

# REPORT OF THE BOARD OF STATUTORY AUDITORS TO SHAREHOLDERS

Dear Shareholders,

Article 153 of Legislative Decree 58 of 24 February 1998 requires the Board of Statutory Auditors to report the results of its oversight activity to Shareholders at the General Meeting called to approve the statutory financial statements, indicating any omissions or improper transactions that have come to its attention, and empowers it to submit motions relating to the financial statements, their approval and other matters under its jurisdiction.

This Report fulfills that requirement, in addition to the provisions of Article 2429 (2) of the Civil Code.

During the past year, we carried out our responsibilities under Article 149 of Legislative Decree 58/1998 and are thereby able to report on the following items.

We report in particular that, for greater clarity of presentation, we have organized the report into three sections: the first relates to oversight activities in general; the second to activities carried out in relation to the demerger undertaken by the Company during 2010; and, the third relates to investigations carried out in relation to “complaints” received by the Statutory Auditors and qualified by the complainant as “pursuant to Article 2408 of the Civil Code”.

## Oversight

We attended the meetings of the Board of Directors, where we received information on the Company’s activities and on transactions having a significant impact on the financial statements that were subject to Board approval and carried out by the Company and/or its subsidiaries.

In this regard, we ascertained that the aforementioned transactions complied with the applicable provisions of law and the By-laws, were not in conflict with any resolution adopted by Shareholders and were consistent with management best practice.

The Company’s organizational structure appears to be adequate for its size. As part of our work, we met with the heads of the various Company departments and with representatives of the Independent Auditors, from whom we obtained comprehensive information indicating that the Company conformed with management best practice.

A group-wide internal control system, which is constantly upgraded, is in place both for Fiat S.p.A. and subsidiaries.

We evaluated and monitored the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter in providing a fair presentation of operations, through: i) an examination of the Compliance Officer’s report on Fiat’s Internal Control System; ii) an examination of the reports from Internal Audit, in addition to information on its monitoring of the implementation of remediation plans resulting from audit activities; iii) information received from the heads of the respective functions; iv) an examination of corporate documents and the results of the audit work conducted by the Independent Auditors; v) interaction with the statutory and independent auditors of subsidiaries pursuant to Article 151 (1) & (2) of Legislative Decree 58/1998; vi) participation in the activities of the Internal Control Committee, established as a sub-committee of the Company’s Board of Directors and composed of three independent Directors. Participation in the activities of the Internal Control Committee enabled the Board of Statutory Auditors to coordinate its own activities with the activities of said Committee for the performance of its role as committee for internal control and audit pursuant to Article 19 of Legislative Decree 39/2010 with the Statutory Auditors overseeing, in particular:

- the process relating to financial reporting;
- the effectiveness of the systems of internal control, internal audit and risk management;
- the independent audits of the annual statutory and consolidated accounts;
- aspects relative to the independence of the independent auditors, with particular reference to non-audit services provided to the audited entity. In that regard, we note that on 2 February 2011, we received a communication from Deloitte & Touche S.p.A. – with whom we have had a frequent exchange of information – stating that Fiat S.p.A. had retained its services to perform audits of the statutory and consolidated financial statements, limited audits of the half-yearly condensed financial statements, agreed upon procedures for auditing of the quarterly reports, as well as the engagements listed below for which the respective fees are indicated:
  - ▣ Review and analysis of the accounting treatment, with reference to the statutory financial statements of Fiat S.p.A. and the consolidated financial statements for the Fiat Group for the year ended 31 December 2010, of significant and non-recurring transactions connected to the partial and proportional demerger of Fiat S.p.A. to Fiat Industrial S.p.A., with fees totaling €170,000.
  - ▣ Examination of the pro forma consolidated financial information for Fiat S.p.A. and subsidiaries (“Fiat Group Post-Demerger”) and Fiat Industrial S.p.A. and subsidiaries (“Fiat Industrial Group”) for the year ended 31 December 2009 included in the Information Document prepared by Fiat S.p.A. pursuant to Article 70 of the Consob Issuer Regulations, with fees totaling €180,000.
  - ▣ Examination of the pro forma consolidated financial information for Fiat S.p.A. and subsidiaries (“Fiat Group Post-Demerger”) for the year ended 31 December 2009 and the six months ended 30 June 2010 included in the Information Document prepared pursuant to Article 57 of the Consob Issuer Regulations, with fees totaling €65,000.
  - ▣ Fee related to the limited audit of the interim financial statements for Fiat S.p.A. and subsidiaries (“Fiat Group”) for the nine months ended 30 September 2010, with fees totaling €80,000.
  - ▣ Agreed upon procedures for verification and examination of documentation relating to various industrial initiatives, with fees totaling €35,000.
  - ▣ A voluntary limited audit of the half-year statutory financial statements of Fiat S.p.A. at 30 June 2010, with fees totaling €9,000.
  - ▣ Attestation of tax forms (“Modello Unico”, IRAP, tax consolidation and Form 770) with fees totaling €5,000.

It is also noted that on 21 February 2011, Deloitte & Touche S.p.A. presented a report pursuant to Article 19 (3) of Legislative Decree 39/2010 in which it communicated that no fundamental issues had emerged during the audit process and no significant deficiencies were identified in the system of internal control over financial reporting.

As a result of the activities carried out, the Board of Statutory Auditors expressed an opinion on the overall adequacy of Fiat’s Internal Control System and noted that, in its role as committee for internal control and audit, no issues had arisen requiring communication to Shareholders.

The guidelines provided by Fiat S.p.A. to its subsidiaries pursuant to Article 114 (2) of Legislative Decree 58/1998 also appear to be adequate.

With reference to Article 36 of the Consob Market Regulations, relating to the principal subsidiaries incorporated in and subject to the laws of a non-EU member state, we report that – at 31 December 2010 – the companies to which that provision applies are included among those companies considered relevant for the purposes of Fiat’s system of internal control over financial reporting, in relation to which no deficiencies have been reported.

The Board of Directors provided us with the report on operations for the first half of the year by the statutory deadline and published it in accordance with the Consob requirements. It also complied with the legal requirement for quarterly reports. With regard to Consob communications, for those matters falling under our jurisdiction, we can confirm the following:

- the information provided by the Directors in the report on operations is comprehensive and complete;
- as required by Legislative Decree 58/1998, we have been informed on a constant basis on matters falling under our jurisdiction;
- no third party, related party or intercompany transactions which were atypical and/or unusual, as defined in the Consob Communication of 28 July 2006, were revealed by the periodic checks and audits we performed;
- with regard to intercompany transactions, the Board of Directors states in the Notes to the Financial Statements that numerous transactions involving the sale of goods and the provision of services took place between the Company and other Group companies, as well as related parties. The report on operations further states that these transactions were executed at standard market terms for the nature of the goods and/or services offered. In that regard, we report that on 21 October 2010, the Board of Directors adopted, subsequent to the favorable opinion expressed by the Internal Control Committee, guidelines for preparation of the “Procedures for Transactions with Related Parties”, pursuant to Article 4 of Consob Regulation 17221 of 12 March 2010, as subsequently amended. The procedures, which comply with Consob Regulation 17221 of 12 March 2010 and the Consob Communication of 24 September 2010, apply from 1 January 2011 and are published on Fiat S.p.A.’s website ([www.fiatspa.com](http://www.fiatspa.com));
- no issues requiring mention arose from meetings conducted with the Statutory Auditors of the principal subsidiaries;
- we have reviewed and obtained information on the organizational and procedural measures implemented pursuant to and for the effects of Legislative Decree 231/2001, as amended, on the liability of legal persons for the crimes addressed therein. No significant issues requiring mention arose from the report of the Compliance Program Supervisory Body on activities carried out during 2010 or meetings conducted between that Body and the Board of Statutory Auditors;
- no significant issues arose during meetings held with the Independent Auditors pursuant to Article 150 of Legislative Decree 58/1998;
- the report of the Independent Auditors, issued on 21 February 2011, contains no qualifications or emphasis paragraphs;
- in compliance with Article 149 (1)(c-bis) of Legislative Decree 58/1998, we acknowledge the affirmation of the Directors in the Annual Report on Corporate Governance that:
 

“the Fiat Group adopted and adheres to the Corporate Governance Code for Italian Listed Companies issued in March 2006, with additions and amendments related to the specific characteristics of the Group.” We confirmed that the Group actually complies with the Corporate Governance Code and that its various aspects were discussed in the Annual Report on Corporate Governance submitted to you by the Board of Directors, to which you are referred for more complete information.

The Board of Statutory Auditors verified the activities undertaken in relation to the selection and appointment of independent auditors for Fiat S.p.A. for the nine-year period 2012-2020. In particular, the Board was informed of the formal phases of the bid process involving Ernst&Young, KPMG and PricewaterhouseCoopers, in addition to the content of meetings with representatives of those audit firms to outline the bid process, provide necessary clarifications and discuss the elements necessary for the aforementioned audit firms to formulate their proposals.

The Board of Statutory Auditors then met with the audit firms participating in the process for appointment of independent auditors for the Fiat Group for the nine-year period 2012-2020, each of which gave a separate presentation of the proposed working methods, in addition to the methodologies they would adopt in the event of their appointment.

Upon conclusion of the above process, the Statutory Auditors formulated a recommendation for appointment of the independent auditors for the nine-year period 2012-2020, which has been presented to the Internal Control Committee and the Board of Directors and will be submitted to Shareholders during this General Meeting.

### Demerger

In relation to the demerger of Fiat S.p.A. in favor of Fiat Industrial S.p.A., on 23 June 2010, the Board of Statutory Auditors received its first status report on the transaction from the Company's management.

In particular, they provided details of the transaction through which Fiat S.p.A. ("Fiat") would transfer a portion of its assets and liabilities to a newly incorporated wholly-owned subsidiary ("Fiat Industrial"), consisting of the shareholdings in Fiat Netherlands Holding N.V. ("FNH"), Nuove Iniziative Finanziarie Cinque S.p.A. (now Iveco S.p.A.), Nuova Immobiliare Nove S.p.A. (now FPT Industrial S.p.A.) and Fiat Industrial Finance S.p.A., in addition to a portion of its net debt. A description was also provided of how, prior to the Board's approval of the demerger plan, the legal structure of Iveco and the "Industrial & Marine" business line of FPT was reorganized. In addition, it was explained that, given the legal form of the demerger (*scissione parziale proporzionale* under the Italian Civil Code), the shareholder structure of Fiat Industrial S.p.A. would be substantially equivalent to the existing structure of Fiat S.p.A. and that Fiat S.p.A. shareholders would be allotted, for no compensation, one share in Fiat Industrial for every share of the same class held in Fiat at the time of the demerger.

It was then explained that the objective of the demerger was preeminently industrial and that execution of the deed of demerger would be subject to admission of the shares in Fiat Industrial to listing and issue of the necessary approvals. The transaction would have effect from 1 January 2011.

During the meetings, there were presentations on the planned reorganization of Iveco to separate the trucks and commercial vehicles activities from the powertrain activities, as well as the establishment of a new group having an adequate financial structure, including in terms of expected cash flows.

The Statutory Auditors were also appraised of the planned reorganization of the treasury activities post demerger, whose principal objective was to separate the activities of the Treasury into two companies with operating autonomy to provide centralized treasury services to Fiat Group and Fiat Industrial Group. The above to be executed while guaranteeing both structures, along with the necessary separation, use of the current procedures, the existing levels of operating security, automation and connectivity with the banking system and various legal entities within the Group.

The Statutory Auditors were also appraised of legal aspects and timing relating to the demerger, in particular in relation to the treatment of ordinary, preference and savings shares so as to not prejudice the rights of any shareholders, either directly or indirectly.

In addition, information was given to the Statutory Auditors on the impacts of the demerger on the statutory and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), with particular emphasis on the treatment of the transaction as a "business combination under common control" and therefore with assets and liabilities being transferred at their existing book value. In addition, the Statutory Auditors were informed that in the 2010 consolidated financial statements, items relating to the future Fiat Industrial Group would be presented in a single line item as "discontinued operations", but with detail provided in the notes and that, for completeness, the report on operations would also include consolidated data for the entire Fiat Group, with no separate evidence of discontinued operations.

During the second half of 2010, the Board of Statutory Auditors received periodic updates on formal activities related to the future listing of Fiat Industrial Group and activities to finance the group independently from Fiat S.p.A., as well as on documents filed with Borsa Italiana and Consob in relation to the application for admission of Fiat Industrial to listing, including the Business Plan for Fiat Industrial Group and, lastly, on the sponsors for the listing and the transfer of lines of credit.

The Statutory Auditors took note of the approval for the listing of Fiat Industrial's shares issued by Borsa Italiana and receipt of the decision of equivalence from Consob and the positive conclusion, therefore, of the demerger of activities from Fiat S.p.A. and listing of Fiat Industrial S.p.A.

### Complaints under Article 2408 of the Civil Code

It is necessary to refer back to the minutes of the General Meetings of 26 March 2010 and 16 September 2010, the full text of which will not be replicated herein for the sake of brevity.

On 24 March 2010, the shareholder Mr. Bava presented a complaint under Article 2408 of the Civil Code, which the Board of Statutory Auditors received on 25 March, for acts which he considered improper related to:

- the alleged ambiguity and contradiction in the press release issued by Fiat on March 24th in relation to comments appearing in the daily newspaper *La Repubblica* regarding a supposed spin-off of the auto business and plan for employee redundancies. That statement was alleged to be ambiguous and contradictory in that it concluded with the affirmation that any speculative comments which may have appeared in the press were premature and not based on fact and, in the opinion of Mr. Bava, such comments could be either premature or not based on fact but not both;
- an alleged violation of the principle of prudence due to the dividend proposal submitted for the approval of Shareholders at the meeting of 26 March 2010. In particular, the dividend would be funded through dividends received from the subsidiaries Fiat Group Automobiles and Iveco, which resulted in a write-down of €760 million on those investments.

These assertions were accompanied by references to certain extracts from the 2009 financial statements and, in particular, the section relating to the main risks and uncertainties to which Fiat S.p.A. and the Group are exposed.

During the general meeting of 26 March 2010, Bava remarked that, *"liquidity had increased disproportionately and wanted to understand the reasoning as lately the Company was paying interest at rates of between 6.87% and 9%, compared to a return on capital of 2%;*

*he stated that all that liquidity has a cost, that it is not possible to not take the net financial position into account and that amounts receivable from financing activities, which are trade receivables, cannot be included;*

*he made a formal demand under Article 2408 of the Civil Code to provoke reflection on his assertions and gave notice that he would also draw the matter to the attention of the competent body for it to be monitored."*

During the general meeting of 16 September 2010, the Statutory Auditors informed shareholders that Mr. Bava and Mr. Zola (also a shareholder) had both brought complaints on 14 September 2010 under Article 2408 of the Civil Code for acts they considered improper.

Specifically:

- Mr. Bava considered it improper that his request for the email address of the Chairman of Fiat S.p.A., to whom he wished to send his questions for today's meeting, was refused;
- Mr. Zola considered the fact that the notice of the general meeting did not include information details such as the date and signature and also that it only had one item on the agenda, to be *"peculiar, unusual and unlawful"*, such that it constituted improper conduct.

He also believed that the general meeting should have provided for different times of entry for the holders of ordinary and preference shares in order to prevent the holders of different classes of shares from being obliged to attend parts of the meeting in which they were not allowed to speak or vote.

He also asked for an explanation of why a general meeting had not been called for the holders of savings shares.

Lastly, he denounced the absence of an independent appraisal in support of the transaction being submitted to shareholders for approval.

- During the general meeting of 16 September 2010, Mr. Bava claimed that it was not legitimate to combine the ordinary and extraordinary general meetings, and that, for the transaction being proposed at the general meeting, in accordance with Articles 2506 and 2443 of the Civil Code, a sworn appraisal of the assets in kind and the receivables should have been carried out.

The Statutory Auditors re-examined the above assertions closely, took note of proceedings at the general meetings of 26 March 2010 and 16 September 2010, at which they were present, and determined that the opinions expressed by the Chairman on behalf of the Statutory Auditors in a specific communication were complete. Those opinions are available in the full text of the minutes of the meetings.

In particular, in relation to the complaint presented by Mr. Bava under Article 2408 of the Civil Code, as described above, also immediately prior to the general meeting held on 26 March 2010, in which the Statutory Auditors were essentially asked to carry out further verification of the Company's liquidity position, a demand which was repeated during the general meeting of 16 September 2010, we note the following:

- the Statutory Auditors had already expressed their view during the meeting of 26 March 2010 that ruled out any improper conduct;
- nevertheless, as part of their monitoring activities, and with the aid of the Independent Auditors, the Statutory Auditors have continued to review the matter each quarter and, as at 31 December 2010, have found no evidence of improper conduct.

In relation to the complaint brought by Bava under Article 2408 of the Civil Code asking to be informed of the amount earned by the lawyer Mr. Anfora for his services to Fiat, given that Mr. Anfora was representing the Company in a dispute against him without having charged a fee, the Statutory Auditors, despite the irregular manner in which the demand was presented, examined the issue and concluded that the conferment/execution of a mandate for professional services does not constitute an improper act. In any event, in relation to the criminal matter to which Mr. Bava referred, the Statutory Auditors note that as of today's date no invoice for legal services has been submitted to the Company.

We are not aware of other facts or considerations to be reported to Shareholders.

In conclusion, we note that during the year, the Company assessed the effective independence of the independent directors, and we confirm that the principles and procedures for assessment were fairly applied in accordance with Article 3.c.5 of the Corporate Governance Code. We confirmed our own continued independence as required under Article 10.c.2 of the Corporate Governance Code.

Based on the audits we performed in the areas within our jurisdiction, pursuant to Article 149 of Legislative Decree 58/1998, and in consideration of the information received from the Independent Auditors, we have verified that the statutory financial statements for the year ended 31 December 2010, which report net profit of €441,959,509, have been prepared and are presented in accordance with the applicable provisions of law.

In particular, we verified that none of the exemptions permitted under Article 2423 (4) of the Civil Code were exercised.

As part of the oversight activities described above, the Board of Statutory Auditors met 12 times, in addition to being present at the 5 meetings of the Board of Directors and the 9 meetings of the Internal Control Committee.

On the basis of the control and oversight activities carried out during the year, we find nothing that would prevent approval of the statutory financial statements at 31 December 2010 or the motions put forward by the Board of Directors.

Turin, 21 February 2011

## THE STATUTORY AUDITORS

/s/ Riccardo Perotta  
Riccardo Perotta

/s/ Giuseppe Camosci  
Giuseppe Camosci

/s/ Piero Locatelli  
Piero Locatelli

Following is a list of positions as director or statutory auditor held by members of the Board of Statutory Auditors at other companies at 31 December 2010 (pursuant to Article 144-*quinquiesdecies* of the Issuer Regulations). For each position, term of office expires upon approval of financial statements for the year indicated in brackets.

- Riccardo Perotta: Chairman of the Board of Statutory Auditors at Coface Assicurazioni S.p.A. (2011), Coface Factoring Italia S.p.A. (2010), Hyundai Motor Company Italy S.r.l. (2010), Jeckerson S.p.A. (2010), Meccano S.p.A. (2012), Metroweb S.p.A. (2011), Value Partners S.p.A. (2011); Regular auditor at Boing S.p.A. (2010), Mediolanum S.p.A. (2010), Prada S.p.A. (31 January 2012) and Director at Intesa Sanpaolo Private Banking S.p.A. (2012).
- Giuseppe Camosci: Chairman of the Board of Statutory Auditors at AEREA S.p.A. (2010), Magneti Marelli S.p.A. (2012), Immobiliare Elfin S.r.l. (2011), Samsung Electronics Italia S.p.A. (2010), ICAL S.p.A. (2012); Regular auditor at BNP Paribas Lease Group S.p.A. (2012), Finos S.p.A. – Gruppo Trussardi (2012), Locatrice Italiana S.p.A. (2012), Therabel Gienne Pharma S.p.A. (2011), Trussardi S.p.A. (2012), TRS – formerly Sosir S.p.A. – Gruppo Trussardi (2012), Fortis Lease S.p.A. (2012) and Director at SAPIO S.r.l. (2010).
- Piero Locatelli: Regular auditor at Giovanni Agnelli & C. S.a.p.a. (2011) and Simon Fiduciaria S.p.A. (2010).