



Fiat Finance and Trade Ltd.

société anonyme

(Registre du Commerce Luxembourg No. B-59500,
incorporated with limited liability under the laws of the Grand-Duchy of Luxembourg)

Fiat Finance Canada Ltd.

(Incorporated with limited liability under the laws of the Province of Alberta, Canada)

Fiat Finance North America, Inc.

(Incorporated under the laws of the State of Delaware)

€15,000,000,000

Global Medium Term Note Programme

unconditionally and irrevocably guaranteed by

Fiat S.p.A.

(incorporated as a Società per Azioni under the laws of the Republic of Italy)

Under this €15,000,000,000 Global Medium Term Note Programme (the “Programme”), Fiat Finance and Trade Ltd. société anonyme (“FFT”), Fiat Finance Canada Ltd. (“FFC”) and Fiat Finance North America, Inc. (“FFNA”) (each an “Issuer” and together, the “Issuers”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (each as defined below). The payments of all amounts due in respect of Notes will be unconditionally and irrevocably guaranteed by Fiat S.p.A. (the “Guarantor”).

Arranger

UBS Warburg

Dealers

ABN AMRO

Caboto IntesaBci

Goldman Sachs International

JPMorgan

Merrill Lynch International

Schroder Salomon Smith Barney

UBS Warburg

BNP PARIBAS

Deutsche Bank

HSBC

Mediobanca S.p.A.

Morgan Stanley

**TD Securities
Tradename of The Toronto-Dominion Bank**

UniCredit Banca Mobiliare

Each of the Issuers and the Guarantor has confirmed to the Dealers that the statements contained in this document including all documents which are incorporated by reference herein (see “Documents Incorporated by Reference”) relating (in the case of each Issuer) to such Issuer and (in the case of the Guarantor) to such Issuer and the Guarantor are in every material respect true and accurate and not misleading; any opinions, predictions or intentions expressed in this Offering Circular on the part of any Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Summary of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuers (each a “Dealer” and together the “Dealers”), which appointment may be for a specific issue or on an ongoing basis.

References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes. References in this Offering Circular to the “relevant Issuer” shall, in relation to an issue of Notes, be to the Issuer of such Notes.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be listed on the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, the relevant Issuer and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a pricing supplement (the “Pricing Supplement”) which, with respect to Notes to be listed on the Luxembourg Stock Exchange will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer. Each Issuer may also issue unlisted Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the “Securities Act”) and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See “Form of the Notes” for a description of the manner in which Notes will be issued. Registered Notes (as defined under “Form of the Notes”) are subject to certain restrictions on transfer, see “Subscription and Sale and Transfer and Selling Restrictions”.

The relevant Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Luxembourg Stock Exchange) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by any Issuer or the Guarantor in connection with the Programme.

No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by any Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by any Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer or the Guarantor or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by any Issuer, the Guarantor or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any

Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Issuers, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any Issuer, the Guarantor or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, Canada, Italy, the United Kingdom, Japan, Luxembourg, The Netherlands and Germany, see “Subscription and Sale and Transfer and Selling Restrictions”.

In making an investment decision, investors must rely on their own examination of the relevant Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the “Commission”) or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers, the Issuers or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs (as defined under “Form of the Notes”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”).

Each purchaser or holder of Notes represented by a Rule 144A Global Note (as defined under “Form of the Notes”) or any Notes issued in registered form in exchange or substitution therefor (together “Legended

Notes”) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “Subscription and Sale and Transfer and Selling Restrictions”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes”.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuers and the Guarantor have undertaken in a deed poll dated 31st July, 2002 (the “Deed Poll”) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the relevant Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

At the date hereof, the Guarantor is subject to the information requirements of the Exchange Act, and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; 233 Broadway, New York, New York 10279 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such materials can also be obtained at prescribed rates from the Public Reference Section of the Commission, at 450 Fifth Street, N.W., Washington, D.C. 20549. Such reports and other information concerning the Guarantor can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

FFT, FFC and the Guarantor are corporations incorporated under the laws of the Grand-Duchy of Luxembourg, Alberta, Canada and the Republic of Italy, respectively. It may not be possible for investors to effect service of process outside the Grand-Duchy of Luxembourg (in the case of FFT), Canada (in the case of FFC) or the Republic of Italy (in the case of the Guarantor) or upon FFT, FFC or the Guarantor or to enforce judgments against them obtained in courts outside the Grand-Duchy of Luxembourg (in the case of FFT), Canada (in the case of FFC) or the Republic of Italy (in the case of the Guarantor) predicated upon civil liabilities of FFT, FFC or the Guarantor, as the case may be, under laws other than those of Luxembourg (in the case of FFT), Canada (in the case of FFC) or the Republic of Italy (in the case of the Guarantor), including any judgment predicated upon United States federal securities laws. There are doubts as to the enforceability in the Grand-Duchy of Luxembourg (in the case of FFT), Canada (in the case of FFC) or the Republic of Italy (in the case of the Guarantor) in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

PRESENTATION OF INFORMATION

All references in this document to “U.S. dollars”, “U.S.\$” and “\$” refer to the currency of the United States of America, references to “CAN\$” refer to the currency of Canada, references to “Sterling” refer to the currency of the United Kingdom, references to “PLN” refer to the currency of Poland and references to “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a

level higher than might otherwise prevail for a limited time after the Issue Date. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising may include the purchase of Notes to stabilise their market price, the purchase of Notes to cover some or all of a short position in the Notes maintained by the stabilising manager and the imposition of penalty bids. For a description of these activities, see “Subscription and Sale and Transfer and Selling Restrictions”.

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Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published annual reports, including the financial statements, of each of FFT and FFNA and the Guarantor and the most recently audited financial statements of FFC (which in each case, as of the date hereof, are for the year ended 31st December, 2001);
- (b) the most recently published unaudited consolidated and non-consolidated reports of the Guarantor (which as of the date hereof, are for the three month period ended 30th June, 2002); and
- (c) all supplements or amendments to this Offering Circular circulated by any of the Issuers and/or the Guarantor from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Each Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to any Issuer or the Guarantor at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office in Luxembourg of Kredietbank S.A. Luxembourggeoise (the "Luxembourg Listing Agent") for Notes listed on the Luxembourg Stock Exchange.

Each Issuer and the Guarantor will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of such Issuer (in the case of each of the Issuers) or such Issuer or the Guarantor (in the case of the Guarantor) which is not reflected in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular as may be required by the rules of the Luxembourg Stock Exchange for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

General Description of the Programme

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” below.

This Offering Circular and any supplement will only be valid for listing Notes on the Luxembourg Stock Exchange during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme regardless of Issuer, does not exceed €15,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes as described under “Form of the Notes”) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the relevant Issuer on the relevant day of calculation;
- (b) the euro equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes as described under “Form of the Notes”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the euro equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes as described under “Form of the Notes”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

Summary of the Programme

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

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| Issuers: | Fiat Finance and Trade Ltd. société anonyme Fiat Finance Canada Ltd. Fiat Finance North America, Inc. |
| Guarantor: | Fiat S.p.A. |
| Description: | Global Medium Term Note Programme |
| Arranger: | UBS AG, acting through its business group UBS Warburg (“UBS Warburg”) |
| Dealers: | ABN AMRO Bank N.V. BNP PARIBAS Caboto IntesaBci-SIM S.p.A. Deutsche Bank AG London Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. Mediobanca-Banca di Credito Finanziario S.p.A. Merrill Lynch International Morgan Stanley & Co. International Limited Salomon Brothers International Limited* The Toronto-Dominion Bank UBS Warburg UniCredit Banca Mobiliare S.p.A. and any other Dealers appointed in accordance with the Programme Agreement. |
| Certain Restrictions: | <p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “<i>Subscription and Sale and Transfer and Selling Restrictions</i>”) including the following restrictions applicable at the date of this Offering Circular.</p> <p>Notes issued on terms that they must be redeemed before their first anniversary will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “<i>Subscription and Sale and Transfer and Selling Restrictions</i>”.</p> <p>Swiss Francs</p> <p>Issues of Notes denominated in Swiss francs or carrying a Swiss franc-related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2nd December, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “Swiss Dealer”), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges</p> |

* Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited.

Summary of the Programme

and Securities Trading of 24th March, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the Issue Date of the relevant Notes.

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| Issuing and Principal Paying Agent: | Citibank, N.A., London office |
| Registrar: | Citibank N.A., London office |
| Programme Size: | Up to €15,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement. |
| Distribution: | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. |
| Currencies: | Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer. |
| Redenomination: | The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. |
| Maturities: | Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. The minimum maturity for Notes issued by FFNA will be 184 days. |
| Issue Price: | Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. |
| Form of Notes: | The Notes will be issued in bearer or registered form as described in “Form of the Notes”. Registered Notes will not be exchangeable for Bearer Notes and vice versa. |
| Fixed Rate Notes: | Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer. |
| Floating Rate Notes: | <p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none">(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> |
| Index Linked Notes: | <p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.</p> <p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> |

Summary of the Programme

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| Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: | Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer. |
| Dual Currency Notes: | Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree. |
| Zero Coupon Notes: | Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest. |
| Redemption: | <p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/ or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.</p> <p>The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.</p> <p>Notes issued on terms that they must be redeemed before their first anniversary may be subject to restrictions on their denomination and distribution. See “<i>Certain Restrictions</i>” above.</p> |
| Denomination of Notes: | Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. |
| Taxation: | All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. |
| Status of the Notes: | The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and (subject as aforesaid) rank and will rank <i>pari passu</i> without any preference among themselves, with all other present and future outstanding unsubordinated and unsecured obligations of the relevant Issuer (subject to mandatorily preferred obligations under applicable laws). |
| Guarantee: | The payment of principal and interest in respect of the Notes and any relative Receipts and Coupons has been irrevocably and unconditionally guaranteed by the Guarantor pursuant to the Guarantee. The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (subject as aforesaid) rank and will rank <i>pari passu</i> (subject to mandatorily preferred obligations under applicable laws) with all other present and future outstanding unsecured and unsubordinated obligations of the Guarantor. |
| Listing: | Application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange. The Notes may also be listed or admitted to trading on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. |

Summary of the Programme

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed or admitted to trading and, if so, on which stock exchange(s).

Governing Law:

The Notes will be governed by, and construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, Canada, Italy, the United Kingdom, Japan, Luxembourg, The Netherlands and Germany and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Subscription and Sale and Transfer and Selling Restrictions”.

Form of the Notes

The Notes of each Series will be in either bearer form (“Bearer Notes”), with or without interest coupons (“Coupons”) attached, or registered form (“Registered Notes”), without Coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

BEARER NOTES

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a “Temporary Bearer Global Note”) or a permanent bearer global note (a “Permanent Bearer Global Note”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “Exchange Date”) which is, in respect of each Tranche in respect of which a Temporary Bearer Global Note is issued, 40 days after the Temporary Bearer Global Note is issued interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, (i) in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), (ii) in the case of Notes issued by FFC, against certification of non-Canadian residence and (iii) in each case, against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days’ written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event*. For these purposes, “Exchange Event” means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note to be in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such

* (b) is not applicable where FFNA is the relevant Issuer.

exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days (except in the case of Bearer Notes issued by FFNA, where it will appear on all Bearer Notes which have an original maturity of more than 183 days) and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, Receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

REGISTERED NOTES

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form, without Receipts or Coupons (a “Regulation S Global Note”), which will be deposited with the Common Depository and registered in the name of a nominee of the Common Depository. Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each such Tranche of Notes, beneficial interests in a Regulation S Global Note of such Tranche may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form, without Receipts or Coupons, (a “Rule 144A Global Note” and, together with a Regulation S Global Note, the “Registered Global Notes”) which will be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (“DTC”).

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d)) as the registered holder of the Registered Global Notes. None of the Issuers, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default has occurred and is continuing, (ii) DTC has notified the relevant Issuer that it is unwilling or unable to continue to act as depository

for the Notes and no alternative clearing system is available, (iii) DTC has ceased to constitute a clearing agency registered under the Exchange Act or the relevant Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the relevant Issuer has or will become subject to adverse tax consequences which would not be required were the Notes represented by the Registered Global Notes to be in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the relevant Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

TRANSFER OF INTERESTS

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See “Subscription and Sale and Transfer and Selling Restrictions”.

GENERAL

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Regulation S Global Note held on behalf of Euroclear and/or Clearstream each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Regulation S Global Note shall be treated by the relevant Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with, and subject to the terms of, the relevant Global Note, and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Rule 144A Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Rule 144A Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then, unless within the period of seven days commencing on the relevant due date payment in full of the amount due

in respect of the Global Note is received by the bearer or the registered holder, as the case may be, in accordance with the provisions of the Global Note holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream and/or DTC, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream and/or DTC on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 31st July, 2002 and executed by the Issuers. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

[FIAT FINANCE AND TRADE LTD. société anonyme/
FIAT FINANCE CANADA LTD./
FIAT FINANCE NORTH AMERICA, INC.]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Fiat S.p.A.
under the €15,000,000,000
Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated []. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub- paragraphs.]

[If the Notes must be redeemed before the first anniversary of their date of issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (i) Issuer: [Fiat Finance and Trade Ltd. société anonyme/Fiat Finance Canada Ltd./Fiat Finance North America, Inc.]
- (ii) Series Number: []
- (iii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - Tranche: []
 - Series: []
4. Issue Price of Tranche: [] per cent.
5. Specified Denominations: *[(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)]*
6. [(i) Issue Date: []]

Form of the Notes

- [(ii) Interest Commencement Date
(if different from the Issue Date): []]
7. Maturity Date: [*Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]*]
8. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
9. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
10. Change of Interest Basis or
Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
11. Put/Call Options: [Investor Put]
[Issuer Call]
(further particulars specified below)
12. Listing: [Luxembourg/specify other/None]
13. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
(If payable other than annually, consider amending Condition 5.)
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date/[specify other]
- (iii) Fixed Coupon Amount(s): [] per [] in nominal amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
- (v) Day Count Fraction: [30/360 or Actual/Actual (ISMA) or specify other]
(NB: if interest is not payable on a regular basis (for example, if there are Broken Amounts specified) Actual/Actual (ISMA) may not be a suitable Day Count Fraction)

- (vi) Determination Date(s): in each year
[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]
(NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ISMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/ *specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (vi) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
- Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: []
(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []

- (viii) Margin(s): +/- per cent. per annum
- (ix) Minimum Rate of Interest: per cent. per annum
- (x) Maximum Rate of Interest: per cent. per annum
- (xi) Day Count Fraction: [Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
(See Condition 5 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: per cent. per annum
- (ii) Reference Price:
- (iii) Any other formula/basis of determining amount payable:
(Consider applicable day count fraction if euro denominated)
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and (j) apply/specify other]
17. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due:
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable:
- (iv) Specified Period(s)/Specified Interest Payment Dates:

- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
18. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) If redeemable in part:
(a) Minimum Redemption Amount: []
(b) Higher Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []
20. Investor Put [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []

Form of the Notes

- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) Notice period (if other than as set out in the Conditions): []
21. Final Redemption Amount: [Par/specify other/see Appendix]
22. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: [Bearer Notes:
- [TEFRA D:
Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event*].
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date.]]
- [TEFRA C:
Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]**]
- [Registered Notes:
- Regulation S Global Note ([U.S.\$/[]] [] nominal amount)/
Rule 144A Global Note (U.S.\$[] nominal amount) (*specify nominal amounts*)]
24. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(*Note that this item relates to the place of payment and not Interest Period end dates to which items 15(iii) and 17(vi) relate*)
25. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

* Second alternative not applicable where FFNA is the Issuer.

** Not applicable where FFNA or FFC is the Issuer.

Form of the Notes

26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. NB: new forms of Global Note may be required for Partly Paid issues.]
27. Details relating to Instalment Notes: [Not Applicable/give details]
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
28. Redenomination applicable: Redenomination [not] applicable
(if Redenomination is applicable, specify the terms of Redenomination in an Annex to the Pricing Supplement)
29. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

30. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager (if any): [Not Applicable/give name]
31. If non-syndicated, name of relevant Dealer: []
32. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

33. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
34. Delivery: Delivery [against/free of] payment
35. Additional Paying Agent(s) (if any): []
- ISIN: []
- Common Code: []
- CUSIP: []
- CINS: []

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the €15,000,000,000 Global Medium Term Note Programme of Fiat Finance and Trade Ltd. société anonyme, Fiat Finance Canada Ltd. and Fiat Finance North America, Inc.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:
Duly authorised

By:
Duly authorised

Form of the Notes

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, (except Condition 7(b)), 11, 12, 13, 14 (insofar as such Notes are not listed on any stock exchange) or 16, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

Terms and Conditions of the Notes

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Pricing Supplement” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued pursuant to the Agency Agreement (as defined below). References herein to the “Issuer” shall be references to the party specified as such in the applicable Pricing Supplement (as defined below).

References herein to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form; and
- (iv) definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Amended and Restated Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 31st July, 2002 and made between (*inter alia*) the Issuer, Fiat S.p.A. (the “Guarantor”) as guarantor, Citibank, N.A., London office as issuing and principal paying agent and agent bank (the “Principal Paying Agent”, which expression shall include any successor principal paying agent) as exchange agent (the “Exchange Agent” which expression shall include any successor exchange agent), the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), Citibank, N.A., London office as registrar (the “Registrar”, which expression shall include any successor or alternative registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the “Transfer Agents”, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (“Coupons”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purpose of this Note. References to the “applicable Pricing Supplement” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The payment of all amounts in respect of this Note has been guaranteed by the Guarantor pursuant to a guarantee (the “Guarantee”) dated 31st July, 2002 executed by the Guarantor. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders, the Receiptholders and the Couponholders at its specified office.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the “Deed of Covenant”) dated 31st July, 2002 and made (*inter alia*) by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream (as defined below).

Copies of the Agency Agreement, the Guarantee, a deed poll (the “Deed Poll”) dated 31st July, 2002 and made (*inter alia*) by the Issuer, the Guarantor and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “Agents”). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed Poll, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Bearer Global Note or a Regulation S Global Note (as defined in Condition 2) held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream”), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or, as the case may be, the registered holder of the relevant Regulation S Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as the Depository Trust Company (“DTC”) or its nominee is the registered owner or holder of a Rule 144A Global Note (as defined in Condition 2), DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Rule 144A Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

- (a) **Transfers of interests in Registered Global Notes:** Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement.
- (b) **Transfers of Registered Notes in definitive form:** Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered

Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

- (c) **Registration of transfer upon partial redemption:** In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.
- (d) **Costs of registration:** Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.
- (e) **Transfers of interests in Regulation S Global Notes:** Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:
 - (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a “Transfer Certificate”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
 - (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

- (f) **Transfers of interests in Legended Notes:** Transfers of Legended Notes or beneficial interests therein may be made:
 - (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or
 - (ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as

the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) **Exchanges and transfers of Registered Notes generally:** Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) **Definitions:** In these Conditions, the following expressions shall have the following meanings:

“**Distribution Compliance Period**” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“**Legended Note**” means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“**QIB**” means a “qualified institutional buyer” within the meaning of Rule 144A;

“**Regulation S**” means Regulation S under the Securities Act;

“**Regulation S Global Note**” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“**Rule 144A**” means Rule 144A under the Securities Act;

“**Rule 144A Global Note**” means a Registered Global Note representing Notes sold in private transactions to QIBs in accordance with the requirements of Rule 144A; and

“**Securities Act**” means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES AND THE GUARANTEE

(a) **Status of the Notes:** The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu* without any preference among themselves, with all other present and future outstanding unsubordinated and unsecured obligations of the Issuer (subject to mandatorily preferred obligations under applicable laws).

(b) **Status of the Guarantee:** The payment of principal and interest in respect of the Notes and any relative Receipts and Coupons has been irrevocably and unconditionally guaranteed by the Guarantor pursuant to the Guarantee. The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (subject as aforesaid) rank and will rank *pari passu* (subject to mandatorily preferred debts under applicable laws) with all other present and future outstanding unsecured and unsubordinated obligations of the Guarantor.

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will (unless previously authorised by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders) create or have outstanding any mortgage, charge, pledge, lien or other security interest (other than any arising by operation of law) upon the whole or any part of its undertaking or assets (including uncalled capital), present or future, to secure any Quoted Indebtedness (as defined below), unless in any such case the same security (or such other security as may be approved by Extraordinary Resolution of the Noteholders) shall forthwith be extended equally and rateably to the Notes. For the purpose of these Conditions and the Guarantee:

(i) “**Quoted Indebtedness**” means any Indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities and which at the time of issue is or is capable of being quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter market or other securities market (whether or not initially distributed by means of private placing); and

- (ii) “Indebtedness” means any loan or other indebtedness, present or future, of the Issuer, the Guarantor or any other person and any guarantee of such loan or other indebtedness as aforesaid.

5. INTEREST

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise rounded in accordance with applicable market convention.

In these Conditions:

“Day Count Fraction” means, in respect of the calculation of an amount in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement:
- (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

“Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

“sub-unit” means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:
- (A) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the applicable Pricing Supplement; or
 - (B) if no express Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “TARGET System”) is open.

- (ii) *Rate of Interest*: The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

- (iii) *Minimum and/or maximum Rate of Interest:* If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

- (iv) *Determination of Rate of Interest and calculation of Interest Amounts:* The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “**Actual/365**” or “**Actual/Actual**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).
- (v) *Notification of Rate of Interest and Interest Amounts:* The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest

Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

- (vi) *Certificates to be final*: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, negligence or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- (c) **Interest on Dual Currency Interest Notes**: In the case of Dual Currency Interest Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.
- (d) **Interest on Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.
- (e) **Accrual of interest**: Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:
 - (1) the date on which all amounts due in respect of such Note have been paid; and
 - (2) the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

(a) Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

- (b) **Presentation of definitive Bearer Notes, Receipts and Coupons:** Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

- (c) **Payments in respect of Bearer Global Notes:** Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying

Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

- (d) **Payments in respect of Registered Notes:** Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "Register") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the "Record Date"). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "Record Date") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Global Note in registered form in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

- (e) **General provisions applicable to payments:** The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as

the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if: (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due; (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

- (f) **Payment Day:** If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:
- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London;
 - (C) any Additional Financial Centre specified in the applicable Pricing Supplement; and
 - (D) *where the Issuer is FFT, Luxembourg, where the Issuer is FFC, Toronto, and where the Issuer is FFNA, New York City;*
 - (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open; and
 - (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.
- (g) **Interpretation of principal and interest:** Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:
- (i) any additional amounts which may be payable with respect to principal under Condition 8;
 - (ii) the Final Redemption Amount of the Notes;
 - (iii) the Early Redemption Amount of the Notes;
 - (iv) the Optional Redemption Amount(s) (if any) of the Notes;
 - (v) in relation to Notes redeemable in instalments, the Instalment Amounts;

- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

- (a) **Redemption at maturity:** Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.
- (b) **Redemption for tax reasons:**
 - (i) The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:
 - (1) either the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws, regulations or rulings of the Relevant Tax Jurisdiction or any change in the application or official interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
 - (2) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer or, as the case may be, the Guarantor shall deliver to the Principal Paying Agent a certificate signed by one Director of the Issuer or, as the case may be, one Director of the Guarantor stating that the Issuer or, as the case may be, the Guarantor is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or, as the case may be, the Guarantor so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

“Relevant Tax Jurisdiction” shall mean, in the case of payment by the Issuer, the Grand-Duchy of Luxembourg (*where the Issuer is FFT*), Canada (*where the Issuer is FFC*) or the United States of America (*where the Issuer is FFNA*) or any political subdivision or any authority thereof or therein having power to tax and, in the case of payment by the Guarantor, shall mean the Republic of Italy and any political subdivision or any authority thereof or therein having power to tax.

- (ii) *Where the Issuer is FFNA:*

If the Issuer shall determine that any payment made outside the United States by the Issuer or any of its paying agents in respect of any Bearer Note, Receipt or Coupon would, under any present or future laws or regulations of the United States, be subject to any certification, documentation, information or other reporting requirement of any kind the effect of which requirement is the disclosure to the Issuer, the Guarantor, any paying agent or any governmental authority of the nationality, residence or identity of a beneficial owner of such Bearer Note, Receipt or Coupon that is a United States Alien (as defined in Condition 8(b)) (other than a requirement (a) that would not be applicable to a payment by the Issuer, the Guarantor or any one of its paying agents (i) directly to the beneficial owner or (ii) to a custodian, nominee or other agent of the beneficial owner, or (b) that can be satisfied by such custodian, nominee or other agent certifying to the effect that the beneficial owner is a United States Alien, provided that, in any case referred to in clauses (a)(ii) or (b), payment by the custodian, nominee or agent to the beneficial owner is not otherwise subject to any such requirement, or (c) that would not be applicable to a payment by at least one paying agent of the Issuer), the Issuer shall elect either (x) to redeem the Notes in whole but not in part, at a price equal to the Early Redemption Amount, together with accrued interest to the date fixed for redemption or (y) if the conditions of the next succeeding paragraph are satisfied, to pay the additional amounts specified in such paragraph. The Issuer shall make such determination as soon as practicable and publish prompt notice thereof (the "Determination Notice") stating the effective date of such certification, documentation, information or other reporting requirement, whether the Issuer will redeem the Notes or pay the additional amounts specified in the next succeeding paragraph, and (if applicable) the last date by which the redemption must take place, as provided in the next succeeding sentence. If the Notes are to be redeemed pursuant to this paragraph, such redemption shall take place on such date, not later than one year after the publication of the Determination Notice, as the Issuer shall specify by notice to the Principal Paying Agent at least 45 days before the date fixed for redemption. Notice of such redemption of the Notes will be given to the holders of the Notes not more than 60 nor less than 30 days prior to the date fixed for redemption by publication in accordance with Condition 14. Notwithstanding the foregoing, the Issuer shall not so redeem the Notes if the Issuer shall subsequently determine, not less than 30 days prior to the date fixed for redemption, that subsequent payments on the Bearer Notes, Receipts and Coupons would not be subject to any such certification, documentation, information or other reporting requirement, in which case the Issuer shall give prompt notice of such subsequent determination by publication in accordance with Condition 14 and any earlier redemption notice shall be revoked and of no further effect. Prior to the publication of any Determination Notice pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent a certificate signed by one Director of the Issuer stating that the Issuer is obligated to make such determination and setting forth a statement of facts showing that the conditions precedent to the obligation of the Issuer to redeem the Notes or to pay the additional amounts specified in the next succeeding paragraph have occurred, and an opinion of independent legal advisers of recognised standing to the effect that such conditions have occurred.

If and so long as the certification, documentation, information or other reporting requirements referred to in the preceding paragraph would be fully satisfied by payment of a backup withholding tax or similar charge, the Issuer may elect to pay as additional interest such additional amounts as may be necessary so that every net payment made outside the United States following the effective date of such requirement by the Issuer or the Guarantor or any of its paying agents in respect of any Bearer Note, Receipt or any Coupon of which the beneficial owner is a United States Alien (but without any requirement that the nationality, residence or identity, other than status as a United States Alien, of such beneficial owner be disclosed to the Issuer, the Guarantor, any paying agent or any governmental authority), after deduction or withholding for or on account of such backup withholding tax or similar charge (other than a backup withholding tax or similar charge that (i) would not be applicable in the circumstances referred to in the parenthetical clause of the first sentence of the preceding paragraph, or (ii) is imposed as a result of the presentation of such Bearer Note or Coupon for payment more than 15 days after the date on which such payment became due and payable or on which payment thereof was duly provided for, whichever occurred later), will not be less than the amount provided for in such Bearer Note, Receipt or Coupon to be then due and payable. If the Issuer elects to pay additional amounts pursuant to this paragraph, the Issuer shall have the right to redeem the Notes at any time in whole but not in part, subject to the provisions of the last three sentences of the immediately preceding paragraph. Any redemption payments made by the Issuer pursuant to the two immediately preceding sentences shall be subject to the continuing obligation of the Issuer to pay additional amounts pursuant to this paragraph. If the Issuer elects to pay additional amounts pursuant to this paragraph and the condition specified in the first sentence of

this paragraph should no longer be satisfied, then the Issuer shall redeem the Notes pursuant to the provisions of the immediately preceding paragraph.

- (c) **Redemption at the option of the Issuer (Issuer Call):** If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:
- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
 - (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, as specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/ or Clearstream and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

- (d) **Redemption at the option of the Noteholders (Investor Put):** If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b).

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given

pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 10.

- (e) **Early Redemption Amounts:** For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:
- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
 - (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
 - (iii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

- (f) **Instalments:** Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.
- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.
- (h) **Purchases:** The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation.
- (i) **Cancellation:** All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.
- (j) **Late payment on Zero Coupon Notes:** If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:
 - (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All amounts payable in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Tax Jurisdiction (as defined in Condition 7) unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction except as follows:

(a) Where the Issuer is FFT:

No such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment in Luxembourg or the Republic of Italy; or
- (ii) presented for payment by, or by a third party on behalf of, a holder who is liable to those taxes or duties in respect of that Note, Receipt or Coupon by reason of his having some connection with the Relevant Tax Jurisdiction other than the mere holding of the Note, Receipt or Coupon or the receipt of principal or interest in respect of it; or
- (iii) presented for payment by a holder who is able to avoid the withholding by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting it for payment on the last day of such 30-day period assuming that day to have been a Payment Date; or
- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or law; or
- (vi) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

(b) Where the Issuer is FFC:

No such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment in the Republic of Italy;
- (ii) presented for payment by, or by a third party on behalf of, a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Relevant Tax Jurisdiction other than the mere holding or use or ownership of such Note, Receipt or Coupon or deemed holding or use outside Canada or ownership as a non-resident of Canada of such Note, Receipt or Coupon;
- (iii) presented for payment by, or by a third party on behalf of, a holder in respect of whom such taxes or duties are required to be withheld or deducted by reason of the holder being a person with whom FFC is not dealing at arm's length (within the meaning of the *Income Tax Act* (Canada));
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day;
- (v) presented for payment by, or by a third party on behalf of, a holder in respect of whom any such taxes or duties would not have been so imposed but for the failure of such holder to comply with any

requirement under relevant income tax treaties or Canadian statutes and regulations (or any administrative practice in Canada) to claim or establish entitlement to exemption from or reduction of such taxes or duties;

- (vi) presented for payment in respect of any taxes or duties required to be withheld by any Paying Agent from any payment in respect of any Note, Receipt or Coupon, if such payment can be made without such withholding by any other Paying Agent; or
- (vii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or law.

(c) Where the Issuer is FFNA:

No such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment for or on account of any tax assessment or other governmental charge that would not have been imposed but for (x) the existence of any present or former connection between such holder (or between a fiduciary, settlor or beneficiary of, or a person holding a power over, such holder, if such holder is an estate or a trust, or a member or shareholder of such holder, if such holder is a partnership or a corporation) and the Relevant Tax Jurisdiction (other than the mere receipt of such payment or the holding of such Note), including, without limitation, such holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in trade or business or present therein or having or having had a permanent establishment therein or (y) (where the Relevant Tax Jurisdiction is the United States) such holder's past or present status as a personal holding company, foreign personal holding company or private foundation or other tax-exempt organisation with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax;
- (ii) presented for payment for or on account of any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or other governmental charge;
- (iii) presented for payment for or on account of any tax, assessment or other governmental charge that would not have been imposed but for the presentation by the holder of a Note, Receipt or Coupon for payment more than 30 days after the Relevant Date;
- (iv) presented for payment for or on account of any tax, assessment or other governmental charge that is payable otherwise than by deduction or withholding from a payment on a Note, Receipt or Coupon;
- (v) presented for payment for or on account of any tax, assessment or other governmental charge required to be deducted or withheld by any Paying Agent from a payment on a Note, Receipt or Coupon, if such payment can be made without such deduction or withholding by any other Paying Agent;
- (vi) presented for payment for or on account of any tax, assessment or other governmental charge that would not have been imposed but for a failure to comply with any applicable certification, documentation, information or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of a Note, Receipt or Coupon if, without regard to any tax treaty, such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (vii) presented for payment for or on account of any tax, assessment or other governmental charge imposed on a holder that actually or constructively owns 10 per cent. or more of the combined voting power of all classes of stock of the Issuer or that is a controlled foreign corporation related to the Issuer through stock ownership; or
- (viii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or law;

nor shall such additional amounts be paid with respect to a payment on a Note, Receipt or Coupon to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon.

The term “United States Alien” means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

As used in these Terms and Conditions, “Relevant Date”, in respect of any payment, means the date on which that payment first becomes due but, if the full amount of the moneys payable has not been received by the Principal Paying Agent on or before the due date, it means the date on which, the full amount of those moneys having been so received, notice to that effect has been duly given to the relevant Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. EVENTS OF DEFAULT

If any of the following events (each an “Event of Default”) shall occur:

- (i) there is a default for more than 14 days after the date when due in the payment of principal or interest (if any) due in respect of the Notes; or
- (ii) there is default in the performance of any other obligation under the Agency Agreement, the Notes or the Guarantee (a) which is incapable of remedy or (b) which, being a default capable of remedy, continues for 30 days after written notice of such default has been given through the Principal Paying Agent by the holder of any Note to the Issuer and the Guarantor; or
- (iii) any final order shall be made by any competent court or other authority or resolution passed by the Issuer or the Guarantor for the dissolution or winding-up of the Issuer or the Guarantor or for the appointment of a liquidator, receiver or trustee of the Issuer or the Guarantor or of all or a substantial part of their respective assets; or
- (iv) the Issuer or the Guarantor shall stop payment or shall be unable to, or shall admit to creditors generally inability to pay its debts as they fall due, or shall be finally adjudicated or found bankrupt or insolvent, or shall enter into any composition or other arrangement with its creditors generally (including without limitation, in the case of the Guarantor, the procedures of *fallimento*, *amministrazione controllata* or *concordato preventivo* under R.D. No. 267 of 16 March 1942, as amended, and of *amministrazione straordinaria delle grandi imprese in crisi* under D.L. No. 26 of 30 January 1979, enacted by Law No. 95 of 3 April 1979 as amended), or, where FFT is the Issuer, the Issuer shall apply for controlled management (*gestion contrôlée*) or reprieve from payment (*sursis de paiement*); or
- (v) the Issuer or the Guarantor ceases, or threatens to cease, to carry on business unless such cessation, or threatened cessation, is in connection with a merger, consolidation or any other form of combination with another company and such company in the case of the Issuer, assumes all obligations of the Issuer under the Notes, and in the case of the Guarantor, assumes all obligations of the Guarantor under the Deed of Guarantee; and
- (vi) the Issuer ceases to be controlled directly or indirectly by the Guarantor, for which purpose the Guarantor shall be deemed to control the Issuer only if the Guarantor directly or indirectly, through one or more companies controlled by it within the meaning of this definition, (a) owns more than 50

per cent. of the voting share capital of the Issuer; or (b) has power to appoint or remove more than 50 per cent. of the Board of Directors (or other similar senior supervisory body) of the Issuer,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 7(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange; and
- (c) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, the Issuer will ensure that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to any such Directive or law.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Bearer Notes are listed on the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a

manner which complies with the rules and regulations of any stock exchange on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed or admitted to trading on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

Where the Issuer is FFT, the provisions of articles 86 to 94-8 of the Luxembourg law of 10th August, 1915 on commercial companies, as amended, are hereby excluded.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. RIGHTS OF THIRD PARTIES

The Notes confer no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (a) **Governing law:** The Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.
- (b) **Submission to jurisdiction:** The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

- (c) **Appointment of Process Agent:** The Issuer appoints Fiat U.K. Limited at its registered office for the time being in England as its agent for service of process, and undertakes that, in the event of Fiat U.K. Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

Use of Proceeds

The net proceeds from each issue of Notes will be used to finance the activities of the Fiat Group.

Fiat Finance and Trade Ltd.

société anonyme

BUSINESS AND INCORPORATION

Fiat Finance and Trade Ltd. société anonyme (“FFT”) was registered for an unlimited duration on 6th May, 1985 under the laws of the Cayman Islands and is incorporated since 18th June, 1997 with limited liability under the laws of the Grand-Duchy of Luxembourg. Its registered office is 13 Rue Aldringen, L-1118, Luxembourg, and it is registered in the trade and company register at the district court in Luxembourg (*Registre du Commerce et des Sociétés* at the *Tribunal d’Arrondissement* of Luxembourg) under number B-59500. The Articles of Incorporation of FFT have been published in the *Mémorial C*, *Journal Officiel du Grand-Duché de Luxembourg*, *Recueil Spécial des Sociétés et Associations* under number 384 of 17th July, 1997. The articles were modified on 9th October, 1997 (published in the *Mémorial C* under number 635 of 13th November, 1997), on 31st December, 1998 (published in the *Mémorial C* under number 237 of 4th April, 1999), on 25th June, 1999 (published in the *Mémorial C* under number 705 of 22nd September, 1999) and on 27th November, 2000 (published in the *Mémorial C* under number 514 of 7th July, 2001).

FFT, which is 99.99 per cent. owned by Fiat Ge.Va. S.p.A., which in turn is a wholly-owned subsidiary of Fiat S.p.A., is used as the central treasury vehicle for the Fiat Group in the international financial markets. Its object, according to article 3 of its Articles of Association, is the holding of participations in other companies and/or enterprises and the direct and/or indirect financing of such entities or entities being members of its group.

The authorised share capital of FFT is euro 500,000,000. The subscribed share capital is euro 251,494,000 represented by 13,416 ordinary shares without nominal value.

MANAGEMENT

The present composition of the Board of Directors is as follows:

| Name | Position on Board | Place of Domicile |
|------------------------|-------------------|-------------------|
| Ernesto Rodoni | Chairman | Lugano-Paradiso |
| Florio Giamboni | Director | Lugano-Paradiso |
| Cristina De Berardinis | Director | London |
| Marco Casalino | Director | Turin |
| Jacques Loesch | Director | Luxembourg |
| Andrea Faina | Director | Turin |
| Saverio Cacopardo | Director | Turin |

The Directors do not hold any principal executive directorships outside the Fiat Group which are significant with respect to FFT.

Capitalisation of Fiat Finance and Trade Ltd.

société anonyme

The following table sets out the capitalisation of Fiat Finance and Trade Ltd. société anonyme as at 31st December, 2001:

| | (thousands of euro) |
|---|------------------------|
| Debt | |
| LUF 1,000,000,000 6.25% Notes due 2002 | €24,789 |
| ITL 300,000,000,000 6.20% Notes due 2002..... | 154,937 |
| Euro Medium Term Note Programme ITL 18,000,000,000 | 9,296 |
| Global Medium Term Note Programme euro 15,000,000,000 | 9,508,752 |
| Euro 1,000,000,000 3.75% Notes due 2004..... | 1,000,000 |
| Samurai Bond JPY 40,000,000,000 6% due 2005..... | 346,831 |
| Commercial Paper and Bank Acceptances | 32,122 |
| Short-term bank loans outstanding..... | 124,903 |
| Long-term bank loans outstanding | 176,694 |
| Inter-company indebtedness..... | 2,151,902 |
| Owed to third parties | 2,127 |
| Other indebtedness | 720,756 |
| Total debt | <u>€14,253,109</u> |
| Shareholders' Equity | |
| Share capital | 251,494 |
| Retained profit, profit for the period and reserves | 6,105 |
| Total equity | <u>257,599</u> |
| Total capitalisation ⁽¹⁾ | <u>€14,510,708</u> |

(1) Net working capital decreased from €1,542 million as at 31st December, 2001 to €298 million as at 30th June, 2002. This was mainly due to fact that FFT received a short-term loan of €2,298 million from a Group entity out of which only part was retained among its current assets as cash at banks (€1 million), the rest being granted to another Group entity as a long-term loan.

The net result for the six-month period ended 30th June, 2002 (a loss of €3.131 million) decreased compared to the corresponding period in 2001 (a loss of €0.753 million) mainly as a consequence of lower spreads applied by FFT to loans to Group companies. Starting in May 2002, these spreads were increased in line with the restructuring of intercompany indebtedness from short to medium-long term.

Except as set out above, there has been no material change in the capitalisation of FFT since 31st December, 2001.

Financial information relating to Fiat Finance and Trade Ltd.

société anonyme

The following financial information is extracted without material adjustment from the audited annual accounts of Fiat Finance and Trade Ltd. société anonyme as at 31st December, 2000 and 2001 and for the years then ended:

BALANCE SHEET

| | As at 31st December, | |
|--|------------------------|------------------------|
| | 2001 | 2000 |
| | (euro) | |
| Assets | | |
| Fixed assets | | |
| Tangible assets | €112,754 | €58,168 |
| Financial assets | | |
| Participations in subsidiaries | 220,505,860 | 220,659,000 |
| Amounts owed by Group companies | 8,055,297,484 | 4,765,670,620 |
| Current assets | | |
| Debtors | | |
| Amounts owed by third parties | 199,520 | 45,184 |
| Financial assets | | |
| Amounts owed by Group companies | 4,931,991,524 | 4,846,077,935 |
| Other investments | 27,311,426 | 73,737,684 |
| Cash at banks..... | 681,861,991 | 607,050,357 |
| Accrued Income | 541,863,987 | 405,751,218 |
| Deferred expenses | 51,563,545 | 263,620,739 |
| Total Assets | <u>€14,510,708,091</u> | <u>€11,182,670,905</u> |
| Liabilities and equity | | |
| Capital and reserves | | |
| Subscribed capital | €251,494,000 | €251,494,000 |
| Legal reserve | 190,000 | 114,270 |
| Special reserve | 8,850 | 8,850 |
| Retained earnings..... | 141,410 | 8,854,103 |
| Provision for liabilities and charges | | |
| Provision for taxation | 328,096 | 445,685 |
| Creditors – amounts due and payable within one year | | |
| Bank loans and overdraft | 124,903,068 | 34,222,436 |
| Commercial paper..... | 32,122,016 | 145,188,991 |
| Bonds and other notes payable..... | 1,660,731,450 | 965,550,561 |
| Borrowings from Group companies | 2,151,902,456 | 2,395,606,373 |
| Amounts owed to third parties..... | 2,126,888 | 3,499,076 |
| Creditors – amounts due and payable after more than one year | | |
| Bank loans and overdraft | 176,693,785 | 76,693,781 |
| Bonds and other notes payable..... | 9,383,873,335 | 6,885,916,255 |
| Accrued expenses | 544,309,640 | 403,645,579 |
| Deferred income | 176,118,439 | 10,068,020 |
| Profit for the financial year | 5,764,658 | 1,362,925 |
| Total liabilities and equity | <u>€14,510,708,091</u> | <u>€11,182,670,905</u> |

STATEMENTS OF PROFIT AND LOSS

Year ended 31st December,
2001 2000*
(thousands of euro)

| | 2001 | 2000* |
|---|-----------------------|-----------------------|
| | (thousands of euro) | |
| Interest receivable and similar income | | |
| Banks | €7,781,957 | €10,248,977 |
| Other investments | 7,199,044 | 16,056,388 |
| Group companies and third parties | 718,381,707 | 426,525,911 |
| | <u>€733,362,708</u> | <u>€452,831,276</u> |
| Interest payable and similar charges | | |
| Banks | (19,723,889) | (16,844,031) |
| Group companies and third parties | (113,308,409) | (68,051,044) |
| Commercial papers | (4,187,117) | (6,572,696) |
| Bonds and other notes payable..... | (475,328,345) | (242,368,388) |
| | <u>€(612,547,760)</u> | <u>€(333,836,159)</u> |
| Other financial income and expenses | | |
| Dividends from subsidiaries | 10,048,810 | 8,500,000 |
| Net income on off-balance sheet items | (115,714,076) | (120,939,114) |
| Foreign exchange gain, net..... | 1,109,404 | 701,442 |
| Other financial income..... | 57,736,449 | 44,909,542 |
| Fees, commissions and other financial expenses | (65,135,278) | (48,136,694) |
| | <u>€(111,954,691)</u> | <u>€(114,964,824)</u> |
| Net profit before operating charges and taxation | | |
| | 8,860,257 | 4,030,293 |
| Operating charges | (2,708,156) | (2,580,182) |
| Taxation..... | (387,443) | (87,186) |
| | <u>€5,764,658</u> | <u>€1,362,925</u> |
| Profit for the Financial Year | | |

*The statement of profit and loss for the year ended 31st December, 2000 has been adapted for comparability purposes, according to Article 207 of Luxembourg Law of 10th August, 1915 on Commercial Companies.

Fiat Finance Canada Ltd. ("FFC")

BUSINESS AND INCORPORATION

FFC was incorporated on 2nd May, 1991 under the Business Corporations Act of the Province of Alberta, Canada and began operations on 6th May, 1991.

FFC is a wholly owned subsidiary of Fiat Ge.Va. S.p.A., which is in turn a wholly owned subsidiary of the Guarantor. FFC performs cash management, investment and corporate finance services and provides working capital financing for Fiat Group companies in Canada.

The authorised share capital of FFC is an unlimited number of common shares without nominal or par value. The issued capital is CAN\$10,100,000 represented by 493 common shares.

MANAGEMENT

The present composition of the Board of Directors is as follows:

| Name | Position on Board |
|------------------|-------------------|
| David A. Jackson | Director |
| James J. Kennedy | Director |
| Paul K. Tamaki | Director |
| John W. Teolis | Director |
| David J. Toswell | Director |
| Enrico Zecchini | Director |
| Paolo Vannini | Director |

The Directors do not hold any principal executive directorships outside the Fiat Group which are significant with respect to FFC.

Capitalisation of Fiat Finance Canada Ltd.

The following table sets out the capitalisation of FFC as at 31st December, 2001:

(thousands
of CAN\$)

Debt

| | |
|---|---------------------|
| Notes Payable..... | CAN\$131,215 |
| Borrowings from Banks..... | 233,354 |
| Commercial Paper Program, net of discount | 195,823 |
| Intercompany Indebtedness | 100,554 |
| Total Debt | <u>CAN\$660,946</u> |

Shareholder's Equity

| | |
|--|---------------------|
| Capital Stock (no par value; unlimited shares authorised; 493 shares outstanding at assigned value) | 10,100 |
| Retained earnings | 4,420 |
| Total Shareholder's Equity | <u>14,520</u> |
| Total Capitalisation | <u>CAN\$675,466</u> |

There has been no material change in the capitalisation of FFC since 31st December, 2001.

Financial information relating to Fiat Finance Canada Ltd.

The following financial information is extracted without material adjustment from the audited annual accounts of FFC as at 31st December, 2000 and 2001 and for the years then ended:

BALANCE SHEET

| | As at 31st December, | |
|---|----------------------|----------------------|
| | 2001 | 2000 |
| | (thousands of CAN\$) | |
| Assets | | |
| Cash and short term investments | CAN\$ 34 | CAN\$ 52,331 |
| Marketable Security | 13,307 | 4,959 |
| Finance and interest receivables from affiliates..... | 665,687 | 807,965 |
| Finance receivables from third parties | – | – |
| Interest receivables from third parties | 4,550 | 2,250 |
| Other assets..... | 275 | 139 |
| Total assets..... | <u>CAN\$ 683,853</u> | <u>CAN\$ 867,644</u> |
| Liabilities | | |
| Commercial paper, net of discount..... | 195,823 | 625,046 |
| Borrowings from banks..... | 233,354 | 210,000 |
| Notes Payable | 131,215 | – |
| Finance and interest payables to affiliates | 100,554 | 13,667 |
| Interest payable to third parties..... | 7,170 | 4,140 |
| Payables to affiliates..... | 487 | 240 |
| Accounts payable and accrued expenses..... | 730 | 1,076 |
| Total liabilities..... | <u>CAN\$ 669,333</u> | <u>CAN\$ 854,169</u> |
| Shareholder's equity | | |
| Capital Stock (no par value; unlimited shares authorised; 493 shares outstanding at assigned value)..... | 10,100 | 10,100 |
| Retained earnings..... | 4,420 | 3,375 |
| Total shareholder's equity..... | <u>14,520</u> | <u>13,475</u> |
| Total liabilities and shareholder's equity..... | <u>CAN\$ 683,853</u> | <u>CAN\$ 867,644</u> |

STATEMENTS OF PROFIT AND LOSS

| | Year ended 31st December, | |
|--|---------------------------|------------------|
| | 2001 | 2000 |
| | (thousands of CAN\$) | |
| Interest income..... | CAN\$ 58,175 | CAN\$ 71,641 |
| Interest expense..... | 56,210 | 69,384 |
| Net interest income | <u>1,965</u> | <u>2,257</u> |
| Other Income | 1,294 | 913 |
| Operating expenses, net | 925 | 1,089 |
| General and administrative expenses..... | 482 | 486 |
| Income before income taxes | 1,852 | 1,595 |
| Provision for income taxes | 807 | 729 |
| Net income..... | <u>CAN\$ 1,045</u> | <u>CAN\$ 866</u> |

Fiat Finance North America, Inc. ("FFNA")

BUSINESS AND INCORPORATION

FFNA was incorporated in the State of Delaware on 5th August, 1996 and began operations on 15th September, 1996.

FFNA is a majority owned subsidiary of Fiat Ge.Va. S.p.A., which is in turn a wholly owned subsidiary of the Guarantor, and performs cash management, investment and corporate finance services and provides working capital financing for Fiat Group companies in the United States.

The authorised share capital of FFNA is represented by 5,000 common shares of no par value. The subscribed capital is U.S.\$40,090,000 represented by 380 common shares of no par value.

In 1999, FFNA issued 230 common shares to Fiat Ge.Va. S.p.A. Prior to 1999, FFNA was wholly owned by I.H.F.-Internazionale Holding Fiat S.A., which continues to own 150 common shares.

MANAGEMENT

The present composition of the Board of Directors of FFNA is as follows:

| Name | Position on Board |
|-------------------|-------------------|
| Gianluigi Gabetti | Chairman |
| Paolo Vannini | Director |
| James J. Kennedy | Director |
| Enrico Zecchini | Director |

Capitalisation of Fiat Finance North America, Inc.

The following table sets out the capitalisation of FFNA as at 31st December, 2001:

| | (thousands of U.S. dollars) |
|--|--------------------------------|
| Debt | |
| Short Term Bank Loans outstanding..... | \$ 138,500 |
| Notes payable..... | 302,286 |
| Intercompany Indebtedness | 179,197 |
| Total Debt | <u>\$ 619,983</u> |
| Shareholder's Equity | |
| Capital stock (no par value; authorised 5,000 shares; 380 shares outstanding at assigned value) | \$ 40,090 |
| Retained earnings | 3,861 |
| Total Equity..... | <u>43,951</u> |
| Total Capitalisation | <u>\$ 663,934</u> |

With the exception of the issue by FFNA of Notes with an aggregate principal amount of approximately US\$263,000,000 under the Global Medium Term Note Programme and a significant net reduction in amounts owing under loans from banks, there has been no material change in the capitalisation of FFNA since 31st December, 2001.

Financial information relating to Fiat Finance North America, Inc.

The following financial information is extracted without material adjustment from the audited annual accounts of FFNA, as at 31st December, 2000 and 2001 and for the years then ended:

BALANCE SHEET

| | As at 31st December, | |
|---|-----------------------------|-------------------|
| | 2001 | 2000 |
| | (thousands of U.S. dollars) | |
| Assets | | |
| Cash and short term investments..... | \$ 105,523 | \$ 36,655 |
| Finance and interest receivables from affiliates..... | 563,235 | 571,721 |
| Other receivables from affiliates..... | 53 | – |
| Interest receivables from third parties..... | 2,585 | 1,276 |
| Other assets..... | 98 | 1,086 |
| Total assets..... | <u>\$ 671,494</u> | <u>\$ 610,738</u> |
| Liabilities | | |
| Borrowings from banks..... | \$ 138,500 | 260,000 |
| Notes payable | 302,286 | 181,377 |
| Finance and interest payables to affiliates | 179,197 | 118,597 |
| Interest payable to third parties..... | 7,234 | 7,128 |
| Payables to affiliates..... | 179 | 14 |
| Accounts payable and accrued expenses..... | 147 | 123 |
| Total liabilities..... | <u>\$ 627,543</u> | <u>\$ 567,239</u> |
| Stockholder's equity | | |
| Capital stock (no par value; authorised 5,000 shares; 380 shares outstanding at assigned value, at 31st December, 2001 and 2000)..... | 40,090 | 40,090 |
| Retained earnings..... | 3,861 | 3,409 |
| Total stockholder's equity..... | <u>43,951</u> | <u>43,499</u> |
| Total liabilities and stockholder's equity..... | <u>\$ 671,494</u> | <u>\$ 610,738</u> |

STATEMENTS OF INCOME

| | Year ended 31st December, | |
|------------------------------------|-----------------------------|-----------------|
| | 2001 | 2000 |
| | (thousands of U.S. dollars) | |
| Interest income | \$ 46,461 | \$ 28,878 |
| Interest expense..... | 45,182 | 25,924 |
| Net interest income | 1,279 | 2,954 |
| Operating expenses | 1,630 | 1,415 |
| Income (loss) from operations..... | (351) | 1,539 |
| Other income | 1,230 | 923 |
| Income before income taxes | 879 | 2,462 |
| Provision for income taxes | 427 | 1,172 |
| Net income..... | <u>\$ 452</u> | <u>\$ 1,290</u> |

Fiat S.p.A.

The Guarantor and its consolidated subsidiaries (the “Group”) constitutes the largest private sector industrial group in Italy. The Group also has extensive operations in the rest of Europe and in other parts of the world. In 1999, Fiat celebrated its centenary, having been founded in Turin in 1899 as a manufacturer of automobiles.

The Group is engaged principally in the manufacture and sale of motor cars, commercial vehicles and agricultural and construction equipment. The Group also manufactures, for use by its automotive sectors and for sale to third parties, other products and systems, principally components, metallurgical products and production systems. In addition, the Group is involved in other sectors, including insurance, aviation, publishing and communications and corporate services. At 31st December, 2001, the Group operated in 61 countries through 1,059 subsidiaries and affiliates: 275 of these subsidiaries and affiliates are located in Italy. As of such date, the Group had a total of 198,764 employees, including 95,199 in Italy.

As part of its mission to become a global leader in its automotive operations (which includes motor cars, commercial vehicles and agricultural and construction equipment), the Group again devoted substantial resources in 2001 to the continued internationalisation of its manufacturing facilities and distribution network, as well as to the development of significant international joint ventures. The Group’s progress in achieving this strategic objective can be measured by the fact that six of 10 automobiles, seven of 10 trucks and nine of 10 farm tractors sold by the Group in 2001 were sold outside Italy. An additional measure of the success of the Group’s strategy and its related investments is demonstrated by the significant increase in the contribution to the Group’s financial results of its operations outside of Italy. In 2001, the Group’s non-Italian customers accounted for 66 per cent. of its overall net sales and revenues, as compared to 46 per cent. of such total in 1991. During the same period, the percentage of the Group’s overall net sales and revenues originating from its non-Italian operations increased from 19 per cent. in 1991 to 48 per cent. in 2001.

In 2000, the Group entered into an industrial alliance with General Motors Corporation (“General Motors”), which the Group believes to be a unique business model in the international automobile industry. Management believes that this alliance has the potential to allow Fiat Auto S.p.A. to benefit from economies of scale made possible by the combined entities’ manufacturing base, which is twice that of the Group’s alone, while providing the Group with access to the global resources – especially research and development – of the world’s largest car maker, with the goal of taking advantage of each of the partner’s distinctive strengths. This new relationship with General Motors also raises prospects for the reentry of Fiat Auto S.p.A.’s Alfa Romeo brand into the North American market. Potential synergies originally identified by the Fiat and General Motors working groups formed as part of the alliance are currently projected to reach aggregate annual cost savings of €2,000 million by 2005, approximately half of which are expected to benefit Fiat Auto S.p.A. directly.

In 2001, the Group’s worldwide net sales and revenues, reported as including changes in contract work in progress, increased by 0.8 per cent., from €57,555 million in 2000 to €58,006 million in 2001. Operating income declined sharply from €855 million in 2000 to €318 million in 2001, primarily as a result of losses at the automobile sector. Net financial expense amounted to €680 million in 2001, compared with €617 million in 2000, with the increase being primarily attributable to an increase in the Group’s cost of funds and average level of indebtedness during the year, as well as higher debt service expenses incurred in Argentina, which more than offset the benefit of lower interest rates in the United States and higher financial income at the insurance companies. Net extraordinary income totalled €359 million, lower than the €914 million in 2000, primarily reflecting lower capital gains on divestitures. As a result, a net loss before minority interest of €791 million was recorded in 2001, as compared to net income of €578 million in 2000.

SECTORS

The companies of the Fiat Group are organised into 10 operating sectors, each of which operates with broad management authority that is exercised within a strategic framework determined jointly by the sectors and Group management.

The Group’s automotive sectors, which include motor cars, commercial vehicles and agricultural and construction equipment, accounted for 69.3 per cent. of the Group’s total net sales and revenues in 2001, prior to eliminations and consolidating adjustments.

In 2001, the Group’s other activities included:

- the automotive-related sectors (components, metallurgical products and production systems), which accounted for 12.7 per cent. of total net sales and revenues, prior to eliminations;
- the Group's insurance sector, which accounted for 8.6 per cent. of total net sales and revenues, prior to eliminations; and
- the other sectors (aviation, publishing and communications and services), which accounted for approximately 6.0 per cent. of total net sales and revenues, prior to eliminations.

The remaining 3.4 per cent. of total 2001 net sales and revenues, prior to eliminations, was attributable to the Group's other companies, which include holding companies and other companies directly owned by Fiat S.p.A., including Ferrari S.p.A. ("Ferrari").

The automotive-related sectors contribute directly to the automotive sectors' activities by providing components or automated production systems, while at the same time generating revenues from sales to third parties.

The table which follows sets forth for 2001 net sales and revenues and operating income (loss) for each of the automotive sectors, the automotive-related sectors, the Group's insurance operations, other sectors and its other companies:

| | Net sales and revenues (millions of euro) | Percentage of net sales and revenues ⁽¹⁾ | Operating income (loss) ⁽²⁾ (millions of euro) | Percentage of operating income (loss) ⁽¹⁾ |
|--|---|--|---|---|
| 2001: | | | | |
| Automobiles..... | 24,440 | 38.6% | (549) | (246.2)% |
| Agricultural & Construction Equipment (3) | 10,777 | 17.0 | 209 | 93.7 |
| Commercial Vehicles | 8,650 | 13.7 | 271 | 121.5 |
| Automotive-related Sectors | 8,043 | 12.7 | 1 | 0.4 |
| Other Sectors (excluding Insurance)..... | 3,788 | 6.0 | 257 | 115.2 |
| Insurance (4) | 5,461 | 8.6 | 68 | 30.5 |
| Other Companies (4) (5) | 2,158 | 3.4 | (34) | (15.2) |
| Total before Eliminations and Consolidating Adjustments.. | 63,317 | 100.0% | 223 | 100.0% |
| Eliminations and Consolidating Adjustments..... | (5,311) | | 95 | |
| Total | 58,006 | | 318 | |

(1) Represents the net sales and revenues or operating income (loss), as the case may be, of each sector, prior to eliminations, as a percentage of total consolidated net sales and revenues or operating income (loss), as the case may be, prior to eliminations and consolidating adjustments.

(2) Operating income (loss) reflected in eliminations and consolidating adjustments arises primarily from the consolidation process.

(3) The net sales and revenues of CNH Global N.V. ("CNH") (formerly New Holland) in dollars, CNH's reporting currency, were \$9,653 million in 2001. Similarly, operating income for CNH totalled \$188 million in 2001. Case Corporation ("Case") was acquired on 12th November, 1999. In accordance with Italian GAAP, Case was consolidated on a line-by-line basis starting in 2000.

(4) Insurance data include the operations of Toro Assicurazioni S.p.A. ("Toro Assicurazioni") and its affiliates and those of Augusta Assicurazioni S.p.A.

(5) "Other companies" include holding companies, other companies directly owned by Fiat S.p.A., including Ferrari S.p.A. and Magneti Marelli Services S.p.A.

Automobiles

The Fiat Group's automobile operations are conducted primarily through Fiat Auto Holdings B.V. and its subsidiaries ("Fiat Auto"). The automobiles sector operates internationally with three major brands: Fiat, Lancia and Alfa Romeo. The automobiles sector manufactures and markets automobiles and related products primarily in Italy, the rest of Europe and South America. At 31st December, 2001, the sector employed 55,174 workers, including 36,715 in Italy.

Markets. In 2001, the Western European automobile market grew slightly to 14.8 million units, or 0.7 per cent. more units than in 2000. In the Mercosur countries, demand in Brazil increased by 12.4 per cent. to 1,295,000 vehicles, while the market in Argentina slumped sharply, as demand declined by approximately 44 per cent.

In Italy, new registrations totalled 2,425,000, an increase of only 0.1 per cent. over 2000. However, demand was up in many of the major European countries, as British registrations increased by 10.6 per cent., passing the 2.4

million mark for the first time, while new registrations in France increased by 5.7 per cent., to 2,250,000 and those in Spain by 3.8 per cent. to 1,427,000. In Germany, where the market had contracted sharply in 2000, demand declined by a further 0.8 per cent. to 3,282,000 vehicles registered in 2000. Elsewhere in Europe, the Polish market suffered a further sharp decline, from 466,000 registered in 2000 to 319,000 vehicles in 2001, with the decline of 31.5 per cent. reflecting the continuing deterioration of the economic situation. The Turkish market also suffered from a sharp economic decline, as new vehicle registrations fell by 70.3 per cent. to 133,600 in 2001. New registrations of light commercial vehicles in Western Europe as a whole totalled slightly more than 1.8 million units, or 1.7 per cent. less than in 2000, with the decline marking the end of an upward trend that had lasted for several years. In Italy, demand in this segment contracted by 5.8 per cent.

In this market environment, Fiat Auto's global sales to the distribution network during 2001 totalled 2,096,000 cars (2,126,000 if sales by affiliated companies are added), as compared with 2,350,000 in 2000 (2,439,000 including affiliates). The decrease of 10.8 per cent., or 254,000 vehicles, in the sector's global unit sales (excluding affiliates) was primarily attributable to declines of 231,000 units in Western Europe as a whole and 57,000 units in Poland, which were offset in part by an increase of 54,000 units in Brazil. Fiat Auto's unit sales in Western Europe excluding Italy totalled 631,000 units, a decline of 12.1 per cent., as its market share decreased from 4.9 per cent. in 2000 to 4.6 in 2001. The sector's unit sales in its home market declined by 14.9 per cent., as its market share in Italy fell from 35.4 per cent. to 34.7 per cent.

The following table sets forth for the years indicated, unit sales of the sector's automobiles and light commercial vehicles in its principal markets, the percentage of the sector's unit sales represented by each market and the sector's automobile market shares.

| | 2001 | | | 2000 | | | 1999 | | |
|--|--------------|--------------------------|------------------|--------------|--------------------------|------------------|--------------|--------------------------|------------------|
| | Units sold | Percentage of units sold | Market share (%) | Units sold | Percentage of units sold | Market share (%) | Units sold | Percentage of units sold | Market share (%) |
| Italy | 825 | 39.4 | 34.7% | 969 | 41.2 | 35.6% | 955 | 41.0 | 35.5% |
| Western Europe (excluding Italy) | 631 | 30.1 | 4.6 | 718 | 30.6 | 4.9 | 721 | 31.0 | 4.7 |
| Total W. Europe | 1,456 | 69.5 | 9.6 | 1,687 | 71.8 | 10.0 | 1,676 | 72.0 | 9.5 |
| Brazil | 416 | 19.8 | 28.6 | 362 | 15.4 | 27.6 | 304 | 13.1 | 27.3 |
| Poland | 76 | 3.6 | 23.2 | 133 | 5.7 | 26.8 | 177 | 7.6 | 27.2 |
| Rest of the world | 148 | 7.1 | | 168 | 7.1 | | 171 | 7.3 | |
| Total..... | 2,096 | 100.0 | | 2,350 | 100.0 | | 2,328 | 100.0 | |

Sources: Derived from a variety of official and non-official sources believed to be reliable, including the following agencies in the indicated countries: Italy – Ministero dei Trasporti; Brazil – Associação Nacional dos Fabricantes de Veículos Automotores; France – Chambre Syndicale; Germany – Krafter Bundesamt; Spain – Direccion General de Trafico (D.G.T.); United Kingdom – Society of Motor Manufacturers and Traders (S.M.M.T.)

Distribution. The Fiat Group distributes its automobiles in its principal markets throughout the world through networks of dealers in each market that are organised on the basis of the coverage of specific geographic areas. At 31st December, 2001, the Group's network in Western Europe consists of approximately 3,234 dealers, of which approximately 590 are located in Italy. The Group also maintains significant dealer networks in Brazil and Poland.

Production. The Fiat Group currently owns and operates 12 major plants in the automobiles sector, including eight in Italy and one in each of Poland, Brazil, Argentina and India. The production process is divided into stamping, mechanics and assembly. Stamping involves the production of stamped metal sheets for the body of the automobile and its outside structure.

Approximately 88 per cent. of the sector's capital expenditures, which totalled €1,331 million in 2001, as compared with €1,412 million in 2000, were devoted to strategic development, including the development of new products and technological innovation, as well as expenditures for vehicles used in the sector's increasingly popular medium and long-term operating lease programme (representing approximately 33 per cent. of the total). Approximately 20 per cent. of Fiat Auto's capital expenditures in 2001 were made outside Western Europe, primarily in Brazil, reflecting the increasingly international scope of the sector's operations. Research

and development outlays for the sector amounted to €870 million in 2001, up from €776 million in the previous year.

Financial Services. During 2001, Fiat Auto strengthened its position in the areas of financing and mobility services, which were combined in a single financing and customer services division, with the goal of enabling the sector to introduce targeted products and innovative infomobility services for the sector's customers. Overall, financing provided to end customers totalled €8,920 million, a decline of 4.2 per cent. from 2000. Financing was provided for the purchase of 1,154,000 vehicles (a decline of 7 per cent.), equivalent to about 39 per cent. of new vehicles sold by Fiat Auto.

Agricultural and Construction Equipment

The Group's agricultural and construction equipment sector is represented by CNH, of which the Group's wholly-owned subsidiary Fiat Netherlands Holding N.V. held 85.8 per cent. of the common shares at 30th June, 2002. CNH is the product of the Group's November 1999 acquisition of Case Corporation for total consideration of approximately €4,600 million and combines Case's operations with those of New Holland N.V., the former lead company of the Group's agricultural and construction equipment sector.

CNH is managed as a global company, while supporting the separate Case IH and New Holland brand names and dealer networks in its agricultural equipment business, and marketing multiple brands in its construction equipment business. CNH is organising its manufacturing operations with global product line responsibilities and its sale and marketing activities on a geographic basis. CNH operates through three business segments: agricultural equipment, construction equipment and financial services. CNH also provides a complete range of replacement parts and services to support its equipment.

At 31st December, 2001, the sector employed approximately 28,100 workers, including approximately 4,300 in Italy.

Agricultural Equipment. According to data from the Equipment Manufacturers' Institute, CNH is a leading global manufacturer of agricultural tractors and also has leading positions in the markets for combines, hay and forage equipment and specialty harvesting equipment. CNH manufactures and distributes a full line of farm machinery and implements, including two-wheel and four-wheel drive tractors, combines, cotton pickers, grape and sugar cane and coffee harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements and material handling equipment. CNH sells agricultural equipment products primarily under the following brand names: New Holland, Case IH and Steyr.

Construction Equipment. CNH manufactures and distributes a full line of construction equipment, including excavators, crawler dozers, graders, wheel loaders, loader/backhoes, skid steer loaders and trenchers. CNH's construction equipment operations include those of O&K Orenstein & Koppel AG ("O&K"), the German manufacturer of hydraulic excavators and other construction equipment, which was acquired in December 1998. CNH sells construction equipment products under the following brand names: New Holland, New Holland Construction, Case, O&K, FiatAllis and Fiat-Hitachi (soon to become Fiat/Kobeko).

Financial Services. CNH subsidiary CNH Capital provides broad-based financial services for the global marketplace through various wholly owned subsidiaries and joint ventures in the United States, Canada, Australia, Brazil and Europe. CNH Capital provides and administers retail financing to end-use customers for the purchase or lease of new and used CNH and other agricultural and construction equipment. To facilitate sales of agricultural and construction equipment products, CNH and other providers of financial services typically offer retail financing to final customers and wholesale financing to equipment dealers. In 2001, CNH Capital completed its transformation into a financial services company dedicated solely to the support of CNH dealers and customers across all its brands, exiting, in the first quarter of 2001, the commercial lending business, ending retail financing outside its own dealer networks and focusing on reorganising its European businesses to better support the company's customers and dealers as well as developing its core financial services in Brazil.

Restructuring and Divestitures. CNH management has formulated a plan to integrate the operations of the Case and New Holland businesses, including the divestiture or closure of certain manufacturing locations and parts depots. Through the consolidation of all functional areas, CNH expects to reduce its worldwide workforce by approximately 24 per cent. from pre-merger levels by 2003.

In 2001, CNH recorded restructuring and other merger-related costs of €79 million, compared to €490 million in 2000. These merger integration and restructuring charges relate to severance and other employee-related costs, write-down of assets, loss on the sale of assets and businesses, costs related to closing, selling, and downsizing existing facilities and other merger-related costs. The CNH merger integration plan is expected to realise at least \$600 million in annual merger-related profit improvements by 2003. Approximately \$278 million in cost savings were realised in 2001, bringing cumulative synergies for 2000 and 2001 to about \$433 million. By the end of the first quarter of 2002, the cumulative total had reached approximately \$453 million.

Markets. Overall worldwide tractor market demand in 2001 for agricultural tractors, as measured in units, decreased by about 6 per cent. from 2000 levels, while overall demand for combines increased by about 4 per cent. In Western Europe, overall tractor market demand, as measured in units, decreased by about 7 per cent. in 2001 and overall combine market demand decreased by about 13 per cent. In North America, total market demand for agricultural tractors increased by about 10 per cent. This increase was led by a 10 per cent. increase in demand for under 40 horsepower tractors, and 8 per cent. increase in industry demand for mid-sized (40 to 100 horsepower) tractors, an increase of about 11 per cent. in demand for large two-wheel drive tractors over 100 horsepower and an increase of more than 13 per cent. in demand for four-wheel drive tractors. Combine market demand in North America increased approximately 9 per cent. In Latin America, total market demand for agricultural tractors increased approximately 8 per cent., led by an increase of approximately 15 per cent. in demand for tractors in Brazil, based on unit sales, as the Brazilian government sustained its programs to assist farmers in purchasing equipment. Total market demand for combines in Latin America rose approximately 11 per cent.

Distribution. CNH sells and distributes its products through an extensive network of approximately 11,700 dealers and distributors in more than 160 markets worldwide. Dealers typically sell either agricultural equipment or construction equipment, although some dealers sell both types of equipment. In most established markets, the distribution of CNH products is accomplished through the dealer network, and CNH plans to continue to distribute New Holland and Case products and services through the dealer network. In other parts of the world, CNH products are sold initially to distributors and then to dealers (or initially to dealers and then to sub-dealers), leveraging distributor expertise and minimising CNH's marketing costs. Distributors generally have responsibility for marketing goods in very large geographic regions, including entire countries.

Production. CNH manufactures equipment and components in 47 principal manufacturing facilities (inclusive of joint ventures), including 15 facilities in the United States, five in Italy, four in France, three in each of Brazil and China, two in each each of Belgium, Germany, Mexico, the United Kingdom and Uzbekistan and one in each of Australia, Austria, Canada, India, Pakistan, Poland and Turkey. Similar manufacturing techniques are employed in the production of farm and construction equipment, resulting in certain economies and efficiencies.

Commercial Vehicles

The Group's commercial vehicles operations are conducted through Iveco N.V. ("Iveco") and its subsidiaries and include the manufacture and sale, primarily to customers in Western Europe, of (i) commercial vehicles; (ii) buses; (iii) several types of other vehicles for civil and military use; and (iv) diesel engines. At 31st December, 2001, the sector employed 35,340 workers, including 14,136 in Italy.

Markets. Although the Group conducts operations in the commercial vehicles sector throughout the world, Western Europe is the sector's principal market, accounting for 80 per cent. of its 2001 unit sales.

Overall, Iveco sold 160,400 vehicles throughout the world, or 2.7 per cent. fewer than in 2000. If the contribution of joint ventures and licensees is added, the total rises to 194,700 units, as compared to 207,500 in 2000 (a decline of 6.2 per cent.). In Western Europe, the sector sold about 128,400 vehicles, for a decline of 1.9 per cent. compared to 2000.

The following table sets forth for the years indicated unit sales of Iveco vehicles in the sector's principal markets, the percentage of the sector's unit sales represented by each market and Iveco's market share.

| | 2001 | | | 2000 | | | 1999 | | |
|--|--------------|--------------------------|------------------|--------------|--------------------------|------------------|--------------|--------------------------|------------------|
| | Units sold | Percentage of units sold | Market share (%) | Units sold | Percentage of units sold | Market share (%) | Units sold | Percentage of units sold | Market share (%) |
| Italy | 39.3 | 24.5% | 40.0% | 45.8 | 27.8% | 42.4% | 41.5 | 27.7% | 41.3% |
| Western Europe (excluding Italy) | 89.1 | 55.5 | 13.3 | 85.1 | 51.6 | 13.8 | 78.3 | 52.2 | 12.8 |
| Total Western Europe | 128.4 | 80.0 | 17.0 | 130.9 | 79.4 | 17.8 | 119.8 | 79.9 | 16.6 |
| Rest of the world | 32.0 | 20.0 | | 33.9 | 20.6 | | 30.1 | 20.1 | |
| Total..... | 160.4 | 100.0% | | 164.8 | 100.00% | | 149.9 | 100.0% | |

Sources: Derived from a variety of official and non-official sources believed to be reliable, including the following agencies in the indicated countries: Italy — Ministero dei Trasporti-Motorizzazione Civile Trasporti in Concessione (M.C.T.C.), France — Association Auxiliaire de l'Automobile (A.A.A.), Germany — Kraftfahrt Bundesamt, Spain — Direccion General de Trafico (D.G.T.), United Kingdom — Society of Motor Manufacturers and Traders (S.M.M.T.), Brazil — Associação Nacional dos Fabricantes de Veiculos Automores (A.N.FA.VE.A.).

Distribution. The Group distributes its commercial vehicles in Western Europe through networks of independent dealers, as well as through Iveco-owned dealers and branches. During 2001, management's review of the sector's sales operations continued along with the further consolidation of the dealer network as part of Iveco's efforts to improve the quality of customer service, increase profitability and reduce the overall cost of distribution. At 31st December, 2001, Iveco had 280 independent dealers, including Astra and Seddon Atkinsons, in Western Europe and 36 owned dealers and branches. In the more developed markets of Eastern Europe, Iveco distributes vehicles through 64 independent dealers. In export markets outside of Europe, the Group markets its products through 75 distributors and seven owned subsidiaries as well as through importers, licensees and affiliates. In Turkey and in China, Iveco sells its vehicles through the commercial networks of its joint venture partners. At 31st December, 2001, Iveco's distribution network in the Mercosur region included 41 independent dealers in Brazil and 11 in Argentina and nine in Venezuela.

Production. At 31st December, 2001, the commercial vehicles sector had 45 manufacturing facilities, including 11 in Italy, seven in France, six in Spain, five in China, four in Germany, three in China, two in each of Ukraine and Hungary, and one in each of Austria, the United Kingdom, the Czech Republic, Brazil, Argentina, Australia, Ethiopia and Venezuela. Together, these factories produced a total of approximately 154,000 vehicles and 413,000 diesel engines in 2001.

Financial Services. Iveco offers financial services related to the sale of its vehicles through Transolver Finance, Transolver Services and the Fraikin companies.

Automotive-related Sectors

The Fiat Group operates in three other sectors that supply the automotive sectors with components and automated production systems and generate significant revenues from sales to outside companies. These sectors are (i) components; (ii) metallurgical products; and (iii) production systems.

The following table sets forth for the years indicated net sales and revenues before eliminations in millions of euro and as a percentage of the Group's total net sales and revenues before eliminations and consolidating adjustments) and the number of employees for each of these sectors.

| | 2001 | | | 2000 | | | 1999 | | |
|-----------------------------|---|---|---------------|---|---|---------------|---|---|---------------|
| | Percentage Net sales of net sales and revenues | Percentage of net sales and revenues | Employees | Percentage Net sales of net sales and revenues | Percentage of net sales and revenues | Employees | Percentage Net sales of net sales and revenues | Percentage of net sales and revenues | Employees |
| Components | 4,073 | 6.4% | 24,228 | 4,451 | 7.2% | 25,975 | 4,062 | 7.9% | 25,613 |
| Metallurgical Products | 1,752 | 2.8% | 13,827 | 1,873 | 3.0 | 14,286 | 1,682 | 3.2 | 14,522 |
| Production Systems | 2,218 | 3.5% | 17,243 | 2,440 | 4.0 | 17,636 | 1,693 | 3.3 | 16,943 |
| Total..... | 8,043 | 12.7% | 55,298 | 8,764 | 14.2% | 57,897 | 7,437 | 14.4% | 57,078 |

Insurance

The Group's insurance sector operates primarily through Toro Assicurazioni S.p.A. ("Toro"), an Italian life and casualty insurance company, that is wholly owned by the Group, as well as through other insurance companies controlled by Toro. In April 2001, Toro Assicurazioni completed its acquisition of all of the capital stock of Lloyd Italico Danni and Lloyd Italico Vita, two companies that operate a network of more than 180 insurance agencies in Italy, for total consideration of €36.5 million. During the year, the sector also consolidated Augusta Assicurazioni S.p.A., which was previously reported as one of the Group's "Other Companies". The sector's other principal companies are Nuova Tirrena, Roma Vita (a joint venture with Banca di Roma) and Toro Targa Assicurazioni (a joint venture with Fiat Auto) in Italy and Le Continent IARD, Le Continent Vie, the Guardian Group and Union Generale du Nord in France.

The net sales and revenues of the Group's insurance sector (equal to premiums earned) increased by 25.2 per cent. from €4,363 million in 2000 to €5,461 million in 2001. This improvement was partly due to the consolidation of Lloyd Italico and Augusta Assicurazioni. On a comparable basis, the increase in premiums written would have been approximately 14 per cent., reflecting strong volumes both in Italy, primarily in the life insurance business, and in France, where the sector increased its market share.

At 31st December, 2001, the sector's investments in financial assets and real estate totalled more than €17,000 million, or approximately €3,800 million more than at the end of the previous fiscal year, exceeding technical reserves by more than €1,300 million.

At 31st December, 2001, the Toro group employed 3,213 persons, including 2,376 in Italy.

Other Sectors

The Fiat Group also includes three other sectors not directly related to the Group's automotive activity: aviation, publishing and communications and services.

The following table sets forth for each of the years indicated net sales and revenues prior to eliminations (in millions of euro and as a percentage of the Group's total net sales and revenues before eliminations and consolidating adjustments) and the number of employees for each of these sectors.

| | 2001 | | | 2000 | | | 1999 | | |
|--|---|---|---------------|---|---|--------------|---|---|--------------|
| | Percentage Net sales of net sales and revenues | Percentage of net sales and revenues | Employees | Percentage Net sales of net sales and revenues | Percentage of net sales and revenues | Employees | Percentage Net sales of net sales and revenues | Percentage of net sales and revenues | Employees |
| Aviation | 1,636 | 2.6% | 5,243 | 1,491 | 2.4% | 5,362 | 1,361 | 2.6% | 5,590 |
| Publishing and Communications | 347 | 0.5% | 934 | 354 | 0.6% | 954 | 413 | 0.8% | 934 |
| Services..... | 1,805 | 2.9% | 7,171 | - | - | - | - | - | - |
| Total..... | 3,788 | 6.0% | 13,348 | 1,845 | 3.0% | 6,316 | 1,774 | 3.4% | 6,524 |

Other Companies

In addition to its operating sectors, Fiat S.p.A. also has holding companies, service companies and other operations under its direct control. In 2001, these other companies contributed 3.4 per cent. of the Group's net sales and revenues, prior to eliminations. At 31st December, 2001, these companies employed 8,264 workers, including 6,051 in Italy.

ENVIRONMENTAL AND OTHER REGULATORY MATTERS

Management believes that the Group is in substantial compliance with regulatory requirements affecting its facilities and its products in the relevant markets and is continuously engaged in monitoring such requirements and adjusting affected operations. The Group's management believes that environmental regulatory requirements have not had a material adverse effect on Fiat's operations. However, compliance with environmental regulations and standards has increased costs and will continue to do so in the future, though to an uncertain extent. Management believes that any such cost increases are unlikely to be material.

RESEARCH AND DEVELOPMENT

In a competitive environment characterised by continuous and rapid change, research activities have become a vital component of Fiat's strategy and expansion programmes. The Group's commitment in this area is demonstrated by the financial resources and the number of researchers and technicians involved. More than 13,800 of the Group's employees were working at 131 Italian and foreign research centres in 2001, at a cost of €1,817 million, or more than 3.5 per cent. of the Group's net sales and revenues from industrial activities.

RECENT DEVELOPMENTS

The world economy appears to be on the way to regaining its balance in 2002. However, management expects the recovery in the United States and Europe to be only gradual and to occur primarily during the second half of the year. The economic environment in the emerging markets also continues to be challenging, with no improvement expected in Argentina and only limited growth forecast for Poland, while prospects for Brazil and China are somewhat better. As a result, there is no doubt that 2002 will be another difficult year, particularly during the first half.

As part of the Group's response to a challenging operating environment, the Group undertook a series of transactions designed to further implement its core strategies in the first half of 2002, including the following:

- In January 2002, Fiat Finance Luxembourg Société Anonyme issued more than \$2.2 billion of five-year 3.25% bonds guaranteed by Fiat S.p.A. and exchangeable into General Motors shares, or, at the issuer's option, an equivalent amount of cash.
- In January 2002, CNH announced completion of its global alliance with Kobelco Construction Machinery Co., Ltd., the world's fourth-largest manufacturer of hydraulic excavators, and its parent Kobe Steel, Ltd., one of Japan's leading steelmakers. This alliance with Kobelco gives CNH access to key crawler excavator technology and also provides CNH with a presence in the Asia-Pacific construction equipment market as Kobelco's exclusive original equipment manufacturer supplier of all non-excavator construction equipment products, which complements CNH's presence in the North American and European markets.
- In January 2002, Renault transferred 15 per cent. of the capital of Irisbus Holdings S.L., the company that manages all bus coach operations of the Irisbus Group, to Iveco, increasing Iveco's stake in the company to 65 per cent. The transfer was the first step in the implementation of an October 2001 agreement between Iveco and Renault, pursuant to which Iveco will acquire all of Renault's shares in Irisbus Holdings at a total cost of €166 million; the transfer to Iveco of the remaining 35 per cent. is to take place by 31st December, 2002.
- In February 2002, Fiat completed a capital increase of approximately €1 billion that was effected through a rights offering to existing shareholders outside the United States.
- In furtherance of the Group's strategy of focusing on its core businesses, the Group concluded two transactions involving elements of the components sector in the first half of 2002. In March, Fiat entered into an agreement with Interbanca and RGZ to establish Concordia Finance S.A., a company owned 45

per cent. by RGZ, 25 per cent. by Interbanca and 30 per cent. by Fiat, which will distribute automotive spare parts under the Magneti Marelli brand. The transaction has been valued at approximately €60 million, after deducting the value of Fiat's investment in Concordia Finance. In May, Fiat sold Magneti Marelli Sistemi Elettronici S.p.A. and its related activities to the Mefkin Company of Italy, resulting in the deconsolidation of these activities with effect from the beginning of 2002. The base purchase price of €90 million may be increased by as much as €70 million, depending on the future economic performance of the relevant activities.

- On 4th March, 2002, Fiat, the general contractor for the Italian High-Speed Railway Project, began work on the first 87 kilometres of the Milan-Turin line. The project schedule calls for completion of the Turin-Novara portion of the line in time for the 2006 Winter Olympics.
- On 13th May, 2002, CNH and BNP Parisbas Lease Group announced a new long-term partnership to provide retail financing across Europe.
- On 28th May, 2002, Fiat announced that it had reached an agreement in principal with three of its main creditor banks, Banca di Roma, IntesaBCI and SanPaolo IMI, on a €3 billion refinancing plan to support the Group in carrying out its strategic plans and asset disposals and to help the Group maintain its credit ratings, which at the time were on review for possible downgrade by major credit ratings agencies. Other major creditor banks of the Group have since agreed to support the plan, the implementation of which remains subject to documentation and regulatory approvals. The main elements of the plan are summarised below:
 - Under the plan, Fiat has pledged to reduce its net financial debt to €3 billion by the date of approval of the 2002 Annual Report by the Board of Directors, from then-current levels of approximately €6.6 billion, through proceeds to be realised from its existing asset disposal plan and other planned capital-raising activities, as well as from the sale of other assets that are currently being identified. The debt reduction target is subject to certain agreed adjustments and possible extensions of time, and Fiat has also undertaken to dispose of additional assets in the event of a shortfall with respect to such target.
 - The creditor banks have agreed to make available to Fiat a €3 billion, three-year credit facility, primarily through the conversion of the Group's existing short-term credit lines into longer-term debt. The terms of the refinancing envision that, should Fiat not be able to meet the specified targets and repay the refinancing in cash, Fiat would implement a capital increase at maturity to convert the financing into Fiat ordinary shares to be issued to the banks for subsequent offer to Fiat's shareholders in proportion to their respective holdings, in accordance with such shareholders' preemptive rights under Italian law. The issue price of the ordinary shares will be equal to the average of €15.50 and the average of the quotations of Fiat ordinary shares in the months prior to the repayment date. If Fiat is able to reduce its net financial indebtedness over the relevant period at the levels foreseen in the plan, Fiat expects to be able to repay part or all of the refinancing in cash, and therefore would not be required to execute the capital increase for the amount of any such cash repayment. The facility may only be repaid in cash if Fiat retains an investment-grade rating after doing so.

The creditor banks have also offered to acquire 51 per cent. of the consumer credit activities managed by Fidis S.p.A., the financial services unit of Fiat Auto, subject to the existing agreements between Fiat and General Motors, which give General Motors certain rights with regard to any disposition of such activities.

A loan agreement was signed on 26th July, 2002.

- On 14th June, 2002, CNH, in an effort to increase equity and reduce its outstanding indebtedness, completed a public offering of 50 million newly issued shares of common stock at a price of \$4.00 per share. The underwriters subsequently exercised their over-allotment option for 3,500,000 additional shares. In a separate but concurrent transaction, Fiat and one of its subsidiaries exchanged an aggregate amount of \$1.3 billion of CNH debt that they held for 325,000,000 shares of CNH. Together, the public offering and the debt exchange transactions allowed CNH to reduce its net indebtedness by approximately \$1.5 billion and resulted in the Group's increasing its stake in CNH to 85.3 per cent.
- On 14th June, 2002, the Group announced that it had reached agreements in principle with regard to a series of transactions involving Italennergia with the goals of further strengthening Italennergia, enabling Fiat

to gain access to new financial resources, thereby reducing its net indebtedness, and establishing a minimum value for Fiat's interest in Italenergia Bis (the new parent company formed by Italenergia's existing shareholders), should Fiat decide to sell that interest, while at the same time providing Fiat with the option of retaining its interest and/or obtaining control of Italenergia Bis in the future. The principal elements of these agreements, which are subject to final documentation and regulatory approval, include:

- The shareholders of Italenergia decided to replicate the current holding company structure for Italenergia through the transfer of their respective shareholdings to Italenergia Bis in return for a reserved increase in share capital of approximately €900 million. Upon completion of this transaction and the already-announced merger of Edison into Italenergia, Italenergia Bis is expected to control approximately 83 per cent. of Italenergia, with the remainder being held by the current public shareholders of Edison, who will receive Italenergia shares in connection with the merger.
- Fiat agreed to reduce its stake in Italenergia Bis to 24.6 per cent., by selling an aggregate of 14 per cent. of the share capital of Italenergia Bis to Banca di Roma, Banca Intesa-BCI and SanPaolo IMI pursuant to a series of partially prepaid forward contracts. The respective portions of the 14 per cent. stake to be acquired by each of the banks has yet to be finally determined. The consideration to be paid by the banks is based on the equity values recently determined by a court-appointed appraiser in connection with the establishment of the exchange ratio adopted in regard to the merger of Edison into Italenergia, and is expected to approximate €576 million. Of this amount, approximately 40 per cent. (or approximately 230 million) is to be paid to Fiat upon execution of final documentation, with the remainder being paid upon final transfer of the shares in 2003.
- Electricité de France ("EDF") has agreed to grant Fiat a put option, under which Fiat can require EDF to acquire Fiat's 24.6 per cent. stake in Italenergia Bis in 2005 at a price equal to fair market value less an option premium. The terms of the option provide that the amount payable to Fiat upon exercise cannot be less than approximately €1,150 million, but can increase if the fair market value of the stake at the time of exercise, as determined according to established procedures, exceeds such amount. As there is no parallel call option in favor of EDF, Fiat will maintain control of the decision to sell its stake in Italenergia Bis by exercising the put option or retaining its interest.
- Fiat and Citigroup have agreed upon the terms of a three-year financing transaction pursuant to which Citibank N.A. and a small consortium of banks will effectively monetise the value of the Fiat-EDF put option by providing Fiat with approximately €1,150 million in financing on favourable terms linked to EDF's credit rating. This financing will be effectively secured by a pledge of Fiat's stake in Italenergia Bis (as to which Fiat will retain voting rights) and by the Fiat-EDF put option. Fiat may repay the lenders with the proceeds from its exercise of the Fiat-EDF put option in 2005, or, should Fiat decide not to exercise that option, from other sources of funds.
- In connection with the agreement between Fiat and the three banks regarding the banks' purchase of a portion of Fiat's stake in Italenergia Bis described above, certain exit rights have been granted in favour of the banks. Fiat has agreed to grant each of the banks the right to require Fiat to exercise the Fiat-EDF put option, in which case the banks would exercise similar put options they have each agreed with EDF, or, should Fiat not wish to exercise the put option, to repurchase the 14 per cent. stake from the banks at an agreed-upon value. Should Fiat elect to repurchase the 14 per cent. stake from the banks, it may elect to put that stake to EDF together with its 24.6 per cent. stake pursuant to the terms of a second put option that is substantially similar to that described above. Should Fiat decide to retain both stakes, it would have the opportunity to increase its stake in Italenergia Bis and in certain circumstances acquire control of Italenergia Bis through exercise of its statutory preemptive rights upon the anticipated exit from Italenergia Bis in 2005 of the banks (through exercise of their put options with EDF or EDF's parallel call options) and Carlo Tassara S.p.A. (pursuant to a put and call option arrangement that Carlo Tassara S.p.A. is currently negotiating with EDF).
- On 30th June, 2002, Fiat sold 34 per cent. of Ferrari's capital stock to Mediobanca for total consideration of €775.2 million. Mediobanca currently plans to begin the process for a possible initial public offering and listing of the acquired stake in Ferrari within 12 months. Should such an offering be completed at a price per share greater than that paid by Mediobanca, Fiat will be entitled to receive a portion of any such difference in price from Mediobanca.

- Fiat launched the following new or redesigned vehicles during the first half of 2002:
 - Iveco introduced the Stralis, a new heavy-range commercial vehicle, including the Active Space cab, which offers a better working environment, increased safety, improved on-board living conditions and a modular design.
 - Fiat Auto redesigned the Alfa 156 and Alfa Sportwagon, and rounded out the Alfa 156 line with the addition of two high-performance models: the Alfa 156 GTA and the Sportwagon GTA. It also introduced the redesigned Fiat Ulysse minivan and Fiat Ducato, a light commercial vehicle.
 - Lancia launched the Thesis luxury sedan and the Phedra minivan

The following is an excerpt from the text of a press release issued by Fiat on 29th July, 2002.

“The Board of Directors of Fiat S.p.A. met today in Turin under the chairmanship of Paolo Fresco to review the consolidated results of the Fiat Group for the second quarter and first half of 2002.

Key Developments

During the second quarter of 2002, the Fiat Group made significant progress in its effort to strengthen its financial structure by implementing initiatives that have been the subject of previous communications, which should be consulted for additional information. In particular, some of its key lending banks agreed to provide the support needed to implement the Group’s industrial plan; under an agreement concluded with its partners in Italgas, the Group gained access to additional financial resources; a 34% interest in Ferrari was sold to Mediobanca; and CNH Global carried out a capital increase. These transactions, which have an aggregate value of about 5.7 billion euros, helped strengthen considerably the Group’s balance sheet.

In June, the Board of Directors made new appointments to the Group top management team.

Performance in the Second Quarter

An analysis of market conditions during the second quarter of 2002 shows a further, sizable contraction of the demand for automobiles, which shrank by 5.4 per cent. for all of Western Europe and by an even greater 13.8 per cent. in Italy. The demand slump mitigated only slightly in Brazil (–12 per cent. compared with the second quarter of 2001) and Poland (–17 per cent.) but continued unabated in Turkey (–40 per cent.).

The market for agricultural equipment continued to improve in North America (+1.4 per cent.) and Europe, where shipments were up a healthy 9.2 per cent. However, demand for construction equipment was down both in North America (–14.3 per cent.) and Europe (–12 per cent.).

In Italy, the market for commercial vehicles expanded by a further 14.3 per cent., as demand for light and medium-range vehicles increased, due in part to the tax incentives provided under the *Tremonti Bis* Law. In Europe, the overall market contracted by 4.2 per cent., with an even larger decline (–12 per cent.) in the heavy-range vehicle segment.

From an operating standpoint, the second quarter was characterised by a continuation of the challenging situation that the Group is facing as a result of Fiat Auto’s negative performance. The Automobile Sector was affected more than had been anticipated by the overall weakness of the markets where it operates and by the Fiat brand’s loss of market share. The sales decline was especially pronounced in Italy, where demand was down sharply in June, as customers waited for the enactment of tax incentives, which the Government approved at the beginning of July. A positive performance by the other industrial Sectors and the Group’s service operations helped offset the unfavorable results posted by the Automobile Sector.

In order to provide a clear understanding of the current situation and facilitate a more balanced reading of the results of an enterprise as complex as the Fiat Group, the key data in this report show separately the amounts attributable to Fiat Auto and those attributable to the Group’s other businesses.

Consolidated Group revenues totaled 14,600 million euros. The decrease of 7.6% from the second quarter of 2001 was mainly due to a reduction in unit sales at Fiat Auto, which caused a drop in revenues of 15%.

The operating result was negative by 127 million euros, compared with operating income of 403 million euros in the second quarter of 2001. This year's unfavorable performance reflects the large loss incurred by the Automobile Sector (-394 million euros). This loss, while smaller than in the first quarter of the year, weighed heavily on the Group's overall result. The other Sectors provided positive contributions that were in line with expectations.

The Group was profitable on a pretax basis, earning income before taxes of 28 million euros (income of 317 million euros in the same period last year). This was made possible by the extraordinary income booked during the period (primarily a gain of 671 million euros after transaction costs on the sale of a 34 per cent. interest in Ferrari), which offset the impact of the operating loss and a decline in the value of the securities in the investment portfolios of the Group's insurance companies (estimated at about 107 million euros).

The Group's interest in the net result for the period was a loss of 34 million euros, compared with earnings of 190 million euros a year ago.

At June 30, 2002, the net financial position showed net borrowings of about 5.8 billion euros, down about 800 million euros from March 31, 2002. The reduction in debt exposure in the second quarter was made possible by the sale of the interest in Ferrari. The resources absorbed by Fiat Auto were funded by the cash flow generated by the other Sectors. The financial position was also affected by the portion of CNH's capital increase funded by minority stockholders, the effect of the translation into euros of positions denominated in other currencies, chiefly U.S. dollars (with a positive balance of more than 300 million euros) and the dividend distribution carried out by Fiat S.p.A.

Performance in the First half of the Year

The Group's performance in the first half of 2002 is reviewed below:

- Consolidated Group revenues came to 28,755 million euros. The decrease of 5.8 per cent. compared with the first six months of 2001 is attributable to a significant decline in revenues (-13 per cent.) at Fiat Auto.
- The operating result was negative by 426 million euros (operating income of 528 million euros in the first half of 2001), as the income generated by the other Industrial Sectors and the Services Sectors was insufficient to offset the loss of 823 million euros incurred by Fiat Auto, which had operated at breakeven in the first half of 2001.
- The Group reported a loss before taxes of 528 million euros, compared with income of 559 million euros in the first six months of 2001.
- The Group's interest in the net result for the period was a loss of 563 million euros compared with earnings of 383 million euros in the first half of 2001.
- At June 30, 2002, the net financial position showed an improvement of about 250 million euros compared with the beginning of the year. A portion of the resources provided by the capital increases of Fiat S.p.A. and CNH, the cash flow for the period and favorable foreign exchange gains was used to fund working capital requirements, capital investments and dividend distributions.

Outlook for the Balance of the Year

Based on the results for the first half of the year, the Fiat Group expects 2002 to be another year of transition.

In terms of operating result, despite a reliably positive contribution from the other industrial Sectors and the services operations, the result for the full year will be adversely affected by the performance of Fiat Auto. As a result, the Group expects to close the year with an operating loss in line with the loss reported in the first half of 2002.

During the second half of the year, Fiat Auto should begin to benefit more concretely from the recovery programs and relaunch strategies recently implemented. As for the market environment, the expected steady improvement of the international economy and the tax incentives available in Italy for the purchase of

environmentally friendly cars should help the Sector increase unit sales and market share. However, the forecasting of future results requires a note of caution, as it is probable that Fiat Auto will have to respond decisively to the aggressive sales promotions that all of its competitors are expected to launch.

The Group's financial structure has been considerably strengthened thanks to the agreement reached on July 26, 2002 with its key lending banks, which provided a mandatory convertible loan of 3 billion euros.

With regard to the net financial position, the Fiat Group is determined to achieve the targets agreed upon with its lending banks with resources obtained through operating cash flow and, when appropriate, through additional divestitures of non-strategic assets. Under the agreement reached with the lending banks, the progress made toward attaining these objectives will be measured taking into account the proceeds generated by the Italenergia transactions and by all binding contracts for the sale of assets, including those not yet closed.

While significant obstacles still remain, the transactions completed in the first half of 2002 have given the Fiat Group the increased flexibility it needs to pursue its objective of a stronger industrial position.

The Board decided to call for September 10, 11 and 12, the already announced Stockholders' Meeting. The Stockholders' Meeting will also approve resolutions related to the mandatory convertible loan signed on July 26.

Turin, 29th July 2002

FINANCIAL HIGHLIGHTS

| Fiscal 2001 | | 2nd quarter | | 1st half | |
|-------------|--|------------------------|--------|----------|---------|
| | | 2002 | 2001 | 2002 | 2001 |
| | | (in millions of euros) | | | |
| 58,006 | Net revenues | 14,608 | 15,803 | 28,755 | 30,528 |
| 8,152 | Gross operating margin | 1,932 | 2,541 | 3,697 | 4,762 |
| 6,149 | Overhead | 1,547 | 1,631 | 3,120 | 3,184 |
| 1,817 | Research and development | 457 | 481 | 940 | 910 |
| 318 | Operating result | (127) | 403 | (426) | 528 |
| (1,174) | Investment and financial income (expenses) | (362) | (244) | (619) | (454) |
| 359 | Extraordinary income (expenses) | 517 | 158 | 517 | 559 |
| (497) | Result before taxes and minority interest... | 28 | 317 | (528) | 633 |
| (445) | Fiat interest in net result | (34) | 190 | (563) | 383 |
| | Net financial position as at 30th June..... | | | (5,788) | (5,542) |
| | Net financial position as at 30th March | | | (6,602) | (6,537) |

REVENUES BY SECTOR

| Fiscal 2001 | | 2nd quarter | | 1st half | |
|-------------|--|------------------------|---------------|---------------|---------------|
| | | 2002 | 2001 | 2002 | 2001 |
| | | (in millions of euros) | | | |
| 24,440 | Automobiles (Fiat Auto) | 5,777 | 6,793 | 11,770 | 13,539 |
| 10,777 | Agricultural and Construction Equipment (CNH Global)..... | 2,971 | 3,043 | 5,691 | 5,677 |
| 8,650 | Commercial Vehicles (Iveco) | 2,407 | 2,282 | 4,508 | 4,338 |
| 1,058 | Ferrari..... | 334 | 299 | 587 | 536 |
| 1,752 | Metallurgical Products (Teksid) | 481 | 481 | 950 | 961 |
| 4,073 | Components (Magneti Marelli) | 839 | 1,127 | 1,784 | 2,267 |
| 2,218 | Production Systems (Comau) | 549 | 531 | 992 | 1,022 |
| 1,636 | Aviation (FiatAvio) | 399 | 431 | 787 | 814 |
| 347 | Publishing and Communications (Itedi) | 97 | 91 | 181 | 174 |
| 5,461 | Insurance (Toro Assicurazioni) | 1,194 | 1,359 | 2,446 | 2,543 |
| 1,805 | Services (Business Solutions) | 509 | 416 | 922 | 701 |
| (4,211) | Miscellanea and Eliminations | (949) | (1,050) | (1,863) | (2,044) |
| | Total for the Group | <u>14,608</u> | <u>15,803</u> | <u>28,755</u> | <u>30,528</u> |

OPERATING RESULT BY SECTOR

| Fiscal 2001 | 2nd quarter | | 1st half | |
|--|------------------------|------------|--------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | (in millions of euros) | | | |
| (549) Automobiles (Fiat Auto) | (394) | 19 | (823) | 3 |
| 209 Agricultural and Construction Equipment (CNH Global)..... | 131 | 172 | 161 | 227 |
| 271 Commercial Vehicles (Iveco) | 25 | 86 | 36 | 150 |
| 62 Ferrari..... | 28 | 27 | 10 | 17 |
| 15 Metallurgical Products (Teksid) | 17 | 12 | 12 | 33 |
| (74) Components (Magneti Marelli) | 6 | 0 | (10) | (15) |
| 60 Production Systems (Comau)..... | 7 | 7 | (5) | 18 |
| 186 Aviation (FiatAvio) | 65 | 58 | 119 | 97 |
| (2) Publishing and Communications (Itedi) | 1 | (1) | (1) | (3) |
| 68 Insurance (Toro Assicurazioni) | (10) | 20 | 105 | 25 |
| 73 Services (Business Solutions) | 11 | 17 | 38 | 26 |
| (1) Miscellanea and Eliminations | (14) | (14) | (68) | (50) |
| Total for the Group | <u>(127)</u> | <u>403</u> | <u>(426)</u> | <u>528</u> |

MANAGEMENT*Directors*

The directors of Fiat S.p.A. are as follows:

| <i>Name</i> | <i>Position (since)</i> |
|-----------------------------|---|
| Paolo Fresco | Chairman of the Board (1998, Director 1996) ⁽³⁾ |
| Gabriele Galateri di Genola | Chief Executive Officer and Chief Operating Officer (2002, Director 1998) |
| Angelo Benessia | Director (2001) |
| Pierluigi Bernasconi | Director (2002) |
| Flavio Cotti | Director (2000) |
| John Philip Elkann | Director (1997) ⁽²⁾ |
| Franzo Grande Stevens | Director (1982) ⁽¹⁾⁽³⁾ |
| Hermann-Josef Lamberti | Director (2002) |
| Virgilio Marrone | Director (1999) |
| Felix G. Rohatyn | Director (2001) |
| John Francis Welch | Director (1999) ⁽³⁾ |

(1) Secretary.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

Since February 1996, Avv. Giovanni Agnelli has served as Honorary Chairman of the Group.

Capitalisation of Fiat S.p.A.

The following table sets out the unconsolidated capitalisation of Fiat S.p.A. at 31st December, 2001:

| | As at 31st December, 2001 (millions of euro) |
|---|--|
| Debt: | |
| - Short-term bank loans outstanding | 0 |
| - Long-term bank loans outstanding | 0 |
| - Intercompany indebtedness..... | 568 |
| - Other indebtedness | 0 |
| Total Debt | <u>€ 568</u> |
| Stockholders' Equity: | |
| - Share capital | 2,753 |
| - Legal reserve | 659 |
| - Other reserves..... | 2,791 |
| - Retained earnings | 587 |
| - Net Income | 379 |
| Total Stockholders' Equity..... | <u>7,169</u> |
| Total Capitalisation | <u>€ 6,601</u> |

Fiat S.p.A. has an authorised share capital of euro 5,000,000,000 and an issued share capital of euro 2,753,025,000. Fiat S.p.A.'s capital stock consists of ordinary shares, preference shares and savings shares. The number of such shares outstanding as at 31st December, 2001 was as follows: 367,399,890 ordinary shares, 103,292,310 preference shares and 79,912,800 savings shares.

Except for the capital increase of approximately €1 billion completed in February 2002, there has been no material change in the capitalisation of Fiat S.p.A. since 31st December, 2001.

Financial information relating to Fiat S.p.A.

The following financial information is extracted without material adjustment from the annual audited accounts of Fiat S.p.A. as at 31st December, 2000 and 2001 and for the years then ended.

BALANCE SHEET

Assets

| | As at 31st December, | |
|--|-----------------------|-----------------------|
| | 2001 | 2000 |
| | (euro) | |
| Fixed assets | | |
| Intangible fixed assets | | |
| Start-up and expansion costs | 157,472 | 556,214 |
| Concessions, licenses, trademarks and similar rights | 25,807 | 30,018 |
| Intangible assets in progress and advances | 227,840 | 173,969 |
| Total..... | 411,119 | 760,201 |
| Property, plant and equipment | | |
| Land and buildings | 40,127,142 | 41,851,511 |
| Plant and machinery | 5,918,340 | 6,799,339 |
| Other assets | 4,681,434 | 4,712,383 |
| Construction in progress and advances | 126,893 | – |
| Total..... | 50,853,809 | 53,363,233 |
| Financial fixed assets | | |
| Investments in: | | |
| Subsidiaries | 7,549,946,301 | 7,485,765,693 |
| Affiliated companies | – | 36,152 |
| Other companies | 155,659,465 | 112,767,744 |
| | 7,705,605,766 | 7,598,569,589 |
| Loans to: | | |
| Subsidiaries | 25,822,845 | 26,003,605 |
| Other securities | 74,974 | 74,975 |
| Total..... | 7,731,503,585 | 7,624,648,169 |
| Total fixed assets | 7,782,768,513 | 7,678,771,603 |
| Current assets | | |
| Inventories | | |
| Contract work in progress | 38,144,394 | 27,614,924 |
| Advances to suppliers | 2,375,228,924 | 1,746,184,991 |
| Total..... | 2,413,373,318 | 1,773,799,915 |
| Receivables | | |
| Trade receivables(*) | 170,940,694 | 260,284,094 |
| Receivables from subsidiaries(**) | 12,624,822 | 98,143,558 |
| Receivables from controlling companies | – | – |
| Receivables from others(***) | 61,145,547 | 188,543,842 |
| Total..... | 244,711,063 | 546,971,494 |
| Financial assets not held as fixed assets | | |
| Other equity investments | – | 753,039 |
| Treasury stock | 37,541,700 | 27,234,360 |
| Financial receivables: | | |
| From subsidiaries | 64,426,436 | 615,210 |
| From others | 10,372,634 | 16,877,524 |
| | 74,799,070 | 17,492,734 |
| Total..... | 112,340,770 | 45,480,133 |
| Cash | | |
| Bank and postal accounts | 6,715,615 | 161,421 |
| Cheques | 1,614,681 | – |
| Cash on hand | 1,076 | 1,200 |
| Total..... | 8,331,372 | 162,621 |
| Total current assets..... | 2,78,756,523 | 2,366,414,163 |
| Accrued income and prepaid expenses | 6,128,575 | 3,613,133 |
| Total assets..... | 10,567,653,611 | 10,048,798,899 |
| (*) Amounts due within one year | 170,579,174 | 258,550,245 |
| Amounts due after one year | 361,520 | 1,733,849 |
| (**) Amounts due within one year | 12,624,922 | 98,143,558 |
| Amounts due after one year | – | – |
| (***) Amounts due within one year | 57,378,227 | 183,965,021 |
| Amounts due after one year | 3,767,320 | 4,578,821 |

BALANCE SHEET

Liabilities and Stockholders' Equity

| | As at 31st December, | |
|--|-----------------------|-----------------------|
| | 2001 | 2000 |
| | (euro) | |
| Stockholders' equity | | |
| Capital stock | 2,753,025,000 | 2,753,025,000 |
| Additional paid-in capital..... | 1,636,002,728 | 1,636,002,728 |
| Revaluation reserve under Law No. 413 of 12/30/91..... | 22,590,857 | 22,590,857 |
| Legal reserve | 659,340,011 | 659,340,011 |
| Treasury stock valuation reserve | 37,541,700 | 27,234,360 |
| Other reserves | | |
| Extraordinary reserve..... | 130,999,489 | 112,849,808 |
| Reserve for purchases of treasury shares | 943,712,398 | 969,972,878 |
| Reserve under Art. 34, Law No. 576 of 12/2/75 | - | 2,196,541 |
| Out-of-period income reserve under Art. 55, Presidential Decree No. 917 of 12/22/86 (Article 18, Law No. 675 of 8/12/77) | 1,914,925 | 1,914,925 |
| Reserve for grants under Article 102, Presidential Decree No. 1523 of 6/30/67..... | 17,693,098 | 17,693,098 |
| Reserve for capital grant under Regional Law No.19/84 | 122,780 | 122,780 |
| | 1,094,442,690 | 1,104,750,030 |
| Retained earnings | 587,192,473 | 247,530,000 |
| Net income | 378,673,294 | 692,122,057 |
| Total stockholders' equity | 7,168,808,753 | 7,142,595,043 |
| Reserves for risks and charges | | |
| Reserve for pensions and similar obligations..... | 44,967,139 | 32,720,704 |
| Income tax reserve | 12,826,578 | 14,154,453 |
| Other reserves | 922,566 | 7,939,706 |
| Total reserves for risks and charges..... | 58,716,283 | 54,814,863 |
| Reserve for employee severance indemnities..... | 24,135,583 | 27,340,318 |
| Payables | | |
| Borrowings from banks..... | 122,336 | 4,905 |
| Advances..... | 246,049,765 | 1,812,344,116 |
| Trade payables | 246,409,703 | 275,703,097 |
| Payables to subsidiaries(*)..... | 567,569,938 | 614,231,975 |
| Payables to affiliated companies..... | - | - |
| Taxes payable(**) | 14,546,125 | 89,582,679 |
| Social security taxes payable | 1,629,272 | 1,789,922 |
| Other payables(***)..... | 15,559,726 | 23,453,888 |
| Total payables | 3,311,886,865 | 2,817,110,582 |
| Accrued expenses and deferred income | 4,106,127 | 6,938,093 |
| Total liabilities and stockholders' equity | 10,567,653,611 | 10,048,798,899 |
| (*) Amounts due within one year | 227,569,938 | 364,231,975 |
| Amounts due after one year | 340,000,000 | 250,000,000 |
| (**) Amounts due within one year | 11,052,178 | 84,341,759 |
| Amounts due after one year | 3,493,947 | 5,240,920 |
| (***) Amounts due within one year | 15,357,553 | 23,043,080 |
| Amounts due after one year | 202,173 | 410,808 |

BALANCE SHEET

Memorandum Accounts

| | As at 31st December, | |
|--|-----------------------|-----------------------|
| | 2001 | 2000 |
| | (euro) | |
| Guarantees granted | | |
| Unsecured guarantees | | |
| Suretyships on behalf of: | | |
| Subsidiaries | 3,678,511,374 | 5,108,842,721 |
| Other unsecured guarantees on behalf of: | | |
| Subsidiaries | 13,912,557,367 | 9,914,591,795 |
| Others | 263,769,628 | 169,302,174 |
| | <u>14,176,326,995</u> | <u>10,083,893,969</u> |
| Total guarantees granted | 17,961,666,496 | 15,192,736,690 |
| Commitments | | |
| Commitments for supply contracts | | |
| To others | 3,728,132,731 | 3,561,895,483 |
| Other commitments | | |
| To others | 24,817,289 | 30,366,563 |
| | <u>3,752,950,020</u> | <u>3,592,262,046</u> |
| Total commitments | 3,752,950,020 | 3,592,262,046 |
| Other memorandum accounts | 31,275,822 | 195,883 |
| Total memorandum accounts | 21,745,892,338 | 18,785,194,619 |

STATEMENT OF OPERATIONS

| | Year ended 31st December, | |
|---|---------------------------|---------------------|
| | 2001 | 2000 |
| | (euro) | |
| Value of production | | |
| Service revenues | 74,681,528 | 84,688,484 |
| Change in contract work in progress..... | 10,529,470 | 10,828,308 |
| Other income and revenues..... | 10,884,943 | 10,491,464 |
| Total value of production..... | 96,095,941 | 106,008,256 |
| Costs of production | | |
| Materials, supplies and merchandise | 441,296 | 384,046 |
| Services | 84,327,962 | 78,865,762 |
| Leases and rentals | 983,725 | 1,062,391 |
| Personnel | | |
| Wages and salaries | 36,121,049 | 44,692,610 |
| Social security contributions..... | 7,593,346 | 10,416,593 |
| Employee severance indemnities..... | 17,900,254 | 15,051,135 |
| Pension and similar benefits | 7,069,358 | 421,415 |
| Other costs..... | 860,355 | 439,905 |
| | 69,544,362 | 71,021,658 |
| Amortisation, depreciation and writedowns | | |
| Amortisation of intangible fixed assets..... | 429,443 | 501,543 |
| Depreciation of property, plant and equipment..... | 3,277,019 | 3,115,872 |
| | 3,706,462 | 3,617,415 |
| Other operating costs | 32,941,634 | 21,103,624 |
| Total costs of production | 191,945,441 | 176,054,896 |
| Difference between the value and costs of production..... | (95,849,500) | (70,046,640) |
| Financial income and expenses | | |
| Investment income | | |
| Subsidiaries | 708,861,328 | 752,660,530 |
| Other companies | 4,358,985 | 2,801,227 |
| | 713,220,313 | 755,461,757 |
| Other financial income | | |
| From securities held as fixed assets by subsidiaries | 1,144,382 | 1,090,426 |
| From securities held as fixed assets other than equity investments | 3,813 | 4,130 |
| From securities held as current assets other than equity investments..... | - | 1,278,209 |
| Other income | | |
| Subsidiaries | 14,061,578 | 8,101,849 |
| Others | 929,136 | 3,976,446 |
| | 14,990,714 | 12,078,295 |
| | 16,138,909 | 14,451,060 |
| Interest and other financial expenses | | |
| Subsidiaries | 23,468,914 | 49,786,918 |
| Others | 29,521,695 | 17,557,187 |
| | 52,990,609 | 67,344,105 |
| Net financial income | 676,368,613 | 702,568,712 |
| Adjustments to financial assets | | |
| Writedowns | | |
| Equity investments | 3,839,904 | 6,686,598 |
| Total adjustments..... | (3,839,904) | (6,686,598) |
| Extraordinary income and expenses | | |
| Income | | |
| Gains on disposals of assets | - | 372,079,673 |
| Other income | 69,336 | 56,655 |
| | 69,336 | 372,136,328 |
| Expenses | | |
| Other expenses..... | 841,559 | 21,851,436 |
| Net extraordinary income (expense) | (787,255) | 350,284,892 |
| Income before taxes | 575,891,944 | 976,120,366 |
| Losses on disposals..... | 15,002 | - |
| Income taxes | 197,218,650 | 283,998,309 |
| Net income..... | 378,673,294 | 692,122,057 |

Financial information relating to the Fiat Group

The following financial information is extracted without material adjustment from the annual audited accounts of the Fiat Group as at 31st December, 2000 and 2001 and for the years then ended:

CONSOLIDATED BALANCE SHEETS

| | At 31st December, | | |
|---|---------------------------------------|-------------------------------|-------------------------------|
| | 2001 (millions of U.S. dollars) | 2001 (millions of euro) | 2000 (millions of euro) |
| Assets | | | |
| Amounts due from stockholders for shares subscribed but not called | 1 | 1 | 1 |
| Fixed Assets | | | |
| Intangible fixed assets | 5,765 | 6,535 | 6,457 |
| Property, plant and equipment | 12,251 | 13,887 | 16,677 |
| Financial fixed assets | | | |
| Investments | 8,279 | 9,384 | 7,300 |
| Receivables | 49 | 55 | 114 |
| Other securities | 5,221 | 5,918 | 5,073 |
| Treasury stock..... | 216 | 245 | 23 |
| Assets leased | 2,970 | 3,367 | 4,150 |
| Total financial fixed assets | 16,735 | 18,969 | 16,660 |
| Total fixed assets..... | 34,751 | 39,391 | 39,794 |
| Current assets | | | |
| Inventories | 13,683 | 15,510 | 14,379 |
| Receivables | | | |
| Trade..... | 5,704 | 6,466 | 6,744 |
| Other | 5,465 | 6,195 | 5,714 |
| Total receivables..... | 11,169 | 12,661 | 12,458 |
| Financial assets not held as fixed assets | | | |
| Investments | 1,743 | 1,976 | 1,098 |
| Other securities | 5,670 | 6,427 | 4,918 |
| Treasury stock..... | 33 | 37 | 27 |
| Financial receivables | 18,758 | 21,263 | 19,795 |
| Total financial assets not held as fixed assets | 26,204 | 29,703 | 25,838 |
| Cash..... | 1,882 | 2,133 | 1,997 |
| Total current assets | 52,938 | 60,007 | 54,672 |
| Accrued income and prepaid expenses | 1,191 | 1,350 | 1,288 |
| Total Assets..... | 88,881 | 100,749 | 95,755 |

Financial information relating to the Fiat Group

| | At 31st December, | | |
|--|---------------------------------------|-------------------------------|-------------------------------|
| | 2001 (millions of U.S. dollars) | 2000 (millions of euro) | 2000 (millions of euro) |
| Liabilities and Stockholders' Equity | | | |
| Stockholders' equity | | | |
| Stockholders' equity of the Group | | | |
| Capital stock..... | 2,429 | 2,753 | 2,753 |
| Additional paid-in capital | 1,443 | 1,636 | 1,636 |
| Legal reserve | 581 | 659 | 659 |
| Treasury stock valuation reserve | 249 | 282 | 50 |
| Retained earnings and other reserves | 6,427 | 7,285 | 7,558 |
| Net income | (393) | (445) | 664 |
| Total | 10,736 | 12,170 | 13,320 |
| Minority interest | 1,268 | 1,437 | 1,889 |
| Total stockholders' equity | 12,004 | 13,607 | 15,209 |
| Reserves for risks and charges | | | |
| Insurance policy liabilities and accruals | 13,941 | 15,802 | 12,616 |
| Other reserves | 6,062 | 6,871 | 7,300 |
| Total reserves for risks and charges..... | 20,002 | 22,673 | 19,916 |
| Reserve for employee severance indemnities..... | 1,531 | 1,735 | 2,017 |
| Payables | | | |
| Financial payables..... | 28,845 | 32,697 | 32,489 |
| Trade payables | 11,927 | 13,520 | 11,805 |
| Other payables..... | 10,731 | 12,164 | 10,484 |
| Total payables | 51,503 | 58,381 | 54,778 |
| Accrued expenses and deferred income | 3,840 | 4,353 | 3,835 |
| Total Liabilities and Stockholders' Equity..... | 88,881 | 100,749 | 95,755 |

MEMORANDUM ACCOUNTS

| | At 31st December, | | |
|---|--|----------------------------------|----------------------------------|
| | 2001 (in millions of U.S. dollars) | 2001 (in millions of euro) | 2000 (in millions of euro) |
| GUARANTEES GRANTED | | | |
| Unsecured guarantees | | | |
| Suretyships..... | 1,281 | 1,452 | 1,506 |
| Guarantees of notes | 202 | 229 | 161 |
| Other unsecured guarantees | 3,060 | 3,469 | 2,591 |
| Total | 4,543 | 5,150 | 4,258 |
| Secured guarantees..... | 416 | 471 | 398 |
| Total guarantees granted..... | 4,959 | 5,621 | 4,656 |
| Commitments | 52,405 | 59,403 | 40,556 |
| Third-party assets held by the Group..... | 1,796 | 2,036 | 1,372 |
| Group assets held by third parties..... | 17,090 | 19,372 | 13,179 |
| Other memorandum accounts..... | 273 | 309 | 653 |
| Total memorandum accounts..... | 76,523 | 86,741 | 60,416 |

CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the years ended 31st December | | |
|---|------------------------------------|-------------------------------|-------------------------------|
| | 2001 (millions U.S. dollars) | 2001 (millions of euro) | 2000 (millions of euro) |
| Value of production | | | |
| Revenues from sales and services | 50,793 | 57,575 | 57,603 |
| Change in work in progress, semi-finished and finished product inventories | 6 | 7 | 27 |
| Change in contract work in progress..... | 380 | 431 | (48) |
| Additions to internally produced fixed assets | 943 | 1,069 | 1,242 |
| Other income and revenues | 1,981 | 2,245 | 2,419 |
| Total value of production | 54,103 | 61,327 | 61,243 |
| Costs of production | | | |
| Raw materials, supplies and merchandise | 27,573 | 31,255 | 31,134 |
| Services | 8,676 | 9,835 | 9,042 |
| Leases and rentals | 430 | 487 | 409 |
| Personnel..... | 7,207 | 8,169 | 8,695 |
| Depreciation and amortization..... | 2,541 | 2,880 | 3,052 |
| Provisions for doubtful accounts and writedowns of fixed assets | 482 | 546 | 476 |
| Change in raw materials, supplies and merchandise inventories..... | (97) | (110) | 63 |
| Provisions for risks and other accruals | 921 | 1,044 | 1,054 |
| Other operating costs | 1,155 | 1,309 | 1,458 |
| Financial services expenses | 797 | 904 | 983 |
| Insurance claims and other costs | 4,137 | 4,690 | 4,022 |
| Total costs of production | 53,822 | 61,009 | 60,388 |
| Operating income..... | 281 | 318 | 855 |
| Financial income and expenses | | | |
| Investment income | 233 | 264 | 378 |
| Other financial income..... | 1,930 | 2,188 | 1,655 |
| Interest and other financial expenses..... | (2,763) | (3,132) | (2,650) |
| Total financial income and expense | (600) | (680) | (617) |
| Adjustments to financial assets | | | |
| Share of income (loss) | (329) | (373) | (74) |
| Writedowns of financial receivables and securities | (106) | (121) | (28) |
| Total adjustments to financial assets | (435) | (494) | (102) |
| Extraordinary income and expenses | | | |
| Extraordinary income | 1,451 | 1,645 | 2,757 |
| Extraordinary expenses | (1,135) | (1,286) | (1,843) |
| Total extraordinary income and expenses | 316 | 359 | 914 |
| Income before taxes | (438) | (497) | 1,050 |
| Income taxes | 260 | 294 | 472 |
| Income before minority interest..... | (698) | (791) | 578 |
| Minority interest | 305 | 346 | 86 |
| Net income..... | (393) | (445) | 664 |

Book-Entry Clearance Systems

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuers and the Guarantor believe to be reliable, but none of the Issuers, the Guarantor nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Issuers that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Subscription and Sale and Transfer and Selling Restrictions".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships.

Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

The Issuers will apply to DTC in order to have each Tranche of Notes represented by Rule 144A Global Notes accepted in its book-entry settlement system. Upon the issue of any Rule 144A Global Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Rule 144A Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Rule 144A Global Note will be limited to Direct Participants or Indirect Participants. Ownership of beneficial interests in a Rule 144A Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Rule 144A Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a

portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuers expect DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuers also expect that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form.

Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Taxation

LUXEMBOURG

The following discussion is a summary of the Luxembourg tax consequences to potential purchasers or holders of Notes, based on current law and practice in Luxembourg. This discussion is for general information purposes only and does not purport to be a comprehensive description of all possible tax consequences that may be relevant. Potential purchasers of Notes should consult their own professional advisers as to the consequences of making an investment in, holding or disposing of the Notes and the receipt of any amount in connection with the Notes and Coupons.

Withholding Tax

Under Luxembourg tax laws currently in effect, there is no withholding tax for resident and non-resident holders of Notes on payments of principal or interest, or on accrued but unpaid interest, nor is any Luxembourg withholding tax payable on payments received upon redemption, repurchase or exchange of the Notes.

Taxes on Income and Capital Gains

Holders of Notes will not become residents or be deemed to be residents, in Luxembourg by reason only of the holding of the Notes.

Holders of Notes who are non-residents of Luxembourg and who do not hold the Notes through a permanent establishment in Luxembourg are not liable to Luxembourg income tax on (i) payments of principal or interest, (ii) accrued but unpaid interest, (iii) payments received upon redemption, repurchase or exchange of the Notes or (iv) capital gains on sale of any Notes.

Holders of Notes resident in Luxembourg who are fully taxable or holders of Notes who have a permanent establishment in Luxembourg with which the holding of the Notes is connected, must for income tax purposes include any interest received in their taxable income. Holders of Notes will not be liable for any Luxembourg taxation on income on repayment of principal.

Individual Luxembourg resident holders of Notes are not subject to taxation on capital gains upon the disposition of the Notes unless the disposition of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon a sale, repurchase, redemption or exchange of the Notes, individual Luxembourg resident holders of Notes must however include the portion of the sale, repurchase, redemption or exchange price corresponding to accrued but unpaid interest in their taxable income.

A corporate entity or “*société de capitaux*”, which is a Luxembourg resident holder of Notes or a foreign entity of the same type which has a Luxembourg permanent establishment, will need to include in its taxable income the difference between the sale, repurchase, redemption or exchange price (including accrued but unpaid interest) and the lower of cost or book value of the Notes sold, repurchased, redeemed or exchanged. These holders of Notes should not be liable for any Luxembourg income tax on repayment of principal upon repurchase, redemption or exchange of the Notes.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by a holder of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption or repurchase of the Notes.

Luxembourg net wealth tax will not be levied on a holder of Notes, unless (i) such holder of Notes is resident in Luxembourg for the purpose of the relevant legal provisions; or (ii) the Notes are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

No gift, estate or inheritance taxes are levied on the transfer of the Notes upon the death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Taxation of the Issuer

The Issuer is a company subject to corporate income tax and municipal business tax in Luxembourg at the standard rate.

The Issuer will be subject to a 1 per cent. capital duty on any capital contribution in kind or in cash.

It will not be subject to VAT in Luxembourg in respect of payments in consideration for the issue of the Notes or in respect of payments of interest or principal under the Notes.

Luxembourg VAT may however be payable in respect of fees charged for certain services rendered to the Issuer if, for Luxembourg VAT purposes, such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg VAT does not apply with respect to such services.

CANADA

Subject to the following, in the case of a Note issued by FFC (a “Canadian Issuer Note”), interest paid or credited by FFC or the Guarantor or deemed to be paid or credited on such Note (including accrued interest on such Note in certain cases involving the assignment or transfer of such Note to a resident or deemed resident of Canada) to a person who is the beneficial owner of such Note and is a non-resident of Canada for purposes of Canadian federal income tax laws will not be subject to Canadian non-resident withholding tax where FFC deals at arm’s length for the purposes of Canadian federal income tax laws with such non-resident at the time of such payment and under the terms and conditions of the Canadian Issuer Notes or any agreement relating thereto FFC may not under any circumstances be obliged to repay more than 25 per cent. of the aggregate principal amount of a Tranche of Canadian Issuer Notes issued as a single debt issue within five years from the date of issue of such Tranche except, generally, in the event of a failure or default under such Notes or a related agreement. Canadian non-resident withholding tax will also apply if all or any portion of such interest on the Canadian Issuer Notes (other than on a prescribed obligation described below) is contingent or dependent upon the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable on any class of shares of the capital stock of a corporation. The Canadian non-resident withholding tax is at the rate of 25 per cent., or such lower rate as may be provided for under the terms of any applicable bilateral tax treaty.

A prescribed obligation for this purpose is an “indexed debt obligation” (as defined below) in respect of which no amount payable, other than an amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon the use of, or production from, property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation. An “indexed debt obligation” is a debt obligation the terms and conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money. All or a portion of an adjustment to an amount payable in respect of such an obligation may be treated as being paid or credited by the issuer as interest on such obligation.

Accordingly, interest on any Tranche of Canadian Issuer Notes having a term of less than five years, on any Tranche of Canadian Issuer Notes of which instalment payments of more than 25 per cent. of the aggregate principal amount of such Notes are obliged to be paid within five years from the date of issue of such Tranche and on any Tranche of Canadian Issuer Notes redeemable at the option of the holder within five years from the date of issue of such Tranche will be subject to Canadian non-resident withholding tax. Interest on Floating Rate Notes issued by FFC, depending upon the interest rate formula as set forth in the applicable Pricing Supplement, may be subject to Canadian non-resident withholding tax.

In the event that a Canadian Issuer Note is redeemed, cancelled, repurchased or purchased by FFC, or any other resident or deemed resident of Canada, from a non-resident holder or otherwise assigned or transferred by a non-resident holder to a resident or deemed resident of Canada for an amount which exceeds, generally, the issue price thereof, the difference between the price for which such Note is redeemed, cancelled, repurchased or purchased or otherwise assigned or transferred and the issue price may, in certain circumstances, be deemed to be interest on such Note. Such deemed interest on such Note will be subject to Canadian non-resident withholding tax if such interest is not otherwise exempt from Canadian non-resident withholding tax (as described above). A further exception to this deemed interest rule may apply if the Canadian Issuer Note is not an indexed debt obligation (as defined above), was issued for at least 97 per cent. of its principal amount and its annual yield is not more than four-thirds of the interest stipulated to be payable on such Note. Depending upon the terms set forth in the applicable Pricing Supplement, Canadian Issuer Notes issued at a discount or redeemable at a premium may be subject to these deemed interest rules, and accordingly subjected to Canadian non-resident withholding tax.

Additional considerations relating to Canadian Issuer Notes may be set forth in the Pricing Supplement relating to the issue of such Notes.

Under the existing federal laws of Canada, generally, there are no other taxes on income (including taxable capital gains) payable in respect of a Canadian Issuer Note or interest, discount, or premium thereon by a non-resident person who, for the purposes of such laws, is the beneficial owner of the Note and is neither a resident nor deemed to be a resident of Canada at any time during which the Canadian Issuer Note is held (and to whom the Canadian Issuer Note is not a “designated insurance property” within the meaning of the Act), who does not use or hold and is not deemed to use or hold the Canadian Issuer Note in or in the course of carrying on a business in Canada and is not otherwise required by or for the purposes of such laws to include an amount in respect of the Canadian Issuer Note in computing income from a business carried on in Canada (“Non-Residents of Canada”).

The foregoing is general information with respect to certain Canadian federal income tax considerations applicable under current law to Non-Residents of Canada. It is not exhaustive. Holders of Notes should consult their own tax advisors for advice with respect to their particular situations. In particular, this summary only considers Notes contemplated by terms and conditions set out herein.

UNITED STATES

The following is a summary of certain United States federal income tax consequences of the purchase, ownership, and disposition of Notes, Receipts or Coupons by a holder that is not a “United States Person” (a “Non-U.S. Holder”). A “United States Person” is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. The information provided below does not purport to be a complete summary of United States tax law and practice currently applicable.

United States Persons should consult their own tax advisors regarding the tax consequences to them of holding an interest in Notes, Receipts or Coupons.

Under current United States federal income and estate tax law:

- (i) payment on a Note, Receipt or Coupon by the Issuer, the Guarantor, or any Paying Agent to a holder that is a Non-U.S. Holder will not be subject to withholding of United States federal income tax, provided that, with respect to payments of interest, (i) the holder does not actually or constructively own 10 per cent. or more of the combined voting power of all classes of stock of the Issuer and is not a controlled foreign corporation related to the Issuer through stock ownership and (ii) in the case of a Registered Note, the beneficial owner provides a statement signed under penalties of perjury that includes its name and address and certifies that it is a Non-U.S. Holder in compliance with applicable requirements (or satisfies certain documentary evidence requirements for establishing that it is a Non-U.S. Holder);
- (ii) a holder of a Note, Receipt or Coupon that is a Non-U.S. Holder will not be subject to United States federal income tax on gain realised on the sale, exchange or redemption of the Note, Receipt or Coupon, unless (x) such gain is effectively connected with the conduct by the holder of a trade or business in the United States or (y) in the case of gain realised by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and either (A) such gain or income is attributable to an office or other fixed place of business maintained in the United States by such holder or (B) such holder has a tax home in the United States;
- (iii) a beneficial owner of a Bearer Note, Receipt or Coupon that is a Non-U.S. Holder will not be required to disclose its nationality, residence or identity to the Issuer, the Guarantor, a Paying Agent (acting in its capacity as such) or any United States governmental authority in order to receive payment on such Bearer Note, Receipt or Coupon from the Issuer, the Guarantor, or a Paying Agent outside the United States; and
- (iv) a Note, Receipt or Coupon will not be subject to United States federal estate tax as a result of the death of a holder who is not a citizen or resident of the United States at the time of death, provided that such holder did not at the time of death actually or constructively own 10 per cent. or more of the combined voting power of all classes of stock of the Issuer and, at the time of such holder’s death, payments of interest on such Note, Receipt or Coupon would not have been effectively connected with the conduct by such holder of a trade or business in the United States.

United States information reporting requirements and backup withholding tax will not apply to payments on a Bearer Note, Receipt or Coupon made outside the United States by the Issuer, the Guarantor, or any Paying Agent to a holder that is a Non-U.S. Holder. Payments on a Registered Note owned by a Non-U.S. Holder will not be subject to such requirements or tax if the statement described in clause (i) of the preceding paragraph is duly provided to the Principal Paying Agent.

Information reporting requirements and backup withholding tax will not apply to any payment on a Bearer Note, Receipt or Coupon outside the United States by a foreign office of a foreign custodian, foreign nominee or other foreign agent of the beneficial owner of such Note, Receipt or Coupon, provided that such custodian, nominee or agent (i) derives less than 50 per cent. of its gross income from certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 per cent. or more (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business. Payment on a Bearer Note, Receipt or Coupon outside the United States to the beneficial owner thereof by a foreign office of any other custodian, nominee or agent will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such custodian, nominee or agent has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder or the beneficial owner otherwise establishes an exemption. Payment on a Registered or Bearer Note, Receipt or Coupon by the United States office of a custodian, nominee or other agent of the beneficial owner of such Note, Receipt or Coupon will be subject to information reporting requirements and backup withholding tax unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of a Registered or Bearer Note, Receipt or Coupon effected outside the United States by a foreign office of a foreign “broker” (as defined in applicable Treasury regulations), provided that such broker (i) derives less than 50 per cent. of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 per cent. or more (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business. Payment of the proceeds of the sale of a Registered or Bearer Note, Receipt or Coupon effected outside the United States by a foreign office of any other broker will not be subject to backup withholding tax, but will be subject to information reporting requirements unless such broker has documentary evidence in its records that the beneficial owner is a Non-U.S. Holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of a sale of a Registered or Bearer Note, Receipt or Coupon by the United States office of a broker will be subject to information reporting requirements and backup withholding tax unless the beneficial owner certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

For the purposes of applying the rules set forth under this heading “Taxation – United States” to an entity that is treated as fiscally transparent (e.g. a partnership) for U.S. federal income tax purposes, the beneficial owner means each of the ultimate beneficial owners of the entity.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR CONSEQUENCES TO THEM OF HOLDING AND DISPOSING OF NOTES, RECEIPTS OR COUPONS IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES, INCLUDING THE TAX CONSEQUENCES UNDER LOCAL, STATE, FOREIGN, AND OTHER TAX LAWS AND POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL INCOME OR OTHER TAX LAWS.

REPUBLIC OF ITALY

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Legislative Decree No. 239 of 1st April, 1996 (“Decree 239”), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the

difference between the redemption amount and the issue price) from notes falling within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) issued, inter alia, by non-Italian resident issuers.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime – see under “Capital gains tax” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, (iv) a real estate investment fund established before 26th September, 2001 (see however below), or (v) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of (a) 12.5 per cent. in case of Notes having an original maturity of at least 18 months, and (b) 27 per cent. in case of Notes having an original maturity of less than 18 months. In case the Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Pursuant to Article 6 of Law Decree No. 351 of 25th September, 2001, converted, with amendments, into Law No. 410 of 23rd November, 2001, Italian real estate investment funds established on or after 26th September, 2001, are subject to a substitute tax at the rate of 1 per cent. levied on the net value of the fund. Interest, premium and other income from the Notes, as well as the value of such Notes, will contribute to determine such net value. The tax is paid by the company managing the fund (SGR). The new regime also applies to those Italian real estate investment funds established before 26th September, 2001 whose managing company has so requested within 25th November, 2001. Based on a literal interpretation of the current legislation, the new regime may apply to interest, premium and other income derived from the Notes irrespective of their original maturity.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP – the regional tax on productive activities).

Where an Italian resident Noteholder is an open ended or a closed-ended investment fund or a SICAV and the Notes, having an original maturity of at least 18 months, are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period, will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 12.5 per cent. substitute tax.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by articles 14, 14ter and 14quater, paragraph 1, of Legislative Decree No. 124 of 21st April, 1993) and the Notes, having an original maturity of at least 18 months, are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

On the other hand, if the Notes have an original maturity of less than 18 months, the *imposta sostitutiva*, levied at a 27 per cent. rate, is also applied to any payment of interest, premium or other income relating to the Notes made to (i) Italian pension funds (subject to the regime provided for by articles 14, 14ter and 14quater, paragraph 1, of Legislative Decree No. 124 of 21st April, 1993), (ii) Italian open-ended or closed-ended investment funds, and (iii) Italian SICAVs.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an “**Intermediary**”).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest, premium and other income relating to Notes issued by a non-Italian resident Issuer provided that, in the event the Notes are held in Italy, the non-Italian resident Noteholder declares to be a non-Italian resident according to Italian tax regulations when required.

Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by a non-Italian resident Issuer are redeemed, in full or in part, prior to 18 months from the Issue Date, the Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. This provision does not apply to an Italian Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution

Payments made by an Italian resident guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 12.5 per cent. pursuant to Presidential Decree No. 600 of 29th September, 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at (i) 12.5 per cent. if the payment is made to non-Italian resident Noteholders, other than those mentioned under (ii); or (ii) 27 per cent. if payments are made to non-Italian resident Noteholders who are resident in “tax haven” countries (as defined and listed in Ministerial Decree 23rd January, 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (on, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In case of Notes issued by a non-Italian resident Issuer, the 27 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

Capital gains tax

Any gain realised from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains.

Under the tax declaration regime (“*regime della dichiarazione*”), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses

in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the “*risparmio amministrato*” regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the “*risparmio amministrato*” regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the “*risparmio amministrato*” regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the “*risparmio gestito*” regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the “*risparmio gestito*” regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5 per cent. substitute tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by articles 14, 14^{ter} and 14^{quater}, paragraph 1, of Legislative Decree No. 124 of 21st April, 1993) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by a non-Italian resident Issuer are not subject to Italian taxation, provided that the Notes are held outside Italy.

Italian gift tax

Transfers of the Notes by reason of gift to persons other than the spouse, ascendants or descendants, siblings or relatives within the 4th degree will be subject to the ordinary transfer taxes applicable to transfers for considerations, if due, in respect of the value of the gift received by each person exceeding Euro 180,759.91.

Transfer tax

Pursuant to Italian Legislative Decree No. 435 of 21st November 1997, which partly amended the regime set forth by Royal Decree No. 3278 of 30th December 1923, the transfer of the Notes may be subject to the Italian transfer tax, which is currently payable at a rate between a maximum of Euro 0.0083 and a minimum of Euro 0.00465 per Euro 51.65 (or fraction thereof) of the price at which the Notes are transferred. Where the transfer tax is applied at a rate of Euro 0.00465 per Euro 51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed Euro 929.62.

However, the transfer tax does not apply, *inter alia*, to: (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries; (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs or other financial intermediaries regulated by Legislative Decree No. 415 of 23rd July, 1996 as superseded by Legislative Decree No. 58 of 24th February, 1998, or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in Italy, on the one hand, and undertakings for collective investment in transferable securities, on the other hand; (iii) contracts related to

sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets, (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand.

Proposed EU Withholding Tax

On 13th December, 2001, the Council of the European Union published a revised draft directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments.

The terms of the draft directive will not apply, for a limited period of seven years from 1st January, 2004, to:

- (i) negotiable debt securities issued before 1st March, 2001;
- (ii) negotiable debt securities issued after 1st March, 2001 but before 1st March, 2002, which are fungible with securities within (i) above; or
- (iii) negotiable debt securities issued before 1st March, 2002 where the original prospectus was approved by the relevant competent authority (or by the responsible authority if approved in a non-EU Member State) before 1st March, 2001.

The proposed directive is not yet final, and may be subject to further amendment.

U.K. TAXATION

The following is a summary of the Issuers' understanding of current law and practice in the United Kingdom relating to the deduction of tax from interest on the Notes. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Payments of interest on Notes may be made without withholding or deduction on account of UK income tax. However, Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. The Inland Revenue also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are relevant discounted securities for the purposes of the Finance Act 1996 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Inland Revenue published practice indicates that the Inland Revenue will not exercise its power to obtain information in relation to such amounts where the amounts are paid on or before 5th April, 2003. Any information obtained by the Inland Revenue under the powers referred to in this paragraph may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

Subscription and Sale and Transfer and Selling Restrictions

The Dealers have in an amended and restated programme agreement (the “Programme Agreement”) dated 31st July, 2002 agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes”. In the Programme Agreement, each of the Issuers (failing which the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the relevant Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is two years after the later of the last Issue Date for the Series and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT REFERRED TO HEREIN AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the Tranche of which such Registered Notes form part), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the relevant Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF,

U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (viii) that the relevant Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the relevant Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$250,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$250,000 (or its foreign currency equivalent) of Registered Notes.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“Regulation S Notes”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part or (iii) in the event of a distribution of a Tranche that is fungible therewith, until 40 days after the completion of the distribution of such fungible Tranche, as determined by the parties described in clause (ii), within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency). To the extent that the relevant Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the relevant Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Canada

The Notes have not been, and will not be, qualified for sale under the securities laws of any province or territory of Canada. Each Dealer has represented and agreed that it has not offered, sold or delivered, and that it will not offer, sell or deliver, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of any province or territory of Canada. Each Dealer has also agreed not to distribute this Offering Circular, or any other offering material relating to the Notes, in Canada without the written permission of FFC. Each Dealer has further agreed that until 40 days after any closing date, it will deliver to any purchaser who purchases from it any Notes issued by FFC (“FFC Notes”) a notice stating in substance that, by purchasing such FFC Notes, such purchaser represents and agrees that it has not offered or sold and will not offer or sell, directly or indirectly, any of such FFC Notes in Canada or to, or for the benefit of, any resident thereof, except pursuant to available exemptions from applicable Canadian provincial or territorial securities laws and will deliver to any other purchaser to whom it sells any of such FFC Notes a notice containing substantially the same statement as in this sentence.

Italy

The offering of any Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in Italy, except;

- (i) to professional investors (“*operatori qualificati*”), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended;
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the “Financial Services Act”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended; or
- (i) to an Italian resident who submits an unsolicited offer to purchase the such Notes.

Any offer, sale or delivery of Notes or distribution of copies of this Offering Circular or any other document relating to any Notes in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the “Banking Act”), as amended; and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in Italy and their characteristics.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the relevant Issuer;

- (iii) it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

Germany

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Notes have not been and will not be offered, sold or publicly promoted or advertised by it in Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities.

The Netherlands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (“*Wet toezicht effectenverkeer 1995*”) is applicable and the conditions attached to such exemption or exception are complied with.

Luxembourg

Each Dealer has represented and agreed that it will not publicly offer or sell any Notes or distribute any offering material relating to the Notes in or from the Grand-Duchy of Luxembourg except in circumstances where the requirements of Luxembourg law concerning public offerings of securities have been met. A listing on the Luxembourg Stock Exchange of the Notes does not necessarily imply that a public offering in Luxembourg of the Notes has been authorised.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

General Information

AUTHORISATION

The amendment and restatement of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of FFT dated 23rd July, 2002 and have been duly authorised by resolutions of the respective Boards of Directors of FFNA and of FFC each dated 22nd July, 2002. The Guarantee has been given pursuant to Article 3 of the Guarantor's Bye-Laws.

LISTING OF NOTES ON THE LUXEMBOURG STOCK EXCHANGE

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. A legal notice relating to the Programme and the constitutional documents of each Issuer are being lodged with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*) where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated the number 12259 to the Programme for listing purposes.

DOCUMENTS AVAILABLE

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available without charge from the registered office of each Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) the constitutional documents (in the case of FFT, with an English translation thereof) of each Issuer and the Bye-laws (with an English translation thereof) of the Guarantor;
- (ii) the unconsolidated audited financial statements of each Issuer in respect of the financial years ended 31st December, 2000 and 2001 (in the case of FFT, with an English translation thereof) and the consolidated and unconsolidated financial statements of the Guarantor in respect of the financial years ended 31st December, 2000 and 2001 (with an English translation thereof) (each Issuer currently prepares audited non-consolidated accounts on an annual basis and the Guarantor prepares audited consolidated and non-consolidated accounts on an annual basis);
- (iii) the most recently published audited annual financial statements of each Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of each Issuer and the Guarantor (in the case of FFT, with an English translation thereof) (the Guarantor prepares unaudited consolidated interim accounts on a semi-annual basis and unaudited non-consolidated interim accounts on a quarterly basis);
- (iv) the Programme Agreement, the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (v) a copy of this Offering Circular;
- (vi) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to each Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

CLEARING SYSTEMS

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the relevant Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system (including Sicovam) the appropriate information will be specified in the applicable Pricing Supplement.

SIGNIFICANT OR MATERIAL CHANGE

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of any of the Issuers or the Guarantor and its Group since 31st December, 2001 and there has been no material adverse change in the financial position of any of the Issuers or the Guarantor and its Group since 31st December, 2001.

LITIGATION

None of the Issuers nor the Guarantor nor any other member of the Group is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuers, the Guarantor or the Group.

AUDITORS

The independent auditors of FFT from 1st January, 2000 are Andersen S.A. (formerly Arthur Andersen S.C.) of 6 Rue Jean Monnet, L-2180 Luxembourg, who have audited the accounts of FFT, without qualification, in accordance with generally accepted accounting standards in Luxembourg for the financial years ended on 31st December, 2000 and 2001.

The independent auditors of FFNA and FFC from 1st January, 2000 are Arthur Andersen of 1345 Avenue of the Americas, New York NY 10105, United States of America, who audited the accounts of FFNA and FFC, without qualification, in accordance with International Accounting Standards for the financial years ended on 31st December, 2000 and 2001. However, FFNA and FFC are currently negotiating with another internationally recognised public accounting firm to act as independent auditors to each of FFC and FFNA, replacing Arthur Andersen.

The independent auditors of the Guarantor from 1st January, 2000 are Arthur Andersen S.p.A., Galleria San Federico, 54, Turin, Italy who have audited the Guarantor's accounts, without qualification, in accordance with generally accepted auditing standards in Italy for the financial years ended on 31st December, 2000 and 2001.

ISSUES BY FFC

For the purposes of disclosure pursuant to the *Interest Act* (Canada) and not for any other purpose, where in any Note issued by FFC (i) a rate of interest is to be calculated on the basis of a year of 360 days, the yearly rate of interest to which the 360 day rate is equivalent is such rate multiplied by the number of days in the year for which such calculation is made and dividend by 360, or (ii) a rate of interest is to be calculated during a leap year, the yearly rate of interest to which such rate is equivalent is such rate multiplied by 366 and divided by 365.

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