During the year, Customer Care also extended its Customer Experience service in the region and plans to expand the service in 2012.

CNH offers **financial services** in North America, Europe, Brazil and Australia providing a comprehensive range of financial products such as dealer and end-customer financing, finance leases, operating leases, credit cards, equipment rental programs and insurance products. Differentiated financial services are offered for both the Agricultural Equipment and Construction Equipment businesses.

In North America, the activity is carried out through wholly-owned financial services companies that support sales through dealer and end-customer financing, as well medium/long-term operating leases.

In Europe, end-customer financing is primarily managed through CNH Capital Europe S.a.S., a joint venture with BNP Paribas Group (49.9% owned by CNH and accounted for under the equity method) that operates in Italy, France, Germany, Belgium, the Netherlands, Luxembourg, the UK and Austria. Vendor programs with banking partners are also in place in France, Spain, Portugal, Denmark and Poland.

Dealer financing and end-customer financing activities not managed by the joint venture with BNP Paribas are managed through captive financial services subsidiaries.

In Brazil, Banco CNH Capital S.A., a captive financial services company, offers both dealer and end-customer financing. For end-customer financing, the company mainly serves as intermediary for funding provided by the Banco Nacional de Desenvolvimento Economico e Social (BNDES), a federally-owned company connected to the Brazilian Ministry of Development, Industry and Foreign Trade. Vendor programs offered jointly with banking partners are also in place.

In Australia, CNH offers dealer and end-customer financing through a captive financial services company.

IVECO IVECO ASTRA IVECO IRISBUS IVECO MAGIRUS IVECO DEFENCE VEHICLES

TRUCKS AND COMMERCIAL VEHICLES

IVECO

HIGHLIGHTS

(€ million)	2011	2010
Net revenues	9,562	8,307
Trading profit/(loss)	490	270
Operating profit/(loss) (*)	408	240
Investments in tangible and intangible assets (**)	343	273
of which capitalized R&D costs	171	138
Total R&D expenditure (***)	254	214
Employees at year end	26,202	25,583

(*) Includes restructuring costs and other unusual income/(expense)
(**) Net of vehicles leased out
(***) Includes capitalized R&D and R&D charged directly to the income statement

COMMERCIAL PERFORMANCE

For 2011, the commercial vehicle market (Gross Vehicle Weight or "GVW" ≥3.5 tons) in Western Europe increased 17.3% to 620,469 units, continuing the recovery already underway in the second half of 2010. Registrations were higher in France (+21.7%), the UK (+21.5%) and Germany (+20.4%), with more moderate growth in Spain (+5.4% against low 2010 levels). Italy, by contrast, contracted a further 2.1%.

All markets experienced stronger growth in the first half, with demand in the second half reflecting increased economic uncertainty.

The light segment (GVW 3.5-6 tons) registered an 11.8% improvement over 2010, with strong increases in registrations in Germany (+18.9%), the UK (+14.9%) and France (+13.5%). By contrast, declines were recorded in Italy (-5.1%) and Spain (-6.3%).

Demand in the medium segment (GVW 6.1-15.9 tons) was up 12.0% over 2010. Increases in France (+22.8%), Germany (+18.9%) – which accounts for around half of the European market – and the UK (+18.4%) more than offset declines in most other Western European countries.

The heavy segment (GVW ≥16 tons) registered the strongest increase, growing 30.4% for the year, with increases in all markets except Portugal and Greece. In percentage terms, the highest gains were recorded in the UK (+41.9%) and France (+41.3%), followed by Spain (+28.3%), Germany (+23.5%) and Italy (+12.8%).

Demand for buses in Western Europe was down 6.1% over 2010 to 30,284 units. Performance varied by segment with a 3.2% increase for Intercity & Coach, but declines for the Citybus (-3.6%) and Minibus & Truck Derived (-21.0%) segments. Declines were experienced in almost all Western European markets with the exception of France (+15.6%) and Spain (+11.6%).

In Latin America, the commercial vehicle market was up 15% over 2010, with 12% growth in Brazil. Demand was higher in all segments, with light vehicles (GVW 3.5-7.9 tons) up 23%, medium (GVW 8-31 tons) up 16% and heavy (GVW ≥31 tons) up 5.4%.

Iveco had an estimated 12.1% market share in Western Europe (-1.1 percentage points vs. 2010). Share in the light segment was estimated at 13.0%, representing a 0.8 percentage point decrease attributable to purchases being deferred by some customers in anticipation of the launch of the new Daily and a shift in market demand toward car-based van models. The sector registered share gains in the UK (+0.7 percentage points) and for Northern Europe overall, but declines in other markets.

In the medium segment, share was substantially unchanged at 23.6% (-0.1 percentage points), with significant increases in Spain (+5.2 percentage points to 47.6%), the UK (+3.1 percentage points to 23.1%) and Italy (+2.2 percentage points to 61.0%).

In the heavy segment, estimated share was 7.3%, down 1.1 percentage points, largely attributable to an unfavorable market mix and a shift in product mix towards tractors. In Germany, the largest market in Western Europe, share was 0.4 percentage points higher and, in the second half, a strong recovery in share was registered in the heavy segment in almost all markets compared to the first half.

Iveco Irisbus closed the year with a 17.6% share in Western Europe, a decrease of 1.1 percentage points over 2010. Share declined in the Citybus (-6.9 percentage points) and Minibus (-0.7 percentage points) segments, but grew in the Intercity & Coach segment (+3.5 percentage points).

Commercial Vehicle Market (GVW ≥3.5 tons) by country

(units in thousands)	2011	2010	% change
France	126.9	104.3	21.7
Germany	174.9	145.3	20.4
UK	106.9	88.0	21.5
Italy	60.0	61.3	-2.1
Spain	31.7	30.1	5.4
Rest of Western Europe	120.1	100.0	20.0
Western Europe	620.5	529.0	17.3

Commercial Vehicle Market (GVW ≥3.5 tons) by product

(units in thousands)	2011	2010	% change
Heavy	202.0	154.9	30.4
Medium	54.4	48.5	12.0
Light	364.1	325.6	11.8
Western Europe	620.5	529.0	17.3

In Latin America, Iveco's share of the truck market (GVW ≥3.5 tons) was 11.5% (+1.2 percentage points over 2010) and in Brazil it gained 1.0 percentage point over the prior year to 10%.

A total of 153,384 vehicles were delivered, including buses and special vehicles, representing an increase of 18.3% over 2010. All segments registered growth, with light vehicles up 19.6%, medium up 24.0% and heavy up 21.0%. In Western Europe, Iveco delivered 87,981 vehicles (+12.3%), with strong growth in France (+17.8%), Germany (+14.7%), and the UK (+62.5%), and a modest increase in Italy (+2.1%). Deliveries in Spain, by contrast, were down 3.9%. In Latin America and Eastern Europe, deliveries increased 28.9% and 25.8%, respectively.

In China, Naveco – the 50/50 joint venture with Nanjing Automotive Corporation (controlled by the SAIC Group) – sold 39,009 light vehicles in the Power Daily range (up 21.6% over 2010) and 62,441 medium vehicles in the Yuejin range (down 6.2% over 2010).

SAIC Iveco Hongyan Commercial Vehicles Co. Ltd. (33.5% owned by Iveco) sold 31,500 heavy commercial vehicles for the year, representing a 3.3% increase over the previous year.

Commercial Vehicle Sales – by country

(units in thousands)	2011	2010	% change
France	21.6	18.3	17.8
Germany	16.8	14.7	14.7
UK	8.3	5.1	62.5
Italy	22.1	21.7	2.1
Spain	7.1	7.4	-3.9
Rest of Western Europe	12.1	11.1	7.8
Western Europe	88.0	78.3	12.3
Eastern Europe	14.4	11.5	25.8
Rest of World	51.0	39.8	27.8
Total Sales	153.4	129.6	18.3
Naveco	101.5	98.6	2.9
SAIC Iveco Hongyan	31.5	30.5	3.3
Grand Total	286.4	258.7	10.7

Commercial Vehicle Sales – by product

(units in thousands)	2011	2010	% change
Heavy	34.1	28.2	21.0
Medium	22.5	18.1	24.0
Light	86.1	71.9	19.6
Buses	6.7	6.8	-0.8
Special vehicles (*)	4.0	4.6	-12.0
Total Sales	153.4	129.6	18.3

(*) Astra, defense and firefighting vehicles

Including LSVs (low-speed vehicles for agricultural use), the two joint ventures sold a total of 143,015 units, up from 140,608 in 2010 (+1.7%).

Despite a general environment of economic uncertainty, further aggravated by the financial crisis which mainly affected Europe, Iveco demonstrated the resilience of its business, on the strength of its broad product portfolio and improved utilization of production capacity, which also had a positive impact on earnings.

Iveco has been strengthening its presence outside Europe through progressive expansion of its product offering and distribution network, primarily targeted at consolidating its alliances in China and increasing activity in Latin America.

Latin America has become one of Iveco's most important markets. With strong and steady economic growth in the region, the company has achieved commercial success, particularly in Brazil, where it has enjoyed a period of continuous expansion. Iveco has succeeded in increasing volumes and market share through expansion of its product offering to match the European catalog, and significant refreshes such as the new medium-segment Vertis (launched at the end of 2010) and the new heavy-segment Stralis (presented at Fenatran in Saõ Paulo in October 2011). This process will continue over the next few years as the range is completely renewed with the introduction of new eco-friendly models. In April, Iveco announced that it would set up a new unit for production of amphibious armored personnel carriers (VBTP-MR) at its Sete Lagoas site, following the supply contract signed with the Brazilian Army.

In China, Iveco concentrated on expansion of its product range to increase its presence in the domestic market, with an offer of high quality products, as well as exporting production from its local joint ventures to other markets.

Iveco also continued work to develop and enhance the quality of its products and standards of service, particularly service response times and the efficiency of its commercial activities.

Contributing to this was the introduction of significant changes in the organizational structure, as well as the distribution and service networks. The Iveco structure and working methods have been reorganized around three key principles: focus on the customer; seeking synergies to optimize processes and costs; and strengthening cross-functional collaboration to further integrate the individual businesses. An example of these cross-functional processes is World Class Manufacturing (WCM), which represents a best practice approach to reengineering production, maintenance, logistics and control processes. Over the next few years, WCM will be implemented at all Iveco manufacturing sites worldwide. Quality control is another example of the cross-functional improvement process. All of these measures have a common objective, which is to optimize all factors related to the total cost of vehicle ownership. Iveco has remodeled the organization around this goal and all areas of activity – from engineering to production, quality control to assistance and sales to spare parts – are now measured against strict performance targets that focus on benefits to the customer and total cost of ownership, which is the principal commitment of the entire organization.

INNOVATION AND PRODUCTS

The commitment to product development, sustainable mobility and innovation are all key elements in Iveco's strategic approach. During the year, the company continued its innovation efforts, developing new technologies and products that can make a significant contribution to sustainable mobility.

Product development is based on a series of structured processes, aimed at ensuring that development, as well as design and production methods, are oriented toward sustainable mobility, safe and ecological production processes, and customer satisfaction. Product innovation is organized around four strategic priorities: the environment, safety, productivity and performance. Process innovation, on the other hand, focuses on: product development processes, virtual analysis, performance measurement and testing, and product-process integration.

In 2011, Iveco continued its research on innovative technological solutions to expand its range of eco-friendly, energy-efficient vehicles.

Today, the company offers an extensive and varied portfolio of eco-compatible products that meet a broad range of customer needs. Iveco continues to introduce highly innovative content that provides realistic and practical solutions to sustainable mobility.

During 2011, Iveco completed development of its range of diesel vehicles that are already fully compliant with EEV limits for polluting emissions, currently the strictest in Europe. In addition, Iveco and FPT Industrial announced introduction of their Selective Catalytic Reduction (SCR) technology on the two new Cursor and Tector engine ranges for heavy-duty trucks and buses, making them compliant with the new Euro VI regulation. The new engines, equipped with FPT Industrial "SCR Only" technology, feature optimized combustion and after-treatment systems that maintain the best-in-class fuel economy of Iveco vehicles, while enhancing environmental performance with patented FPT Industrial control technology that achieves high NOx conversion efficiency (over 95%, compared to 80-85% for best competitors).

Iveco continued development of its Compressed Natural Gas (CNG) range of vehicles, which have long been an important part of its portfolio. In fact, it is the only manufacturer of trucks and commercial vehicles in the world today to offer a comprehensive range of CNG vehicles that are fully-compliant with future EU emissions standards.

Work also continued on development of hybrid diesel-electric propulsion solutions, another innovative technology that provides the perfect balance between transportation needs (i.e., payload and performance characteristics) and environmental sustainability. In the passenger transport sector, Iveco Irisbus continued in its commitment as an innovative provider for increasingly demanding customers who want vehicles that are safe, as well as comfortable and eco-friendly. In collaboration with some of its international customers, Iveco Irisbus continued development of the Citelis city bus with series hybrid diesel-electric propulsion system. Ideal for urban passenger transport, hybrid propulsion can (depending on driving conditions) cut fuel consumption and CO_2 emissions by up to 30% and NOx emissions by as much as 50%, compared to traditional vehicles.

Iveco supports the development of second-generation biofuels, such as Hydrogenated Vegetable Oil (HVO) and Biomass-to-Liquid (BtL), and conducted experiments and tests with these fuels during the year.

In terms of expansion of the product range, one of the most significant events in 2011 was the launch of the new Daily. The latest version of this light commercial vehicle was presented to the press and international customers in September during an event at Fiat Industrial Village in Turin. For more than 30 years, the Daily – now in its eighth generation – has continued to set new standards in innovation and versatility and over 2.5 million units have been sold worldwide. Substantially refreshed in both style and content, the new Daily offers outstanding performance and highly attractive total cost of ownership, with fuel consumption and CO_2 emissions up to 10% lower than the previous model. The vehicle is offered with a new range of engines including the 205 hp version of FPT Industrial's 3.0 F1C with maximum torque of 470 Nm, which is at the top of its category in terms of power output.

The range also includes a Natural Power version, with super eco-friendly EEV bifuel engine optimized for use with CNG, in addition to a zero emission electric version. Since launch at the end of 2011, approximately 19,000 orders have already been received in Europe for the new Daily.

For special purpose vehicles, Iveco presented the new Astra RD40 rigid dumper at Samoter in Verona (Italy) in March, adding a fully redesigned cabin and innovative technological solutions to the dumper range. In the last part of the year, Astra presented the new HD9, with a heat-treated steel cab, that offers driving comfort, improved acoustic levels and excellent performance on extreme terrain. Available in 2WD or AWD, 2, 3 or 4 axles, homologated for standard or exceptional loads, and equipped with FPT Industrial Cursor 13 engines, this new off-road vehicle strengthens Astra's leadership in the segment.

Iveco Irisbus launched the Magelys Pro, the latest in its family of specialist tour coaches.

In the first half of 2011, Iveco completed introduction of the EcoStralis in all European markets. Delivering a 7% reduction in fuel consumption over the traditional version, through an optimized engine, aerodynamics and electronics, the EcoStralis combines state-of-the-art technology, eco-friendliness, productivity, engine efficiency and fuel economy.

In Brazil, Iveco launched a new version of the Trakker, an 8x4 vehicle equipped with a 420 hp Cursor 13 engine produced by FPT Industrial and automatic transmission for application in the mining and building sectors, both of which are undergoing significant expansion in Latin America.

Alternative fuels were also the focus of initiatives in Brazil, with the launch of a bifuel diesel-ethanol prototype of the Trakker – developed in collaboration with FPT Industrial – equipped with a Cursor 9 engine that runs on a variable diesel-ethanol blend according to the application.

At Fenatran 2011 in São Paulo, Iveco presented the new Stralis, the flagship of the new Ecoline range which is built at the Sete Lagoas plant. The vehicle meets Euro V standards, effective in Brazil from 1 January 2012, and is powered by FPT Industrial Cursor 13 engines, equipped with a Eurotronic 16-speed automatic transmission as standard. Other new features include a redesigned instrument panel.

Another major factor contributing to Iveco's growth in Latin America has been the expansion of the distribution network, with the inauguration of the 100th dealership at the beginning of December in Jundiaí (Brazil), around 80 km from São Paulo. This is the first dealership in the country constructed to be environmentally-sustainable, with ecological solutions applied in construction and daily operations.

In China at Auto Shanghai 2011, Iveco through its JVs Naveco and SAIC-Iveco Hongyan (SIH) presented nine of its latest goods and passenger models with both traditional and alternative propulsion systems. Naveco, in particular, presented the new Yuejin Ouka model, developed for the medium-upper range of the light vehicle market, equipped with FPT Industrial's F1C diesel engine.

Also in China, in October Iveco presented the Kingkan, a new heavy vehicle produced by the SAIC Iveco Hongyan (SIH) joint venture between Iveco, SAIC and Chongqing Machinery. Offering high levels of safety, comfort, power and load capacity, as well as strength, durability and style, the Kingkan is a fine example of the integration of Iveco's technological excellence into the Chinese vehicle range.

On the awards front, in the UK, Iveco was named "Low Carbon Heavy Duty Vehicle Manufacturer of the Year 2011" by the *Low Carbon Vehicle Partnership*. The company was given the award for its comprehensive portfolio of low emissions technologies, particularly the wide range of CNG, electric and hybrid vehicles.

Within just two months of launch, the new Daily received two major awards. In Germany, the new Daily Electric received the European Award for Sustainability in Transport issued by *Transport* magazine. In Spain, the European Transport Award, established by *Transporte Profesional* magazine and the Spanish goods transport confederation (CETM), was given to Iveco for technological innovations introduced on the new Daily that improve comfort, active and passive safety, and haulage efficiency.

Iveco Irisbus won the prestigious "Styling & Design Award" during the European Coach & Bus Week at Busworld 2011 – the international show dedicated to collective passenger transport held in Coutrai (Belgium) – with the Magelys Pro. This tour coach, which completes the Iveco Irisbus range of tour coaches in the European segment, was awarded the prize by the field jury for its attractive design and superior comfort, combined with top-of-the-range performance.

SERVICES

In order to improve the service offer, in 2011 Iveco separated its parts sales and distribution activities from technical assistance activities, assigning each its own management.

The mission of the Parts & Services unit, whose establishment brings Iveco into line with other groups in its sector, is to support the business by providing the best logistics service and to increase profitability from the sale of parts.

The initial results of this reorganization were already evident in the fourth quarter of 2011.

Establishment of the new unit enabled greater focus on performance improvement and resulted in greater responsibility for parts purchasing. As such, more emphasis can be given to supply planning and quality measures such as parts per million, logistics problems and customer complaints. On-time delivery performance has also been formalized and placed under close monitoring in response to the progressive increase in delivery frequencies that will take place from 2012.

The number of buses and trucks on the road fell in 2011, particularly for vehicles registered in the last 5 years. That decrease was partially compensated for by an increase in average annual mileage compared to 2010. The competitive challenge this presents is yet another reason for establishment of the new Parts & Services unit, which will provide a greater focus on pricing and fast-moving products.

During the year, Iveco continued to invest in strengthening its after-sales services, focusing in particular on the Elements programs, advanced diagnostics and the Assistance Non-Stop service.

Elements is the brand used for personalized assistance programs offered by Iveco. These programs provide a wide range of modular and flexible maintenance and repair contracts and warranty extension services to meet a variety of needs and

also contribute to retention of a vehicle's value over the long term. Major benefits of this service include guaranteed use of original spare parts, combined with the know-how and expertise of the Iveco network.

Iveco utilizes advanced diagnostics tools known as Easy Skite and Easy Scope at its service centers. The first is a sophisticated endoscopic analysis system, which uses a small probe to inspect the most inaccessible parts of the vehicle, transmitting images in real time, which can also be used remotely by Iveco specialists. The second is a powerful, latest-generation digital oscilloscope that displays changes in variables, such as current and voltage, over time.

Lastly, the Assistance Non-Stop service provides access to multilingual professionals, 24 hours a day, 365 days a year, through a universal toll-free number, allowing customers to travel with peace of mind on roads throughout Europe. Roadside assistance is monitored centrally to ensure that vehicles are back on the road in the shortest time possible.

Iveco offers **financial services** in Europe and, through the financial services companies of Fiat Group Automobiles (Fiat Group), in Latin America, Poland and China.

In Italy, Germany, France, the UK and Switzerland, financial services activities (for both end customers and dealers) are managed by Iveco Finance Holdings Limited (IFHL), a joint venture with Barclays Group established in 2005 (accounted for under the equity method up to year-end 2011) in which Fiat Industrial Group holds a 49% stake. At the end of December, the Group formalized procedures for orderly termination of the joint venture with Barclays. The agreement with the joint venture partner contains an undertaking from Iveco to purchase the 51% interest held by Barclays, subject to receipt of the necessary regulatory approvals, on or before 31 May 2012, at a contractually agreed price (approximately €119 million), in addition to providing funding for IFHL's activities from 1 January 2012. For retail financing activities, the

funding arrangements will be as follows: securitization with Barclays of the portfolio existing at 31 December 2011; vendor program agreements with BNP-Paribas in Germany and France for new financing generated from 1 January 2012; arrangement with Intesa Sanpaolo to fund the future portfolio in Italy; and, direct funding of the portfolio in Switzerland and the UK. For dealer financing activities, funding will be provided through a 3-year pan-European securitization program arranged with Barclays.

In Spain, financial services are managed by Transolver Finance Establecimiento Financiero de Credito S.A., a 50/50 joint venture with the Santander Group (accounted for under the equity method). The company offers both dealer and end-customer financing. Iveco also provides rental services in Spain through Transolver Service S.A., fully-consolidated by Fiat Industrial Group.

In Eastern Europe, the activity is managed by fully-consolidated captive financial services companies.

In 2011, business benefited positively from a significant economic recovery in Western Europe, while recovery in the Eastern European markets was less robust. Improved economic conditions also had an impact on the number of new vehicles financed and market penetration.

For fully-consolidated subsidiaries only, 884 new vehicles were financed in 2011, compared to 1,325 vehicles for 2010, and penetration rate dropped to 17.8% (27.7% in 2010). The total number of vehicles financed in 2011 decreased to 2,194 (3,072 in 2010).

Including the activities of Iveco Finance Holdings Ltd. and the Spanish joint venture, there was a 27% increase in the number of new vehicles financed through the sector's Financial Services activities (17,601 in 2011, 13,871 in 2010), with an overall penetration rate of 24.3% (20.4% in 2010). Total vehicles financed increased 13.6% (26,172 in 2011, 23,038 in 2010).

FPT INDUSTRIAL

HIGHLIGHTS

(€ million)	2011	2010
Net revenues	3,220	2,415
Trading profit/(loss)	107	65
Operating profit/(loss) (*)	106	29
Investments in tangible and intangible assets	155	152
of which capitalized R&D costs	56	58
Total R&D expenditure (**)	104	92
Employees at year end	8,008	7,707

(*) Includes restructuring costs and net unusual income/(expense)
(**) Includes capitalized R&D and R&D charged directly to the income statement

OPERATING PERFORMANCE

FPT Industrial produces powertrains for trucks and commercial vehicles, agricultural and construction equipment, and marine applications.

In 2011, the sector benefited from a recovery in demand for trucks and commercial vehicles, as well as agricultural and construction equipment.

Revenues for 2011 were €3,220 million, up 33.3% over the prior year driven by strong growth in volumes both to Group companies and external customers. Sales to external customers accounted for 32.8% of total revenues (35.4% in 2010).

A total of 560,026 engines were sold during the year, up 32.3% over 2010. By major customer, 32% of engines were supplied to Iveco and 27% to CNH (sectors within Fiat Industrial Group), while the remaining 41% was sold to external customers (including Sevel – the Fiat JV for light commercial vehicles – which accounted for 22% and Mitsubishi Fuso, which is supplied with F1C engines). In addition, 74,255 transmissions (+12.3% over 2010) and 169,722 axles (+22.5%) were delivered.

On 1 January 2011, FPT Industrial's design activities were strengthened through the transfer from Elasis (Fiat Group) of the product and process engineering unit responsible for development of truck and commercial vehicle engines and transmissions. On April 1st, FPT Industrial S.p.A. acquired activities from Fiat Group relating to the design, production and sale of powertrain components for industrial applications.

At the international level, the sector incorporated FPT Industrial Argentina S.A. (96% owned by FPT Industrial S.p.A. and 4% by CNH Argentina S.A.) whose principal activity is the manufacture and sale of engines in South America.

INNOVATION AND PRODUCTS

FPT Industrial designs and manufactures engines for on-road vehicles and off-road industrial and agricultural applications.

In 2011, the sector launched a wealth of new technologies and products that reflect its commitment to research and innovation focused on eco-sustainability.

Development of the proprietary selective catalytic reduction technology ("SCR Only") was completed and is ready for application on new engine ranges for Iveco and CNH vehicles, bringing them in line with the next set of emissions standards. As a result of optimized combustion and exhaust after-treatment systems, the new engines will offer class leading fuel economy and performance. In addition, environmental performance is also enhanced through patented control technology that achieves NOx conversion efficiency of over 95%.

In May, Iveco and FPT Industrial announced application of the "SCR Only" technology to the new Cursor and Tector engine ranges for heavy-duty trucks and buses, that will bring them in line with Euro VI emissions standards. Continued development of "SCR Only" technology was also confirmed for application on agricultural and construction equipment that will make them Tier 4B/Stage IV compliant.

Innovation activity included start of development of Euro VI CNG applications for the F1C and continuation of development of the Euro VI F1 SCR Only family of engines.

During the year, production began on Euro 5 engines for the new Fiat Professional Ducato, including two versions of the F1A 2.3-liter engine – a 130 hp WG turbo (fixed geometry with Waste Gate valve) and a 148 hp VGT turbo (with variable geometry) – as well as a 177 hp VGT F1C 3.0-liter turbo. For the F1A, the MultiJet II injection system was also applied for the first time. These new engines offer significant reductions in consumption and CO_2 emissions.

Production also began on the F1 Euro 5 and Euro V engines together with transmissions for application on the new Daily launched by Iveco in September. The new 205 hp version of the 3.0-liter F1C – with torque of 470 Nm and interstage intercooler – is at the top of its category in terms of power output. This engine is also equipped with a 6-speed double overdrive transmission for maximum fuel efficiency. FPT Industrial also released the 2.3-liter F1A engine, with Start&Stop system and new 6-speed transmission, which offers up to a 10% reduction in fuel consumption and CO_2 emissions.

During the first quarter of 2011, FPT Industrial obtained EPA10 and CARB certification (U.S. emissions standards) for application of the heavy-duty F1C engine for light commercial vehicles. And in August, EPA Tier 4A homologation was obtained for 3.4-liter F5 Common Rail engines above 56 kW.

Production also began on EPA 10-compliant applications of the F1C for 2012 models of Mitsubishi Fuso.

In addition, FPT Industrial began production of the two-stage, turbo-charged Cursor 13 for Case IH Steiger and New Holland T9 Series tractors, making these tractors best-in-class in terms of power output. Also for application on CNH vehicles, FPT Industrial launched Tier 4A/Stage IIIB-compliant NEF 4 and 6, and Cursor 9, 10 and 13 engines and the Tier 4A F5C engines. Pre-production activities were also completed for the Stage IIIB Cursor 9 with structural oil pan.

For the retail market, production started on the NEF and Cursor Tier 4A ranges with SCR exhaust after-treatment systems.

In China, SFH (a joint venture between SAIC Iveco Commercial Vehicle Investment Co. Ltd., FPT Industrial and Chongqing Machinery & Electric Holdings Limited) presented the new Cursor 13 engine with Common Rail injection at Auto Shanghai 2011. With 4 valves per cylinder in an inline 6-cylinder configuration, the new engine is Euro V compliant and provides excellent performance and reliability, together with very low fuel consumption and cost of ownership.

After completing its marine engine range in 2010, FPT Industrial presented the N500+POD Drive propulsion system at the 2011 Genoa International Boat Show. This integrated engine/transmission system represents FPT Industrial's entry into an important segment of the pleasure craft market. The excellent performance of FPT Industrial's products was again reflected in achievements such as the new high speed record on the Montecarlo-Venice route by the Kerakoll powerboat equipped with two 650 hp Cursor 9 engines.

FPT Industrial also achieved major recognition for its work on alternative fuels by winning the "Top Ethanol Technology Prize" at the Ethanol Summit in Brazil with the Trakker demonstration vehicle developed jointly with Iveco and equipped with a 360 hp bifuel (ethanol-diesel) Cursor 9 engine.

FINANCIAL REVIEW – FIAT INDUSTRIAL S.P.A.

FOREWORD

On 1 January 2011, the demerger of Fiat S.p.A.'s capital goods activities and transfer to Fiat Industrial S.p.A. took effect. As a result of the demerger, Fiat Industrial S.p.A.'s equity increased by €3,750 million (including an increase in share capital of €1,913 million), investments increased by €4,977 million and net debt by €1,227 million.

On 1 December 2011, Fiat Industrial S.p.A. acquired "Fiat Industrial Group Internal Audit", which provides internal audit services to Fiat Industrial S.p.A., and its directly and indirectly controlled subsidiaries, from Fiat Revi S.c.p.A. From that date, the transferred assets and liabilities were recognized by Fiat Industrial S.p.A. under the relevant line item and headcount was increased by 35.

The following information is based on the 2011 financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, in addition to regulations implementing Article 9 of Legislative Decree 38/2005.

OPERATING PERFORMANCE

For 2011, the Company reported net profit of €327 million, representing a €333 million increase over 2010.

Following is a summary of Fiat Industrial S.p.A.'s income statement:

(€ million)	2011	2010
Income from investments		
Dividends	450	-
Personnel and operating costs, net of other income	(19)	(6)
Financial income/(expense)	(139)	-
PROFIT/(LOSS) BEFORE TAXES	**292**	**(6)**
Income taxes	35	-
PROFIT/(LOSS) FOR THE YEAR	**327**	**(6)**

Income from investments totaled €450 million and consisted of dividends from the subsidiary Fiat Netherlands Holding N.V.

Personnel and operating costs, net of other income totaled €19 million. For 2010, the figure totaled €6 million and essentially consisted of start-up costs for the Company.

Specifically:

Personnel and operating costs totaled €29 million, an increase of €23 million over 2010 primarily attributable to normal operating activities for the period. For 2010, the costs were almost entirely attributable to the Demerger and admission of the Company's shares to listing on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A. For 2011, the Company had an average of 32 employees, while for 2010 the headcount was zero.

Other income of €10 million principally related to services rendered, including by management personnel, to Group companies and companies of Fiat Group post Demerger.

Net financial expense totaled €139 million and essentially consisted of interest on debt.

There was a €35 million credit for **income taxes** for the year resulting from tax losses contributed by Fiat Industrial S.p.A. to the tax consolidation for Group companies in Italy.

STATEMENT OF FINANCIAL POSITION

Following is a summary of Fiat Industrial S.p.A.'s statement of financial position:

(€ million)	31.12.2011	31.12.2010
Non-current assets	5,784	-
of which: Investments	5,777	-
Working capital	19	(4)
NET CAPITAL INVESTED	5,803	(4)
EQUITY	4,077	-
NET DEBT	1,726	(4)

Non-current assets consisted almost entirely of controlling interests in Group companies.

The increase in investments includes €4,977 million from recognition, at their existing book value, of the shareholdings transferred from Fiat S.p.A. under the demerger and €800 million related to recapitalization of Fiat Netherlands Holding N.V. in February 2011.

Working capital totaled €19 million and consisted of trade receivables/payables, other receivables/payables (from/to tax authorities, employees, etc.) and receivable/payable positions with Group companies participating in the domestic tax consolidation.

Equity totaled €4,077 million at 31 December 2011 compared to zero at the end of 2010. The increase was essentially attributable to €3,750 million in capital and reserves resulting from the demerger and to €327 million in profit for 2011. A more detailed analysis of changes in equity is provided in Fiat Industrial S.p.A.'s financial statements.

Net debt at 31 December 2011 totaled €1,726 million, an increase of €1,730 million over 31 December 2010, resulting primarily from debt allocated as a result of the demerger. Net debt consisted of the following:

(€ million)	31.12.2011	31.12.2010
Current financial assets, cash and cash equivalents	-	(4)
Current financial liabilitiesi	1,720	-
Non-current financial liabilities	6	-
NET DEBT/(CASH)	1,726	(4)

Current financial liabilities shown at 31 December 2011 included an overdraft on the current account held with the Fiat Industrial Finance S.p.A. and a loan provided during the year at market rates by Fiat Industrial Finance S.p.A., which is repayable May 2012.

The current financial asset position at 31 December 2010 included a positive current account balance with Fiat Finance S.p.A., the treasury company of Fiat Group.

A more detailed analysis of cash flows is provided in Fiat Industrial S.p.A.'s financial statements.

RECONCILIATION BETWEEN EQUITY AND NET PROFIT OF THE PARENT COMPANY AND THE GROUP

Pursuant to the Consob Communication of 28 July 2006, the following table provides a reconciliation between the net profit and equity of Fiat Industrial S.p.A. for the year ended 31 December 2011 and the comparable items on a consolidated basis (portion attributable to owners of Fiat Industrial S.p.A.):

(€ million)	Equity at 31.12.2011	Net Profit 2011
FINANCIAL STATEMENTS OF FIAT INDUSTRIAL S.P.A.	4,077	327
Elimination of carrying amounts of consolidated investments and related dividends	(5,777)	(450)
Equity and profit/(loss) of consolidated entities	6,291	742
Consolidation adjustments:		
Elimination of intercompany profit/loss on inventories and fixed assets, dividends paid between subsidiaries and other adjustments	(36)	5
CONSOLIDATED FINANCIAL STATEMENTS (PORTION ATTRIBUTABLE TO OWNERS OF FIAT INDUSTRIAL S.P.A.)	4,555	624

MOTION FOR APPROVAL OF THE STATUTORY FINANCIAL STATEMENTS AND ALLOCATION OF 2011 PROFIT

Shareholders,

We hereby submit the Statutory Financial Statements for the year ended 31 December 2011 for your approval and propose that the profit for the year of €326,987,673 be allocated as follows:

- to the Legal Reserve, €16,349,384
- to Shareholders, a dividend of:
  - €0.185 per ordinary share, representing a total of approximately €202.1 million
  - €0.185 per preference share, representing a total of approximately €19.1 million
  - €0.2315 per savings share, representing a total of approximately €18.5 million
- to Retained Profit, the remaining amount totaling approximately €71 million

Payment of the dividend will be from 26 April 2012, with detachment of the coupon on 23 April. The dividend will be payable on shares outstanding at the coupon detachment date.

22 February 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

FIAT INDUSTRIAL GROUP CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2011

CONSOLIDATED INCOME STATEMENT(*)

(€ million)	Note	2011	2010 (**)
Net revenues	(1)	24,289	21,342
Cost of sales	(2)	20,038	17,979
Selling, general and administrative costs	(3)	2,002	1,793
Research and development costs	(4)	505	418
Other income/(expenses)	(5)	(58)	(60)
TRADING PROFIT/(LOSS)		1,686	1,092
Gains/(losses) on the disposal of investments	(6)	26	3
Restructuring costs	(7)	95	58
Other unusual income/(expenses)	(8)	12	(20)
OPERATING PROFIT/(LOSS)		1,629	1,017
Financial income/(expenses)	(9)	(546)	(505)
Result from investments:	(10)	86	64
Share of the profit/(loss) of investees accounted for using the equity method		97	70
Other income/(expenses) from investments		(11)	(6)
PROFIT/(LOSS) BEFORE TAXES		1,169	576
Income taxes	(11)	468	198
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		701	378
Profit/(loss) from discontinued operations		-	-
PROFIT/(LOSS)		701	378
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		624	341
Non-controlling interests		77	37

(in euros)			
BASIC EARNINGS/(LOSS) PER ORDINARY SHARE	(13)	0.487	0.265
BASIC EARNINGS/(LOSS) PER PREFERENCE SHARE	(13)	0.487	0.265
BASIC EARNINGS/(LOSS) PER SAVINGS SHARE	(13)	0.533	0.311
DILUTED EARNINGS/(LOSS) PER ORDINARY SHARE	(13)	0.487	0.265
DILUTED EARNINGS/(LOSS) PER PREFERENCE SHARE	(13)	0.487	0.265
DILUTED EARNINGS/(LOSS) PER SAVINGS SHARE	(13)	0.533	0.311

(*) Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions on the consolidated income statement are presented in the specific Income Statement schedule provided in the following pages and are further described in Note 35.

(**) The comparative figures for 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Note	2011	2010 (*)
PROFIT/(LOSS) (A)		**701**	**378**
Gains/(losses) on cash flow hedges	(24)	**(43)**	5
Gains/(losses) on fair value of available-for-sale financial assets	(24)	**-**	1
Gains/(losses) on exchange differences on translating foreign operations	(24)	**(66)**	501
Share of other comprehensive income of entities consolidated by using the equity method	(24)	**21**	54
Income tax relating to components of Other comprehensive income	(24)	**6**	(4)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B)		**(82)**	**557**
TOTAL COMPREHENSIVE INCOME (A)+(B)		**619**	**935**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		**549**	842
Non-controlling interests		**70**	93

(*) The comparative figures for 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION(*)

(€ million)	Note	At 31 December 2011	At 31 December 2010 (**)
ASSETS			
Intangible assets	(14)	3,909	3,567
Property, plant and equipment	(15)	4,177	3,856
Investments and other financial assets:	(16)	666	737
Investments accounted for using the equity method		614	679
Other investments and financial assets		52	58
Leased assets	(17)	558	492
Defined benefit plan assets		215	166
Deferred tax assets	(11)	1,167	1,211
Total Non-current assets		10,692	10,029
Inventories	(18)	4,865	3,898
Trade receivables	(19)	1,562	1,839
Receivables from financing activities	(19)	13,946	10,908
Financial receivables from Fiat Group post Demerger	(19)	-	2,865
Current tax receivables	(19)	685	618
Other current assets	(19)	1,053	955
Current financial assets:		186	112
Current securities	(20)	68	24
Other financial assets	(21)	118	88
Cash and cash equivalents	(22)	5,639	3,686
Total Current assets		27,936	24,881
Assets held for sale	(23)	15	11
TOTAL ASSETS		38,643	34,921
Total Assets adjusted for asset-backed financing transactions		29,164	26,600

(*) Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions on the Statement of Financial position are presented in the specific Statement of Financial position schedule provided in the following pages and are further described in Note 35.

(**) The comparative figures at 31 December 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

(€ million)	Note	At 31 December 2011	At 31 December 2010 (**)
EQUITY AND LIABILITIES			
Equity:	(24)	5,411	4,744
Issued capital and reserves attributable to owners of the parent		4,555	3,987
Non-controlling interest		856	757
Provisions:		4,540	4,275
Employee benefits	(25)	2,070	2,017
Other provisions	(26)	2,470	2,258
Debt:	(27)	20,217	18,695
Asset-backed financing	(27)	9,479	8,321
Debt payable to Fiat Group post Demerger	(27)	-	5,626
Other debt	(27)	10,738	4,748
Other financial liabilities	(21)	157	147
Trade payables	(28)	5,052	4,077
Current tax payables		660	508
Deferred tax liabilities	(11)	111	52
Other current liabilities	(29)	2,495	2,423
Liabilities held for sale		-	-
TOTAL EQUITY AND LIABILITIES		38,643	34,921
Total equity and liabilities adjusted for asset-backed financing transactions		29,164	26,600

(**) The comparative figures at 31 December 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS(*)

(€ million)	Note	2011	2010 (**)
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(22)	3,686	1,561
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR			
Profit/(loss)		701	378
Amortisation and depreciation (net of vehicles sold under buy-back commitments and operating lease)		666	665
(Gains)/losses on disposal of:			
Property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)		(1)	2
Investments		(26)	(3)
Other non-cash items	(37)	289	193
Dividends received		57	32
Change in provisions		178	122
Change in deferred income taxes		101	30
Change in items due to buy-back commitments	(37)	40	40
Change in operating lease items	(37)	(12)	26
Change in working capital		333	1,070
TOTAL		2,326	2,555
C) CASH FLOWS FROM/(USED IN) INVESTMENT ACTIVITIES:			
Investments in:			
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating lease)		(993)	(872)
Entities consolidated on a line-by-line basis		(99)	(20)
Other equity investments		(5)	(7)
Proceeds from the sale of:			
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back)		10	10
Other investments		1	32
Net change in receivables from financing activities		(1,152)	335
Change in other current securities		(47)	18
Other changes		19	76
TOTAL		(2,266)	(428)
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:			
Bonds issued		2,557	1,132
Repayment of bonds		-	(377)
Issuance of other medium-term borrowings		1,974	832
Repayment of other medium-term borrowings		(1,231)	(830)
Net change in net financial payables to the Fiat Group post Demerger		(2,761)	(3,221)
Net change in other financial payables and other financial assets/liabilities		1,332	1,281
Capital increase		-	1,156
Dividends paid		(8)	(93)
(Purchase)/sale of ownership interests in subsidiaries		(1)	-
TOTAL		1,862	(120)
Translation exchange differences		31	118
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		1,953	2,125
F) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(22)	5,639	3,686

(*) Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions on the consolidated statement of cash flows are presented in the specific Statement of Cash Flows schedule provided in the following pages.

(**) The comparative figures for 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(€ million)	Share capital	Capital reserves	Earnings reserves	Cash flow hedge reserve	Cumulative translation adjustment reserve	Available-for-sale financial assets reserve	Cumulative share of OCI of entities consolidated under the equity method	Non-controlling interests	Total
AT 1 JANUARY 2010 (*)	-	-	5,233	(24)	(117)	(1)	(18)	718	5,791
Changes in equity for 2010 (*)									
Capital increase	-	-	400	-	-	-	-	-	400
Dividends distributed	-	-	(50)	-	-	-	-	(43)	(93)
Purchase and sale of ownership interests in subsidiaries from/to non-controlling interests	-	(5)	-	-	-	-	-	12	7
Total comprehensive income for the year	-	-	341	(1)	452	1	49	93	935
Other changes	-	-	15	-	-	-	-	(23)	(8)
Changes in the scope of combination due to transactions preliminary to the Demerger (1)	-	-	(2,288)	-	-	-	-	-	(2,288)
AT 31 DECEMBER 2010 (*)	-	(5)	3,651	(25)	335	-	31	757	4,744
Presentation for the effect of the Demerger (2)	1,913	462	(2,375)	-	-	-	-	-	-
AT 1 JANUARY 2011	1,913	457	1,276	(25)	335	-	31	757	4,744
Changes in equity for 2011									
Capital increase	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	(8)	(8)
Purchase and sale of ownership interests in subsidiaries from/to non-controlling interests	-	(5)	-	-	-	-	-	22	17
Total comprehensive income for the year	-	-	624	(33)	(63)	-	21	70	619
Other changes	-	-	24	-	-	-	-	15	39
AT 31 DECEMBER 2011	1,913	452	1,924	(58)	272	-	52	856	5,411

(1) Transactions preliminary to the Demerger are discussed in the following paragraph Method of preparation of comparative data for 2010.
(2) As described in the following paragraph Method of preparation of comparative data for 2010, historical combined net assets at 31 December 2010 include the accounting effects of the Demerger even though this became effective for legal purposes on 1 January 2011.
(*) The comparative figures for 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED INCOME STATEMENT

PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

(€ million)	Note	2011 Total	2011 of which Related parties (Note 35)	2010 (*) Total	2010 (*) of which Related parties (Note 35)
Net revenues	(1)	**24,289**	**1,559**	21,342	1,205
Cost of sales	(2)	**20,038**	**846**	17,979	686
Selling, general and administrative costs	(3)	**2,002**	**234**	1,793	162
Research and development costs	(4)	**505**	**28**	418	42
Other income/(expenses)	(5)	**(58)**	**2**	(60)	1
TRADING PROFIT/(LOSS)		**1,686**		**1,092**	
Gains/(losses) on the disposal of investments	(6)	**26**	**1**	3	-
Restructuring costs	(7)	**95**	**-**	58	-
Other unusual income/(expenses)	(8)	**12**	**-**	(20)	-
OPERATING PROFIT/(LOSS)		**1,629**		**1,017**	
Financial income/(expenses)	(9)	**(546)**	**(87)**	(505)	(121)
Result from investments:	(10)	**86**	**86**	64	64
Share of the profit/(loss) of investees accounted for using the equity method		**97**	**97**	70	70
Other income/(expenses) from investments		**(11)**	**(11)**	(6)	(6)
PROFIT/(LOSS) BEFORE TAXES		**1,169**		**576**	
Income taxes	(11)	**468**	**-**	198	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**701**		**378**	
Profit/(loss) from discontinued operations		**-**		-	
PROFIT/(LOSS)		**701**		**378**	
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Owners of the parent		**624**		341	
Non-controlling interests		**77**		37	

(*) The comparative figures for 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

		At 31 December 2011		At 31 December 2010 (*)	
(€ million)	Note	Total	of which Related parties (Note 35)	Total	of which Related parties (Note 35)
ASSETS					
Intangible assets	(14)	3,909	-	3,567	-
Property, plant and equipment	(15)	4,177	-	3,856	-
Investments and other financial assets:	(16)	666	664	737	691
Investments accounted for using the equity method		614	614	679	679
Other investments and financial assets		52	50	58	12
Leased assets	(17)	558	-	492	-
Defined benefit plan assets		215	-	166	-
Deferred tax assets	(11)	1,167	-	1,211	-
Total Non-current assets		10,692		10,029	
Inventories	(18)	4,865	-	3,898	-
Trade receivables	(19)	1,562	149	1,839	211
Receivables from financing activities	(19)	13,946	12	10,908	-
Financial receivables from Fiat Group post Demerger	(19)	-	-	2,865	2,865
Current tax receivables	(19)	685	-	618	66
Other current assets	(19)	1,053	9	955	21
Current financial assets:		186	-	112	45
Current securities	(20)	68	-	24	-
Other financial assets	(21)	118	-	88	45
Cash and cash equivalents	(22)	5,639	18	3,686	-
Total Current assets		27,936		24,881	
Assets held for sale	(23)	15	-	11	-
TOTAL ASSETS		38,643		34,921	
EQUITY AND LIABILITIES					
Equity:	(24)	5,411	3	4,744	-
Issued capital and reserves attributable to owners of the parent		4,555	3	3,987	-
Non-controlling interest		856	-	757	-
Provisions:		4,540	1	4,275	-
Employee benefits	(25)	2,070	1	2,017	-
Other provisions	(26)	2,470	-	2,258	-
Debt:	(27)	20,217	8	18,695	5,900
Asset-backed financing	(27)	9,479	2	8,321	219
Debt payable to Fiat Group post Demerger	(27)	-	-	5,626	5,626
Other debt	(27)	10,738	6	4,748	55
Other financial liabilities	(21)	157	-	147	91
Trade payables	(28)	5,052	292	4,077	261
Current tax payables		660	-	508	5
Deferred tax liabilities	(11)	111	-	52	-
Other current liabilities	(29)	2,495	28	2,423	130
Liabilities held for sale		-	-	-	-
TOTAL EQUITY AND LIABILITIES		38,643		34,921	

(*) The comparative figures at 31 December 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

(€ million)	Note	2011 Total	2011 of which Related Parties (Note 35)	2010 (*) Total	2010 (*) of which Related Parties (Note 35)
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(22)	3,686		1,561	
B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR:					
Profit/(loss)		701	-	378	-
Amortisation and depreciation (net of vehicles sold under buy-back commitments and operating lease)		666	-	665	-
(Gains)/losses on disposal of:					
Property plant and equipment and intangible assets (net of vehicles sold under buy-back commitments)		(1)	-	2	-
Investments		(26)	-	(3)	-
Other non-cash items	(37)	289	-	193	-
Dividends received		57	57	32	32
Change in provisions		178	1	122	-
Change in deferred income taxes		101	-	30	-
Change in items due to buy-back commitments	(37)	40	-	40	-
Change in operating lease items	(37)	(12)	-	26	-
Change in working capital		333	37	1,070	130
TOTAL		2,326		2,555	
C) CASH FLOWS FROM/(USED IN) INVESTMENT ACTIVITIES:					
Investments in:					
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back commitments and operating lease)		(993)	-	(872)	(18)
Entities consolidated on a line-by-line basis		(99)	(95)	(20)	-
Other equity investments		(5)	-	(7)	-
Proceeds from the sale of:					
Property, plant and equipment and intangible assets (net of vehicles sold under buy-back)		10	-	10	-
Other investments		1	1	32	-
Net change in receivables from financing activities		(1,152)	(61)	335	-
Change in other current securities		(47)	-	18	-
Other changes		19	-	76	-
TOTAL		(2,266)		(428)	
D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:					
Bonds issued		2,557	-	1,132	-
Repayment of bonds		-	-	(377)	-
Issuance of other medium-term borrowings		1,974	-	832	-
Repayment of other medium-term borrowings		(1,231)	-	(830)	-
Net change in net financial payables to the Fiat Group post Demerger		(2,761)	(2,761)	(3,221)	(3,221)
Net change in other financial payables and other financial assets/liabilities		1,332	-	1,281	21
Capital increase		-	-	1,156	1,156
Dividends paid		(8)	-	(93)	-
(Purchase)/sale of ownership interests in subsidiaries		(1)	-	-	-
TOTAL		1,862		(120)	
Translation exchange differences		31		118	
E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		1,953		2,125	
F) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(22)	5,639		3,686	

(*) The comparative figures for 2010 have been prepared in accordance with the paragraph below Method of preparation of comparative data for 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPAL ACTIVITIES

Fiat Industrial S.p.A. is a corporation organised under the laws of the Republic of Italy. Fiat Industrial S.p.A. and its subsidiaries (the "Group") operate in approximately 40 countries. The Group is involved in the manufacture and sale of agricultural and construction equipment, trucks and commercial vehicles and Industrial&Marine engines and transmission systems.

During 2010, the Fiat Group initiated and completed a strategic project to separate the Agricultural and Construction Equipment (CNH) and Trucks and Commercial Vehicles (Iveco) activities, as well as the "Industrial & Marine" business line of FPT Powertrain Technologies (FPT Industrial), from the Automobile and Automobile-related Components and Production Systems activities, consisting of Fiat Group Automobiles, Maserati, Ferrari, Magneti Marelli, Teksid, Comau and the "Passenger & Commercial Vehicles" business line of FPT Powertrain Technologies.

Separation of those businesses, through the demerger from Fiat S.p.A. and transfer to Fiat Industrial S.p.A. (the "Demerger" – a *Partial and Proportional Demerger* pursuant to Article 2506-*bis* of the Civil Code), resulted in the creation of Fiat Industrial Group (consisting of CNH, Iveco and FPT Industrial) on 1 January 2011.

Pursuant to the Demerger, on 1 January 2011 the net assets of Fiat S.p.A. decreased by €3,750 million (including a €1,913 million reduction in share capital), while the net assets of Fiat Industrial S.p.A. increased by the same amount. As a consequence, shareholders of Fiat S.p.A. received, for no consideration, one share in Fiat Industrial S.p.A. for each share of the same class already held in Fiat S.p.A. Since 3 January 2011, Fiat S.p.A. and Fiat Industrial S.p.A. have been listed separately on the MTA ("*Mercato Telematico Azionario di Milano*") and operate as independent companies, each with its own management and Board of Directors.

The Group has its head office in Turin, Italy.

The consolidated financial statements are presented in euros, that is the currency of the primary economic environment in which the Group operates.

METHOD OF PREPARATION OF COMPARATIVE DATA FOR 2010

Comparative data for 2010 (in the following the "historical combined financial statements") have been prepared by combining information regarding the financial assets and liabilities, cash flows and results of operations of the Fiat Group which are the object of the Demerger (now forming the "Fiat Industrial Group") for the year ended 31 December 2010, based on the historical data included in the consolidated financial statements of the Fiat Group for that year; these operations were carried out in the Fiat Group during that period through the directly or indirectly held subsidiaries of Fiat S.p.A.

As the Demerger was considered a "business combination involving entities or businesses under common control", it was outside the scope of application of IFRS 3 and IFRIC 17 and was recognised without adjusting the carrying amounts of assets and liabilities. Accordingly assets and liabilities were accounted for at their net book value. The information regarding the assets and liabilities, cash flows and results of operations stated in the Combined Financial Statements is consistent with the financial information already disclosed in the consolidated financial statements of the Fiat Group for the year ended 31 December 2010. Further, given the method of combination used, as described below, the opening consolidated statement of financial position of the Fiat Industrial Group at 1 January 2011 is the same as the historical combined statement of financial position at 31 December 2010, except for the accounting effects of the Demerger on the classification of equity items relating to the new parent company Fiat Industrial S.p.A. (share capital and reserves), which have been accounted for at the effective date of the operation for legal purposes.

If however the combined companies had actually operated as a single group separate from the Fiat Group in the year ended 31 December 2010, the actual results of operations, cash flows and assets and liabilities obtained would not necessarily have been the same as those presented here. In particular, the historical net debt of the companies forming part of the Fiat Industrial Group should not necessarily be considered representative of an independently managed business; rather, it reflects an allocation to individual companies made in the context of the Fiat Group taken as a whole.

As a consequence, the historical combined financial statements included the financial statements of entities owned directly or indirectly by Fiat S.p.A. until 31 December 2010 which then became part of Fiat Industrial S.p.A. from 1 January 2011, together with the specific assets and liabilities and corresponding portion of the equity of Fiat S.p.A. relating to the partial and proportional demerger to Fiat Industrial S.p.A.

More specifically, before 2010 the activities which have now been included in the Fiat Industrial Group were almost entirely carried out through legally controlled companies by means of two direct investments of Fiat S.p.A.: Fiat Netherlands Holding N.V., a sub-holding controlling the CNH Global NV group (CNH sector), and Iveco S.p.A., the legal parent of the operations of the Trucks and Commercial Vehicles sector and of the "Industrial & Marine" business line of the FPT Powertrain Technologies sector of the Fiat Group, now making up the FPT Industrial sector. As a result, therefore, the combined data referring to that period were prepared on the basis of the historical data included in the consolidated financial statements of the Fiat Group for that year by combining (i) the financial statements of Fiat Netherlands Holding NV and its subsidiaries, (ii) the financial statements of Iveco S.p.A. and its subsidiaries, (iii) the assets and liabilities of certain minor operations not included in the above-mentioned legal groupings and (iv) the assets and liabilities of Fiat S.p.A. designated for demerger including the allocation of net debt due to Fiat Finance S.p.A. (treasury of Fiat S.p.A.).

During 2010, as a preliminary to the Demerger, a reorganisation took place of the corporate structure of the industrial activities headed by Iveco S.p.A., which on the one hand led to the sale of the businesses and investments representing the Italian activities and of certain joint ventures of the Industrial Vehicles and Powertrain "Industrial & Marine" businesses to two previously dormant companies, Nuove Iniziative Finanziarie Cinque S.p.A. (which then changed its name to Iveco S.p.A.) and Nuova Immobiliare Nove S.p.A. (now FPT Industrial S.p.A.), 100% owned by Fiat S.p.A., and on the other to the sale of its foreign investments to Fiat Netherlands Holding N.V. As a result of these sales, the composition of the Fiat Industrial Group changed, with the exclusion of the previous Iveco S.p.A. legal entity, which is no longer operational (and now renamed Fiat Gestione Partecipazioni S.p.A.) and certain other minor changes connected with the formation of Fiat Industrial Finance S.p.A. and other variations in the corporate structure.

More generally, the method used to allocate operations to the Fiat Industrial Group was as follows:

- Where they did not correspond to a separate legal entity, assets and liabilities attributable to the operations transferred to the Fiat Industrial Group were identified and recognised in the combined financial statements by adjusting equity.

- Income and expenses attributable to operations were allocated on a basis consistent with the allocation of the assets and liabilities that generated them or the companies to which they refer. Expenses did not include the additional corporate overheads which have been incurred since 2011 when the Fiat Industrial Group became an independent listed Group. These expenses, though, were not considered significant.
- Cash flows relating to these operations were allocated to the companies to which they refer on a basis consistent with the assumption used to allocate assets and liabilities.
- All the items resulting from transactions between companies remaining in the Fiat Group post Demerger and companies transferring to the Fiat Industrial Group were included in the historical combined financial statements as items relating to third parties; moreover, given their size, receivables and payables of a financial nature (meaning those resulting from transactions with the treasury companies and financial service companies of the Fiat Group post Demerger) were stated in specific line items of the statement of financial position.
- In the cases where, if possible, the companies transferring to the Fiat Industrial Group had elected to take part in national tax consolidations with other companies of the Fiat Group, the current and deferred taxes presented in the historical combined financial statements were calculated by additionally taking into account the effects resulting from the participation by those companies in the respective national consolidations within the Fiat Group.

As the consequence of the change in scope as discussed above the Group's combined net equity has decreased, as shown in the statement of changes in consolidated equity. The total net change amounts to €2,288 million and consists of the following components:

(€ million)	
Capitalisations (the new Iveco S.p.A., FPT Industrial S.p.A., Fiat Industrial Finance S.p.A., Fiat Netherlands Holding N.V., Fiat Industrial S.p.A.)	756
Elimination from the combination scope of the previous Iveco S.p.A. (now Fiat Gestione Partecipazioni S.p.A.)	(1,817)
Allocation of the demerged net debt of Fiat S.p.A.	(1,227)
TOTAL	2,288

Basic earnings per share are calculated by dividing the profit/(loss) attributable to owners of the parent entity assignable to the various classes of shares by the number of shares resulting after applying the one-to-one ratio used for the allotment of Fiat Industrial S.p.A. shares to the holders of Fiat S.p.A. shares outstanding at 31 December 2010.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The 2010 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and with the provisions implementing Article 9 of Legislative Decree no. 38/2005. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the IFRS Interpretations Committee, formerly the Standing Interpretations Committee ("SIC") and then the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements are prepared under the historical cost convention, modified as required for the valuation of certain financial instruments, as well as on the going concern assumption. In this respect, despite operating in a continuingly difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern, in view also of the measures already undertaken by the Group to adapt to the changed levels of demand and the Group's industrial and financial flexibility.

Format of the financial statements

The Group presents an income statement using a classification based on the function of expenses (otherwise known as the "cost of sales" method), rather than based on their nature, as this is believed to provide information that is more relevant. The format selected is that used for managing the business and for management reporting purposes and is consistent with international practice in the capital goods sector. In this income statement, in which the classification of expenses is based on their function, the Trading profit/(loss) is reported specifically as part of Operating profit/(loss) and separate from the income and expense resulting from the non-recurring operations of the business, such as Gains/(losses) on the sale of investments, Restructuring costs and any Other income/(expenses) defined as unusual and of a similar nature to these items. By doing this, it is believed that the Group's actual performance from normal trading operations may be measured in a better way, while disclosing specific details of unusual income and expenses. Consequently, the definition of unusual transaction adopted by the Group differs from that provided in the Consob Communication of 28 July, 2006, under which unusual and abnormal transactions are those which, because of their significance or importance, the nature of the parties involved, the object of the transaction or the methods of determining the transfer price or the timing of the event (close to the year-end), may give rise to doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of an entity's assets or the protection of non-controlling interests.

For the Statement of financial position, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1. In more detail, both companies carrying out industrial activities and those carrying out financial activities are consolidated in the Group's financial statements. The investment portfolios of financial services companies are included in current assets, as the investments will be realised in their normal operating cycle. Financial services companies, though, obtain funds only partially from the market: the remaining are obtained from Fiat Industrial S.p.A. through the Group's treasury companies (included in industrial companies), which lend funds both to industrial Group companies and to financial services companies as the need arises. This financial service structure within the Group means that any attempt to separate current and non-current debt in the consolidated Statement of financial position cannot be meaningful. Suitable disclosure of the due dates of liabilities is moreover provided in the notes.

The Statement of Cash Flows is presented using the indirect method.

In connection with the requirements of the Consob Resolution 15519 of 27 July 2006 as to the format of the financial statements, specific supplementary Income Statement, Statement of Financial Position and Statement of Cash Flows formats have been added for related party transactions so as not to compromise an overall reading of the statements.

Basis of consolidation

Subsidiaries

Subsidiaries are enterprises controlled by the Group, as defined in IAS 27 – *Consolidated and Separate Financial Statements*. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are combined in the consolidated financial statements from the date that control commences until the date that control ceases. Non-controlling interests in the net assets of consolidated subsidiaries and non-controlling interests in the profit or loss of consolidated subsidiaries are presented separately from the interests of the owners of the parent in the consolidated statement of financial position and income statement respectively. Losses applicable to non-controlling interests which exceed the minority's interests in the subsidiary's equity are allocated against the non-controlling interests. Changes in the interests in a subsidiary which do not lead to the acquisition or loss of control are recognised directly in equity.

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions. The carrying amounts of the equity attributable to owners of the parent and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the book value of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in the equity attributable to the owners of the parent.

If the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Any profits or losses recognised in other comprehensive income in respect of the measurement of the assets of the subsidiary are accounted for as if the subsidiary had been sold (i.e. are reclassified to profit or loss or transferred directly to retained earnings depending on the applicable IFRS). The fair value of any investment retained in the former subsidiary is measured in accordance with IAS 39, IAS 28 or IAS 31, depending on the type of investment.

Subsidiaries that are either dormant or generate a negligible volume of business, are not consolidated. Their impact on the Group's assets, liabilities, financial position and profit/(loss) attributable to the owners of the parent is immaterial.

Jointly controlled entities

Jointly controlled entities are enterprises in which the Group has contractually agreed sharing of control or for which a contractual arrangement exists whereby two or more parties undertake an economic activity that is subject to joint control. Investments in jointly controlled entities are accounted for using the equity method from the date that joint control commences until the date that joint control ceases.

Associates

Associates are enterprises over which the Group has significant influence, but not control or joint control, over the financial and operating policies, as defined in IAS 28 – *Investments in Associates*. The consolidated financial statements include the Group's share of the earnings of associates using the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate in the Group's balance sheet, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in other companies

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or losses arising from changes in fair value are recognised directly in other comprehensive income until the assets are sold or are impaired, when the cumulative gains and losses previously recognised in equity are recognised in the income statement of the period.

Investments in other companies for which fair value is not available are stated at cost less any impairment losses.

Dividends received from these investments are included in Other income/(expenses) from investments.

Transactions eliminated on consolidation

All significant intragroup balances and transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognised in the income statement.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

The goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the Euro are recognised in the functional currency and translated at the exchange rate at the acquisition date. These balances are subsequently translated at the exchange rate at the balance sheet date.

The principal exchange rates used in 2011 and 2010 to translate into Euros the financial statements prepared in currencies other than the Euro were as follows:

	Average 2011	At 31 December 2011	Average 2010	At 31 December 2010
U.S. dollar	**1.392**	**1.294**	1.326	1.336
Pound sterling	**0.868**	**0.835**	0.858	0.861
Swiss franc	**1.233**	**1.216**	1.380	1.250
Polish zloty	**4.121**	**4.458**	3.995	3.975
Brazilian real	**2.327**	**2.416**	2.331	2.218
Argentine peso	**5.742**	**5.561**	5.183	5.303

In the context of IFRS First-time Adoption, the cumulative translation difference arising from the consolidation of foreign operations outside the Euro zone was set at nil, as permitted by IFRS 1; gains or losses on subsequent disposal of any foreign operation only include accumulated translation differences arising after 1 January 2004.

Business Combinations

Business combinations are accounted for by applying the acquisition method. Under this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Group and the equity interests issued in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at that date, except for the following which are measured in accordance with the relevant standard:

- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefit arrangements;
- liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree;
- assets (or disposal groups) that are classified as held for sale.

Goodwill is measured as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction-by-transaction basis.

Any contingent consideration arrangement in the business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination in order to determine goodwill. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are recognised retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which may not exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date. Any changes in fair value after the measurement period are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Changes in the equity interest in the acquiree that have been recognised in Other comprehensive income in prior reporting periods are reclassified to profit or loss as if the interest had been disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete in the consolidated financial statements. Those provisional amounts are adjusted during the above mentioned measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Intangible assets

Goodwill

Goodwill arising on business combinations is initially measured at cost as established at the acquisition date, as defined in the above paragraph. Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

On disposal of part or whole of a business which was previously acquired and which gave rise to the recognition of goodwill, the remaining amount of the related goodwill is included in the determination of the gain or loss on disposal.

In the context of IFRS First-time Adoption, the Fiat Group elected not to apply IFRS 3 – *Business Combinations* retrospectively to the business combinations that occurred before 1 January 2004; as a consequence, goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Italian GAAP amounts, subject to impairment testing at that date.

Development costs

Development costs for vehicle project production (trucks, buses, agricultural and construction equipment and engines) are recognised as an asset if and only if both of the following conditions are met: that development costs can be measured reliably and that technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalised development costs include all direct and indirect costs that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic basis from the start of production of the related product over the product's estimated average life, as follows:

	N° of years
Trucks and Buses	4-8
Agricultural and Construction Equipment	5
Engines	8-10

All other development costs are expensed as incurred.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

Other intangible assets

Other purchased and internally-generated intangible assets are recognised as assets in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.

Such assets are measured at purchase or manufacturing cost and amortised on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.

Other intangible assets acquired as part of the acquisition of a business are capitalised separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Cost

Property, plant and equipment are stated at acquisition or production cost.

Subsequent expenditures and the cost of replacing parts of an asset are capitalised only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalised, the carrying amount of the parts that are replaced is recognised in the income statement.

Property, plant and equipment also include vehicles sold with a buy-back commitment, which are recognised according to the method described in the paragraph Revenue recognition if the buy-back commitment originates from the Trucks and Commercial Vehicles sector.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are depreciated by the method and at the rates indicated below.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Depreciation rates
Buildings	2.5% - 10%
Plant, machinery and equipment	6.25% - 20%
Other assets	10% - 25%

Land is not depreciated.

Finance leases

Future minimum lease payments from lessees are classified as Receivables from financing activities. Lease payments are recognised as the repayment of the principal and financial income remunerating the initial investment and the services provided.

Leased assets

Leased assets include vehicles leased to retail customers by the Group's leasing companies under operating lease arrangements. They are stated at cost and depreciated at annual rates of between 20% and 33%.

When such assets cease to be rented and become held for sale, the Group reclassifies their carrying amount to Inventories.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23 – *Borrowing Costs*), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised and amortised over the useful life of the class of assets to which they refer.

All other borrowing costs are expensed when incurred.

Impairment of assets

The Group reviews, at least annually, the recoverability of the carrying amount of intangible assets (including capitalised development costs) and property, plant and equipment, in order to determine whether there is any indication that those assets have suffered an impairment loss. If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, if there is an indication that the asset may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised when the recoverable amount is lower than the carrying amount. Where an impairment loss for assets other than goodwill and other assets with indefinite useful life subsequently no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognised. A reversal of an impairment loss is recognised in the income statement immediately.

Financial instruments

Presentation

Financial instruments held by the Group are presented in the financial statements as described in the following paragraphs.

Investments and other non-current financial assets comprise investments in unconsolidated companies and other non-current financial assets (held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets).

Current financial assets, as defined in IAS 39, include trade receivables, receivables from financing activities (retail financing, dealer financing, lease financing and other current loans to third parties), current securities and other current financial assets (which include derivative financial instruments stated at fair value as assets), as well as cash and cash equivalents.

In particular, Cash and cash equivalents include cash at banks, units in liquidity funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value.

Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents; current securities include both available-for-sale and held for trading securities.

Financial liabilities refer to debt, which includes asset-backed financing, and other financial liabilities (which include derivative financial instruments stated at fair value as liabilities), trade payables and other payables.

Measurement

Investments in unconsolidated companies classified as non-current financial assets are accounted for as described in the section Basis of consolidation.

Non-current financial assets other than investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*.

Current financial assets and held-to-maturity securities are recognised on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs.

Subsequent to initial recognition, available-for-sale and held for trading financial assets are measured at fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques e.g. discounted cash flow analysis based on market information available at the balance sheet date.

Gains and losses on available-for-sale financial assets are recognised directly in other comprehensive income until the financial asset is disposed or is determined to be impaired; when the asset is disposed of, the cumulative gains or losses, including those previously recognised in other comprehensive income, are reclassified to the income statement for the period; when the asset is impaired, accumulated losses are recognised in the income statement. Gains and losses arising from changes in the fair value of held for trading financial instruments are included in the income statement for the period.

Loans and receivables which are not held by the Group for trading (loans and receivables originating in the course of business), held-to-maturity securities and all financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortised cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in the income statement for the period.

Except for derivative instruments, financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in the respective hedged risk, are recognised in the income statement and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured in accordance with IAS 39 at fair value.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- *Fair value hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the income statement.
- *Cash flow hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability or a highly probable forecasted transaction and could affect the income statement, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. The cumulative gain or loss is removed from other comprehensive income and recognised in the income statement at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognised in the income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realised to the point of termination remains in other comprehensive income and is recognised in the income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in other comprehensive income is recognised in the income statement immediately.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement.

Sales of receivables

The Group sells a significant part of its financial and trade receivables through either securitisation programs or factoring transactions.

A securitisation transaction entails the sale of a portfolio of receivables to a securitisation vehicle. This special purpose entity finances the purchase of the receivables by issuing asset-backed securities (i.e. securities whose repayment and interest flow depend upon the cash flow generated by the portfolio). Asset-backed securities are divided into classes according to their degree of seniority and rating: the most senior classes are placed with investors on the market; the junior class, whose repayment is subordinated to the senior classes, is normally subscribed for by the seller. The residual interest in the receivables retained by the seller is therefore limited to the junior securities it has subscribed for. In accordance with SIC 12 – *Consolidation – Special Purpose Entities* (SPE), all securitisation vehicles are included in the scope of consolidation, because the subscription of the junior asset-backed securities by the seller entails its control in substance over the SPE.

Furthermore, factoring transactions may be with or without recourse to the seller; certain factoring agreements without recourse include deferred purchase price clauses (i.e. the payment of a minority portion of the purchase price is conditional upon the full collection of the receivables), require a first loss guarantee of the seller up to a limited amount or imply a continuing significant exposure to the receivables cash flow. These kinds of transactions do not meet IAS 39 requirements for asset derecognition, since the risks and rewards have not been substantially transferred.

Consequently, all receivables sold through both securitisation and factoring transactions which do not meet IAS 39 derecognition requirements are recognised as such in the Group financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated statement of financial position as Asset-backed financing. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group statement of financial position.

Inventories

Inventories of raw materials, semi-finished products and finished goods, (including assets leased out under operating leases) are stated at the lower of cost and net realisable value, cost being determined on a first in-first-out (FIFO) basis. The measurement of inventories includes the direct costs of materials, labour and indirect costs (variable and fixed). Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of construction contracts is based on the stage of completion determined as the proportion that cost incurred to the balance sheet date bears to the estimated total contract cost. These items are presented net of progress billings received from customers. Any losses on such contracts are fully recorded in the income statement when they become known.

Assets and liabilities held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Employee benefits

Pension plans

Employees of the Group participate in several defined benefit and/or defined contribution pension plans in accordance with local conditions and practices in the countries in which the Group operates.

The Group's obligation to fund defined benefit pension plans and the annual cost recognised in the income statement are determined on an actuarial basis using the projected unit credit method. The portion of net cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year is amortised over the average remaining service lives of the employees (the "corridor approach"). It should be noted that in the context of IFRS First-time Adoption the Fiat Group elected to recognise all cumulative actuarial gains and losses existing at 1 January 2004 even though it decided to use the corridor approach for subsequent actuarial gains and losses.

The post-employment benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses, arising from the application of the corridor method and unrecognised past service cost, reduced by the fair value of plan assets. Any net asset resulting from this calculation is recognised at the lower of its amount and the total of any cumulative unrecognised net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If changes are made to a plan that alter the benefits due for past service or if a new plan is introduced regarding past service then past service costs are recognised in the income statement on a straight-line basis over the average period remaining until the benefits become vested. If a change is made to a plan that significantly reduces the number of employees who are members of the plan or that alters the conditions of the plan such that employees will no longer be entitled to the same benefits for a significant part of their future service, or if such benefits will be reduced, the profit or loss arising from such changes is immediately recognised in the income statement.

All other costs and income arising from the measurement of pension plan provisions are allocated to costs by function in the income statement, except for interest cost on unfunded defined benefit plans which is reported as part of Financial expenses.

Costs arising from defined contribution plans are recognised as an expense in the income statement as incurred.

Post-employment plans other than pensions

The Group provides certain post-employment defined benefits, mainly health care plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

The scheme underlying the Employee leaving entitlements in Italy of the Italian Group companies (the TFR) was classified as a defined benefit plan until 31 December 2006. The legislation regarding this scheme and leading to this classification was amended by Law no. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the consolidated financial statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

Equity compensation plans

The Group provides additional benefits to certain members of senior management and employees through equity compensation plans (stock option plans and stock grants). In accordance with IFRS 2 – *Share-based Payment*, these plans represent a component of recipient remuneration. The compensation expense, corresponding to the fair value of the instruments at the grant date, is recognised in the income statement on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognised directly in equity. Any subsequent changes to fair value do not have any effect on the initial measurement.

Provisions

The Group records provisions when it has an obligation, legal or constructive, to a third party, when it is probable that an outflow of Group resources will be required to satisfy the obligation and when a reliable estimate of the amount can be made.

Changes in estimates are reflected in the income statement in the period in which the change occurs.

Revenue recognition

Revenue is recognised if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be measured reliably. Revenues are stated net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognised. The Group's sales incentive programs include the granting of retail financing at significant discount to market interest rates. The corresponding cost is recognised at the time of the initial sale.

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, the sales price is agreed or determinable and receipt of payment can be assumed: this corresponds generally to the date when the vehicles are made available to non-group dealers, or the delivery date in the case of direct sales. New vehicle sales with a buy-back commitment are not recognised at the time of delivery but are accounted for as operating leases when it is probable that the vehicle will be bought back. More specifically, vehicles sold with a buy-back commitment from the Trucks and Commercial Vehicles sector are accounted for as Property, plant and equipment because agreements have usually a long-term buy-back commitment. The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period is depreciated on a straight-line basis over the same period. The initial sale price received is recognised as an advance payment (liability). The difference between the initial sale price and the buy-back price is recognised as rental revenue on a straight-line basis over the term of the operating lease. Assets sold under a buy-back commitment that are initially recognised in Property, plant and equipment are reclassified to Inventories at the end of the agreement term if they are held for sale. The proceeds from the sale of such assets are recognised as Revenues.

Revenues from construction contracts are recognised by reference to the stage of completion.

Revenues from the sale of extended warranties and maintenance contracts are recognised over the period during which the service is provided.

Revenues also include lease rentals and interest income from financial services companies.

Cost of sales

Cost of sales comprises the cost of manufacturing products and the acquisition cost of purchased merchandise which has been sold. It includes all directly attributable material and production costs and all production overheads. These include the depreciation of property, plant and equipment and the amortisation of intangible assets relating to production and write-downs of inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealer and agency fees in the case of direct sales.

Cost of sales also includes provisions made to cover the estimated cost of product warranties at the time of sale to dealer networks or to the end customer.

Expenses which are directly attributable to the financial services businesses, including the interest expense related to the financing of financial services businesses as a whole and charges for risk provisions and write-downs, are reported in cost of sales.

Research and development costs

This item includes research costs, development costs not eligible for capitalisation and the amortisation of development costs recognised as assets in accordance with IAS 38 (see Notes 4 and 14).

Government grants

Government grants are recognised in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and is accounted for in accordance with the policies already used for the recognition of government grants.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognised in the income statement except to the extent that they relate to items directly charged or credited to other comprehensive income, in which case the related income tax effect is recognised in other comprehensive income. Provisions for income taxes that could arise on the distribution of a subsidiary's undistributed profits are only made where there is a current intention to distribute such profits. Other taxes not based on income, such as property taxes and capital taxes, are included in operating expenses. Deferred taxes are provided using the full liability method. They are calculated on all temporary differences between the tax base of an asset or liability and the carrying amounts in the consolidated financial statements, except for those arising from non-tax-deductible goodwill and for those related to investments in subsidiaries where it is possible to control the reversal of the differences and reversal will not take place in the foreseeable future. Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from temporary differences, are recognised to the extent that it is probable that future profits will be available against which they can be utilised. Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the periods in which temporary differences reverse or expire.

Dividends

Dividends payable by the Group are reported as a movement in equity in the period in which they are approved by shareholders in their Annual General Meeting.

Earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) attributable to owners of the parent entity assignable to the various classes of shares by the weighted average number of shares outstanding during the year.

For diluted earnings per share the weighted average number of shares outstanding was not modified because no dilutive instruments have been issued by Fiat Industrial S.p.A.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on elements known at the date of preparation of the financial statements, on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

In this respect the situation caused by the profound economic and financial crisis which began in 2008 has led to the need to make assumptions regarding future performance which are characterised by significant uncertainty; as a consequence, therefore, it cannot be excluded that results may arise during the next year which differ from estimates, and which therefore might require adjustments, even significant, to be made to the carrying amount of the items in question, which at the present moment can clearly neither be estimated nor predicted. The main items affected by these situations of uncertainty are the allowances for doubtful accounts receivable and inventories, non-current assets (tangible and intangible assets), the residual values of vehicles leased out under operating lease arrangements or sold with buy-back clauses, sales allowances, product warranties, pension and other post-retirement benefits, deferred tax assets and contingent liabilities.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and the key assumptions concerning the future, that management has made in the process of applying the Group accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's estimate of losses inherent in the wholesale and retail credit portfolio. This allowance is based on the Group's estimate of the losses to be incurred, which derives from past experience with similar receivables, current and historical past due amounts, dealer termination rates, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. Should the present economic and financial situation persist or even worsen, this could lead to a further deterioration in the financial situation of the Group's debtors compared to that already taken into consideration in calculating the allowances recognised in the financial statements.

Allowance for obsolete and slow-moving inventory

The allowance for obsolete and slow-moving inventory reflects management's estimate of the loss in value expected by the Group, and has been determined on the basis of past experience and historical and expected future trends in the used vehicle market. A worsening of the economic and financial situation could cause a further deterioration in conditions in the used vehicle market compared to that already taken into consideration in calculating the allowances recognised in the financial statements.

Recoverability of non-current assets (including goodwill)

Non-current assets include property, plant and equipment, intangible assets (including goodwill), investments and other financial assets. Management reviews the carrying value of non-current assets held and used and that of assets to be disposed of when events and circumstances warrant such a review. Management performs this review using estimates of future cash flows from the use or disposal of the asset and a suitable discount rate in order to calculate present value. If the carrying amount of a non-current asset is considered impaired, the Group records an impairment loss for the amount by which the carrying amount of the asset exceeds its estimated recoverable amount from use or disposal determined by reference to its most recent business forecasts.

In view of the present economic and financial situation, the Group has the following considerations in respect of its future prospects:

- In this context, when preparing figures for the consolidated financial statements for the year ended 31 December 2011 and more specifically when carrying out impairment testing of tangible and intangible assets, the various sectors of the Group took into account their performance for 2012 as forecast in the budgets of the Fiat Industrial Group, with assumptions and results consistent with the statements made in the section Significant events subsequent to the year end and outlook. In addition, for subsequent years they took into account the forecasts and targets included in the Fiat Group's 2010-2014 Strategic Plan presented to the financial community on 21 April 2010, as prudently revised down, if necessary, for expected changes in market conditions. These forecasts did not indicate the need to recognise any significant impairment losses.

- In addition, should the assumptions underlying the forecast deteriorate further the following is noted:
  - The Group's tangible assets and intangible assets with a finite useful life (which essentially regard development costs) relate to models or products having a high technological content in line with the latest environmental laws and regulations, which consequently renders them competitive in the present economic situation, especially in the more mature economies in which particular attention is placed on the eco-sustainability of those types of products. As a result, therefore, despite the fact that the capital goods sector (in particular, commercial vehicles and construction equipments in certain specific geographical areas) is one of the markets most affected by the crisis in the immediate term, it is considered highly probable that the life cycle of these products can be lengthened to extend over the period of time involved in a slower economic recovery, in this way allowing the Group to achieve sufficient earnings flows to cover the investments, albeit over a longer timescale.
  - Around 97% of capitalised goodwill relates to the CNH business amounting to €1,872 million at 31 December 2011. Detailed analyses using various methodologies were carried out to test its recoverability; the underlying considerations are described in Note 14.

Residual values of assets leased out under operating lease arrangements or sold with a buy-back commitment

The Group reports assets rented to customers or leased to them under operating leases as tangible assets. Furthermore, new vehicle sales with a buy-back commitment are not recognised as sales at the time of delivery but are accounted for as operating leases if it is probable that the vehicle will be bought back. The Group recognises income from such operating leases on a straight-line basis over the term of the lease. Depreciation expense for assets subject to operating leases is recognised on a straight-line basis over the lease term in amounts necessary to reduce the cost of an assets to its estimated residual value at the end of the lease term. The estimated residual value of leased assets is calculated at the lease inception date on the basis of published industry information and historical experience.

Realisation of the residual values is dependent on the Group's future ability to market the assets under the then-prevailing market conditions. The Group continually evaluates whether events and circumstances have occurred which impact the estimated residual values of the assets on operating leases. The used vehicle market was carefully monitored throughout 2011 to ensure that write-downs were properly determined. It cannot however be excluded that additional write-downs may be needed if market conditions should deteriorate even further.

Sales allowances

At the later time of sale or the time an incentive is announced to dealers, the Group records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. There may be numerous types of incentives available at any particular time. The determination of sales allowances requires management estimates based on different factors.

Product warranties

The Group makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information on the nature, frequency and average cost of warranty claims. The Group seeks to improve vehicle quality and minimise warranty expenses arising from claims.

Pension and other post-retirement benefits

Group companies sponsor pension and other post-retirement benefits in various countries, mainly in the United States, in the United Kingdom and in Germany.

Employee benefit liabilities and the related assets and the costs and net interest expense connected with them are measured on an actuarial basis which requires the use of estimates and assumptions to determine the net liability or net asset for the Group. The actuarial method takes into consideration parameters of a financial nature such as the discount rate, the expected rate of return on plan assets the growth rate of salaries and the growth rate of health care costs and takes into consideration the likelihood of potential future events by using parameters of a demographic nature such as mortality rates and dismissal or retirement rates. In particular, the discount rates selected are based on yields or yield curves of high quality corporate bonds in the relevant market. The expected returns on plan assets are determined on the basis of expectations for long-term capital market returns, inflation, current bond yields and other variables, adjusted for any specific aspects of the asset investment strategy. Trends in health care costs are developed on the basis of historical experience, the near-term outlook for costs and likely long-term trends. Salary growth rates reflect the Group's long-term actual expectation in the reference market and inflation trends. Changes in any of these assumptions may have an effect on future contributions to the plans.

The effects resulting from revising the estimates for the above parameters are not recognised in the Statement of financial position and income statement when they arise but are recognised using the "corridor method" adopted by the Group: a detailed explanation of the way in which the method for recognising the actuarial gains and losses arising from the measurement of the liabilities and assets relating to employee benefits works may be found in the Employee benefits section above.

In this situation it cannot be excluded that significant future changes in the yields of corporate bonds or in the other actuarial assumptions referred to above may lead to effects on the liability and the unrecognised actuarial gains and losses, also taking into account however any simultaneous changes in the returns on any plan assets.

Realisation of deferred tax assets

At 31 December 2011, the Fiat Industrial Group had deferred tax assets and theoretical tax benefits arising from tax loss carry forwards of €1,558 million, of which €502 million is not recognised in the financial statements. The corresponding totals at 31 December 2010 were €2,555 million and €685 million, respectively. Management has recorded these valuation allowances to reduce deferred tax assets to the amount that it believes it is probable will be recovered. In making these adjustments, management has taken into consideration figures from budgets and forecasts consistent with those used for impairment testing and discussed in the preceding paragraph relating to the recoverable amount of non-current assets. Moreover, the adjustments that have been recognised are considered to be sufficient to protect against the risk of a further deterioration of the assumptions in these forecasts, taking account of the fact that the net deferred assets accordingly recognised relate to temporary differences and tax losses which, to a significant extent, may be recovered over a very long period, and are therefore consistent with a situation in which the time needed to exit from the crisis and for an economic recovery to occur extends beyond the term implicit in the above-mentioned estimates.

Contingent liabilities

The Group is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Group often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Accounting principles, amendments and interpretations adopted from 1 January 2011

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Application of this amendment did not have any significant effects on the measurement of items in the Group's financial statements and had only limited effects on the disclosures for related party transactions provided in this Annual report.

Accounting principles, amendments and interpretations effective from 1 January 2011 but not applicable to the Group

The following amendments, improvements and interpretations have also been issued and are effective from 1 January 2011; these relate to matters that were not applicable to the Group at the date of this Annual report but which may affect the accounting for future transactions or arrangements:

- *Financial Instruments: Presentation, Classification of Rights Issues*: an amendment to IAS 32;
- *Prepayments of a Minimum Funding Requirement*: an amendment to IFRIC 14;
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*;
- Improvements to IAS/IFRS (2010).

Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Group

Except for the amendments to IFRS 7 – *Financial Instruments: Disclosures* issued on 7 October 2011 described below, the European Union had not yet completed its endorsement process for these standards and amendments at the date of this Annual report:

- On 12 November 2009, the IASB issued a new standard IFRS 9 – *Financial Instruments* that was subsequently amended. The standard, having an effective date for mandatory adoption of 1 January 2015 retrospectively, represents the completion of the first part of a project to replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities. The new standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. The most significant effect of the standard regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. Under the new standard these changes are recognised in Other comprehensive income and are not subsequently reclassified to the Income statement.
- On 20 December 2010, the IASB issued amendments to IAS 12 – *Income Taxes* which clarify the accounting for deferred tax relating to investment properties measured at fair value. The amendments introduce the presumption that the carrying amount of deferred taxes relating to investment properties measured at fair value under IAS 40 will be recovered through sale. As a result of the amendments, SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* no longer applies. These amendments are effective for annual periods beginning on or after 1 January 2012.
- On 12 May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* replacing SIC-12 – *Consolidation-Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (which has been renamed *Separate Financial Statements* and addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective retrospectively from 1 January 2013.

- On 12 May 2011, the IASB issued IFRS 11 – *Joint Arrangements* superseding IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly-controlled Entities-Non-monetary Contributions by Venturers*. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form and requires a single method to account for interests in jointly-controlled entities, the equity method. The standard is effective retrospectively from 1 January 2013. Following the issue of the new standard, IAS 28 – *Investments in Associates* has been amended to include accounting for investments in jointly-controlled entities in its scope of application (from the effective date of the standard).
- On 12 May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities*, a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. The standard is effective for annual periods beginning after 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*, clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective prospectively from 1 January 2013.
- On 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Financial Statements* requiring companies to group together items within Other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendment is applicable for periods beginning on or after 1 July 2012.
- On 16 June 2011, the IASB issued an amended version of IAS 19 – *Employee Benefits*. The amendments make improvements to the previous version by eliminating the option to defer the recognition of gains and losses, known as the "corridor method", and by requiring the fund's deficit or surplus to be presented in the statement of financial position, the components of cost relating to service and net interest to be recognised in profit or loss and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognised in Other comprehensive income. In addition, the return on assets included in net interest costs must now be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The amendments also introduce the requirement for additional disclosures to be provided in the notes. The amended version of IAS 19 is applicable on a retrospective basis from 1 January 2013.
- On 16 December 2011, the IASB issued certain amendments to IAS 32 – *Financial Instruments: Presentation* to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.
- On 16 December 2011, the IASB issued certain amendments to IFRS 7 – *Financial Instruments: Disclosures*. The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. Entities are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively.

Finally, on 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. The amendments will allow users of financial statements to improve their understanding of transfers ("derecognition") of financial assets, including an understanding of the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of a transfer transaction is undertaken at the end of a reporting period. Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. Application of this amendment is not expected to have any effects on the measurement of items in the financial statements.

RISK MANAGEMENT

Credit risk

The Group's credit concentration risk differs in relation to the activities carried out by the individual sectors and various sales markets in which the Group operates; in all cases, however, the risk is mitigated by the large number of counterparties and customers. Considered from a global point of view, however, there is a concentration of credit risk in trade receivables and receivables from financing activities, in particular dealer financing and finance leases in the European Union market for the Trucks and Commercial Vehicles sector, and in North America for the Agricultural and Construction Equipment sector, as well as in Latin America for the main sectors.

Financial assets are recognised in the statement of financial position net of write-downs for the risk that counterparties may be unable to fulfil their contractual obligations, determined on the basis of the available information as to the creditworthiness of the customer and historical data.

Liquidity risk

The Group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of the Group Treasury. The aim of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources.

Additionally, as part of its activities the Group regularly carries out funding operations on the various financial markets which may take on different technical forms and which are aimed at ensuring that it has an adequate level of current and future liquidity.

The continuation of a difficult economic situation in the markets in which the Group operates and the uncertainties that characterise the financial markets necessitate giving special attention to the management of liquidity risk. In that sense measures taken to generate financial resources through operations and to maintain an adequate level of available liquidity are an important factor in ensuring normal operating conditions and addressing strategic challenges over the next few years. The Group therefore plans to meet its requirements to settle liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans and making recourse to the bond market and other forms of funding.

Interest rate risk and currency risk

As a multinational group that has operations throughout the world, the Group is exposed to market risks from fluctuations in foreign currency exchange and interest rates.

The exposure to foreign currency risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group regularly assesses its exposure to interest rate and foreign currency risk and manages those risks through the use of derivative financial instruments in accordance with its established risk management policies.

The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in exchange and interest rates connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilises derivative financial instruments designated as fair value hedges, mainly to hedge:

- the currency risk on financial instruments denominated in foreign currency;
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly currency swaps, forward contracts, interest rate swaps and combined interest rate and currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a pre-defined mix of floating versus fixed rate funding structured loans.

The exchange rate exposure on forecasted commercial flows is hedged by currency swaps, forward contracts and currency options. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements.

Counterparties to these agreements are major and diverse financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 21.

Additional qualitative information on the financial risks to which the Group is exposed is provided in Note 33.

SCOPE OF CONSOLIDATION

The consolidated financial statements of the Group as of 31 December 2011 include Fiat Industrial S.p.A. and 193 consolidated subsidiaries in which Fiat Industrial S.p.A., directly or indirectly, has a majority of the voting rights, over which it exercises control, or from which it is able to derive benefit by virtue of its power to govern corporate financial and operating policies. 183 subsidiaries were consolidated at 31 December 2010.

Excluded from consolidation are 34 subsidiaries that are either dormant or generate a negligible volume of business: their proportion of the Group's assets, liabilities, financial position and earnings is immaterial. In particular, 15 of such subsidiaries are accounted for using the cost method, and represent in aggregate 0 percent of Group revenues, equity and total assets.

In the second quarter 2011 Iveco sector acquired the total interest in Patascia group (subsequently renamed Iveco Provence), Iveco's dealer whose total assets and net revenues are not significant compared to those of Fiat Industrial Group. The Patascia group has been excluded from consolidation due to a lack of certain of the information necessary to prepare these notes in a consistent manner; it has been accounted for using the equity method in these consolidated financial statements.

During 2011 the following main changes in the scope of consolidation occurred:

- on 31 March 2011, CNH Global N.V. increased its interest to 100% in L&T – Case Equipment Private Limited (subsequently renamed Case New Holland Construction Equipment India Private Limited), an equally held joint venture established in 1999 with Larsen & Toubro Limited to manufacture and sell construction and building equipment in India, for which the Group has accordingly applied the acquisition method, consolidating the subsidiary on a line-by-line basis from 31 March 2011; the resulting accounting effects are discussed in Note 36;
- as a consequence of the amendments made to the contractual agreements between Iveco and Barclays concerning the joint venture Iveco Finance Holdings Limited (IFHL), formalised in the fourth quarter of 2011, the Fiat Industrial Group consolidated the assets and liabilities of the investment on a line-by-line basis at 31 December 2011; the resulting accounting effects are discussed in the section below – Line-by-line consolidation of the investment in IFHL;
- in addition, a 100% interest in Fiat Switzerland SA was acquired on 20 October 2011; this is a minor company in the Agricultural and Construction Equipment sector whose total assets and net revenues are not significant for the Group;
- the following subsidiaries, which were at a development stage until 31 December 2010 and whose operations were not significant, have been consolidated on a line-by-line basis from 1 January 2011: CNH-KAMAZ Industrial B.V., LLC CNH-KAMAZ Commerce, LLC CNH-KAMAZ Industry;
- during 2011 the Commercial Vehicles sector established the jointly controlled company Iveco Orecchia S.p.A., which is accounted for using the equity method;
- in addition, during 2011 the FPT Industrial sector established FPT Industrial Argentina S.A., which has been consolidated on a line-by-line basis since December 2011;
- during 2011 the Group sold the whole of its interest in certain minor companies in the Commercial vehicles sector.

Interests in jointly controlled entities (16 companies) are accounted for using the equity method. Condensed financial information relating to the Group's pro-rata interest in the above entity is as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Non-current assets	262	357
Current assets	931	748
Total Assets	**1,193**	**1,105**
Debt	194	144
Other liabilities	573	567

The combined amounts of the Group's share in the principal income statement items of jointly controlled entities accounted for using the equity method are as follows:

(€ million)	2011	2010
Net revenues	1,421	1,256
Trading profit/(loss)	77	71
Operating profit/(loss)	78	72
Profit/(loss) before taxes	90	61
Profit/(loss)	71	45

At 31 December 2011 8 associates are accounted for using the equity method, while 3 associates, that in aggregate are of minor importance, and are accounted for using the cost method. The main aggregate amounts related to the Group interests in associates are as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Total assets	1,239	2,157
Total liabilities	1,049	1,877

(€ million)	2011	2010
Net revenues	586	572
Profit/(loss)	18	18

The main aggregate amounts related to the Group interests in associates measured at cost are as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Total assets	101	35
Liabilities	87	23

(€ million)	2011	2010
Net revenues	49	28
Profit/(loss)	(6)	1

Line-by-line consolidation of the investment in IFHL

During the fourth quarter of 2011, the Group determined the means by which the joint venture with Barclays in Iveco Finance Holdings Limited (IFHL), which manages financial services activities (retail and dealer) for Iveco in Italy, Germany, France, the UK and Switzerland, would be mutually terminated. This agreement contains an undertaking from Iveco to purchase the 51% interest held by Barclays, subject to receipt of the necessary regulatory approvals, by 31 May 2012 at a contractually agreed price (approximately €119 million), in addition to providing funding for IFHL's activities from 1 January 2012. For retail financing activities, the funding arrangements will be as follows: securitisation with Barclays of the portfolio existing at 31 December 2011; vendor programme agreements with BNP-Paribas in Germany and France for new financing generated from 1 January 2012; arrangement in Italy with Intesa Sanpaolo to fund the future portfolio; and direct funding of the portfolio in Switzerland and the UK. For dealer financing activities, funding will be provided through a three-year pan-European securitisation programme arranged with Barclays.

As discussed in the section Scope of consolidation, as a result of the agreements with Barclays reached at the end of December 2011, the Group has consolidated the assets and liabilities of the investment in IFHL on a line-by-line basis at 31 December 2011.

From an accounting standpoint this transaction has been treated as a business combination achieved in stages in accordance with IFRS 3 – *Business Combinations*. The accounting effects of this transaction were as follows:

- The 49% interest previously held in IFHL as an associate has been recognised at fair value at the Acquisition date (identified as 31 December 2011) and the income of €1 million resulting from measuring it in this way has been included in Other unusual income/(expenses).

- The identifiable assets acquired and liabilities assumed have been provisionally recognised at their carrying amounts in the consolidated financial statements of IFHL at 31 December 2011, prior to finalising their fair value at the Acquisition date. These amounts are set out below:

(€ million)	At the Acquisition date
Intangible assets	3
Property, plant and equipment	-
Investments and other financial assets	-
Leased assets	5
Defined benefit plan assets	-
Deferred tax assets	48
TOTAL NON-CURRENT ASSETS	56
Inventories	17
Trade receivables	76
Receivables from financing activities	2,613
Current tax receivables	1
Other current assets	22
Current financial assets	-
Cash and cash equivalents	30
TOTAL CURRENT ASSETS	2,759
Assets held for sale	-
TOTAL ASSETS ACQUIRED (A)	2,815
Provisions	8
Financial payables	2,432
Other financial liabilities	-
Trade payables	106
Current tax payables	-
Deferred tax liabilities	23
Other current liabilities	21
Liabilities held for sale	-
TOTAL LIABILITIES ASSUMED (B)	2,590
NET ASSETS ACQUIRED/(NET LIABILITIES ASSUMED) (A) – (B)	225

As required by IFRS 3, the above provisional amounts are subject to review and possible adjustment within the 12 months following the acquisition.

- The transaction led to the recognition of goodwill of €9 million, calculated in the following way:

(€ million)	At the Acquisition date
Consideration due for the purchase of the remaining interest of 51%	119
Fair value of the previously-held interest (49%)	115
Amount assigned to non-controlling interests	-
Less: Net assets acquired	(225)
Goodwill	9

The recognition of goodwill is based on the favourable earnings prospects of the business forming part of the transaction, also given the fact that in this way Iveco has recovered the possibility of fully benefiting from the profitability of the financial services activity in Western Europe, of which it previously enjoyed only 49% since the joint venture held the exclusive management rights to this activity.

- The costs connected with the acquisition, amounting to approximately €1 million, have been excluded from the consideration paid and have been recognised as a period expense in Other unusual income/(expenses).
- The consideration to be paid for this business combination is set out below, together with the resulting cash flows:

(€ million)	At the Acquisition date
Consideration due	119
Consideration deferred	(119)
Total Consideration paid	-
Cash outflows:	
Cash and cash equivalents paid	-
Cash and cash equivalents received	(30)
Total cash flows paid/(received)	(30)

- At the acquisition date, the identifiable assets acquired and liabilities assumed of IFHL include trade receivables of €76 million and receivables from financing activities of €2,613 million. The gross amounts due in respect of receivables from financing activities are €2,703 million, of which €90 million, are considered of doubtful recovery.
- IFHL is exposed to various legal risks and is party to certain litigation for which the likelihood of losses in not considered probable. These contingent liabilities were not recognised at the Acquisition date since, as stated above, the determination of their fair value was not yet complete. Contingent liabilities arising from other issues for which the likelihood of losses is probable and for which it is possible to estimate the timing and amount of a possible outflow of funds have been recognised at their carrying amount in the consolidated financial statements of IFHL at 31 December 2011 and classified as Provisions.
- Only the balance sheet of the acquired business has been consolidated on a line-by-line basis at 31 December 2011; if the acquisition had taken place with effect from 1 January 2011, the Group's net revenues the year would have increased by €154 million, while the net profit for the year would have decreased by €6 million.

COMPOSITION AND PRINCIPAL CHANGES

1. Net revenues

Net revenues may be analysed as follows:

(€ million)	2011	2010
Sales of goods	22,732	19,728
Interest income from customers and other financial income of financial services companies	680	781
Rendering of services	530	486
Rents on assets sold with a buy-back commitment	188	181
Rents on operating leases	146	149
Other	13	17
Total Net revenues	24,289	21,342

2. Cost of sales

Cost of sales comprises the following:

(€ million)	2011	2010
Interest cost and other financial expenses from financial services companies	729	761
Other costs of sales	19,309	17,218
Total Cost of sales	20,038	17,979

3. Selling, general and administrative costs

Selling costs amount to €947 million in 2011 (€897 million in 2010) and comprise mainly marketing, advertising and sales personnel costs.

General and administrative costs amount to €1,055 million in 2011 (€896 million in 2010) and comprise mainly expenses which are not attributable to sales, production and research and development functions.

4. Research and development costs

In 2011, Research and development costs of €505 million (€418 million in 2010) comprise all the research and development costs not recognised as assets in the year, amounting to €342 million (€256 million in 2010), and the amortisation of capitalised development costs of €163 million (€159 million in 2010); in 2010 this item also included the write-down of costs previously capitalised of €3 million. During 2011, the Group incurred new expenditure for capitalised development costs of €400 million (€396 million in 2010).

5. Other income/(expenses)

This item consists of miscellaneous operating costs which cannot be allocated to specific functional areas, such as indirect taxes and duties, and accruals for various provisions not attributable to other items of Cost of sales or Selling, general and administrative costs, net of income arising from trading operations which is not attributable to the sale of goods and services.

In 2010 Other income (expenses) consisted of income of approximately €30 million for the Agricultural and Construction equipment sector resulting from changes in the North American health care plans.

6. Gains/(losses) on the disposal of investments

The gain of €26 million in 2011 includes, for an amount of €25 million, the accounting effects arising from the increase to 100% of the Group's interest in the joint venture L&T – Case Equipment Private Limited.

In 2010 this item resulted in a net gain of €3 million which mainly consisted of the gains realised from the Agricultural and Construction Equipment sector on the sale of the investment in the joint venture LBX Company LLC.

7. Restructuring costs

Restructuring costs in 2011 amount to €95 million, mainly relating to Iveco. Restructuring costs in 2010 amounted to €58 million; this related to the sectors FPT Industrial (€33 million), Iveco (€19 million) and Agricultural and Construction Equipment (€5 million).

8. Other unusual income/(expenses)

In 2011 Other unusual income amounts to €12 million, mainly arising from the release to income of a provision for risks no longer existing in connection with a minor investee sold in 2011. In 2010 the same item consisted of net expense of €20 million.

9. Financial income/(expenses)

In addition to the items included in the specific lines of the income statement, Net financial income (expenses) in 2011 also includes the Interest income from customers and other financial income of financial services companies included in Net revenues for €680 million (€781 million in 2010) and Interest expense and other financial charges from financial services companies included in Cost of sales for €729 million (€761 million in 2009).

A reconciliation to the income statement is provided at the foot of the following table.

(€ million)	2011	2010
Financial income:		
Interest earned and other financial income	76	36
Interest income from customers and other financial income of financial services companies	680	777
Interest income receivable from Fiat Group post Demerger	-	45
Total financial income	**756**	**858**
of which:		
Financial income, excluding financial services companies (a)	76	77
Interest and other financial expenses:		
Interest expense and other financial expenses	992	658
Interest payable to Fiat Group post Demerger	-	260
Write-downs of financial assets	302	253
Interest costs on employee benefits	68	75
Total interest and other financial expenses	**1,362**	**1,246**
Net (income)/expenses from derivative financial instruments and exchange losses	(11)	97
Total interest and other financial expenses, net (income)/expenses from derivative financial instruments and exchange losses	**1,351**	**1,343**
of which:		
Interest and other financial expenses, effects resulting from derivative financial instruments and exchange differences, excluding financial services companies (b)	622	582
Net financial income/(expenses) excluding financial services companies (a) – (b)	**(546)**	**(505)**

Interest income and other financial income may be analysed as follows:

(€ million)	2011	2010
Interest income from banks	19	9
Other interest income and financial income	57	27
Total Interest income and other financial income	76	36

Interest cost and other financial expenses may be analysed as follows:

(€ million)	2011	2010
Interest expenses on bonds	309	146
Bank interest expenses	171	179
Interest expenses on trade payables	5	4
Commission expenses	6	8
Other interest cost and financial expenses	501	321
Total Interest cost and other financial expenses	992	658

Other interest cost and financial expenses in 2011 include a non-recurring charge of €72 million calculated after the Demerger on the basis of market values and relating to the early repayment of the outstanding medium-term financial payables due to the post Demerger Fiat Group at 31 December 2011. In 2010, this item included non-recurring charges of €45 million, of which €17 million recognised in connection with the announced redemption of a CNH Bond whose original maturity was in 2014.

10. Result from investments

In 2011 the net gain amounting to €86 million (a net gain of €64 million in 2010), includes the Group's share of €97 million (€70 million in 2010) in the net profit or loss of the investees accounted for using the equity method, and a net loss of €11 million (a net loss of €6 million in 2010) consisting of impairment losses and reversals of impairment losses, accruals to the Investment provision and dividend income. In detail the item mainly includes (amounts in € million): entities of Agricultural and Construction equipment sector companies 85 (75 in 2010) and entities of Trucks and Commercial Vehicles sector 2 (-11 in 2010).

11. Income taxes

Income taxes consist of the following:

(€ million)	2011	2010
Current taxes:		
IRAP	34	19
Other taxes	322	181
Total current taxes	356	200
Deferred taxes for the period:		
IRAP	(5)	-
Other taxes	118	(7)
Total Deferred taxes	113	(7)
Taxes relating to prior periods	(1)	5
Total Income taxes	468	198

Overall, the increase in the charge for current taxes in 2011 with respect to 2010 is due mainly to an increase in the taxable profits of non-Italian companies.

Taxes relating to prior periods include the costs arising from certain disputes with tax authorities net of the income resulting from the various provisions.

The effective tax rate for 2011 (excluding current and deferred IRAP) was 37.5% (effective tax rate of 31% in 2010).

The reconciliation between the tax charges recorded in the consolidated financial statements and the statutory tax charge, calculated on the basis of the statutory tax rate in effect in Italy, is the following:

(€ million)	2011	2010
Statutory income taxes	321	158
Tax effect of permanent differences	(46)	(46)
Taxes relating to prior years	(1)	5
Difference between foreign tax rates and the statutory Italian tax rate	84	68
Deferred taxes relating to prior years	(32)	(36)
Deferred tax assets not recognised	84	34
Use of tax losses for which no deferred tax assets were recognised	(1)	(2)
Other differences	30	(2)
Current and deferred income tax recognised in the financial statements, excluding IRAP	439	179
IRAP (current and deferred)	29	19
Current and deferred income tax recognised in the financial statements	468	198

Since the IRAP tax has a taxable basis that is different from income before taxes, it generates distortions between one year and another. Accordingly, in order to render the reconciliation between income taxes recognised and statutory income taxes more meaningful, the IRAP tax is not taken into consideration; statutory income taxes are determined by applying only the tax rate in effect in Italy (IRES equal to 27.5% in 2011 and in 2010) to Profit/(loss) before taxes.

Permanent differences in the above reconciliations include the tax effect of non-taxable income of €83 million in 2011 (€60 million in 2010) and of non-deductible costs of €37 million in 2011 (€14 million in 2010).

Deferred tax assets had an overall negative effect of €51 million on the reconciliation in 2011 as the result of the non-recognition of deferred tax assets on temporary differences and tax losses arising during the year of €84 million, partially offset by the recognition of previously unrecognised deferred tax assets of €32 million and the use of tax losses for which deferred tax assets had not been recognised of €1 million.

Other differences included unrecoverable withholding tax for €27 million in 2011 (€20 million in 2010).

Net deferred tax assets at 31 December 2011 consist of deferred tax assets, net of deferred tax liabilities, which have been offset where possible by the individual consolidated companies. The net balance of Deferred tax assets and Deferred tax liabilities may be analysed as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Deferred tax assets	1,167	1,211
Deferred tax liabilities	(111)	(52)
Total	1,056	1,159

The decrease in net deferred tax assets, as analysed in the following table, is mainly due to the following:

- for €113 million recorded in the income statement for the utilization, net of valuation allowances, of deferred tax assets/liabilities recognised on temporary differences and tax losses arising during the year;
- for €6 million relating to the negative tax effect of items recognised directly in equity; and
- for €4 million relating to foreign exchange differences (-€27 million) and other changes (€31million).

Deferred tax assets, net of Deferred tax liabilities may be analysed by source as follows:

(€ million)	At 31 December 2010	Recognised in income statement	Charged to equity	Translation differences and other changes	At 31 December 2011
Deferred tax assets arising from:					
Taxed provisions	501	151	-	6	**658**
Inventories	118	(7)	-	-	**111**
Taxed allowances for doubtful accounts	154	(38)	-	29	**145**
Provision for employee benefits	379	(40)	-	7	**346**
Intangible assets	238	(16)	-	1	**223**
Write-downs of financial assets	13	-	-	-	**13**
Measurement of derivative financial instruments	27	4	3	2	**36**
Other	267	(19)	-	-	**248**
Total Deferred tax assets	**1,697**	**35**	**3**	**45**	**1,780**
Deferred tax liabilities arising from:					
Accelerated depreciation	(273)	(28)	-	(7)	**(308)**
Deferred tax on gains on disposal	-	-	-	-	**-**
Inventory	(71)	(5)	-	(3)	**(79)**
Provision for employee benefits	(6)	(3)	-	(12)	**(21)**
Capitalisation of development costs	(196)	(37)	-	(5)	**(238)**
Other	(165)	(40)	3	(10)	**(212)**
Total Deferred tax liabilities	**(711)**	**(113)**	**3**	**(37)**	**(858)**
Theoretical tax benefit arising from tax loss carryforwards	**858**	**(222)**	**-**	**-**	**636**
Adjustments for assets whose recoverability is not probable	**(685)**	**187**	**-**	**(4)**	**(502)**
Total Deferred tax assets, net of Deferred tax liabilities	**1,159**	**(113)**	**6**	**4**	**1,056**

The decision to recognise Deferred tax assets is taken for each company in the Group by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of updated strategic plans, accompanied by the related tax plans. For this reason, the total theoretical future tax benefits arising from deductible temporary differences (€1,780 million at 31 December 2011 and €1,697 million at 31 December 2010) and tax loss carryforwards (€636 million at 31 December 2011 and €858 million at 31 December 2010) have been reduced by €502 million at 31 December 2011 and by €685 million at 31 December 2010.

In particular, Deferred tax assets, net of Deferred tax liabilities, include €268 million at 31 December 2011 (€303 million at 31 December 2010) of tax benefits arising from tax loss carryforwards. At 31 December 2011, a further tax benefit of €368 million (€555 million at 31 December 2010) arising from tax loss carryforwards has not been recognised.

Deferred taxes have not been provided on the undistributed earnings of subsidiaries since the Group is able to control the timing of the distribution of these reserves and it is probable that they will not be distributed in the foreseeable future.

The totals of deductible and taxable temporary differences and accumulated tax losses at 31 December 2011, together with the amounts for which deferred tax assets have not been recognised, analysed by year of expiry, are as follows:

		Year of expiry					
(€ million)	Total at 31 December 2011	2012	2013	2014	2015	Beyond 2015	Unlimited/ indeterminable
Temporary differences and tax losses relating to State taxation (IRES in the case of Italy):							
Deductible temporary differences	5,301	2,307	624	508	448	1,406	8
Taxable temporary differences	(2,403)	(344)	(494)	(493)	(494)	(579)	1
Tax losses	2,777	8	9	20	41	449	2,250
Temporary differences and tax losses for which deferred tax assets have not been recognised	(2,201)	(236)	(64)	(89)	(49)	(326)	(1,437)
Temporary differences and tax losses relating to State taxation	**3,474**	**1,735**	**75**	**(54)**	**(54)**	**950**	**822**
Temporary differences and tax losses relating to local taxation (IRAP in the case of Italy):							
Deductible temporary differences	1,372	344	177	128	96	627	-
Taxable temporary differences	(164)	(33)	(23)	(21)	(21)	(66)	-
Tax losses	84	-	-	-	-	73	11
Temporary differences and tax losses for which deferred tax assets have not been recognised	(69)	(19)	(12)	(16)	(5)	(7)	(10)
Temporary differences and tax losses relating to local taxation	**1,223**	**292**	**142**	**91**	**70**	**627**	**1**

12. Other information by nature

The income statement includes personnel costs for €3,296 million in 2011 (€2,867 million in 2010).

An analysis of the average number of employees by category is provided as follows:

	2011	2010
Managers	844	791
White-collar	21,177	19,505
Blue-collar	42,411	41,346
Average number of employees	**64,432**	**61,642**

13. Earnings/(loss) per share

Basic earnings per share has been calculated by considering the number of ordinary, preferred and savings shares of Fiat Industrial S.p.A. outstanding at 31 December 2011 and 1 January 2011 (the latter is believed to be representative of the number of shares outstanding at the end of the year 2010). In 2011 and in 2010, the portion of the result attributable to each class of share has been calculated on the basis of the respective rights to receive dividend. For the purpose of the calculation of earnings per share, however, the amount of the dividends contractually due to each class of share on the theoretical total distribution of profit has been subtracted from the Profit/(loss)s attributable to the owners of the parent. The amount obtained in this way has then been divided by the number of outstanding shares (equal for the two periods considered to the number of shares outstanding at year end).

The following table shows the Profit or loss attributable to owners of the parent and the Profit or loss attributable to each class of share and the weighted average number of outstanding shares for the Group for the two years presented:

		2011				2010			
		Ordinary shares	Preference shares	Savings shares	Total	Ordinary shares	Preference shares	Savings shares	Total
Profit/(loss) for the period attributable to owners of the parent	€ million				624				341
Preferred dividends declared for the period	€ million	-	10	7	17	-	10	7	17
Profit/(loss) equally attributable to all classes of shares	€ million	531	41	35	607	289	17	18	324
Profit/(loss) attributable to each class of shares	€ million	531	51	42	624	289	27	25	341
Weighted average number of shares outstanding	thousand	1,092,327	103,292	79,913	1,275,532	1,092,327	103,292	79,913	1,275,532
Basic Earnings/(loss) per share	€	0.487	0.487	0.533		0.265	0.265	0.311	

Fiat Industrial has no transactions which could have a dilutive effect and accordingly diluted and basic earnings per share are the same.

14. Intangible assets

In 2011 and in 2010 changes in the gross carrying amount of Intangible assets were as follows:

(€ million)	At 31 December 2010	Additions	Divestitures	Translation differences and other changes	At 31 December 2011
Goodwill	2,359	-	-	105	2,464
Trademarks and other intangible assets with indefinite useful lives	219	-	-	7	226
Development costs externally acquired	582	68	-	-	650
Development costs internally generated	2,026	332	(4)	13	2,367
Total Development costs	2,608	400	(4)	13	3,017
Patents, concessions and licenses externally acquired	638	20	-	31	689
Other intangible assets externally acquired	423	30	(1)	24	476
Advances and intangible assets in progress externally acquired	7	7	-	(6)	8
Total gross carrying amount of Intangible assets	6,254	457	(5)	174	6,880

(€ million)	At 31 December 2009	Additions	Divestitures	Translation differences and other changes	At 31 December 2010
Goodwill	2,193	-	-	166	2,359
Trademarks and other intangible assets with indefinite useful lives	203	-	-	16	219
Development costs externally acquired	551	38	(7)	-	582
Development costs internally generated	1,626	358	(1)	43	2,026
Total Development costs	2,177	396	(8)	43	2,608
Patents, concessions and licenses externally acquired	594	20	(1)	25	638
Other intangible assets externally acquired	376	26	(2)	23	423
Advances and intangible assets in progress externally acquired	5	6	-	(4)	7
Total gross carrying amount of Intangible assets	5,548	448	(11)	269	6,254

In 2011 and in 2010 changes in accumulated amortisation and impairment losses were as follows:

(€ million)	At 31 December 2010	Amortisation	Impairment losses	Divestitures	Translation differences and other changes	At 31 December 2011
Goodwill	511	-	-	-	16	527
Trademarks and other intangible assets with indefinite useful lives	45	-	-	-	1	46
Development costs externally acquired	309	23	-	-	-	332
Development costs internally generated	1,064	140	-	(2)	5	1,207
Total Development costs	1,373	163	-	(2)	5	1,539
Patents, concessions and licenses externally acquired	459	46	-	-	14	519
Other intangible assets externally acquired	299	37	-	-	4	340
Advances and intangible assets in progress externally acquired	-	-	-	-	-	-
Total accumulated amortisation and impairment of Intangible assets	2,687	246	-	(2)	40	2,971

(€ million)	At 31 December 2009	Amortisation	Impairment losses	Divestitures	Translation differences and other changes	At 31 December 2010
Goodwill	475	-	-	-	36	511
Trademarks and other intangible assets with indefinite useful lives	41	-	-	-	4	45
Development costs externally acquired	281	32	3	(7)	-	309
Development costs internally generated	898	127	-	(1)	40	1,064
Total Development costs	1,179	159	3	(8)	40	1,373
Patents, concessions and licenses externally acquired	400	51	-	(1)	9	459
Other intangible assets externally acquired	253	36	-	(2)	12	299
Advances and intangible assets in progress externally acquired	-	-	-	-	-	-
Total accumulated amortisation and impairment of Intangible assets	2,348	246	3	(11)	101	2,687

In 2011 and in 2010 changes in the net carrying amount of Intangible assets were as follows:

(€ million)	At 31 December 2010	Additions	Amortisation	Impairment losses	Divestitures	Translation differences and other changes	At 31 December 2011
Goodwill	1,848	-	-	-	-	89	1,937
Trademarks and other intangible assets with indefinite useful lives	174	-	-	-	-	6	180
Development costs externally acquired	273	68	(23)	-	-	-	318
Development costs internally generated	962	332	(140)	-	(2)	8	1,160
Total Development costs	1,235	400	(163)	-	(2)	8	1,478
Patents, concessions and licenses externally acquired	179	20	(46)	-	-	17	170
Other intangible assets externally acquired	124	30	(37)	-	(1)	20	136
Advances and intangible assets in progress externally acquired	7	7	-	-	-	(6)	8
Total net carrying amount of Intangible assets	3,567	457	(246)	-	(3)	134	3,909

(€ million)	At 31 December 2009	Additions	Amortisation	Impairment losses	Divestitures	Translation differences and other changes	At 31 December 2010
Goodwill	1,718	-	-	-	-	130	1,848
Trademarks and other intangible assets with indefinite useful lives	162	-	-	-	-	12	174
Development costs externally acquired	270	38	(32)	(3)	-	-	273
Development costs internally generated	728	358	(127)	-	-	3	962
Total Development costs	998	396	(159)	(3)	-	3	1,235
Patents, concessions and licenses externally acquired	194	20	(51)	-	-	16	179
Other intangible assets externally acquired	123	26	(36)	-	-	11	124
Advances and intangible assets in progress externally acquired	5	6	-	-	-	(4)	7
Total net carrying amount of Intangible assets	3,200	448	(246)	(3)	-	168	3,567

Foreign exchange gains of €70 million in 2011 (gains of €187 million in 2010) principally reflect the appreciation of the US Dollar against the Euro.

In 2011, the column Translation differences and other changes also includes net goodwill of €25 million arising from the line-by-line consolidation of L&T – Case Equipment Private Limited and net goodwill of €9 million arising from the line-by-line consolidation of Iveco Finance Holdings Limited.

Goodwill, trademarks and intangible assets with indefinite useful life

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified as the Group's operating sectors. The following table presents the allocation of goodwill across the sectors:

(€ million)	At 31 December 2011	At 31 December 2010
Agricultural and Construction equipment	1,872	1,794
Trucks and Commercial Vehicles	61	52
FPT Industrial	4	2
Goodwill net carrying amount	1,937	1,848

Trademarks and Other intangible assets with indefinite useful life are mainly attributable to the CNH sector and consist of acquired trademarks and similar rights which have no legal, contractual, competitive or economic factors that limit their useful lives. For the purposes of impairment testing, these assets were attributed to the respective cash-generating units without the need for any recognition of impairment.

The vast majority of goodwill, representing approximately 97% of the total, relates to the Agricultural and Construction Equipment sector, where the cash-generating units considered for the testing of the recoverability of the goodwill are generally the product lines of the sectors themselves.

The cash generating units to which goodwill has been allocated consist of the following product lines:

(€ million)	Amount allocated to goodwill at 31 December 2011
Agricultural equipment	1,315
Construction equipment	458
Financial Services	99
Total	1,872

To determine the recoverable amount of these cash-generating units the sector utilized two valuation techniques: the income approach and the market approach.

The income approach is a valuation technique used to convert future expected cash flows to a present value. The sector used the income approach to measure the value in use of the Equipment Operations reporting units. The sector believes the income approach provides the best measure of value in use for Equipment Operations reporting units as this approach considers factors unique to each of reporting units and related long range plans that may not be comparable to other companies and that are not yet publicly available. The income approach is dependent on several critical management assumptions, including estimates of future sales growth, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures, changes in working capital requirements and the weighted average cost of capital (discount rate). Discount rate assumptions are based on an assessment of the risks inherent in the future cash flows of the respective reporting units. The following discount rates before taxes as of 31 December 2011 were selected by CNH:

	2011	2010
Agricultural Equipment	**18.8%**	17.0%
Construction Equipment	**17.0%**	17.4%

Expected cash flows used under this method are developed in conjunction with the budgeting and forecasting process of the sector and represent the most likely amounts and timing of future cash flows based on the long range plan of CNH. The long range plan, which is updated annually and is reviewed by the senior management of CNH, includes, among other things, the expected benefits of planned manufacturing and product development actions as well as expectations regarding product pricing, market share and commodity costs, consistent with the assumptions reflected in the Fiat Group's 2010-2014 Strategic Plan as prudently revised down, if necessary, for expected changes in market conditions. The sector uses eight years of expected cash flows as management believes that this period generally reflects the underlying market cycles for its businesses.

A terminal value is included at the end of the projection period used in the discounted cash flow analyses in order to reflect the remaining value that each cash-generating unit is expected to generate. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity. The terminal value growth rate selected in 2011 and 2010 for the Agricultural Equipment cash-generating unit was 1% and that selected for the Construction Equipment cash generating unit was 2%.

The market approach measures the fair value of the cash-generating units based on prices generated by market transactions involving identical or comparable assets or liabilities. CNH used the market approach to measure the fair value of the Financial Services reporting unit as it derives value based primarily on the assets under management. Under this approach, CNH makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear that no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same or similar line of business or be subject to similar financial and business risks, including the opportunity for growth. The guideline company method of the market approach provides an indication of fair value by relating the equity or invested capital (debt plus equity) of guideline companies to various measures of their earnings and cash flow, then applying such multiples to the business being valued.

At 31 December 2011, the recoverable amounts of each of the three cash-generating units and assets with indefinite useful life calculated using the above methods substantially exceeded the respective carrying values.

The results obtained for the Trucks and Commercial Vehicles sector and related sensitivity analyses also confirmed the absence of significant impairment losses.

Finally, the estimates and budget data to which the above mentioned parameters have been applied are those determined by management based on past performance and expectations of developments in the markets in which the Group operates. Estimating the recoverable amount of cash generating units requires discretion and the use of estimates by management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events, which could potentially cause further impairment losses, are constantly monitored by the Group.

Development costs

The amortisation of development costs and impairment losses are reported in the income statement as Research and development costs.

Development costs recognised as assets are attributed to cash generating units and are tested for impairment together with the related tangible fixed assets, using the discounted cash flow method for determining their recoverable amount.

15. Property, plant and equipment

In 2011 and in 2010 changes in the gross carrying amount of Property, plant and equipment were as follows:

(€ million)	At 31 December 2010	Additions	Divestitures	Translation differences	Other changes	At 31 December 2011
Land	210	1	(2)	1	3	213
Owned industrial buildings	1,952	64	(21)	(8)	104	2,091
Industrial buildings leased under finance leases	16	1	-	-	(1)	16
Total Industrial buildings	1,968	65	(21)	(8)	103	2,107
Owned plant, machinery and equipment	5,720	242	(86)	(16)	161	6,021
Plant, machinery and equipment leased under finance leases	49	8	-	-	(4)	53
Total Plant, machinery and equipment	5,769	250	(86)	(16)	157	6,074
Assets sold with a buy-back commitment	1,167	533	(132)	1	(248)	1,321
Owned other tangible assets	683	25	(57)	3	34	688
Other tangible assets leased under finance leases	6	-	-	-	-	6
Total Other tangible assets	689	25	(57)	3	34	694
Advances and tangible assets in progress	194	195	-	1	(210)	180
Total gross carrying amount of Property, plant and equipment	9,997	1,069	(517)	(18)	58	10,589

(€ million)	At 31 December 2009	Additions	Divestitures	Translation differences	Other changes	At 31 December 2010
Land	197	1	(1)	7	6	210
Owned industrial buildings	1,822	29	(7)	59	49	1,952
Industrial buildings leased under finance leases	16	-	-	-	-	16
Total Industrial buildings	1,838	29	(7)	59	49	1,968
Owned plant, machinery and equipment	5,551	139	(156)	120	66	5,720
Plant, machinery and equipment leased under finance leases	36	12	-	1	-	49
Total Plant, machinery and equipment	5,587	151	(156)	121	66	5,769
Assets sold with a buy-back commitment	1,218	344	(139)	6	(262)	1,167
Owned other tangible assets	651	24	(37)	15	30	683
Other tangible assets leased under finance leases	11	1	(1)	-	(5)	6
Total Other tangible assets	662	25	(38)	15	25	689
Advances and tangible assets in progress	148	218	(1)	10	(181)	194
Total gross carrying amount of Property, plant and equipment	9,650	768	(342)	218	(297)	9,997

In 2011 and in 2010, changes in accumulated depreciation and impairment losses were as follows:

(€ million)	At 31 December 2010	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At 31 December 2011
Land	2	-	1	-	-	-	3
Owned industrial buildings	1,053	68	-	(18)	1	-	1,104
Industrial buildings leased under finance leases	7	-	-	-	-	(3)	4
Total Industrial buildings	1,060	68	-	(18)	1	(3)	1,108
Owned plant, machinery and equipment	4,226	310	14	(78)	(7)	2	4,467
Plant, machinery and equipment leased under finance leases	13	4	-	-	-	(1)	16
Total Plant, machinery and equipment	4,239	314	14	(78)	(7)	1	4,483
Assets sold with a buy-back commitment	296	135	11	(64)	-	(88)	290
Owned other tangible assets	541	37	-	(56)	1	1	524
Other tangible assets leased under finance leases	3	1	-	-	-	-	4
Total Other tangible assets	544	38	-	(56)	1	1	528
Advances and tangible assets in progress	-	-	-	-	-	-	-
Total accumulated depreciation and impairment of Property, plant and equipment	6,141	555	26	(301)	(5)	(4)	6,412

(€ million)	At 31 December 2009	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At 31 December 2010
Land	2	-	-	-	-	-	2
Owned industrial buildings	957	72	-	(5)	21	8	1,053
Industrial buildings leased under finance leases	6	-	-	-	-	1	7
Total Industrial buildings	963	72	-	(5)	21	9	1,060
Owned plant, machinery and equipment	3,998	307	2	(152)	71	-	4,226
Plant, machinery and equipment leased under finance leases	10	3	-	-	1	(1)	13
Total Plant, machinery and equipment	4,008	310	2	(152)	72	(1)	4,239
Assets sold with a buy-back commitment	308	131	26	(76)	2	(95)	296
Owned other tangible assets	521	36	-	(27)	10	1	541
Other tangible assets leased under finance leases	2	1	-	-	-	-	3
Total Other tangible assets	523	37	-	(27)	10	1	544
Advances and tangible assets in progress	-	-	-	-	-	-	-
Total accumulated depreciation and impairment of Property, plant and equipment	5,804	550	28	(260)	105	(86)	6,141

In 2011 and in 2010, changes in the net carrying amount of Property, plant and equipment were as follows:

(€ million)	At 31 December 2010	Additions	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At 31 December 2011
Land	208	1	-	(1)	(2)	1	3	210
Owned industrial buildings	899	64	(68)	-	(3)	(9)	104	987
Industrial buildings leased under finance leases	9	1	-	-	-	-	2	12
Total Industrial buildings	908	65	(68)	-	(3)	(9)	106	999
Owned plant, machinery and equipment	1,494	242	(310)	(14)	(8)	(9)	159	1,554
Plant, machinery and equipment leased under finance leases	36	8	(4)	-	-	-	(3)	37
Total Plant, machinery and equipment	1,530	250	(314)	(14)	(8)	(9)	156	1,591
Assets sold with a buy-back commitment	871	533	(135)	(11)	(68)	1	(160)	1,031
Owned other tangible assets	142	25	(37)	-	(1)	2	33	164
Other tangible assets leased under finance leases	3	-	(1)	-	-	-	-	2
Total Other tangible assets	145	25	(38)	-	(1)	2	33	166
Advances and tangible assets in progress	194	195	-	-	-	1	(210)	180
Total net carrying amount of Property, plant and equipment	3,856	1,069	(555)	(26)	(216)	(13)	62	4,177

(€ million)	At 31 December 2009	Additions	Depreciation	Impairment losses	Divestitures	Translation differences	Other changes	At 31 December 2010
Land	195	1	-	-	(1)	7	6	208
Owned industrial buildings	865	29	(72)	-	(2)	38	41	899
Industrial buildings leased under finance leases	10	-	-	-	-	-	(1)	9
Total Industrial buildings	875	29	(72)	-	(2)	38	40	908
Owned plant, machinery and equipment	1,553	139	(307)	(2)	(4)	49	66	1,494
Plant, machinery and equipment leased under finance leases	26	12	(3)	-	-	-	1	36
Total Plant, machinery and equipment	1,579	151	(310)	(2)	(4)	49	67	1,530
Assets sold with a buy-back commitment	910	344	(131)	(26)	(63)	4	(167)	871
Owned other tangible assets	130	24	(36)	-	(10)	5	29	142
Other tangible assets leased under finance leases	9	1	(1)	-	(1)	-	(5)	3
Total Other tangible assets	139	25	(37)	-	(11)	5	24	145
Advances and tangible assets in progress	148	218	-	-	(1)	10	(181)	194
Total net carrying amount of Property, plant and equipment	3,846	768	(550)	(28)	(82)	113	(211)	3,856

Additions of €1,069 million in 2011 mainly relate to the Trucks and Commercial Vehicles sector and Agricultural and Construction Equipment sector.

During 2011 the Trucks and Commercial Vehicles sector recognised impairment losses on Assets sold with a buy-back commitment from for an amount of €11 million (€26 million in 2010) in order to align their carrying amount to market value. These losses are fully recognised in Cost of sales.

The column Other changes includes the reclassification of the prior year balances for Advances and tangible assets in progress to the appropriate categories when the assets were effectively acquired and put into operation, as well as the reclassification to Inventory of Assets sold with a buy-back commitment that are held for sale at the agreement expiry date for €26 million.

At 31 December 2011, land and industrial buildings of the Group pledged as security for debt amounted to €45 million (€9 million at 31 December 2010); plant and machinery pledged as security for debt and other commitments amounted to €68 million (€36 million at 31 December 2010) and other assets pledged as security for debt and other commitments totalled €2 million (€3 million at 31 December 2010); these relate to suppliers' assets recognised in the consolidated financial statements in accordance with IFRIC 4, with the simultaneous recognition of a financial lease payable.

At 31 December 2011, the Group had contractual commitments for the acquisition of property, plant and equipment amounting to €104 million (€161 million at 31 December 2010).

16. Investments and other financial assets

(€ million)	At 31 December 2011	At 31 December 2010
Investments accounted for using the equity method	614	679
Investments at cost	1	12
Total Investments	615	691
Non-current financial receivables	51	46
Total Investments and other financial assets	**666**	**737**

Investments

Changes in Investments in 2011 and in 2010 are set out below:

(€ million)	At 31 December 2010	Revaluations/ (Write-downs)	Acquisitions and Capitalisations	Translation differences	Disposals and other changes	At 31 December 2011
Investments in unconsolidated subsidiaries	11	(4)	-	-	4	11
Investments in jointly controlled entities	338	80	-	7	(65)	360
Investments in associates	342	10	-	14	(122)	244
Investments in other companies	-	-	-	-	-	-
Total Investments	**691**	**86**	**-**	**21**	**(183)**	**615**

(€ million)	At 31 December 2009	Revaluations/ (Write-downs)	Acquisitions and Capitalisations	Translation differences	Disposals and other changes	At 31 December 2010
Investments in unconsolidated subsidiaries	5	(2)	8	-	-	11
Investments in jointly controlled entities	292	50	7	29	(40)	338
Investments in associates	309	21	-	21	(9)	342
Investments in other companies	14	-	-	-	(14)	-
Total Investments	**620**	**69**	**15**	**50**	**(63)**	**691**

Revaluations and Write-downs consist of adjustments to the carrying value of investments accounted for using the equity method for the Group's share of the profit or loss for the year of the investee company for an amount of €97 million in 2011 (€70 million in 2010). In 2011 and in 2010 this item also includes impairment losses recognised during the period for investments accounted for under the cost method.

Disposals and other changes, a reduction of €183 million in 2011, mainly consists of a decrease of €115 million due to the line-by-line consolidation of the associate Iveco Finance Holdings Limited, a decrease of €10 million due to the line-by-line consolidation of L&T – Case Equipment Private Limited, and a decrease of €57 million as the result of the distribution of dividends by companies accounted for using the equity method. The item Investments in jointly controlled entities comprises the following:

	At 31 December 2011		At 31 December 2010	
	% of interest	(€ million)	% of interest	(€ million)
Naveco (Nanjing Iveco Motor Co.) Ltd.	50.0	169	50.0	150
Turk Traktor Ve Ziraat Makineleri A.S.	37.5	87	37.5	79
New Holland HFT Japan Inc.	50.0	42	50.0	33
SAIC Iveco Commercial Vehicle Investment Company Limited	50.0	37	50.0	45
CNH de Mexico SA de CV	50.0	19	50.0	21
Transolver Finance Establecimiento Financiero de Credito S.A.	50.0	4	50.0	5
Other		2		5
Total Investments in jointly controlled entities		360		338

The item Investments in associates comprises the following:

	At 31 December 2011		At 31 December 2010	
	% of interest	(€ million)	% of interest	(€ million)
Kobelco Construction Machinery Co. Ltd.	20.0	145	20.0	124
CNH Capital Europe S.a.S.	49.9	69	49.9	66
Al-Ghazi Tractors Ltd.	43.2	24	43.2	22
Iveco Finance Holdings Limited	-	-	49.0	115
Other		6		15
Total Investments in associates		244		342

At 31 December 2011, the stock market quotation of Investments in listed jointly controlled entities and listed associates is as follows:

(€ million)	Carrying value	Stock market quotation
Turk Traktor Ve Ziraat Makineleri A.S.	87	277
Al-Ghazi Tractors Ltd.	24	31
Total Investments in listed jointly controlled entities and associates	111	308

At 31 December 2011, no non-current financial receivables had been pledged as security for loans (€40 million at 31 December 2010).

17. Leased assets

The Group, and in particular the sectors Trucks and Commercial Vehicles and the Agricultural and Construction Equipment lease out assets, mainly their own products, as part of their financial services businesses. This item changed as follows in 2011 and 2010:

(€ million)	At 31 December 2010	Additions	Depreciation	Translation differences	Disposals and other changes	At 31 December 2011
Gross carrying amount	674	296	-	18	(245)	743
Less: Depreciation and impairment	(182)	-	(90)	(4)	91	(185)
Net carrying amount of Leased assets	492	296	(90)	14	(154)	558

(€ million)	At 31 December 2009	Additions	Depreciation	Translation differences	Disposals and other changes	At 31 December 2010
Gross carrying amount	632	291	-	55	(304)	674
Less: Depreciation and impairment	(175)	-	(95)	(13)	101	(182)
Net carrying amount of Leased assets	457	291	(95)	42	(203)	492

At 31 December 2011 minimum lease payments from non-cancellable operating leases amount to €186 million (€216 million at 31 December 2010) and fall due as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Within one year	86	98
Between one and five years	99	116
Beyond five years	1	2
Total Minimum lease payments	186	216

At 31 December 2011, assets amounting to €4 million (€4 million at 31 December 2010) were leased out under operating leases and act as security for loans received.

18. Inventories

(€ million)	At 31 December 2011	At 31 December 2010
Raw materials, supplies and finished goods	4,849	3,886
Gross amount due from customers for contract works	16	12
Total Inventories	4,865	3,898

At 31 December 2011, Inventories include assets which are no longer subject to operating lease arrangements or buy-back commitments and are held for sale for €142 million (€159 million at 31 December 2010). Excluding this item, Inventories increased by €984 million in 2011.

At 31 December 2011, Inventories include those measured at net realisable value (estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale) amounting to €961million (€1,216 million at 31 December 2010).

The amount of inventory write-downs recognised as an expense during 2011 is €84 million (€57 million in 2010). Amounts recognised as income from the reversal of write-downs on items sold during the year were not significant.

There were no inventories pledged as security at 31 December 2011 and 2010.

The majority of amount due from customers for contract work relates to the Trucks and Commercial Vehicles sector and can be analysed as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	26	12
Less: Progress billings	(11)	-
Construction contracts, net of advances on contract work	**15**	**12**
Gross amount due from customers for contract work as an asset	16	12
Less: Gross amount due to customers for contract work as a liability included in Other current liabilities	(1)	-
Construction contracts, net of advances on contract work	**15**	**12**

At 31 December 2011 and 2010, the amount of retentions by customers on contract work in progress was not significant.

19. Current receivables and Other current assets

The composition of the caption is as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Trade receivables	1,562	1,839
Receivables from financing activities	13,946	10,908
Financial receivables from post-Demerger Fiat Group	-	2,865
Current tax receivables	685	618
Other current assets:		
Other current receivables	902	797
Accrued income and prepaid expenses	151	158
Total Other current assets	1,053	955
Total Current receivables and Other current assets	**17,246**	**17,185**

The analysis by due date is as follows:

	At 31 December 2011				At 31 December 2010			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade receivables	1,553	9	-	1,562	1,819	20	-	1,839
Receivables from financing activities	8,634	5,241	71	13,946	6,664	4,044	200	10,908
Financial receivables from post-Demerger Fiat Group	-	-	-	-	2,865	-	-	2,865
Current tax receivables	679	6	-	685	605	10	3	618
Other current receivables	738	139	25	902	500	279	18	797
Total Current receivables	**11,604**	**5,395**	**96**	**17,095**	**12,453**	**4,353**	**221**	**17,027**

At 31 December 2011, Current receivables include receivables sold and financed through both securitisation and factoring transactions of €8,377 million (€7,556 million at 31 December 2010) which do not meet IAS 39 derecognition requirements. These receivables are recognised as such in the Group financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated statement of financial position as Asset-backed financing (see Note 27).

Trade receivables

Trade receivables are shown net of allowances for doubtful accounts of €189 million at 31 December 2011 (€175 million at 31 December 2010), determined on the basis of historical losses on receivables. Changes in the allowance accounts during 2011 are as follows:

(€ million)	At 31 December 2010	Provision	Use and other changes	At 31 December 2011
Allowances for doubtful accounts	175	56	(42)	189

The carrying amount of Trade receivables is considered in line with their fair value at the date.

Receivables from financing activities

Receivables from financing activities include the following:

(€ million)	At 31 December 2011	At 31 December 2010
Retail financing	6,985	6,219
Finance leases	1,619	812
Dealer financing	5,243	3,857
Other	99	20
Total Receivables from financing activities	13,946	10,908

Total Receivables from financing activities increased by €3,038 million over the period, mainly due to the line-by-line consolidation of Iveco Finance Holdings Limited for €2,082 million and an increase in Dealer and Retail financing in the CNH sector in North America for €654 million. Changes in exchange rates, mainly between the Euro and the Australian Dollar, the Canadian Dollar and the US Dollar, led to an increase of €136 million, partially offset by the depreciation in the Euro/Real exchange rate.

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. At 31 December 2011 the allowance amounts to €564 million (€493 million at 31 December 2010). Changes in the allowance accounts during the years considered are as follows:

(€ million)	At 31 December 2010	Provision	Use and other changes	Change in the scope of consolidation	At 31 December 2011
Allowance for receivables regarding:					
Retail financing	310	161	(278)	15	208
Finance leases	94	90	6	73	263
Dealer financing	89	22	(21)	3	93
Other	-	-	-	-	-
Total allowance on Receivables from financing activities	493	273	(293)	91	564

Finance lease receivables mainly relate to vehicles of Trucks and Commercial Vehicles and Agricultural and Construction Equipment sectors leased out under finance lease arrangements. The interest rate implicit in the lease is determined at the commencement of the lease for the whole lease term. The average interest rate implicit in total finance lease receivables vary depending on prevailing market interest rates.

The item may be analysed as follows stated gross of an allowance of €263 million at 31 December 2011 (€94 million at 31 December 2010):

(€ million)	At 31 December 2011 due within one year	due between one and five years	due beyond five years	Total	At 31 December 2010 due within one year	due between one and five years	due beyond five years	Total
Receivables for future minimum lease payments	1,100	1,189	29	2,318	465	496	94	1,055
Less: unrealised interest income	(168)	(265)	(3)	(436)	(51)	(79)	(19)	(149)
Present value of future minimum lease payments	932	924	26	1,882	414	417	75	906

No contingent rents were recognised as finance lease during 2011 or 2010 and unguaranteed residual values at 31 December 2011 and 2010 are not significant.

Receivables for dealer financing are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a component of the portfolio of the financial services companies. These receivables are interest bearing, with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer networks vary from sector to sector and from country to country, although payment terms range from two to six months.

The fair value of receivables from financing activities at 31 December 2011 amounts to €14,325 million (€11,090 million at 31 December 2010) and has been calculated using a discounted cash flow method based on the following discount rates, adjusted, where necessary, to take account of the specific risk of insolvency of the underlying financial instrument.

(in %)	EUR	USD	GBP	CAD	AUD	BRL	PLN
Interest rate for six months	1.62	0.81	1.38	1.45	4.43	10.16	5.00
Interest rate for one year	1.95	1.13	1.87	1.65	3.88	10.04	4.88
Interest rate for five years	1.73	1.23	1.57	1.46	4.31	10.74	4.81

Other current assets

At 31 December 2011, Other current assets mainly consist of Other tax receivables for VAT and other indirect taxes of €614 million (€490 million at 31 December 2010), Receivables from employees of €26 million (€22 million at 31 December 2010) and Accrued income and prepaid expenses of €151 million (€158 million at 31 December 2010).

At the balance sheet date the carrying amount of Other current assets is considered to be in line with their fair value.

20. Current securities

Current securities consist of short-term or marketable securities which represent temporary investments, but which do not satisfy all the requirements for being classified as cash equivalents. In particular:

(€ million)	At 31 December 2011	At 31 December 2010
Current securities available-for-sale	68	24
Total Current securities	68	24

This item includes investments of €62 million held by Banco CNH Capital S.A: in Brazilian sovereign bonds purchased from the CNH sector. These securities, known as LTFs (*Letra Financeira do Tesouro*), have maturities between 2013 and 2015, bear interest at a variable rate and may be readily traded as they are listed on liquid markets.

21. Other financial assets and Other financial liabilities

These items consist of derivative financial instruments measured at fair value at the balance sheet date.

Specifically:

	At 31 December 2011		At 31 December 2010	
(€ million)	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value hedges:				
Interest rate risk – Interest rate swaps	54	(2)	9	(11)
Total Fair value hedges	54	(2)	9	(11)
Cash flow hedges:				
Currency risks – Forward contracts, Currency swaps and Currency options	32	(102)	48	(82)
Interest rate risk – Interest rate swaps	-	(27)	4	(9)
Other derivatives	-	(1)	-	-
Total Cash flow hedges	32	(130)	52	(91)
Derivatives for trading	32	(25)	27	(45)
Other financial assets/(liabilities)	**118**	**(157)**	**88**	**(147)**

The fair value of derivative financial instruments is determined by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rate and interest rates in the two currencies at the balance sheet date;
- the fair value of currency options is determined using valuation techniques based on the Black-Scholes model or binomial models and market parameters at the balance sheet date (in particular exchange rates, interest rates and volatility rates);
- the fair value of interest rate swaps and forward rate agreements is determined by using the discounted cash flow method;
- the fair value of derivatives hedging commodity price risk is determined by using the discounted cash flow method, taking the market parameters at the balance sheet date (and in particular the future price of the underlying and interest rates).

The overall increase in Other financial assets from €88 million at 31 December 2010 to €118 million at 31 December 2011, and in Other financial liabilities from €147 million at 31 December 2010 to €157 million at 31 December 2011 is mostly due to changes in exchange rates and interest rates during the year.

As this item consists principally of hedging instruments, the change in their value is compensated by the change in the value of the hedged item.

Derivatives for trading consist principally of derivatives (mostly currency based derivatives) acquired to hedge receivables and payables subject to currency risk and/or interest rate risk which are not formally designated as hedges at Group level.

At 31 December 2011, the notional amount of outstanding derivative financial instruments is as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Currency risk management	6,800	4,378
Interest rate risk management	3,971	3,133
Other derivative financial instruments	20	2
Total notional amount	**10,791**	**7,513**

At 31 December 2011, the notional amount of Other derivative instruments consists of: the notional amount of derivatives linked to commodity prices hedging specific exposures arising from supply agreements. Under these agreements there is a regular updating of the prices on the basis of trends in the quoted prices of the raw material.

The following table provides an analysis by due date of outstanding derivatives financial instruments at 31 December 2011 based on their notional amounts:

	At 31 December 2011			
(€ million)	due within one year	due between one and five years	due beyond five years	Total
Currency risk management	6,633	167	-	6,800
Interest rate risk management	1,362	1,746	863	3,971
Other derivative financial instruments	20	-	-	20
Total notional amount	8,015	1,913	863	10,791

Cash flow hedges

The effects arising on the income statement mainly refer to the management of the currency risk and, to a lesser extent, to the hedges relating to the debt of the Group's financial companies and Group treasury.

The policy of the Group for managing currency risk normally requires that future cash flows from trading activities which will occur for accounting purposes within the following twelve months, and from orders acquired (or contracts in progress), whatever their due dates, be hedged. As a result, it is considered reasonable to suppose that the hedging effect arising from this and recorded in the cash flow hedge reserve will be recognised in income, mainly during the following year.

Where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or a highly probable forecasted transaction and could affect the income statement, the effective portion of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. The cumulative gain or loss is removed from other comprehensive income and recognised in the income statement at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognised in the Income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realised to the point of termination remains in Other comprehensive income and is recognised at the same time as the related transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss held in other comprehensive income is recognised in the Income statement immediately.

In 2011 the Group transferred to income losses of €14 million (losses of €93 million in 2010) net of tax effect previously recognised directly in Other comprehensive income presented in the following line items:

(€ million)	2011	2010
Currency risk:		
Increase/(Decrease) in Net revenues	(13)	(27)
Decrease/(Increase) in Cost of sales	25	(29)
Financial income/(expenses)	(9)	(29)
Interest rate risk:		
Decrease/(Increase) in Cost of sales	(18)	(36)
Financial income/(expenses)	(2)	-
Taxes income/(expenses)	3	28
Total recognised in the income statement	(14)	(93)

The ineffectiveness of cash flow hedges was not material in 2011 or 2010.

The total economic effect of hedges which subsequently turned out to be in excess of the future flows being hedged (overhedges) was not material in 2011 or 2010.

Fair value hedges

The gains and losses arising from the valuation of interest rate and currency derivatives (mostly for managing currency risk) and interest rate derivatives (for managing the interest rate risk) recognised in accordance with fair value hedge accounting and the gains and losses arising from the respective hedged items are set out in the following table:

(€ million)	2011	2010
Interest rate risk:		
Net gains/(losses) on qualifying hedges	51	11
Fair value changes in hedged items	(51)	(11)
Net gains/(losses)	-	-

The ineffective portion of transactions treated as fair value hedges in 2011 was not significant in 2011 and 2010.

22. Cash and cash equivalents

Cash and cash equivalents include:

(€ million)	At 31 December 2011	At 31 December 2010
Cash at banks	4,441	2,523
Cash with a pre-determined use	728	684
Money market securities	470	479
Total Cash and cash equivalents	**5,639**	**3,686**

Amounts shown are readily convertible into cash and are subject to an insignificant risk of changes in value. The carrying amount of cash and cash equivalents is considered to be in line with their fair value at the balance sheet date.

Cash with a pre-determined use mainly consists of amounts whose use is restricted to the repayment of the debt relating to securitisations classified as Asset-backed financing.

The credit risk associated with Cash and cash equivalents is considered not significant, because it mainly relates to deposits spread across primary national and international financial institutions.

23. Assets held for sale

At 31 December 2011 and 2010, Assets held for sale include buildings and factories of the Agricultural and Construction Equipment sector.

The items included in Assets held for sale may be summarised as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Property, plant and equipment	15	11
Total Assets	**15**	**11**

24. Equity

Consolidated equity at 31 December 2010 is higher by €667 million than that at 31 December 2010. Equity rose as the result of the profit for the year of €701 million, partially offset by the decrease in the translation reserve of €45 million arising from changes in the exchange rates used to translate the financial statements of subsidiaries denominated in currencies than the Euro.

Share capital

At 31 December 2011, the share capital amounts to €1,913,298,892.5 and is as follows:

(number of shares)	At 31 December 2011	At 31 December 2010
Ordinary shares	**1,092,327,485**	80,000
Preference shares	**103,292,310**	-
Savings shares	**79,912,800**	-
Total shares issued	**1,275,532,595**	**80,000**

The following table provides a reconciliation between the number of Fiat Industrial S.p.A. shares outstanding at 15 July 2010 (date of incorporation) and the number of shares outstanding at 31 December 2011:

(number of shares in thousands)	At 15 July 2010	Capital increase	(Purchases)/ Sales of treasury shares	At 1 January 2011	Capital increase	Capital increase	At 31 December 2011
Ordinary shares issued	80	1,092,247	-	1,092,327	-	-	**1,092,327**
Less: Treasury shares	-	-	-	-	-	-	**-**
Ordinary shares outstanding	80	1,092,247	-	1,092,327	-	-	**1,092,327**
Preference shares issued	-	103,292	-	103,292	-	-	**103,292**
Less: Treasury shares	-	-	-	-	-	-	**-**
Preference shares outstanding	-	103,292	-	103,292	-	-	**103,292**
Savings shares issued	-	79,913	-	79,913	-	-	**79,913**
Less: Treasury shares	-	-	-	-	-	-	**-**
Savings shares outstanding	-	79,913	-	79,913	-	-	**79,913**
Total Shares issued by Fiat Industrial S.p.A.	**80**	**1,275,452**	**-**	**1,275,532**	**-**	**-**	**1,275,532**
Less: Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Fiat Industrial S.p.A. outstanding shares	**80**	**1,275,452**	**-**	**1,275,532**	**-**	**-**	**1,275,532**

The share capital of Fiat Industrial S.p.A. amounted until 31 December 2010 to €120,000 and consisted at that date of 80,000 ordinary shares having a par value of €1.50 each. As a result of the Demerger, the share capital of Fiat Industrial S.p.A. has been increased in the amount of €1,913,178,892.5, through the issue of 1,092,247,485 ordinary shares, 103,292,310 preference shares and 79,912,800 savings shares.

Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of the preference and savings shares, as described below.

Each ordinary share confers the right to vote without any restrictions. Each preference share confers the right to vote only on matters which are reserved for an extraordinary meeting of shareholders and on resolutions concerning procedures for general meetings. No voting rights are attached to savings shares.

The Net profit reported in the annual financial statements shall be allocated as follows:

- to the legal reserve, 5% of net profit until the amount of such reserve is equivalent to one-fifth of share capital;
- to savings shares, a dividend of up to €0.093 per share;
- further allocations to the legal reserve, allocations to the extraordinary reserve and/or retained profit reserve as may be resolved by Shareholders;
- to preference shares, a dividend of up to €0.093 per share;
- to ordinary shares, a dividend of up to €0.0465 per share;
- to savings shares and ordinary shares, in equal amounts, an additional dividend of up to €0.0465 per share;
- to each ordinary, preference and savings share, in equal amounts, any remaining profit which Shareholders may resolve to distribute.

When the dividend paid to savings shares in any year amounts to less than €0.093, the difference shall be added to the preferred dividend to which they are entitled in the following two years.

In the event of a change to the par value of shares, the amounts stated above shall be adjusted on a pro rata basis.

Where the Board of Directors sees fit in relation to the operating results and within the conditions established by law, it may authorize the payment of interim dividends during the year.

In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by €0.0525, rather than €0.0465, with respect to the dividend received by the ordinary and preference shares.

In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares shall be increased by €0.06 per share.

In the event of a winding-up, the Company's assets shall be distributed in the following order of priority: repayment of savings shares up to their par value; repayment of preference shares up to their par value; repayment of ordinary shares up to their par value; any balance remaining, in an equal pro rata amount to shares of all three classes.

Finally, regarding share capital, on 22 February 2012 the Board of Directors of Fiat Industrial S.p.A. adopted a resolution – thus confirming the contents of the resolution adopted on the matter in the previous board meeting of 27 October 2011 – to propose to Extraordinary Meeting of shareholders, called for 5 April 2012, the conversion of the Company's preference and savings shares into Fiat Industrial S.p.A. ordinary shares, at an exchange ratio for the conversion equal to 0.700 ordinary shares for each preference share and to 0.725 ordinary shares for each savings share. Preference shares and savings shares will retain any economic rights with respect to the 2011 financial year.

The ordinary shares issued after the conversions would be eligible for dividends (to the extent declared) with respect to the 2012 financial results.

The above proposals will be submitted to the approval of the Special Meetings of the preference and savings shareholders respectively, called for 3 April 2012.

If the proposed conversions obtain the approval of the Extraordinary Meeting of shareholders and of the Special Meeting of the holders of the relevant class of shares, holders of preference shares and savings shares who did not participate in the approval of the proposed conversions (i.e., holders who did not attend the meetings or voted against the proposed resolution or abstained) will be entitled to exercise withdrawal rights for a fifteen-day period following the registration of such resolutions with the Register of Enterprises. The consideration to be paid to the withdrawing shareholders shall be equal to €4.156 for each preference share and to €4.336 for each savings share.

Each of the proposed conversions will be conditional upon the aggregate cash amount required to be paid to withdrawing shareholders pursuant to Article 2437-*quarter* of the Italian Civil Code, not exceeding in aggregate €56 million for the preference shares and €44 million for the saving shares. In any event the cash disbursement in connection with the exercise of withdrawal rights will not exceed the total amount of €100 million.

Should conversion of one or both classes of shares be approved, for technical reasons the par value of the remaining class of shares would be increased. The new par value will be determined dividing the share capital of the Company for the number of the outstanding shares post conversion; rounding to the euro cent will be made through utilization of the share premium reserve for an amount not exceeding €6.1 million. As a consequence, should conversion of both classes of shares be approved, the par value of the ordinary share would be increased from €1.50 to €1.57. Should only conversion of preference shares occur, par value of ordinary shares and savings shares would increase from €1.50 to €1.54; conversely, should only conversion of savings shares occur, par value of ordinary shares and preference shares would increase from €1.50 to €1.53.

Policies and processes for managing capital

Italian laws and regulations regarding the share capital and reserves of a joint stock corporation establish the following:

- the minimum share capital is €120,000;
- any change in the amount of share capital must be approved in a general meeting by shareholders who may delegate powers to the Board of Directors to increase share capital up to a predetermined amount for a maximum period of five years; the general meeting of shareholders is also required to adopt suitable measures when share capital decreases by more than one third as the result of ascertained losses and to reduce share capital if by the end of the following year if such losses have not fallen by at least one third. If as the consequence of a loss of more than one third of capital this then falls below the legal minimum, shareholders in general meeting are required to approve a decrease and simultaneous increase of capital to an amount not less than this minimum or must change a company's legal form;
- as discussed previously the share in profits due to each class of share is determined by the bylaws of Fiat Industrial S.p.A.;
- an additional paid-in capital reserve is established if a company issues shares at a price exceeding their nominal value. This reserve may not be distributed until the legal reserve has reached one fifth of share capital;
- a company may not purchase treasury shares for an amount exceeding the distributable profits and available reserves stated in its most recently approved financial statements. Any purchase must be approved by shareholders in general meeting and in no case may the nominal value of the shares acquired exceed one fifth of share capital.

With the Demerger completed the Group announced a dividend policy for 2011, a year of transition, with the intention of distributing 25% of consolidated profit with a minimum pay-out of €100 million, reserving the duty of drafting a dividend policy for subsequent years to the Board of Directors. For 2011, the Board of Directors will be proposing to Shareholders at the Annual General Meeting the distribution of a total dividend of €240 million, analysed as follows:

- €0.185 per ordinary share, for a total of €202.1 million;
- €0.185 per preference share, for a total of €19.1 million;
- €0.2315 per savings share, for a total of €18.5 million.

The Board of Directors held on 1 February 2012, reviewed options relating to its dividend policy. In view of the consistent performance of the businesses and the substantial cash generation capabilities of the Group, it is of the view that Fiat Industrial could distribute between 25% and 35% of its consolidated net income for any one year, with a minimum pay-out in normal circumstances of €150 million.

The objectives identified by the Group for managing capital are to create value for shareholders as a whole, safeguard business continuity and support the growth of the Group. As a result, the Group endeavours to maintain an adequate level of capital that at the same time enables it to obtain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds, including by means of achieving an adequate rating.

The Group constantly monitors the evolution of the ratio between debt and equity and in particular the level of net debt and the generation of cash from its industrial activities.

In order to reach these objectives the Group aims at a continuous improvement in the profitability of the business in which it operates. Further, in general, it may sell part of its assets to reduce the level of its debt, while the Board of Directors may make proposals to Shareholders in general meeting to reduce or increase share capital or, where permitted by law, to distribute reserves. In this context the Group may also purchase treasury shares without exceeding the limits authorised by Shareholders in general meeting, under the same logic of creating value, compatible of the objectives of achieving financial equilibrium and an improvement in its rating.

In this respect in order to provide the Company with the necessary operating flexibility for an adequate period in December 2010 the Shareholders of Fiat Industrial S.p.A. passed a resolution for the purchase of treasury shares, subject to the Demerger becoming effective, valid for eighteen months and up to a maximum of €1 billion. Consequently once shareholder authorisation took effect retained earnings were reduced by €1 billion in order to establish a reserve for treasury shares of the same amount. The Board of Directors held on 22 February 2012, in consideration of the fact that the current authorisation expires on 20 June 2012 and to maintain the necessary operating flexibility for an adequate period, has decided to propose to Shareholders at the Annual General Meeting that the authorization for the purchase and disposal of own shares be renewed up to €500 million and for a period of 18 months. The authorization will be used to serve an equity-based incentive plan aimed at providing a long term based incentive that the same Board has voted to submit for the Shareholders Meeting's approval; the authorization will be also used for any other purposes admitted by the relevant laws. Additional comments on this long term incentive plan are included in paragraph Share-based compensation. It should be noted that this authorisation does not constitute an obligation to repurchase and that the Company did not acquire any treasury shares in 2011. Once the Company decides to buy back its own shares details of the Programme will be publicly disclosed in advance in accordance with applicable regulations, and any transactions carried out will be reported on a daily basis to the market and the regulatory authorities.

In this respect capital means the value brought into Fiat Industrial S.p.A. by its shareholders (share capital plus the additional paid-in capital reserve less treasury shares, equal to €2,375 million at 31 December 2011) and the value generated by the Group in terms of the results achieved in operations (retained earnings and other reserves, equal in total, before the result for the year, to €1,924 million at 31 December 2010, excluding gains and losses recognised directly in equity and non-controlling interests).

Other comprehensive income

Other comprehensive income may be analysed as follows:

(€ million)	2011	2010
Gains/(losses) on cash flow hedging instruments arising during the year	(60)	(116)
Gains/(losses) on cash flow hedging instruments reclassified to profit or loss	17	121
Gains/(losses) on cash flow hedging instruments	**(43)**	**5**
Gains/(losses) on the remeasurement of available-for-sale financial assets arising during the year	-	1
Gains/(losses) on the remeasurement of available-for-sale financial assets reclassified to profit or loss	-	-
Gains/(losses) on the remeasurement of available-for-sale financial assets	**-**	**1**
Exchange gains/(losses) on translating foreign operations arising during the year	(66)	501
Exchange gains/(losses) on translating foreign operations reclassified to profit or loss	-	-
Exchange gains/(losses) on translating foreign operations	**(66)**	**501**
Share of Other comprehensive income of entities accounted for using the equity method arising during the year	18	53
Share of Other comprehensive income of entities accounted for using the equity method reclassified to profit or loss	3	1
Share of Other comprehensive income of entities accounted for using the equity method	**21**	**54**
Tax effect of the other components of Other comprehensive income	6	(4)
Total Other comprehensive income, net of tax	(82)	557

The tax effect relating to Other comprehensive income may be analysed as follows:

(€ million)	2011 Pre-tax amount	2011 Tax income (expense)	2011 Net balance	2010 Pre-tax amount	2010 Tax income (expense)	2010 Net balance
Gains/(losses) on cash flow hedging instruments	(43)	6	(37)	5	(4)	1
Gains/(losses) on the remeasurement of available-for-sale financial assets	-	-	-	1	-	1
Exchange gains/(losses) on translating foreign operations	(66)	-	(66)	501	-	501
Share of Other comprehensive income of entities accounted for using the equity method	21	-	21	54	-	54
Total Other comprehensive income	(88)	6	(82)	561	(4)	557

Non-controlling interest

The non-controlling interest of €856 million at 31 December 2011 (€757 million at 31 December 2010) refers mainly to the 11.6% (11.1% at 31 December 2010) non-controlling interest in CNH Global N.V.

Share-based compensation

Stock Option plans linked to CNH Global N.V. ordinary shares

In the Agricultural and Construction equipment sector, CNH Global N.V. ("CNH") has granted share-based compensation to directors officers and employees which are linked to shares and which have the following terms.

The CNH Global N.V. Directors' Compensation Plan ("CNH Directors' Plan")

This plan provides for the payment of the following to eligible members of the CNH Global N.V. Board in the form of cash, and/or common shares of CNH, and/or options to purchase common shares of CNH, provided that such members do not receive salary or other employment compensation from Fiat Industrial S.p.A., CNH Global N.V., Fiat S.p.A., and their subsidiaries and affiliates:

- an annual retainer fee of 100,000 USD;
- an Audit Committee membership fee of 20,000 USD;
- a Corporate Governance and Compensation Committee membership fee of 15,000 USD;
- an Audit Committee chair fee of 35,000 USD; and
- a Corporate Governance and Compensation Committee chair fee of 25,000 USD (collectively, the "Fees").

Each quarter of the CNH Director's Plan year, the eligible directors elect the form of payment of their Fees. If the elected form is common shares, the eligible director will receive as many common shares as equal to the amount of Fees the director elects to forego, divided by the fair market value of a CNH Global N.V. common share. Common shares issued vest immediately upon grant, but cannot be sold for a period of six months. If the elected form is options, the eligible director will receive as many options as the amount of Fees that the director elects to forego, multiplied by four and divided by the fair market value of a common share, such fair market value being equal to the average of the highest and lowest sale price of a CNH Global N.V. common share on the last trading day of the New York Stock Exchange preceding the start of each quarter. Stock options granted as a result of such an election vest immediately, but shares purchased under options cannot be sold for six months following the date of exercise. Stock options terminate upon the earlier of: (1) ten years after the grant date; or (2) six months after the date an individual ceases to be a director.

At 31 December 2011 and 2010, there were 690,993 and 693,914 common shares, respectively reserved for issuance under the CNH Directors' Plan. Directors eligible to receive compensation under the CNH Directors' Plan do not receive benefits upon termination of their service as directors.

A summary of outstanding stock options under the CNH Directors' Plan at 31 December 2011 and 2010 is as follows:

	At 31 December 2011		At 31 December 2010	
Exercise price (in USD)	Options outstanding	Weighted Average remaining contractual life (in years)	Options outstanding	Weighted Average remaining contractual life (in years)
17.28 - 26.00	11,656	4.2	29,076	6.7
26.01 - 40.00	35,913	5.4	44,188	6.4
40.01 - 56.00	11,162	6.1	11,162	7.1
56.01 - 66.41	6,414	5.9	6,414	6.9
Total	65,145		90,840	

Changes during the year under the CNH Directors' Plan are as follows:

	2011		2010	
	Number of options	Weighted Average Exercise Price (in USD)	Number of options	Weighted Average Exercise Price (in USD)
Outstanding at the beginning of the year	90,840	31.24	117,419	27.54
Granted	3,101	37.09	12,904	26.73
Exercised	(28,796)	24.28	(36,610)	15.61
Expired	-	-	(2,873)	59.17
Outstanding at the end of the year	65,145	34.59	90,840	31.24
Exercisable at the end of the year	65,145	34.59	90,840	31.24

The CNH Equity Incentive Plan (the "CNH EIP")

The plan provides for grants of various types of awards on specific performance targets for the sector linked to the IFRS results of CNH, to officers and employees of CNH and its subsidiaries. As of 31 December 2011, CNH has reserved 25,900,000 shares for the CNH EIP (15,900,000 shares at 31 December 2010). The plan envisages stock options and share incentives as described below.

Stock option plan

Beginning in 2006, CNH began to issue performance-based stock options under the CNH EIP. In April 2011, CNH granted approximately 1 million performance-based stock options (at target award levels) under the CNH EIP. As CNH's 2011 results exceeded the target performance levels, approximately 1.8 million of these options were granted. One-third of the options vested in February 2012 following the approval of 2011 results by the CNH Board of Directors. The remaining options will vest equally on the first and second anniversary of the initial vesting date. Options granted under the CNH EIP have a contractual life of five years from the initial vesting date.

Options granted prior to 2006 have a contract life of ten years. However, the number of shares outstanding for these grants were immaterial as of 31 December 2011 and these shares are expected to expire in early 2012.

The following table summarises outstanding stock options under the CNH EIP:

	At 31 December 2011			At 31 December 2010	
Exercise Price (in USD)	Number of options Outstanding	Weighted Average remaining Contractual life (in years)	Weighted Average Exercise Price (in USD)	Number of options Outstanding	Weighted Average Exercise Price (in USD)
13.58 - 19.99	965,672	3.0	13.65	1,536,464	13.66
20.00 - 29.99	27,896	0.2	21.20	53,333	21.20
30.00 - 39.99	2,913,085	3.7	32.65	3,734,654	33.00
40.00 - 57.30	2,218,760	4.8	47.60	464,520	49.33
Total	6,125,413			5,788,971	

Changes during the period in all CNH stock option plans are as follows:

	2011		2010	
	Number of shares	Weighted Average Exercise Price (in USD)	Number of shares	Weighted Average Exercise Price (in USD)
Outstanding at the beginning of the year	**5,788,971**	**29.07**	**4,332,835**	**26.67**
Granted	1,813,557	47.20	2,888,625	31.69
Forfeited	(269,379)	28.77	(324,494)	31.91
Exercised	(1,181,765)	24.44	(992,535)	20.69
Expired	(25,971)	39.54	(115,460)	68.85
Outstanding at the end of the year	**6,125,413**	**35.02**	**5,788,971**	**29.07**
Exercisable at the end of the year	**1,895,828**	**33.49**	**1,431,524**	**36.40**

Performance Share Grants

Under the CNH EIP, performance-based shares may also be granted to selected key employees and executive officers. CNH establishes the period and conditions of performance for each award. Performance-based shares vest upon the attainment of specified performance objectives.

In September 2010, CNH granted approximately 2 million performance-based share awards under the CNH EIP. These performance shares will vest in three equal instalments if specified performance targets are achieved on a cumulative basis during the three-, four- and five-year periods ending 31 December 2012, 2013 and 2014. The fair value of this award is USD 34.74 per share. In 2011, CNH granted 154,000 additional shares which are subject to the same vesting condition and periods as the 2010 award. The weighted average fair value of the award is USD 39.10 per share.

CNH granted performance-based share awards under the Top Performance Plan ("TPP") in 2006 through 2009. Vesting of the TPP performance shares was dependent on achievement of specified targets by 2010. Achievement of the performance targets was not achieved in either 2009 or 2010 and these awards were forfeited. CNH did not recognise any share-based compensation expense related to TPP awards in 2009 or 2010.

The following table reflects performance-based share activity under the CNH EIP:

	2011		2010	
	Number of shares	Weighted Average grant date fair value (in USD)	Number of shares	Weighted Average grant date fair value (in USD)
Non-vested at the beginning of the year	**2,017,000**	**34.74**	**1,349,000**	**31.22**
Granted	154,000	39.10	2,027,000	34.74
Forfeited	(151,000)	34.74	(1,359,000)	31.25
Vested	-	-	-	-
Non-vested at the end of the year	**2,020,000**	**35.07**	**2,017,000**	**34.74**

Restricted Share Grants

In 2011, CNH granted 272,750 restricted share awards to selected key employees under the CNH EIP, of which 269,000 shares were granted in September 2011. The restricted share awards in September 2011 will vest in three equal instalments over a three-year period ended 30 September 2014 and have a fair value of USD26.65 per share.

The following table reflects restricted share activity under the CNH EIP:

	2011		2010	
	Number of shares	Weighted Average grant date fair value (in USD)	Number of shares	Weighted Average grant date fair value (in USD)
Non-vested at the beginning of the year	**316,000**	**34.62**	-	-
Granted	272,750	26.91	326,000	34.56
Forfeited	(17,122)	34.74	(2,000)	34.74
Vested	(101,359)	34.58	(8,000)	32.35
Non-vested at the end of the year	**470,269**	**30.15**	**316,000**	**34.62**

As of 31 December 2011, there were 13,112,372 CNH Global N.V. common shares (4,992,271 CNH Global N.V. common shares at 31 December 2010) available for issuance under the CNH EIP.

The Black-Scholes pricing model was used to calculate the fair value of stock options by the CNH sector. The weighted-average assumptions used under the Black-Scholes pricing model were as follows:

	2011		2010	
	Directors' Plan	Equity Incentive Plan	Directors' Plan	Equity Incentive Plan
Option life (years)	**5.00**	**3.81**	5.00	3.73
Price volatility of CNH Global N.V. shares (%)	**70.4**	**75.1**	66.9	74.1
Expected dividend yield (%)	**0.4**	**0.3**	0.6	0.5
Risk-free interest rate (%)	**1.0**	**1.4**	2.0	1.9

Based on this model, the weighted-average fair values of stock options awarded by CNH for the years ended 31 December 2011 and 2010 were as follows:

(in USD)	2011	2010
Directors' Plan	**20.96**	14.60
Equity Incentive Plan	**26.24**	16.10

The total cost recognised in the 2011 income statement for all share-based compensation linked to CNH Global N.V. ordinary shares amounts to €45 million (€26 million in 2010).

Stock grant plans linked to Fiat Industrial S.p.A. ordinary shares

The Board of Directors held on 22 February 2012, on the basis of a proposal from the Nominating, Compensation and Sustainability Committee, voted to submit for Shareholders' approval the adoption of a Long Term Incentive Plan.

The Plan, which takes the form of stock grants, is intended to ensure the involvement and retention of individuals who are key to the Group's continued development by aligning their interests with those of shareholders through the allocation of rights which, subject to the achievement of pre-established performance objectives and/or continuation of a professional relationship with the Group, entitle beneficiaries to receive an equivalent number of Fiat Industrial S.p.A. ordinary shares.

The first part of the Plan is the Company Performance Long Term Incentive ("Company Performance LTI") and provides for the allocation of a maximum 3 million rights – subject to the achievement of pre-established financial performance objectives for the performance period starting 1 January 2012 and ending 31 December 2014, and continuation of a professional relationship with the Group.

The second part of the Plan is the Retention Long Term Incentive – ("Retention LTI") with an allocation of a maximum of 3 million rights, whose award is subject to certain level of individual performance and that will vest subject to continuation of a professional relationship with the Group. Under the Plan, it is envisaged that the Company will assign three different cycles of Retention LTI: the first award would occur in 2012 (and it will vest over the 2012-2015 period), the second in 2013 (and it will vest over 2013-2016 period) and the third in 2014 (and it will vest over the 2014-2017 period).

The Chairman of the Company, Sergio Marchionne, is beneficiary of both parts of the Plan and will receive 1 million of rights under the Company Performance Plan and 1.1 million of rights under the first cycle of the Retention LTI. The other beneficiaries of the Plan will be approximately one hundred and fifty executives of the Group holding key positions that have a significant impact on business results and will be selected by the Chairman. The Plan will not include employees of CNH as CNH Global N.V. already adopts similar equity-based incentive schemes.

The Plan will be serviced with treasury shares and therefore, as no shares are to be issued, there will be no dilutive effects.

25. Provisions for employee benefits

Group companies provide post-employment benefits for their active employees and for retirees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates, the benefits generally being based on the employees' remuneration and years of service.

Group companies provide post-employment benefits under defined contribution and/or defined benefit plans.

In the case of defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The entity recognise the contribution cost when the employee has rendered his service and includes this cost by function in Cost of sales, Selling, general and administrative costs and Research and development costs. In 2011, these expenses totalled €520 million (€443 million in 2010).

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by an entity, and sometimes by its employees, into an entity, or fund, that is legally separate from the employer and from which the employee benefits are paid. Benefits are generally payable under these plans after the completion of employment. The plans are classified by the Group on the basis of the type of benefit provided as follows: Health care plans, Pension plans, Employee leaving entitlements in Italy (TFR) and Other.

Health care plans

The item Health care plans comprise obligations for health care and insurance plans granted to employees of the Group working in the United States and Canada (relating to CNH). These plans generally cover employees retiring on or after reaching the age of 55 who have had at least 10 years of service. CNH United States salaried and non-represented hourly employees and Canadian employees hired after 1 January 2001 and 1 January 2002, respectively, are not eligible for postretirement health care and life insurance benefits under the CNH plans. Until 31 December 2006 these plans were fully unfunded; starting in 2007, the Group began making contributions on a voluntary basis to a separate and independently managed fund established to finance the North American health care plans.

Pension plans

The item Pension plans consists principally of the obligations of the CNH sector companies operating in the United States and in the United Kingdom and the obligations of the Trucks and Commercial Vehicles sector operating in Germany (towards certain employees and former employees of the Group) and in the United Kingdom.

Under these plans, a contribution is generally made to a separate fund (trust) which independently administers the plan assets. The Group's funding policy is to contribute amounts to the plan equal to the amounts required to satisfy the minimum funding requirements prescribed by the laws and regulations of each individual country. Prudently the Group makes discretionary contributions in addition to the funding requirements. If these funds are overfunded, that is if they present a surplus compared to the requirements of law, the Group companies concerned could not be required to contribute to the plan in respect of a minimum performance requirement as long as the fund is in surplus.

The investment strategy for these assets depends on the features of the plan and on the maturity of the obligations. Typically long-term plan benefit obligations are funded by investing mainly in equity securities, as they are expected to achieve long-term growth while exceeding inflation; short and medium-term plan benefit obligations are funded by investing in fixed income securities, which are less volatile.

Reserve for Employee leaving entitlements in Italy (TFR)

The TFR consists of the residual obligation for employee leaving entitlements which was required until 31 December 2006 under Italian legislation to be paid to employees of Italian companies with more than 50 employees when leaving the company, and accrued over the employee's working life for other companies. This provision is settled to retiree employees and may be partially paid in advance if certain conditions are met. This is an unfunded defined benefit post-employment plan.

Other

The item Other includes loyalty bonuses, which are due to employees who reach a specified seniority and are generally settled when an employee leaves the company; and for French entities, the *Indemnité de depart à la retraite*, a plan similar to the Italian TFR. These schemes are unfunded.

Provisions for employee benefits at 31 December 2011 and 2010 are as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Post-employment benefits:		
Health care plans	**881**	859
Pension Plans	**468**	475
Employee leaving entitlements in Italy	**200**	208
Other	**134**	131
Total Post-employment benefits	**1,683**	1,673
Other provisions for employees	**323**	285
Other long-term employee benefits	**64**	59
Total Provision for employee benefits	**2,070**	**2,017**
Defined benefit plan assets	**215**	166
Total Defined benefits plan assets	**215**	**166**

The item Other provisions for employees consists of the best estimate at the balance sheet date of short-term employee benefits payable by the Group within twelve months of the end of the period in which the employees render the related service.

The item Other long-term employee benefits consists of the Group's obligation for those benefits generally payable during employment on reaching a certain level of seniority in the company or when a specified event occurs, and reflects the probability of payment and the length of time over which this will be made.

In 2011 and in 2010 changes in Other provisions for employees and in Other long-term employee benefits are as follows:

(€ million)	At 31 December 2010	Provision	Utilisation	Change in the scope of consolidation and other changes	At 31 December 2011
Other provisions for employees	285	78	(55)	15	323
Other long-term employee benefits	59	8	(5)	2	64
Total	344	86	(60)	17	387

(€ million)	At 31 December 2009	Provision	Utilisation	Change in the scope of consolidation and other changes	At 31 December 2010
Other provisions for employees	174	172	(63)	2	285
Other long-term employee benefits	52	11	(5)	1	59
Total	226	183	(68)	3	344

Post-employment benefits and Other long-term employee benefits are calculated on the basis of the following main assumptions:

	At 31 December 2011				At 31 December 2010			
(in %)	Italy	USA	UK	Germany	Italy	USA	UK	Germany
Discount rate	4.52	4.60	5.00	4.70	4.20	5.20	5.20	4.20
Future salary increase	3.15	n/a	3.50	3.00	3.26	n/a	3.50	3.00
Inflation rate	2.00	n/a	3.25	n/a	2.00	n/a	3.50	n/a
Weighted average, initial healthcare cost trend rate	n/a	7.50	n/a	n/a	n/a	8.00	n/a	n/a
Weighted average, ultimate healthcare cost trend rate	n/a	5.00	n/a	n/a	n/a	5.00	n/a	n/a
Expected return on plan assets	n/a	7.75	6.75	4.25	n/a	8.00	7.00	4.25

Assumed discount rates are used in measurements of pension and postretirement benefit obligations and interest cost components of net periodic cost. The Group selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date.

The assumed health care trend rate represents the rate at which health care costs are assumed to increase. Rates are determined based on the Agricultural and Construction Equipment sector specific experience, consultation with actuaries and outside consultants, and various trend factors including general and health care sector-specific inflation projections from the United States Department of Health and Human Services Health Care Financing Administration for CNH's U.S. assumptions. The initial trend is a short-term assumption based on recent experience and prevailing market conditions. The ultimate trend is a long-term assumption of health care cost inflation based on general inflation, incremental medical inflation, technology, new medicine, government cost-shifting, utilisation changes, aging population, and a changing mix of medical services.

The expected long-term rate of return on plan assets reflects management's expectations on long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. The expected return is based on the outlook for inflation, fixed income returns and equity returns, while also considering asset allocation and investment strategy, premiums for active management to the extent asset classes are actively managed and plan expenses. Return patterns and correlations, consensus return forecasts and other relevant financial factors are analysed to check for reasonability and appropriateness.

The amounts recognised in the statement of financial position for post-employment benefits at 31 December 2011 and 2010 are as follows:

	Health care plans		Pension Plans		Employee leaving entitlements in Italy		Other	
	At 31 December		At 31 December		At 31 December		At 31 December	
(€ million)	2011	2010	2011	2010	2011	2010	2011	2010
Present value of funded obligations	853	815	1,859	1,753	-	-	-	-
Fair Value of plan assets	(62)	(56)	(1,846)	(1,720)	-	-	-	-
	791	759	13	33	-	-	-	-
Present value of unfunded obligations	45	43	557	632	191	198	147	151
Unrecognised actuarial gains/(losses)	41	49	(317)	(359)	9	10	-	(6)
Unrecognised past service cost	4	8	-	-	-	-	(13)	(14)
Unrecognised assets	-	-	-	3	-	-	-	-
Net liability	881	859	253	309	200	208	134	131
Amounts at year end:								
Liabilities	881	859	468	475	200	208	134	131
Assets	-	-	(215)	(166)	-	-	-	-
Net liability	881	859	253	309	200	208	134	131

The amounts recognised in the income statement for Post-employment benefits are as follows:

	Health care plans		Pension Plans		Employee leaving entitlements in Italy		Other	
(€ million)	2011	2010	2011	2010	2011	2010	2011	2010
Current service cost	6	7	18	17	-	-	7	8
Interest costs	41	44	112	120	5	6	6	7
Expected return on plan assets	(4)	(4)	(115)	(115)	-	-	-	-
Net actuarial losses/(gains) recognised	-	(2)	22	27	-	-	1	(1)
Past service costs	(3)	(41)	-	3	-	-	1	1
Paragraph 58 adjustment	-	-	1	-	-	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-	1	-	-	-	(4)
Total Costs/(gains)	40	4	38	53	5	6	15	11
Actual return on plan assets	11	6	115	150	n/a	n/a	n/a	n/a

Changes in the present value of Post-employment obligations are as follows:

	Health care plans		Pension Plans		Employee leaving entitlements in Italy		Other	
(€ million)	2011	2010	2011	2010	2011	2010	2011	2010
Present value of obligation at the beginning of the year	858	792	2,385	2,137	198	202	151	136
Current service cost	6	7	18	17	-	-	7	8
Interest costs	41	44	112	120	5	6	6	7
Contribution by plan participants	4	4	3	3	-	-	-	-
Actuarial losses/(gains) generated	16	44	(27)	142	(1)	9	(5)	9
Exchange rate differences	28	64	61	110	-	-	-	1
Benefits paid	(55)	(59)	(146)	(147)	(18)	(21)	(12)	(15)
Past service cost	-	(38)	-	3	-	-	-	4
Change in scope of consolidation	-	-	10	-	7	-	1	-
(Gains)/Losses on curtailments	-	-	-	-	-	-	-	5
(Gains)/Losses on settlements	-	-	-	-	-	-	-	(2)
Other changes	-	-	-	-	-	2	(1)	(2)
Present value of obligation at the end of the year	898	858	2,416	2,385	191	198	147	151

The changes to the health care plans stated as past service cost in the obligation and in the composition of defined benefit plan expenses in 2010 were mainly related to the health care plans in North America for the Agricultural and Construction Equipment sector.

Changes in the fair value of plan assets are as follows:

	Health-care Plans		Pension plans	
(€ million)	2011	2010	2011	2010
Fair value of plan assets at the beginning of the year	56	46	1,720	1,526
Expected return on plan assets	4	4	115	115
Actuarial gains/(losses) generated	7	2	-	35
Exchange rate differences	2	4	55	94
Contribution by employer	44	55	83	84
Contribution by plan participants	4	4	3	3
Benefits paid	(55)	(59)	(136)	(137)
Change in scope of consolidation	-	-	6	-
(Gains)/losses on settlements	-	-	-	-
Other changes	-	-	-	-
Fair value of plan assets at the end of the year	62	56	1,846	1,720

As discussed earlier, the Group, and in particular the companies of the CNH sector, began making contributions on a voluntary basis in 2007 to a separate and independently managed fund established to finance the North American health care plans.

Plan assets for Pension and Health-care plans mainly consist of listed equity instruments, fixed income securities, cash in hand and other types of investments.

Plan assets do not include treasury shares of Fiat Industrial S.p.A. or properties occupied by Group companies.

Plan assets may be summarised as follows:

	At 31 December 2011	At 31 December 2010
Third party equity instruments	**35%**	40%
Third party debt instruments	**51%**	49%
Properties occupied by third parties	**1%**	1%
Other assets	**13%**	10%

Assumed health care cost trend rates have a significant effect on the amount recognised in the 2011 income statement. A one percentage point change in assumed health care cost trend rates would have the following effects:

(€ million)	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service costs and interest cost	**6**	**(4)**
Effect on defined benefit obligation	**104**	**(79)**

The present value of the defined benefit obligations, the fair value of plan assets and the surplus or deficit of the plans for 2011 and at the end of the three previous years are as follows:

(€ million)	At 31 December 2011	At 31 December 2010	At 31 December 2009	At 31 December 2008
Present value of obligation:				
Health care plans	**898**	858	792	846
Pension plans	**2,416**	2,385	2,137	1,912
Employee leaving entitlements in Italy	**191**	198	202	221
Others	**147**	151	136	158
Fair value of plan assets:				
Health care plans	**62**	56	46	39
Pension plans	**1,846**	1,720	1,526	1,332
Surplus/(deficit) of the plan:				
Health care plans	**(836)**	(802)	(746)	(807)
Pension plans	**(570)**	(665)	(611)	(580)
Employee leaving entitlements in Italy	**(191)**	(198)	(202)	(221)
Others	**(147)**	(151)	(136)	(158)

The best estimate of expected contribution to pension and health care plan for 2012 is as follows:

(€ million)	2012
Pension plans	89
Health care plans	65
Total expected contribution	154

26. Other provisions

Changes in Other provisions are as follows:

(€ million)	At 31 December 2010	Charge	Utilisation	Release to income	Other changes	At 31 December 2011
Warranty and technical assistance provision	702	685	(588)	(26)	3	776
Restructuring provision	93	67	(65)	(4)	-	91
Investment provision	23	-	-	-	(23)	-
Other risks	1,440	2,729	(2,524)	(55)	13	1,603
Total Other provisions	2,258	3,481	(3,177)	(85)	(7)	2,470

In 2010, the positive effect of exchange rate differences amounts to €13 million (€95 million in 2010).

The warranty and technical assistance provision represents management's best estimate of commitments given by the Group for contractual, legal or constructive obligations arising from product warranties given for a specified period of time which begins at the date of delivery to the customer. This estimate has been calculated considering past experience and specific contractual terms. This provision also includes management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a larger recall of vehicles This provision for risks is developed through an assessment of reported damages or returns on a case-by-case basis.

The restructuring provision comprises the estimated amount of benefits payable to employees on termination in connection with restructuring plans amounting to €72 million at 31 December 2011 (€43 million at 31 December 2010), other costs for exiting activities amounting to €2 million at 31 December 2011 (€1 million at 31 December 2010) and other costs totalling €17 million at 31 December 2011 (€49 million at 31 December 2010).

The total balance at 31 December 2011 relates to restructuring programs of the following sectors (in € million): Trucks and Commercial Vehicles 54 (16 at 31 December 2010), FPT Industrial 22 (53 at 31 December 2010) and Agricultural and Construction equipment 15 (24 at 31 December 2010).

The provision for other risks represents the amounts set aside by the individual companies of the Group principally in connection with contractual and commercial risks and disputes. The more significant balances of these provisions are as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Sales incentives	848	637
Legal proceedings and other disputes	286	252
Commercial risks	352	431
Environmental risks	35	38
Other reserves for risk and charges	82	82
Total Other risks	1,603	1,440

A description of these follows:

- *Sales incentives* – these provisions relate to sales incentives that are offered on a contractual basis to the dealer networks, primarily on the basis of the dealers achieving a specific cumulative level of sales transactions during the calendar year. This provision is estimated based on the information available regarding the sales made by the dealers during the calendar year.
- *Legal proceedings and other disputes* – this provision represents management's best estimate of the liability to be recognised by the Group with regard to:
  - Legal proceedings arising in the ordinary course of business with dealers, customers, suppliers or regulators (such as contractual, patent or antitrust disputes).
  - Legal proceedings involving claims with active and former employees.
  - Legal proceedings involving different tax authorities.

  None of these provisions is individually significant. Each Group's company recognises a provision for legal proceedings when it is deemed probable that the proceedings will result in an outflow of resources. In determining their best estimate of the probable liability, each Group's company evaluates their legal proceedings on a case-by-case basis to estimate the probable losses that typically arise from events of the type giving rise to the liability. Their estimate takes into account, as applicable, the views of legal counsel and other experts, the experience of the company and others in similar situations and the company's intentions with regard to further action in each proceeding. Fiat Industrial's consolidated provision combines these individual provisions established by each of the Group's companies.
- *Commercial risks* – this provision includes the amount of obligations arising in connection with the sale of products and services such as maintenance contracts. An accrual is recorded when the expected costs to complete the services under these contracts exceed the revenues expected to be realised.
- *Environmental risks* – this provision represents management's best estimate of the Group's probable environmental obligations. Amounts included in the estimate comprise direct costs to be incurred in connection with environmental obligations associated with current or formerly owned facilities and sites. This provision also includes costs related to claims on environmental matters.

27. Debt

A breakdown of debt and an analysis by due date is as follows:

	At 31 December 2011				At 31 December 2010			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Asset-backed financing	6,065	3,383	31	9,479	4,777	3,515	29	8,321
Bonds	167	2,360	2,359	4,886	-	735	1,318	2,053
Borrowings from banks	2,764	2,669	115	5,548	1,391	910	67	2,368
Payables represented by securities	78	12	-	90	45	72	-	117
Debt payable to Fiat Group post-Demerger	-	-	-	-	5,626	-	-	5,626
Other	132	24	58	214	134	30	46	210
Total Other debt	3,141	5,065	2,532	10,738	7,196	1,747	1,431	10,374
Total Debt	9,206	8,448	2,563	20,217	11,973	5,262	1,460	18,695

The item Asset-backed financing represents the amount of financing received through both securitisation and factoring transactions which do not meet IAS 39 derecognition requirements and is recognised as an asset in the statement of financial position.

There was an increase of approximately €929 million in asset backed financing, excluding exchange differences. This increase mainly reflects the increase in dealer and retail financing in the CNH Sector and the line-by-line consolidation of Iveco Finance Holdings Limited.

During the year, Other debt had increased, net of exchange differences, by €457 million. This increase is mainly due to the issue of new bonds, an increase in Borrowings from banks and the line-by-line consolidation of Iveco Finance Holdings Limited, and was partially offset by the repayment of outstanding debt payable to the Fiat Group post Demerger at 31 December 2010.

The major bond issues outstanding at 31 December 2011 by the Group are the following:

	Currency	Face value of outstanding bonds (in million)	Coupon	Maturity	Outstanding amount (€ million)
Global Medium Term Notes:					
Fiat Industrial Finance Europe S.A. (1)	EUR	1,000	5.250%	11 March 2015	1,000
Fiat Industrial Finance Europe S.A. (1)	EUR	1,200	6.250%	9 March 2018	1,200
Total Global Medium Term Notes					2,200
Other bonds:					
Case New Holland Inc.	USD	1,000	7.750%	1 September 2013	773
CNH America LLC	USD	254	7.250%	15 January 2016	197
CNH Capital LLC	USD	500	6.250%	1 November 2016	386
Case New Holland Inc.	USD	1,500	7.875%	1 December 2017	1,159
Total Other bonds					2,515
Hedging effect and amortised cost valuation					171
Total Bonds					4,886

(1) Bond listed in the Irish Stock Exchange.

More specifically the following bonds were issued during 2011:

- a bond issued at par by Fiat Industrial Finance Europe S.A. as part of the Global Medium Term Notes Programme, having a nominal value of €1,000 million, falling due in 2015 and bearing fixed interest at a rate of 5.250%;
- a bond issued at par by Fiat Industrial Finance Europe S.A. as part of the Global Medium Term Notes Programme, having a nominal value of €1,200 million, falling due in 2018 and bearing fixed interest at a rate of 6.250%;
- a bond issued by CNH Capital LLC having a nominal value of USD 500 million (equivalent to €386 million), maturing in 2016 and paying a fixed coupon of 6.250%, at a price of 100% of its nominal value, payable semi-annually.

The bonds issued by the Group are governed by different terms and conditions according to their type; more specifically these are as follows, in addition to the above-mentioned bonds issued in 2011:

- bond issued by Case New Holland Inc., having a nominal value of USD 1 billion at a price of 97.062%, falling due in 2013 and bearing fixed interest at a rate of 7.75%, payable semi-annually;
- bond issued by CNH America LLC for a total amount outstanding of 254 million of USD and repayable in 2016;
- bond issued by Case New Holland Inc. having a nominal value of USD1,500 million, maturing in 2017 and paying a fixed coupon of 7.875%, at a price of 99.32% of its nominal value.

The unaudited prospectuses and offering circulars, or their abstracts, relating to the above-mentioned principal bond issues are available on the Group's website at www.fiatindustrial.com under "Investor Relations – Financial Reports".

The bonds issued by the Group contain commitments of the issuer, and in certain cases of Fiat Industrial S.p.A. in its capacity as guarantor, which are typical of international practice for bond issues of this type such as, in particular, negative pledge, pari passu and cross default clauses. A breach of these commitments can lead to the early repayment of the issued notes. In addition, the agreements for the bonds guaranteed by Fiat Industrial S.p.A. contain clauses which could lead to early repayment if there is a change of control of Fiat Industrial S.p.A. associated with a downgrading by a ratings agency.

The Group intends to repay the issued bonds in cash at due date by utilising available liquid resources. In addition, the companies in the Group may from time to time buy back bonds on the market that have been issued by the Group, also for purposes of their cancellation. Such buy backs, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

Available committed credit lines expiring after twelve months amount to €1.6 billion at 31 December 2011. Of these credit lines, the 2 billion syndicated credit facility of Fiat Industrial, guaranteed by the parent company and available for 1.5 million at 31 December 2011, envisages typical covenants for contracts of this type and size, such as financial covenants (Net debt/EBITDA and Net interest/EBITDA ratios) and negative pledge, pari passu, cross default and change of control clauses. The failure to comply with these covenants, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding loans.

At 31 December 2011 there were no breaches of the above commitments.

The annual interest rates and the nominal currencies of debt at 31 December 2011 are as follows:

	Interest rate					
(€ million)	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	greater than 12.5%	Total
US dollar	6,289	694	1,932	-	4	8,919
Euro	6,129	1,303	-	-	-	7,432
Brazilian real	93	703	179	348	76	1,399
Canadian dollar	1,219	-	-	-	-	1,219
Australian dollar	3	803	-	-	-	806
Chinese renminbi	-	106	14	-	-	120
British pound	89	12	-	-	-	101
Swiss Franc	72	-	-	-	-	72
Polish zloty	1	69	-	-	-	70
Danish Krone	42	-	-	-	-	42
Other	2	14	-	-	21	37
Total Debt	**13,939**	**3,704**	**2,125**	**348**	**101**	**20,217**

Debt with annual nominal interest rates in excess of 12.5% relates principally to the companies operating in Argentina and Brazil.

For further information on the management of interest rate and currency risk reference should be made to the previous section Risk Management and to Note 33.

The fair value of Debt at 31 December 2011 amounts to €20,157 million (€18,895 million at 31 December 2010), determined using the quoted market price of financial instruments, if available, or the related future cash flows. The amount is calculated using the interest rates stated in Note 19, suitably adjusted to take account of the Group's current creditworthiness.

At 31 December 2011 the Group had outstanding financial lease agreements for certain property, plant and equipment whose net carrying amount totalling €51 million (€48 million at 31 December 2010) is included in the item Property, plant and equipment (Note 15). Payables for finance leases included in the item Other debt amount to €48 million at 31 December 2011 (€45 million at 31 December 2010) and are analysed as follows:

	At 31 December 2011				At 31 December 2010			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Minimum future lease payments	5	19	25	49	8	19	20	47
Interest expense	-	(1)	-	(1)	(1)	(1)	-	(2)
Present value of minimum lease payments	5	18	25	48	7	18	20	45

As discussed in Note 15, finance lease payables also relate to suppliers' assets recognised in the consolidated financial statements in accordance with IFRIC 4.

Debt secured by mortgages on assets of the Group amounts to €113 million at 31 December 2011 (€88 million at 31 December 2010), of which €48 million (€45 million at 31 December 2010) due to creditors for assets acquired under finance leases. The total carrying amount of assets acting as security for loans amounts to €119 million at 31 December 2011 (€92 million at 31 December 2010). In addition, it is recalled that the Group's assets include current receivables and cash with a pre-determined use to settle asset-backed financing of €9,479 million at 31 December 2011 (€8,321 million at 31 December 2010).

Net financial position

In compliance with Consob Regulation issued on 28 July 2006 and in conformity with CESR's "*Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses*" issued on 10 February 2005, the Net financial position of the Group is as follows:

	At 31 December 2011		At 31 December 2010	
(€ million)	Total	of which Related parties	Total	of which Related parties
A. Cash and cash equivalents	5,639	18	3,686	-
B. Current securities (securities held for trading)	68	-	24	-
C. Liquidity (C) = (A+B)	5,707	18	3,710	-
D. Receivables from financing activities (Current financial receivables)	13,946	12	10,908	-
E. Receivables from Fiat Group post Demerger	-	-	2,865	2,865
F. Other financial assets	118	-	88	45
G. Debt	20,217	8	18,695	5,900
H. Other financial liabilities	157	-	147	91
I. Net financial position (I) = (C+D+E+F-G-H)	(603)	22	(1,271)	(3,081)

The item Receivables from financing activities includes the entire portfolio of the financial services entities, classified as current assets as they will be realised during the normal operating cycle of these companies.

The following is a reconciliation between the Net financial position as presented in the above table and Net debt as presented in the Report on Operations:

(€ million)	At 31 December 2011	At 31 December 2010
Consolidated net debt as presented in Report on Operations	(14,549)	(12,179)
Less: Current financial receivables	13,946	10,908
Net financial position	(603)	(1,271)

Reference should be made to Notes 19, 20, 21 and 22 and the information provided in this Note for a further analysis of the items in the table.

28. Trade payables

An analysis by due date of trade payables is as follows:

	At 31 December 2011				At 31 December 2010			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Trade payables	5,043	7	2	5,052	4,072	4	1	4,077

The carrying amount of Trade payables is considered in line with their fair value at the balance sheet date.

29. Other current liabilities

An analysis of Other current liabilities is as follows:

(€ million)	At 31 December 2011	At 31 December 2010
Advances on buy-back agreements	983	1,010
Indirect tax payables	355	309
Accrued expenses and deferred income	363	340
Payables to personnel	241	190
Social security payables	169	159
Other	384	415
Total current liabilities	2,495	2,423

An analysis of Other current liabilities (excluding Accrued expenses and deferred income) by due date is as follows:

	At 31 December 2011				At 31 December 2010			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Other current liabilities (excluding Accrued expenses and deferred income)	1,503	581	48	2,132	1,442	618	23	2,083

The item Advances on buy-back agreements refers to agreements entered into by the Group during the year or which still remain effective at the balance sheet date and they relate to assets included in Property, plant and equipment, The item Advances on buy-back agreements represents the following:

- at the date of the sale, the price received for the product is recognised as an advance in liabilities;
- subsequently, since the difference between the original sales price and the repurchase price is recognised in the income statement as operating lease instalments on a straight line basis over the lease term, the balance represents the remaining lease instalments yet to be recognised in income plus the repurchase price.

The carrying amount of Other current liabilities is considered in line with their fair value.

30. Guarantees granted, commitments and contingent liabilities

Guarantees granted

At 31 December 2011, the Group has provided guarantees on the debt or commitments of third parties or jointly controlled and associated entities totalling €612 million (€655 million at 31 December 2010).

In addition, at 31 December 2011 Fiat Industrial S.p.A. replaced Fiat S.p.A. in the guarantees issued by the latter in the interest of Banco CNH Capital S.A. – Brazil for loans made by Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and by Agência Especial de Financiamento Industrial (FINAME) to Banco CNH Capital S.A.

Sales of receivables

The Group has discounted receivables and bills without recourse having due dates after 31 December 2011 amounting to €980 million (€1,239 million at 31 December 2010, with due dates after that dates), which refer to trade receivables and other receivables for €897 million (€1,021 million at 31 December 2010) and receivables from financing for €83 million (€218 million at 31 December 2010). At 31 December 2010 these amounts included receivables, mainly from the sales network, sold to associated financial service companies (Iveco Finance Holdings Limited) for €390 million.

Operating lease contracts

The Group has entered into operating lease contracts for the right to use industrial buildings and equipments with an average term of 10-20 years and 3-5 years, respectively. The total future minimum lease payments under non-cancellable lease contracts are as follows:

	At 31 December 2011				At 31 December 2010			
(€ million)	due within one year	due between one and five years	due beyond five years	Total	due within one year	due between one and five years	due beyond five years	Total
Future minimum lease payments under operating lease agreements	41	86	35	162	41	71	46	158

During 2011, the Group has recorded costs for lease payments for €48 million (€45 million in 2010).

Contingent liabilities

As a global company with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group financial position and results. At 31 December 2011, contingent liabilities estimated by the Group amount to approximately €41 million (approximately €36 million at 31 December 2010), for which no provisions have been recognised since an outflow of resources is not considered probable at the present moment. Furthermore, contingent assets and expected reimbursement in connection with these contingent liabilities for approximately €2 million have been estimated but not recognised.

Instead, when it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Group recognises specific provision for this purpose.

Since January 2011, Iveco, as well as some other competitors, has been subject to an investigation being conducted by the European Commission into certain business practices of the leading manufacturers of commercial vehicles in the European Union in relation to possible anti-competitive behaviour. The Office of Fair Trading is carrying out a similar investigation in Britain. It is not possible at the present moment to predict when and in what way these investigations will be concluded.

31. Segment reporting

The operating segments through which the Group carries out its activities are based on the internal reporting used by the Fiat Industrial Group's Chairman to make strategic decisions. That reporting, which reflects the Group's current organisational structure, is broken down by the various products and services offered by the Group and prepared in accordance with the accounting policies described under Significant Accounting Policies above.

The individual operating segments derive revenues from their usual production and sales activities as follows:

- The Agricultural and Construction Equipment segment (CNH) is active globally in the design, production and sale of agricultural and construction equipment. This segment also provides financial services to its end customers and dealers directly and indirectly in certain European countries through a joint venture with the BNP Paribas Group.
- The Trucks and Commercial Vehicles segment (Iveco) earns its revenues from the production and sale, predominantly in Europe, of trucks and commercial vehicles, buses and special use vehicles. The segment also offers financial services directly to its customers and dealers in Europe.
- The FPT Industrial segment earns its revenues from the production and sale of engines and transmissions for trucks and commercial vehicles and for agricultural and construction equipment, as well as for Marine and Power Generation uses.

The Group assesses performance of its operating segments on the basis of the Trading profit/(loss), Operating profit/(loss) and Result from investments earned by those segments.

Revenues for each reported segment are those directly generated by or attributable to the segment as a result of its usual business activities and include revenues from transactions with third parties as well as those derived from transactions with other segments, recognised at normal market prices. For those operating segments which also provide financial services activities, revenues include interest income and other financial income deriving from those activities. Segment expenses represent expenses derived from each segment's business activities both with third parties and other operating segments or which may otherwise be directly attributable to it. Expenses derived from business activities with other segments are recognised at normal market prices. For those operating segments which also carry out financial services activities, expenses include interest expense and other financial expense deriving from those activities.

The measure used to assess profit and loss for each operating segment is the Operating profit/(loss). Trading profit/(loss) is reported as a specific part of the Operating profit/(loss) to separate the income and expense that is non-recurring in the ordinary operations of the business, such as gains and losses from the disposals of investments or restructuring costs from profit or loss attributable to the Segments. Financial income and expense and taxes not derived from operating activities are recognised centrally and reported under Unallocated items and adjustments.

All profit and loss items are recognised in accordance with the same accounting principles used in the preparation of the Group's consolidated financial statements.

Details of the income statement by operating segment for the years ended 31 December 2011 and 2010 is as follows:

	2011						2010					
(€ million)	CNH	Iveco	FPT Industrial	Other Operating Segments	Unallocated items & adjustments	Fiat Industrial Group	CNH	Iveco	FPT Industrial	Other Operating Segments	Unallocated items & adjustments	Fiat Industrial Group
Segment revenues	13,896	9,562	3,220	9	(2,398)	24,289	11,906	8,307	2,415	394	(1,680)	21,342
Revenues from transactions with other operating segments (*)	(34)	(190)	(2,165)	(9)	2,398	-	(12)	(107)	(1,561)	-	1,680	-
Revenues from external customers	13,862	9,372	1,055	-	-	24,289	11,894	8,200	854	394	-	21,342
Trading profit/(loss)	1,154	490	107	(32)	(33)	1,686	755	270	65	(2)	4	1,092
Unusual income/(expense)	27	(82)	(1)	(1)	-	(57)	(1)	(30)	(36)	(6)	(2)	(75)
Operating profit/(loss)	1,181	408	106	(33)	(33)	1,629	754	240	29	(8)	2	1,017
Financial income/(expense)					(546)	(546)					(505)	(505)
Interest in profit/(loss) of joint ventures and associates accounted for using the equity method	85	13	-	-	(1)	97	75	(5)	-	-	-	70
Other profit/(loss) from investments	-	(11)	-	-	-	(11)	-	(6)	-	-	-	(6)
Result from investments	85	2	-	-	(1)	86	75	(11)	-	-	-	64
Profit/(loss) before taxes						1,169						576
Income taxes					468	468					198	198
Profit/(loss) from continuing operations						701						378
Amortisation and depreciation	(292)	(232)	(145)	-	3	(666)	(274)	(247)	(147)	-	3	(665)
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash items other than depreciation and amortisation	(2,796)	(633)	(58)	-	(20)	(3,507)	(2,466)	(676)	(99)	-	-	(3,241)
Reversal of impairment losses on Intangible assets and Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-

Segment assets are those assets employed by each segment in carrying out its usual activities or those which may be reasonably allocated to it on the basis of its usual activities, including the value of investments in joint ventures and associates. Segment liabilities are those liabilities arising directly from each segment's usual activities or which may be reasonably allocated to it on the basis of its usual activities. The Group's treasury and tax activities are managed centrally and, therefore, are not allocated to the individual segments as they are not directly related to operating activities. These assets and liabilities are not included in the assets and liabilities attributed to the segments, but are instead reported under Unallocated items and adjustments. In particular, treasury assets include amounts receivable from financing activities, other non-current receivables, securities and other financial assets, and cash and cash equivalents of the Group's industrial entities. Treasury liabilities, on the other hand, include debt and other financial liabilities of the Group's industrial entities. As the segment Profit/(loss) includes the Interest income and other financial income and Interest expense and other financial expense of the financial services entities, the operating assets of CNH and Iveco also include the financial assets (predominantly the loan portfolio) of their financial services companies. Similarly, liabilities for those segments include the debt of the financial services companies. Therefore, the unallocated Group debt represents the debt of industrial entities only.

The reported segment assets and liabilities are recognised in accordance with the same accounting principles used in preparation of the Group's consolidated financial statements.

	At 31 December 2011						At 31 December 2010					
(€ million)	CNH	Iveco	FPT Industrial	Other Operating Segments	Unallocated items & adjustments	Fiat Industrial Group	CNH	Iveco	FPT Industrial	Other Operating Segments	Unallocated items & adjustments	Fiat Industrial Group
Segment assets	21,267	9,718	1,954	6,885	(7,489)	32,335	19,356	7,214	1,744	5,855	(6,258)	27,911
Tax assets					1,852	1,852					1,829	1,829
Receivables from financing activities, Non-current Other receivables and Securities of industrial companies					103	103					70	70
Cash and cash equivalents, Current securities and Other financial assets of industrial companies					4,353	4,353					5,111	5,111
Total Treasury assets					4,456	4,456					5,181	5,181
Total unallocated assets					6,308	6,308					7,010	7,010
Total Assets						38,643						34,921
Segment operating assets include:												
Investments in subsidiaries, associates and joint ventures accounted for by the equity method	393	231	-	-	(10)	614	366	323	-	-	(10)	679
Increases in non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	546	404	168	155	(176)	1,097	447	283	175	40	(46)	899
Segment liabilities	17,013	8,853	1,389	34	(522)	26,767	15,464	6,139	1,199	10	(349)	22,463
Tax liabilities					873	873					703	703
Treasury liabilities					5,592	5,592					7,011	7,011
Total unallocated liabilities					6,465	6,465					7,714	7,714
Total Liabilities						33,232						30,177

32. Information by geographical area

The Group's parent company has its registered office in Italy. In 2011, revenues earned from external customers in Italy totalled € 2,465 million (€2,491 million in 2010) and revenues derived from external customers in the Rest of the World totalled € 21,824 million (€18,851 million in 2010). The following is an analysis of revenues earned from external customers in the Rest of the World:

(€ million)	2011	2010
United States	4,889	4,359
Brazil	3,293	3,104
France	2,166	1,806
Germany	1,286	1,190
Canada	1,144	832
Australia	825	669
U.K.	713	602
Spain	662	697
Argentina	538	365
Poland	380	307
Other	5,928	4,920
Total revenues from external customers in RoW	**21,824**	**18,851**

Total non-current Assets, excluding financial assets, deferred tax assets, defined benefit assets and rights arising under insurance contracts located in Italy totalled €1,892 million at 31 December 2011 (€1,782 million at 31 December 2010) and the total of such assets located in the Rest of the World totalled €7,367 million at 31 December 2011 (€6,824 million at 31 December 2010). Non-current assets located in the Rest of the World may be analysed as follows:

(€ million)	At 31 December 2011	At 31 December 2010
United States	3,291	3,035
France	704	619
Germany	552	493
Brazil	483	436
Spain	475	482
Canada	336	321
China	320	304
Other	1,206	1,134
Total non-current assets in RoW	**7,367**	**6,824**

In 2011 and 2010, no single external customer of the Group accounted for 10 percent or more of consolidated revenues.

33. Information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, regarding its normal business relations with customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- market risk (principally relating to exchange rates, interest rates), since the Group operates at an international level in different currencies and uses financial instruments which generate interest.

As described in the section Risk management, the Group constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary actions to mitigate them.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group.

The quantitative data reported in the following do not have any predictive value, in particular the sensitivity analysis on market risks does not to reflect the complexity of the market or the reaction which may result from any changes that are assumed to take place.

Credit risk

The maximum credit risk to which the Group is theoretically exposed at 31 December 2011 is represented by the carrying amounts stated for financial assets in the statement of financial position and the nominal value of the guarantees provided on liabilities or commitments to third parties as discussed in Note 30.

Dealers and final customers are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for risks arising from credit granted for the sale of commercial vehicles and agricultural and construction equipment. These guarantees are further strengthened where possible by reserve of title clauses or specific guarantees on financed vehicle sales to the sales network and on vehicles assigned under finance leasing agreements.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. Impairment losses are recognised for receivables which are not written down on a specific basis, determined on the basis of historical experience and statistical information.

Receivables for financing activities amounting to €13,946 million at 31 December 2011 (€10,908 million at 31 December 2010) contains balances totalling €54 million (€63 million at 31 December 2010) have been written down on an individual basis. Of the remainder, balances totalling €320 million (€237 million at 31 December 2010) are past due by up to one month, while balances totalling €510 million are past due by more than one month (€734 million at 31 December 2010). In the event of instalment payments, even if only one instalment is overdue, the whole amount of the receivable is classified as such.

Trade receivables and Other receivables totalling €2,464 million at 31 December 2011 (€2,636 million at 31 December 2010) contains, balances totalling €56 million (€49 million at 31 December 2010) have been written down on an individual basis. Of the remainder, balances totalling €145 million (€147 million at 31 December 2010) are past due by up to one month, while balances totalling €151 million (€185 million at 31 December 2010) are past due by more than one month.

The significant decrease in the past due component in receivables from financing activities is partially attributable to the gradual collection of loans granted by Banco CNH Capital S.A. as part of the development/subsidised loans programme for agriculture of the Brazilian development agency managed through Banco Nacional de Desenvolvimento Economico e Social ("BNDES"). These receivables fell under the scope of the general debt relief programmes that were implemented from time to time by the Brazilian government between 2005 and 2008 to support an agricultural industry going through a difficult period. With the rescheduling programmes now at an end, the company has taken all the measures necessary to collect instalments falling due, adjusting the level of its loan allowances in relation to the extent to which the overdue balances are being repaid.

Total rescheduled outstanding loans issued by Banco CNH Capital S.A. amount to approximately 0.5 billion Reais (approximately €0.2 billion) at 31 December 2011, representing a decrease of approximately 0.7 billion Reais over 31 December 2010; Banco CNH Capital S.A. had a net overdue balance with its customers of approximately 0.3 billion Reais (approximately €0.1 billion), representing a decrease of approximately 0.6 billion Reais over 31 December 2010. During the year, approximately 0.5 billion (approximately €0.2 billion) Reais were written off by Banco CNH Capital S.A. Although the continual reschedulings of the recent past have contributed to an increase in the uncertainty as to the timing and means by which customers will make repayment, the amounts provided are considered sufficient to cover the residual credit risk. In the meantime, the BNDES has continued its financial support for the company and the subsidised loan programmes.

Liquidity risk

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations under economic conditions.

The two main factors that determine the Group's liquidity situation are on the one hand the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

Continuing the process applied for years by the Fiat Group, the Fiat Industrial Group has adopted a series of policies and procedures whose purpose is to optimise the management of funds and to reduce the liquidity risk, as follows:

- centralising the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining an adequate level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence on the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

Details as to the repayment structure of the Group's financial assets and liabilities are provided in Note 19 Current Receivables and in Note 27 Debt. Details of the repayment structure of derivative financial instruments are provided in Note 21.

Management believes that the funds currently available, in addition to those funds that will be generated from operating and financing activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

Currency risk

The Group is exposed to risk resulting from changes in exchange rates, which can affect its earnings and equity. In particular:

- Where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating profit/(loss) of that company. In 2011, the total trade flows exposed to currency risk amounted to the equivalent of 18% of the Group's turnover (15% in 2010). The principal exchange rates to which the Group is exposed are the following:
    - EUR/USD, in relation to the production/purchases of the CNH sector in the Euro area and to sales in dollars made by Iveco;
    - EUR/GBP, predominately in relation to sales made by Iveco on the UK market and purchases made by the CNH sector in the Euro area;
    - USD/BRL and EUR/BRL, in relation to production in Brazil and the respective import/export flows;
    - USD/AUD, mainly in relation to sales made by the CNH sector in Australia;
    - USD/GBP, in relation to the production/purchases of the CNH sector in the UK.

  Taken overall trade flows exposed to changes in these exchange rates in 2011 made up approximately 66% of the exposure to currency risk from trade transactions.
- It is the Group's policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecast trading transaction exchange risk exposure for the coming 12 months (including such risk beyond that date where it is believed to be appropriate in relation to the characteristics of the business) and to hedge completely the exposure resulting from firm commitments.

- Group companies may find themselves with trade receivables or payables denominated in a currency different from the money of account of the company itself. In addition, in a limited number of cases, it may be convenient from an economic point of view or it may be required under local market conditions, for companies to obtain finance or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is the Group's policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the company's functional currency.
- Certain of the Group's subsidiaries are located in countries which are not members of the European monetary union, in particular the United States, the United Kingdom, Brazil, Australia, Canada, India, China, Argentina and Poland. As the Group's reference currency is the Euro, the income statements of those countries are converted into Euros using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the result in Euros.
- The assets and liabilities of consolidated companies whose functional currency is different from the Euros may acquire converted values in Euros which differ as a function of the fluctuation in exchange rates. The effects of these changes are recognised directly in the item Cumulative Translation Adjustments reserve, included in Other Comprehensive income (see Note 24).

The Group monitors its principal exposure to conversion exchange risk, although there was no specific hedging in this respect at the balance sheet date.

There have been no substantial changes in 2011 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

Sensitivity analysis

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at 31 December 2011 resulting from a hypothetical, unfavourable and instantaneous change of 10% in the exchange rates of the leading foreign currencies with the Euro, amounts to approximately €175 million (€157 million at 31 December 2010). The valuation model for currency options assumes that market volatility at year end remains unchanged.

Receivables, payables and future trade flows whose hedging transactions have been analysed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest rate risk

The manufacturing companies and treasuries of the Group make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, Group companies make sales of receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. securitisation of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the operating profit/(loss) of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on net profit/(loss).

Sensitivity analysis

In assessing the potential impact of changes in interest rates, the Group separates out fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (basically customer financing and financial leases) and part of debt (including subsidised loans and bonds).

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2011 resulting from a hypothetical, unfavourable and instantaneous change of 10% in market interest rates, would have been approximately €9 million (approximately €22 million at 31 December 2010). The reduced effect compared to 2010 is due to a decrease in the reference rates taken for the analysis.

Floating rate financial instruments consist principally of cash and cash equivalents, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical, unfavourable and instantaneous change of 10% in short-term interest rates at 31 December 2011, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately €4 million (approximately €9 million at 31 December 2010). The decrease over 2010 reflects the reduced level of debt and the lower level of interest rates used in the analysis.

This analysis is based on the assumption that there is a general and instantaneous change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Other risks on derivative financial instruments

The Group has entered derivative contracts linked to commodity prices to hedge specific exposures on supply contracts.

Sensitivity analysis

In the event of a hypothetical, unfavourable and instantaneous change of 10% in the underlying raw materials prices, the potential loss in fair value of outstanding derivative financial instruments at 31 December 2011 linked to commodity prices would amount to €2 million (not significant at 31 December 2010).

34. Fair value hierarchy

IFRS 7 requires financial instruments recognised in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

- Level 1 – quoted prices in active markets for the assets or liabilities being measured;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) on the market;
- Level 3 – inputs that are not based on observable market data.

The following table provides an analysis under this hierarchy of financial assets and liabilities measured at fair value at 31 December 2011.

(€ million)	Note	Level 1	Level 2	Level 3	Total
Assets available-for-sale measured at fair value:					
Other Non – current securities	(16)	1	-	-	1
Current securities available for sale	(20)	68	-	-	68
Financial assets held for trading measured at fair value:					
Other financial assets	(21)	-	118	-	118
Total Assets		69	118	-	187
Other financial liabilities	(21)	-	(157)	-	(157)
Total Liabilities		-	(157)	-	(157)

In 2011 there were no transfers from Level 1 to Level 2 or vice versa.

The following table provides changes in Level 3 in 2011:

(€ million)	Other financial asset/(liabilities)
Balances at 31 December 2010	(4)
Gains/(losses) recognised in profit or loss	3
Increases/(Decreases)	1
Balances at 31 December 2011	-

In 2011 there were no transfers from Level 3 to other levels or vice versa.

35. Related party transactions

In accordance with IAS 24 the related parties of the Fiat Industrial Group are companies and persons who are capable of exercising control or joint control or who have a significant influence over the Fiat Industrial Group and its subsidiaries, the companies belonging to the Exor Group (including the companies of the Fiat Group post Demerger), unconsolidated subsidiaries in the Fiat Industrial Group and the associates or joint ventures of the Fiat Industrial Group. Finally, the members of the Board of Directors, the statutory auditors and managers of the Fiat Industrial Group with strategic responsibility and members of their families.

The Group engages in transactions with unconsolidated subsidiaries, jointly controlled entities, associated companies and other related parties on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved.

Relations between the Group and its unconsolidated subsidiaries, its joint ventures, its associates and other related parties consist mainly of transactions of a commercial nature, which have an effect on revenues, cost of sales and trade receivables and payables.

The effects of such transactions on the consolidated income statements for 2011 and 2010 are as follows:

		of which: with related parties						
(€ million)	2011	Unconsolidated Subsidiaries	Jointly controlled entities	Associated companies	Fiat Group post Demerger	Other related parties	Total related parties	Effect on Total (%)
Net revenues	24,289	6	390	330	833	-	1,559	6.4%
Cost of sales	20,038	-	178	209	415	44	846	4.2%
Selling, general and administrative costs	2,002	-	-	-	220	14	234	11.7%
Research and development costs	505	-	-	-	28	-	28	5.5%
Financial income/(expenses)	(546)	-	(4)	(11)	(72)	-	(87)	15.9%

(€ million)	2010	of which: with related parties Unconso-lidated Subsidiaries	Jointly controlled entities	Associated companies	Fiat Group post Demerger	Other related parties	Total related parties	Effect on Total (%)
Net revenues	21,342	-	249	238	718	-	1,205	5.6%
Cost of sales	17,979	-	187	154	342	3	686	3.8%
Selling, general and administrative costs	1,793	-	-	-	155	7	162	9.0%
Research and development costs	418	-	-	-	42	-	42	10.0%
Financial income/(expenses)	(505)	-	(1)	(10)	(110)	-	(121)	24.0%

The effects on the consolidated statement of financial position at 31 December 2011 and 2010 are as follows:

(€ million)	At 31 December 2011	of which: with related parties Unconso-lidated Subsidiaries	Jointly controlled entities	Associated companies	Fiat Group post Demerger	Other related parties	Total related parties	Effect on Total (%)
Other investments and non-current financial assets	52	1	-	-	49	-	50	96.2%
Trade receivables	1,562	-	48	71	30	-	149	9.5%
Financial receivables from Fiat Group post Demerger	-	-	-	-	-	-	-	-
Current tax receivables	685	-	-	-	-	-	-	-
Other current assets	1,053	-	-	1	8	-	9	0.9%
Current financial assets	186	-	-	-	-	-	-	-
Asset-backed financing	9,479	-	-	-	2	-	2	-
Debt payables to the Fiat Group post Demerger	-	-	-	-	-	-	-	-
Other debt	10,738	-	5	-	1	-	6	0.1%
Other financial liabilities	157	-	-	-	-	-	-	-
Trade payables	5,052	2	74	38	162	16	292	5.8%
Current tax payables	660	-	-	-	-	-	-	-
Other current liabilities	2,495	-	21	-	5	2	28	1.1%

(€ million)	At 31 December 2010	of which: with related parties Unconso-lidated Subsidiaries	Jointly controlled entities	Associated companies	Fiat Group post Demerger	Other related parties	Total related parties	Effect on Total (%)
Other investments and non-current financial assets	58	1	-	11	-	-	12	20.7%
Trade receivables	1,839	3	78	63	67	-	211	11.5%
Financial receivables from Fiat Group post Demerger	2,865	-	-	-	2,865	-	2,865	100.0%
Current tax receivables	618	-	-	-	66	-	66	10.7%
Other current assets	955	-	-	-	21	-	21	2.2%
Current financial assets	112	-	-	-	45	-	45	40.2%
Asset-backed financing	8,321	-	-	219	-	-	219	2.6%
Debt payables to the Fiat Group post Demerger	5,626	-	-	-	5,626	-	5,626	100.0%
Other debt	4,748	-	1	49	5	-	55	1.2%
Other financial liabilities	147	-	-	-	91	-	91	61.9%
Trade payables	4,077	1	38	39	182	1	261	6.4%
Current tax payables	508	-	-	-	5	-	5	1.0%
Other current liabilities	2,423	-	48	-	82	-	130	5.4%

Transactions with jointly controlled entities

These transactions affected revenues, cost of sales, trade receivables and payables. The effects arising on the financial statements are set out as follows.

Net revenues

The transactions consist principally of sales of commercial vehicles, and agricultural and construction machinery, and the provision of technical services, to the following companies:

(€ million)	2011	2010
Iveco Oto Melara Società consortile, for the sale of vehicles and special transport	136	123
CNH de Mexico SA de CV, for the sale of agricultural and construction equipment	58	46
SAIC IVECO Commercial Vehicle Investment Company Limited for technical services	44	23
Turk Traktor Ve Ziraat Makineleri A.S., for the sale of agricultural and construction equipment	43	26
New Holland HFT Japan Inc., for the sale of agricultural and construction equipment	38	14
Other	71	17
Total Net revenues from jointly controlled entities	390	249

Cost of sales

Transactions have taken place principally with the following companies:

(€ million)	2011	2010
Turk Traktor Ve Ziraat Makineleri A.S., for the purchase of agricultural equipment	153	169
Other	25	18
Total Cost of sales for purchases from jointly controlled entities	178	187

Trade receivables

These relate to receivables arising from the revenues discussed. In particular:

(€ million)	At 31 December 2011	At 31 December 2010
Iveco – Oto Melara Società consortile	21	52
Other	27	26
Total Current trade receivables due from jointly controlled entities	48	78

Trade payables

These relate to payables arising from the costs discussed above. In particular:

(€ million)	At 31 December 2011	At 31 December 2010
Turk Traktor Ve Ziraat Makineleri A.S.	63	28
Other	11	10
Total Trade payables due to jointly controlled entities	74	38

Transactions with associated companies

These transactions mainly affected revenues and trade receivables. In 2010, these transactions also related to asset-backed financing and other debt due to transactions with the associate Iveco Finance Holdings Limited, whose assets and liabilities have been consolidated on a line-by-line basis since 31 December 2011 as described in the above paragraph Scope of consolidation. The effects arising on the financial statements are set out as follows.

Net Revenues

Transactions consist principally of sales of industrial vehicles and the provision of services, to the following companies:

(€ million)	2011	2010
Iveco Finance Holdings Limited (for the sale of trucks and commercial vehicles leased out by the company	202	126
IVECO-AMT Ltd. for the sale of trucks and commercial vehicles	68	13
Kobelco Construction Machinery Co Ltd. for the sale of construction equipment	48	50
Truck & Bus company, for the sale of Trucks and buses	12	49
Total Net Revenues from associated companies	330	238

Cost of sales

These primarily relate to transactions with the following companies:

(€ million)	2011	2010
Kobelco Construction Machinery Co Ltd. for the purchase of construction equipment	164	91
Iveco Finance Holdings Limited for costs associated with the sale of receivables	45	63
Cost of sales for purchases from associates	209	154

Trade receivables

This item, amounting to €71 million at 31 December 2011 (€63 million at 31 December 2010), relates to receivables arising from the revenues discussed above.

Asset-backed financing

This item, amounting to €219 million at 31 December 2010, related to amounts due to Iveco Finance Holding Limited for sales of receivables which did not qualify as sales under IAS 39.

Other debt

This item, amounting to €49 million at 31 December 2010, consisted mainly of other payables of a financial nature due to Iveco Finance Holdings Limited.

Transactions with the Fiat Group post Demerger

These amounts arise from transactions between the Fiat Industrial Group companies and companies belonging to the Fiat Group post Demerger, and from the asset and liability balances of the Fiat Industrial Group companies which relate to companies belonging to the Fiat Group post Demerger. The effects of individual transactions on financial statement items are as follows:

Net Revenues

These primarily relate to the sale of goods to the following companies:

(€ million)	2011	2010
Società Europea Veicoli Leggeri S.p.A. – Sevel for the sale of engines	401	339
Fiat Automoveis S.A. – FIASA (subsidiary of Fiat Group Automobiles) for the sale of light commercial vehicles	388	267
Fiat Group Automobiles S.p.A. and subsidiaries, for the sale of engines	35	93
Other	9	19
Total Revenues from Fiat Group post Demerger	833	718

Cost of sales

These primarily relate to transactions with the following companies:

(€ million)	2011	2010
Teksid S.p.A. and subsidiaries, for the purchase of engine blocks	123	86
Magneti Marelli S.p.A. and its subsidiaries, for the purchase of components	73	46
Fiat Powertrain Technologies S.p.A. for the purchase of engines	22	36
Other	197	174
Total Cost of sales from Fiat Group post Demerger	415	342

Selling, general and administrative costs

These relate to costs for the provision of administrative, IT, corporate affairs, tax, treasury, purchasing, personnel management, communications and security services by companies belonging to the Fiat Group post Demerger.

Research and development costs

These relate to the provision of research and development services in 2011 and 2010 by the Fiat Research Centre (and by Elasis in 2010) on behalf of the Fiat Group post Demerger sectors.

Financial income/(expenses)

This item consists of the interest payable to the treasury companies of the Fiat Group post Demerger as the result of funding arranged with them up to the final repayment at the beginning of 2011, once the Demerger became effective, and includes the charges payable for the early repayment of certain loans.

Receivables from financing activities due from Fiat Group post Demerger

These consists mainly of cash held at 31 December 2010 on deposit by companies to be transferred to the Fiat Industrial Group, with Fiat Group's central treasury companies (Fiat Finance S.p.A. Fiat Finance and Trade Ltd S. A., Fiat Finance Canada Ltd and Fiat Finance North America Inc.) remaining within Fiat Group post Demerger.

Debt payable to Fiat Group post Demerger

This relates mainly to financing provided at 31 December 2010 by Fiat Group's central treasury companies remaining within Fiat Group post Demerger to the companies transferred to Fiat Industrial Group.

Asset-backed financing and Other debt

This items mainly consist of other debt arising from the transactions of foreign subsidiaries of the Fiat Industrial Group with financial services companies of the Fiat Group post Demerger in countries where the Fiat Industrial Group does not have any financial services companies of its own.

Other

Fiat Switzerland SA was acquired from the Fiat Group post Demerger in 2011 for a consideration of €14 million. In 2011, the Group also acquired certain minor businesses from the Fiat Group post Demerger for a total consideration which was not significant.

Transactions with other related parties

The most significant amount in 2011 affects cost of sales, which includes the cost for purchases of components of €40 million from the Brembo Group which is controlled by Alberto Bombassei who is a member of the Board of Directors of Fiat Industrial S.p.A. The main amount in 2010 related to selling, general and administrative costs, which included sponsorship costs of €7 million relating to the second half of the 2009-2010 football season arising from an agreement entered into with Juventus Football Club S.p.A. in 2007.

Emoluments to Directors, Statutory Auditors and Key Management

The fees of the Director and Statutory Auditors of Fiat Industrial S.p.A. for carrying out their respective functions, including those in other consolidated companies, are as follows

(in thousands of euros)	2011
Directors	3,150
Statutory auditors	148
Total Emoluments	**3,298**

The aggregate expense incurred in 2011 for the compensation of Executives with strategic responsibilities of the Group amounts to approximately €10 million. This amount is inclusive of the notional compensation cost for share-based payments granted to Executives with strategic responsibilities.

Commitments and guarantees with related parties

At 31 December 2011 the Group had pledged guarantees on commitments of the jointly controlled entity Iveco – Oto Melara Società consortile for an amount of €213 million (€232 million at 31 December 2010).

36. Acquisitions and Disposals of subsidiaries

Acquisitions

As discussed in the section Scope of consolidation, on 31 March 2011 CNH Global N.V. acquired the remaining 50% interest L&T – Case Equipment Private Limited (subsequently renamed Case New Holland Construction Equipment India Private Limited), an equally held joint venture established in 1999 with Larsen & Toubro Limited to manufacture and sell earth moving equipment in India, thereby obtaining control. This transaction has been accounted for as an acquisition achieved in stages in accordance with IFRS 3 – *Business Combinations*, and the Group has accordingly applied the acquisition method, finalised in December, consolidating the subsidiary on a line-by-line basis from 31 March 2011.

This transaction led to the recognition of income of €25 million arising from the combination. The identifiable assets acquired and liabilities assumed have been recognised at their fair values at the Acquisition date (31 March 2011) and are set out below:

(€ million)	At the Acquisition date
Non-current assets	33
Current assets	36
Total Assets acquired (a)	**69**
Liabilities assumed (b)	**25**
Net assets acquired/(Net liabilities assumed) (a) – (b)	**44**

The transaction led to the recognition of goodwill of €25 million given the favourable earnings prospects of the business forming part of the transaction.

The consideration paid in this business combination is set out below, together with the resulting cash flows:

(€ million)	At the Acquisition date
Consideration due	35
Consideration deferred	-
Total Consideration	**35**
Cash outflows:	
Cash and cash equivalents paid	35
Cash and cash equivalents received	(1)
Total cash flows paid/(received)	**34**

If the acquisition had taken place with effect from 1 January 2011, the net revenues and profit for the year would have been essentially unchanged.

In addition, certain minor subsidiaries were acquired by the Agricultural and Construction Equipment sector during 2011 whose total assets and net revenues are not significant compared to those of Group.

Finally, during 2011 the Group acquired non-controlling interests in companies in which it already held control, leading to the recognition of the following cash outflows:

(€ million)	Purchased non-controlling interest	Cash outflows on acquisition
New Holland Kobelco Construction Machinery S.p.A.	3.91%	1
New Holland Kobelco Construction Machinery S.p.A.	10.27%	-
Total		1

For completeness of information, in 2010 the Group acquired non-controlling interests in companies in which it already held control, leading to the recognition of the following cash outflows:

(€ million)	Purchased non-controlling interest	Cash outflows on acquisition
New Holland Kobelco Construction Machinery S.p.A.	6.919%	-
Total		-

Disposals

In 2011 certain minor investments of the Trucks and Commercial Vehicles sector were sold, the proceeds received from the sale were not significant.

For completeness of information, the consideration received in 2010 for the sales of other investments and the related net cash inflows are provided as follows:

(€ million)	Total disposal of Investments in jointly controlled entities, associates and other companies
Consideration received:	
Consideration due	29
Deferred sales proceeds, net	-
Total Consideration received	29
Total Net cash inflows on disposals	29

37. Explanatory notes to the Statement of Cash Flows

The Statement of cash flows sets out changes in cash and cash equivalents during the year. As required by IAS 7 – *Statement of Cash Flows*, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item Translation exchange differences.

Cash flows from (used in) operating activities derive mainly from the Group's main revenue producing activities.

The cash flows generated by the sale of vehicles under buy-back commitments, net of the amounts included in Profit/(loss) for the year, are included under operating activities in a single line item which includes changes in working capital, capital expenditures, amortisation, depreciation and impairment losses. This item also includes gains and losses arising from the sales of vehicles transferred under buy-back commitments that occur before the end of the agreement term without repossession of the vehicle.

Cash flows generated by operating lease arrangements are included in operating activities in a single line item which includes capital expenditures, amortisation, depreciation, impairment losses and changes in inventories.

The Non-cash items of €289 million in 2011 (€193 million in 2010) include €231 million for the reversal of impairment losses on assets recognised during the year (reversal of previously recognised impairment losses of €194 million in 2010).

Overall, Cash flows for income tax payments net of refunds in 2011 amount to €297 million (€241 million in 2010).

Overall, interest of €748 million was paid and interest of €621million was received in 2011 (interest of €973 million was paid in 2010 and interest of €814 million was received in 2010).

Cash flows from/(used in) investing activities represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures resulting in an asset recognised in the balance sheet are classified as investing activities in the Statement of cash flows.

The consideration paid and received for the acquisition and disposal of subsidiaries is discussed in Note 36.

38. Non-recurring transactions and transactions resulting from unusual and/or abnormal operations

The Group did not perform any significant non-recurring transactions or transactions resulting from unusual and/or abnormal operations in 2011 as such are defined by the Consob Communication of 28 July 2006.

39. Subsequent events

- The Board of Directors held on 22 February 2012, confirming the contents of the resolution adopted on the matter in the previous board meeting of 27 October 2011, voted to submit for Shareholders Extraordinary Meeting's approval, called for 5 April 2012, the conversion of the Company's preference and savings shares into Fiat Industrial S.p.A. ordinary shares. The proposal will be also submitted to approval of the Special Meetings of the preference and savings shareholders respectively, called for 3 April 2012 Additional comments are included in Note 24.
- The Board of Directors held on 22 February 2012 voted to submit for Shareholders Meeting's approval, called for 5 April 2012, the adoption of a Long Term Incentive Plan, which takes the form of stock grants linked to Fiat Industrial S.p.A. ordinary shares, with performance and retention features. Additional comments are included in Note 24, paragraph Share-based compensation.
- The Board of Directors held on 22 February 2012 voted to submit for Shareholders Meeting's approval, called for 5 April 2012, the renewal of the authorization for the purchase and disposal of own shares up to €500 million and for a period of 18 months, to serve the above mentioned incentive Plan and to be used for any other purposes admitted by the relevant laws. Additional comments are included in Note 24.

22 February 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

APPENDIX I FIAT INDUSTRIAL GROUP COMPANIES AT 31 DECEMBER 2011

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2011 is provided on the following pages.

Companies in the list are grouped according to type of control, method of consolidation and classification by operating segment (pursuant to IFRS 8).

For each company, the following information is provided: name, location of registered office, country and share capital stated in original currency. Additionally, the percentage consolidated and the percentage interest held directly by Fiat Industrial S.p.A. or its subsidiary is also shown.

The column on the far right shows the percentage of voting rights exercisable at an ordinary general meeting, where such percentage differs from the percentage of shares held.

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
CONTROLLING COMPANY								
Parent Company								
Fiat Industrial S.p.A.	Turin	Italy	1,913,298,893	EUR	--	--	--	--
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS								
Agricultural and Construction Equipment								
CNH Global N.V.	Amsterdam	Netherlands	539,710,247	EUR	88.38	Fiat Netherlands Holding N.V.	88.325	88.382
						CNH Global N.V.	0.065	0.000
Banco CNH Capital S.A.	Curitiba	Brazil	433,919,523	BRL	88.38	CNH Global N.V.	53.513	
						CNH Capital U.K. Ltd	45.816	
						CNH Latin America Ltda.	0.671	
Bli Group Inc.	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
Blue Leaf I.P. Inc.	Wilmington	U.S.A.	1,000	USD	88.38	Bli Group Inc.	100.000	
Blue Leaf Insurance Company	Burlington	U.S.A.	250,000	USD	88.38	CNH America LLC	100.000	
Case Brazil Holdings Inc.	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
Case Canada Receivables, Inc.	Calgary	Canada	1	CAD	88.38	CNH Capital America LLC	100.000	
Case Construction Machinery (Shanghai) Co., Ltd	Shanghai	People's Rep.of China	5,000,000	USD	88.38	CNH Global N.V.	100.000	
Case Credit Holdings Limited	Wilmington	U.S.A.	5	USD	88.38	CNH Capital America LLC	100.000	
Case Dealer Holding Company LLC	Wilmington	U.S.A.	1	USD	88.38	CNH America LLC	100.000	
Case Equipment Holdings Limited	Wilmington	U.S.A.	5	USD	88.38	CNH America LLC	100.000	
Case Equipment International Corporation	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
Case Europe S.a.r.l.	Le Plessis-Belleville	France	7,622	EUR	88.38	CNH America LLC	100.000	
Case Harvesting Systems GmbH	Berlin	Germany	281,211	EUR	88.38	CNH America LLC	100.000	
CASE IH Machinery Trading (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	2,250,000	USD	88.38	CNH America LLC	100.000	
Case India Limited	Wilmington	U.S.A.	5	USD	88.38	CNH America LLC	100.000	
Case International Marketing Inc.	Wilmington	U.S.A.	5	USD	88.38	CNH America LLC	100.000	
Case LBX Holdings Inc.	Wilmington	U.S.A.	5	USD	88.38	CNH America LLC	100.000	
Case New Holland Construction Equipment (India) Private Limited	Mumbai	India	300,000,000	INR	86.79	CNH America LLC	50.000	
						New Holland Fiat (India) Private Limited	50.000	
Case New Holland Inc.	Wilmington	U.S.A.	5	USD	88.38	CNH Global N.V.	100.000	
Case New Holland Machinery (Harbin) Ltd.	Harbin	People's Rep.of China	6,779,091	USD	88.38	CNH Asian Holding Limited N.V.	99.000	
						CNH Europe Holding S.A.	1.000	
Case United Kingdom Limited	Basildon	United Kingdom	3,763,618	GBP	88.38	CNH America LLC	100.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
CNH (Shanghai) Equipment R&D Co., Ltd.	Shanghai	People's Rep.of China	2,000,000	USD	88.38	CNH Global N.V.	100.000	
CNH Administradora de Serviços Ltda.	Curitiba	Brazil	100,000	BRL	88.38	Banco CNH Capital S.A.	99.900	
						CNH Latin America Ltda.	0.100	
CNH America LLC	Wilmington	U.S.A.	0	USD	88.38	Case New Holland Inc.	100.000	
CNH Argentina S.A.	Buenos Aires	Argentina	29,611,105	ARS	88.38	New Holland Holding (Argentina) S.A.	80.654	
						CNH Latin America Ltda.	19.346	
CNH Asian Holding Limited N.V.	Zedelgem	Belgium	34,594,401	EUR	88.38	CNH Global N.V.	100.000	
CNH Australia Pty Limited	St. Marys	Australia	306,785,439	AUD	88.38	CNH Global N.V.	100.000	
CNH Baumaschinen GmbH	Berlin	Germany	61,355,030	EUR	88.38	CNH Europe Holding S.A.	100.000	
CNH Belgium N.V.	Zedelgem	Belgium	372,115,574	EUR	88.38	CNH Europe Holding S.A.	100.000	
CNH Canada, Ltd.	Toronto	Canada	28,000,100	CAD	88.38	CNH Global N.V.	100.000	
CNH Capital America LLC	Wilmington	U.S.A.	0	USD	88.38	CNH Capital LLC	100.000	
CNH Capital Australia Pty Limited	St. Marys	Australia	83,249,000	AUD	88.38	CNH Australia Pty Limited	100.000	
CNH Capital Benelux NV	Zedelgem	Belgium	15,061,500	EUR	88.38	CNH Global N.V.	98.999	
						CNH Capital U.K. Ltd	1.001	
CNH Capital Canada Insurance Agency Ltd.	Calgary	Canada	1	CAD	88.38	CNH Capital Canada Ltd.	100.000	
CNH Capital Canada Ltd.	Calgary	Canada	1	CAD	88.38	Case Credit Holdings Limited	99.500	
						CNH Canada, Ltd.	0.500	
CNH Capital Equipment Loan and Lease Facility LLC	Wilmington	U.S.A.	5,000	USD	88.38	CNH Capital America LLC	100.000	
CNH Capital Finance LLC	Wilmington	U.S.A.	5,000	USD	88.38	Case Credit Holdings Limited	100.000	
CNH Capital Insurance Agency Inc.	Wilmington	U.S.A.	5	USD	88.38	CNH Capital America LLC	100.000	
CNH Capital LLC	Wilmington	U.S.A.	0	USD	88.38	CNH America LLC	100.000	
CNH Capital Operating Lease Equipment Receivables LLC	Wilmington	U.S.A.	0	USD	88.38	CNH Capital America LLC	100.000	
CNH Capital Receivables LLC	Wilmington	U.S.A.	0	USD	88.38	CNH Capital America LLC	100.000	
CNH Capital U.K. Ltd	Basildon	United Kingdom	10,000,001	GBP	88.38	CNH Capital Benelux NV	100.000	
CNH Componentes, S.A. de C.V.	Queretaro	Mexico	135,634,842	MXN	88.38	CNH America LLC	100.000	
CNH Danmark A/S	Hvidovre	Denmark	12,000,000	DKK	88.38	CNH Europe Holding S.A.	100.000	
CNH Deutschland GmbH	Heilbronn	Germany	18,457,650	EUR	88.38	CNH Baumaschinen GmbH	90.000	
						CNH Europe Holding S.A.	10.000	
CNH Engine Corporation	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
CNH Europe Holding S.A.	Luxembourg	Luxembourg	100,000,000	USD	88.38	CNH Global N.V.	100.000	
CNH Financial Services A/S	Hvidovre	Denmark	500,000	DKK	88.38	CNH Global N.V.	100.000	
CNH Financial Services GmbH	Heilbronn	Germany	1,151,000	EUR	88.38	CNH Europe Holding S.A.	100.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
CNH Financial Services S.A.S.	Morigny-Champigny	France	50,860,641	EUR	88.38	CNH Global N.V.	98.888	
						CNH Capital Benelux NV	1.112	
CNH France SAS	Morigny-Champigny	France	427,965,450	EUR	88.38	CNH Europe Holding S.A.	100.000	
CNH International S.A.	Paradiso	Switzerland	100,000	CHF	88.38	CNH Global N.V.	100.000	
CNH Italia s.p.a.	Turin	Italy	15,600,000	EUR	88.38	CNH Osterreich GmbH	75.000	
						CNH Global N.V.	25.000	
CNH Latin America Ltda.	Contagem	Brazil	847,210,015	BRL	88.38	CNH Global N.V.	85.658	
						Case Brazil Holdings Inc.	12.557	
						Case Equipment International Corporation	1.785	
CNH Maquinaria Spain S.A.	Coslada	Spain	21,000,000	EUR	88.38	CNH Europe Holding S.A.	99.999	
CNH Osterreich GmbH	St.Valentin	Austria	2,000,000	EUR	88.38	CNH Global N.V.	100.000	
CNH Polska Sp. z o.o.	Plock	Poland	162,591,660	PLN	88.38	CNH Belgium N.V.	100.000	
CNH Portugal-Comercio de Tractores e Maquinas Agricolas Ltda	Carnaxide	Portugal	498,798	EUR	88.38	CNH Europe Holding S.A.	99.980	
						CNH Italia s.p.a.	0.020	
CNH Receivables LLC	Wilmington	U.S.A.	0	USD	88.38	CNH Capital America LLC	100.000	
CNH Reman LLC	Wilmington	U.S.A.	4,000,000	USD	44.19	CNH America LLC	50.000	
CNH Services (Thailand) Limited	Bangkok	Thailand	10,000,000	THB	88.38	CNH Services S.r.l.	99.997	
CNH Services S.r.l.	Modena	Italy	10,400	EUR	88.38	CNH Italia s.p.a.	100.000	
CNH Trade N.V.	Amsterdam	Netherlands	50,000	EUR	88.38	CNH Global N.V.	100.000	
CNH U.K. Limited	Basildon	United Kingdom	91,262,275	GBP	88.38	CNH Osterreich GmbH	100.000	
CNH Wholesale Receivables LLC	Wilmington	U.S.A.	0	USD	88.38	CNH Capital America LLC	100.000	
CNH-KAMAZ Commercial B.V.	Amsterdam	Netherlands	35,300	EUR	45.08	CNH Global N.V.	51.000	
CNH-KAMAZ Industrial B.V.	Amsterdam	Netherlands	36,002	EUR	44.19	CNH Global N.V.	50.000	
Farmpower Pty Limited	St. Marys	Australia	360	AUD	88.38	CNH Australia Pty Limited	100.000	
Fiat Switzerland SA	Paradiso	Switzerland	100,000	CHF	88.38	CNH International S.A.	100.000	
Fiatallis North America LLC	Wilmington	U.S.A.	32	USD	88.38	CNH America LLC	100.000	
Flagship Dealer Holding Company, LLC	Wilmington	U.S.A.	1	USD	88.38	CNH America LLC	100.000	
Flexi-Coil (U.K.) Limited	Basildon	United Kingdom	3,291,776	GBP	88.38	CNH Canada, Ltd.	100.000	
HFI Holdings Inc.	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
JV Uzcaseagroleasing LLC	Tashkent	Uzbekistan	0	USD	45.08	Case Credit Holdings Limited	51.000	
JV UzCaseMash LLC	Tashkent	Uzbekistan	0	USD	53.03	Case Equipment Holdings Limited	60.000	
JV UzCaseService LLC	Tashkent	Uzbekistan	0	USD	45.08	Case Equipment Holdings Limited	51.000	
JV UzCaseTractor LLC	Tashkent	Uzbekistan	0	USD	45.08	Case Equipment Holdings Limited	51.000	
Kobelco Construction Machinery America LLC	Wilmington	U.S.A.	0	USD	57.45	New Holland Excavator Holdings LLC	65.000	
Limited Liability Company "CNH Parts and Service Operations"	Moscow	Russia	54,000,000	RUB	88.38	CNH Global N.V.	100.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
LLC CNH-KAMAZ Commerce	Naberezhnye Chenly	Russia	20,408	RUB	45.08	CNH-KAMAZ Commercial B.V.	100.000	
LLC CNH-KAMAZ Industry	Naberezhnye Chenly	Russia	60,081,800	RUB	44.19	CNH-KAMAZ Industrial B.V.	100.000	
MBA AG	Bassersdorf	Switzerland	4,000,000	CHF	88.38	CNH Global N.V.	100.000	
New Holland Credit Company, LLC	Wilmington	U.S.A.	0	USD	88.38	CNH Capital LLC	100.000	
New Holland Excavator Holdings LLC	Wilmington	U.S.A.	0	USD	88.38	CNH America LLC	100.000	
New Holland Fiat (India) Private Limited	Mumbai	India	12,485,547,400	INR	85.21	CNH Asian Holding Limited N.V.	96.407	48.965
New Holland Holding (Argentina) S.A.	Buenos Aires	Argentina	23,555,415	ARS	88.38	CNH Latin America Ltda.	100.000	
New Holland Holding Limited	Basildon	United Kingdom	106,328,601	GBP	88.38	CNH Europe Holding S.A.	100.000	
New Holland Kobelco Construction Machinery S.p.A.	San Mauro Torinese	Italy	45,359,732	EUR	84.60	CNH Italia s.p.a.	95.716	
New Holland Ltd	Basildon	United Kingdom	1,000,000	GBP	88.38	CNH Global N.V.	100.000	
New Holland Tractor Ltd. N.V.	Antwerp	Belgium	9,631,500	EUR	88.38	New Holland Holding Limited	100.000	
O & K - Hilfe GmbH	Berlin	Germany	25,565	EUR	88.38	CNH Baumaschinen GmbH	100.000	
Pryor Foundry Inc.	Oklahoma City	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
Receivables Credit II Corporation	Calgary	Canada	1	CAD	88.38	CNH Capital America LLC	100.000	
Shanghai New Holland Agricultural Machinery Corporation Limited	Shanghai	People's Rep.of China	35,000,000	USD	53.03	CNH Asian Holding Limited N.V.	60.000	
Steyr Center Nord GmbH	Ruckersdorf-Harmanns	Austria	35,000	EUR	88.38	CNH Osterreich GmbH	100.000	
Trucks and Commercial Vehicles								
Iveco S.p.A.	Turin	Italy	200,000,000	EUR	100.00	Fiat Industrial S.p.A.	100.000	
Afin Bohemia s.r.o.	Prague	Czech Republic	1,000,000	CZK	100.00	Afin Leasing AG	100.000	
Afin Broker de Asigurare - Reasigurare S.r.l.	Bucharest	Romenia	25,000	RON	100.00	Afin Leasing Ifn s.a.	100.000	
Afin Bulgaria EAD	Sofia	Bulgaria	15,505,500	BGN	100.00	Afin Leasing AG	100.000	
Afin Hungary Kereskedelmi KFT.	Budapest	Hungary	24,000,000	HUF	100.00	Afin Leasing AG	100.000	
Afin Leasing AG	Vienna	Austria	1,500,000	EUR	100.00	Iveco International Trade Finance S.A.	100.000	
Afin Leasing Ifn s.a.	Bucharest	Romenia	120,284,560	RON	100.00	Afin Leasing AG	99.800	
						Afin Bohemia s.r.o.	0.050	
						Afin Bulgaria EAD	0.050	
						Afin Hungary Kereskedelmi KFT.	0.050	
						Afin Slovakia S.R.O.	0.050	
Afin Slovakia S.R.O.	Bratislava	Slovack Republic	39,833	EUR	100.00	Afin Leasing AG	100.000	
Afin Trade Bulgaria Eood	Sofia	Bulgaria	5,000	BGN	100.00	Afin Bulgaria EAD	100.000	
Amce-Automotive Manufacturing Co.Ethiopia	Addis Abeba	Ethiopia	12,000,000	ETB	70.00	Fiat Netherlands Holding N.V.	70.000	
AS Afin Baltica	Harjumaa	Estonia	800,000	EEK	100.00	Afin Leasing AG	100.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Astra Veicoli Industriali S.p.A.	Piacenza	Italy	10,400,000	EUR	100.00	Iveco S.p.A.	100.000	
Effe Grundbesitz GmbH	Ulm	Germany	10,225,838	EUR	83.77	Iveco Investitions GmbH	90.000	
F. Pegaso S.A.	Madrid	Spain	993,045	EUR	100.00	Iveco Espana S.L.	99.996	
						Iveco Partecipazioni Finanziarie S.r.l.	0.004	
Heuliez Bus S.A.	Rorthais	France	9,000,000	EUR	100.00	Société Charolaise de Participations S.A.	100.000	
IAV-Industrie-Anlagen-Verpachtung GmbH	Ulm	Germany	25,565	EUR	88.42	Iveco Investitions GmbH	95.000	
Ikarus Egyedi Autobusz GY	Budapest	Hungary	46,280,000	HUF	89.09	Iveco Espana S.L.	89.088	
Industrial Vehicles Center Hainaut S.A.	Charleroi	Belgium	600,000	EUR	100.00	S.A. Iveco Belgium N.V.	95.000	
						Iveco Nederland B.V.	5.000	
Irisbus (U.K.) Ltd	Watford	United Kingdom	7,200,000	GBP	100.00	Iveco Espana S.L.	100.000	
Irisbus Australia Pty. Ltd.	Dandenong	Australia	6,123,391	AUD	100.00	Iveco Espana S.L.	100.000	
Irisbus Benelux Ltd.	Leudelange	Luxembourg	594,000	EUR	100.00	Iveco France	99.983	
						Société Charolaise de Participations S.A.	0.017	
Irisbus Deutschland GmbH	Unterschleissheim	Germany	3,800,000	EUR	100.00	Iveco Espana S.L.	100.000	
Irisbus Italia S.p.A.	Turin	Italy	4,500,000	EUR	100.00	Iveco Espana S.L.	100.000	
IVC Brabant N.V. S.A.	Groot	Belgium	800,000	EUR	100.00	S.A. Iveco Belgium N.V.	75.000	
						Iveco Nederland B.V.	25.000	
Iveco (Schweiz) AG	Kloten	Switzerland	9,000,000	CHF	100.00	Iveco Nederland B.V.	100.000	
Iveco Arac Sanayi VE Ticaret A.S.	Samandira-Kartal/Istanbul	Turkey	12,879,000	TRY	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Argentina S.A.	Buenos Aires	Argentina	130,237,793	ARS	100.00	Iveco Espana S.L.	99.000	
						Astra Veicoli Industriali S.p.A.	1.000	
Iveco Austria GmbH	Vienna	Austria	6,178,000	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Bayern GmbH	Nuremberg	Germany	742,000	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Capital SA	Paradiso	Switzerland	14,000,000	CHF	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Iveco Contract Services Limited	Watford	United Kingdom	17,000,000	GBP	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Iveco Czech Republic A.S.	Vysoke Myto	Czech Republic	1,065,559,000	CZK	97.98	Iveco France	97.978	
Iveco Danmark A/S	Glostrup	Denmark	501,000	DKK	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Espana S.L. *(business Trucks and Commercial Vehicles)*	Madrid	Spain	121,612,116	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Est Sas	Hauconcourt	France	2,005,600	EUR	100.00	Iveco France	100.000	
Iveco Finland OY	Espoo	Finland	100,000	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco France	Vénissieux	France	92,856,130	EUR	100.00	Iveco Espana S.L.	50.326	
						Fiat Netherlands Holding N.V.	49.674	
Iveco Holdings Limited	Watford	United Kingdom	47,000,000	GBP	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Insurance Vostok LLC	Moscow	Russia	740,000	RUB	100.00	Afin Leasing AG	100.000	
Iveco International Trade Finance S.A.	Paradiso	Switzerland	30,800,000	CHF	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco Investitions GmbH	Ulm	Germany	2,556,459	EUR	93.08	Iveco Magirus AG	99.020	
Iveco L.V.I. S.a.s.	Saint Priest	France	503,250	EUR	100.00	Iveco France	100.000	
Iveco Latin America Ltda *(business Trucks and Commercial Vehicles)*	Vila da Serra	Brazil	334,720,744	BRL	100.00	Iveco Espana S.L.	100.000	
Iveco Limited *(business Trucks and Commercial Vehicles)*	Watford	United Kingdom	117,000,000	GBP	100.00	Iveco Holdings Limited	100.000	
Iveco Magirus AG *(business Trucks and Commercial Vehicles)*	Ulm	Germany	50,000,000	EUR	94.00	Fiat Netherlands Holding N.V. Iveco S.p.A.	88.340 5.660	
Iveco Magirus Brandschutztechnik GmbH	Ulm	Germany	6,493,407	EUR	84.43	Iveco Magirus Fire Fighting GmbH	99.764	
Iveco Magirus Brandschutztechnik GmbH	Kainbach	Austria	1,271,775	EUR	84.43	Iveco Magirus Brandschutztechnik GmbH	100.000	
Iveco Magirus Brandschutztechnik Gorlitz GmbH	Gùrlitz	Germany	511,292	EUR	84.43	Iveco Magirus Brandschutztechnik GmbH	100.000	
Iveco Magirus Fire Fighting GmbH	Weisweil	Germany	30,776,857	EUR	84.63	Iveco Magirus AG	90.032	
Iveco Magirus Firefighting CAMIVA S.a.s. (societè par actions simplifiège)	Saint-Alban-Leysse	France	1,870,169	EUR	84.63	Iveco Magirus Fire Fighting GmbH	100.000	
Iveco Nederland B.V.	Andelst	Netherlands	4,537,802	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Nord Nutzfahrzeuge GmbH	Hamburg	Germany	1,611,500	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Nord S.A.	Trappes	France	45,730	EUR	99.77	Iveco France	99.767	
Iveco Nord-Ost Nutzfahrzeuge GmbH	Berlin	Germany	2,120,000	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Norge A.S.	Voyenenga	Norway	18,600,000	NOK	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Otomotiv Ticaret A.S.	Samandira-Kartal/Istanbul	Turkey	15,060,046	TRY	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Partecipazioni Finanziarie S.r.l.	Turin	Italy	50,000,000	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Pension Trustee Ltd	Watford	United Kingdom	2	GBP	100.00	Iveco Holdings Limited Iveco Limited	50.000 50.000	
Iveco Poland Ltd.	Warsaw	Poland	46,974,500	PLN	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Portugal-Comercio de Veiculos Industriais S.A.	Vila Franca de Xira	Portugal	15,962,000	EUR	100.00	Fiat Netherlands Holding N.V. Astra Veicoli Industriali S.p.A.	99.997 0.001	
Iveco Romania S.r.l.	Bucharest	Romenia	17,500	RON	100.00	Afin Leasing AG	100.000	
Iveco Slovakia, s.r.o.	Bratislava	Slovack Republic	6,639	EUR	97.98	Iveco Czech Republic A.S.	100.000	
Iveco South Africa (Pty) Ltd.	Vorna Valley-Midrand	South Africa	15,000,750	ZAR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Sud-West Nutzfahrzeuge GmbH	Mannheim-Neckarau	Germany	1,533,900	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Sweden A.B. *(business Trucks and Commercial Vehicles)*	Arlov	Sweden	600,000	SEK	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Trucks Australia Limited	Dandenong	Australia	47,492,260	AUD	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Ukraine LLC	Kiev	Ukraine	49,258,692	UAH	100.00	Fiat Netherlands Holding N.V.	100.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco Venezuela C.A.	La Victoria	Venezuela	3,985,803	VEF	100.00	Fiat Netherlands Holding N.V.	62.688	
						Iveco S.p.A.	37.312	
Iveco West Nutzfahrzeuge GmbH	Düsseldorf	Germany	3,017,000	EUR	94.00	Iveco Magirus AG	100.000	
Mediterranea de Camiones S.L.	Valencia	Spain	48,080	EUR	100.00	Iveco Espana S.L.	99.875	
						Fiat Netherlands Holding N.V.	0.125	
Officine Brennero S.p.A.	Trento	Italy	2,833,830	EUR	100.00	Iveco S.p.A.	100.000	
OOO Afin Leasing Vostok LLC	Moscow	Russia	50,000,000	RUB	100.00	Afin Leasing AG	100.000	
OOO Iveco Russia	Moscow	Russia	868,545,000	RUB	100.00	Fiat Netherlands Holding N.V.	99.960	
						Afin Leasing AG	0.040	
S.A. Iveco Belgium N.V.	Groot	Belgium	6,000,000	EUR	100.00	Fiat Netherlands Holding N.V.	99.983	
						Iveco Nederland B.V.	0.017	
Seddon Atkinson Vehicles Ltd	Watford	United Kingdom	41,700,000	GBP	100.00	Iveco Holdings Limited	100.000	
Société Charolaise de Participations S.A.	Vénissieux	France	2,370,000	EUR	100.00	Iveco Espana S.L.	100.000	
Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	Trappes	France	7,022,400	EUR	100.00	Iveco France	100.000	
Transolver Service S.A.	Madrid	Spain	610,000	EUR	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
Transolver Service S.p.A.	Turin	Italy	214,763	EUR	100.00	Iveco Partecipazioni Finanziarie S.r.l.	100.000	
UAB Afin Baltica (Lithuania)	Vilnius	Lithuania	138,500	LTL	100.00	Afin Leasing AG	100.000	
Utilitaries & Véhicules Industriels Franciliens-UVIF SAS	La Garenne	France	1,067,500	EUR	100.00	Iveco France	100.000	
Zona Franca Alari Sepauto S.A.	Barcelona	Spain	520,560	EUR	51.87	Iveco Espana S.L.	51.867	
FPT Industrial								
FPT Industrial S.p.A.	Turin	Italy	100,000,000	EUR	100.00	Fiat Industrial S.p.A.	100.000	
2 H Energy S.A.S.	Fécamp	France	2,000,000	EUR	100.00	Fiat Industrial Finance France S.A.	100.000	
Componentes Mecanicos S.A.	Barcelona	Spain	1,135,037	EUR	100.00	Iveco Espana S.L.	100.000	
European Engine Alliance S.c.r.l.	Turin	Italy	32,044,797	EUR	100.00	FPT Industrial S.p.A.	100.000	
Fiat Powertrain Technologies Management (Shanghai) Co. Ltd.	Shanghai	People's Rep.of China	2,000,000	USD	100.00	FPT Industrial S.p.A.	100.000	
Fiat Powertrain Technologies of North America, Inc.	Wilmington	U.S.A.	1	USD	100.00	FPT Industrial S.p.A.	100.000	
FPT - Powertrain Technologies France S.A.	Garchizy	France	73,444,960	EUR	100.00	Iveco France	97.200	
						Fiat Industrial Finance France S.A.	2.800	
FPT Industrial Argentina S.A.	Buenos Aires	Argentina	59,686,936	ARS	99.54	FPT Industrial S.p.A.	96.000	
						CNH Argentina S.A.	4.000	

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco Espana S.L. *(business FPT Industrial)*	Madrid	Spain	121,612,116	EUR	100.00	Fiat Netherlands Holding N.V.	100.000	
Iveco Latin America Ltda *(business FPT Industrial)*	Vila da Serra	Brazil	334,720,744	BRL	100.00	Iveco Espana S.L.	100.000	
Iveco Limited *(business FPT Industrial)*	Watford	United Kingdom	117,000,000	GBP	100.00	Iveco Holdings Limited	100.000	
Iveco Magirus AG *(business FPT Industrial)*	Ulm	Germany	50,000,000	EUR	94.00	Fiat Netherlands Holding N.V.	88.340	
						Iveco S.p.A.	5.660	
Iveco Motorenforschung AG	Arbon	Switzerland	4,600,000	CHF	100.00	FPT Industrial S.p.A.	100.000	
Iveco Sweden A.B. *(business FPT Industrial)*	Arlov	Sweden	600,000	SEK	100.00	Fiat Netherlands Holding N.V.	100.000	
SAIC Fiat Powertrain Hongyan Co. Ltd.	Chongqing	People's Rep.of China	580,000,000	CNY	60.00	FPT Industrial S.p.A.	30.000	
						SAIC IVECO Commercial Vehicle Investment Company Limited	60.000	
Holding companies and Other companies								
Fiat Industrial Finance Europe S.A.	Luxembourg	Luxembourg	50,000,000	EUR	100.00	Fiat Industrial Finance S.p.A.	100.000	
Fiat Industrial Finance France S.A.	Trappes	France	1,000,000	EUR	100.00	Fiat Netherlands Holding N.V.	99.998	
Fiat Industrial Finance North America Inc.	Wilmington	U.S.A.	25,000,000	USD	100.00	Fiat Industrial Finance S.p.A.	100.000	
Fiat Industrial Finance S.p.A.	Turin	Italy	100,000,000	EUR	100.00	Fiat Industrial S.p.A.	100.000	
Fiat Netherlands Holding N.V.	Amsterdam	Netherlands	2,610,397,295	EUR	100.00	Fiat Industrial S.p.A.	100.000	

ASSOCIATED COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS UNDER IFRS

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Trucks and Commercial Vehicles								
Iveco Capital Limited	Watford	United Kingdom	3,000,100	GBP	49.00	Iveco Finanziaria S.p.A.	100.000	
Iveco Finance AG	Kloten	Switzerland	1,500,000	CHF	49.00	Iveco Finanziaria S.p.A.	100.000	
Iveco Finance GmbH	Heilbronn	Germany	75,775,000	EUR	49.00	Iveco Finanziaria S.p.A.	100.000	
Iveco Finance Holdings Limited	Basingstoke	United Kingdom	1,000	EUR	49.00	Iveco Partecipazioni Finanziarie S.r.l.	49.000	
Iveco Finanziaria S.p.A.	Turin	Italy	220,000,000	EUR	49.00	Iveco Finance Holdings Limited	100.000	
Transolver Finance S.A.	Trappes	France	9,468,219	EUR	49.00	Iveco Finanziaria S.p.A.	100.000	
Transolver Services S.A.	Trappes	France	38,000	EUR	49.00	Iveco Finanziaria S.p.A.	100.000	

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights

JOINTLY-CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

Agricultural and Construction Equipment

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Case Mexico S.A. de C.V.	São Pedro	Mexico	810,000	MXN	44.19	CNH de Mexico S.A. de C.V.	100.000	
Case Special Excavators N.V.	Zedelgem	Belgium	1,100,000	EUR	44.19	CNH Global N.V.	50.000	
CNH Comercial, S.A. de C.V.	São Pedro	Mexico	160,050,000	MXN	44.19	CNH de Mexico S.A. de C.V.	100.000	
CNH de Mexico S.A. de C.V.	São Pedro	Mexico	165,276,000	MXN	44.19	CNH Global N.V.	50.000	
CNH Industrial S.A. de C.V.	São Pedro	Mexico	200,050,000	MXN	44.19	CNH de Mexico S.A. de C.V.	100.000	
CNH Servicios Comerciales, S.A. de C.V., SOFOM, E.N.R.	São Pedro	Mexico	50,000,000	MXN	43.31	CNH Global N.V.	49.000	
CNH Servicios Corporativos S.A. de C.V.	São Pedro	Mexico	375,000	MXN	44.19	CNH de Mexico S.A. de C.V.	99.999	
New Holland HFT Japan Inc.	Sapporo	Japan	240,000,000	JPY	44.19	CNH Global N.V.	50.000	
Turk Traktor Ve Ziraat Makineleri A.S.	Ankara	Turkey	53,369,000	TRY	33.14	CNH Osterreich GmbH	37.500	

Trucks and Commercial Vehicles

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Iveco - Oto Melara Società consortile r.l.	Rome	Italy	40,000	EUR	50.00	Iveco S.p.A.	50.000	
Iveco Acentro S.p.A.	Cagliari	Italy	3,000,000	EUR	50.00	Iveco S.p.A.	50.000	
Iveco Orecchia S.p.A.	Turin	Italy	8,000,000	EUR	50.00	Iveco S.p.A.	50.000	
Naveco (Nanjing IVECO Motor Co.) Ltd.	Nanjing	People's Rep.of China	2,527,000,000	CNY	50.00	Iveco S.p.A.	50.000	
SAIC IVECO Commercial Vehicle Investment Company Limited	Shanghai	People's Rep.of China	160,000,000	USD	50.00	Iveco S.p.A.	50.000	
SAIC Iveco Hongyan Commercial Vehicles Co, Ltd.	Chongqing	People's Rep.of China	500,000,000	CNY	33.50	SAIC IVECO Commercial Vehicle Investment Company Limited	67.000	
Transolver Finance Establecimiento Financiero de Credito S.A.	Madrid	Spain	9,814,931	EUR	50.00	Fiat Netherlands Holding N.V.	50.000	

SUBSIDIARIES ACCOUNTED FOR USING THE EQUITY METHOD

Agricultural and Construction Equipment

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Farmers New Holland Inc.	Wilmington	U.S.A.	800,000	USD	88.38	CNH America LLC	100.000	
Jackson New Holland, Inc.	Wilmington	U.S.A.	371,000	USD	83.38	CNH America LLC	94.340	
Mid State New Holland, Inc.	Wilmington	U.S.A.	400,000	USD	77.33	CNH America LLC	87.500	
Northside New Holland Inc.	Wilmington	U.S.A.	250,000	USD	61.58	CNH America LLC	69.680	
Ridgeview New Holland Inc.	Wilmington	U.S.A.	534,000	USD	50.80	CNH America LLC	57.472	
Sunrise Tractor & Equipment Inc.	Wilmington	U.S.A.	691,000	USD	88.38	CNH America LLC	100.000	

SUBSIDIARIES ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Trucks and Commercial Vehicles								
Carrosserie Iveco Provence E.u.r.l.	Vitrolles	France	10,000	EUR	100.00	Iveco Participations s.a.s.	100.000	
Iveco Colombia S.a.s.	Santa Fè de Bogota	Colombia	7,596,249,000	COP	100.00	Iveco Venezuela C.A.	99.990	
						Iveco Latin America Ltda	0.010	
Iveco Participations s.a.s.	Trappes	France	468,656	EUR	100.00	Iveco France	100.000	
Iveco Provence Cars et Bus E.u.r.l.	Vitrolles	France	15,000	EUR	100.00	Iveco Participations s.a.s.	100.000	
Iveco Provence Location E.u.r.l.	Trappes	France	48,000	EUR	100.00	Iveco Participations s.a.s.	100.000	
Iveco Provence s.a.s.	Trappes	France	2,371,200	EUR	100.00	Iveco Participations s.a.s.	100.000	
La Garde Chaberte S.C.I.	Trappes	France	2,000	EUR	100.00	Iveco Participations s.a.s.	99.500	
						Iveco France	0.500	
Le Logis De Villeneuve S.C.I.	Trappes	France	2,000	EUR	100.00	Iveco Participations s.a.s.	99.500	
						Iveco France	0.500	
Les Estroublans 2 S.C.I.	Trappes	France	2,000	EUR	100.00	Iveco Participations s.a.s.	99.500	
						Iveco France	0.500	
Les Estroublans de Vitrolle S.C.I.	Trappes	France	2,000	EUR	100.00	Iveco Participations s.a.s.	99.500	
						Iveco France	0.500	
Les Paluds D'Aubagne S.C.I.	Trappes	France	2,000	EUR	100.00	Iveco Participations s.a.s.	99.500	
						Iveco France	0.500	
Provence Distribution Services S.a.r.l.	Aix les Milles	France	400,000	EUR	100.00	Iveco Participations s.a.s.	100.000	
Puget Les Plaines S.C.I.	Trappes	France	132,631	EUR	100.00	Iveco Provence s.a.s.	99.885	
						Iveco France	0.115	

SUBSIDIARIES VALUED AT COST

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Agricultural and Construction Equipment								
Case Construction Equipment, Inc.	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
Case IH Agricultural Equipment, Inc.	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
Fermec North America Inc.	Wilmington	U.S.A.	5	USD	88.38	CNH America LLC	100.000	
International Harvester Company	Wilmington	U.S.A.	1,000	USD	88.38	CNH America LLC	100.000	
J.I. Case Company Limited	Basildon	United Kingdom	2	GBP	88.38	Case United Kingdom Limited	100.000	
New Holland Agricultural Equipment S.p.A.	Turin	Italy	120,000	EUR	88.38	CNH Italia s.p.a.	100.000	
New Holland Australia Pty Ltd.	St. Marys	Australia	1	AUD	88.38	CNH Australia Pty Limited	100.000	
New Holland Construction Equipment S.p.A.	Turin	Italy	120,000	EUR	88.38	CNH Italia s.p.a.	100.000	
RosCaseMash	Saratov	Russia	0	RUB	33.81	Case Equipment Holdings Limited	38.250	51.000

SUBSIDIARIES VALUED AT COST (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Trucks and Commercial Vehicles								
Altra S.p.A.	Genoa	Italy	516,400	EUR	100.00	Iveco S.p.A.	100.000	
M.R. Fire Fighting International S.A.	Brasov	Romenia	35,000,000	RON	64.17	Iveco Magirus Brandschutztechnik GmbH	74.000	
						Iveco Magirus Brandschutztechnik Gorlitz GmbH	1.000	
						Iveco Magirus Fire Fighting GmbH	1.000	
MVPC LLC	Moscow	Russia	10,000	RUB	50.00	OOO Iveco Russia	50.000	
Holding companies and Other companies								
New Industrial Business 1 s.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Industrial S.p.A.	100.000	
New Industrial Business 2 s.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Industrial S.p.A.	100.000	
New Industrial Business 3 s.r.l.	Turin	Italy	50,000	EUR	100.00	Fiat Industrial S.p.A.	100.000	

ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
Agricultural and Construction Equipment								
Al-Ghazi Tractors Ltd.	Karachi	Pakistan	214,682,226	PKR	38.15	CNH Global N.V.	43.169	
CNH Capital Europe S.a.S.	Puteaux	France	88,482,297	EUR	44.10	CNH Global N.V.	49.900	
Employers Health Initiatives LLC	Wilmington	U.S.A.	790,000	USD	44.19	CNH America LLC	50.000	
Farm FZCO	Jebel Ali	United Arab Emirates	6,600,000	AED	25.44	CNH Italia s.p.a.	28.788	
Kobelco Construction Machinery Co. Ltd.	Tokyo	Japan	16,000,000,000	JPY	17.68	CNH Global N.V.	20.000	
Trucks and Commercial Vehicles								
GEIE V.IV.RE	Boulogne	France	0	EUR	50.00	Iveco S.p.A.	50.000	
IVECO-AMT Ltd.	Miass	Russia	65,255,056	RUB	33.33	Fiat Netherlands Holding N.V.	33.330	
V.IVE.RE Gruppo Europeo di Interesse Economico	Turin	Italy	0	EUR	50.00	Iveco S.p.A.	50.000	

Name	Registered Office	Country	Share capital	Currency	% of Group consoli-dation	Interest held by	% interest held	% of voting rights
ASSOCIATED COMPANIES VALUED AT COST								
Agricultural and Construction Equipment								
Consorzio Nido Industria Vallesina	Ancona	Italy	53,903	EUR	34.23	CNH Italia s.p.a.	38.728	
Trucks and Commercial Vehicles								
Sotra S.A.	Abidjan	Ivory Coast	3,000,000,000	XOF	39.80	Iveco France	39.800	
Trucks & Bus Company	Tajoura	Libya	96,000,000	LYD	25.00	Iveco Espana S.L.	25.000	
OTHER COMPANIES VALUED AT COST								
Agricultural and Construction Equipment								
Consorzio per lo Sviluppo delle Aziende Fornitrici in liquidation	Turin	Italy	241,961	EUR	9.43	CNH Italia s.p.a.	10.672	
Nuova Didactica S.c. a r.l.	Modena	Italy	112,200	EUR	10.85	CNH Italia s.p.a.	12.273	
Polagris S.A.	Pikieliszki	Lithuania	1,133,400	LTL	9.77	CNH Polska Sp. z o.o.	11.054	
Holding companies and Other companies								
CODEFIS Società consortile per azioni	Turin	Italy	120,000	EUR	17.37	CNH Capital U.K. Ltd.	14.000	
						Iveco Partecipazioni Finanziarie S.r.l.	5.000	
Fiat-Revisione Interna S.c.p.a.	Turin	Italy	300,000	EUR	16.00	Fiat Industrial S.p.A.	16.000	

APPENDIX II INFORMATION REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

The following table, prepared in accordance with Article 149-*duodecies* of the Issuer Regulations issued by Consob, reports fees charged for 2011 for audit and other services provided by the independent auditors and entities in their network.

(€ thousand)	Service Provider	Fiat Industrial Group Entity		2011 Fees
Audit	Reconta Ernst & Young S.p.A.	Parent company – Fiat Industrial S.p.A.		76
	Reconta Ernst & Young S.p.A.	Subsidiaries		842
	Reconta Ernst & Young network	Subsidiaries	(1)	5,087
Attestation	Reconta Ernst & Young S.p.A.	Parent company – Fiat Industrial S.p.A.		-
	Reconta Ernst & Young S.p.A.	Subsidiaries		-
	Reconta Ernst & Young network	Subsidiaries		-
Other services	Reconta Ernst & Young S.p.A.	Parent company – Fiat Industrial S.p.A.	(2)	220
	Reconta Ernst & Young S.p.A.	Subsidiaries	(3)	30
	Reconta Ernst & Young network	Subsidiaries	(4)	1,465
Total				7,720

(1) Includes Sarbanes-Oxley Act §404 certification for CNH.
(2) Fees for examination of the system of internal control over financial reporting (ICFR) for Fiat Industrial and subsidiaries.
(3) Financial Due Diligence on Orecchia for Iveco.
(4) AUP for securitization and acquisition of interest in L&T relating to CNH.

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned, Sergio Marchionne, in his capacity as the Chairman of the Company, and Monica Ciceri and Camillo Rossotto, as the executive officers responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-*bis*, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest

   - the adequacy with respect to the company structure,
   - and the effective application,

   of the administrative and accounting procedures applied in the preparation of the Company's consolidated financial statements at 31 December 2011.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2011 was based on a process defined by Fiat Industrial in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework.

3. The undersigned moreover attest that:

   3.1 the consolidated financial statements at 31 December 2011:

      a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;

      b) correspond to the amounts shown in the Company's accounts, books and records; and

      c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries as of 31 December 2011 and for the year then ended.

   3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

22 February 2012

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

/s/ Monica Ciceri
/s/ Camillo Rossotto

Monica Ciceri
Camillo Rossotto
EXECUTIVE OFFICERS RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENT

FIAT INDUSTRIAL S.P.A. STATUTORY FINANCIAL STATEMENTS

at 31 December 2011

INCOME STATEMENT(*)

(figures in €)	Note	2011	2010
Dividends and other income from investments	(1)	450,000,000	-
Other operating income	(2)	9,942,586	-
Personnel costs	(3)	(10,525,906)	-
Other operating costs	(4)	(18,561,992)	(6,161,222)
Financial income/(expense)	(5)	(138,987,812)	1,889
PROFIT/(LOSS) BEFORE TAXES		291,866,876	(6,159,333)
Income taxes	(6)	35,120,797	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		326,987,673	(6,159,333)
Profit/(loss) from discontinued operations		-	-
PROFIT/(LOSS)		326,987,673	(6,159,333)

(*) Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of transactions with related parties on Fiat Industrial S.p.A.'s Income Statement are presented in a specific income statement provided on the following pages and commented on in the notes to individual line items and Note 24

STATEMENT OF COMPREHENSIVE INCOME

(€ thousand)	2011	2010
PROFIT/(LOSS) (A)	326,988	(6,159)
Other comprehensive income/(loss)	-	-
Income tax relating to components of Other comprehensive income/(loss)	-	-
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B)	-	-
TOTAL COMPREHENSIVE INCOME (A)+(B)	326,988	(6,159)

STATEMENT OF FINANCIAL POSITION(*)

(figures in €)	Notes	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets	(7)	459,334	-
Property, plant and equipment	(8)	18,266	-
Investments	(9)	5,777,600,463	-
Other financial assets	(10)	6,207,000	-
Deferred tax assets	(6)	-	-
Total non-current assets		5,784,285,063	-
CURRENT ASSETS			
Trade receivables	(11)	320,141	-
Current financial receivables	(12)	-	4,483,501
Other current receivables	(13)	81,400,555	394,345
Cash and cash equivalents	(14)	-	-
Total current assets		81,720,696	4,877,846
TOTAL ASSETS		5,866,005,759	4,877,846
EQUITY AND LIABILITIES			
Equity	(15)		
Share capital		1,913,298,892	120,000
Share premium reserve		462,265,468	-
Legal reserve		214,937,498	-
Other reserves and retained profit		1,159,964,194	6,159,333
Profit/(loss)		326,987,673	(6,159,333)
Total equity		4,077,453,725	120,000
NON-CURRENT LIABILITIES			
Provisions for employee benefits and other non-current provisions	(16)	1,686,127	-
Non-current debt	(17)	6,207,000	-
Deferred tax liabilities	(6)	-	-
Total non-current liabilities		7,893,127	-
Current liabilities			
Provisions for employee benefits and other current provisions	(18)	5,666,835	-
Trade payables	(19)	4,178,998	4,594,719
Current debt	(20)	1,719,542,438	-
Other debt	(21)	51,270,636	163,127
Total Current Liabilities		1,780,658,907	4,757,846
TOTAL EQUITY AND LIABILITIES		5,866,005,759	4,877,846

(*) Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of transactions with related parties on the Statement of Financial Position of Fiat Industrial S.p.A. are presented in a specific statement of financial position provided on the following pages and commented on in the notes to individual line items and Note 24

STATEMENT OF CASH FLOWS(*)

(€ thousand)	2011	2010
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	-	-
B) CASH FROM/(USED IN) OPERATING ACTIVITIES:		
Profit/(loss) for the period	326,988	(6,159)
Depreciation & Amortization	17	-
Change in provisions for employee benefits and other provisions	7,353	-
Change in working capital	(30,636)	4,364
TOTAL	303,722	(1,795)
C) CASH FROM/(USED IN) INVESTING ACTIVITIES:		
Investments in:		
Recapitalization of subsidiaries	(800,000)	-
Acquisitions	(254)	-
Other (investments)/disposals, net	(494)	-
TOTAL	(800,748)	-
D) CASH FROM/(USED IN) FINANCING ACTIVITIES:		
Change in current financial assets	217,484	(4,484)
Repayment of non-current debt	(1,050,000)	-
Change in current debt	1,329,542	-
Contributions to share capital and reserves	-	6,279
TOTAL	497,026	1,795
E) NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
F) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	-	-

(*) Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of transactions with related parties on the Statement of Cash Flows of Fiat Industrial S.p.A. are presented in a specific statement of cash flows provided on the following pages

STATEMENT OF CHANGES IN EQUITY

(€ thousand)	Share capital	Share premium reserve	Legal reserve	Reserve available for the purchase of own shares	Retained profit/(loss)	Other reserves (1)	Profit/(loss) for the year	Total equity
Incorporation and contribution to share capital	120							120
Capital contributions						6,159		6,159
Total comprehensive income for the period							(6,159)	(6,159)
Balances at 31 December 2010	**120**	**-**	**-**	**-**	**-**	**6,159**	**(6,159)**	**120**
Allocation of prior year profit:								
cover of prior year loss						(6,159)	6,159	-
Demerger of activities from Fiat S.p.A.	1,913,179	462,265	214,937		1,159,964			3,750,345
Establishment of reserve for purchase of own shares				1,000,000	(1,000,000)			-
Total comprehensive income for the period							326,988	326,988
Balances at 31 December 2011	**1,913,299**	**462,265**	**214,937**	**1,000,000**	**159,964**	**-**	**326,988**	**4,077,453**

(1) Other reserves includes Capital contribution reserve

INCOME STATEMENT

PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

(€ thousand)	Notes	2011	of which related parties (Note 24)	2010	of which related parties (Note 24)
Dividends and other income from investments	(1)	450,000	450,000	-	-
Other operating income	(2)	9,943	9,730	-	-
Personnel costs	(3)	(10,526)	(2,654)	-	-
Other operating costs	(4)	(18,562)	(10,301)	(6,161)	(220)
Financial income/(expense)	(5)	(138,988)	(138,973)	2	2
PROFIT/(LOSS) BEFORE TAXES		**291,867**		**(6,159)**	
Income taxes	(6)	35,121		-	
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**326,988**		**(6,159)**	
Profit/(loss) from discontinued operations		-		-	
PROFIT/(LOSS)		**326,988**		**(6,159)**	

STATEMENT OF FINANCIAL POSITION

PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

(€ thousand)	Notes	31 December 2011	of which related parties (Note 24)	31 December 2010	of which related parties (Note 24)
ASSETS					
Non-current assets					
Intangible assets	(7)	459		-	
Property, plant and equipment	(8)	18		-	
Investments	(9)	5,777,600	5,777,600	-	
Other financial assets	(10)	6,207	6,207	-	
Deferred tax assets	(6)	-		-	
Total non-current assets		5,784,284		-	
Current assets					
Trade receivables	(11)	320	320	-	
Current financial receivables	(12)	-		4,484	4,484
Other current receivables	(13)	81,401	79,808	394	
Cash and cash equivalents	(14)	-		-	
Total current assets		81,721		4,878	
TOTAL ASSETS		5,866, 005		4,878	
EQUITY AND LIABILITIES					
Equity	(15)				
Share capital		1,913,299		120	
Share premium reserve		462,265		-	
Legal reserve		214,937		-	
Other reserves and retained profit		1,159,964		6,159	
Profit/(loss)		326,988		(6,159)	
Total equity		4,077,453		120	
NON-CURRENT LIABILITIES					
Provisions for employee benefits and other non-current provisions	(16)	1,686	978	-	
Non-current debt	(17)	6,207	6,207	-	
Deferred tax liabilities	(6)	-		-	
TOTAL NON-CURRENT LIABILITIES		7,893		-	
Current liabilities					
Provisions for employee benefits and other current provisions	(18)	5,667		-	
Trade payables	(19)	4,179	1,012	4,595	92
Current debt	(20)	1,719,542	1,719,542	-	
Other debt	(21)	51,271	48,801	163	
Total Current Liabilities		1,780,659		4,758	
TOTAL EQUITY AND LIABILITIES		5,866,005		4,878	

STATEMENT OF CASH FLOWS

PURSUANT TO CONSOB RESOLUTION 15519 OF 27 JULY 2006

(€ thousand)	2011	of which related parties	2010	of which related parties
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	-		-	
B) CASH FROM/(USED IN) OPERATING ACTIVITIES:				
Profit/(loss)	326,988		(6,159)	
Depreciation & Amortization	17		-	
Change in provisions for employee benefits and other provisions	7,353	978	-	
Change in working capital	(30,636)	(30,407)	4,364	92
TOTAL	303,722		(1,795)	
C) CASH FROM/(USED IN) INVESTING ACTIVITIES:				
Investments in:				
Recapitalization of subsidiaries	(800,000)	(800,000)	-	
Acquisitions	(254)	(254)	-	
Other (investments)/disposals, net	(494)	(403)	-	
TOTAL	(800,748)		-	
D) CASH FROM/(USED IN) FINANCING ACTIVITIES:				
Change in current financial assets	217,484	217,484	(4,484)	(4,484)
Repayment of non-current financial payables	(1,050,000)	(1,050,000)	-	
Change in current financial liabilities	1,329,542	1,329,542	-	
Contributions to share capital and reserves	-		6,279	6,279
TOTAL	497,026		1,795	
E) NET CHANGE IN CASH AND CASH EQUIVALENTS	-		-	
F) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	-		-	

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

PRINCIPAL ACTIVITIES

Fiat Industrial S.p.A. (the "Company") is incorporated in the Republic of Italy and is the parent company of Fiat Industrial Group, which holds interests, either directly or indirectly through sub-holdings, in the parent companies of the business sectors through which Fiat Industrial Group operates (the "Group").

The Company's head office is located in Turin, Italy.

Fiat Industrial S.p.A.'s financial statements are prepared in euros, which is the Company's functional currency.

The Statements of Income and Financial Position are presented in euros, while values presented in the Statements of Comprehensive Income, Cash Flows and Changes in Equity and the Notes to the Financial Statements are in thousands of euros, except where otherwise stated.

As parent company, Fiat Industrial S.p.A. has also prepared consolidated financial statements for Fiat Industrial Group for the year ended 31 December 2011.

Demerger of activities from Fiat S.p.A. to Fiat Industrial S.p.A.

The demerger of activities by Fiat S.p.A. and transfer to Fiat Industrial S.p.A. (the "Demerger") – approved by the shareholders of both companies on 16 and 17 September 2010, respectively, and formalized by the Deed of Demerger executed on 16 December 2010 – became effective on 1 January 2011. The transaction consisted in the transfer by Fiat S.p.A. to Fiat Industrial S.p.A. of its shareholdings in companies operating in the Agricultural and Construction Equipment (CNH), Trucks and Commercial Vehicles (Iveco) and related powertrain (FPT Industrial) sectors, in addition to other assets and liabilities detailed in the Demerger Plan.

As a result of the Demerger, on 1 January 2011, the net assets of Fiat S.p.A. decreased by €3,750 million (including a €1,913 million reduction in share capital) and the net assets of Fiat Industrial S.p.A. increased by the same amount. Shareholders of Fiat S.p.A. received, for no consideration, one share in Fiat Industrial S.p.A. for each share of the same class already held in Fiat S.p.A. Since 3 January 2011, Fiat S.p.A. and Fiat Industrial S.p.A. have been listed separately on the Mercato Telematico Azionario and operate as independent companies, each with its own management and Board of Directors.

As the Demerger represents a "business combination involving entities or businesses under common control", it is outside the scope of application of IFRS 3 and IFRIC 17. Accordingly, no adjustments were made to the carrying amounts of the demerged assets and liabilities.

Acquisition of "Fiat Industrial Group Internal Audit"

On 30 November 2011, Fiat Industrial S.p.A. acquired "Fiat Industrial Group Internal Audit" – established to carry out internal audit activities for Fiat Industrial S.p.A. and subsidiaries – from Fiat Revi S.c.p.A. The acquisition took automatic effect from 1 December 2011, as per the deed of acquisition.

The assets and liabilities acquired as a result of the transaction have been recognized under the relevant individual line items.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The 2011 statutory financial statements represent the separate financial statements of the parent company, Fiat Industrial S.p.A., and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, in addition to provisions implementing Article 9 of Legislative Decree 38/2005. The designation IFRS also includes all valid International Accounting Standards ("IAS"), as well as all interpretations issued by the IFRS Interpretations Committee, formerly the International Financial Reporting Interpretations Committee ("IFRIC"), and before that the Standing Interpretations Committee ("SIC").

The financial statements of Fiat Industrial S.p.A. have been prepared under the historic cost convention and on the going concern assumption.

Format of the financial statements

Given the activities carried out by Fiat Industrial S.p.A., presentation of the Statutory Income Statement is based on the nature of revenues and expenses. The Consolidated Income Statement for Fiat Industrial Group is classified according to function, which is considered more representative of the format used for internal reporting and management purposes and is in line with international practice in the capital goods sector. For the Statement of Financial Position, Fiat Industrial S.p.A. has elected the "current and non-current" classification for the presentation of assets and liabilities. For the Consolidated Statement of Financial Position, a mixed presentation has been elected, as permitted under IAS 1, with the current and non-current classification applied to assets only. That election was based on the fact that the consolidated financial statements include both industrial companies and financial services companies. The financing portfolios of financial services companies are included under current assets, as those assets will be realized in the course of the normal operating cycle. In addition, the financial services companies only obtain a portion of their funding directly from the market. The remainder of their funding is obtained from Group treasury companies (included under industrial activities), which provide funding both to industrial companies and financial services companies within the Group, on the basis of their individual requirements. The distribution of financial services activities within the Group has no impact on the presentation of financial liabilities for Fiat Industrial S.p.A. However, for the Consolidated Statement of Financial Position, the distribution of those activities means that a classification of financial liabilities between current and non-current would not be meaningful.

The Statement of Cash Flows is presented using the indirect method.

With regard to the requirements of Consob Resolution 15519 of 27 July 2006 relating to the format of the financial statements, supplementary Statements of Income, Financial Position and Cash Flows with a breakdown of related party transactions have been provided separately so that the overall reading of the principal statements is not compromised.

Intangible assets

Purchased or internally-generated intangible assets are recognized, in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably.

Intangible assets with a finite useful life are measured at purchase or manufacturing cost, net of amortization (charged on a straight-line basis over the estimated useful life) and any impairment losses.

In accordance with IFRS 3 – *Business combinations*, goodwill is recognized on the date of acquisition of a business or business unit where the amount of the consideration (measured at fair value) plus the value of any minority interests and the fair value of any existing equity interest in the acquired entity is higher than the acquisition-date fair value of the identifiable assets acquired net of the identifiable liabilities assumed. Goodwill is not amortized, but is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that an impairment loss has occurred. After initial recognition, goodwill is measured at cost (as defined above) less any impairment losses.

Property, plant and equipment

Cost

Property, plant and equipment are stated at acquisition or production cost, net of accumulated depreciation and impairment losses.

Subsequent expenditures are only capitalized where they increase the future economic benefits of the asset to which they relate. All other expenditures are expensed as incurred.

The method and rates used for depreciating assets are provided below.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Costs related to operating leases are recognized on a straight-line basis over the duration of the lease.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

	Annual depreciation rate
Furniture	12%
Fixtures	20%

Impairment

The Company reviews, at least annually, the recoverability of the carrying amount of intangible assets, tangible assets and investments in subsidiaries, in order to determine whether those assets have suffered a loss in value. Where there are indications of impairment, the carrying amount of the asset is reduced to its recoverable amount.

In relation to investments in subsidiaries that have distributed a dividend, the following are also considered indicators of impairment:

- if the carrying amount of the investment in the separate financial statements exceeds the book value of that company's equity (including any associated goodwill) as recognized in the consolidated financial statements
- if dividends exceed the comprehensive income of the investee for the period to which the dividend relates

The recoverable amount of an asset is the higher of fair value less disposal costs and its value in use.

When testing for impairment of investments in subsidiaries whose market value (fair value less disposal costs) cannot be reliably measured, the recoverable amount is based on value in use, which – in line with the requirements of paragraph 33 of IAS 28 – is determined by estimating the present value of estimated future cash flows and a theoretical terminal value.

Where impairment of an asset subsequently reverses, the carrying amount of that asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in the income statement.

Financial instruments

Presentation

Financial instruments held by the Company are classified in the financial statements as follows:

- Non-current assets: investments, other financial assets
- Current assets: trade receivables, current financial receivables, other current receivables
- Non-current liabilities: non-current debt
- Current liabilities: trade payables, current debt, other debt

Non-current debt includes liabilities related to financial guarantees. Financial guarantees are contracts where the Company undertakes to make specific payments to a counterparty for losses incurred as a result of the failure of a borrower to meet its payment obligations for a given debt instrument. The present value of any related fees receivable is recognized under other non-current financial assets.

Measurement

Investments in subsidiaries are recognized at cost and adjusted for any impairment losses.

Any positive difference, arising on acquisition, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries are tested annually for impairment, or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognized immediately through the income statement. If the Company's share of losses of the investee exceeds the carrying amount of the investment and if the Company has an obligation or intention to cover those losses, the Company's interest is reduced to zero and a liability is recognized for its share of any additional losses. If an impairment loss is subsequently reversed, the increase in value (not to exceed purchase cost) is recognized through the income statement.

Investments in other companies, consisting of non-current financial assets that are not held for trading (i.e., non-current available-for-sale financial assets) are stated at cost and adjusted for any impairment losses.

Other financial assets, which the Company has the intention to hold to maturity, are initially recognized on the settlement date at purchase cost (considered representative of their fair value) which, with the exception of held-for-trading financial assets, is inclusive of transaction costs. Subsequent measurement is at amortized cost using the effective interest method.

Trade receivables, current financial receivables and **other current receivables**, excluding those based on a derivative financial instrument, as well as all other unquoted financial assets whose fair value cannot be reliably determined, are measured at amortized cost using the effective interest method, if they have a fixed term, or at cost, if they have no fixed term. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Regular assessments are made to determine whether there is objective evidence that financial assets, separately or within a group of assets, have been impaired. Where such evidence exists, an impairment loss is recognized in the income statement for the period.

Non-current debt, trade payables, current debt and **other debt** are initially recognized at fair value (normally represented by the cost of the transaction from which the liability arises), in addition to any transaction costs.

With the exception of derivative instruments and liabilities arising from financial guarantees, financial liabilities are subsequently measured at amortized cost using the effective interest method. Measurement of financial liabilities hedged by derivative instruments follows the principles of hedge accounting for fair value hedges. Gains and losses arising from subsequent measurement at fair value, caused by fluctuations in interest rates, are recognized through the income statement and are offset by the effective portion of the gain or loss arising from subsequent measurement at fair value of the hedging instrument.

Liabilities arising from financial guarantees are measured at the higher of the estimate of the contingent liability (determined in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*) and the amount initially recognized less any amounts already released to profit and loss.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which the hedge is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- **Fair value hedge** – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement.
- **Cash flow hedge** – Where a derivative financial instrument is designated as a hedge against variability in future cash flows of an existing asset or liability or a transaction considered highly probable that could impact the income statement, the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. Any cumulative gain or loss is reversed from other comprehensive income and recognized in the income statement in the same period in which the hedged transaction affects the income statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the income statement immediately. When a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet occurred, any gain or loss previously recognized in other comprehensive income is recognized through profit and loss at the time the hedged transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized in other comprehensive income is immediately transferred to the income statement. If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

Employee benefits

Post-employment benefit plans

The Company provides pension plans and other post-employment benefit plans to its employees. Pension plans in which the Company is obliged to participate under Italian law are defined contribution plans, while other post-employment benefit plans, in which the Company's participation is generally subject to collective bargaining agreements, are defined benefit plans. Costs associated with payments to defined contribution plans are recognized in the income statement when incurred. Defined benefit plans are based on an employee's working life and on the salary or wage received by the employee over a predetermined period of service.

In accordance with Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the first half of 2007, the leaving entitlement payable to employees of Group companies in Italy (*Trattamento di Fine Rapporto* or "TFR") qualifies as a defined benefit plan for benefits accrued prior to 1 January 2007 (and not yet paid out as at the balance sheet date), while benefits accruing after that date are classified as defined contributions.

The Company's obligation to fund defined benefit plans and the associated annual cost recognized in the income statement are determined on an actuarial basis using the projected unit credit method. The portion of net cumulative actuarial gains and losses which exceeds 10% of the present value of the defined benefit obligation at the end of the previous year is amortized over the average remaining service lives of employees (the "corridor approach"). The portion of actuarial gains and losses that does not exceed this threshold is deferred. On first adoption of the IFRS Fiat Group elected to recognize all cumulative actuarial gains and losses existing at 1 January 2004, although it adopted the corridor approach for recognition of subsequent actuarial gains and losses.

For defined benefit plans, any costs associated with the increase in present value of the liability nearer to the payment date are recognized under financial expense.

Liabilities associated with defined benefit plans are recognized in the statement of financial position at their present value adjusted for unrecognized actuarial gains and losses, arising from application of the corridor approach, and unrecognized past service costs.

Other long-term employee benefits

The accounting treatment for other long-term benefits is the same as for post-employment benefit plans except that actuarial gains and losses and past service costs are fully recognized in the income statement in the year in which they arise and the corridor method is not applied.

Provisions

The Company recognizes provisions when it has a legal or constructive obligation to third parties, when it is probable that an outflow of resources will be required to satisfy that obligation and when a reliable estimate of the amount can be made.

Changes in estimates are reflected in the income statement in the period in which they occur.

Dividends received

Dividends from investees are recognized in the income statement when the right to receive the dividend is established.

Revenue recognition

Revenue is recognized when it is probable that economic benefits associated with a transaction will flow to the Company and the amount can be reliably measured. Revenue is presented net of any adjusting items.

Financial income and expense

Financial income and expense are recognized in the income statement in the period in which they are earned or incurred.

Finance costs related to investments in qualifying assets that require a substantial period of time to prepare for their intended future use or sale are capitalized and amortized over the useful life of the asset.

Income taxes

The tax charge is determined on the basis of the provisions of Presidential Decree 917 of 22 December 1986 as amended. Taxes on income are recognized in profit and loss, except where they relate to items charged or credited directly to other comprehensive income, in which case the tax effect is also recognized directly in other comprehensive income.

For deferred tax assets and liabilities, determination is based on the temporary differences existing between the carrying amount of an asset or liability in the statement of financial position and its corresponding tax basis. Deferred tax assets resulting from unused tax losses and temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Current and deferred income taxes and liabilities are offset when there is a legal right to do so. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

Fiat Industrial S.p.A. and almost all its Italian subsidiaries have elected to take part in the domestic tax consolidation program pursuant to Articles 117/129 of Presidential Decree 917/1986 for a three-year period beginning in 2011.

Under the program, Fiat Industrial S.p.A. is the consolidating company and calculates a single taxable base for the group of companies taking part, enabling benefits from offsetting taxable income and tax losses. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. Fiat Industrial S.p.A. recognizes a receivable for companies contributing taxable income, corresponding to the amount of IRES (corporate income tax) payable on their behalf. For companies contributing a tax loss, Fiat Industrial S.p.A. recognizes a payable for the amount of the loss actually set off at group level.

Dividends payable

Dividends payable are recognized as changes in equity in the period in which they are approved by Shareholders.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used are based on information available at the balance sheet date, past experience and other factors considered relevant. Actual results could differ from those estimates.

The circumstances resulting from the recent economic and financial crisis and the difficulties experienced in many markets has led to the need to make assumptions regarding future performance which are subject to significant uncertainty. As a consequence, it cannot be excluded that actual results in future periods could differ from estimates, requiring adjustments, even significant, to the carrying amount of the item(s) in question, which at present can neither be estimated nor predicted. The line item most impacted by the use of estimates is "investments in subsidiaries" included under non-current assets, where estimates are used for carrying out impairment tests. No particular or significant issues have arisen, however, in relation to estimates used in measurement of employee benefits, taxes or provisions also taking into consideration their level of materiality.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognized directly in profit and loss in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

With regard to investments in subsidiaries, the use of estimates essentially related to determination of their recoverable value. For the investment in Fiat Netherlands Holding N.V. (parent company of CNH and principal foreign subsidiaries of Iveco), the book value recognized by Fiat Industrial S.p.A. is significantly lower than the book value of equity reported in the separate and consolidated financial statements of the investee for the year ended 31 December 2011 (prepared under IFRS), which reflected the results of a thorough process for the determination of the recoverability of assets.

With regard to the investments in Iveco S.p.A. and FPT Industrial S.p.A., an impairment test was conducted based on value in use determined from the present value of expected cash flows. The estimates took into account the results expected for 2012, based on assumptions and information consistent with the "Subsequent Events and Outlook" section of the Report on Operations, as well as data for 2013 and 2014 for Fiat Industrial Group contained in the 2010-2014 Business Plan presented to the financial community in 2010. As an additional measure of prudence, a sensitivity analysis was conducted to take account of uncertainty relating to the timing of a full market recovery. That analysis assumed that values for net revenues and trading margin included in the 2010-2014 plan were delayed by one year. Discount rates of 10.6% and 10.8% (both after tax) were used, respectively, for Iveco S.p.A. and FPT Industrial S.p.A. and take account of the industry sectors and geographic areas in which they operate. The determination of terminal value assumed growth rates of 1.5% and 1.2% respectively. On the basis of the estimates and assumptions applied, it was determined that the value of the assets examined is recoverable.

No impairment was identified for Fiat Industrial Finance S.p.A.

Accounting principles, amendments and interpretations adopted from 1 January 2011

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* that simplifies the disclosure requirements for transactions with government-related entities and clarifies the definition of a related party. Adoption of the revised standard had no effect on measurement of items in the financial statements and only a limited effect on disclosure for related-party transactions.

Accounting standards, amendments and interpretations effective from 1 January 2011 but not applicable to the Company

The following amendments, improvements and interpretations, effective from 1 January 2011, relate to issues that were not applicable at the date of these financial statements, but which may have an impact on the accounting treatment of future transactions or arrangements:

- Amendment to IAS 32 – *Financial instruments: Presentation: Classification of Rights Issues*
- Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*
- Improvements to IAS/IFRS (2010)

Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Company

At the date of these financial statements, the European Union had not yet endorsed the following standards and amendments, with the exception of the Amendment to IFRS 7 – *Financial Instruments*: *Disclosures* (7 October 2010), details of which are provided at the end of this section:

- On 12 November 2009, the IASB issued IFRS 9 – *Financial Instruments,* which was later amended. The new standard, applicable retrospectively from 1 January 2015, represents completion of the first phase of a project to replace IAS 39 and introduces new requirements for classification and measurement of financial assets and liabilities. For financial assets, the standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value – replacing the many different rules in IAS 39 – which is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. For financial liabilities, on the other hand, the principal change relates to the recognition of changes in fair value of financial liabilities measured at fair value through profit or loss, when such changes are due to changes in the credit risk of the liability. Under the new standard, these changes must be recognized in other comprehensive income rather than through profit or loss.
- On 20 December 2010, the IASB issued a minor amendment to IAS 12 – *Income taxes*, which clarifies determination of deferred taxes on investment properties measured at fair value. The amendment introduces the assumption that deferred taxes on investment properties measured using fair value in accordance with IAS 40 are determined assuming that the carrying amount will be recovered through disposal. As a result of this amendment, SIC-21 – *Income Taxes – Recovery of Revalued Non-Depreciable Assets* will no longer apply. The change is effective for annual periods beginning on or after 1 January 2012.
- On 12 May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* that will replace SIC-12 – *Consolidation – Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (which will be renamed Separate Financial Statements and addresses accounting treatment for investments in separate financial statements). IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance for situations where control may be difficult to determine. The standard is effective retrospectively from 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 11 – *Joint Arrangements* which supersedes IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. The new standard sets out criteria for identifying joint arrangements, by focusing on the rights and obligations of the arrangement rather than its legal form, and defines rules for treatment of joint operations in the separate financial statements. The standard is effective retrospectively from 1 January 2013.
- On 12 May 2011, the IASB issued IFRS 13 – *Fair Value Measurement*, which clarifies rules for determination of fair value for the purposes of financial reporting and applies to all IFRS that require or allow fair value measurement or disclosures based on fair value. The standard is applicable prospectively from 1 January 2013.
- On 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of Financial Statements* requiring entities to group together items within other comprehensive income that might subsequently be reclassified to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section. The amendment is applicable for annual periods beginning on or after 1 July 2012.

- On 16 June 2011, the IASB issued an amended version of IAS 19 – *Employee Benefits* which eliminates the option to defer recognition of gains and losses, known as the "corridor approach", and requires any plan deficit or surplus to be presented in the statement of financial position, the components of cost relating to service and net interest to be recognized in profit or loss, and actuarial gains and losses arising from the remeasurement of assets and liabilities to be recognized in other comprehensive income. In addition, the return on plan assets included under net interest cost is to be measured using the discount rate applicable to liabilities rather than the expected rate of return on the plan assets. The amendment also introduces additional disclosure requirements. The amendment is applicable retrospectively from 1 January 2013.
- On 16 December 2011, the IASB issued amendments to IAS 32 – *Financial Instruments: Presentation*, which clarifies application of certain criteria contained in IAS 32 for offsetting financial assets and liabilities. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.
- On 16 December 2011, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*. The amendments require disclosure of information on the effect or potential effect on an entity's financial position of netting arrangements for financial assets and liabilities. The amendments are effective for annual periods beginning on or after 1 January 2013. Disclosure must be provided retrospectively.

Lastly, on 7 October 2010, the IASB issued amendments to IFRS 7 – *Financial Instruments: Disclosures*, applicable for reporting periods commencing on or after 1 July 2011. The amendments are intended to improve the understanding of transfers of financial assets (derecognition) for users of financial statements, including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfers are undertaken around the end of a reporting period. Adoption of this standard will have no effect on the measurement of items in the financial statements.

COMPOSITION AND PRINCIPAL CHANGES

1. Dividends and other income from investments

Following is a breakdown of dividends and other income from investments:

(€ thousand)	2011	2010
Dividends from subsidiaries:		
Fiat Netherlands Holding N.V.	450,000	-
Total dividends from subsidiaries	450,000	-
Total dividends and other income from investments	**450,000**	**-**

2. Other operating income

Following is a breakdown of other operating income:

(€ thousand)	2011	2010
Revenues from services rendered to Group companies	9,639	-
Revenues from services rendered to companies of Fiat Group post Demerger	178	-
Other revenues and income from Group companies	91	-
Other revenues and income from third parties	35	-
Total other operating income	**9,943**	**-**

Revenues from services rendered to Group companies and companies of Fiat Group post Demerger relate to services rendered by Fiat Industrial S.p.A. and its managers to the principal companies of Fiat Industrial Group and Fiat Group post Demerger (see Note 24).

Other revenues and income from Group companies mainly relate to recovery of costs.

Other revenues and income from third parties relate to miscellaneous income, recovery of costs and other prior year income.

3. Personnel costs

A breakdown of personnel costs is provided in the following table:

(€ thousand)	2011	2010
Wages and salaries	3,991	-
Defined contribution plans and social security contributions	1,578	-
Leaving entitlement and other defined benefit plans	57	-
Other personnel costs	4,900	-
Total personnel costs	**10,526**	**-**

For 2011, there was an average of 32 employees (16 managers and 16 employees). As described in Note 2, some of the Company's managers (an average of 3 managers in 2011) carried out their activities at the principal subsidiaries of the Group and of Fiat Group post Demerger and, in both cases, the related costs were recharged to those companies.

The costs associated with defined contribution plans consisted of amounts paid by the Company to the Italian state social security organization (INPS) and other social security and assistance organizations for post-employment defined contribution plans (pension and health care) on behalf of employees in all categories. Following the introduction of Law 296/06, leaving entitlements in Italy (*trattamento di fine rapporto*) accrued from 1 January 2007 and paid in to supplementary pension funds or the fund established by INPS are recognized under "Defined contribution plans and social security contributions", while adjustments to the provision for leaving entitlement accrued before 1 January 2007 are recognized under "Leaving entitlement and other defined benefit plans" (see also Note 16).

Social security contributions represent amounts paid by the Company to social security agencies in relation to short-term benefits for situations such as illness, injury and compulsory maternity leave.

Other personnel costs relate primarily to accruals for variable compensation in the form of annual performance bonuses.

For 2011, compensation to executives with strategic responsibilities totaled €2,654 thousand (€1,326 thousand of which was charged back to the Group companies where they carried out their activities). The total cost for the year, net of chargebacks, includes €385 thousand for the Company's contribution to defined contribution schemes and social security.

4. Other operating costs

Following is a breakdown of other operating costs:

(€ thousand)	2011	2010
Costs for services rendered by Group companies	1,396	-
Costs for services rendered by companies of Fiat Group post Demerger	4,791	220
Costs for services rendered by third parties	10,540	5,941
Leases and rentals	261	-
Purchase of goods	20	-
Depreciation of property, plant and equipment	2	-
Amortization of intangible assets	15	-
Misc. operating costs	1,537	-
Total other operating costs	**18,562**	**6,161**

Costs for services rendered by Group companies primarily consisted of financial advisory services and services provided by managers of Group companies to Fiat Industrial S.p.A. (see Note 24).

Costs for services rendered by companies of Fiat Group post Demerger primarily consisted of administrative assistance and consultancy, public relations, personnel management, security services, internal audit, legal and notary services (see Note 24).

Costs for services rendered by third parties essentially consisted of financial advisory, legal and notary services. In 2010, services rendered by third parties included costs associated with incorporation of the Company and advisory services related to obtaining approvals from Consob and Borsa Italiana S.p.A. for the admission of Fiat Industrial S.p.A.'s shares to listing on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A.

For 2011, compensation for the directors and statutory auditors of Fiat Industrial S.p.A. totaled €3,150 thousand and €105 thousand, respectively. For directors, that compensation includes fees approved by Shareholders, as well as compensation set by the Board of Directors for directors with specific responsibilities.

Miscellaneous operating costs consist of membership fees and contributions to trade associations, indirect taxes and duties (property tax, non-deductible VAT, etc.), prior year expenses and other minor charges.

5. Financial income/(expense)

Following is a breakdown of financial income/(expense):

(€ thousand)	2011	2010
Financial income	1,566	2
Financial expense	(140,554)	-
Total financial income/(expense)	(138,988)	2

Financial income consisted of the following:

(€ thousand)	2011	2010
Financial income from Group companies:		
Interest income on current account with Fiat Industrial Finance S.p.A.	162	-
Fee income for sureties and personal guarantees	1,401	-
Total financial income from Group companies	1,563	-
Financial income from companies of Fiat Group post Demerger:		
Interest income and other financial income	5	2
Total financial income from companies of Fiat Group post Demerger	5	2
Currency translation gains/(losses)	(2)	-
Total financial income	1,566	2

Financial expense consisted of the following:

(€ thousand)	2011	2010
Financial expense payable to Group companies:		
Interest expense on current account with Fiat Industrial Finance S.p.A.	44,759	-
Interest expense on loans from Fiat Industrial Finance S.p.A.	34,134	-
Interest and financial expense payable to other Group companies	1	-
Total financial expense payable to Group companies	78,894	-
Financial expense payable to companies of Fiat Group post Demerger:		
Expense for early repayment of loan from Fiat Finance S.p.A.	54,425	-
Interest expense on loans from Fiat Finance S.p.A.	7,223	-
Total financial expense payable to companies of Fiat Group post Demerger	61,648	-
Financial expense payable to third parties:		
Financial expense on employee benefits	11	-
Other third-party interest and financial expense	1	-
Total financial expense payable to third parties	12	-
Total financial expense	**140,554**	**-**

Financial expense payable to companies of Fiat Group post Demerger essentially relates to the expense incurred for the early repayment of a loan received from Fiat S.p.A. under the Demerger, as described in Note 20.

6. Income taxes

A breakdown of taxes recognized in the income statement is provided below:

(€ thousand)	2011	2010
Current taxes:		
IRES	35,121	-
IRAP	-	-
Total current taxes	35,121	-
Deferred taxes for the period:		
IRAP	-	-
Total deferred taxes for the period	-	-
Taxes relating to prior periods	-	-
Total income taxes	**35,121**	**-**

Current IRES tax for 2011 totaled €35,121 thousand income and relates to compensation receivable by Fiat Industrial S.p.A. for tax loss carryforwards contributed to the domestic tax consolidation scheme.

A reconciliation between theoretical income taxes determined on the basis of tax rates applicable in Italy and income taxes reported in the financial statements is as follows:

(€ thousand)	2011	2010
Theoretical income taxes	80,263	(1,694)
Tax effect of permanent differences	(117,563)	-
Deferred tax not recognized in previous periods	2,179	1,661
Theoretical tax benefit arising from tax loss carryforwards	-	33
Current and deferred income tax recognized in the financial statements, excluding IRAP	**(35,121)**	**-**
IRAP (current and deferred)	-	-
Current and deferred income tax recognized in the financial statements	**(35,121)**	**-**

Theoretical income taxes are calculated by applying the IRES tax rate (27.5% for 2010 and 2011) to the result before taxes. To facilitate a better understanding of the reconciliation between theoretical and reported income taxes, IRAP has been excluded, as it is calculated on a different tax base and would therefore generate distortions between one year and another.

For 2011, the permanent differences referred to above consist of the impact of non-taxable dividends totaling €117,563 thousand.

A breakdown of deferred tax liabilities, net of deferred tax assets, is provided in the following table.

(€ thousand)	31 December 2010	Recognized in income statement	Charged to equity	31 December 2011
Deferred tax assets arising from:				
Deductible costs	1,857	(168)	-	**1,689**
Taxed provisions and other minor differences	-	2,184	-	**2,184**
Total theoretical deferred tax assets	**1,857**	**2,016**	**-**	**3,873**
Deferred tax liabilities arising from:				
Others	-	(7)	-	**(7)**
Total theoretical net deferred tax assets	**1,857**	**2,009**	**-**	**3,866**
Theoretical tax benefit arising from tax loss carryforwards	**33**	**(28)**	**-**	**5**
Adjustments for assets whose recoverability is not probable	**(1,890)**	**(2,981)**	**-**	**(3,871)**
Total deferred tax assets, net	**-**	**-**	**-**	**-**

Determination of deferred tax assets is based on an analysis of the existence of the conditions for their future realization. As a consequence, the total theoretical future tax benefit arising from deductible temporary differences and tax loss carryforwards was totally written off, in consideration of the nature of the items and the tax treatment applicable.

The breakdown by year of expiry, as at 31 December 2011, of temporary differences (deductible and taxable) and tax losses, including those for which deferred tax assets have not been recognized, is as follows:

		Year of expiry				
(€ thousand)	Total at 31 December 2011	2012	2013	2014	2015	Beyond 2016 and non-expiring
Temporary differences and tax losses relating to IRES:						
Taxable temporary differences	**(21)**	-	-	-	-	21
Deductible temporary differences	**14,081**	(7,759)	(2,631)	(1,228)	(1,228)	(1,235)
Tax losses	**20**	-	-	-	-	(20)
Temporary differences and tax losses for which deferred tax assets have not been recognized	**(14,080)**	7,759	2,631	1,228	1,228	1,234
Temporary differences and tax losses subject to national taxation	**-**	**-**	**-**	**-**	**-**	**-**
Temporary differences relating to IRAP:						
Taxable temporary differences	**(21)**	-	-	-	-	21
Deductible temporary differences	**7**	-	-	-	-	(7)
Temporary differences and tax losses for which deferred tax assets have not been recognized	**14**	-	-	-	-	(14)
Temporary differences and tax losses subject to local taxation	**-**	**-**	**-**	**-**	**-**	**-**

7. Intangible assets

At 31 December 2011, intangible assets totaled €459 thousand and were subject to the following changes during the year:

(€ thousand)	31 December 2010	Additions	Amortization	(Decreases) and Other changes	31 December 2011
Concessions, licenses and similar rights					
Gross carrying amount	-	19	-	27	46
Accumulated amortization	-	-	(15)	-	(15)
Net carrying amount	-	19	(15)	27	31
Intangible assets in progress and advances					
Gross carrying amount	-	80	-	(27)	53
Goodwill					
Gross carrying amount	-	375	-	-	375
Total intangible assets	-	474	(15)	-	459

Concessions, licenses and similar rights includes the value of software acquired through the acquisition of "Internal Audit Industrial Group", which is amortized over 3 years, as well as costs incurred for development and registration of brands and trademarks owned by the Company, which are also amortized on a straight-line basis over 3 years.

Intangible assets in progress and advances includes costs incurred for registration of Fiat Industrial trademarks still pending at year end.

Goodwill relates to the amount of consideration paid in excess of existing book value for the assets, net of associated liabilities, transferred with "Fiat Industrial Group Internal Audit".

Amortization on intangible assets is recognized in the income statement under other operating costs (Note 4).

8. Property, plant and equipment

At 31 December 2011, property, plant and equipment totaled €18 thousand and was subject to the following changes during the year:

(€ thousand)	31 December 2010	Additions	Depreciation	(Decreases) and Other changes	31 December 2011
Other tangible assets					
Gross carrying amount	-	20	-	-	20
Accumulated depreciation	-	-	(2)	-	(2)
Net carrying amount	-	20	(2)	-	18
Total property, plant and equipment					
Gross carrying amount	-	20	-	-	20
Accumulated depreciation	-	-	(2)	-	(2)
Net carrying amount	-	20	(2)	-	18

Other tangible assets consisted of office furniture and equipment.

At 31 December 2011, there were no contractual commitments of a material amount for purchases of property, plant and equipment or for assets in progress.

Depreciation of property, plant and equipment is recognized in the income statement under other operating costs (Note 4).

9. Investments

At 31 December 2011, investments totaled €5,777,600 thousand and underwent the following changes during the year:

(€ thousand)	31 December 2010	Assets resulting from the Demerger	Additions/ (Decreases)	Impairment (losses)/ reversals Fair Value adjustments	31 December 2011
Investments in subsidiaries	-	4,977,346	800,150	-	**5,777,496**
Investments in other companies	-	-	104	-	**104**
Total investments	**-**	**4,977,346**	**800,254**	**-**	**5,777,600**

Investments in subsidiaries and changes during the year were as follows:

(€ thousand)	% interest	31 December 2010	Assets resulting from the Demerger	Additions/ capital increases	Decreases	Impairment (losses)/ reversals	31 December 2011
Fiat Netherlands Holding N.V.	100.00	-	4,577,346	800,000			**5,377,346**
Gross carrying amount		-	4,577,346	800,000			5,377,346
Accumulated impairment losses		-					-
Iveco S.p.A.	100.00	-	200,000				**200,000**
Gross carrying amount		-	200,000				200,000
Accumulated impairment losses		-					-
FPT Industrial S.p.A.	100.00	-	100,000				**100,000**
Gross carrying amount		-	100,000				100,000
Accumulated impairment losses		-					-
Fiat Industrial Finance S.p.A.	100.00	-	100,000				**100,000**
Gross carrying amount		-	100,000				100,000
Accumulated impairment losses		-					-
New Industrial Business 1 S.r.l.	100.00	-		50			**50**
Gross carrying amount		-		50			50
Accumulated impairment losses		-					-
New Industrial Business 2 S.r.l.	100.00	-		50			**50**
Gross carrying amount		-		50			50
Accumulated impairment losses		-					-
New Industrial Business 3 S.r.l.	100.00	-		50			**50**
Gross carrying amount		-		50			50
Accumulated impairment losses		-					-
Total investments in subsidiaries		-	**4,977,346**	**800,150**			**5,777,496**
Gross carrying amount		-	4,977,346	800,150			5,777,496
Accumulated impairment losses		-		-			-

Significant changes to investments in subsidiaries during the year were as follows:

- following execution of the Deed of Demerger on 16 December 2010, on 1 January 2011 Fiat S.p.A. transferred its shareholdings in companies operating in the Agricultural and Construction Equipment (CNH), Trucks and Commercial Vehicles (Iveco) and related powertrain (FPT Industrial) sectors to Fiat Industrial S.p.A.

The total book value of those shareholdings (Fiat Netherlands Holding N.V. – a sub-holding company that controls CNH and the foreign entities of Iveco and FPT Industrial, Iveco S.p.A., FPT Industrial S.p.A. and Fiat Industrial Finance S.p.A.) was €4,977,346 thousand

- a capital contribution of €800 million was made to Fiat Netherlands Holding N.V. in February 2011 to strengthen its capital
- in preparation for potential future transactions, the fully-owned subsidiaries New Industrial Business 1 S.r.l., New Industrial Business 2 S.r.l. and New Industrial Business 3 S.r.l. were incorporated each with share capital of €50 thousand

No indications of impairment were found for investments of material value (Fiat Netherlands Holding N.V., Iveco S.p.A., FPT Industrial S.p.A. and Fiat Industrial Finance S.p.A.). Additional information is provided in the "Use of estimates" section.

Investments in other companies included purchases during the year of interests in Fiat Revi S.c.p.A. (16% held at 31 December 2011), and minority interests in the consortium companies Orione S.c.p.A. (0.22%) and Sirio S.c.p.A. (0.02%) with a total book value of €104 thousand.

There were no investments in other companies in relation to whose obligations Fiat Industrial S.p.A. had unlimited liability (Article 2361.2 of the Civil Code).

A full list of investments with the additional disclosures required by Consob Communication DEM/6064293 of 28 July 2006 is attached.

At 31 December 2011, no investments held by the Company had been pledged as security in relation to financial or contingent liabilities.

10. Other financial assets

A breakdown of other financial assets is provided in the following table:

(€ thousand)	31 December 2011	31 December 2010	Change
Fees receivables for guarantees given	6,207	-	6,207
Total other financial assets	**6,207**	**-**	**6,207**

Fees receivables for guarantees given represent the present value of fees to be received in future years for guarantees issued by the Company (mainly relating to loans of Group companies).

A breakdown of other financial assets by maturity is as follows:

(€ thousand)	31 December 2011	31 December 2010
Other financial assets:		
due within one year	1,216	-
due after one year but within five years	4,620	-
due beyond five years	371	-
Total	**6,207**	**-**

11. Trade receivables

At 31 December 2011, trade receivables totaled €320 thousand, increasing by the same amount over 31 December 2010, and included the following:

(€ thousand)	31 December 2011	31 December 2010	Change
Intercompany trade receivables	311	-	311
Trade receivables from companies of Fiat Group post Demerger	9	-	9
Total trade receivables	320	-	320

Intercompany trade receivables and trade receivables from companies of Fiat Group post Demerger include adjustments following reassessment of amounts receivable for services already provided.

The carrying amount of trade receivables is deemed to approximate their fair value.

All trade receivables are due within one year and there are no significant overdue balances.

12. Current financial receivables

This item was reduced to zero during the year as a result of normal operating activities. The total of €4,484 thousand at 31 December 2010 related to the current account held with Fiat Finance S.p.A. (treasury company of Fiat Group post Demerger). On 1 January 2011, the balance of the account was increased by €213,000 thousand, representing the amount held on account by Fiat S.p.A. with Fiat Finance S.p.A., received as a result of the Demerger from Fiat S.p.A.

13. Other current receivables

At 31 December 2011, other current receivables amounted to €81,401 thousand, a net increase of €81,007 thousand over 31 December 2010, and consisted of the following:

(€ thousand)	31 December 2011	31 December 2010	Change
Receivables from Group companies for consolidated IRES tax	79,761	-	79,761
VAT receivables	300	394	(94)
IRES tax receivables	980	-	980
Other receivables from companies of Fiat Group post Demerger	47	-	47
Other	313	-	313
Total other current receivables	81,401	394	81,007

Receivables from Group companies for consolidated IRES tax relates to tax calculated on the taxable income contributed by Italian subsidiaries participating in the domestic tax consolidation program.

IRES tax receivables includes credits transferred by Italian subsidiaries participating in the domestic tax consolidation for 2011 to Fiat Industrial S.p.A.

The items other receivables from companies of Fiat Group post Demerger and other consist of miscellaneous amounts receivable.

The carrying amount of other current receivables is deemed to approximate their fair value.

Other current receivables are almost entirely due within one year.

14. Cash and cash equivalents

At 31 December 2011, this item was zero.

15. Equity

At 31 December 2011, equity totaled €4,077,453 thousand, a €4,077,333 thousand increase over 31 December 2010, primarily due to the effects of the demerger of activities from Fiat S.p.A., accounting for €3,750,345 thousand, and profit for the year of €326,988 thousand.

Share capital

Share capital totaled €1,913,299 thousand (fully paid) at 31 December 2011 and consisted of the following:

(no. of shares)	31 December 2011	31 December 2010
Shares issued and fully paid		
Ordinary shares	1,092,327,485	80,000
Preference shares	103,292,310	-
Savings shares	79,912,800	-
Total shares issued	**1,275,532,595**	**80,000**

Following is a reconciliation between the number of shares outstanding at 15 July 2010 (the date of incorporation) and at 31 December 2011:

(shares in thousands)	15 July 2010	Capital increase	(Purchases)/ sales of own shares	1 January 2011	Capital increase	(Purchases)/ sales of own shares	31 December 2011
Ordinary shares issued	80	1,092,247	-	1,092,327	-	-	1,092,327
Less: Own shares	-	-	-	-	-	-	-
Ordinary shares outstanding	80	1,092,247	-	1,092,327	-	-	1,092,327
Preference shares issued	-	103,292	-	103,292	-	-	103,292
Less: Own shares	-	-	-	-	-	-	-
Preference shares outstanding	-	103,292	-	103,292	-	-	103,292
Savings shares issued	-	79,913	-	79,913	-	-	79,913
Less: Own shares	-	-	-	-	-	-	-
Savings shares outstanding	-	79,913	-	79,913	-	-	79,913
Total shares issued by Fiat Industrial S.p.A.	**80**	**1,275,452**	**-**	**1,275,532**	**-**	**-**	**1,275,532**
Less: Own shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Fiat Industrial S.p.A. shares outstanding	**80**	**1,275,452**	**-**	**1,275,532**	**-**	**-**	**1,275,532**

At 31 December 2010, the share capital of Fiat Industrial S.p.A. was €120,000 and consisted of 80,000 ordinary shares having a par value of €1.50 each. As a result of the Demerger, share capital was increased by €1,913,178,892.50, through the issue of 1,092,247,485 ordinary shares, 103,292,310 preference shares and 79,912,800 savings shares.

Each share confers the right to share pro rata in any profit allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of preference and savings shares described below.

Each ordinary share confers the right to vote, without restrictions. Each preference share confers the right to vote only on matters which are reserved for Extraordinary General Meetings of Shareholders and on resolutions concerning Procedures for General Meetings. No voting rights are attached to savings shares.

Reported net profit for the year is to be allocated as follows:

- to the legal reserve, 5% of net profit until the amount of the reserve is equal to one-fifth of share capital;
- to savings shares, a dividend of up to €0.093 per share;
- further allocations to the legal reserve, allocations to the extraordinary reserve and/or to retained profit reserve as may be approved by Shareholders;
- to preference shares, a dividend of up to €0.093 per share;
- to ordinary shares, a dividend of up to €0.0465 per share;
- to savings shares and ordinary shares, an additional dividend, in equal amounts, of up to €0.0465 per share; and,
- to each ordinary, preference and savings share, in equal amounts, any remaining profit which Shareholders may resolve to distribute.

When the dividend paid to savings shares in any year amounts to less than €0.093, the difference shall be added to the preferred dividend to which they are entitled in the following two years.

In the event of a change in the par value of shares, the amounts stated above shall be adjusted on a pro rata basis.

In relation to the Company's operating results and within the conditions established by law, if the Board of Directors sees fit, it may authorize payment of interim dividends.

In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall be entitled to a dividend that is €0.0525, rather than €0.0465, higher per share than the dividend paid on ordinary and preference shares.

In the event that the ordinary shares are delisted, holders of savings shares shall be entitled to a dividend that is €0.06 higher than the dividend paid on ordinary and preference shares.

In the event of a winding up, the Company's assets shall be distributed in the following order of priority: repayment of savings shares up to their par value, repayment of preference shares up to their par value, repayment of ordinary shares up to their par value; any balance remaining, in equal pro rata amounts to shares of all three classes.

Finally, on 22 February 2012, the Board of Directors approved – as per the resolution of 27 October 2011 – a proposal, to be submitted to Shareholders at the Extraordinary General Meeting called for 5 April 2012, for conversion of preference and savings shares into Fiat Industrial S.p.A. ordinary shares at a ratio of 0.700 per preference share and 0.725 per savings share. In relation to 2011, all economic rights attached to preference shares and savings shares will remain unchanged.

Ordinary shares issued in relation to the conversion will be eligible for dividends from 2012.

The proposals will also be submitted to holders of preference and savings for approval at Special Meetings called for 3 April 2012. If the proposed conversions are approved by Shareholders at the Extraordinary General Meeting and the respective Special Meetings, any holders of preference and savings shares who were absent or did not vote in favor (i.e., absent, abstaining or assenting) will have the right to redeem their shares for a period of fifteen days from the date that the resolutions are filed with the Companies Register. The redemption value payable to Shareholders exercising the right of withdrawal is €4.156 per preference share and €4.336 per savings share.

Conversion of each share class will be conditional upon the aggregate cash amount that the Company is required to pay to Shareholders exercising the right of withdrawal (pursuant to Article 2437-*quater* of the Civil Code), not exceeding €56 million for the preference shares and €44 million for the saving shares. In any event, the total cash disbursement by the Company in connection with the exercise of those rights will be limited to €100 million.

Should conversion of one or both classes of shares be approved, for technical reasons the par value of the ordinary shares will increase and the new par value will be determined dividing total share capital by the number of shares in issue post conversion, rounded up to the nearest cent. The resulting increase will be covered through utilization of the share premium reserve up to a maximum amount of €6.1 million. If conversion is approved for both classes of special shares, par value per ordinary share will increase from €1.50 to €1.57. If preference shares only are converted, par value per ordinary and savings share will increase from €1.50 to €1.54. If savings shares only are converted, par value per ordinary and preference share will increase from €1.50 to €1.53.

Capital management

Italian regulations regarding share capital and reserves for a joint stock corporation establish the following:

- The minimum permitted share capital is €120,000.
- Any change in the amount of share capital must be approved by Shareholders, who may authorize the Board of Directors, for a maximum period of five years, to increase share capital up to a predetermined amount. Shareholders are also required to adopt suitable measures when share capital decreases by more than one third as the result of verified losses and reduce share capital if, by the end of the following financial year, such losses have not been reduced to less than one third. If as the consequence of a loss of more than one-third of capital it falls below the legal minimum, Shareholders must approve the decrease and a simultaneous increase in share capital to an amount not less than the legal minimum or change the company's legal form.
- As mentioned above, the right of each class of shares to share in a company's profits is established in the by-laws.
- A share premium reserve is established if a company issues shares at a price above their nominal value. This reserve is not distributable until the legal reserve has reached one-fifth of share capital.
- A company may not purchase own shares for an amount exceeding distributable profits and available reserves reported in its latest approved financial statements. Purchases must be approved by Shareholders and in no case may the nominal value of the shares acquired exceed one-fifth of share capital.

Following completion of the Demerger, the Group announced that for the 2011 financial year the dividend policy would consist of an expected distribution of 25% of consolidated profit, with a minimum payout of €100 million, and that the Board of Directors would formulate a dividend policy for subsequent financial periods.

For 2011, the Board of Directors will propose to Shareholders that they approve payment of a total dividend of €240 million.

The proposed distribution is as follows:

- €0.185 per ordinary share
- €0.185 per preference share
- €0.2315 per savings share

In the meeting of 1 February 2012, the Board of Directors also reviewed options relating to its dividend policy. In view of the consistent performance of the businesses and the substantial cash generation capabilities of the Group, it is of the view that Fiat Industrial could distribute between 25% and 35% of its consolidated net income for any one year, with a minimum payout in normal circumstances of €150 million.

Fiat Industrial's stated objectives for capital management are to create value for Shareholders as a whole, to ensure business continuity and to support the growth of the Group. Accordingly, Fiat Industrial intends to maintain an adequate level of capital that enables it to achieve a satisfactory economic return for Shareholders, as well as ensuring access to affordable sources of external financing (including through the achievement of an adequate rating).

Fiat Industrial constantly monitors its debt-equity balance, particularly in relation to the level of net debt and the level of cash generated from the Group's industrial activities.

To achieve these objectives, Fiat Industrial aims at a continuous improvement in the profitability of its business activities. In addition, it may sell assets to reduce the level of debt, or the Board of Directors may propose a capital increase or reduction to Shareholders or, where permitted by law, a distribution of reserves.

Fiat Industrial S.p.A. may also repurchase its own shares, within the limits approved by Shareholders, compatible with the objectives of financial equilibrium and an improvement in credit rating.

Accordingly, to give the Company the necessary flexibility for an adequate time period, in December 2010, the Shareholders of Fiat Industrial S.p.A. approved a resolution, subject to the Demerger becoming effective, allowing the Company to repurchase its own shares for a period of 18 months and up to a maximum value of €1 billion. Once the authorization took effect, retained profit was reduced by €1 billion and a reserve for the purchase of own shares established in the same amount. On 22 February 2012, in consideration of the fact that the current authorization expires on 20 June 2012 and to maintain the necessary flexibility for an adequate period, the Board of Directors voted to propose to Shareholders that authorization for the purchase and disposal of own shares be renewed for a maximum of €500 million and for a period of 18 months. The authorization will be used to service an equity-based long-term incentive plan that the Board intends to submit for Shareholder approval. The authorization may also be used for other purposes permitted by law. Additional information on the long-term incentive plan is provided under Share-based compensation below. The authorization does not constitute an obligation for the Company to repurchase shares and no shares were repurchased in 2011. When the Company has the intention to begin making share repurchases, details of the repurchase program will, in accordance with applicable regulations, be publicly disclosed in advance and all repurchases reported on a daily basis to the market and relevant supervisory authorities.

The term capital is used to refer both to the value contributed by shareholders (share capital and share premium for a total value of €2,375,564 thousand at 31 December 2011, an increase of €2,375,444 thousand over 31 December 2010), and the value generated by Fiat Industrial S.p.A. in terms of results achieved (retained profit and other reserves, before allocation of profit for the year, equal in total to €1,701,889 thousand at 31 December 2011).

Share premium reserve

At 31 December 2011, this reserve totaled €462,265 thousand, increasing by the same amount over 31 December 2010 through the transfer of reserves from Fiat S.p.A. resulting from the Demerger.

Legal reserve

At 31 December 2011, this reserve totaled €214,937 thousand, increasing by the same amount over 31 December 2010 through the transfer of reserves from Fiat S.p.A. resulting from the Demerger.

Reserve available for the purchase of own shares

This reserve was created through a transfer from the retained profit reserve, following the authorization for share repurchases approved by Shareholders on 20 December 2010. That authorization does not constitute an obligation to buy back any shares. No shares were repurchased in 2011.

Retained profit

At 31 December 2011, retained profit totaled €159,964 thousand, increasing by the same amount from 31 December 2010, as a result of:

- the transfer of reserves from Fiat S.p.A. resulting from the Demerger; and
- the subsequent transfer of €1,000,000 thousand to establish the reserve for the purchase of own shares

Other reserves

At 31 December 2011, these reserves were reduced to zero as a result of utilization to cover losses of €6,159 thousand for 2010.

Share-based compensation

At 31 December 2011, Fiat Industrial S.p.A. had no share-based compensation plans in place for Group managers or the Chairman.

Stock grant plans based on Fiat Industrial S.p.A. ordinary shares

On 22 February 2012, on the basis of a proposal from the Nominating, Compensation and Sustainability Committee, the Board of Directors voted to submit a Long Term Incentive Plan to Shareholders for approval.

The Plan, which takes the form of stock grants, is intended to ensure the involvement and retention of individuals who are key to the Group's continued development by aligning their interests with those of shareholders through the allocation of rights which, subject to the achievement of pre-established performance objectives and/or continuation of a professional relationship with the Group, entitle beneficiaries to receive an equivalent number of Fiat Industrial S.p.A. ordinary shares.

The first part of the Plan is the Company Performance Long Term Incentive ("Company Performance LTI") which provides for allocation of a maximum of 3 million rights - subject to the achievement of pre-established financial performance objectives for the period from 1 January 2012 to 31 December 2014, and continuation of a professional relationship with the Group.

The second part of the Plan is the Retention Long Term Incentive - ("Retention LTI"), which provides for allocation of a maximum 3 million rights, whose award is based on individual performance and vesting subject to continuation of a professional relationship with the Group. Under the Plan, it is envisaged that the Company will assign three cycles of Retention LTI: the first award would occur in 2012 (with vesting over the 2012-2015 period), the second in 2013 (with vesting over the 2013-2016 period) and the third in 2014 (with vesting over the 2014-2017 period).

The Chairman of the Company, Sergio Marchionne, is beneficiary of both parts of the Plan and will receive 1 million rights under the Company Performance LTI and 1.1 million rights under the first cycle of the Retention LTI. The other beneficiaries of the Plan will be approximately 150 Group executives holding key positions that have a significant impact on business results and will be selected by the Chairman. The Plan will not include employees of CNH, as CNH Global N.V. already adopts similar equity-based incentive schemes. The Plan will be serviced with own shares and therefore, as no shares are to be issued, there will be no dilutive effects.

Availability of principal components of equity for use

(€ thousand)	31 December 2011	Possible use	Amount available
Share capital	1,913,299		
Reserves:			
Share premium reserve	462,265	A,B,C (*)	462,265
Legal reserve	214,937	B	-
Reserve available for the purchase of own shares	1,000,000	A,B,C	1,000,000
Retained profit	159,964	A,B,C	159,964

Key:

A: capital increase

B: coverage of losses

C: dividend

(*) Fully available to increase capital and cover losses. Any other use requires increase of the legal reserve to 20% of share capital (including through transfer from the share premium reserve). At 31 December 2011, the required increase would have been €167,723 thousand

16. Provisions for employee benefits and other non-current provisions

At 31 December 2011, this item totaled €1,686 thousand, increasing by the same amount over 31 December 2010, and consisted of the following:

(€ thousand)	31 December 2010	Accruals	Utilizations	Other changes	31 December 2011
Provisions for employee benefits and similar	-	68	(31)	1,349	1,386
Other non-current provisions	-	300	-	-	300
Total provisions for employee benefits and other non-current provisions	-	368	(31)	1,349	1,686

Other changes consists of provisions relating to employees transferred to Fiat Industrial S.p.A. from other companies of Fiat Group and Fiat Industrial Group in 2011.

Provisions for employee benefits and similar

The Company provides post-employment benefits to employees, either directly or through contributions to independently administered funds.

Those benefits are generally based on individual compensation and length of service. Existing obligations relate to both active employees and retirees and include both defined contribution and defined benefit plans.

In relation to defined contribution plans, the Company pays contributions to publicly or privately-administered pension institutions on the basis of legal and contractual obligations, as well as on a voluntary basis. Once those contributions have been made, the Company has no further obligation. Liabilities for contributions due but unpaid at the balance sheet date are included under other debt (see Note 21). The cost for the period is based on services rendered by the employee for the period and recognized under personnel costs (see Note 3).

For defined benefit plans, the liability is determined on an actuarial basis, using the Projected Unit Credit Method. Any resulting actuarial gains and losses are accounted for using the corridor approach.

Finally, the Company also grants certain other deferred benefits to employees, which are generally paid when the employee has completed a pre-determined length of service. Measurement of the related obligation reflects the probability of payment and the period over which the benefit will be paid. Provisions for those obligations are calculated on an actuarial basis using the Projected Unit Credit Method. The corridor approach is not applied for actuarial gains and losses related to such obligations.

Changes in provisions for employee benefits during the year were as follows:

(€ thousand)	31 December 2010	Accruals	Utilizations	Other changes	31 December 2011
Post-employment benefits:					
Leaving entitlement (TFR)	-	11		939	950
Other	-	2		39	41
Total post-employment benefits	-	13		978	991
Other long-term employee benefits	-	55	(31)	371	395
Total provisions for employee benefits and similar	**-**	**68**	**(31)**	**1,349**	**1,386**

Calculations for post-employment benefits and other long-term employee benefits are based on the following actuarial assumptions:

	31 December 2011
Discount rate	4.18%
Rate of future salary increases	1.73%
Inflation rate	2.00%
Maximum retirement age	Years: 60(F)/65(M)
Mortality rate	SI08
Average rate of annual departures	8.41%

Provisions for employee benefits and similar relate to the following:

Leaving entitlement (TFR)

The provision for leaving entitlements (TFR) represents the Company's obligation under Italian law (amended by Law 296/06) accrued prior to 1 January 2007 which is paid when the employee leaves the Company. In certain circumstances, a portion of the benefit may be advanced while the individual is still in the Company's employ. This is an unfunded defined benefit plan, as, for the most part, the benefits recognized have already been earned, with the sole exception of future revaluations.

Other

The item other includes post-employment benefits payable under supplemental or individual agreements. Such schemes are unfunded.

Other long-term employee benefits

This item mainly includes benefits which are due to employees who have completed a determined length of service.

At 31 December 2011, post-employment benefits consisted of the following:

(€ thousand)	Leaving entitlement (TFR) 31 December 2011	31 December 2010	Other 31 December 2011	31 December 2010	Total 31 December 2011	31 December 2010
Present value of unfunded defined benefit plan obligations	930	-	35	-	965	-
Unrecognized actuarial gains/(losses)	20	-	6	-	26	-
Net liability	**950**	**-**	**41**	**-**	**991**	**-**

Amounts recognized in the income statement for post-employment benefits were as follows:

(€ thousand)	Leaving entitlement (TFR) 2011	2010	Other 2011	2010	Total 2011	2010
Service cost:						
Current service cost	-	-	2	-	2	-
Net actuarial (gains)/losses recognized during the year	-	-	-	-	-	-
Total service cost	-	-	2	-	2	-
Interest costs	11	-	-	-	11	-
Total cost/(return) for post-employment benefits	**11**	**-**	**2**	**-**	**13**	**-**

The items current service cost and net actuarial (gains)/losses recognized during the year are included in the income statement under personnel costs (see Note 3), when they relate to employees.

Associated interest costs are recognized in the income statement under financial income/(expense) (see Note 5).

Changes in the present value of post-employment benefit obligations are as follows:

(€ thousand)	Leaving entitlement (TFR) 2011	2010	Other 2011	2010	Total 2011	2010
Present value of obligation at the beginning of the year	-	-	-	-	-	-
Current service cost	-	-	2	-	2	-
Interest costs	11	-	-	-	11	-
Actuarial (gains)/losses arising during the year	(69)	-	(6)	-	(75)	-
Benefits paid	(13)	-	-	-	(13)	-
Other changes	1,001	-	39	-	1,040	-
Present value of obligation at year end	**930**	**-**	**35**	**-**	**965**	**-**

The present value of defined benefit obligations at 31 December 2011 and 2010 is as follows:

(€ thousand)	31 December 2011	31 December 2010
Present value of obligation at year end:		
Leaving entitlement (TFR)	930	-
Others	35	-
Total	965	-

Gains and losses arising from differences between actuarial assumptions made at the beginning of the period and the actual experience during the period are as follows:

(€ thousand)	2011	2010
Experience adjustments:		
Leaving entitlement (TFR)	69	-
Others	6	-
Total effect on present value of obligation	75	-

Other non-current provisions

At 31 December 2011, other non-current provisions totaled €300 thousand and represented the actuarial estimate of the cost of an additional severance package for the Chairman.

17. Non-current debt

At 31 December 2011, non-current debt totaled €6,207 thousand, increasing from zero at 31 December 2010, and included the following:

(€ thousand)	31 December 2011	31 December 2010	Change
Financial guarantees	6,207	-	6,207
Total non-current debt	6,207	-	6,207

The item financial guarantees represents the fair value of the liabilities assumed in relation to guarantees issued. Following an assessment of potential risks requiring recognition of contingent liabilities and given that those liabilities essentially related to guarantees provided on loans to Group companies, the present value of fees receivable (see other financial assets in Note 10) is considered the best estimate of the fair value of those guarantees.

The breakdown of non-current debt by due date is as follows:

(€ thousand)	31 December 2011	31 December 2010
Non-current debt:		
due within one year	1,216	-
due after one year but within five years	4,620	-
due beyond five years	371	-
Total	6,207	-

18. Provisions for employee benefits and other current provisions

At 31 December 2011, this item totaled €5,667 thousand, increasing from zero at 31 December 2010, and consisted of the following:

(€ thousand)	31 December 2010	Accruals	Other changes	31 December 2011
Provision for employee bonuses	-	4,880	787	5,667
Total provisions for employee benefits and other current provisions	-	4,880	787	5,667

The provision for employee bonuses primarily represents the best estimate of variable compensation payable to employees at 31 December 2011. Other changes consists of provisions relating to employees transferred to Fiat Industrial S.p.A. from other companies of Fiat Group and Fiat Industrial Group in 2011.

19. Trade payables

At 31 December 2011, trade payables totaled €4,179 thousand, a net decrease of €416 thousand over 31 December 2010, and consisted of the following:

(€ thousand)	31 December 2011	31 December 2010	Change
Trade payables to third parties	3,230	4,503	(1,273)
Trade payables to companies of Fiat Group post Demerger	787	92	695
Intercompany trade payables	162	-	162
Total trade payables	4,179	4,595	(416)

Trade payables to third parties primarily relate to amounts payable and approved invoices not yet received for operating expenses incurred during the period.

Trade payables to companies of Fiat Group post Demerger include payables for goods and services.

Trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

20. Current debt

At 31 December 2011, current debt totaled €1,719,542 thousand, increasing from zero at 31 December 2010 and related to:

(€ thousand)	31 December 2011	31 December 2010	Change
Intercompany debt:			
Current account with Fiat Industrial Finance S.p.A.	669,149	-	669,149
Loans from Fiat Industrial Finance S.p.A.	1,050,000	-	1,050,000
Accrued interest expense	393	-	393
Total intercompany debt	1,719,542	-	1,719,542
Total current debt	1,719,542	-	1,719,542

Intercompany debt consists of an overdraft on the current account held with Fiat Industrial Finance S.p.A. as part of the Group's centralized treasury. It should also be noted that as a result of the Demerger of activities from Fiat S.p.A., on 1 January 2011 Fiat Industrial S.p.A. received a portion of the balance held on the account with Fiat Finance S.p.A. (treasury company of the Fiat Group) totaling €213,000 thousand. Also as a result of the Demerger, Fiat Industrial S.p.A. received 2 loans (one for €1,050,000 thousand, maturing 25 May 2012, and the other for €390,000 thousand, maturing 31 January 2011) originally taken out by Fiat S.p.A. and disbursed by Fiat Finance S.p.A. Both loans were repaid in advance, to extinguish the loan relationships between Fiat Group and Fiat Industrial Group, and the account held with Fiat Finance S.p.A. was closed. At the same time, Fiat Industrial S.p.A. obtained a new loan from Fiat Industrial Finance S.p.A. for a total of €1,050,000 thousand, maturing 25 May 2012. Variable interest is payable on the new loan.

Current debt is denominated in euros. The carrying amount of those liabilities is deemed to be in line with their fair value.

21. Other debt

At 31 December 2011, other debt totaled €51,271 thousand, a net increase of €51,108 thousand over 31 December 2010, and included the following:

(€ thousand)	31 December 2011	31 December 2010	Change
Other debt:			
Intercompany debt:			
Consolidated IRES tax	45,198	-	45,198
Total intercompany debt	**45,198**	**-**	**45,198**
Debt payable to companies of Fiat Group post Demerger:			
Other	1,993	-	1,993
Total debt payable to companies of Fiat Group post Demerger	**1,993**	**-**	**1,993**
Social security payables	590	-	590
Current amounts payable to employees, directors and statutory auditors	2,420	7	2,413
Other	58	-	58
Total other debt	**50,259**	**7**	**50,252**
Taxes payable:			
Taxes withheld on payments to employees and independent contractors	431	156	275
IRES tax payable under domestic tax consolidation	581	-	581
Total taxes payable	**1,012**	**156**	**856**
Total other debt	**51,271**	**163**	**51,108**

Taxes payable and other debt

The principal items were as follows:

At 31 December 2011, payables to Group companies in connection with the IRES tax consolidation totaled €45,198 thousand and represented compensation payable for the tax losses and IRES tax credits contributed by Italian subsidiaries participating in the domestic tax consolidation for 2011.

Debt payable to companies of Fiat Group post Demerger essentially consists of the consideration adjustment payable to Fiat Revi S.c.p.A. in relation to the purchase agreement (internal audit activities) closed on 30 November 2011.

Taxes payable and other debt are all due within one year and their carrying amount is deemed to approximate their fair value.

22. Guarantees issued, commitments and contingent liabilities

Guarantees issued

The breakdown of outstanding guarantees is as follows:

(€ thousand)	31 December 2011	31 December 2010	Change
Guarantees issued:			
Other guarantees:			
on behalf of Group companies	**4,414,823**	-	4,414,823
on behalf of third parties	**-**	-	-
Total other guarantees	**4,414,823**	-	4,414,823
Total guarantees issued	**4,414,823**	**-**	**4,414,823**

Other guarantees

At 31 December 2011, other guarantees totaled €4,414,823 thousand, increasing from zero at 31 December 2010.

All guarantees were issued on behalf of Group companies and consisted of the following:

- €703,672 thousand for loans to Banco CNH Capital S.A. from Banco Nacional de Desenvolvimento Econòmico e Social (BNDES) and Agència Especial de Financiamento Industrial (FINAME)
- €2,200,000 thousand for two bonds (due 2015 and 2018) issued by Fiat Industrial Finance Europe S.A. under the Global Medium Term Notes program
- €1,309,768 thousand for credit facilities issued to Fiat Industrial Finance Europe S.A. (€890,000 thousand), Fiat Industrial Finance S.p.A. (€235,751 thousand), Fiat Industrial Finance North America Inc. (€159,074 thousand), and Financiera Pegaso S.A. (€24,943 thousand)
- €201,383 thousand for obligations of direct and indirect subsidiaries of Fiat Industrial S.p.A. related to excess VAT credits

At 31 December 2011, there were no guarantees outstanding on behalf of third parties.

Commitments

During 2011, Fiat Industrial S.p.A. did not enter into any agreements or contracts which resulted in the assumption of significant new commitments.

Contingent liabilities

Fiat Industrial S.p.A. directly or indirectly through its subsidiaries is party to various legal disputes and lawsuits. Disbursements relating to current or future legal proceedings cannot be predicted with certainty. At 31 December 2011, contingent liabilities for the Group were estimated to be equivalent to around €41 million. No provisions have been recognized in relation to those liabilities as it is considered improbable that they will result in an outflow of resources.

23. Information on financial risks

Fiat Industrial S.p.A. measures and manages financial risks in accordance with Group policy.

The major categories of risk to which the Company is exposed are set out below.

Credit risk

At 31 December 2011, Fiat Industrial S.p.A.'s maximum nominal credit exposure consisted of the carrying amounts of financial assets and the nominal value of guarantees issues (as discussed in Note 22).

Amounts receivable at the balance sheet date were essentially due from Group companies and tax authorities.

Guarantees issued were mainly on behalf of Group companies.

At 31 December 2011, there were no material amounts past due.

Liquidity risk

Liquidity risk arises if the Company is unable to obtain, at economically viable terms, the funding needed to carry out its activities.

Fiat Industrial S.p.A. participates in the Group's centralized treasury management and, as a result, the liquidity risk to which it is exposed is strictly correlated to that of the Group as a whole.

The two principal factors determining the Group's liquidity position are, on one side, the cash generated by or used in operating and investing activities and, on the other, the maturity and renewal profile of debt and invested liquidity and prevailing market conditions.

Fiat Industrial Group has adopted a series of policies and procedures (consistent with those adopted by Fiat Group) to optimize management of financial resources and to reduce liquidity risk by:

- centralizing management of collections and payments, where it may be economically beneficial in relation the legal and tax environment and currency conditions in countries where it is present
- maintaining an adequate level of available liquidity
- diversifying sources of funding and maintaining a continuous and active presence in the capital markets
- obtaining adequate credit lines, and
- monitoring future liquidity based on corporate planning

Management believes that the funding currently available, in addition to cash generated by operating and financing activities, will enable Fiat Industrial S.p.A. to meet the requirements of its investing activities and working capital needs and to meet its scheduled debt repayment obligations.

Currency risk

At 31 December 2011, Fiat Industrial S.p.A. had no significant receivable, payable or derivative positions that were exposed to currency risk.

Interest rate risk

Fiat Industrial S.p.A. satisfies its financing requirements through the Group's system of centralized treasury management.

In particular, current debt primarily consists of loans and other amounts payable to Fiat Industrial Finance S.p.A. (as discussed in Note 20). The cost of these positions is affected by changes in short-term interest rates. For short-term or variable rate transactions, a hypothetical, immediate and adverse change of 10% in short-term interest rates would have led to pre-tax net financial expense being approximately €2.2 million higher on an annualized basis.

Other risks relating to derivative financial instruments

Fiat Industrial S.p.A. does not hold any derivative financial instruments.

24. Intercompany and related-party transactions

For Fiat Industrial S.p.A., intercompany and related-party transactions primarily consist of transactions with companies it directly or indirectly controls and with companies forming part of Exor Group (including companies of Fiat Group post Demerger). Related parties also include members of the Boards of Directors and Statutory Auditors and executives with strategic responsibilities of Fiat Industrial Group and their immediate family members.

Intercompany and related-party transactions are conducted at standard market terms for the nature of goods or services involved. The effects of these transactions on individual line items in the 2011 and 2010 financial statements are summarized in the following tables:

Counterparty	Other operating income		Personnel costs		Other operating costs		Financial income/ (expense)	
(€ thousand)	2011	2010	2011	2010	2011	2010	2011	2010
Iveco S.p.A.	4,540	-	-	-	83	-	42	-
FPT Industrial S.p.A.	900	-	-	-	-	-	5	-
Fiat Industrial Finance S.p.A.	147	-	-	-	977	-	(78,672)	-
CNH Italia S.p.A.	3,694	-	-	-	18	-	14	-
Fiat Industrial Finance Europe S.A.	150	-	-	-	-	-	1,221	-
Fiat Netherlands Holding N.V.	28	-	-	-	-	-	-	-
Iveco Finanziaria S.p.A.	35	-	-	-	-	-	-	-
CNH Global N.V.	236	-	-	-	-	-	-	-
Fiat Industrial Finance North America Inc.	-	-	-	-	-	-	58	-
CNH America LLC	-	-	-	-	183	-	-	-
CNH International S.A.	-	-	-	-	140	-	-	-
Other Group companies	-	-	-	-	-	-	2	-
Total Group companies	**9,730**	**-**	**-**	**-**	**1,401**	**-**	**(77,330)**	**-**
Other related parties	-	-	2,654	-	8,900	220	(61,643)	2
Total Group companies and other related parties	**9,730**	**-**	**2,654**	**-**	**10,301**	**220**	**(138,973)**	**2**
Total	9,943	-	10,526	-	18,562	6,161	(138,988)	2
% total line item	**98%**	**-**	**25%**	**-**	**55%**	**4%**	**100%**	**100%**

31 December 2011

Counterparty (€ thousand)	Other financial assets	Trade receivables	Other current receivables	Non-current employee provisions	Non-current debt	Trade payables	Current debt	Other debt
Iveco S.p.A.	-	177	-	-	-	30	-	-
FPT Industrial S.p.A.	-	32	-	-	-	-	-	-
Fiat Industrial Finance S.p.A.	-	2	-	-	-	-	1,719,542	-
Fiat Industrial Finance North America Inc.	-	58	-	-	-	-	-	-
CNH America LLC	-	-	-	-	-	64	-	-
CNH International S.A.	-	-	-	-	-	47	-	-
CNH Italia S.p.A.	-	-	-	-	-	21	-	-
Iveco Finanziaria S.p.A.	-	42	-	-	-	-	-	-
IRES tax consolidation	-	-	79,761	-	-	-	-	45,198
Financial guarantees	6,207	-	-	-	6,207	-	-	-
Total Group companies	**6,207**	**311**	**79,761**	**-**	**6,207**	**162**	**1,719,542**	**45,198**
Other related parties	-	9	47	978	-	850	-	3,603
Total Group companies and other related parties	**6,207**	**320**	**79,808**	**978**	**6,207**	**1,012**	**1,719,542**	**48,801**
Total	6,207	320	81,401	1,686	6,207	4,179	1,719,542	51,271
% total line item	**100%**	**100%**	**98%**	**58%**	**100%**	**24%**	**100%**	**95%**

31 December 2010

Counterparty (€ thousand)	Current financial receivables	Trade payables
Total Group companies	-	-
Other related parties	4,484	92
Total Group companies and other related parties	4,484	92
Total	4,484	4,595
% total line item	100%	2%

Items arising from the domestic tax consolidation (see Notes 13 and 21) are not broken down by counterparty, as they are not commercial transactions between Group companies but relate only to provisions of the Italian tax code governing the relationship between Group companies in Italy and the Italian tax authorities. Similarly, balances relating to financial guarantees (offsetting assets and liabilities) are not broken down by counterparty, as they only represent the present value of estimated fees to be earned in future years and are considered not material (see Notes 10 and 17).

The most significant transactions included in the above tables between Fiat Industrial S.p.A. and Group companies are as follows:

- services provided by Fiat Industrial S.p.A. and its management personnel to Group companies (Iveco S.p.A., CNH Italia S.p.A., FPT Industrial S.p.A. and other minor subsidiaries)
- provision of sureties and other guarantees (see Note 21) on bonds (Fiat Industrial Finance Europe S.A.), bank loans and credit facilities (Fiat Industrial Finance S.p.A., Fiat Industrial Finance Europe S.A., Fiat Industrial Finance North America Inc. and other minor subsidiaries) and to tax authorities for VAT credits held by Group companies
- management of current accounts, sourcing short-term financing and provision of other financial services (Fiat Industrial Finance S.p.A.)

During 2011, intercompany transactions also related to management of the portfolio of investments in subsidiaries, whose effects on the Company's earnings and financial position were as described above, in particular:

- collection of dividends from investees (see Note 1)
- subscription to €800 million capital increase of Fiat Netherlands Holding N.V. to strengthen its capital structure (see Note 9)
- purchase of shares of Fiat Revi S.c.p.A. from CNH Global N.V., Fiat Industrial Finance S.p.A., Fiat Netherlands Holding N.V., FPT Industrial S.p.A. and Iveco S.p.A. (see Note 9), as well as the purchase of shareholdings in Orione S.c.p.A. from Fiat Partecipazioni S.p.A. and Sirio S.c.p.A. from Fiat Finance S.p.A.
- incorporation of New Industrial Business 1 S.r.l., New Industrial Business 2 S.r.l. and New Industrial Business 3 S.r.l.

Related-party transactions (as defined under IAS 24) not involving subsidiaries are reported above under "Other related parties" and essentially related to transactions with companies of Fiat Group post Demerger:

- consultancy and services related to administrative, tax and corporate activities and related IT systems (Fiat Services S.p.A. and Fiat I.T.E.M. S.p.A.), public relations services (Fiat Group Marketing & Corporate Communication S.p.A. and Fiat S.p.A.), personnel and other management services (Fiat Servizi per l'Industria S.c.p.A. and Fiat Services S.p.A.), security services (Orione S.c.p.A. and Sirio S.c.p.A.), supervisory and internal audit services (Fiat Revisione Interna S.c.p.A.), vehicle leases (Leasys S.p.A.), maintenance services and services for office space (Fiat S.p.A. and Fiat Partecipazioni S.p.A.) and other services (SGS Italia S.p.A.)
- compensation due to the directors and statutory auditors of Fiat Industrial S.p.A.
- compensation due to executives of Fiat Industrial S.p.A. with strategic responsibilities
- fees paid, at standard market terms, to Fiat Finance S.p.A. (treasury company of the Fiat Group) for the early repayment, in January 2011, of the medium-term loan (maturing May 2012) originally taken out by Fiat S.p.A. and transferred to Fiat Industrial S.p.A. under the Demerger

25. Net financial position

Pursuant to the Consob Communication of 28 July 2006 and in compliance with the CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses issued on 10 February 2005, the net financial position of Fiat Industrial S.p.A. at 31 December 2011 is as follows:

(€ thousand)	31 December 2011	31 December 2010	Change
Cash and cash equivalents	-	-	-
Current financial receivables:			
from companies of Fiat Group post Demerger	-	4,484	(4,484)
Non-current debt:			
payable to Group companies	(6,207)	-	(6,207)
Current debt:			
payable to Group companies	(1,719,542)	-	(1,719,542)
Net financial position	(1,725,749)	4,484	(1,730,233)
due to Group companies	(1,725,749)	-	(1,725,749)
due to companies of Fiat Group post Demerger	-	4,484	(4,484)

26. Significant non-recurring transactions and unusual or abnormal transactions

During 2011, Fiat Industrial S.p.A. did not take part in any significant non-recurring transaction or unusual or abnormal transaction as defined in the Consob Communication of 28 July 2006.

27. Subsequent Events

- On 22 February 2012, the Board of Directors, in confirmation of the resolution of 27 October 2011, voted to submit a proposal to Shareholders, at the Extraordinary General Meeting called for 5 April 2012, for the conversion of preference and savings shares into Fiat Industrial S.p.A. ordinary shares. Holders of preference and savings shares will also be asked to approve the conversion at the respective Special Meetings called for 3 April 2012. For additional information, refer to Note 15.
- On the same date, the Board of Directors also voted to submit a proposal to Shareholders, at the General Meeting called for 5 April 2012, for adoption of a Long Term Incentive Plan, which takes the form of grants of Fiat Industrial S.p.A. ordinary shares based on performance and retention features. Additional information is provided in Note 15.
- Finally, on February 22nd the Board also voted to submit a proposal to Shareholders for renewal of the authorization for the purchase and disposal of own shares up to €500 million and for a period of 18 months, to service the above incentive plan and for other purposes permitted by law. Additional information is provided in Note 15.

List of equity investments with additional information required by Consob (Communication DEM/6064293 of 28 July 2006)

Subsidiaries

Company and registered office	Share Capital (*) (€)	Result for the latest financial year (*) (€)	Equity (*) (€)	% owned by Fiat Industrial S.p.A	Number of shares	Book value (€)
Fiat Netherlands Holding N.V. – Amsterdam (The Netherlands)						
transfer from Fiat S.p.A.						4,577,346,053
capital contribution						800,000,000
At 31.12.11	2,610,397,295	726,147,019	6,565,931,093	100.00	94,923,538	5,377,346,053
Iveco S.p.A. – Turin						
transfer from Fiat S.p.A.						200,000,000
At 31.12.11	200,000,000	(47,821,734)	117,375,330	100.00	200,000,000	200,000,000
FPT Industrial S.p.A. – Turin						
transfer from Fiat S.p.A.						100,000,000
At 31.12.11	100,000,000	3,018,590	84,850,540	100.00	100,000,000	100,000,000
Fiat Industrial Finance S.p.A. – Turin						
transfer from Fiat S.p.A.						100,000,000
At 31.12.11	100,000,000	4,239,983	104,302,288	100.00	100,000,000	100,000,000
New Industrial Business 1 S.r.l. – Turin						
capital subscription						50,000
At 31.12.11	50,000	(580)	49,420	100.00	50,000	50,000
New Industrial Business 2 S.r.l. – Turin						
capital subscription						50,000
At 31.12.11	50,000	(580)	49,420	100.00	50,000	50,000
New Industrial Business 3 S.r.l. – Turin						
capital subscription						50,000
At 31.12.11	50,000	(580)	49,420	100.00	50,000	50,000
Total subsidiaries						5,777,496,053

(*) Figures taken from the separate financial statements of the subsidiaries

Other companies

Company and registered office	% owned by Fiat Industrial S.p.A.	Number of shares	Book value (€)
Fiat Revi S.c.p.A. – Turin			
purchase	16.00	48,000	104,120
At 31.12.11	16.00	48,000	104,120
Orione S.c.p.A. – Turin			
purchase	0.22	264	264
At 31.12.11	0.22	264	264
Sirio S.c.p.A. – Turin			
purchase	0.02	26	26
At 31.12.11	0.02	26	26
Total other companies			104,410

APPENDIX – INFORMATION REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUER REGULATIONS

The following table, prepared in accordance with Article 149-*duodecies* of the Consob Issuer Regulations, reports fees charged for 2011 for audit and other services provided by the independent auditors. No services were provided by entities in their network.

(€ thousand)	Service Provider	2011 Fees
Audit	Reconta Ernst & Young S.p.A.	76
Other services	Reconta Ernst & Young S.p.A.[1]	220
Total		296

(1) Review of system of internal control over financial reporting of Fiat Industrial S.p.A. and its subsidiaries

ATTESTATION OF THE STATUTORY FINANCIAL STATEMENTS UNDER ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned, Sergio Marchionne, in his capacity as Chairman of the Company, and Monica Ciceri and Camillo Rossotto, as the executive officers responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-*bis* (3) and (4) of Legislative Decree 58 of 1998, hereby attest:
   - the adequacy with respect to the Company structure; and
   - the effective application,

   of the administrative and accounting procedures applied in the preparation of the Company's statutory financial statements at 31 December 2011.
2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2011 was based on a process defined by Fiat Industrial in accordance with the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commissio*n, an internationally-accepted reference framework.
3. The undersigned moreover attest that:

   3.1 the statutory financial statements at 31 December 2011:

   a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel, dated 19 July 2002;

   b) correspond to the amounts shown in the Company's accounts, books and records; and

   c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of 31 December 2011 and for the year then ended.

   3.2 the report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

22 February 2012

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

/s/ Monica Ciceri
/s/ Camillo Rossotto

Monica Ciceri
Camillo Rossotto
EXECUTIVE OFFICERS RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS

REPORTS OF THE INDEPENDENT AUDITORS

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY 2010

To the Shareholders of Fiat Industrial S.p.A.

1. We have audited the consolidated financial statements of Fiat Industrial S.p.A. and its subsidiaries, (the "Fiat Industrial Group") as of and for the year ended December 31, 2011, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Fiat Industrial S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   As described in section "Method of preparation of comparative data for 2010" of the explanatory notes, the financial and economic information presented for comparative purposes relates to the Fiat Group's businesses that were transferred to Fiat Industrial S.p.A. through a partial and proportional demerger, effective January 1, 2011. The comparative financial data are derived from those presented in the notes to the consolidated financial statements of the Fiat Group as of December 31, 2010, audited by other auditors and, therefore, reference should be made to the other auditors' report dated February 21, 2011.

3. In our opinion, the consolidated financial statements of the Fiat Industrial Group at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Fiat Industrial Group for the year then ended.

4. The management of Fiat Industrial S.p.A. is responsible for the preparation of the Report on Operations and the Annual Report on Corporate Governance, published in the section "Corporate Governance" of Fiat Industrial S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-*bis* of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-*bis* of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance, are consistent with the consolidated financial statements of the Fiat Industrial Group as of December 31, 2011.

RECONTA ERNST & YOUNG S.P.A.

/s/ Felice Persico

Felice Persico
Partner

Turin, February 27, 2012

This report has been translated into the English language solely for the convenience of international readers.

INDEPENDENT AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY 2010

To the Shareholders of Fiat Industrial S.p.A.

1. We have audited the financial statements of Fiat Industrial S.p.A. as of and for the year ended December 31, 2011, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Fiat Industrial S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present, for comparative purposes, the financial data for the preceding year. We have examined the comparative financial data for the preceding year and the information presented in the explanatory notes in this respect for the purpose of expressing our opinion on the financial statements as of and for the year ended December 31, 2011.

3. In our opinion, the financial statements of Fiat Industrial S.p.A. at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Fiat Industrial S.p.A. for the year then ended.

4. The management of Fiat Industrial S.p.A. is responsible for the preparation of the Report on Operations and the Annual Report on Corporate Governance, published in the section "Corporate Governance" of Fiat Industrial S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-*bis* of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-*bis* of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance, are consistent with the financial statements of Fiat Industrial S.p.A. as of December 31, 2011.

RECONTA ERNST & YOUNG S.P.A.

/s/ Felice Persico

Felice Persico
Partner

Turin, February 27, 2012

This report has been translated into the English language solely for the convenience of international readers.

REPORTS OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Shareholders,

On 22 February 2012, the Board of Directors approved FIAT INDUSTRIAL's first annual consolidated financial statements, which reflect the effects of the transfer of the capital goods businesses from FIAT and the subsequent operating activity.

The financial statements – which were accompanied by the report on operations, financial statements for the parent company, and notes to the financial statements – report profit for the year of €701 million, of which €624 million attributable to owners of the parent.

The directors report that the comparative data for the year ended 31 December 2010 has been carved out from the FIAT GROUP consolidated financial statements and represents an aggregate for the activities transferred under the demerger.

The directors have also indicated changes in the scope of operations during the year.

The Chairman and the managers responsible for the Company's financial reporting have issued the attestation required under Article 154-*bis* (5) of Legislative Decree 58/1998.

RECONTA ERNST & YOUNG, the independent auditors, concluded in their report dated 27 February 2012 as follows:

> "(...) In our opinion, the consolidated financial statements of the Fiat Industrial Group at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Fiat Industrial Group for the year then ended. (...)
>
> In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance, are consistent with the consolidated financial statements of the Fiat Industrial Group as of December 31, 2011."

In our opinion, there were no other matters requiring our consideration.

Turin, 27 February 2012

THE STATUTORY AUDITORS

Paolo Piccatti	/s/ Paolo Piccatti
Valter Cantino	/s/ Valter Cantino
Lucio Pasquini	/s/ Lucio Pasquini

REPORT OF THE BOARD OF STATUTORY AUDITORS TO SHAREHOLDERS AT THE GENERAL MEETING OF 5 APRIL 2012

Shareholders,

Following is a summary of the content and results of the activities performed for the year 2011 – in which the separation of the capital goods activities from the *former* FIAT GROUP and transfer to FIAT INDUSTRIAL took effect – and we also confirm that we:

- attended meetings of the Board of Directors, where we were informed of the Company's activities and transactions, which enabled us to determine compliance with law, the By-laws and resolutions adopted by Shareholders, as well as the absence of any conflicts of interest;
- ascertained that the organizational structure and internal control system – which are based on the experience and *governance* systems already in place for FIAT GROUP, as adapted to the specific needs of FIAT INDUSTRIAL – are adequate for the scale and nature of activities carried out;
- obtained information on application of best management practice and found the financial reporting process to be capable of providing a true and fair view of the Company's operations. Our examination included information obtained through meetings with the two managers responsible for the Company's financial reporting (who, together with the Chairman, issued the attestation required under Article 154-*bis* (5) of Legislative Decree 58/1998), as well as the heads of certain central functions, the Compliance Officer and the Compliance Program Supervisory Body (single tier) pursuant to Legislative Decree 231/2001;
- found the internal control system to be effective, in relation to which there were also favorable findings following evaluations undertaken by the Internal Control Committee, the Compliance Officer and Compliance Program Supervisory Body, as well as those specifically requested of the independent auditors. We also took into consideration the result of activities conducted by *Internal Audit* and, where applicable, any corrective actions recommended;
- oversaw application of the CONSOB *Regulation* on related-party transactions and the resulting *procedures*, which were adopted on 21 April 2011 and became effective the following day (available on the Company's website). With regard to related-party transactions, the Internal Control Committee provided its opinion (which, as it related to a *non-significant* transaction, was non-binding) prior to the acquisition from FIAT GROUP of the entire share capital of FIAT SWITZERLAND, for a price agreed on the basis of two independent appraisals;
- met statutory auditors from several Italian subsidiaries: IVECO, FPT INDUSTRIAL, IRISBUS, CNH ITALIA, and NEW HOLLAND KOBELCO CONSTRUCTION MACHINERY;

- reviewed application of the evaluation criteria used by the Board of Directors in determining the independence of those directors declared as such, as well as the self-evaluation process carried out by the Board in relation to the adequacy of its composition and functioning, in consideration of the mix of skills and professional experience;
- undertook all evaluations necessary to verify the effective independence of each statutory auditor;
- met periodically with the independent auditors, RECONTA ERNST & YOUNG, to monitor complete and proper execution of the planned audit activities (also in fulfillment of Article 19 of Legislative Decree 39/2010), to verify their independence (including through the confirmation received on 21 February 2012 in accordance with Article 17 of Legislative Decree 39/2010) with regard to which we have no reservations, as well as to share information on the respective activities and findings.

In accordance with the requirements of the Consob Communication of 6 April 2001, we report on the following activities.

Transactions having a significant impact on financial statements

The directors reported on the main transactions carried out, which we found to be in compliance with the law and the By-laws.
They also provided a summary of the most significant related-party transactions, indicating that those transactions formed part of the Company's normal operations and were concluded at standard market terms for the nature of the goods involved.

Atypical or unusual transactions and adequacy of disclosures provided by the directors

The Board of Statutory Auditors did not identify any transactions – with related parties, third parties or intragroup – that would qualify as atypical or unusual due to their content, nature, size or timing.

Emphasis of matter paragraphs included in the report of the independent auditors

No emphasis of matter paragraphs were included in the audit report issued by RECONTA ERNST & YOUNG.

Complaints pursuant to Article 2408 of the Civil Code

No formal complaints pursuant to Article 2408 were received from shareholders, either directly or through the Company.

Matters for investigation

No matters for investigation were received, either directly or through the Company.

Activities of the independent auditors and related costs

Details of activities requested of RECONTA ERNST & YOUNG and related fees are provided by directors as an appendix to the statutory financial statements and confirmed by the independent auditors in their letter dated 24 February 2012:

> "(...) 1) audit of separate and consolidated financial statements for the year ended 31 December 2011 and verification during the year of proper accounting procedures and accurate recording of transactions, for a total fee of €61,000;
>
> 2) limited audit of Fiat Industrial Group's half-year condensed financial statements at 30 June 2011, for a total fee of €15,000;
>
> 3) audit of Fiat Industrial Group's system of internal control over financial reporting (ICFR) for the year ended 31 December 2011, for a total fee of €220,000. (...)"

Engagement of companies related to the independent auditors

In the same letter, the independent auditors also stated:

> "(...) We also confirm that no separate activity was performed and no fees were invoiced to Fiat Industrial S.p.A. by other companies in the Ernst & Young network. (...)"

Opinions issued by the Board of Statutory Auditors

During the year, we provided opinions on the appointment of a director pursuant to Article 2386 of the Civil Code; on proposals from the Nominating, Compensation and Sustainability Committee; on the satisfaction of professional requirements for the two managers responsible for the Company's financial reporting; and on the mandatory conversion of preference and savings shares.

Frequency and number of meetings of the Boards of Directors and Statutory Auditors

The Board of Directors met four times and the Board of Statutory Auditors met eight times. The Internal Control Committee held seven meetings – all of which we attended, in accordance with the requirements of Legislative Decree 39/2010 – and the Nominating, Compensation and Sustainability Committee held one meeting.

Principles of proper management

We confirm that we found no transactions that were counter to the company purpose, constituted a conflict of interest or compromised the Company's financial solidity, or were otherwise manifestly imprudent or risky.

Organizational structure

We confirm that we consider the organizational structure to be adequate in relation to those matters falling within our jurisdiction.

Internal control system

We confirm the overall reliability of the internal control system, including on the basis of the activities conducted by other bodies, as described above.

Reliability of the administrative and accounting system

We reaffirm that the administrative and accounting system appears capable of correctly recording and providing a true and fair view of the Company's operations.

Guidelines provided to subsidiaries

The instructions referred to in Article 114 (2) of Legislative Decree 58/1998 have been correctly issued to the Company's subsidiaries.

Significant issues arising during meetings with the independent auditors

No significant issues arose in meetings with the independent auditors that required further examination.

Adherence to the Corporate Governance Code of Borsa Italiana

The directors provided a summary of the *principles* and *criteria,* with which we are familiar, applied by FIAT INDUSTRIAL from 2010 – using and adapting the experience and systems already in place for FIAT GROUP to its organizational structure – in adherence to the recommendations of the Code and detailed in the Annual Report on *Corporate Governance*, which was also examined by RECONTA ERNST & YOUNG pursuant to Article 123-*bis* of Legislative Decree 58/1998.

Activities of the Compliance Program Supervisory Body

We monitored the activities of the Compliance Officer and the Compliance Program Supervisory Body, which considers that it has exercised proper oversight over the *compliance program*, based on the level of implementation of the rules and procedures established for prevention of significant offences.

Conclusions from our oversight activities

During our activities, we found no critical issues that require reporting.

Recommendations to shareholders

In our view, no recommendations or proposals are required.

We have also reviewed the structure and format of the financial statements for the year ended 31 December 2011 – which, as a result of the transfer of the capital goods businesses from FIAT and the subsequent operating activities, reported a profit of €326,987,673 – as well as the report on operations, relative also to the consolidated Group, and the notes to the financial statements.

RECONTA ERNST & YOUNG, the independent auditors, concluded in their opinion dated 27 February 2012:

> "(...) In our opinion, the financial statements of Fiat Industrial S.p.A. at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Fiat Industrial S.p.A. for the year then ended. (...)
>
> In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance, are consistent with the financial statements of Fiat Industrial S.p.A. as of December 31, 2011."

Based on the conclusions of RECONTA ERNST & YOUNG concerning format and structure, it is our opinion that the financial statements and proposed allocation of profit for the year comply with the applicable restrictions and, therefore, may be approved.

Lastly, in consideration of the fact that, in addition to the 2011 financial statements and allocation of profit, the agenda for the forthcoming ordinary and extraordinary general meetings of shareholders also relates to:

- the election of the board of directors and determination of the number of members and their compensation;
- the compensation policy, incentive plans and authorization for the purchase and disposal of own shares;
- the mandatory conversion of preference and savings shares into ordinary shares and related amendments to the By-laws;

we confirm that the reports prepared by the Board of Directors provide adequate and appropriate information and that the proposed resolutions comply with the applicable laws.

Turin, 27 February 2012

THE STATUTORY AUDITORS

Paolo Piccatti /s/ Paolo Piccatti

Valter Cantino /s/ Valter Cantino

Lucio Pasquini /s/ Lucio Pasquini

MOTIONS FOR AGM

MOTION FOR APPROVAL OF THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 AND ALLOCATION OF PROFIT FOR THE YEAR

(ITEM 1 ON THE AGENDA)

Shareholders,

We hereby submit the Statutory Financial Statements for the year ended 31 December 2011 for your approval and propose that the profit for the year of €326,987,673 be allocated as follows:

- to the Legal Reserve, €16,349,384;
- to Shareholders, a dividend of:
  - €0.185 per ordinary share, representing a total of approximately €202.1 million
  - €0.185 per preference share, representing a total of approximately €19.1 million
  - €0.2315 per savings share, representing a total of approximately €18.5 million
- to Retained Profit, the remaining amount totaling approximately €71 million

Payment of the dividend will be from 26 April 2012, with detachment of the coupon on 23 April. The dividend will be payable on shares outstanding at the coupon detachment date.

February 22, 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

REPORT ON ELECTION OF THE BOARD OF DIRECTORS

(ITEM 2 ON THE AGENDA)

2.a. Determination of the number of members and compensation

Shareholders,

the term of office of the Board of Directors elected on December 6, 2010, expires at the General Meeting convened to approve the 2011 financial statement.

You are therefore called to:

- determine the number of Board members to be elected, between a minimum of nine and a maximum of fifteen, as provided in Article 11 of the By-laws,
- elect directors for a new term of office, considering that, pursuant to the By-laws, no individual who is 75 years of age or older may be elected,
- set the remuneration of the Directors or the criteria for its determination.

In light of the size of the Company and the Group, the complexity and specific characteristics of the sectors in which it operates and the geographic spread of its businesses, the Board of Directors must be formed by people with skills, experiences and cultures, both general and specific, acquired in an international environment and related both to general macroeconomics and market globalization as well as, more specifically, to the financial and industrial sectors. An adequate and diversified mix of skills, expertise and gender are a necessary prerequisites for our Board to have the appropriate collegial capabilities.

The composition of the Board should also be correctly balanced between executive directors, *i.e.* those who are vested with powers of representation and executive powers, and non-executive directors.

Finally, the presence of independent directors is essential in order to protect the interests of all shareholders and third parties. The contribution of directors having these characteristics is also necessary for the establishment and functioning of the advisory committees dedicated to the preliminary exam and submission of proposals relating to areas of possible risk, including prevention of potential conflicts of interest.

Moreover, as far as gender is concerned, it must be noted that it is generally recognized that administrative bodies in which diversity of gender is observed are able to perform more effectively their activities of monitoring and advising, due to the variety of professional experiences, perspectives, points of view, skills and connections to the outside world that gender diversity can add.

Believing that it is significantly in the Company's interest to maintain a high level of guarantees and protection, we propose that the Board be composed of a majority of independent directors. We remind you that, according to the applicable law and By-laws, the election of the Board of Directors is based on a system of candidates' lists, to ensure shareholders representing the minority the right to elect one member.

On the basis of the proposal made by the Nominating, Compensation and Sustainability Committee, we are therefore proposing that the number of directors be set at eleven – a number which deemed appropriate for the effective functioning of the board and its Committees – and that, in addition to the two independent directors required by law, and in consideration of the recommendation of the Corporate Governance Code that at least one-third of directors be independent, we also propose election at least of four additional directors possessing the characteristics of independence, pursuant to the evaluation criteria adopted on 22 February 2012.

Those criteria, provided below, relate to the absence or substantial non-relevance, within the past three years, of any economic or shareholding relationship with the Company, its executive directors or executives with strategic responsibilities, its controlling companies or subsidiaries, or family relationships with the executive directors of those companies. In addition, no individual may be considered independent if, within the past three years, he has been a partner or director of a major competitor – that is, a company which in terms of products and key markets competes with the Group – a rating agency or audit firm engaged by the Company or other companies in the Group or an executive director of a company outside the Group for which any of Fiat Industrial S.p.A.'s directors serve as non-executive directors.

Furthermore, as mentioned with reference to the importance of having a wide range of skills, experiences and cultures within the Board – and in compliance with international best practices – we are proposing, on the basis of the proposal made by the Nominating, Compensation and Sustainability Committee and in line with the indications of Law No. 120 of July 12, 2011, whose provisions are not yet applicable, that the lists submitted to the Shareholders' vote reflect the Company's recommendation that the list of candidates respect the gender's diversity.

We are also proposing that you set the new term of office in three years, expiring on the date of the General Meeting convened to approve the 2014 Financial Statement, and set the annual compensation for each director at Euro 50,000 and that you agree that the directors to be elected not be subject to the restrictions of Article 2390 of the Civil Code.

The Directors will therefore remain in office for a period of three financial years and, in any event, until the date of the General Meeting called for approval of the 2014 financial statements.

February 22, 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

Criteria for qualification as independent director

The Board of Directors of Fiat Industrial S.p.A. shall, to the extent within its power, ensure that the majority of directors are independent, inasmuch as they:

a) do not directly, indirectly or on behalf of third parties, nor have they within the past three years, maintained an economic or shareholding relationship or relationship of any other nature with the individuals or entities listed below:

- the Company, its subsidiaries and associates, or companies subject to control by the same entity as the Company;
- any individual or entity which, including jointly with others, controls the Company, is a member of a shareholder agreement for the control of the Company or exercises significant influence over it;
- executive directors or executives with strategic responsibilities for those entities;

b) are not, or have not been within the past three years, executive directors or executives with strategic responsibilities for the entities described in point a);

c) have not been directors of the Company for more than nine years, including non-successive terms of office;

d) are not executive directors of companies outside the Group where one or more executive directors of the Company are non-executive directors;

e) have not, within the past three years, been partners or directors of one of the Company's major competitors;

f) have not been, within the past three years, partners or directors of a rating agency which is currently, or has been within the past three years, responsible for assigning a rating to the Company, a subsidiary of the Company or a company which, including jointly with others, controls the Company;

g) are not, or have not been within the past three years, partners or directors or members of an audit team – or of an entity forming part of its network – which has been engaged within the past three years to perform audits of the Company, its subsidiaries, companies subject to control by the same entity or any company which, including jointly with others, exercises control or significant influence over it;

h) are not members of the immediate family and do not cohabit with individuals who would be ineligible under the preceding points.

Independent directors – upon election and subsequently whenever a circumstance presents itself which could potentially alter a director's independence and, in any event, at least annually – shall report any relevant relationship, either new or pre-existing, as defined in letters a, b, c, d, e, f, g and h above to the Board of Directors in writing.

The independence of directors is evaluated by the Board of Directors at its regular meetings, taking account of the information provided by the individual directors concerned as to their satisfaction of the requirements and any modifications to such information. Where, during the course of such evaluation, the Board identifies the existence of a relationship included in point a), it may express a favorable view only where such relationship can be considered immaterial given its exact nature or amount. Where an evaluation reveals changes to the circumstances previously disclosed, the Board of Directors must communicate such changes to the market.

For the purposes of determining independence, the Board also considers indirect economic or shareholding relationships and, therefore, those existing between: on one side, the director, his family members, a professional practice of which he is a partner, companies directly or indirectly controlled by the director or his family members, companies of which those individuals are indirectly directors or employees and, on the other side, the Company, its subsidiaries and associates or companies subject to control by the same entity as the Company, shareholders which, directly or indirectly, control or exercise significant influence over the Company, individuals or entities referred to in point g) above, executive directors or executives with strategic responsibilities at any of the aforementioned entities.

The Annual Report on Corporate Governance provides details of the number and names of the Company's independent directors.

2.b. Election of the Board of Directors

Shareholders are reminded that the procedure for the election of the Board of Directors is regulated by law and by the requirements set forth in Article 11 of the By-laws. Specifically, we bring to your attention that the election of the Board of Directors is based on lists of candidates submitted at least 25 days prior to the date of the General Meeting. In the event that more than one list is submitted, one director must be chosen from the list that obtained the second highest number of votes. Lists of candidates can only be presented by those shareholders who, alone or with others, own at least 1% of ordinary shares, as established by the Consob decision dated No. 18083 of January 25, 2012.

For the purpose of presenting a list of candidates, the above percentage must be proved through a certification to be submitted, if not available when the list itself is submitted, at least 21 days prior to the date set for the General Meeting.

The candidates included on the lists must be indicated in numerical order and satisfy the requirements of integrity imposed by law. Each candidate can be present in one list only, otherwise he/she will be considered ineligible. The candidate who is indicated at number one on the list must also satisfy the legal requirements of independence, in addition to those of the Corporate Governance Code adopted by Borsa Italiana, to which the Company adheres.

Together with each list, a complete statement detailing the personal and professional characteristics of the candidates and a declaration through which each candidate accepts the candidacy and declares, under his own responsibility, to hold the necessary requirements, must also be submitted. Candidates who do not meet the requirements above shall be considered ineligible.

You are asked to vote on one of the lists submitted and published in accordance with law and the By-laws.

February 22, 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

REPORTS ON COMPENSATION AND OWN SHARES

(ITEM 3 ON THE AGENDA)

3.a. Compensation policy pursuant to Article 123-*ter* of Legislative Decree 58/98

Shareholders,

Pursuant to Article 123-*ter* of Legislative Decree 58/98, you are hereby asked to give your non-binding vote on the compensation policy adopted by the Company for members of the Board of Directors and executives with strategic responsibilities, in addition to the procedures for adoption and implementation.

Following are the Definitions and Section I of the Compensation Report – prepared in accordance with Annex 3A, Forms 7-*bis* and 7-*ter*, of the CONSOB Regulation no. 11971 of May 14, 1999 – that was published in accordance with legal requirements and is available on the corporate website www.fiatindustrial.com.

"Definitions

Annual Total Direct Compensation	means the sum of: *(i)* the gross annual fixed component of the compensation, *(ii)* the annual variable component that is based on the achievement of given target objectives, and *(iii)* the annualized value of the medium-long term element of the variable component that is based on both the achievement of medium-long term target-based objectives and long term commitment to the Company
Board of Directors	means the board of directors of the Company as of the date of this Compensation Report
Board of Statutory Auditors	means the board of statutory auditors of the Company as of the date of this Compensation Report
Chairman	means the Chairman of the Company, namely Mr. Sergio Marchionne
Chief Human Resources Officer	means the Chief Human Resources Officer of the Group
Company	means Fiat Industrial S.p.A.
Compensation Committee	means the Nominating, Compensation and Sustainability Committee, composed, as of the date of this Compensation Report, of the following non-executive directors, the majority of whom independent: R. Liberatore, J. Zhao, and J. Elkann (Chairman)
LTI	means the LTI Plan proposed and described in the Report to the Shareholders issued by the Company pursuant to Article 114-*bis* of the Financial Act
Compensation Policy	means the compensation policy described in Section 1 of this Compensation Report
Compensation Report	means this compensation report prepared in accordance with article 123-*ter* of the Financial Act and Annex 3A, Form 7-*bis*, of the Issuers' Regulation
Corporate Governance Code	means the Corporate Governance Code for Italian Listed Companies, to which the Company adheres
EU Recommendations	means the EU Recommendation 2004/913 and EU Recommendation 2009/385

Executive Directors	means the directors vested by the Board of Directors with management duties and namely Mr. Sergio Marchionne
Executives with Strategic Responsibilities	means the members of the Fiat Industrial Executive Council
Financial Act	means the Legislative Decree no. 58 of February 24, 1998
Fiat Industrial Executive Council	means the decision-making body supporting the Chairman. The Fiat Industrial Executive Council is responsible for reviewing the operating performance of the businesses, setting performance targets, making key strategic and investment decisions for the Group and sharing best practice, including the development and deployment of managerial resources
Group	means the Company together with its subsidiaries
Issuers' Regulation	means the CONSOB Regulation no. 11971 of May 14, 1999
Performance and Leadership Bonus Plan	means the Group's annual short term incentive plan that is linked to both the achievement of key financial metrics of operating performance of the Group and individual performance and leadership contribution
Related Parties Regulation	means the CONSOB Regulation no. 17221 of March 10, 2010

Section I

Section 1 of this Compensation Report is aimed to outline and describe: *(i)* the policy of the Company with respect to the compensation of members of the Board of Directors, members of the Board of Statutory Auditors, and Executives with Strategic Responsibilities that the Company intends to adopt and *(ii)* the procedures followed in relation to the adoption and implementation of said policy (the "**Compensation Policy**").

The Compensation Policy conforms to the recommendations of the Corporate Governance Code. In particular, the Compensation Policy incorporates the recommendations contained in Article 6 of the Corporate Governance Code relating to compensation for members of the Board of Directors and Executives with Strategic Responsibilities.

The Compensation Policy also fulfils the requirements of the Procedures for Transactions with Related Parties adopted by the Group on April 21, 2011.

In accordance with the Corporate Governance Code, article 123-*ter* of the Financial Act and EU Recommendations, this Compensation Policy, which illustrates the policies and practices followed by the Company, was prepared for submission to the shareholders' meeting called to resolve also upon the 2011 financial statement.

A. Drafting, approval and implementation of the Compensation Policy

This Compensation Policy, to be submitted to the approval of the shareholders' meeting called to approve the 2011 financial statement, was adopted by the Board of Directors on February 22, 2012.

In addition to the Board of Directors, also the following corporate bodies and persons were involved in the drafting and approval of this Compensation Policy: the Compensation Committee, that on February 22, 2012 prepared and approved the guidelines and principles of this Compensation Policy to be submitted to the Board of Directors.

The corporate bodies and persons responsible for the correct implementation of the Compensation Policy are the Compensation Committee, that shall monitor the application of the Compensation Policy with regard to Executive Directors and Executives with Strategic Responsibilities, having being advised by the Chief Human Resources Officer. The Chief Human Resources Officer will submit to the Compensation Committee updates on compensation matters and provide such Committee – on a yearly basis – with a report relating to the application of the Compensation Policy in the previous financial year and the proposed changes for the upcoming financial year.

The table below summarizes the main roles and responsibilities for setting and governing compensation for participants covered under the Company's Compensation Policy:

Participants covered	Who proposes/ recommends	Who advises	Who approves	Shareholders' advisory voting rights ("Say on Pay")
Non - Executive Directors	Compensation Committee	Chief Human Resources Officer	Shareholders	Not applicable
Executive Directors	Compensation Committee	Chief Human Resources Officer	Directors, absent the Executive Directors and after consultation with the Board of Statutory Auditors	Yes
Executives with Strategic Responsibilities	Chairman and Chief Human Resources Officer	Compensation Committee Internal and external Executive Compensation experts	Chairman	Yes

B. Role of the Compensation Committee

B.1 Composition of the Compensation Committee

Since March 10, 2011, the basic rules governing the composition, duties, and functioning of the Committee are provided in the Charter of the Compensation Committee. Pursuant to its Charter, the Compensation Committee is to be composed of three non-executive directors, the majority of whom are independent. The members and the chairman of the Compensation Committee are appointed by the Board of Directors. The Compensation Committee may appoint a secretary to draw up the minutes of the meetings. The secretary may be not a member of the Compensation Committee.

The secretary of the Board of Directors and the Chief Human Resources Officer attend the Compensation Committee's meeting; the chairman may invite other individuals to attend the meetings whenever their presence may help the Compensation Committee to perform its functions. The Compensation Committee may rely on the support of external advisors at the Company's expense.

As of the date of this Compensation Policy, the members of the Compensation Committee are: R. Liberatore (independent director), J. Zhao (independent director), and J. Elkann, all non-executive directors. All the members of the Compensation Committee have an adequate knowledge and experience in compensation and financial matters.

The Charter of the Compensation Committee is available on the Company's website: www.fiatindustrial.com.

B.2 Duties of the Compensation Committee

On the basis of this Charter, the Compensation Committee is entrusted with the following duties:

(a) making proposals and advise the Board of Directors in relation to corporate policies on compensation and monitoring the implementation of all decisions taken and all corporate policies and, specifically:

   (i) making proposals to the Board of Directors in relation to individual compensation plans for the Executive Directors and other directors with specific responsibilities;

(ii) examining proposals from the Chairman regarding compensation and performance evaluation for members of the Fiat Industrial Executive Council;

(iii) examining proposals from the Chairman concerning performance evaluation criteria and general policies for fixed and variable compensation applicable at Group level, as well as incentive plans, including share-based plans;

(b) ensuring the alignment of the Chairman and the members of the Fiat Industrial Executive Council with the objective of creating value for the Company's shareholders over time.

Finally, the Compensation Committee is also responsible for assessing specific matters relating to executive compensation when requested by the Board of Directors.

With the adoption of the Procedures for Transactions with Related Parties – pursuant to the Related Parties Regulation – the Compensation Committee was assigned, exclusively with regard to matters related to compensation, responsibility for transactions with related parties. Accordingly, the Compensation Committee is required to give an opinion on the substantial and procedural fairness of compensation-related transactions with related parties that are of particular significance, as defined in those procedures.

B.3 Activities carried out by the Compensation Committee in relation to the Compensation Policy

As anticipated under paragraph A above, the guidelines and principles of this Compensation Policy were prepared and approved by the Compensation Committee on February 22, 2012.

The Compensation Committee held one preliminary meeting to be advised by the Chief Human Resources Officer and the general counsel on the main items composing this Compensation Report, and in the subsequent meeting examined and recommended for approval to the Board of Directors this Compensation Report.

C. Role of the independent expert (if any)

No independent expert was involved in the drafting of this Compensation Policy.

D. Objectives and principles of the Compensation Policy

D.1 Objectives

The objective of the Compensation Policy is to ensure that the Group is adequately competitive, in each of the business sectors and geographic areas in which it operates, to be able to attract, develop and retain highly qualified executives with strong leadership through periodically established targets that are based on objective as well as generally applicable criteria.

In addition, the Compensation Policy seeks to incentivize individuals in key positions toward the achievement of Company and Group performance targets, maintaining the interests of management continuously aligned to those of shareholders.

D.2 Principles

The principles and criteria applied in setting compensation for members of the Board of Directors and Executives with Strategic Responsibilities are intended to ensure the Group has the ability to attract, retain and motivate individuals who have the professional skills and experience to achieve the best results in their respective areas of responsibility and take account of the impact of their role on the achievement of the Group's financial and strategic objectives. With that intent, the Compensation Policy is defined to align the interests of the Company's management with those of the Company's shareholders through the creation of a strong link between rewards and Company and/or individual performance.

In general, the fixed compensation component adequately compensates individuals for services performed even if the variable components, where established, are not received as a result of the performance targets set by the Board of Directors not being met. This is considered fundamental in discouraging behaviour that is oriented exclusively to short-term results and inconsistent with the target level of risk established by the Group.

Executive Directors and Executives with Strategic Responsibilities may also be eligible to receive variable compensation, either immediate or deferred, subject to the achievement of pre-established economic and financial performance targets.

In particular, variable compensation that is paid immediately is intended to incentivize individuals toward the achievement of the targets established in the annual budget and to reward the level of achievement or over-achievement of those targets.

Where used (e.g., for CNH employees), deferred components of variable compensation, which are share-based, are designed to incentivize achievement of the targets referred to above, through an annual vesting mechanism, as well as enhancing medium to long-term retention and alignment with shareholder interests, objectives typical of such instruments.

D.3 Changes to the previous Compensation Policy

The Group was established on January 1, 2011 pursuant to a demerger from Fiat S.p.A. to Fiat Industrial S.p.A. The 2011 compensation policy was based on Fiat S.p.A. practices. The Compensation Policy set forth in this Report does not materially modify the practices applied in 2011, with the exception of the LTI Plan.

E. Fixed and variable components of the compensation

E.1 Members of the Board of Directors

With reference to the policies relating to fixed and variable components of the compensation, the Company distinguishes between Executive and non-executive directors.

With regard to non-executive directors with no specific additional responsibilities (including independent directors), the compensation consists of a fixed fee set by shareholders. In addition, non-executive directors are also refunded of expenses incurred in for the exercise of their office.

In accordance with EU Recommendations and article 6 of the Corporate Governance Code, non-executive directors are not eligible for any form of compensation tied to the achievement of financial targets or participation in any share-based compensation scheme of the Company.

As per Fiat Group policy, which reflected the common practice of the Italian market, the non-executive directors are not granted with variable compensation.

With reference to Executive Directors, in addition to the compensation set by shareholders, they are granted with individual compensation plans. In particular, at the time of their appointment or thereafter, the Compensation Committee proposes to the Board of Directors the remuneration package for Executive Directors or for directors holding special offices. On the basis of the above, the Board of Directors establishes – pursuant to article 2389, third paragraph, of the Italian Civil Code upon proposal of the Compensation Committee and after consultation with the Board of Statutory Auditors – fixed compensation for Executive Directors and directors holding special offices. Executive Directors (such as the Chairman) are also granted with variable compensation, both monetary and equity based.

The remuneration package of Executive Directors consists, *inter alia*, of the following elements: *(i)* a gross annual fixed component; *(ii)* an annual variable cash component that is based on the achievement of pre-set business objectives; *(iii)* a medium-long term, variable equity component (the LTI).

With regard to allowances in the event of resignation, dismissal or termination as well as health and welfare benefits, including supplementary pension benefits, please refer to paragraphs L and M below, respectively.

In addition, upon proposal of the Compensation Committee, the Board of Directors retain authority grant bonuses for specific transactions that are deemed exceptional in terms of strategic importance and effects on the results of the Company and/or the Group. The Compensation Committee and the Board of Directors evaluate and approve in advance, respectively, any further remuneration elements awarded to Directors for any other special offices granted thereto within the Boards of Directors of the Company's subsidiaries.

Payment of the short-term portion of the Executive Directors' variable compensation is subject to the level of achievement of specific Group performance targets, concretely measurable and correlated to fulfilment of the targets provided for in the budget, established annually by the Board of Directors, on the basis of the proposal of the Compensation Committee. The variable component is subject to a maximum established with reference to gross annual fixed compensation. The Compensation Committee verifies – on a yearly basis – the Group's achievement of the performance objectives established for the previous year and makes its consequent recommendation to the Board of Directors. On such basis, the Board of Directors, after consultation with the Board of Statutory Auditors, resolves on the variable compensation of Executive Directors.

With regard to the weight of fixed and variable components of the compensation package, it should be noted that, on the basis of an international benchmarking, salary levels of Executive Directors with specific functions are set on the basis of the following indicative criteria:

(a) the fixed component generally represents no more than 25-35% of the targeted Annual Total Direct Compensation;

(b) the annual short-term variable compensation is determined as a percentage of the fixed component (inclusive of remuneration received for other offices in other Group companies) depending on the level of achievement or over achievement of pre-set targets and represents generally not less than 100% of the fixed component in the event of achievement of such targets. In any event, such annual variable compensation cannot be 2.5 times greater than the gross annual fixed component;

(c) the medium/long term, variable, target-based annualized component (the so-called LTI) generally represents at least 60% to 70% of the total variable component (targeted annual Performance bonus and annualized value of LTI awards) of the targeted Annual Total Direct Compensation. Special retention awards of equity may make the annualized component even greater.

The fixed compensation and the annual variable compensation of the Chairman may be divided among Company's subsidiaries where the Chairman is also assigned special functions.

E.2 Members of Statutory Auditors

The remuneration of the members of the Board of Statutory Auditors will be determined pursuant to the shareholders' resolution approved in 2010 and therefore they will be granted a fixed remuneration. Each member of the Board of the Statutory Auditors will have the right to be refunded of the expenses incurred in for the exercise of their office.

E.3 Executives with Strategic Responsibilites

The same principles and criteria described above are applied to compensation for Executives with Strategic Responsibilities for the purpose of attracting, incentivizing and retaining highly-qualified personnel through compensation packages that are competitive with the market and recognize key attributes such as merit, demonstrated leadership and the impact of an individual's role on the achievement of Group financial targets.

The standard compensation structure for Executives with Strategic Responsibilities provides a fixed component as well as short and long-term variable components. As stated above, the fixed compensation component adequately compensates individuals for services performed even if the variable components are not received as a result of performance targets not being met.

The short-term variable component is subject to the achievement of financial targets established in the annual budget and the amount determined in relation to the level of achievement or over-achievement of those targets, up to a maximum established in relation to the fixed component.

Subject to the Shareholders' approval of the LTI Plan, the long-term variable component consists of share-based incentive plans that link an appropriate portion of the variable component to the achievement of pre-established performance targets, that are concretely measurable and correlated to value creation for shareholders over the medium to long term. Payment of this compensation is deferred through the cliff vesting mechanism following the achievement of the established targets and satisfaction of the conditions for continued service. Another component is the Retention LTI, which is linked to the beneficiary continuing professional relationship with the Group. For more information on the LTI Plan, please refer to the *ad hoc* Resolution published pursuant Article 114-*bis* of the Financial Act.

As a general principle, the remuneration package of Executives with Strategic Responsibilities consists, *inter alia*, of the following elements: *(i)* a gross annual fixed component; *(ii)* an annual variable cash component that is based on the achievement of pre-set business objectives; *(iii)* a medium-long term, variable component (the LTI).

It should be noted that Executives with Strategic Responsibilities in CNH have half of the annual variable component paid in cash and half in the form of performance-based stock options.

With regard to allowances in the event of resignation, dismissal or termination as well as health and welfare benefits, including supplementary pension benefits, please refer to paragraphs L and M below, respectively.

In addition, the Chairman may grant discretionary bonuses to these managers for specific transactions that are deemed exceptional in terms of strategic importance and effects on the results of the Company and/or the Group.

When setting the compensation of Executives with Strategic Responsibilities, the Chairman, on the basis of international benchmarking, considers the following indicative criteria:

(a) the fixed component generally represents no more than 50% of the targeted Annual Total Direct Compensation;

(b) the annual targeted incentive for Executives with Strategic Responsibilities represents not less than 40% of their fixed gross annual salary;

(c) the medium-long term, variable, equity-based annualized component (the LTI) generally represents at least 50% of the total variable component of the target-based Annual Total Direct Compensation.

F. Non-monetary benefits

Executive Directors with specific functions may be granted health and welfare benefits, whilst Executives with Strategic Responsibilities may be assigned with health and welfare benefits, and one company car.

For security reasons, Executive Directors have to travel with means of transport owned, leased or procured by the Group. For the same reasons, the Group may also bear part of the costs related to personnel dedicated to the personal security of the Chairman.

Other benefits may be granted in particular circumstances.

G. Targets for the assignment of variable compensation

The standard compensation structure for Executive Directors and Executives with Strategic Responsibilities provides a fixed component as well as short and, subject to the approval of the LTI Plan, long-term variable components.

The short-term variable component is subject to the achievement of financial targets established in the annual budget and the amount determined in relation to the level of achievement or over-achievement of those targets, up to a maximum established in relation to the fixed component.

With regard to the annual Performance and Leadership Bonus Plan, the relative metrics are set on the basis of annual budget. The short-term variable component of Executive Directors' compensation is determined on consolidated Group results, whereas, for Executives with Strategic Responsibilities, metrics are established on consolidated Group results and/or on each Executive's area of direct responsibility.

The Compensation Committee and Board of Directors will review any unusual items that occurred in the performance year to determine the appropriate overall measurement of achievement.

In any event the choice of metrics provides a natural balance in order to prevent short-term decisions not consistent with the level of risk deemed acceptable by the Group.

Subject to the approval of the LTI Plan, the long-term variable component consists of share-based incentive plan that links an appropriate portion of the variable component to the achievement of pre-established performance targets, that are concretely measurable and correlated to value creation for shareholders over the medium to long term. Please refer to paragraph E above and to the Report published pursuant Article 114-*bis* of the Financial Act.

H. Targets for the assignment of share-based incentive schemes

The LTI share-based Plan was envisaged for individuals at Group companies whose activities and leadership have a significant impact on the Group. This plan was proposed to incentivize individuals in key positions, including Executives with Strategic Responsibilities, toward the achievement of Company and Group performance targets through the alignment of long-term incentives to value creation for shareholders.

The part of the LTI Plan linked to the performance of the Group is directly linked with the achievement of pre-established financial performance objectives for the performance period starting on January 1, 2012 and ending on December 31, 2014. For further information please refer to the Report published pursuant Article 114-*bis* of the Financial Act.

The Report on the LTI Plan published pursuant Article 114-*bis* of the Financial Act is publicly available on the Company's website, **www.fiatindustrial.com**.

I. Consistency with the long-term interests of the Company and the risk management policy

The long-term interests of the Company and the risk management policy of the Group are integral part of the Group's Internal Control System. The Compensation Policy has been prepared in full consistency with the Internal Control System of the Group. Please also refer to paragraph D above.

J. Vesting periods and deferral payment systems (if any)

Please refer to paragraph H above.

K. Time restrictions

The LTI Plan does not provide for any lock-up mechanism after the shares are granted to the beneficiaries. Trading of such shares is subject to the applicable laws and regulations. The rights granted under the LTI Plan will be non-transferable (except, once vested, in the event of death of the beneficiary).

L. Cessation of office or termination of employment

The Board of Directors may also grant Executive Directors with specific functions with an allowance in the event of resignation, dismissal or termination; said allowance is payable over twenty years in an amount of which, after ten years, may not be greater than five times the fixed portion of their annual compensation.

For Executives with Strategic Responsibilities post termination treatment consists in the relevant termination indemnity accruals set aside per collective bargaining agreements. Furthermore, in the case of dismissal under mutual agreement, the Group collective bargaining agreement in Italy provide pre-defined and nondiscretionary severance benefits for Executives covered by that agreement. Executives with Strategic Responsibilities, whose professional relation with the Group is not governed by such collective bargaining agreement, are covered by Group defined nondiscretionary severance programs.

Furthermore, the Company may enter into non-competition agreements with its members of the Board of Directors and Executives with Strategic Responsibilities and for specific and relevant professional roles of senior managers and executives, providing for payment of a fee in relation to the term and scope of the obligation resulting from the agreement itself. The obligation is referred to the industry in which the employer operates in at the time of the agreement and to its geographical scope. The scope of the obligation varies according to the individual's role at the time of execution of the agreement.

M. Insurance, social security or pension coverage

The Board of Directors may also grant Executive Directors with specific functions with insurance policies covering accidental death, permanent disability and life insurance as well as with supplementary pension benefits.

N. Other information

Please refer to paragraph E.1 above.

O. Reference to the Compensation Policy adopted by other companies

The determination of compensation levels is based on continuous monitoring of levels for the market in general and for the sector, including benchmarking against groups of a comparable size, complexity and standing."

February 22, 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

3.b. Incentive Plan, resolutions pursuant to Article 114-*bis* of Legislative Decree 58/98

Shareholders,

Pursuant to Article 114-*bis* of the Legislative Decree February 24, 1998 no. 58 (the "**Financial Act**"), we hereby submit for your approval the motions approved by the Board of Directors on February 22, 2012.

Specifically, these motions relate to the adoption of an equity incentive plan aimed at providing a long term based incentive with performance and retention component to the overall compensation package of the Beneficiaries, as better identified below, thereby providing the Group with an instrument that is more closely aligned to the current competitive environment in the capital goods business globally and to the specific needs of the Group and long term shareholder interests.

The Plan (as defined below) takes the form of stock grants and entitles the relevant beneficiaries to receive, under specific conditions and without cash consideration, a number of Fiat Industrial S.p.A. (the "**Company**") ordinary shares (the "**Shares**") equivalent to the number of rights granted (the "**Rights**").

The first part of the Plan is the Company Performance Long Term Incentive ("**Company Performance LTI**") and provides for the allocation of a maximum 3 million Rights – subject to the achievement of pre-established financial performance objectives for the performance period starting on January 1, 2012 and ending on December 31, 2014, and continuation of a professional relationship with the Group.

The second part of the Plan is the Retention Long Term Incentive ("**Retention LTI**" and together with the Company Performance LTI, the "**Plan**") with an allocation of a maximum of 3 million Rights, subject to certain levels of individual performance and continuation of a professional relationship with the Group.

The Chairman of the Company, Mr. Sergio Marchionne, is beneficiary of both parts of the Plan.

This report was prepared in conformity with the instructions for disclosure provided as a schedule to the Issuers' Regulation no. 11971 issued by Consob on May 14, 1999 (the "**Issuers' Regulation**").

Definitions

For the purpose of this Report the terms listed below shall have the respective meaning set forth in this Section:

Beneficiaries: the beneficiaries of (either or both parts of) the Plan, including the Company's Chairman, Mr. Sergio Marchionne

Company: Fiat Industrial S.p.A.

Company Performance LTI: the part of the Plan directly linked with the achievement of pre-established financial performance objectives for the performance period starting on January 1, 2012 and ending on December 31, 2014

Compensation Committee: the Nominating, Compensation and Sustainability Committee of the Company

Financial Act: Legislative Decree February 24, 1998 no. 58, as subsequently amended

Issuers' Regulation: Issuers' Regulation issued by Consob on May 14, 1999 and its Annexes, as subsequently amended

Plan: the Company Performance LTI and the Retention LTI

Retention LTI: the part of the Plan directly linked with the continuing employment relationship with the Company throughout the vesting period

Rights: the rights granted to the beneficiaries that, upon fulfillment of the vesting conditions provided for in the Plan, will convert in an equal number of Shares to be physically delivered to the Beneficiaries

Share(s): the Company's ordinary share(s)

Beneficiaries

The Beneficiaries of the Plan will be approximately one hundred and fifty executives holding key positions which have a significant impact on business results, excluding individuals being the beneficiaries of current or future financial instruments-based incentive schemes assigned by CNH Global N.V. A minor percentage of the Beneficiaries of the Retention LTI would be selected on a discretionary basis in order to provide incentive to individuals (i) whose particular performance is critical to the success of the Group, or (ii) who hold exceptional leadership requisites.

The Chairman of the Company, Sergio Marchionne, is beneficiary of both parts of the Plan.

The other executives will be selected by the Chairman of the Company in accordance with criteria approved by the Compensation Committee, among employees of the Company and/or its subsidiaries, consistent with organizational criteria and contribution of such beneficiaries to the economic and financial results of the Company and or its subsidiaries.

Should all or part of the Beneficiaries must be identified on a name basis, in accordance with Scheme 7 of Annex 3A of the Issuers' Regulation, the Company will inform the market as prescribed by Article 84-*bis*, paragraph 5 of the Issuers' Regulation.

Reasons for the Plan

In general, incentive plans based on financial instruments motivate individuals in key positions to achieve Company's and Group's financial performance targets, correlating that incentive to the medium-to long-term value created for shareholders. The level of commitment is further strengthened when vesting of rights is subject to the achievement of specific financial performance targets over a predetermined reference period.

At the same time, motivating management by granting instruments that are representative of the Company's value contributes to the alignment of the interests of management with those of shareholders, promoting a sense of identification with the Group and significantly enhancing retention as a result.

Retention is also sought through the use of incentives, which are subject to continued professional relationship with the Group.

As anticipated above, the Plan is aimed at providing the Group with an instrument that is more closely aligned to the current competitive environment in the capital goods sector globally and to the specific needs of the Group and long term shareholders' interests. In particular, long-term incentive schemes incentivize individuals in key positions toward the achievement of Company and Group performance targets through the alignment of long-term incentives to value creation for shareholders.

Finally, with reference to the criteria used to determine the time frame of the Plan, it should be noted that the Plan will be executed over a time period of three years, which is generally considered to be the most appropriate to get a grounded and meaningful measure of the Company's and Group's performance. With these objectives, the Board of Directors, advised by the Compensation Committee, constantly monitors the effectiveness of existing incentive schemes in relation to the global market and, in particular, the industries in which the Group operates.

The importance of management and the stability of that management in a period of significant volatility have been key factors in the success of the Group's companies since 2004 and will have increasing importance in the future. Having effective tools for motivation and retention, therefore, is an essential competitive factor.

For the reasons stated above and upon proposal by the Compensation Committee, the Board determined that it is significantly in the Company's and Group's interests to increase the incentive and retention capability through the adoption of a long-term incentive plan.

The Company Performance LTI consists primarily of a performance based component and is linked to Group's pre-established performance targets. The vesting period is through the end of the performance period (i.e., the Board of Directors' approval of the 2014 consolidated financial statements) and is based on cumulative three-year results. Therefore, the Company Performance LTI Plan will be based on a one-time grant covering 2012-2014 period: this part of the Plan will be vested at the end of the performance period and will be based on cumulative three-year results, it being understood that all targets assigned to the Beneficiaries should be cumulatively met in order to fulfill the vesting conditions.

The Retention LTI has a retention-only component and is linked to individual contribution. The vesting period is through the third anniversary of said Retention LTI, being understood that one-third of this component will be vested on each grant anniversary over the three years. Under the Plan, it is envisaged that the Company will assign three different cycles of Retention LTI: the first award would occur in 2012 (and it will vest over the 2012-2015 period), the second in 2013 (and it will vest over the 2013-2016 period), and the third in 2014 (and it will vest over the 2014-2017 period).

For more detailed information on the characteristics of the financial instruments and the vesting period, please refer to the relevant paragraph below.

The performance targets and the other criteria relating to the Company Performance LTI and the Retention LTI will be set forth (and from time to time amended according to market conditions) by the Chairman of the Company, in accordance with criteria approved by the Compensation Committee.

The maximum amount of Rights to be granted to each Beneficiary, other than the Chairman of the Company, will be set forth by the Chairman of the Company but it is not expected to exceed the equivalent at the grant date of the annual fixed compensation of each Beneficiary.

The amount of Rights granted to the Chairman of the Company is submitted to the approval of the shareholders' meeting. For further information on this amount, please refer to paragraph "Characteristics of the financial instruments" below.

The Shares attributed under the Plan are ordinary Shares issued by the Company; no financial instruments will be issued by the Company, the Company's subsidiaries or the Company's parent company or by any third party.

The Plan is in line with latest international best practice and would take the form of stock grants which are based, for the portion whose vesting is subject to the achievement of performance objectives, on performance measurement tools that are consistent with current market conditions and linked to key performance indicators for the Group.

Tax effects of the Plan benefits are the responsibility of the Beneficiaries.

Given its characteristics, no special funds (including the special fund for the encouragement of worker participation, referred to in Article 4, paragraph 112, of the Italian Law December 24, 2003 no. 350) would support the Plan.

Procedure for approval of the Plan

The Plan was discussed and proposed by the Compensation Committee, composed of R. Liberatore (independent director), J. Zhao (independent director) and by its Chairman, J. Elkann: the Compensation Committee examined the matter during its meetings held in October 2011 and February 2012.

On February 22, 2012, the Board of Directors, with Sergio Marchionne abstaining during the discussion and approval of the Plan exclusively in his quality as Beneficiary, unanimously approved the Compensation Committee's proposal and submitted the proposed Plan to Shareholders for approval, pursuant to Article 114-*bis* of the Financial Act.

The entire process of definition of the characteristics of the Plan was developed in a collective manner with the propositional and consulting support of the Compensation Committee, in compliance with the recommendations of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. and with the best corporate practices in this matter.

The Official Price published by Borsa Italiana for the Company Shares on February 22, 2012 was €8.118.

Should you approve this proposal, the grant of the Rights to the Chairman of the Company under the Plan would have immediate effect while, as required by law, information on the Beneficiaries and actual number of financial instruments granted in relation to the Company Performance LTI and the Retention LTI will be communicated to the market pursuant to the applicable laws and regulations.

The Plan will be administered by the Board of Directors of the Company, which has all necessary or appropriate powers in order to implement the Plan. Said powers include, without limitation, the power to establish any other terms and conditions for the implementation of the Plan, provided that such terms and conditions do not contravene to the general terms and conditions approved by the shareholders' meeting.

Characteristics of the financial instruments

The Plan (the Company Performance LTI and the Retention LTI) is based on the granting of Rights, which upon vesting conditions being fulfilled will entitle the Beneficiaries to receive an aggregate maximum of 6 million Company Shares. A separate section of the Plan is dedicated to the Chairman with features focused on maximizing his retention and his commitment to achieving the Business Plan objectives. To attain such objectives, Mr. Marchionne's Company Performance LTI for the three years of the duration of the Plan (2012-2014) will result in a one-time grant of 1 million Rights.

The Chairman of the Company will be beneficiary of the Retention LTI Plan with an even more relevant retention value for the Company; this part of the Plan will be equal to 1.1 million Rights awarded, upon your approval of this Report, with a one-time grant, and vesting one third each, upon Mr. Marchionne still being in his position of Chairman of the Company on February 22, 2013, February 22, 2014, and February 22, 2015, respectively.

A maximum of 3.9 million Rights would be available for allocation to the Beneficiaries, other than the Chairman of the Company.

Of the above mentioned 3.9 million Rights, approximately 1.9 million would be granted over the three cycles under the Retention LTI and approximately 2 million for a one-time grant covering a three year performance period 2012-2014 under the Company Performance LTI.

With regard to the Company Performance LTI, Rights would vest subject to the achievement of pre-established financial performance targets for the performance period starting on January 1, 2012 and ending on December 31, 2014 and remaining in office or upon the continuation of the professional relationship with the Group, as the case may be, until approval of the 2014 consolidated financial statements by the Board of Directors; the Rights will be vested in a single tranche upon approval of the 2014 consolidated financial statements by the Board of Directors.

With regard to the Retention LTI, Rights would vest solely subject to the Beneficiaries continued professional relationship with the Group through the vesting period of each cycle; the Rights will be exercised ratably upon each of three anniversary dates of the grant.

The Plan is to be serviced through treasury Shares bought on the market rather than through the issue of new Shares and, therefore, would have no dilutive effects. The Company will purchase treasury Shares sufficient to fully service the Plan hereby submitted for your approval.

Specific rules (involving acceleration or forfeiting of the Rights) apply to certain cases of early termination of the relationship, such as, for example, a change of employer within the Group, retirement or death of the Beneficiary.

Other conditions of the Plan include, among others, specifically *(i)* the right of the Company to substitute, in whole or in part, Shares vested under the Plan with a cash payment calculated on the basis of the Official Price of those Shares published by Borsa Italiana on the date of vesting fulfillment, *(ii)* the discretion of the Chairman of the Company to determine, on one or more occasions, the number of Rights to be granted to each Beneficiary, as well as to reassign any Rights forfeited due to termination of the employment relationship.

Rights relating to the Plan are granted to the Beneficiary only and are non-transferable, except by inheritance once vested, while the Shares received will not be subject to any restrictions other than legal restrictions relating to the use of privileged information. The Board of Directors may set trading restrictions for periods immediately prior to key dates in the corporate calendar.

On February 22, 2012 the preliminary estimate of the annual non-cash cost of the proposed Plan was approximately €48.7 million for the duration of the Plan. Those costs will be recalculated on the date that the proposals, if approved, become effective, on the basis of the price of Company Shares and the stated vesting conditions. For the part of the Plan relating to the Chairman of the Company, that date shall be the date of Shareholders' approval. For the granting of the maximum 3.9 million Rights to other executives, that date shall be the effective grant date. For accounting purposes, the cost calculated on the grant date is recognized on a pro rata basis over the vesting period as the vesting conditions are met.

In addition to the proposed Plan that is being submitted for your approval, the Company does not have other incentive plans in place for directors and executives.

February 22, 2012

On behalf of the Board of Directors

/s/ John Elkann

John Elkann
CHAIRMAN OF THE NOMINATING,
COMPENSATION AND SUSTAINABILITY COMMITTEE

SHARE-BASED PAYMENT PLANS

Table 1 of schedule 7, Annex 3A of Regulation no. 11971/1999

Date: 22 February 2012

		BOX 1						
		Financial instruments other than options						
		Section 2 Newly granted instruments based on decision of: x Board of Directors for proposal to Shareholders competent body in Implementation of Shareholder resolution						
Name or category	Position (required only for individuals named)	Date of shareholders' resolution	Description of instruments	Number of financial instruments	Date of grant	Purchase price (if applicable)	Market price on grant date Source: Borsa Italiana	Vesting period
Sergio Marchionne	Chairman of the Board of Directors Fiat Industrial S.p.A.	–	Stock grant entitling to receive, under specific conditions and without cash considerations, Fiat Industrial ordinary shares	2,100,000	22 February 2012	–	8.118 *	2012-2015
Executives holding key positions with significant impact on business results		–	Stock grant entitling to receive, under specific conditions and without cash considerations, Fiat Industrial ordinary shares	3,900,000	–	–	–	2012-2017

* Official price reported on the Stock Exchange on 22 February 2012, the date when the Board of Directors approved the motion to be submitted to the Shareholders' Meeting

3.c. Authorization for the purchase and disposal of own shares

Shareholders,

On December 20, 2010, the Shareholders' meeting approved a resolution authorizing the purchase of own shares of the three classes for a eighteen-month period and a maximum value of Euro 1 billion (the "Authorization"). The Authorization also provided that the own shares may be used for any of the purposes provided for by the relevant laws, including for future incentive plans, and set forth the limits and formalities to be followed based on applicable laws and regulations in force. Once the Authorization became effective, retained earnings have been reduced by Euro 1 billion in order to establish a Reserve to purchase own shares.

No shares were repurchased under the Authorization. As of the date hereof, Fiat Industrial does not hold – either directly or through subsidiaries – Fiat Industrial shares.

In order to maintain the necessary operating flexibility over an adequate time period and in consideration of the fact that the Authorization expires on June 20, 2012, we are proposing that you renew the authorization for the purchase of own shares up to maximum value of Euro 500 milion and the disposal of them, including in both cases through subsidiaries, subject to the limits and in accordance with the procedures provided in the Italian Civil Code, the combined provisions of Article 132 of Legislative Decree No. 58 of February 24, 1998 and Article 144-*bis* of the Consob's Issuer Regulation, and other applicable laws and regulations.

The aforementioned authorization will further allow the Company to proceed, if necessary, with the purchase of preference and saving shares possibly resulting from the exercise of the withdrawal right of the shareholders of the respective class of shares following the conversion.

We believe that this authorization provides the Company with a strategic opportunity for investment for all purposes permitted by law, including the servicing of incentive plan, which you will be asked to approve under a different item of the shareholders' meeting agenda.

We therefore propose that you revoke the Authorization for the period between the date of the shareholders' meeting and the Authorization's expiry, and authorize the purchase of own shares within the three classes for a period of eighteen months and for an amount not exceeding the limit set forth by the law. We underline that the current share par value, equal to Euro 1.50, will increase in cases of conversion of preference and saving shares, which you will be asked to approve under a different item of the shareholders' meeting agenda.

The maximum and minimum purchase price per share shall be determined from time to time and will be directly related to the market price – specifically, to the reference price reported by the Stock Exchange on the day prior to the purchase. The maximum and minimum price may not be more than 10% higher or lower, respectively, than the reference price, save possible purchases of shares resulting from the exercise of the withdrawal right at the price defined according to art. 2437-*ter* civil code.

The reduction – related to the previous authorization – of the maximum amount will lead the decrease in the amount of 500 million euros of the Reserve to purchase own shares (already established for that purpose of 1 billion euros) and the simultaneous increase, same amount of retained earnings reserve.

Purchases will be made on one or more occasions on regulated markets and in accordance with the terms and procedures established by Borsa Italiana. However, should the opportunity arise, purchases may also be made through a public tender offer, offer for exchange, or other permitted procedure consistent with equality of treatment for all shareholders.

The shares that will be purchased, and in relation to which we are also requesting authorization to dispose, on one or more occasions, even if the total of approved purchases has not been made, without time limits or restraints and in a manner suitable to the interests of the Company, as permitted by law (including the transfer of rights related to the shares, such as, for example, stock lending), may also be used to execute the incentive plan, which you will be asked to approve under a different item of the shareholders' meeting agenda, as well as incentive plans for directors and executives that may be established by the Board of Directors in the future and subsequently submitted for the approval of shareholders. In such cases, the shares shall be sold at the prices set when the rights are granted or, alternatively, assigned free of consideration.

The authorization, if you approve this proposed resolution, do not imply the obligation for the Company to purchase its own shares; the Company will execute share repurchases in its total and complete discretion including the choice of timing, quantum and share price levels and subject to any legal requirement. In so doing, the Company will be guided by the principle that it will only purchase its shares if such purchase is value accretive to the shareholders of Fiat Industrial, and subject to any negative impact a given purchase may have on its credit ratings.

February 22, 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

MANDATORY CONVERSION OF PREFERENCE AND SAVINGS SHARES INTO ORDINARY SHARES AND CONSEQUENT CHANGES TO THE BY-LAWS; RELATED RESOLUTIONS

(ITEM 4 ON THE AGENDA)

Dear Shareholders,

we hereby submit to your approval the proposal of compulsory conversion of preference and savings shares into ordinary shares and connected amendments to the by-laws.

This report is drafted pursuant to article 72 of the Consob Resolution No. 11971/1999 (Issuers Regulation) and in compliance with Schemes No. 6 and 2 of Annex 3A of the above Regulation.

The proposed resolution is attached to this report.

1. Rationale of the proposed conversions of preference and savings shares into ordinary shares

The proposed transaction, entailing (i) the compulsory conversion of Fiat Industrial S.p.A. ("**Fiat Industrial**" or the "**Company**") preference shares into ordinary shares and (ii) the compulsory conversion of Fiat Industrial savings shares into ordinary shares (each, the "**Conversion**" and, together, the "**Conversions**"), is intended to streamline the capital structure and simplify the governance structure of the Company as well as to promote shareholder value through the conversion of classes of securities that have historically traded at a significant discount to the ordinary shares and with sustained low trading volumes. The Conversions are expected to benefit all shareholders because they will deliver enhanced liquidity by converting relatively illiquid preference and/or savings shares into more liquid ordinary shares thus improving the float of the Company's ordinary shares and simplifying the transparency of Fiat Industrial's governance and capital structure.

The following table shows historical information on the trading volume and prices of each class of shares currently outstanding:

Class of shares	Outstanding shares		Average daily traded volume in the six months preceding the announcement of the Conversions[1]	Average daily traded volume in percentage on total outstanding shares	Average price in the six months preceding the announcement of the Conversions	Average discount[2] to ordinary shares in the six months preceding the announcement of the Conversions
Unit	Shares in Units	% of Total Outstanding	Shares in Thousands	%	€	%
Ordinary	1,092,327,485	85.6%	7,535.3	0.69	€7.72	N.A.
Preference	103,292,310	8.1%	463.0	0.45	€4.27	45.3%
Savings	79,912,800	6.3%	365.7	0.46	€4.35	44.1%

(1) October 27, 2011
(2) Discount calculated as the complement to 1 of the ratios between special share price and ordinary share price

2. Description of the features, rights and privileges attached to savings and preference shares

The share capital of Fiat Industrial is currently comprised of 1,092,327,485 ordinary shares, 103,292,310 preference shares and 79,912,800 savings shares.

Preference shares

Preference shares enjoy the economic rights and preferences granted by articles 6 (Classes of shares and common representative), 20 (Allocation of Profit) and 23 (Winding-up) of the Company's by-laws, pursuant to which:

– preference shares are registered shares issued in dematerialized form;

– preference shares have a preferential right in the distribution of the net profit reported in the Company's annual financial statements up to €0.093 per share (net of (i) the amount to be assigned to the legal reserve, (ii) the preferential dividend to be paid to savings shares and (iii) further allocations to the legal reserve, extraordinary reserve and/or retained profits reserve as may be resolved by the Shareholders);

– they are entitled to a preferential right, up to their par value, in the distribution of the Company's assets in case of winding-up, once savings shares have been repaid up to their par value.

With respect to governance rights, pursuant to article 6 of the Company's by-laws preference shares grant the right to vote only on matters which are reserved for an Extraordinary Meeting of Shareholders and on resolutions concerning Procedures for the General Meetings. In addition to the above, preference shares grant the right to vote in the relevant special meeting of preference shareholders.

In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares shall be increased by €0.06 per share.

In addition to the above, preference shares enjoy the rights granted by article 146 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Act**") pursuant to which, *inter alia*, any resolutions of the Company's general shareholders' meeting which may adversely affect the rights of preference shares are submitted and subject to the approval of the special meeting of preference shareholders.

Savings shares

Savings shares enjoy the economic rights and preferences granted by article 145 of the Financial Act and by articles 6 (Classes of shares and common representative), 20 (Allocation of Profit) and 23 (Winding-up) of the Company's by-laws, pursuant to which:

– savings shares may be either registered or bearer shares, at the option of the holder or as required by law, and are issued in dematerialized form;

– savings shares have a preferential right in the distribution of the net profit reported in the Company's annual financial statements up to €0.093 per share (net of the amount to be assigned to the legal reserve); in addition, after allocations are made to the legal reserve, to the extraordinary reserve and/or retained profits reserve as may be resolved by the Shareholders and allocations are made with respect to the preferential dividend to be paid to preference shares and to ordinary shares, savings shares are entitled, together with ordinary shares, to an additional dividend up to €0.0465;

– if the dividend paid to savings shares in any year amounts to less than €0.093, the difference shall accrue to the preferred dividend they are entitled to in the following two years;

– they are entitled to a preferential right, up to their par value, in the distribution of the Company's assets in case of winding-up.

Any profits remaining following the allocations described above that the Shareholders may resolve to distribute are allocated *pari passu* to ordinary shares, preference shares and savings shares.

With respect to governance rights, pursuant to article 145 of the Financial Act and article 6 of the Company's by-laws, savings shares do not grant the right to vote in the Company's general shareholders' meeting, while they grant the right to vote in the relevant special meeting of savings shareholders.

In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by €0.0525, rather than €0.0465, with respect to the dividend received by the ordinary and preference shares. In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares shall be increased by €0.06 per share.

In addition to the above, savings shares enjoy the rights granted by article 146 of the Financial Act pursuant to which, *inter alia*, any resolutions of the Company's general shareholders' meeting which may adversely affect the rights of savings shares are submitted to and subject to the approval of the special meeting of savings shareholders.

3. Critical issues associated with the Conversions

As far as the critical issues connected with the proposed Conversions are concerned, please note that:

a) upon effectiveness of the relevant Conversions (as better described under paragraph 10 below), the holders of preference shares, without prejudice to the right to receive the dividend with respect to the 2011 financial year, will lose, as of January 1, 2012, the economic rights and preference rights as well as the class protection rights granted by the by-laws of Fiat Industrial to the relevant class of shares and described above. However, except for fractional shares (in relation to which please refer to paragraph 10 below), preference shareholders who have not exercised their withdrawal right will receive ordinary shares and, accordingly, will gain the right to vote in all Ordinary and Extraordinary Shareholders' meetings of the Company and will enjoy all the rights attached to ordinary shares, benefitting, among other things, from the enhanced liquidity of the market of said class of shares; the ordinary shares to be issued after the Conversion of preference shares will be eligible for dividends – to the extent declared – with respect to the 2012 financial results;

b) upon effectiveness of the relevant Conversions (as better described under paragraph 10 below), the holders of savings shares, without prejudice to the right to receive the dividend with respect to the 2011 financial year, will lose, as of January 1, 2012, the economic rights and preference rights as well as the class protection rights granted by the by-laws of Fiat Industrial to the relevant class of shares and described above. However, except for fractional shares (in relation to which please refer to paragraph 10 below), savings shareholders who have not exercised their withdrawal right will receive ordinary shares and, accordingly, will gain the right to vote in all Ordinary and Extraordinary Shareholders' meetings of the Company and will enjoy all the rights attached to ordinary shares, benefitting, among other things, from the enhanced liquidity of the market of said class of shares; the ordinary shares to be issued after the Conversion of savings shares will be eligible for dividends – to the extent declared – with respect to the 2012 financial results;

c) upon effectiveness of the Conversions, the voting rights of the holders of ordinary shares will be diluted proportionally to the number of preference and/or savings shares subject to conversion. Assuming that both Conversions are approved and become effective and that no withdrawals rights are exercised, ordinary shares existing prior to the Conversions will represent, immediately following the effectiveness of the Conversions, about 89.35% of the ordinary shares of the Company, while ordinary shares issued as a consequence of the Conversions will represent about 10.65% of the Company's ordinary shares (hence reducing the latter from 14.36% to 10.65% of the share capital, as a consequence of the Conversions – please see also paragraph 17 below). However, ordinary shareholders will benefit from the elimination of the economic privileges and governance rights attached to savings and/or preference shares described above and all shareholders will benefit from a streamlined capital and simplified governance structure and enhanced liquidity.

4. Amount of preference and savings and shares to be converted held by the controlling shareholder, as defined in Article 93 of the Financial Act

As of the date of this report, the controlling shareholder within the meaning of to Article 93 of the Financial Act is Giovanni Agnelli & C. S.a.p.az. through its subsidiary Exor S.p.A.

Based on a communication sent to the Company pursuant to article 120 of the Financial Act dated February 6, 2012 and on the disclosures[3] made by Exor S.p.A., as of this date the latter resulted to hold respectively No. 31,082,500 preference shares and No. 17,179,263 savings shares of the Company, respectively equal to about 30.09% and 21.50% of the share capital of the relevant class.

5. Intention of the controlling shareholder to do trading on the shares object of the Conversion

By a press release issued on October 27, 2011 Exor S.p.A. stated it was determined to maintain its shareholding over the mandatory tender offer thresholds following the Conversions; in this respect, in the same press release Exor S.p.A. noted that it intended to trade on the market as necessary to achieve that objective, whilst complying with all relevant rules and regulations, including disclosure obligations. In this respect, please refer also to paragraph 17 below.

6. Commitments to convert undertaken by the holders of the shares to be converted, with particular reference to the controlling shareholder

As the Conversions entail the compulsory conversions of shares, all preference and/or savings shares will be automatically converted into ordinary shares. Therefore, this item is not applicable.

3 Data as of February 29, 2012.

7. Dividends distributed in the last five years on ordinary, preference and savings

Since Fiat Industrial did not distribute any dividend so far, this item is not applicable.

Please consider that the ordinary shares to be issued pursuant to the Conversions will be eligible for dividends (to the extent declared) with respect to the 2012 financial results, while the savings and preference shares will retain any economic rights with respect to the 2011 financial year.

Please note that, on February 22, 2012, Fiat Industrial resolved to submit to the shareholders' approval the distribution to ordinary, preference and savings shares of a dividend relating to the 2011 financial year for an amount equal to (i) €0.185 per each ordinary and preference share, and (ii) €0.2315 per each saving share.

8. Conversions cash adjustment and criteria for its determination

The Conversions do not require special shareholders to pay any cash adjustment to the Company.

9. Conversion ratios

As announced in the press releases dated October 27, 2011 and February 22, 2012, the Board of Directors of Fiat Industrial S.p.A. resolved on those dates to propose to shareholders the compulsory conversion of preference and savings shares into ordinary shares, on the basis of the following conversion ratios:

– preference shares will be converted into newly issued ordinary shares according to a conversion ratio of 0.700 ordinary shares for each preference share;

– savings shares will be converted into newly issued ordinary shares according to a conversion ratio of 0.725 ordinary shares for each savings share.

The Conversions do not require special shareholders to pay any cash adjustment to the Company.

Conversion ratios have been determined by the Board of Directors on the basis of the following considerations:

1. the reasons underlying the Conversions proposal, already outlined in paragraph 1;
2. the rights and privileges of preference and savings shares with respect to ordinary shares, already outlined in paragraph 2;
3. the trading patterns of preference and savings shares with respect to ordinary shares, over various time horizons preceding the Conversions proposal announcement;
4. the analysis of precedent compulsory conversions on the Italian market, with focus on the premia implied in the conversion ratios;
5. implied premia in the proposed conversion ratios with respect to October 26 closing prices of Fiat Industrial shares, (*i.e.* the day preceding the Board of Directors meeting resolving to propose the Conversions to the Shareholders Meeting) and with respect to average prices over different time horizons up to the announcement.

The following paragraphs include a more detailed analysis of points 3, 4, and 5.

Please note that, for the purposes of its resolutions, the Board of Directors took October 26, 2011 (*i.e.* the day before the announcement of the Conversions proposal) as the last reference date with respect to the market price of ordinary, preference and savings shares. This reference date has been accordingly used for the purposes of the following paragraphs, unless otherwise indicated.

9.1 Special Share Prices Evolution over the 10 Years Ending in Dec-2010

The chart below shows preference and savings share prices evolution, with respect to ordinary share prices, over the 10-year period starting on January 2001 and ending in December 2010, preceding the partial proportional demerger of Fiat S.p.A. to Fiat Industrial (the "**Demerger**"). In particular, the chart shows the special shares discount[4] evolution, with respect to the ordinary shares.

Source: Bloomberg

During the aforementioned period, despite sustained volatility due both to market conditions as well as to the operating performance of the Company, special shares traded on average at significantly lower prices than ordinary shares due to their limited liquidity, to the absence of full voting rights and in general to the historically low attractiveness of these share classes for investors, especially for the institutional and international investors.

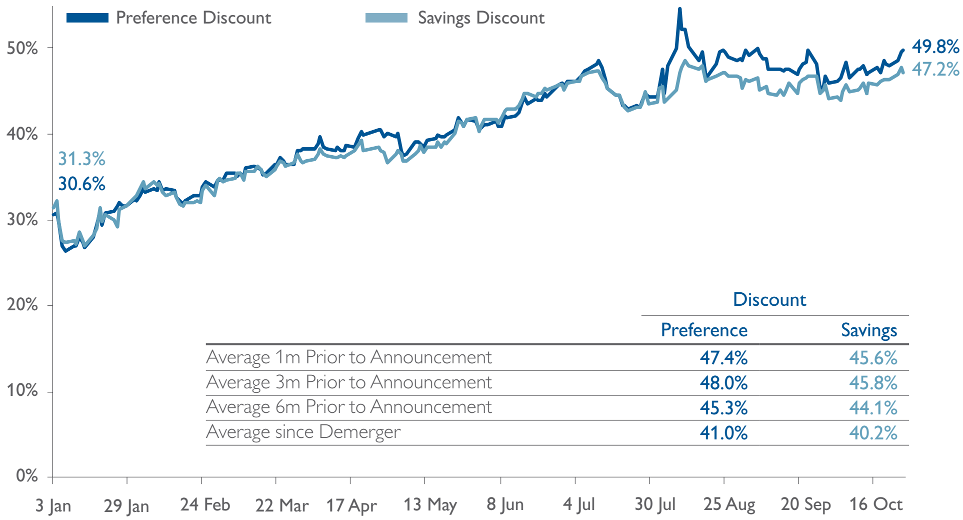
The empirical evidence shows how these characteristics, which have a negative impact on special shares prices, have not been adequately offset by the economic privileges which characterise special shares.

In particular, as highlighted in the table below, the average discount over the 2001-2010 period was 30.8% for preference shares and 28.2% for savings shares. Accordingly on average, the average closing trading price of preference shares was 0.692 of the closing trading price of ordinary shares and the closing trading price of savings share was 0.718 of the closing trading price of ordinary shares over the period, with a difference of 0.025 in favour of savings shares.

4 Discount calculated as the complement to 1 of the ratios between special share price and ordinary share price.

Discount Analysis	Simple Average 2001-2010
Preference Shares	
Discount vs. Ordinary Shares	30.8%
Implied Ratio	0.692
Saving Shares	
Discount vs. Ordinary Shares	28.2%
Implied Ratio	0.718
Delta Preference vs. Savings	
Discount vs. Ordinary Shares	2.5%
Implied Ratio	(0.025)

The same pattern is confirmed when taking into consideration Fiat Industrial special shares discount evolution since January 3, 2011 (i.e. the first day of trading of Fiat Industrial after the Demerger) until October 26, 2011. Over the above mentioned period, special shares constantly traded at significantly lower prices than ordinary shares.



	Discount Preference	Discount Savings
Average 1m Prior to Announcement	47.4%	45.6%
Average 3m Prior to Announcement	48.0%	45.8%
Average 6m Prior to Announcement	45.3%	44.1%
Average since Demerger	41.0%	40.2%

Source: Bloomberg; share prices as of 26-October-2011

In particular, preference and savings shares had a worse market performance than the ordinary shares, leading to an increase in the discount from January 3 (30.6% and 31.3% for preference and savings shares respectively) to October 26 (almost 50% for both classes and hence significantly above the long term historical average). The increase in the discount above the average historical level is, among others, attributable to the lower relative importance of economic privileges of Fiat Industrial special shares with respect to market prices.

On October 26, 2011, preference shares closed at a 49.8% discount with respect to ordinary shares, whilst savings shares closed at a 47.2% discount. The implied conversion ratios based on closing market prices on that day were therefore 0.502 ordinary shares for each preference share and 0.528 ordinary shares for each savings share.

9.2 Precedent Conversion Transactions Analysis

In determining the proposed conversion ratios, the Board of Directors first considered a group of compulsory conversions of preference and savings shares on the Italian market between 1999 and the transaction announcement.

Such transactions have several common features: in most cases the transactions had a limited value[5], converted shares represented a limited portion of total share capital and converted shares had a low trading liquidity. For these reasons, the Board has considered the empirical evidence resulting from the analysis not meaningful in determining the Conversion ratios.

The Board then identified a subset of such precedents deemed more relevant due to the more meaningful volume of historical trading in the converted shares. With respect to such precedents, the Board observed that, on average, implied premium to special shareholders has been approximately 24% calculated with respect to the converted share average prices in the three months preceding the announcement.

For the purpose of calculating the implied premia paid in precedent transactions, the Board of Directors used a three month period to calculate the converted class average historical share price in order to mitigate the impact of potential speculations and rumours close to the announcement date that might have affected the share price.

9.3 Implied Premia in the Proposed Conversion Ratios

Preference shares will be converted into newly issued ordinary shares at a conversion ratio of 0.700 ordinary shares for each preference share. Savings shares will be converted into newly issued ordinary shares, according to a conversion ratio of 0.725 ordinary shares for each savings share.

The table below shows the premia implied in the conversion ratios with respect to closing prices on October 26, 2011 and with respect to the average prices different time horizons.

Premia Analysis	Preference	Savings	Delta Pref vs. Sav
Announced Conversion Ratio	0.700 ×	0.725 ×	(0.025)
Discount vs. Ordinary Shares	30.0%	27.5%	2.5%
Share Price as of 26-October	3.18	3.34	(0.17)
Discount vs. Ordinary Shares	49.8%	47.2%	2.6%
Implied Conversion Ratio	0.502	0.528	(0.026)
Premium Offered	39.4%	37.2%	2.2%
Average Share Price – Last 3 Months	3.29	3.42	(0.13)
Discount vs. Ordinary Shares	48.0%	45.9%	2.1%
Implied Conversion Ratio	0.520	0.541	(0.021)
Premium Offered	34.7%	34.1%	0.7%
Discount vs. Ordinary Shares 2001-2010	30.8%	28.2%	2.5%
Implied Conversion Ratio 2001-2010	0.692	0.718	(0.025)

5 Defined as the number of special shares subject to compulsory conversion, multiplied by the latest closing price before the announcement.

Special shareholders would receive an implied premium in excess of 30% calculated on the basis of the three months average price of the special share classes pre-announcement. This premium favourably compares with premia paid in precedent transactions.

Furthermore, the Board has taken into consideration the greater economic rights of the savings shares compared to preference shares. Historically, such greater rights have been reflected in a higher trading price of the savings shares (and hence a lower discount to ordinary shares) when compared to the preference shares. In the 10 years period prior to the Demerger, the implied ratio of savings shares to ordinary shares has been 0.025 greater than the implied ratio of preference shares to ordinary shares based on trading prices. Based on the closing prices on the October 26, 2011 the implied ratio of savings shares to ordinary shares was 0.021 greater than the implied ratio of preference shares to ordinary shares. In determining the conversion ratios, the Board has determined to align this differential to the 2001-2010 average of 0.025.

9.4 Conclusions

On the basis of the considerations discussed above, the Board of Directors considers the proposed conversion ratios to be in the best interest of all shareholders and of the Company.

Savings and preference shareholders will benefit from a conversion ratio which is higher than that implied by historical trading prices over long and short term periods. Furthermore, the premium implied in the conversion ratios is higher than the average of comparable transactions. Finally, special shareholders, upon waiving economic privileges and class rights, will obtain a more liquid security, traded on the market at higher valuations than the special shares and with full voting rights attached, and will maintain the rights to receive the 2011 dividend.

The earnings attributable to the shareholders of the controlling company generated by the Group in a certain year being equal, the Conversion has a positive effect on the earning per ordinary share. In addition, the aggregate dividend the Shareholders' Meeting may resolve to distribute in the future being equal, the Conversion will have a positive effect on such potential dividend per ordinary share.

Finally, it may be noticed how, since the date of the announcement, special shares classes have substantially aligned to the value implied in the proposed conversion ratios. This alignment has eliminated the conversion premium with respect to current prices.

10. Procedures for the exercise of the Conversions

The Conversions will be carried out through Monte Titoli, which will instruct the intermediaries participating in the central depository system with whom preference and/or savings shares are deposited; all the transfers of preference and/or savings shares to be converted will be carried out by said intermediaries and Monte Titoli. The transactions will be carried out at no costs for the shareholders, except for the possible charge in relation to the rounding-up, where required.

The intermediaries who hold the accounts on behalf of each preference and savings shareholders will deliver to each involved shareholder the amount of shares arising out from the application of exchange ratios; said amount will be rounded down – where necessary – to the nearest whole unit of ordinary shares. Fractional shares that have not been assigned following the rounding down will be monetized on behalf of the Company on the basis of the average trading prices of the Company's ordinary shares recorded on the market in the three days following the effectiveness of the Conversion.

The Company will take measures, to the reasonable extent, in order to safeguard the faculty by holders of just one share, upon explicit request to the relevant intermediary, to purchase the fraction of share necessary to round up to the nearest whole unit of share, in order not to lose the shareholder status. All other shareholders may request, upon payment of the relevant price, the rounding up of fractional shares within the limit of available fractions.

The date of effectiveness of the Conversion will be agreed upon with Borsa Italiana S.p.A. and disclosed to the market through a notice published on the Company's website and on the newspaper La Stampa pursuant to article 72, fourth paragraph, of the Issuers Regulation. On that date, trading on the Company's preference and/or savings shares on the Milan Stock Exchange will be terminated and the newly issued ordinary shares will begin trading on the *Mercato Telematico Azionario* organized and managed by Borsa Italiana S.p.A.

As a result of the Conversions, the nominal value of the ordinary shares will be increased also by means of the free capital increase described in paragraph 19 below.

11. Conditions for the Conversions to be effective

In addition to the Conversions being conditional upon the approval of the Extraordinary Shareholders' meeting, the Conversion of the preference shares is conditional upon the approval by the special meeting of the preference shareholders, whilst the Conversion of the savings shares is conditional upon the approval by the special meeting of the savings shareholders, it being understood that the Conversion of preference shares and the Conversion of savings shares are independent of each other and not cross-conditional, as further explained below.

Furthermore, the Conversion of preference shares is conditional upon the aggregate disbursement in relation to the possible exercise of the withdrawal rights pursuant to article 2437-*quater* of the Italian Civil Code not exceeding in aggregate Euro 56 million. The Conversion of savings shares is conditional upon the aggregate disbursement in relation to the possible exercise of the withdrawal rights pursuant to article 2437-*quater* of the Italian Civil Code not exceeding in aggregate Euro 44 million. Therefore, the overall disbursement in relation to the possible exercise of the withdrawal rights shall not exceed Euro 100 million.

The Company shall communicate to the market information regarding the number of shares subject to withdrawal and, therefore, the satisfaction of or failure to satisfy the above conditions precedent, by a press release which will be published within 10 business days after the closing of the period for the exercise of withdrawal rights (as better described in paragraph 20 below).

It remains understood that the Conversions shall not be effective and will be not carried out prior to the publication of the notice and that, in any event, the Conversions will be executed as soon as all legal requirements will have been complied with.

Should the above conditions be satisfied, the Company shall proceed with the preemptive offer to existing shareholders of the shares subject to withdrawal and with the offer to the market of the shares remaining after the preemptive offer and shall communicate to the market the results of such offers by a press release to be published within 2 business days of the closing of each offer.

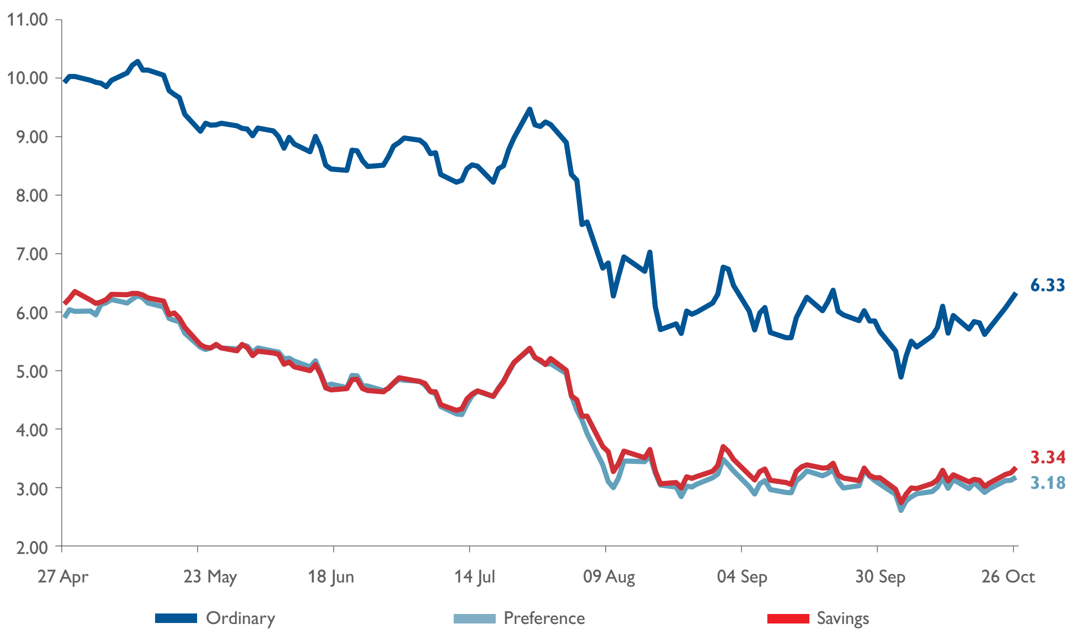
12. Amount of preference and savings shares to be converted and of ordinary shares to be offered under the Conversions

Subject to the conditions precedent described above, all outstanding preference shares (No. 103,292,310) and/or savings shares (No. 79,912,800) shall be converted into ordinary shares bearing the same rights as those pertaining to the ordinary shares currently issued by the Company, including the economic rights with respect to the 2012 financial year.

Based on the Conversion ratios described in paragraph 9 above, the amount of ordinary shares to be issued as a result of the Conversions is equal to 130,241,397 in case of Conversion of both preference and savings shares, to 72,304,617 in case of Conversion of preference shares only and to 57,936,780 in case of Conversion of savings shares only.

Preference and savings shares in relation to which the withdrawal rights – within the thresholds set forth in paragraph 11 above – will have been exercised and which may result still outstanding following the steps described in paragraph 20 below will be purchased by the Company and converted into ordinary treasury shares.

13. Trend of the prices of preference and savings shares be converted over the last six months



14. Incentives given for the Conversions

Since the Conversions entail the compulsory conversion of shares, this item is not applicable. With regard to the determination of implied premiums, please see paragraph 9.3 above.

15. Impact of the Conversions on stock option plans involving preference and savings shares

There are no stock options plan involving preference and savings shares; therefore, this item is not applicable.

16. Breakdown of the share capital before and after the Conversions

The share capital of Fiat Industrial is currently equal to €1,913,298,892.50, divided into No. 1,092,327,485 ordinary shares, No. 103,292,310 preference shares and No. 79,912,800 savings shares, each of them having a par value of €1.50.

After the Conversions and the Free Capital Increase (as defined and better described in paragraph 19 below), the share capital will be equal to:

(i) €1,919,433,144.74 divided into No. 1,222,568,882 ordinary shares having a par value of €1.57, should both preference and savings shares be converted; or

(ii) €1,916,599,149.08 divided into No. 1,164,632,102 ordinary shares and No. 79,912,800 savings shares, both having a par value of €1.54, should only preference shares be converted; or

(iii) €1,917,941,559.75 divided into No. 1,150,264,265 ordinary shares and No. 103,292,310 preference shares, both having a par value of €1.53, should only savings shares be converted.

17. Changes to the ownership structure as a result of the Conversions

Assuming the current ownership of the share capital of the Company by the controlling shareholder (as described in paragraph 4 above) remains unchanged as of the date of effectiveness of the Conversions and assuming that all preference and savings shares are converted, after the Conversions the shareholding held by the controlling shareholder (as identified in paragraph 4 above) would change from 33.61% to 32.83% of the ordinary issued capital; in case of Conversion of preference shares only the shareholding held by the controlling shareholder would change from 33.61% to 33.39% of the ordinary issued capital, whilst, in case of Conversion of savings shares only, the shareholding held by the controlling shareholder would change from 33.61% to 33.00% of the ordinary issued capital.

18. Main uses that the issuer intends to assign to any net proceeds from the Conversions

The Conversions do not entail the payment of any cash adjustments and, therefore, Fiat Industrial will not receive any proceeds from the Conversions. Accordingly, this item is not applicable.

19. Free capital increase

By virtue of the above mentioned conversion ratios, the execution of each of the Conversions determines a decrease of the number of the shares issued by the Company. In order to avoid the reduction of the share capital of the Company, following the Conversion it is proposed to increase the par value of the shares of the Company. The new par value will be equal to the amount of the share capital of the Company divided by the aggregate number of shares as resulting from the Conversions, rounded up to the nearest hundredth by means of a free capital increase, pursuant to article 2442 of the Italian Civil Code, for an amount limited to such purpose, by using part of the reserves denominated "Share Premium Reserve" (Riserva Sovrapprezzo Azioni) (the "**Free Capital Increase**").

The new par value per share will be equal to Euro 1.57, should both preference and savings shares be converted, to Euro 1.54, should only preference shares be converted and to Euro 1.53, should only savings shares be converted.

As the Conversions are autonomous and independent, the different options of amendments to the By-laws – depending on the classes of shares actually converted – are described under Paragraph 21 below.

In particular, the amount of the Free Capital Increase shall be equal to:

(i) €6,134,252.24, should both savings and preference shares be converted; or

(ii) €3,300,256.58, should only preference shares be converted; or

(iii) €4,642,667.25, should only savings shares be converted.

20. Withdrawal right

As the resolution on the conversion of preference shares into ordinary shares entails a change in the by-laws of the Company concerning voting and participation rights of the holders of preference shares, such resolution will entitle the holders of said class of shares who will not cast their favorable vote in the extraordinary shareholders' meeting or in the special meeting to exercise the withdrawal rights pursuant to article 2437, first paragraph, letter g), of the Italian Civil Code.

Moreover, as the resolution on the conversion of savings shares into ordinary shares entails a change in the by-laws of the Company concerning voting and participation rights of the holders of savings shares, such resolution will entitle the holders of said class of shares who will not cast their favorable vote in the related special meeting to exercise the withdrawal rights pursuant to article 2437, first paragraph, letter g), of the Italian Civil Code.

In accordance with article 2437-*bis* of the Italian Civil Code, withdrawal rights, for all or part of the shares held by the withdrawing shareholder(s), shall be exercised by a notice delivered through registered mail (the "**Notice**") to be delivered to the Company's registered office within 15 days of the registration with the Turin Companies Register of the minutes of the meeting whose resolution triggered the withdrawal right. A notice disclosing registration of said minutes will be published on the newspaper La Stampa and the Company's website, deposited at the Company's registered office and communicated to Consob and Borsa Italiana.

Without prejudice to article 127-*bis* of the Financial Act, the withdrawing shareholder shall deliver, together with the Notice, a communication by an authorized intermediary certifying that (i) the withdrawing shareholder was the account registered holder of the Withdrawal Shares on the day of the meeting whose resolution triggered the withdrawal right and (ii) the withdrawing shareholder is the account registered holder of the Withdrawal Shares on the date of the above communication.

The Notice shall contain the following information:

(i) the personal data of the withdrawing shareholder, including the tax code;

(ii) the address of the withdrawing shareholder including the telephone number and/or the e-mail address where he/she may be contacted in relation to the Conversion;

(iii) the number and the class of shares in relation to which the withdrawal right is exercised (the "**Withdrawal Shares**");

(iv) the bank account to which the consideration for the Withdrawal Shares will be credited (IBAN code).

The Notice shall also include the data of the intermediary with whom the Withdrawal Shares are deposited and a statement of the withdrawing shareholder declaring that the Withdrawal Shares are not pledged or subject to other encumbrances in favor of third parties. In case the Withdrawal Shares are pledged or subject to encumbrances in favor of third parties, the withdrawing shareholder shall attach to the Notice a statement of the pledge (and/or of the person/entity in favor of which the encumbrance is granted) by which said person or entity gives unconditional and irrevocable consent to release the pledge and/or encumbrance and to dispose of the Withdrawal Shares in accordance with the instructions given by and in favor of the withdrawing shareholder.

Given that the effectiveness of each of the Conversions is subject to the conditions precedent better described in paragraph 11 above, also the exercise of the withdrawal right by the preference and/or savings shareholders will be subject to the satisfaction of such conditions.

Should the conditions precedents described under Paragraph 11 above result to be satisfied upon the ending of the period of exercise of withdrawal rights, the price to be paid to the withdrawing shareholder as a consideration for the Withdrawal Shares shall be equal to Euro 4.156 with respect to preference shares and to Euro 4.336 with respect to savings shares. Said amounts have been determined pursuant to Article 2437-*ter* of the Italian Civil Code, making exclusive reference to the arithmetical average of the closing market trading prices in the six months preceding the publication of the notice of call regarding the shareholders' meeting whose resolution triggers the withdrawal rights.

Said prices are communicated by Fiat Industrial, simultaneously with the publication of the notices of call of the extraordinary shareholders' meeting and of the special meetings, through a notice published on the newspaper La Stampa and on the Company's website on February 23, 2012.

Should the conditions precedents described under Paragraph 11 above result to be satisfied upon the ending of the period of exercise of withdrawal rights, the payment for Withdrawal Shares will be carried out in accordance with article 2437-*quater* of the Italian Civil Code. In particular, once elapsed the aforesaid 15-day period for the exercise of the withdrawal right:

(i) the directors of the Company will offer the Withdrawal Shares of each class in option to non-withdrawing shareholders of that class and to shareholders of the other classes of shares; a term of at least 30 days from the deposit of the offer with the Companies Register of Turin will be granted for the exercise of this option to purchase Withdrawal Shares; the shareholders exercising the option right will also have the right to purchase *pro-rata* the remaining Withdrawal Shares, provided that they have requested to avail themselves of such pre-emption right at the time of the exercise of the option;

(ii) if there are residual Withdrawal Shares not purchased by the shareholders, said Withdrawal Shares will be offered by the directors of the Company on the market for one day (the offers under points (i) and (ii) are referred to as the "**Offer**");

(iii) if Withdrawal Shares are not fully sold after the Offer and – in any case – within 180 days of the above Notice, the Company will redeem said Withdrawal Shares (in cash) and a corresponding amount will be deducted from the Company's treasury shares reserve, within the limits described under paragraph 11 above.

As anticipated, the exercise of the withdrawal right by preference and/or savings shareholders will be subject to the satisfaction of the above conditions precedent. Accordingly, if the aforesaid conditions are not met for both or either class of shares, the Offer, the possible subsequent redemption of the relevant Withdrawal Shares by Fiat Industrial and the delisting of the relevant class of shares will not take place.

21. Changes to the By-laws

In the light of the above, it will be necessary to amend the by-laws of the Company in order to reflect the Conversions and the Free Capital Increase. The following table shows the proposed amendments in case (i) both preference and savings shares are converted; (ii) only preference shares are converted; and (iii) only savings shares are converted:

CURRENT TEXT	MODIFIED TEXT	MODIFIED TEXT	MODIFIED TEXT
	in case of conversion of both preference and savings shares	**in case of conversion of only preference shares**	**in case of conversion of only savings shares**
Article 5 – Share Capital	*Article 5 – Share Capital*	*Article 5 – Share Capital*	*Article 5 – Share Capital*
The issued share capital of the Company is €1,913,298,892.50, divided into 1,092,327,485 ordinary shares, 103,292,310 preference shares and 79,912,800 savings shares having a par value of €1.50 each.	The issued share capital of the Company is ~~€1,913,298,892.50~~ **1,919,433,144.74**, divided into ~~1,092,327,485~~ **1,222,568,882** ordinary shares, ~~103,292,310 preference shares and 79,912,800 savings shares~~ having a par value of €1.5**7**~~0~~ each.	The issued share capital of the Company is ~~€1,913,298,892.50~~ **1,916,599,149.08**, divided into ~~1,092,327,485~~ **1,164,632,102** ordinary shares, ~~103,292,310 preference shares~~ and 79,912,800 savings shares having a par value of €1.5**4**~~0~~ each.	The issued share capital of the Company is ~~€1,913,298,892.50~~ **1,917,941,559,75,** divided into ~~1,092,327,485~~ **1,150,264,265** ordinary shares~~;~~ **and** 103,292,310 preference shares~~ and 79,912,800 savings shares~~ having a par value of €1.5**3**~~0~~ each.
Article 6 – Classes of shares and Common representative	*Article 6 – ~~Classes of s~~**S**hares ~~and Common representative~~*	*Article 6 – Classes of shares and Common representative*	*Article 6 – Classes of shares and Common representative*
Ordinary and preference shares are registered shares. Savings shares may be either registered or bearer shares, at the option of the holder or as required by law. All shares are issued in dematerialized form. Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of preference and savings shares, as set out in Articles 20 and 23 below. Each ordinary share confers the right to vote without any restrictions whatsoever. Each preference share confers the right to vote only on matters which are reserved for an Extraordinary Meeting of Shareholders and on resolutions concerning Procedures for General Meetings. No voting rights are attached to savings shares.	~~Ordinary and preference s~~**S**hares are registered shares~~. Savings shares may be either registered or bearer shares, at the option of the holder or as required by law. All shares are~~ issued in dematerialized form. Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up~~, subject to the right of priority of preference and savings shares, as set out in Articles 20 and 23 below~~. **Besides,** ~~E~~each ~~ordinary~~ share confers the right to vote without any restrictions whatsoever. ~~Each preference share confers the right to vote only on matters which are reserved for an Extraordinary Meeting of Shareholders and on resolutions concerning Procedures for General Meetings. No voting rights are attached to savings shares.~~	Ordinary ~~and preference~~ shares are registered shares. Savings shares may be either registered or bearer shares, at the option of the holder or as required by law. All shares are issued in dematerialized form. Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of ~~preference and~~ savings shares, as set out in Articles 20 and 23 below. Each ordinary share confers the right to vote without any restrictions whatsoever. ~~Each preference share confers the right to vote only on matters which are reserved for an Extraordinary Meeting of Shareholders and on resolutions concerning Procedures for General Meetings.~~ No voting rights are attached to savings shares.	~~Ordinary and preference s~~**S**hares are registered shares~~. Savings shares may be either registered or bearer shares, at the option of the holder or as required by law. All shares are~~ issued in dematerialized form. Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of preference ~~and savings~~ shares, as set out in Articles 20 and 23 below. Each ordinary share confers the right to vote without any restrictions whatsoever. Each preference share confers the right to vote only on matters which are reserved for an Extraordinary Meeting of Shareholders and on resolutions concerning Procedures for General Meetings. ~~No voting rights are attached to savings shares.~~

CURRENT TEXT	MODIFIED TEXT	MODIFIED TEXT	MODIFIED TEXT
In the event of an increase in share capital, the holders of each class of shares are entitled to receive newly issued shares in the same class pro rata to the number of shares already held, or of another class (or classes) if shares of the class already held are not offered or the number offered is insufficient.	~~In the event of an increase in share capital, the holders of each class of shares are entitled to receive newly issued shares in the same class pro rata to the number of shares already held, or of another class (or classes) if shares of the class already held are not offered or the number offered is insufficient.~~	In the event of an increase in share capital, the holders of each class of shares are entitled to receive newly issued shares in the same class pro rata to the number of shares already held, or of another class ~~(or classes)~~ if shares of the class already held are not offered or the number offered is insufficient.	In the event of an increase in share capital, the holders of each class of shares are entitled to receive newly issued shares in the same class pro rata to the number of shares already held, or of another class ~~(or classes)~~ if shares of the class already held are not offered or the number offered is insufficient.
The Company's share capital may also be increased by issuing ordinary and/or preference and/or savings shares in exchange for contributions in kind or receivables.	The Company's share capital may also be increased by ~~issuing ordinary and/or preference and/or savings shares in exchange for~~ contributions in kind or receivables.	Unchanged	Unchanged
Resolutions authorizing the issuance of new preference or savings shares having the same characteristics as those already in issue for the purposes of a capital increase or the conversion of shares of another class do not require the further approval in a Special Meeting of Shareholders of either of those classes.	~~Resolutions authorizing the issuance of new preference or savings shares having the same characteristics as those already in issue for the purposes of a capital increase or the conversion of shares of another class do not require the further approval in a Special Meeting of Shareholders of either of those classes.~~	Resolutions authorizing the issuance of new ~~preference or~~ savings shares having the same characteristics as those already in issue for the purposes of a capital increase or the conversion of shares of another class do not require the further approval in a Special Meeting of Shareholders of either of those classes.	Resolutions authorizing the issuance of new preference ~~or savings~~ shares having the same characteristics as those already in issue for the purposes of a capital increase or the conversion of shares of another class do not require the further approval in a Special Meeting of Shareholders of either of those classes.
In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by €0.0525, rather than €0.0465, with respect to the dividend received by the ordinary and preference shares.	~~In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by €0.0525, rather than €0.0465, with respect to the dividend received by the ordinary and preference shares.~~	In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by ~~€0.0525~~ **0.0539** rather than ~~€0.0465~~**0.04774** with respect to the dividend received by the ordinary ~~and preference~~ shares.	~~In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by €0.0525, rather than €0.0465, with respect to the dividend received by the ordinary and preference shares.~~
In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares shall be increased by €0.06 per share.	~~In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares shall be increased by €0.06 per share.~~	In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary ~~and preference~~ shares shall be increased by ~~€0.06~~**0.0616** per share.	~~In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary and preference shares shall be increased by €0.06 per share.~~
Any expenditure required for the safeguarding of the common interests of the holders of preference and savings shares, in relation to which dedicated funds are approved in the respective	~~Any expenditure required for the safeguarding of the common interests of the holders of preference and savings shares, in relation to which dedicated funds are approved in the respective~~	Any expenditure required for the safeguarding of the common interests of the holders of ~~preference and~~ savings shares, in relation to which **a** dedicated fund~~s~~ ~~are~~ **is** approved in the respective	Any expenditure required for the safeguarding of the common interests of the holders of preference ~~and savings~~ shares, in relation to which **a** dedicated fund~~s~~ ~~are~~ **is** approved in the respective

CURRENT TEXT	MODIFIED TEXT	MODIFIED TEXT	MODIFIED TEXT
Special Meetings of Shareholders, shall be borne by the Company up to a maximum annual amount of €30,000 for each class.	~~Special Meetings of Shareholders, shall be borne by the Company up to a maximum annual amount of €30,000 for each class.~~	Special Meeting~~s~~ of Shareholders, shall be borne by the Company up to a maximum annual amount of €30,000 ~~for each class~~.	Special Meeting~~s~~ of Shareholders, shall be borne by the Company up to a maximum annual amount of €30,000 ~~for each class~~.
In order to ensure that the Common Representatives of the holders of preference and savings shares have adequate information on transactions which could influence the market price of those shares, the Company's legal representatives must provide the Common Representatives with any such information in a timely manner.	~~In order to ensure that the Common Representatives of the holders of preference and savings shares have adequate information on transactions which could influence the market price of those shares, the Company's legal representatives must provide the Common Representatives with any such information in a timely manner.~~	In order to ensure that the Common Representative~~s~~ of the holders of ~~preference and~~ savings shares ha**s**~~ve~~ adequate information on transactions which could influence the market price of those shares, the Company's legal representatives must provide the Common Representative~~s~~ with any such information in a timely manner.	In order to ensure that the Common Representative~~s~~ of the holders of preference ~~and savings~~ shares ha**s**~~ve~~ adequate information on transactions which could influence the market price of those shares, the Company's legal representatives must provide the Common Representative~~s~~ with any such information in a timely manner.
Article 9 – Calling of the General Meetings and Validity of Resolutions	*Article 9 – Calling of the General Meetings and Validity of Resolutions*	*Article 9 – Calling of the General Meetings and Validity of Resolutions*	*Article 9 – Calling of the General Meetings and Validity of Resolutions*
Resolutions adopted in a General Meeting in accordance with the requirements of law and the Company By-laws are binding on all shareholders, including those who are absent or dissenting.	Unchanged	Unchanged	Unchanged
An Ordinary General Meeting shall be considered regularly convened when: at first call, at least one-half of shares with voting rights are represented; at a single or second call, any portion of shares with voting rights are represented.	An Ordinary General Meeting shall be considered regularly convened when: at first call, at least one-half of shares ~~with voting rights~~ are represented; at a single or second call, any portion of shares ~~with voting rights~~ are represented.	Unchanged	Unchanged
Resolutions are adopted by an absolute majority of votes cast, except for the election of Directors and Statutory Auditors for which the provisions of Articles 11 and 17 shall apply.	Unchanged	Unchanged	Unchanged
An Extraordinary Meeting of Shareholders shall be considered regularly convened when: at first call, at least one-half of shares with voting rights are represented; at second call, more than one-third of shares with voting rights are represented; or, at a single or third call, at least one-fifth of shares with voting rights are represented.	An Extraordinary Meeting of Shareholders shall be considered regularly convened when: at first call, at least one-half of shares ~~with voting rights~~ are represented; at second call, more than one-third of shares ~~with voting rights~~ are represented; or, at a single or third call, at least one-fifth of shares ~~with voting rights~~ are represented.	Unchanged	An Extraordinary Meeting of Shareholders shall be considered regularly convened when: at first call, at least one-half of shares ~~with voting rights~~ are represented; at second call, more than one-third of shares ~~with voting rights~~ are represented; or, at a single or third call, at least one-fifth of shares ~~with voting rights~~ are represented.

CURRENT TEXT	MODIFIED TEXT	MODIFIED TEXT	MODIFIED TEXT
In an Extraordinary Meeting of Shareholders, resolutions are adopted with the favorable vote of at least two-thirds of shares represented at the Meeting.	Unchanged	Unchanged	Unchanged
The foregoing shall be without prejudice to any special majorities required by law or provisions governing Special Meetings for holders of shares of a particular class.	The foregoing shall be without prejudice to any special majorities required by law ~~or provisions governing Special Meetings for holders of shares of a particular class~~.	Unchanged	Unchanged
Article 20 – Allocation of Profit	*Article 20 – Allocation of Profit*	*Article 20 – Allocation of Profit*	*Article 20 – Allocation of Profit*
Net profit reported in the annual financial statements shall be allocated as follows:	Unchanged	Unchanged	Unchanged
■ to the legal reserve, 5% of net profit until the amount of such reserve is equivalent to one-fifth of share capital;	■ Unchanged	■ Unchanged	■ Unchanged
■ to savings shares, a dividend of up to €0.093 per share;	■ ~~to savings shares, a dividend of up to €0.093 per share;~~	■ to savings shares, a dividend of up to ~~€0.093~~ **0.09548** per share;	■ ~~to savings shares, a dividend of up to €0.093 per share;~~
■ further allocations to the legal reserve, allocations to the extraordinary reserve and/or retained profit reserve as may be resolved by Shareholders;	■ further allocations to the legal reserve, allocations to the extraordinary reserve ~~and/or~~**,** retained profit reserve **and/or other allocations** as may be resolved by Shareholders;	■ Unchanged	■ Unchanged
■ to preference shares, a dividend of up to €0.093 per share;	■ ~~to preference shares, a dividend of up to €0.093 per share;~~	■ ~~to preference shares, a dividend of up to €0.093 per share;~~	■ to preference shares, a dividend of up to ~~€0.093~~**0.09486** per share;
■ to ordinary shares, a dividend of up to €0.0465 per share;	■ ~~to ordinary shares, a dividend of up to €0.0465 per share;~~	■ to ordinary shares, a dividend of up to ~~€0.0465~~ **0.04774** per share;	■ to ordinary shares, a dividend of up to ~~€0.0465~~ **0.09486** per share;
■ to savings shares and ordinary shares, in equal amounts, an additional dividend of up to €0.0465 per share;	■ ~~to savings shares and ordinary shares, in equal amounts, an additional dividend of up to €0.0465 per share;~~	■ ~~to savings shares and ordinary shares, in equal amounts, an additional dividend of up to €0.0465 per share;~~	■ ~~to savings shares and ordinary shares, in equal amounts, an additional dividend of up to €0.0465 per share;~~
■ to each ordinary, preference and savings share, in equal amounts, any remaining net profit which Shareholders may resolve to distribute.	■ to each ~~ordinary, preference and savings~~ share~~, in equal amounts,~~ any remaining net profit which Shareholders may resolve to distribute.	■ to each ordinary, ~~preference~~ and savings share, in equal amounts, any remaining net profit which Shareholders may resolve to distribute.	■ to each ordinary; **and** preference ~~and savings~~ share, in equal amounts, any remaining net profit which Shareholders may resolve to distribute.

CURRENT TEXT	MODIFIED TEXT	MODIFIED TEXT	MODIFIED TEXT
When the dividend paid to savings shares in any year amounts to less than €0.093, the difference shall be added to the preferred dividend to which they are entitled in the following two years.	~~When the dividend paid to savings shares in any year amounts to less than €0.093, the difference shall be added to the preferred dividend to which they are entitled in the following two years.~~	When the dividend paid to savings shares in any year amounts to less than ~~€0.093~~**0.09548**, the difference shall be added to the preferred dividend to which they are entitled in the following two years:	~~When the dividend paid to savings shares in any year amounts to less than €0.093, the difference shall be added to the preferred dividend to which they are entitled in the following two years.~~
In the event of a change to the par value of shares, the amounts stated above shall be adjusted on a pro rata basis.	~~In the event of a change to the par value of shares, the amounts stated above shall be adjusted on a pro rata basis.~~	Unchanged	Unchanged
Where the Board of Directors sees fit in relation to the Company's operating results and within the conditions established by law, it may authorize the payment of interim dividends during the year.	Unchanged	Unchanged	Unchanged
Any dividends unclaimed within five years of the date they become payable shall be forfeited and shall revert to the Company.	Unchanged	Unchanged	Unchanged
Article 23 – Winding-up	*Article 23 – Winding-up*	*Article 23 – Winding-up*	*Article 23 – Winding-up*
The Company shall be wound up in the cases provided for and in accordance with the term of the law.	Unchanged	Unchanged	Unchanged
It shall be for Shareholders, in a general meeting, to appoint one or more liquidators and determine their powers.	Unchanged	Unchanged	Unchanged
In the event of a winding up, the Company's assets shall be distributed in the following order of priority:	In the event of a winding up, the Company's assets shall be distributed ~~in the following order of priority:~~ **in an equal pro rata amount to shares.**	Unchanged	Unchanged
■ repayment of savings shares up to their par value;	■ ~~repayment of savings shares up to their par value;~~	■ Unchanged	■ ~~repayment of savings shares up to their par value;~~
■ repayment of preference shares up to their par value;	■ ~~repayment of preference shares up to their par value;~~	■ ~~repayment of preference shares up to their par value;~~	■ Unchanged
■ repayment of ordinary shares up to their par value;	■ ~~repayment of ordinary shares up to their par value;~~	■ Unchanged	■ Unchanged
■ distribute any balance remaining, in an equal pro rata amount to shares of all three classes.	■ ~~distribute any balance remaining, in an equal pro rata amount to shares of all three classes.~~	■ distribute any balance remaining, in an equal pro rata amount to shares of all ~~three~~ **two** classes.	■ distribute any balance remaining, in an equal pro rata amount to shares of all ~~three~~ **two** classes.

With respect to the above changes, it is proposed to grant the broadest, disjoint powers to the Company's legal representatives to file, following the conversion of one class or both classes of shares, the By-laws as duly updated by the amendments described above.

22. Proposed resolution

The proposed resolution is attached to this report.

*****

This report, together with the accompanying information possibly required for the exercise of the Conversions, will be made available to the public, in the manner indicated in the Issuers Regulation, by the stock market trading day before the beginning of the Conversions period at the latest.

February 22, 2012

On behalf of the Board of Directors

/s/ Sergio Marchionne

Sergio Marchionne
CHAIRMAN

Annex to the Board of Directors' report – Proposal of Conversion of preference and savings shares into ordinary shares and connected amendments to the By-laws

Proposal of Resolution

The extraordinary Shareholders' meeting of "Fiat Industrial S.p.A.",

having acknowledged the report of the Board of Directors,

resolved

1) to compulsorily convert No. 103,292,310 (one hundred three million two hundred ninety-two thousand three hundred ten) preference shares and No. 79,912,800 (seventy-nine million nine hundred twelve thousand eight hundred) savings shares, with par value equal to Euro 1.50 (one and fifty cent) each, into ordinary shares having the same characteristics of the ordinary shares outstanding at the date of execution of the transaction and, therefore, with economic rights accrued from January 1, 2012;

2) to approve that the above transaction will be carried out on the basis of a conversion ratio equal to 0.700 (zero and seven hundredths) ordinary shares for each preference share and 0.725 (zero and seven hundred twenty-five thousandths) ordinary shares for each savings share, and the issuance of No. 72,304,617 (seventy-two million three hundred four thousand six hundred seventeen) ordinary shares in exchange for preference shares and No. 57,936,780 (fifty-seven million nine hundred thirty-six thousand seven hundred eighty) ordinary shares in exchange for savings shares;

3) to establish that the conversion of preference shares and the payment of any relevant withdrawal share will take place subject to the condition that the conversion is approved by the relevant special meeting and the disbursement in relation to the possible exercise of the withdrawal rights by preference shareholders does not exceed maximum Euro 56,000,000 (fifty-six million) and that the conversion of savings shares and the payment of the relevant withdrawal shares will take place subject to the condition that the conversion is approved by the relevant special meeting and the disbursement in relation to the possible exercise of the withdrawal rights by savings shareholders does not exceed maximum Euro 44,000,000 (forty-four million);

4) not to proceed with any reduction of the company share capital, consequently increasing the par value of the shares resulting from the conversion by an amount equal to:

   a) Euro 0.07 (zero and seven cent) – where, in accordance with the item above, the conversion of both preference and savings shares takes place – withdrawing an amount equal to Euro 6,134,252.24 (six million one hundred thirty-four thousand two hundred fifty-two euro and twenty-four cent) from the reserve denominated share premium reserve, and, accordingly, increasing the company share capital to Euro 1,919,433,144.74 (one billion nine hundred nineteen million four hundred thirty-three thousand one hundred forty-four euro and seventy-four cent),

   b) Euro 0.04 (zero and four cent) – where, in accordance with the item above, the conversion of preference shares only takes place – withdrawing an amount equal to Euro 3,300,256.58 (three million three hundred thousand two hundred fifty-six euro and fifty-eight cent) from the same reserve, and, accordingly, increasing the company share capital to Euro 1,916,599,149.08 (one billion nine hundred sixteen million five hundred ninety-nine thousand one hundred forty-nine euro and eight cent),

c) Euro 0.03 (zero and three cent) – where, in accordance with the item above, the conversion of savings shares only takes place – withdrawing an amount equal to Euro 4,642,667.25 (four million six hundred forty-two thousand six hundred sixty-seven euro and twenty-five cent) from the same reserve, and, accordingly, increasing the company share capital to Euro 1,917,941,559.75 (one billion nine hundred seventeen million nine hundred forty-one thousand five hundred fifty-nine euro and seventy-five cent;

5) where, in accordance with the item No. 3 above, only the conversion of preference shares takes place, to adjust proportionally to the new par value of the shares, equal to Euro 1.54 (one and fifty-four cent), the amounts to which savings and ordinary shareholders are entitled pursuant to articles 6 and 20 of the by-laws;

6) where, in accordance with the item No. 3 above, only the conversion of savings shares takes place, to adjust proportionally to the new par value of the shares, equal to Euro 1.53 (one and fifty-three cent), the amounts to which preference and ordinary shareholders are entitled pursuant to article 20 of the by-laws;

7) where, in accordance with item No. 3 above, the conversion of both preference and savings shares takes place, to amend articles 5, 6, 9, 20 and 23 of the by-laws as follows:

"Article 5 – Share Capital

The issued share capital of the Company is €1,919,433,144.74, divided into 1,222,568,882 ordinary shares, having a par value of €1.57 each.";

"Article 6 – Shares

Shares are registered shares issued in dematerialized form.

Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up.

Besides, each share confers the right to vote without any restrictions whatsoever.

The Company's share capital may also be increased by contributions in kind or receivables.";

"Article 9 – Calling of the General Meetings and Validity of Resolutions

Resolutions adopted in a General Meeting in accordance with the requirements of law and the Company By-laws are binding on all shareholders, including those who are absent or dissenting.

An Ordinary General Meeting shall be considered regularly convened when: at first call, at least one-half of shares are represented; at a single or second call, any portion of shares are represented.

Resolutions are adopted by an absolute majority of votes cast, except for the election of Directors and Statutory Auditors for which the provisions of Articles 11 and 17 shall apply.

An Extraordinary Meeting of Shareholders shall be considered regularly convened when: at first call, at least one-half of shares are represented; at second call, more than one-third of shares are represented; or, at a single or third call, at least one-fifth of shares are represented.

In an Extraordinary Meeting of Shareholders, resolutions are adopted with the favorable vote of at least two-thirds of shares represented at the Meeting.

The foregoing shall be without prejudice to any special majorities required by law.";

"Article 20 – Allocation of Profit

Net profit reported in the annual financial statements shall be allocated as follows:

- to the legal reserve, 5% of net profit until the amount of such reserve is equivalent to one-fifth of share capital;
- further allocations to the legal reserve, allocations to the extraordinary reserve, retained profit reserve and/or other allocations as may be resolved by Shareholders;
- to each share, any remaining net profit which Shareholders may resolve to distribute.

Where the Board of Directors sees fit in relation to the Company's operating results and within the conditions established by law, it may authorize the payment of interim dividends during the year.

Any dividends unclaimed within five years of the date they become payable shall be forfeited and shall revert to the Company.";

"Article 23 – Winding-up

The Company shall be wound up in the cases provided for and in accordance with the term of the law.

It shall be for Shareholders, in a general meeting, to appoint one or more liquidators and determine their powers.

In the event of a winding up, the Company's assets shall be distributed in an equal pro rata amounts to shares.".

8) where, in accordance with item No. 3 above, the conversion of preference shares only takes place, to amend articles 5, 6, 20 and 23 of the by-laws as follows:

"Article 5 – Share Capital

The issued share capital of the Company is €1,916,599,149.08, divided into 1,164,632,102 ordinary shares, and 79,912,800 savings shares having a par value of €1.54 each.";

"Article 6 – Classes of shares and Common representative

Ordinary shares are registered shares. Savings shares may be either registered or bearer shares, at the option of the holder or as required by law. All shares are issued in dematerialized form.

Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of savings shares, as set out in Articles 20 and 23 below.

Each ordinary share confers the right to vote without any restrictions whatsoever. No voting rights are attached to savings shares.

In the event of an increase in share capital, the holders of each class of shares are entitled to receive newly issued shares in the same class pro rata to the number of shares already held, or of another class if shares of the class already held are not offered or the number offered is insufficient.

The Company's share capital may also be increased by issuing ordinary and/or preference and/or savings shares in exchange for contributions in kind or receivables.

Resolutions authorizing the issuance of new savings shares having the same characteristics as those already in issue for the purposes of a capital increase or the conversion of shares of another class do not require the further approval in a Special Meeting of Shareholders of either of those classes.

In the event that the savings shares are delisted, any bearer shares shall be converted into registered shares and shall have the right to a higher dividend increased by €0.0539 rather than €0.04774 with respect to the dividend received by the ordinary shares.

In the event that the ordinary shares are delisted, the higher dividend received by the savings shares with respect to the dividend received by ordinary shares shall be increased by €0.0616 per share.

Any expenditure required for the safeguarding of the common interests of the holders of savings shares, in relation to which a dedicated fund is approved in the respective Special Meeting of Shareholders, shall be borne by the Company up to a maximum annual amount of €30,000.

In order to ensure that the Common Representative of the holders of savings shares has adequate information on transactions which could influence the market price of those shares, the Company's legal representatives must provide the Common Representative with any such information in a timely manner.";

"Article 20 – Allocation of Profit

Net profit reported in the annual financial statements shall be allocated as follows:

- to the legal reserve, 5% of net profit until the amount of such reserve is equivalent to one-fifth of share capital;
- to savings shares, a dividend of up to €0.09548 per share;
- further allocations to the legal reserve, allocations to the extraordinary reserve and/or retained profit reserve as may be resolved by Shareholders;
- to ordinary shares, a dividend of up to €0.04774 per share;
- to each ordinary and savings share, in equal amounts, any remaining net profit which Shareholders may resolve to distribute.

When the dividend paid to savings shares in any year amounts to less than €0.09548, the difference shall be added to the preferred dividend to which they are entitled in the following two years.

In the event of a change to the par value of shares, the amounts stated above shall be adjusted on a pro rata basis.

Where the Board of Directors sees fit in relation to the Company's operating results and within the conditions established by law, it may authorize the payment of interim dividends during the year.

Any dividends unclaimed within five years of the date they become payable shall be forfeited and shall revert to the Company.";

"Article 23 – Winding-up

The Company shall be wound up in the cases provided for and in accordance with the term of the law.

It shall be for Shareholders, in a general meeting, to appoint one or more liquidators and determine their powers.

In the event of a winding up, the Company's assets shall be distributed in the following order of priority:

- repayment of savings shares up to their par value;
- repayment of ordinary shares up to their par value;
- distribute any balance remaining, in an equal pro rata amount to shares of all two classes.**".**

9) where, in accordance with item No. 3 above, the conversion of savings shares only takes place, to amend articles 5, 6, 9, 20 and 23 of the by-laws as follows:

"Article 5 – Share Capital

The issued share capital of the Company is €1,917,941,559.75, divided into 1,150,264,265 ordinary shares and 103,292,310 preference shares having a par value of €1.53 each.";

"Article 6 – Classes of shares and Common representative

Shares are registered shares issued in dematerialized form.

Each share confers the right to share pro rata in any earnings allocated for distribution and any surplus assets remaining upon a winding-up, subject to the right of priority of preference shares, as set out in Articles 20 and 23 below.

Each ordinary share confers the right to vote without any restrictions whatsoever. Each preference share confers the right to vote only on matters which are reserved for an Extraordinary Meeting of Shareholders and on resolutions concerning Procedures for General Meetings.

In the event of an increase in share capital, the holders of each class of shares are entitled to receive newly issued shares in the same class pro rata to the number of shares already held, or of another class if shares of the class already held are not offered or the number offered is insufficient.

The Company's share capital may also be increased by issuing ordinary and/or preference and/or savings shares in exchange for contributions in kind or receivables.

Resolutions authorizing the issuance of new preference shares having the same characteristics as those already in issue for the purposes of a capital increase or the conversion of shares of another class do not require the further approval in a Special Meeting of Shareholders of either of those classes.

Any expenditure required for the safeguarding of the common interests of the holders of preference shares, in relation to which a dedicated fund is approved in the respective Special Meeting of Shareholders, shall be borne by the Company up to a maximum annual amount of €30,000.

In order to ensure that the Common Representative of the holders of preference shares has adequate information on transactions which could influence the market price of those shares, the Company's legal representatives must provide the Common Representative with any such information in a timely manner.";

"Article 9 – Calling of the General Meetings and Validity of Resolutions

Resolutions adopted in a General Meeting in accordance with the requirements of law and the Company By-laws are binding on all shareholders, including those who are absent or dissenting.

An Ordinary General Meeting shall be considered regularly convened when: at first call, at least one-half of shares with voting rights are represented; at a single or second call, any portion of shares with voting rights are represented.

Resolutions are adopted by an absolute majority of votes cast, except for the election of Directors and Statutory Auditors for which the provisions of Articles 11 and 17 shall apply.

An Extraordinary Meeting of Shareholders shall be considered regularly convened when: at first call, at least one-half of shares are represented; at second call, more than one-third of shares are represented; or, at a single or third call, at least one-fifth of shares are represented.

In an Extraordinary Meeting of Shareholders, resolutions are adopted with the favorable vote of at least two-thirds of shares represented at the Meeting.

The foregoing shall be without prejudice to any special majorities required by law or provisions governing Special Meetings for holders of shares of a particular class.";

"Article 20 – Allocation of Profit

Net profit reported in the annual financial statements shall be allocated as follows:

- to the legal reserve, 5% of net profit until the amount of such reserve is equivalent to one-fifth of share capital;
- further allocations to the legal reserve, allocations to the extraordinary reserve and/or retained profit reserve as may be resolved by Shareholders;
- to preference shares, a dividend of up to €0.09486 per share;
- to ordinary shares, a dividend of up to €0.09486 per share;
- to each ordinary and preference share, in equal amounts, any remaining net profit which Shareholders may resolve to distribute.

In the event of a change to the par value of shares, the amounts stated above shall be adjusted on a pro rata basis.

Where the Board of Directors sees fit in relation to the Company's operating results and within the conditions established by law, it may authorize the payment of interim dividends during the year.

Any dividends unclaimed within five years of the date they become payable shall be forfeited and shall revert to the Company.";

"Article 23 – Winding-up

The Company shall be wound up in the cases provided for and in accordance with the term of the law.

It shall be for Shareholders, in a general meeting, to appoint one or more liquidators and determine their powers.

In the event of a winding up, the Company's assets shall be distributed in the following order of priority:

- repayment of preference shares up to their par value;
- repayment of ordinary shares up to their par value;
- distribute any balance remaining, in an equal pro rata amount to shares of all two classes."

10) to grant the members of the board of directors with legal representation, severally, all the broadest powers to implement, in compliance with the applicable laws, the resolutions adopted herein, including the power to define – taking into consideration the condition under item No. 3 above – the relevant terms and conditions, including those concerning the payment of the fractional shares resulting from the application of the conversion ratios to be carried out by the Company;

11) to delegate the legal representatives in charge, severally, the duty to file with the competent Companies' Register, following the conversion of both or either class of shares, the new company's by-laws as duly amended in accordance with the provisions defined above.

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2012

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Fiat Industrial offsets the GHG emissions from paper used to print its Annual Report, Sustainability Report and Corporate Governance Report.
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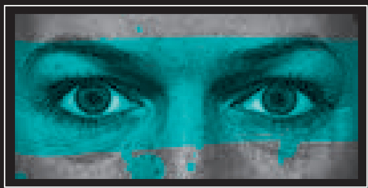

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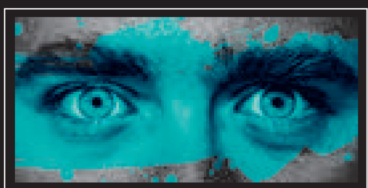

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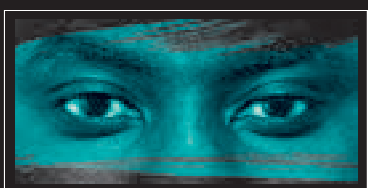

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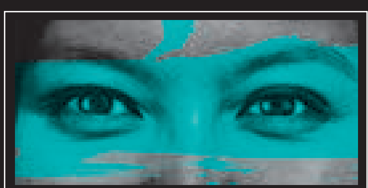

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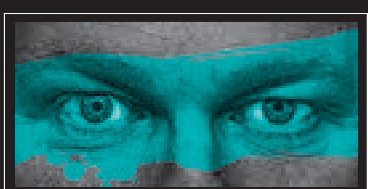

Helmrich Rico
CNH

Every person, every look captured, in an instant.
Not a glance or a stare, but a focused look.
All colleagues, facing my camera and being part of the exercise.

Me the artist, facing YOU.
I look at these faces.
I try to read into these eyes.
I try to question these looks.

Who is the onlooker and who is the judge?

There is this strange connection within, like a mirror.
It is not my image I am looking at, but it is somebody else's I wonder about.

I am curious, I would like to know what these eyes represent.
Is this an engineer from America, a technician from Europe
or a salesperson from Asia?
All of them together they form a big family covering all angles of the globe, working every day to make Fiat Industrial successful.

A family that has more than meets the eye.

I hope they are satisfied, I dream of them being happy.
That is what I would be.

Roger Pfund

Fiat Industrial S.p.A.
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