

1980 - 2nd Operating Year

Reports of the Board of Directors and
Statutory
Auditors to the
Shareholders



Fiat Auto

FIAT LANCIA

**Reports of the Board
of Directors and Statutory
Auditors to the Shareholders**

1980 - 2nd Operating Year
Ordinary and Extraordinary Meeting of
Shareholders
May 13, 1981

Fiat Auto

Fiat Auto S.p.A.
Head Office: Corso G. Agnelli 200 - Turin, Italy
Share Capital L. 1,700 billion
Registered at Turin Court under No. 2387/78 of
the Register of Companies

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Board of Directors

Chairman Umberto Agnelli*

Vice Chairman Cesare Romiti*

Managing Director and General Manager Vittorio Ghidella*

Directors Giovanni Agnelli
Carlo Chiomenti
Simone Fubini
Giorgio Garuzzo
Giorgio Manina
Francesco P. Mattioli
Ferdinando Palazzo
Marco Pittaluga
Gian Carlo Vezzalini

* Member of the Executive Committee

Board of Statutory Auditors

Federico Gamna - *Chairman*
Giuseppe Arnulfo
Dario Miaja

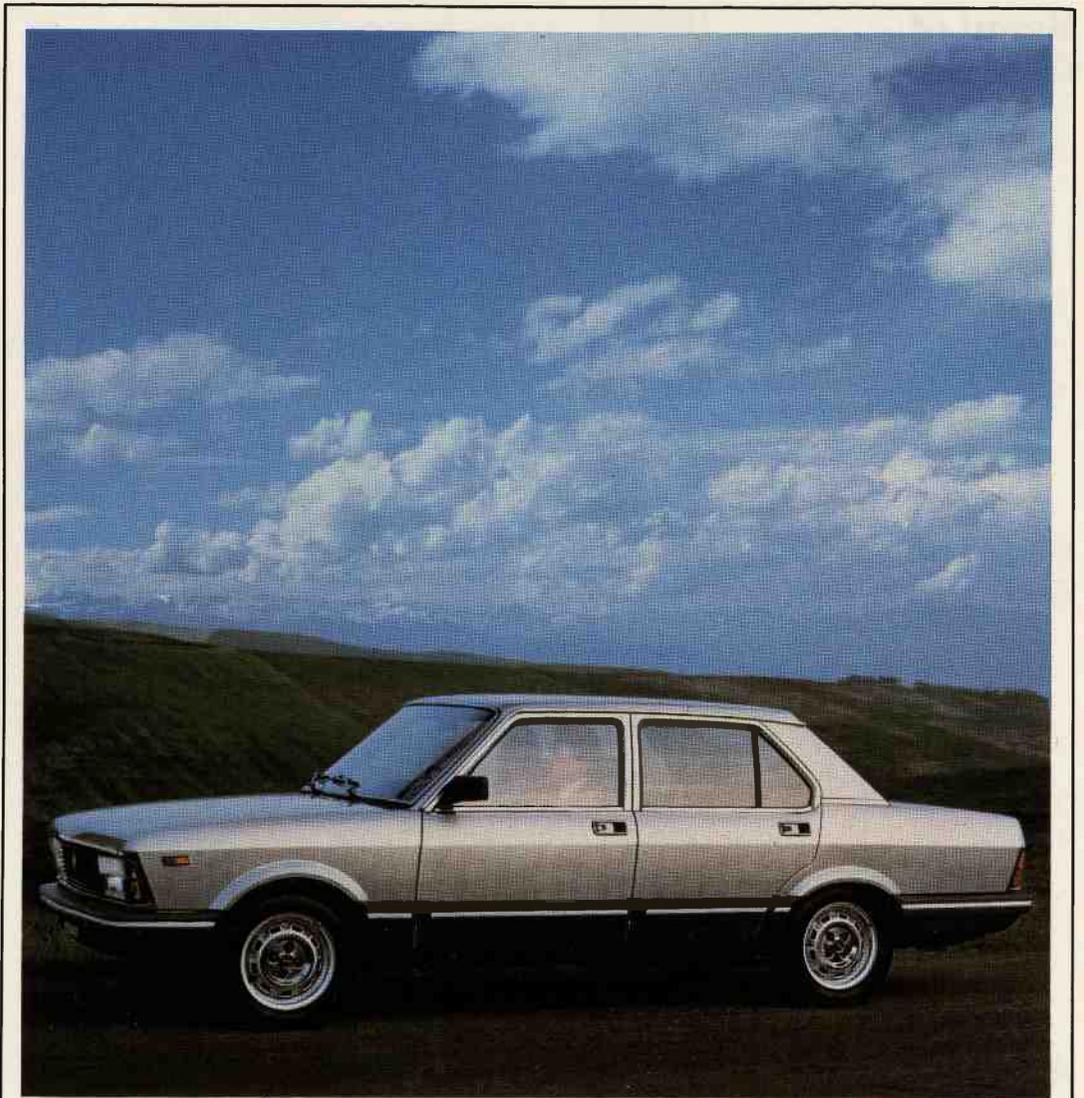
Agenda

Ordinary session
1. Report of the Board of Directors and Statutory Auditors and Balance Sheet at 31/12/1980

2. Appointment of one member

Extraordinary session
3. Proposals of merging Abarth & C. S.p.A. by incorporation into Fiat Auto S.p.A.

Notice of the Shareholders' Meeting was published in the Italian Official Gazette of the Italian Republic No. 116 of April 29, 1981.



Argenta
lussuosamente "2000"

FIAT

Poster

Report of the Board of Directors

Shareholders,

For the world's automobile industry, 1980 was one of the most testing since the war, though your own company recorded some growth.

The product innovation policies that Fiat has committed itself to in recent years have begun to bear fruit and have enabled us to achieve an albeit small increase in our market share in Italy and Europe.

Only the Japanese, with the elbow room they were offered by the devaluation of the yen 18 months ago, performed better than we did. At the end of 1980, Fiat Auto was back in third place in the European sales league and it has improved its position even further in the early months of 1981.

The loss that continues to appear on our Profit and Loss Account should, therefore, be viewed in the light of a turnaround in our fortunes which is laying the foundations for a return to profitability.

Our results have been achieved in a difficult climate characterised by a sharp fall in demand and extremely aggressive competition.

Market gloom was not, however, the only problem that had to be faced by European motor manufacturers in 1980.

More important, if only because its intensity was less predictable, was the offensive from Japan, which lifted the European market share of Japanese manufacturers from 7.7% to 10.4%. In a declining market, the increase in the pressures of Japanese competition, represented a major damper on prices and brought with it a marked fall in profitability.

The reasons why Japanese penetration in Europe should have recorded such a leap forward in 1980 after years of sustained but by no means spectacular growth, are complex. The weakness of the yen has certainly had a lot to do with their success, although this alone is not enough to explain the sharp move forward.

The fear of protection measures from the Europeans probably drove the Japanese to speed things up to enable them to negotiate from higher market share levels. In addition, the drop in the American market may have forced them to look for new outlets.

Underlying this strategy we undoubtedly find the now world-wide importance of the Japanese production base which in 1980 exceeded the output levels of national USA manufacturers for the first time. This being the case, and given the limited size of their domestic market, the

consolidation of their presence on foreign markets has become an essential survival condition for the Japanese automobile industry.

This change in Japan's international growth strategies will add another factor to the restructuring of the world automobile industry, substantially altering the competitive picture of the eighties whose likely competitive picture cannot but make more urgent the need to adopt rationalisation measures as from now, if manufacturers are to achieve greater efficiency. And this efficiency must be sought not only in the improved overall organisation of car production and selling methods but also, and inevitably, in the reduction and updating of production capacity that is no longer competitive.

Unlike what has always happened in the past, the Italian automobile industry has for the first time had to deal with its structural problems in a decidedly favourable market climate.

The growth in car demand in Italy in 1980 (+19.6% over 1979) has practically no precedents in the history of the European car market in the last 15 years. In just one year, car deliveries made up the delay that had separated them from the rest of Europe since the oil crisis, and swept past pre-crisis levels. Compared to 1973 — the year when the previous cycle peaked out — demand grew 20% while the equivalent figure for the rest of Europe was only 6%.

The growth in demand is less surprising if we ignore year by year performance and take cumulative data relating to the period 1974-79. We thus find that the drop in demand in Italy was much greater than that recorded in the European market as a whole, and the recovery of pre-crisis levels has been much slower. Under these conditions, if the post-1973 market had stabilised in Italy and the rest of Europe on a growth trend of 1.5% per annum, in 1979 the accumulated loss would have been 4% in Europe and 13% in Italy. The gap that the Italian market had built up by comparison with Europe as a whole has brought with it a demand potential which, given favourable circumstances, can produce surging growth. That is what happened in 1980.

There were not that many factors fostering growth in car demand in 1980, however, and one counter-force was the radical reversal in the tendency of the real price of fuel to fall, a tendency that had characterised the three years before. In addition, the growth in real available incomes was almost nil, thus forcing families to finance their buying out of savings. Nevertheless, the acceleration in the inflation rate and the fall in respective car prices (+11.5% against +21% in consumer prices) were enough to induce consumers to speed up car replacement operations.

At least in part, your Company was able to take advantage of the favourable market situation, thanks to an aggressive commercial policy and the favourable reception of the new Fiat and Lancia cars. Our recovery in Italian and export market shares, however, has not yet been converted into equally positive operating results. Increases in the cost of labour and materials costs higher than those paid by the competition have continued to weigh on our results: more than 5 percentage points compared to the

average paid by other makers, 8 points compared to the Germans, and fully 20 if we take the Japanese.

1980 was not just a year of commercial consolidation, however. It also represented a turning point in productivity and industrial relations. The long-drawn-out confrontation with the Unions, which led to a total stoppage of production activity for more than a month, was accepted — notwithstanding the risks involved — in the awareness that the Company's very survival, and hence its future, were at stake.

Those, however, who think they detected an attempt on our part to somehow get our own back on the Unions, are quite wrong. An increase in productivity is an essential condition of sound industrial management and only in this way can jobs be protected. In this area, the interests of the Company and those of the Unions cannot but coincide.

Your Company's commitment in 1980 to eliminate internal inefficiency situations, was not accompanied by a similar effort by the government to overcome the conditions of inferiority from which the Company suffers by comparison with the foreign competition.

A lot has been written about the need for an industrial policy for the car sector, and the guidelines for carrying through a restructuring and renovation process, on a par with other countries, have been sketched out. But one year after the conclusions of the Prodi Committee and six months after publication of the special programme, no measure has yet been adopted.

We are referring in particular to the innovation fund which has failed to get off the ground in spite of the fact that it has been recognised as fundamentally important for the purposes of relaunching the sector.

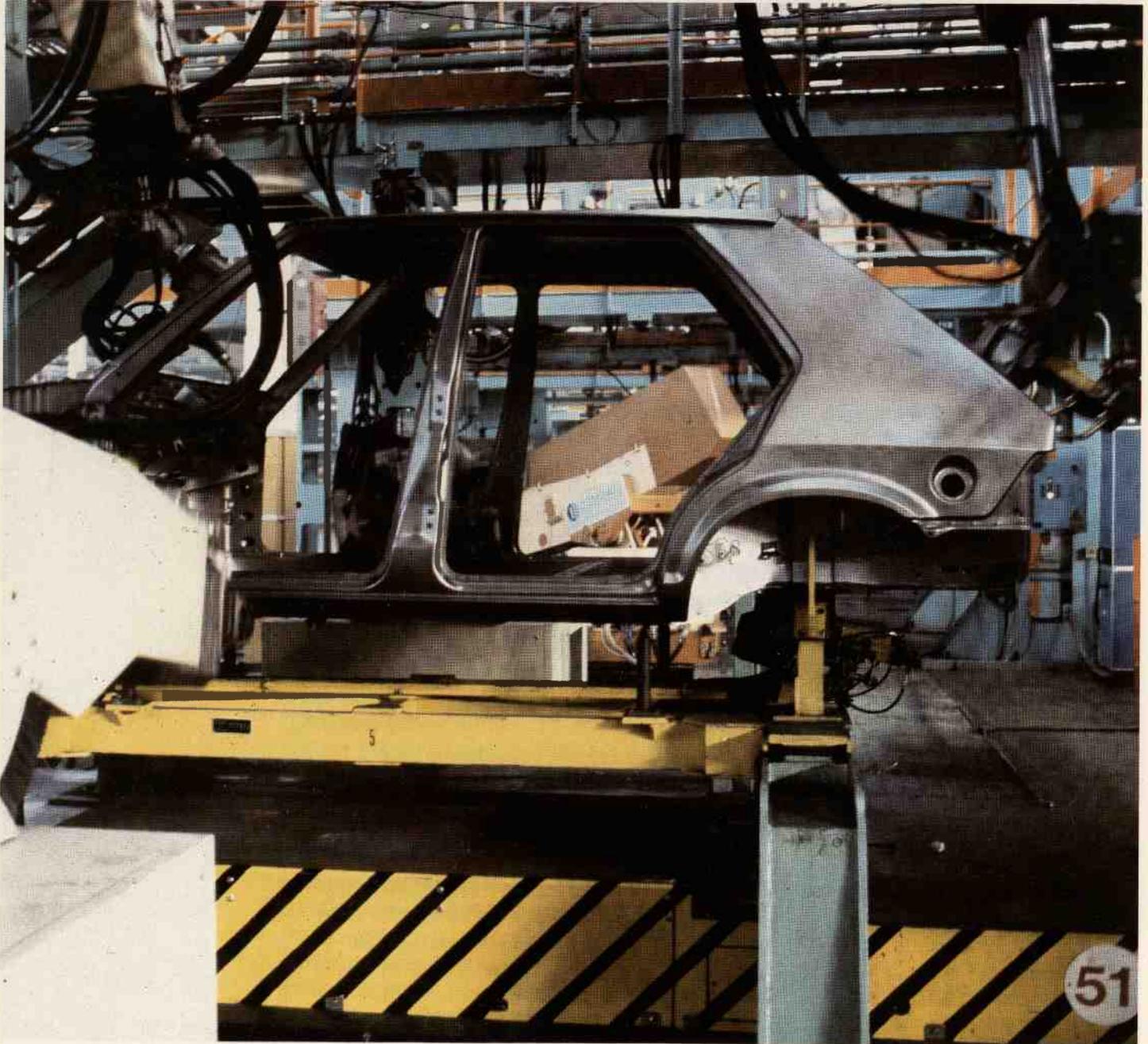
The absence of public incentives has not, however, stopped Fiat Auto from taking concrete steps forward in the innovation field. In line with what we announced in last year's Report, we have given new vigour to our innovation effort, the objective being to boost competitiveness in terms of production costs and product performance, and special attention has been paid to the question of economising on fuel consumption. The two agreements signed in 1980 — one with Peugeot for the production of an innovative engine and one with Borg Warner for the Van Doorne gearbox — are evidence of our commitment to the intentions we outlined last year, and open the road to important new agreements.

A detailed analysis of the Company's research, development and engineering programmes is given at page 21 and following of this report.

The prospects for 1981 are still conditioned by an uncertain European market and by the consolidation of the Japanese advance. The modest growth in real personal incomes, the uncertainty in consumer behaviour in the presence of high inflation and unemployment rates, and the difficulties of obtaining credit, make it unlikely that demand will recover during the year in most European countries. In Italy, the factors that threw the market off-cycle could continue to operate, so mitigating the consequences of low demand in the rest of Europe, as far as Italian makers are concerned.

In any case, the advantages we have gained in terms of productivity

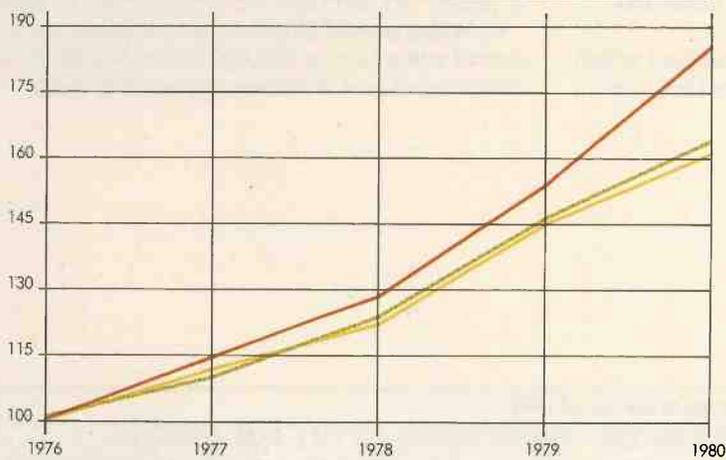
give us a big enough safety margin to hold on, even though conditions are objectively testing. The exploitation of these margins and an acceleration in our range renewal programme, should bring us back into the black when the European market recovers.



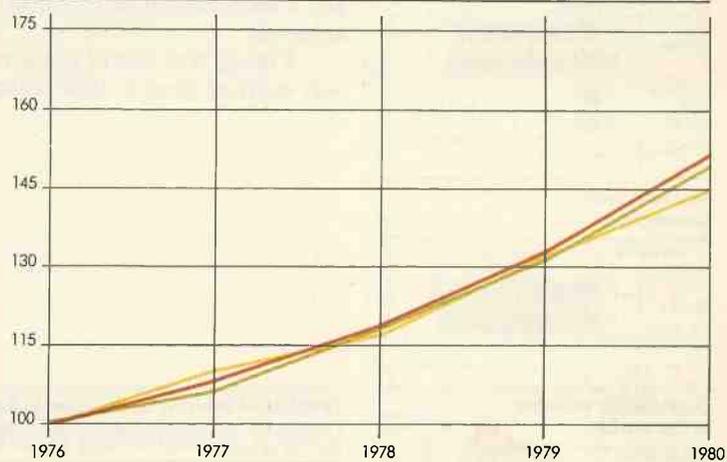
A Robogate working station in use in the Rivalta, Cassino, and Termini Imerese plants. The Robogate is an automatic and flexible system which assembles car bodies by means of welding robots.

**Performance of retail prices and comparison with car price lists (at December 31 of each year)
in the four major European markets for the period 1976 to 1980**

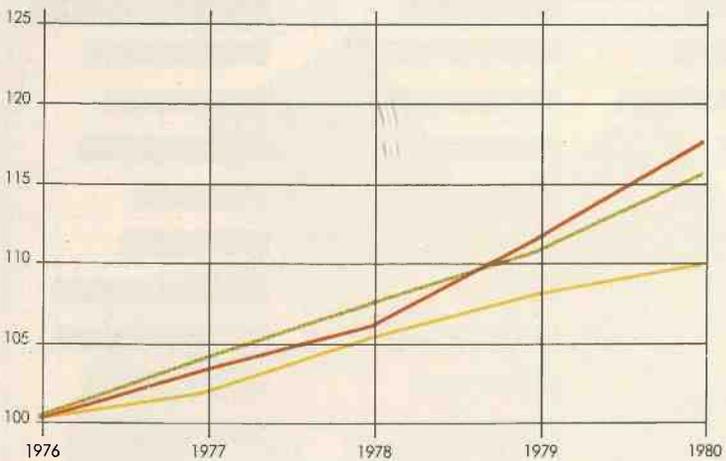
ITALY



FRANCE



GERMANY

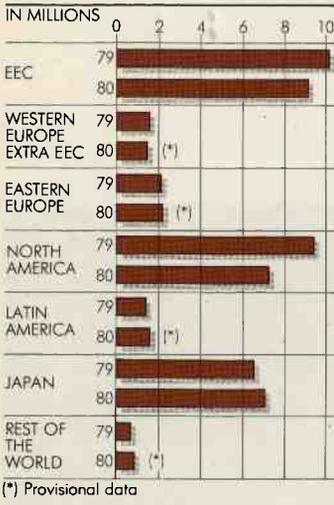


GREAT BRITAIN

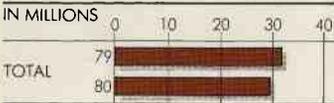


— RETAIL PRICES
— CAR PRICES:
— CAR PRICES: FIAT ONLY
 INDEX: DECEMBER 31, 1976 = 100

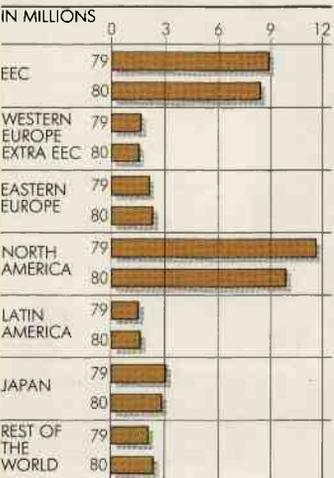
World vehicle production



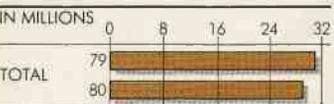
World vehicle production



Demand for vehicles in the world



Demand for vehicles in the world



Market

1980 punctually saw the decline in the market of which notice had been given by the downturn in the last few months of 1979. European demand, at a little less than 10 million units delivered, reflected a reduction of 5% compared to the year before. If we exclude Italy from the calculation, the reduction was 9%.

In a generally gloomy landscape in which all markets suffered a sharp decline, Italy proved the only important exception and a sales record of 1,713,000 units was achieved.

France was one of those markets which only marked time in 1980 where they did

not actually fall. Demand dropped to 1,873,000, 5.2% less than 1979, a return in other words to 1976 levels after beating 1.9 million for three years in a row.

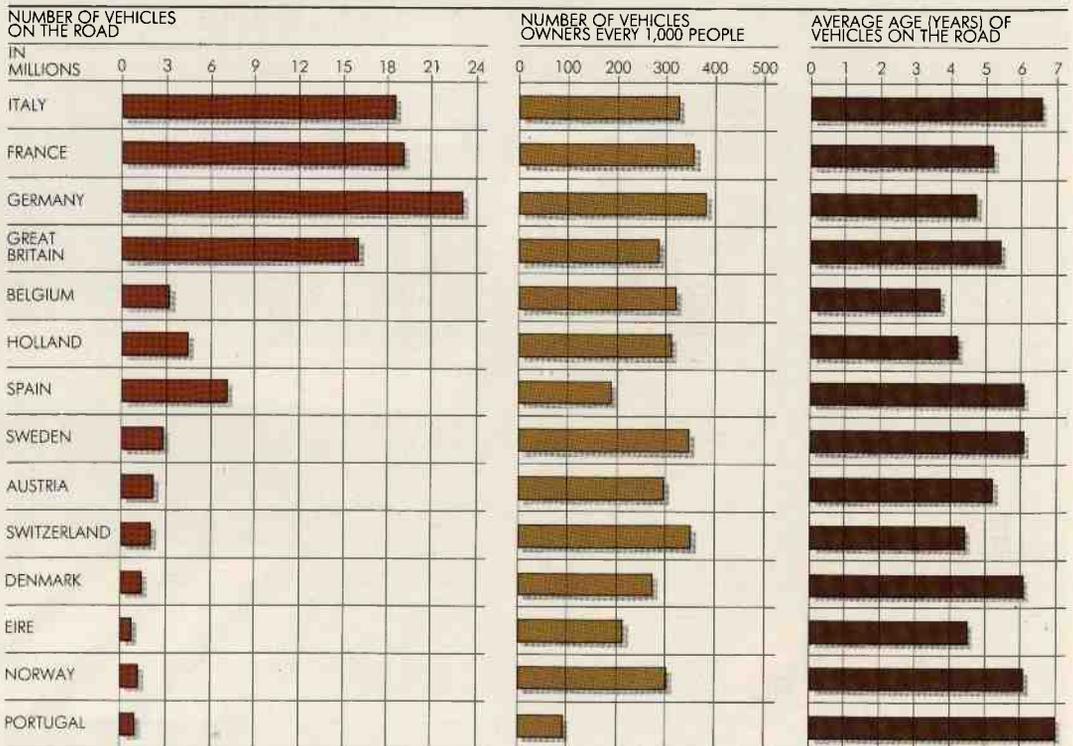
Germany continued the slide that began after 1978: its 2,426,000 unit sales were a further 7.5% off the level of the year before.

Sales in Great Britain went even worse after the notable recovery in 1978 and 1979, and the market dropped to just a little over 1.5 million, off 11.8%.

Taken together, these three important markets lost more than half a million cars, only half of which was offset by the increase in Italy.

In the rest of Europe there was an overall reduction of 320,000 units. While Switzerland and Austria substantially held

Number of vehicles on the road in Europe at the end of 1980



their positions, demand in Sweden was off 10.2% and in Belgium 5.9%. Even more marked was the downturn in Holland which had reported an average market in the previous four years of 550,000 units but saw it fall by nearly 21%.

In Greece and Denmark, however, the results were even worse: both countries upped their purchase and import tax during the year, bringing demand down with a bump to a third of 1978 in Greece and little more than half in Denmark.

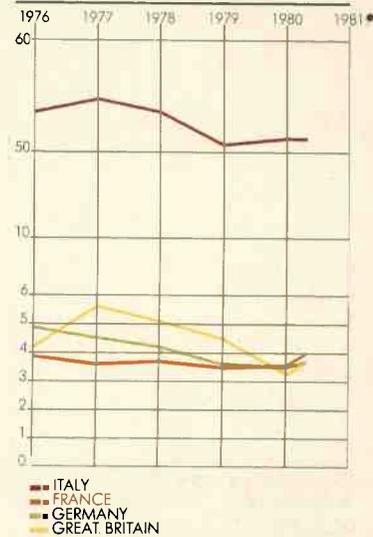
Spain also fell with respect to an already depressed 1979: its 540,000 unit sales in 1980 were 7.4% less than the year before and 15% off the record level achieved in 1977.

North American markets were no

better. Demand fell 15.7% in USA to below 9 million, and in Canada it dropped to 930,000 after exceeding the million mark in 1979.

Demand fell in Japan too, by 180,000 units from its 3 million level of the year before, while in South America the fall in the Brazilian market from 864,000 to 818,000 was offset by the growth in Argentinian figures which closed at 250,000.

Fiat Auto market shares (%)
(Italy, France, Germany, Great Britain)



Ritmo 105 TC: un motore 1600 per un salto di potenza

Con l'esuberante potenza nei suoi 105 cavalli e con l'allestimento sportivo che la personalizza, la Ritmo "105 TC" entra nella categoria delle moderne berline con elevate prestazioni.

È una formula in crescente espansione perché concilia le aspettative di automobilisti esperti e appassionati della guida sportiva, con le esigenze di spazio e confort tipiche dell'odierno "andare in macchina".

Il risultato di questa iniezione di potenza è straordinario: la guida diventa un vero divertimento, mentre il consumo si ottimizza in valori estri ottimalmente contenuti.

Le prestazioni: entusiasmanti

Velocità max. in 5^a: 175 km/h.
Velocità max. in 4^a: oltre 150 km/h.
Velocità max. in 3^a: oltre 120 km/h.
Accelerazione da 0 a 100 km/h in 10 secondi.
Accelerazione da 0 a 400 m in 17 secondi.
Accelerazione da 0 a 1000 m in 32 secondi.
Ripresa su 400 m in 4^a da 40 km/h: 16 secondi.

I consumi: contenutissimi

14,7 km con un litro alla velocità costante di 90 km/h.
17,5 km con un litro alla velocità costante di 120 km/h.
10,9 km con un litro il consumo medio normalizzato ECE.



Fiat Auto market shares (%)
(Total Europe)*



*Excluding Spain

• 1st four-month period

Catalogue

Production

The Automobile Sector, with 1,478,900 units produced, maintained output levels substantially in line with those of last year.

In Italy, Fiat Auto S.p.A. made 1,275,500 cars and vans, down 2.5% on 1979.

In Brazil, Fiat Automóveis reported a significant increase in its production volumes. At 163,800 units, these show a 29.3% improvement compared to the year before. 122,000 engines were also produced for export.

In Argentina, Fiat production totalled 37,100 units, down 6.1% over 1979. On 1 December 1980 the Peugeot (Safrar) and Fiat (Fiat Automóviles) operations were merged in the interests of industrial and commercial economies. The new Company, jointly owned by Fiat and Peugeot, is operating under the name SEVEL ARGENTINA S.A.

Production abroad by associated Companies and Licensees totalled 761,000 units, down 4.7% compared to the year before.

In Spain, Seat built 281,000 cars, about

18,100 less than 1979. During the year, the Company voted a new increase in capital. Fiat Auto's failure to subscribe to this has led to a reduction in our interest in the Company which at year end was about 18%.

In Turkey, the persistence and aggravation of the country's economic and currency crisis has meant production volumes of 50% less than capacity for Tofas. Total output was 13,300 units, 8,700 less than 1979.

In Yugoslavia, ZCZ built 138,200 vehicles. The fall of 14.6% compared to the year before was mainly due to the fact that the 1300 and 1500 models went out of production, and to currency problems which conditioned the purchase of knocked down kits from abroad. Production of the new Z 102 got under way towards year end.

In Poland, production in the F.S.O. and F.S.M. factories recorded an increase of 4% at 327,600 cars, of which 110,000 model 125 and 217,600 model 126. Of the latter, about 90,000 were marketed in the West through the Fiat sales network.

In all, 2,239,900 vehicles and derived versions were produced directly or under licence, down 1.5% on 1979.

OUTPUT OF FIAT GROUP CARS

(cars + derived versions + knocked-down kits)

(in thousands of units)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Italy											
Fiat	1,489.-	1,419.3	1,421.5	1,458.-	1,261.2	1,061.8	1,166.6	1,132.2	1,182.2	1,160.9	1,087.8
Autobianchi	98.-	89.1	114.9	115.1	109.6	72.6	95.3	74.4	88.8	88.8	76.6
Lancia	44.6	52.8	41.3	53.2	45.-	46.5	63.2	68.9	52.4	58.1	111.1
Other Group makes	1.5	1.5	1.9	1.8	1.5	1.3	1.4	1.8	1.9	2.2	2.5
Total Italy	1,633.1	1,562.7	1,579.6	1,628.1	1,417.3	1,182.2	1,326.5	1,277.3	1,325.3	1,310.-	1,278.-
Argentina (Fiat Automóviles)	50.1	60.2	64.2	73.1	78.6	57.8	44.7	49.2	26.-	39.5	(1) 37.1
Brazil (Fiat Automóveis)	—	—	—	—	—	—	10.-	61.-	97.2	126.7	163.8
Total subsidiary companies	1,683.2	1,622.9	1,643.8	1,701.2	1,495.9	1,240.-	1,381.2	1,387.5	1,448.5	1,476.2	1,478.9
Units built by associated companies and licensees											
Spain (Seat)	283.7	255.6	339.-	355.-	364.6	332.-	347.-	353.-	288.1	300.-	281.9
Turkey (Tofas)	—	7.8	17.6	24.-	28.8	29.7	26.-	19.1	19.9	22.-	13.3
Jugoslavia (Zcz)	80.1	75.6	84.5	95.-	112.6	120.8	134.8	147.5	156.2	161.8	138.2
Poland (Fso-Fsm)	30.-	40.-	65.-	70.2	121.8	157.-	205.-	260.-	293.5	315.-	327.6
Total associated companies and licensees	393.8	379.-	506.1	544.2	627.8	639.5	712.8	779.6	757.7	798.8	761.-
Grand total	2,077.-	2,001.9	2,149.9	2,245.4	2,123.7	1,879.5	2,094.-	2,167.1	2,206.2	2,275.-	(2) 2,239.9

(1) From 1 December 1980 Fiat Automóviles became part of Sevel S.A. (see comment on next page). The 1980 figure in the above table there includes Sevel production of Fiat make cars in December 1980, for the sake of comparison.

(2) The 1980 grand total (2,239.9) does not include 1980 production of Peugeot cars produced by Sevel S.A.

Ritmo Super 75/85: la Ritmo potenziata e personalizzata

La versione "Super" rappresenta sempre la naturale evoluzione di un modello di cui esalta le qualità di base.

Se la Ritmo è apprezzata per la sua brillantezza, tenuta di strada, silenziosità e bassi consumi, la Ritmo Super riesce a superarla.

In tutto: Anche la spaziosità e il confort, altri punti di forza della Ritmo, assumono nell'allestimento "Super" valori di lussuosa abitabilità mai prima raggiunti in questa classe di vetture.

Due motorizzazioni Super

- Ritmo Super 75 con motore "1300" da 75 CV e oltre 155 km/h.
- Ritmo Super 85 con motore "1500" da 85 CV e oltre 160 km/h.

Maggiori prestazioni senza aumento di consumi

Questo importante risultato, che a prima vista può apparire contraddittorio, è stato ottenuto ottimizzando il rendimento dei motori e adottando pneumatici a

profilo ribassato con basso coefficiente d'attrito. Anche la 5^a marcia, di serie, contribuisce notevolmente a ridurre il consumo.

specie nelle percorrenze autostradali a velocità costante.

La raffinata personalizzazione Super

La Ritmo Super si distingue all'esterno per vari particolari specifici:

- proiettori allo jodio.
- cornice parabrezza cromata;
- deflettore SIMETRA con articolazione antiurto e regolazione dall'interno;
- maniglie esterne cromate;
- ruote con cerchi larghi 5 1/2" e pneumatici a profilo ribassato;
- lampeggianti d'emergenza;
- lunotto termico con lavatergiglino.



Ritmo Diesel: un successo in crescendo

La tipica robustezza ed economicità della motorizzazione Diesel, si sposano perfettamente con la vocazione "stradista" della Ritmo: grandi chilomeraggi con la minima spesa, nella massima sicurezza. Aggiungete che quello della Ritmo non è un Diesel tra-

dizionale, ma un Diesel "pepaticissimo", e capirete perché il suo successo è in continuo crescendo: anche presso gli automobilisti più giovani che in genere sono meno attratti dalla motorizzazione Diesel.

Le prestazioni

La potenza del Diesel e l'arrotondabilità della Ritmo fanno grandi cose:

- velocità massima effettiva: oltre 140 km/h;
- accelerazione: 38,5 secondi per

coprire il chilometro con partenza da fermo e 19,1 secondi per passare da 0 a 100 km/h;

- ripresa: nei 1000 metri in 4^a marcia con partenza da 40 km/h si eguaglia il tempo d'accelerazione ottenibile da fermo con l'impiego del cambio.



From the Ritmo/Strada catalogue

Sales

The consolidated sales of the Sector, excluding deliveries made directly by Licensee Companies to their own markets, recorded 1,593,400 units, about the same as 1979, against a production figure of 1,478,900 cars and light commercial vehicles.

Sales in Italy amounted to 942,000 (cars and vans), an increase of 14.9% over the year before.

As for the car market alone, the Fiat make's market share was about 45% (51.6% including Lancia and Autobianchi). With this slight increase in penetration in 1980, the Company reversed a negative trend that had lasted for some years, even though the recovery was curbed by the partial unavailability of certain models during the year.

On the other hand, exports from Italy suffered a drastic reduction as a direct consequence of the slump in most foreign markets and the resulting need not to overstock our marketing subsidiaries.

In foreign markets, deliveries totalled 651,400 cars (including units produced by our Licensees Seat, Polmot and ZCZ and marketed by the Fiat network), a downturn of 15.7% compared to the previous year.

Our European penetration (excluding Italy) was 4.2%, a slight drop on 1979, the result of the pressure exerted by Japanese makers who, with 990,000 deliveries, broke through the 10% barrier.

If we include the Italian market too, the Fiat Group's market share in Europe has reached 12.8%.

In Brazil, Fiat Automóveis recorded sales of 120,700, net of intergroup business,

an increase of 0.3% over 1979. The market share of the Company is moving steadily forward and in 1980 it reached 13.6%, with peaks of nearly 22% for the 147 and 148 model segment.

In Argentina, Fiat Automóviles made sales of 36,400 units, down 7.7% on 1979 as a result of the gloomy economic situation linked to a continuing government policy which tends to penalise industrial activities. Our market share was 11.4%. If we consider Peugeot sales also, the market share of the new Company SEVEL ARGENTINA S.A. will be about 21%.

DELIVERIES OF AUTOMOBILES AND DERIVED VERSIONS IN 1980 (Δ COMPARED TO 1979) (in units)

	ITALY (1)		ABROAD (2)		TOTAL		EXPORTED FROM ITALY	
	Units	% change on 1979	Units	% change on 1979	Units	% change on 1979	Units	% change on 1979
Fiat	823,200	+ 12.3	447,900	- 20.4	1,271,100	- 1.9	397,200	- 23.1
Autobianchi	59,000	- 8.4	16,800	- 16.-	75,800	- 10.2	16,100	- 31.5
Lancia	59,800	+ 165.8	29,600	- 4.2	89,400	+ 67.4	41,800	+ 31.4
Total Fiat - Autobianchi - Lancia (3)	942,000	+ 14.9	494,300	- 19.4	1,436,300	+ 0.2	455,100	- 20.4
Fiat Automóviles S.A. (Argentina)	--		36,400	- 7.7	36,400	- 7.7	--	
Fiat Automóveis S.A. (Brazil)	--		120,700	+ 0.3	120,700	+ 0.3	--	
Grant total	942,000	+ 14.9	651,400	- 15.7	1,593,400	--	455,100	- 20.4

(1) Number of cars and derived versions sold directly to customers and/or dealers.

(2) Number of cars and derived versions sold through the network of the Automobile Sector abroad (Fiat subsidiaries and importers) to sales networks in other markets.

(3) Including Seat-Polmot-ZCZ units distributed by the Fiat network.

Spare parts

Sales of spare parts for the Fiat, Lancia and Autobianchi makes in 1980 recorded a consolidated figure (Fiat Auto + marketing subsidiaries abroad) of 539 billion lire, an increase in real terms over 1979 of 10.1% in Italy and 14.9% in other markets.

These volumes enabled us to improve the market share of our product by 4.5 points with respect to the previous year to a figure of 47.5% of demand counting both national and export markets.

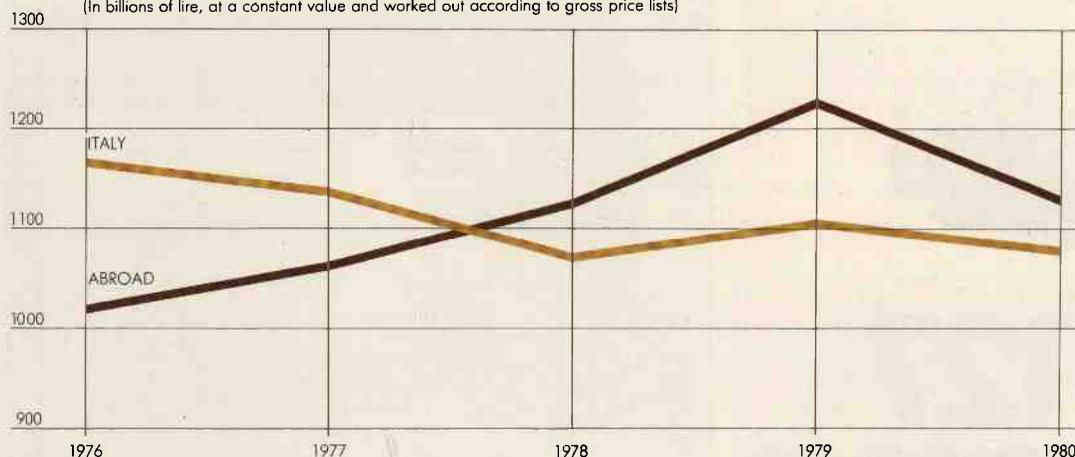
In the presence of a persistent fall in the market, partly due to the fewer miles covered because of the sharp increase in the

cost of fuel, the advance in our own sales volumes and market shares was made at the expense of suppliers of non-original products.

A decisive part was played in the achievement of these results by the Company's efforts over the past five years to supply more comprehensive, efficient service to cars on the road by the deployment of considerable financial and technical resources.

Demand for spare parts for Fiat, Autobianchi, and Lancia models

(In billions of lire, at a constant value and worked out according to gross price lists)



Fiat Auto market shares:



Poster

Potete comprarlo ad occhi chiusi se siete sicuri che è originale Fiat.

Ogni ricambio originale è controllato e garantito da noi, la Fiat. Fidatevi di Fiat.

I ricambi sono una cosa seria.



Small poster



Nuova **127**
Panorama



Familiaramente tua! **FIAT**

Poster

127 Diesel



l'utilitaria delle Diesel

I punti di forza della 127 Diesel

- | | |
|--|--|
| 1. La più piccola auto motorizzata Diesel. | 10. La Diesel che paga di meno in autostrada. |
| 2. Il più piccolo Diesel veloce del mondo: 1300 cm ³ e 45 CV (DIN). | 11. Eccezionale elasticità di marcia: regge la presa diretta anche a bassissime velocità. |
| 3. Il più basso consumo per un Diesel: 20 km con un litro di gasolio a 90 km/h. | 12. Precamere di combustione a bassa turbolenza (brevetto Fiat): più potenza, meno fumi di scarico. |
| 4. La più collaudata delle Fiat: quasi 5 milioni di 127. | 13. Alta tecnologia: lega al nickel-molibdeno-cromo per le precamere (la stessa delle turbine per aereo). Eccezionale affidabilità e durata. |
| 5. Il primato dell'autonomia: più di 10000 km con un pieno (lo 127 Panorama Diesel). | 14. Albero motore con smorzatore torsionale di vibrazioni in gomma. |
| 6. Brillante come una vettura a benzina: accelerazione da 0 a 100 km/h in 23,5 sec. | 15. Ridotto peso del motore: solo 17 kg in più del 'benzina' da cui deriva. |
| 7. Una eccezionale potenza specifica: quasi 35 CV per litro di cilindrata. | 16. L'auto Diesel che costa di meno. |
| 8. La prima Diesel che ammortizza il Superballa con meno di 8000 km. | |
| 9. Primato di economia: solo 5 lire/chilometro di carburante per persona. | |



Con la 127 Diesel arriva il Diesel per tutti
FIAT

Pricing policy

1980 was marked, as was the year before, by an increase in the cost of living in Italy (+21%) on average greater than that recorded in the main EEC countries.

The gap in production costs between ourselves and our European competitors has widened progressively, thus fostering the adoption of selling price curtailment policies, particularly on the part of the German and French makers, who have tried to channel their lower sales at home into the Italian market.

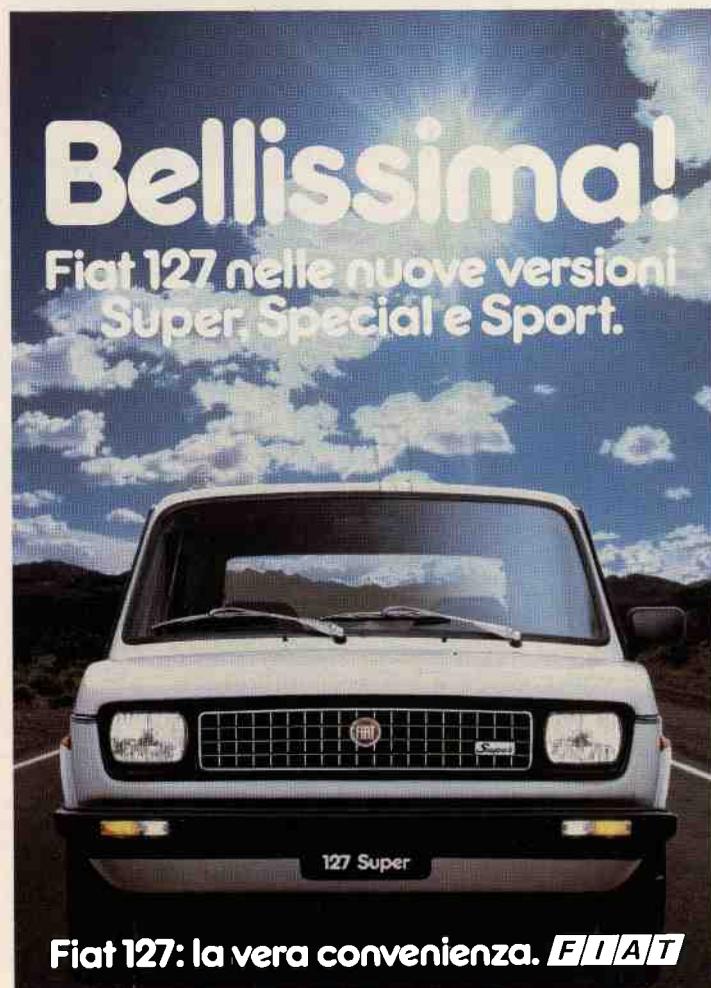
So as not to jeopardise the employment situation even further, Fiat Auto has worked to recover the competitiveness of its

selling prices by keeping down the increase in its price lists for the Italian market (+11.5%) to a level well below the inflation rate.

In export markets, price increases were on average lower than those applied by other makers in their efforts to stem the tide of Japanese aggression.

This pricing policy on the part of the Company was made possible by the severe controls over cost increases, which remained below the increase in retail prices.

Poster



Bellissima!
Fiat 127 nelle nuove versioni
Super, Special e Sport.

127 Super

Fiat 127: la vera convenienza. **FIAT**



Bellissima!
Fiat 127 nelle nuove versioni
Super, Special e Sport.

127 Sport

Fiat 127: la vera convenienza. **FIAT**

Product innovations

1980 was a year of important new Fiat and Lancia novelties.

The Fiat range renewal operation, which began with the Ritmo/Strada, passed another important milestone with the launch of the Panda in March.

The design, versatility, and economical running features of this model will constitute a strong point in our effort to consolidate our leadership in the higher utility car class. The public and international motoring press interest aroused by this car demonstrate the Company's particular effectiveness when it comes to compact, low operating cost cars.

Continuing its exceptional life cycle, the 127 was enriched during the year with two more versions: the 127 5-door in April and the 127 Panorama in December. Ten years or so after it went into production, this car continues to top registrations in Italy and abroad, confirming the soundness of a formula which has been a trend-setter for European manufacturers.

With the presentation in February of the Ritmo Diesel, Fiat made its entry into the medium capacity diesel sector, and the car sold well from the start. The need to reduce fuel consumption is leading the market towards a higher demand for diesel engines and, in future, these will represent an increasingly valid alternative to petrol engines.

The first few months of 1981 have seen, in February, the launching of the Ritmo Super, which rounds off the range offered by this model, and, in March, the

introduction of the 127 Diesel with which Fiat takes over the lead in small diesels for motorcar use.

Almost at the same time, the Company has begun distributing the new face-lifted 131 which will enable Fiat to bolster its representation in a typically European segment of the market.

For Lancia, 1980 was the year in which the Delta, a model fundamental to the Company's product renewal effort, was first marketed in the rest of Europe. Its election as car of the year was recognition of the modernity of the design and its conformity to the needs of sophisticated car owners living in the reality of the eighties.

The launch, in May, of the Trevi, brought in a more traditionally styled car to join the tried and tested Beta, and also saw the introduction of an engine with electronic injection which underlines the image of prestige and high technology historically associated with the make.

That same month, the Gamma too, on the occasion of a slight face lift, was equipped with electronic injection to enhance its elite features, but still keep an eye on fuel consumption.

In the light commercial vehicle sector, the range updating programme continued with the face-lifted 242 in February and the presentation, in September, of the 900E. This serves to hold the market's interest pending major action in this sector in the future.



An advertisement

Investments

Fiat Auto's investments during the year amounted to 336 billion lire and were directed into the product range renewal programme, rationalisation of production and commercial units, renewal of working resources, and improvement in social services and the environment.

Product investments involved almost all production units and were deployed on fitting out the models/versions that saw the light of day during the year (Delta, Panda, Ritmo Diesel, Beta Trevi, Gamma F.L.) and to improving some of the models already in production (Ritmo/Strada, Fiorino, 238, Campagnola). The equipping of models/versions involved in the Fiat range renewal programme for the near future also began.

In bodywork plants, renewal of painting processes continued. Involved here is a complicated, diversified long-term programme whose principal aims are to improve anti-rust protection and surface quality, and step up the level of automation. At Rivalta, Cassino, Mirafiori, and Termini Imerese, outside spray operations have been fully automated. In the first two plants mentioned, robots are being used to extend automatic spraying to the inner parts of the body also.

As regards the press shops, the most important investments have involved the automation of the large press lines, the use of fast shearing presses, and the renewal of cutting units, special attention being paid to problems of the environment and the lowering of the noise level.

At Mirafiori and Rivalta specifically, work has continued on the automation of big press loading phases, and two automatic systems have been constructed complete with unloading and stocking of pressed parts. The transfer of pieces on one of the big press lines at Lingotto has also been automated.

In the engineering plants, plans have continued to redistribute activities, in the interests of improved production flexibility, and to solve problems of materials flow logistics between production units.

Taken as a whole, 45% of investments went on the product, 20% on the rationalisation of production and sales units, and 15% on programmes to update the

means of production and improve production efficiency. The remaining 20% was spent on problems relating to the environment, ecology, and accident prevention.

An advertisement

«Statt kopieren, was die anderen machen, etwas machen, was die anderen kopieren können.» Vincenzo Lancia. Ihr Lancia Händler kann Ihnen den Lancia Delta, der übrigens Auto des Jahres 1980 ist, in zwei Versionen liefern: Einen Delta 1300 (75 PS) für Fr.15'000.- oder einen Delta 1500 (85 PS) für Fr.15'800.-, beide mit 5 Gängen, 5 Türen und Vorderradantrieb. Erwähnt sei noch, dass der Delta 1500 eine elektronische Zündung hat.

LANCIA DELTA





**A TRELLI
UNA VETTURA PENSATA E COSTRUITA
PER VALERE NEL TEMPO.**

Lancia risponde con Trelli alle esigenze ed alle aspettative dell'automobilista degli anni '80, anche per quanto concerne il valore e la durata della vettura nel tempo.

Perché Trelli è il risultato di un'evoluzione tecnico-costruttiva d'avanguardia.
Perché la qualità dei materiali impiegati garantisce un'affidabilità superiore al tempo.
Perché i sistemi di verniciatura e le tecniche adottate insieme con l'uso esclusivo ed avanzato degli acciai, fanno ottenere l'immortale e durevolezza d'insieme per gli elementi strutturali più esposti.

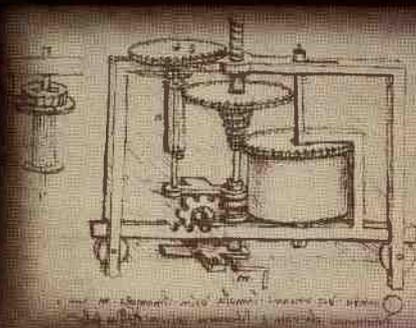
Tutte le strutture acciaccate sono protette da uno strato di laccatura monocolore, che non solo è protettivo, ma garantisce, con appositi speciali rivestimenti anticorrosivi.




Catalogue

SE ANDIAMO PIU' LONTANO DI ALTRI, E' PER
NUOVA LANCIA GAMMA. MADE IN ITALY. MA

CHE' SIAMO PARTITI PRIMA.
DE IN LANCIA.



Non è un caso che la Gamma sia nata in Italia. La Gamma è il risultato di una tecnologia d'avanguardia finalizzata al raggiungimento del miglior rapporto tra prestazioni, spaziosità, confort e forma estetica. Una sintesi, quindi, tra tecnologia e bellezza, che Leonardo ha strettamente legata al patrimonio culturale italiano. E non è un caso che la Gamma sia nata in Lancia. Perché la storia di Lancia, come nessun'altra, è ricca di esempi autoconclusivi, assolutamente innovativi sotto il profilo tecnologico, quanto sotto quello estetico e formale. Si pensi all'eccezionale motore Borelli, il cuore dell'idea Gamma. Un motore a quattro cilindri sovralimentati, totalmente in lega



leggera pressofusa, a sviluppo orizzontale, posto a sbalzo sulle ruote anteriori. Per ottenere, a parità di prestazioni con i tradizionali 6 cilindri, una notevole riduzione di peso e d'ingombro, è un notevole abbinamento del basamento. Solo così Pininfarina ha potuto dare a Gamma una compattezza, una sovradimensionalità e una raffinatezza di linea esclusive, con una abitabilità ai vertici della categoria. Inoltre la Gamma, grazie alla trazione anteriore, alle ormai leggendarie sospensioni Lancia, e al lunghissimo coefficiente di penetrazione, può vantare una tenuta di strada e una precisione di frenata impareggiabili.

LA NUOVA LANCIA GAMMA. Grande affinato della meccanica, degli aspetti costruttivi e di collaudi, per la massima affidabilità. Plancia di bordo stilata a mano. Sedili di nuovo disegno. Alzacristalli e specchietto retrovisivo elettrici. Alimentazione con iniezione elettronica Bosch "L-Jetronic" (versione 2400 I.E.) in opzione. Iniezione cambio automatico a 4 rapporti. Un cambio con l'eccezionale possibilità di selezionare manualmente la 2ª e la 3ª marcia.

LANCIA GAMMA Coupé 2300 Iniezione 2400 I.E. 140 CV 200 km/h, 0-100 km/h 10,5 sec.
LANCIA GAMMA Coupé 2000 Iniezione 2400 I.E. 115 CV 190 km/h, 0-100 km/h 12 sec.



NUOVA LANCIA GAMMA. LA DIFFERENZA DI VIAGGIARE IN LANCIA.

GLI INTERNI DELLA NUOVA GAMMA COUPÉ



L'allestimento degli interni, già degno della vettura, è stato ulteriormente arricchito. Il volante è di nuovo disegno; per la strumentazione si è adottata una nuova grafica e una riposante illuminazione rosso-arancio. La palpebra copri-plancia e il mobilino centrale sono selati a mano. I sedili di nuovo disegno sono più anatomici e ancora più confortevoli. Gli alzacristalli sono elettrici come pure lo specchietto retrovisivo esterno. La plancia anteriore è provvista di ferretto di lettura e le luci di cortesia sono a spegnimento ritardato.

In alternativa al cambio a cinque marce la Nuova Gamma Coupé è disponibile con un cambio automatico a quattro rapporti, all'avanguardia nelle trasmissioni automatiche. Un cambio che offre in più l'alternativa "sportiva" della selezione manuale per le 2ª e 3ª marcia.

From the Gamma catalogue

Research, development, and engineering

Under the press of the economic crisis and of major changes in the market and national legislations, all motor manufacturers are making an unprecedented effort to produce low cost cars that run at minimum operating expense.

This situation has brought with it far-reaching changes in the way manufacturers "think", design, and produce cars.

The foregoing targets have made it imperative for new models to be renovated through the maximum improvement of all their component parts.

This involves an enormous amount of applied research with the transfer of the latest findings of each scientific area to the automobile (ie its component parts) as well as the technologies required to produce it.

Your Company, too, is deeply engaged in a range renovation programme which it carried out without a break during 1980 on the basis of strategic guidelines previously laid down. Fiat has also set itself the task of fulfilling an extremely ambitious range renovation and rationalization programme, in addition to improving and thoroughly modernizing its product technologies.

In the aftermath of the oil crisis, a few Fiat models happened to be less competitive than those of other car manufacturers which had just renovated some of their own models. It was a big opportunity to renovate our range, and the need for improving and updating performance proved an additional incentive.

As is turned out, Fiat knew how to seize all the opportunities offered by a market undergoing drastic changes, and was able to bring out an entirely new range some years a head of its competitors. The rationalization of our range has entailed an extensive standardization of common parts in our principal models so that the current Fiat and Lancia lines consisting of 18 basic models built on eleven completely different types of chassis will eventually form a range of 14 basic models built on only five different chassis, each corresponding to the five traditional classes of the principal market segments.

Today's common parts rank a little

more than 30% of the entire output but will rise to 60%, although our different vehicle types will retain an unmistakable identity of their own.

The advantages deriving from the above strategy are self-evident:

- a widened range with beneficial side-effects on production costs
- reduction of components inventories
- streamlined distribution and inventories of finished products
- reduction of the advertising and image budget

Fiat's characteristic specialization, ie its medium-to-small car range, has been given special emphasis in this rationalization process.

Your Company, which has always played a leading role in this market sector with its undoubted design experience and wide reputation for high production standards, is determined to seize every opportunity offered by this happy coincidence of market demand and own traditional expertise — seeing that market trends are pointing towards a growth in the medium-to-small car market.

Particularly worthy of mention is, for instance, the continuing success of the 127, a car with an undiscussed reputation for reliability, soundness, and good performance, and one of Europe's best-sellers, in spite of having been in production for nine years.

We implemented our product innovation activities during 1980 with this strategy in mind. With the addition of the Super and Sports versions, the Ritmo/Strada family of models is now complete, while further progress has been made with the design of the future "Type 1" (by bringing to it all the experience we gained with the 127), and new ground has been broken with the development of our future "flagship" — the "Type 4".

We also paid great attention to the aerodynamics and weight reduction of each and every of the foregoing models.

Mockup prototypes with extremely low penetration coefficients which, if transferred to the foregoing vehicles would give a CX of 0.34 to 0.36, have been tested in the wind tunnel of our Research Centre.

By making an extensive use of thermoplastic and thermohardening resins as well as of high-strength steels, we were

From top to bottom and from left to right:

Automatic powder-painting line (by means of anthropomorphic robots) in the Termini Imerese plant; automatic welding robot line in the bodywork department of the Mirafiori, Turin, plant; laser-powered welding system designed for the Ritmo/Strada transmission synchronizer ring line of the Mirafiori, Turin, mechanical engineering plant; a station of the synchronous engine assembly line in the Mirafiori, Turin, mechanical engineering plant; anechooidal chamber in the Experimental Laboratories of the Mirafiori, Turin, plant; DARC

able to reach a 15% weight reduction, compared with the corresponding models in our current range.

Equally important has been the Company's effort in automatic design, with special reference to the extensive use of computers for the calculation of surfaces, permitting subsequent integration with the experimental development of prototypes. The introduction of these techniques into the styling and production process areas is almost complete.

Structural calculation activities have enabled us to optimise structures, so reducing the number of prototypes needed

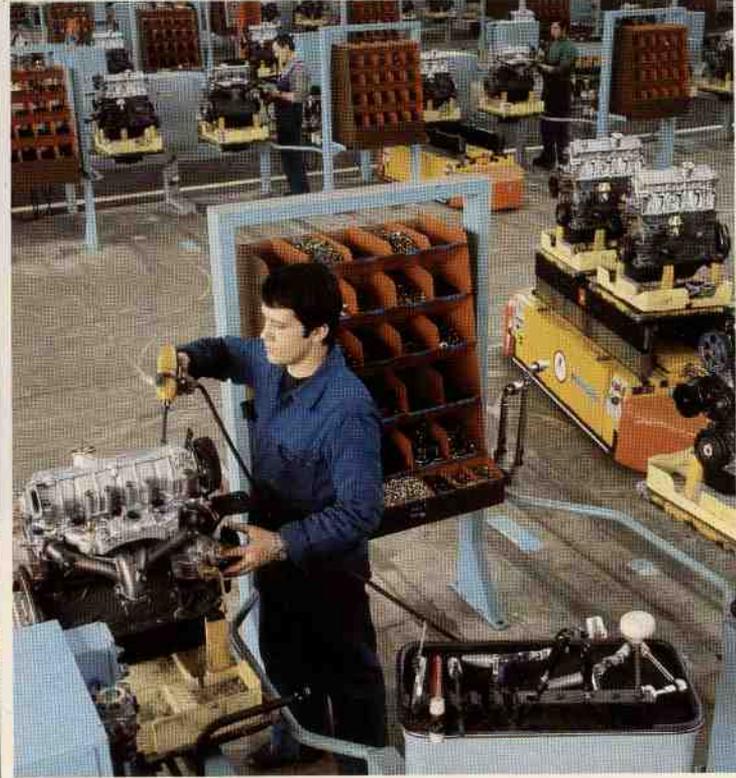
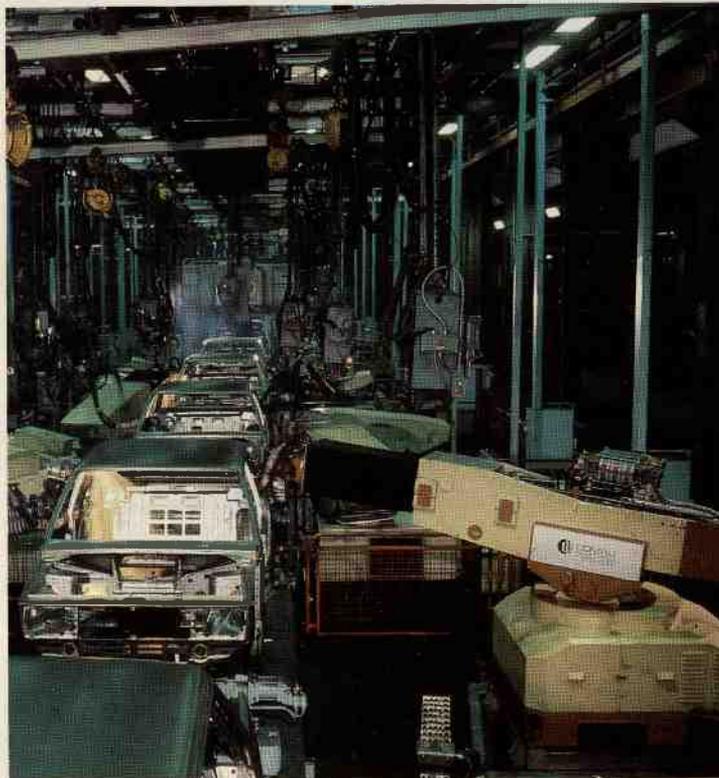
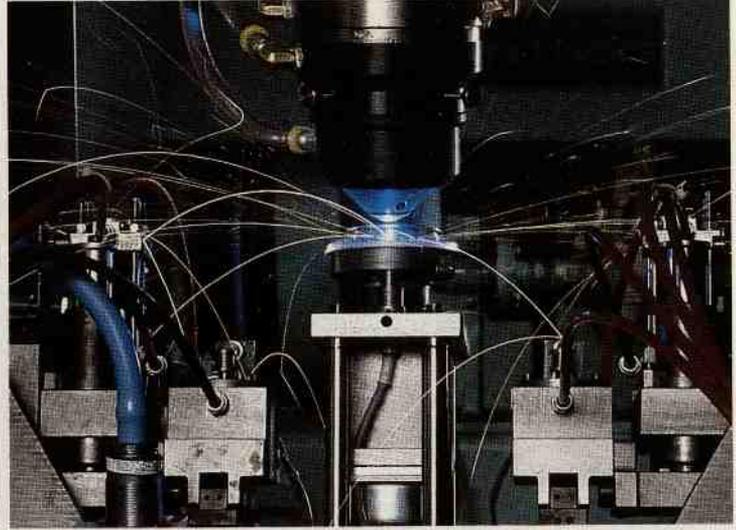
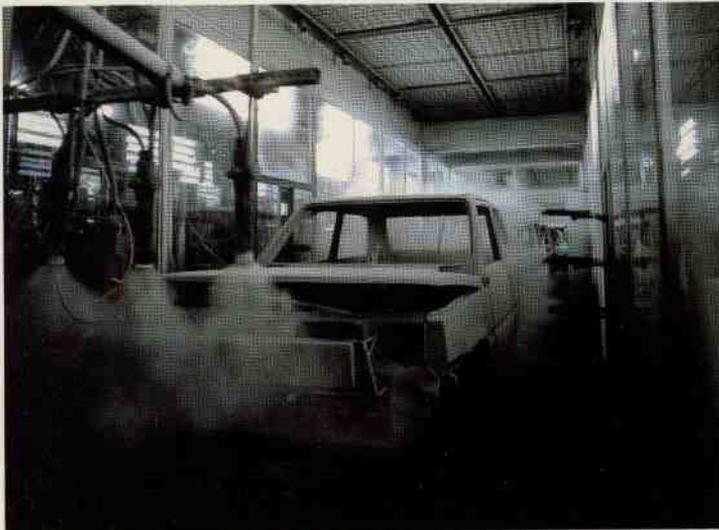
in crash tests, and led to increased possibilities for using innovative materials for weight reduction purposes.

Work on engines has been particularly intensive.

In petrol engines, we have finalised — with the cooperation of Magneti Marelli — a system of electronic ignition that will come into use as early as 1981 and offers greater reliability as well as lower fuel consumption.

Studies have also continued on multiple and single electronic injection systems in view of extending their use in our products.

In diesels, the most significant result is the 1300 engine, the smallest "fast diesel"



in the world with among the absolutely lowest fuel consumption figures even though it retains high standards in terms of performance and comfort.

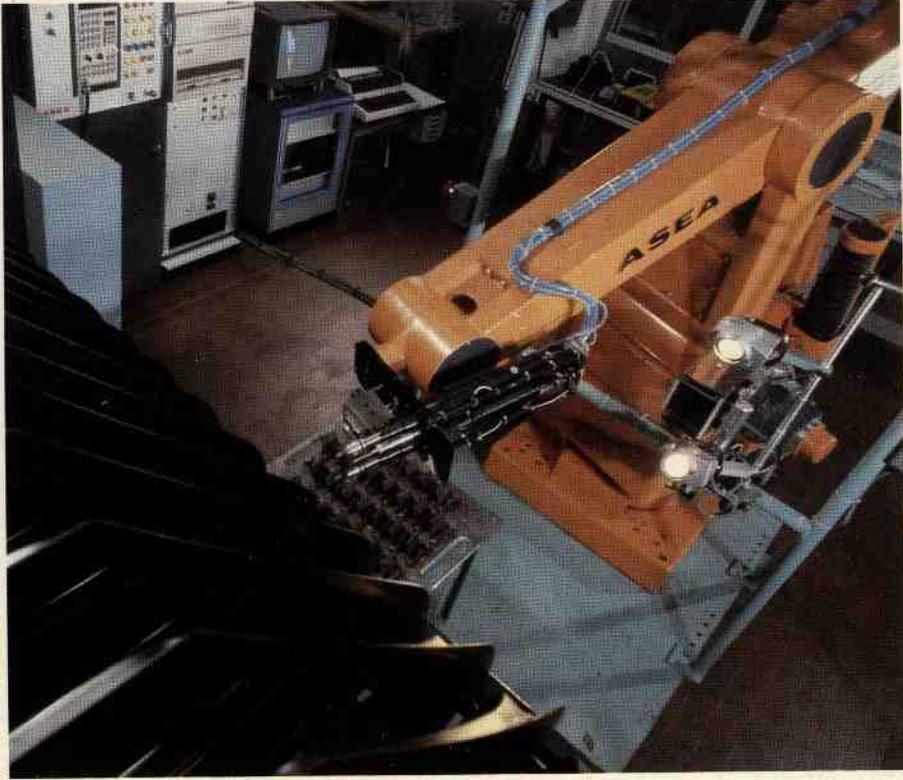
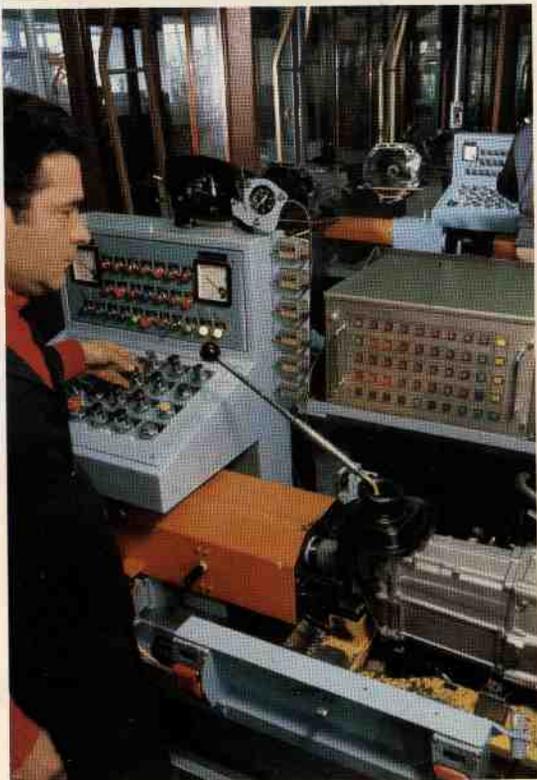
To achieve these targets, your Company plans to make a big financial effort by investing about 5,000 billion lire over the next four years.

Added to this are our R & D outlays which in 1980 alone were of the order of 200 billion lire and have been fully accounted for in our Balance Sheet.

This effort of ours is all the more remarkable if you bear in mind that unlike our major competitors it was carried out

without any outside help.

system, used for the instrument testing of transmissions in the Termoli plant; vehicle emissions tests in the Mirafiori, Turin, experimental laboratories; materials-handling robot with visual sensors for the screwing up of Ritmo/Strada door panels, at work at the Rivalta plant.



Employees and Company relations

At the end of 1980, employees of Fiat Auto S.p.A. numbered 134,621 (110,049 blue-collar and 24,572 office staff and managers). The total payroll is inclusive of the direct sales staff, of whom 20,509 blue-collar and office workers were being paid out of the Special Wage Compensation Fund (as from 6 October 1980).

In the whole Automobile Sector, employees numbered 165,608, 136,946 in Italy and 28,662 abroad, down 2.3% compared to 31/12/1979.

Industrial relations

The industrial relations situation in 1980 was characterised by the adoption of the much reported measures aimed at reducing competitiveness imbalances by improving productivity and efficiency.

The first half of the year was dominated by action designed to boost efficiency and productivity by improving shopfloor climate and governability. The first half in fact saw a definite improvement in absenteeism (- 2%) and local stoppages, accompanied by a reduction in losses and by the first signs of improvement in efficiency.

The second half of 1980 was marked by the set of measures taken to meet the market crisis, with the two-fold aim of aligning production capacity with the reduction in activity levels, and giving momentum to the efficiency and productivity action already taken.

Thus began the long, costly and violent union dispute in which our firmness in pursuing efficiency objectives led — with the agreement signed on 18 October 1980 — to a situation in which it was possible to handle the crisis seriously and effectively by instituting a series of procedures to trim staff levels while still providing workers with the necessary guarantees.

The conflict attracted considerable attention both at home and abroad.

The Unions themselves were forced by the outcome to discuss how representative they really are at the present time and, consequently, whether their internal

decision-forming processes should be altered. The results of this debate will be of great importance for industrial relations.

With the return to work in the post-agreement period, extremely significant efficiency and productivity levels have been reported, with an overall improvement of 10% over 1979, still below European levels.

These results have been consolidated and further improvement and recovery actions have been taken. These should bring us up to the efficiency levels of the European competition.

Welfare activities, professional and managerial training

The Company's welfare work, including crèche, nursery school and holiday facilities for children, the distribution of Christmas gifts and the awarding of scholarships to the children of employees, continued in 1980, together with sporting recreational and cultural activities.

In spite of the massive level of industrial action during the year, training activities reported a good participation level (albeit slightly down on 1979). Employees who attended the different courses numbered more than 9,000, for a total of about 65,000 man-days. As in previous years, ISVOR was chiefly responsible for training.

Fiorino Pick-up: comodo perché è un'automobile, pratico perché è un camioncino.



Dell'automobile ha tutto il confort, le finiture, la silenziosità e le prestazioni. Del camioncino ha la robustezza, la facilità di cambiare e scattare, anche quelle marce ingovernabili che richiedono il "cambio aperto" per essere usate. Per la sua maneggevolezza e brillantezza di prestazioni il Fiorino Pick-up è ideale per trasporti rapidi ed economici sia in città sia in campagna: agile nel traffico, veloce su strade, robusto anche sullo sterzo.

Due motorizzazioni: benzina e Diesel. Tutto è due super-economiche e super-affidabili.



Motore 1600 benzina. Famoso per la sua collaudata robustezza e generosità di prestazioni, rende la guida del Fiorino particolarmente divertente e sicura in ogni condizione di marcia e di carico. **Motore 1300 Diesel.** È il più piccolo Diesel veloce del mondo per impieghi automobilistici. Adottato per la gamma delle 127 sia berlina che Panelvan, esalta nel Fiorino Pick-up la sua tipica vocazione al lavoro duro ed al risparmio: non si paga superbollo e si percorrono anche 20 km con un litro di gasolio.

Subsidiaries

Italy

Abarth & C. S.p.A.

The year's sales totalled 28.6 billion lire, up 21%.

The Company produced 15,049 engines for the Abarth A 112 and also designed and built a batch of 150 single-seater "Formula Fiat Abarth" training cars.

Design work continued with positive results in the racing sector and in the supercharging of petrol engines by volumetric compressor.

The year's investments amounted to 1,900 million lire, largely channelled into engine and suspension production for the Ritmo Abarth 2000, experiments on which have ended favourably.

In the competitive and sports field, the Company continued to manage the Sector's car racing activities, winning the World Rally Championship with the Fiat 131 Abarth, the World Track Championship for Makes with the Lancia Beta Turbo, and the rally drivers championship with W. Röhrl.

During 1981, Abarth S.p.A. is expected to be taken over by Fiat Auto S.p.A.

Autogestioni S.p.A.

The buying and selling of used Fiats recorded 1980 figures of more than 16 billion

**Fiorino Panorama: 5 posti fronte marcia
+ tanto spazio "alto" per il carico.**



Questo intelligente veicolo somma in sé tutti i vantaggi della formula "Fiorino" (furgone per trasporto merci) con i vantaggi della formula "Panorama" (auto polivalente per persone e cose).

Nel Fiorino Panorama tutti i passeggeri hanno infatti a



disposizione dei comodi sedili automobilistici fronte marcia (i posteriori indipendenti e ribaltabili) accessibili dalle portiere laterali e, dietro, uno spazio di eccezionale cubatura (1,3 m³).

Se si viaggia solo in due, lo spazio libero disponibile ritorna quello eccezionalmente ampio, alto e accessibile del Fiorino Furgone (2,5 m³).

lire, up almost 35%. Sales to order were up in volume terms by 10.9% over 1979.

Revenues from services were also up (L. 2,560 million, + 19.6%), largely due to the increase in fees for the use of display areas.

In spite of the upward drive in the cost of labour, helped on by the new contract which came into force on 1 January 1980, the year's results remain favourable and are not likely to differ much from those of the year before.

Ferrari S.p.A.

Operating results were again positive. The essential data were: units produced 2,470, an increase of 11% over 1979; units invoiced 2,501, up 7% over the year before.

Total sales were 83,800 million lire (+ 33%), of which 66% were exported.

Investments of about 8 billion lire were largely earmarked for the completion of work on the new "Mondial 8" and for the start of work in the new finishing department.

Sevel S.p.A. - Società Europea Veicoli Leggeri

Work continued during the year on the building and fitting out of the factory in Val di Sangro. At the end of December, production shop buildings were at an advanced stage, as were services, roads, and finished product deposit lots. The start of production activity is programmed for the early months of 1981.

Investments of about 135 billion lire were disbursed and the work is expected to be completed by the end of the first half of 1981.

At year end, employees numbered about 600 units, counting office and shop floor staff, most of whom were engaged on training work. At the end of 1981, it is estimated that staff numbers will reach about 3,000, depending on real product demand volumes and thus on the progress made in production activity.

The financial cover for the investments

Catalogues

in technology and staff training, as well as for current operations, was obtained by increasing share capital to 45 billion lire,

fully paid, and by distributing a further portion of the IMI loan, the total of which has thus gone up to 200 billion lire.

The Panda. Bred by Fiat.



In six colours....and original black and white.

Fiat Panda. £2,860.



Maria wachte auf. Sie lag in einem Bett. Und neben ihr lag ein Mann. Sie wußte nicht, wie sie in diese Situation gekommen war.

Fiat Panda. Die tolle Kiste.



Alle Lehnen flech: das Doppelbett (1). Alle Sitze in Normalposition: der Fünftelzer (2). Rückbank in V-Form: die Kinderwiege (3). Rückbank vorgeklappt: der Einkaufswagen (4). Der Motor: gar nicht schädlich: 33 kW/45 PS, Spitze 140 km/h. Aber nur 5,7 l Super (ADAC-Testwert): 5,8 l bei konstant 90 km/h, 7,5 l bei 120 km/h, 8,4 l in der Stadt (nach DIN 70030-1). Lädt aber 450 kg. Haltbar: 6 Jahre Gewährleistung gegen Durchrostungsschäden. Preis: 8.990 DM (Unverbindliche Preisempfehlung ab Kippenheim). PS: Die Sitzbezüge sind herausnehmbar und pflegeleicht.



Une planche de bord fourre-tout... on pourrait presque y loger l'Encyclopédie universelle. Actuelux, le cendrier qui coulése!



C'est pas le filer, mais c'est plus rigolo... et ça coc'is moins de sous: les sièges de la Fiat Panda se transforment rapidement en lits jumeaux!



Les sièges de la Fiat Panda. Pour se meubler High Tech, c'est pas mal, non?

Fiat Panda. La Voiture à Malices.

Si vous envisagez de vous lancer dans l'élevage des chèvres, sachez que la banquette de la Fiat Panda s'enlève complètement. Son tapis de sol aussi.



C'est Monsieur le Premier Ministre qui va être content, la banquette arrière de la Fiat Panda peut faire un très joli bivouac!

A partir de 23.900 F. Modèles présentés: Fiat Panda 45 milleme 81 / 24 950 F. Prix au 15.1980.

Consommations: vitesses stabilisées à 90 km/h: 5,1 l à 120 km/h: 6,9 l, parcours urbain: 8 l.



Abroad

Fiat Auto International Holding B.V. - Amsterdam

In its second operating year, the Company continued to provide financial support for the Sector's foreign marketing subsidiaries. The capital of Fiat Motors of North America was increased (by US \$ 27.5 million) and Fiat Auto (U.K.) and Fiat (Ireland) received finance of about £ 18 million and Punt. 6 million respectively.

During the year, it was resolved to increase the share capital by an amount corresponding to US \$ 170 million, fully paid by Fiat Auto S.p.A.

Fiat Concord S.A. - Argentina took over the entire holding in Fiat Automóviles S.A. which was later incorporated into Sevel Argentina S.A.

Fiat Automóveis S.A. - Brazil

The hopes of an improvement in the Company's overall performance, as expressed in last year's Report, materialised to only a modest extent.

In spite of the increase in sales volumes both at home and abroad, stiff price controls on the part of the government led to wide intervals between the effects of production cost inflation and the application of updated price lists, with inevitably adverse effects on operating results. The by no means negligible improvements in productivity and the new risk capital, however, helped to diminish the consequences.

Fiat Automóveis continued to improve its sales position reaching a market penetration of 13.6% in 1980, 1% and 2% on 1978 and 1979, respectively.

The year's investments totalled 1,950 million cruzeiros and were spent almost entirely on new versions for the home and export markets, and on the diesel engine for the 147.

1981 forecasts are substantially dependent on the country's economic policy. After the measures decided at the end of 1980, car demand has dropped appreciably in the first quarter of 1981 and there has been a big rise in interest rates.

Sevel Argentina S.A.

This Company arose out of the merging of the Fiat Group and Peugeot companies operating in Argentina in the automobile field (Fiat Automóviles S.A. and Safrar S.A.).

The decision to merge was announced in February 1980 and was one outcome of a car activity reconversion law that opened the way to imports by eliminating existing prohibitions and gradually reducing customs barriers.

In the probability that the competition would become fiercer, the purpose of the operation was to achieve economies of scale and cover all market segments with a comprehensive range, something made possible by the complementary nature of Fiat and Peugeot products.

Throughout almost the whole of 1980, Fiat Automóviles and Safrar operated as separate legal entities, while the bases for the merger were laid in terms of production activity rationalisation, merging and trimming down of structures, and establishment of commercial policies and preparation of the sales networks.

Sevel Argentina S.A. was born officially at the close of this period, on 1 December 1980, with the joint participation of the two Groups.

It is represented on the Argentine market with:

- 3 factories (Cordoba, Palomar, and Berazategui), whose capacity is 100,000 units;
- more than 10,000 employees;
- two sales networks and a total of 260 dealers (about 50 dealing in both) to market the Fiat and Peugeot makes and respectively covering the medium-low and high segments of the market.

In 1980 Fiat and Peugeot combined sold 65,645 units, with a market share of 20.5% (of which 24.5% in cars and 6.1% in derived versions).

In 1981, the present range will be extensively renewed with the launching of 3 new models: Fiat 147, 504 Pick-up, and Peugeot 505.

Situation in the 1st quarter of 1981

Continuing the trend that became evident during 1980, world car demand in the first three months of 1981 recorded a rather marked slide compared to the same period last year.

Taking European markets as a whole (excluding Spain), deliveries of finished products showed a decline of 8.9%, the equivalent of some 250,000 cars less. The slowdown in demand compared to the first quarter of 1980 is the common denominator for almost all countries, the trend being particularly evident in Belgium, Great Britain, and France.

Among the very few markets going against the trend we find Switzerland (+ 3.8%) and Italy, where the average for the quarter was nearly 2 percentage points higher than in 1980. It may, however, be significant to observe that this result does not express a standard performance in each of the three months. January was substantially in line with the volumes of January 1980 while February and March were respectively up 12.5% and down 5.5% compared to the corresponding months last year.

In the first quarter, Fiat Auto S.p.A. made 352,000 units (cars and light commercial vehicles). The approximately 10% decline compared to 1980 volumes was programmed with the precise aim of keeping down stock levels, as was the resort to the Wage Compensation Fund in January and March.

In Italy, 255,000 Fiat, Lancia and Autobianchi cars were sold, while in other European markets, deliveries to the primary network exceeded 100,000 units. These results have enabled us to raise our share in Europe (excluding Spain) to 13.4%, an improvement of more than one point over the first quarter of last year.

Our sales to non-European markets are showing appreciable increases, having benefited from contracts with Third World countries. A partial exception is the USA where the fall in demand levels became even more accentuated as a result of Japanese competition.

The increase in Fiat Auto S.p.A.'s share capital to 1,700 billion lire was resolved on 15 January 1981 and implemented on 13 April 1981.

Una piccola, grande verità.

La tecnologia per fare meglio le auto di serie è la meno da o imitazione di un'auto di serie. Due Campioni del Mondo dimostrano che era l'abbito in 1981.

È successo qualcosa di grosso.

Dopo il Rally di Corsica la Fiat è Campione del Mondo Marche Rally per la 3^a volta con la 131. La Lancia è già Campione del Mondo Marche su pista dopo la vittoria a "Veduggio" del settembre 1980 con la Montecarlo Turbo.

Fiat Lancia Autobianchi Tutti parlano di qualità. Noi la dimostriamo.



Fiat vince tutti su strada.

Il terzo Campionato Mondiale Rally vinto dalla 131. Alleva confidenza i valori della produttività Fiat. Ancora una volta la serie Lancia/Fiat sul lato assicurativo, sempre sulla sicurezza, di costruzione collaudata e sicura, ripete negli interventi di manutenzione.

Classifica Campionato Mondiale Marche Rally 1980	
"Classe" Fiat 131 (Cinque porte)	
1° Fiat Abarth	punti 150
2° Datsun	punti 70
3° Ford	punti 70
4° Nissan	punti 61
5° Opel	punti 54
6° Porsche	punti 37
7° Volvo	punti 35

Fiat Campione Mondiale anche nel 1977, 1978.

Lancia vince tutti su pista.

Il successo della Lancia Montecarlo "turbo" è solo una parte del suo prestigio e su molti altri circuiti e percorsi, soprattutto superiori BMW e Porsche, conferma in tutto il mondo il prestigio di Lancia e la sua grande tradizione qualitativa. Perché vincere su pista, nel Mondiale Marche, significa possedere quelle risorse di know-how, esperienza e competenza che garantiscono la fiducia in automobili altrettanto eccezionali su strada.

Classifica Campionato Mondiale Marche Pista 1980	
"Primo" nella categoria "Super" (1600 cc.)	
1° Lancia	punti 300
2° Porsche	punti 200
3° Alfa	punti 100
4° Nissan	punti 80

Lancia Campione Mondiale anche nel 1972, 1974, 1975, 1976.

Le auto italiane agli italiani. **FIAT LANCIA**

Nessun altro costruttore al mondo ha mai vinto tanti titoli mondiali negli ultimi dieci anni.

An advertisement

Operating results 1980

Our Profit and Loss Account showed a loss of L.130.1 billion lire after depreciation on assets of L. 246 billion compared to L. 220.4 billion in 1979 and having charged R & D costs for a total of about L. 220 billion to the Balance Sheet (as mentioned earlier in this Report).

An albeit synthetic analysis of our operations during the year shows that the pressure on selling prices — to hold or, in some cases, to increase our market shares — was more than positively counter-balanced by our control over the cost of production factors, by appreciable increases in productivity, and by a stricter watch over structural expenses.

On the other hand, interest charges rose sharply as a result of increased interest rates and our higher average level of indebtedness, the result of having to cover financial needs related to the higher level of finished products in stock.

It was also considered desirable to accept less favourable selling conditions for exports as soon as the problems emerging in most European markets became evident.

At the same time, exchange rates within the EMS remained substantially stable during the year, and persistently wide differentials in cost trends between Italy and other European countries curtailed our ability to compete under conditions not too dissimilar to those of other manufacturers.

Taken as a whole, these positive and negative components balanced one another out, while it proved necessary to write down almost the whole book value of our holding in Seat, from 127.9 to 11.2 billion lire, to line it up with the stock exchange quotation.

Poster

LANCIA MONDIALE MARCHE 1980 con la Montecarlo Turbo



Hanno collaborato alla vittoria: Mikkel, Brian Sobell, Campagnolo, Cerillo, Hauer, Magneti Marelli, Pirelli, VS Olio Fiat.

IL PRIMATO DELLA TECNOLOGIA LANCIA.



What can be conceived can be created



For the name of the authorized Ferrari dealer nearest you, call these numbers toll-free: (800)447-4700 or, in Illinois, (800)322-4400.

Ferrari

A Ferrari advertisement in the USA

**Balance Sheet
and Profit
and Loss Account
at December 31, 1980**

Balance Sheet at December 31, 1980

Assets

FIXED ASSETS		
Tangibles		
Residential land and buildings	L.	72,814,853,296
Industrial land and buildings	L.	833,095,586,215
Plant	L.	611,938,675,429
Machinery	L.	475,483,405,249
Production equipment	L.	380,136,631,394
Furniture and fixtures	L.	156,779,449,076
Motor vehicles	L.	22,884,488,990
	L.	2,553,133,089,649
Work in progress (advances to supplies for fixed assets)	L.	8,663,819,236
	L.	2,561,796,908,885
Intangibles		
Trademarks	L.	22,497,125
Patents	L.	184,401,569
Research expenses	L.	7,296,673,382
	L.	7,503,572,076
Investments, securities, and long-term loans		
Investments		
Subsidiary companies	L.	740,517,975,328
Associated companies	L.	52,728,069,037
	L.	793,246,044,365
Fixed-income securities	L.	10,951,813,727
Financial accounts		
Third parties	L.	19,888,542,338
	L.	824,086,400,430
Total	L.	3,393,386,881,391
OTHER ASSETS		
Stocks of raw materials, work in progress and finished products, and merchandise	L.	1,732,097,911,342
Advances to suppliers	L.	297,464,679
Receivables		
Trade accounts receivable maturing after one year		
Customers	L.	39,720,233,003
Subsidiary companies	L.	68,711,799,024
Associated companies	L.	5,139,923,308
Trade accounts receivable maturing within one year		
Customers	L.	743,221,628,361
Parent company	L.	7,231,404,320
Subsidiary companies	L.	450,291,453,421
Associated companies	L.	62,224,423,917
	L.	1,376,540,865,354
Financial accounts		
Cash at banks	L.	19,537,285,784
Other receivables	L.	101,893,241,663
	L.	1,497,971,392,801
Liquid assets		
Cash on hand	L.	17,241,678,590
Total	L.	3,247,608,447,412
ACCRUED INCOME AND PREPAID EXPENSES		
Accrued income	L.	35,175,396,843
Prepaid expenses	L.	3,013,100,895
Deferred charges	L.	29,013,496,598
Total	L.	67,201,994,336
LOSSES ON PREVIOUS YEAR		
	L.	97,200,443,915
LOSSES FOR THE YEAR		
	L.	130,100,459,718
Total	L.	6,935,498,226,772
MEMORANDUM ACCOUNTS		
Directors' guarantee deposits	L.	2,600,000
Third party assets	L.	21,218,031,877
Company assets with third parties	L.	115,293,663,791
Special risks and guarantee liabilities	L.	318,114,817,055
Deferred taxes	L.	109,012,688,151
	L.	563,641,800,874
Total	L.	7,499,140,027,646

CAPITAL STOCK

1,200 million of ordinary shares L. 1,200,000,000,000

PROVISION FOR DEPRECIATION AND OTHER PROVISION

Provision for fixed-asset depreciation

Residential land and buildings	L.	4,363,848,020
Industrial land and buildings	L.	46,731,180,136
Plant	L.	120,961,288,754
Machinery	L.	105,421,005,930
Production equipment	L.	149,029,412,379
Furniture and fixtures	L.	29,977,369,547
Motor vehicles	L.	5,297,850,086
	L.	461,781,954,852
Provision for bad debts	L.	15,526,899,157
Provision for general risks and future charges	L.	22,361,596,075
Provision for bad debts	L.	1,850,602,851
Provision for employee severance indemnities	L.	732,625,871,482
Provision for taxation	L.	196,584,000
	Total	L. 1,234,343,508,417

LIABILITIES

Amounts due to banks and other financial institutions

Medium and long-term

Secured	L.	360,213,110,695
Unsecured	L.	616,553,269,934
	L.	976,766,380,629
Short-term	L.	441,123,510,897
	Total	L. 1,417,889,891,526

Borrowings from Group companies

Parent company

Medium and long term	L.	500,000,000,000
Short term	L.	464,283,640,871
Subsidiary companies		
Medium and long term	L.	5,191,317,341
	Total	L. 969,474,958,212
Advances from customers	Total	L. 11,549,683,516

Trade accounts payable

maturing after one year

Suppliers	L.	42,657,109
maturing within one year		
Suppliers	L.	1,555,849,557,606
Parent company	L.	1,923,262,646
Subsidiary companies	L.	104,390,163,430
Associated companies	L.	73,267,824,425
	Total	L. 1,735,473,465,216
Other liabilities	Total	L. 156,162,182,017
	Total	L. 4,290,550,180,487

ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities	L.	194,014,234,999
Deferred income	L.	16,590,302,869
	Total	L. 210,604,537,868

Total liabilities L. 6,935,498,226,772**MEMORANDUM ACCOUNTS**

Directors' guarantee deposits	L.	2,600,000
Third party assets	L.	21,218,031,877
Company assets with third parties	L.	115,293,663,791
Special risks and guarantee liabilities	L.	318,114,817,055
Deferred taxes	L.	109,012,688,151
	Total	L. 563,641,800,874
	Total	L. 7,499,140,027,646

Liabilities

Profit and Loss Account 1980

Losses (negative income items)

OPERATING EXPENSES		
Stocks of raw materials, work in progress and finished products, and merchandise	L.	1,217,903,493,782
Expenses for purchases of raw materials, work in progress and finished products, and merchandise	L.	4,537,572,887,645
Labour costs		
Provision for wages and salaries	L.	1,221,909,679,188
Social security contributions	L.	374,929,039,640
Provision for employee severance indemnities	L.	128,685,583,892
Expenses for services	L.	867,626,090,293
Depreciation and amortization		
Fixed assets		
Residential land and buildings	L.	2,183,446,317
Industrial land and buildings	L.	23,765,342,290
Plant	L.	62,218,537,688
Machinery	L.	53,428,058,207
Production equipment	L.	84,292,838,527
Furniture and fixtures	L.	16,621,504,527
Motor vehicles	L.	3,501,782,822
Trademarks	L.	4,551,063
Patents	L.	72,310,019
Deferred charges	L.	15,510,955,575
Risk cover provision		
Bad debts provision	L.	4,991,571,316
General risks and future charges	L.	17,361,596,075
Interest on overdue receivables	L.	1,850,602,851
Indirect taxation		
on the year		
paid	L.	3,893,619,746
set aside	L.	1,181,293,955
on previous years		
paid	L.	128,323,036
set aside	L.	651,191,487
Other expenses	L.	36,831,973,560
Total		L. 8,677,116,273,501
INTEREST AND OTHER CHARGES		
Interest on payables to		
Parent company	L.	31,279,863,207
Interest paid to banks and financial institutions	L.	114,982,134,234
Interest on other payables	L.	503,346,554
Discounting and other financial charges	L.	129,561,089,446
Losses resulting from balance sheet valuations		
Investments	L.	119,871,165,755
Fixed-interest securities	L.	152,929,763
Total		L. 396,350,528,959
EXTRAORDINARY LOSSES		
Losses		
Losses on fixed assets	L.	10,507,132,339
Other extraordinary losses	L.	16,073,140,096
Total		L. 26,580,272,435
DIRECT TAXATION		
On the year		
paid	L.	158,837,342
Total		L. 158,837,342
Total		L. 9,100,205,912,237

OPERATING REVENUES AND CLOSING INVENTORIES

Revenues	
Sales	
Motor vehicles	
Cars and commercial vehicles	L. 6,659,880,319,644
Components for industrial vehicles	L. 13,358,912,843
Mechanical production	
Tools and equipment	L. 30,848,506,233
Plastics - Rubber - Chemicals	
Solid, fluid, and gaseous fuels	L. 7,762,112,507
	L. 6,711,849,851,227
Services rendered	L. 261,756,522,562
	L. 6,973,606,373,789
Internal production of fixed assets	L. 35,057,602,000
Other operating revenues	L. 44,398,432,941
Revenues from real estate investments	L. 2,197,737,101
Closing inventories of raw materials, work in process and finished products, and merchandise	L. 1,732,097,911,342
Total	L. 8,787,358,057,173

Profits
(positive income items)

INTEREST AND OTHER INCOME

Dividends from investments in	
Subsidiary companies	L. 630,000,000
Associated companies	L. 250,012,500
Interest on fixed-income securities	L. 1,083,335,821
Interest from banks	L. 3,174,200,979
Interest from	
Subsidiary companies	L. 5,683,162,962
Interest from customers	L. 9,950,421,380
Other interest	L. 2,087,189,892
Other income	L. 135,579,648,639
Total	L. 158,437,972,173

EXTRAORDINARY GAINS

Gains from the disposal of	
Fixed assets	L. 4,350,155,174
Investments	L. 696,479,340
Fixed-income securities	L. 13,299,799
Other extraordinary gains	L. 19,249,488,860
Total	L. 24,309,423,173

RESULT FOR THE YEAR L. **130,100,459,718**

Total L. **9,100,205,912,237**

The Statutory Auditors:
Federico Gamna
Giuseppe Arnulfo
Dario Miaja

Balance Sheet at December 31, 1980 and 1979

Assets

(Amounts expressed in millions of lire)

	31/12/1980	31/12/1979	Increase/ (Decrease)	
LONG-TERM INVESTMENTS				
Tangibles	2,561,797	2,250,775	311,022	
Intangibles	7,504	5,794	1,710	
Shareholdings	793,246	701,315	91,931	
Fixed-income securities	10,952	7,813	3,139	
Loans to				
Third Parties	19,888	18,637	1,251	
Total	3,393,387	2,984,334	409,053	
OTHER ASSETS				
Stocks of raw materials, work in progress and finished products, and merchandise	1,732,098	1,217,903	514,195	
Advances to suppliers				
to outside suppliers	298	2,833	(2,535)	
Receivables				
Trade accounts receivable maturing after one year				
Customers	39,720	29,432	10,288	
Subsidiary Companies	68,712	50,199	18,513	
Associated Companies	5,140	—	5,140	
Trade accounts receivable maturing within one year				
Customers	743,222	619,304	123,918	
Parent Company	7,231	16,058	(8,827)	
Subsidiary Companies	450,292	223,500	226,792	
Associated Companies	62,224	52,398	9,826	
	1,376,541	990,891	385,650	
Advances and short-term loans				
Cash at banks	19,537	40,589	(21,052)	
Other receivables	101,893	118,585	(16,692)	
Liquid assets				
Cash on hand	17,242	14,264	2,978	
Total	3,247,609	2,385,065	862,544	
ACCRUED INCOME AND PREPAID EXPENSES				
Accrued Income	35,175	18,203	16,972	
Prepaid Expenses	3,013	11,372	(8,359)	
Deferred charges	29,014	43,437	(14,423)	
Total	67,202	73,012	(5,810)	
LOSS FOR PREVIOUS YEAR	97,200	—	97,200	
LOSS FOR THE YEAR	130,100	97,200	32,900	
	Total assets	6,935,498	5,539,611	1,395,887
MEMORANDUM ACCOUNT		563,642	471,678	91,964
	Total	7,499,140	6,011,289	1,487,851

	31/12/1980	31/12/1979	Increase/ (Decrease)
CAPITAL STOCK	1,200,000	1,200,000	—
PROVISION FOR DEPRECIATION AND OTHER PROVISIONS			
Provision for fixed-asset depreciation	461,782	220,429	241,353
Provision for bad debts	15,527	15,153	374
Provision for general risks and future charges	22,362	5,000	17,362
Provision for reinvestment of capital gains	—	185	(185)
Provision for interest on overdue receivables	1,851	—	1,851
Provision for employee severance indemnities	732,626	660,159	72,467
Provision for taxation	196	300	(104)
Total	1,234,344	901,226	333,118
LIABILITIES			
Amounts due to banks and other financial institutions			
medium- and long-term			
secured	360,213	376,089	(15,876)
unsecured	616,553	202,290	414,263
	976,766	578,379	398,387
short-term	441,124	266,820	174,304
	1,417,890	845,199	572,691
Borrowings from Group Companies			
Parent Company			
medium- and long-term	500,000	—	500,000
short-term	464,284	487,302	(23,018)
Subsidiary Companies			
medium- and long-term	5,191	6,308	(1,117)
	969,475	493,610	475,865
Advances from customers	11,550	4,632	6,918
Trade accounts payable			
maturing after one year			
Suppliers	43	91	(48)
maturing within one year			
Suppliers	1,555,849	1,681,243	(125,394)
Parent Company	1,923	24,413	(22,490)
Subsidiary Companies	104,390	23,178	81,212
Associated Companies	73,268	64,442	8,826
	1,735,473	1,793,367	(57,894)
Other liabilities	156,162	72,257	83,905
Total	4,290,550	3,209,065	1,081,485
ACCRUED LIABILITIES AND DEFERRED INCOME			
Accrued liabilities	194,014	214,729	(20,715)
Deferred income	16,590	14,591	1,999
Total	210,604	229,320	(18,716)
Total liabilities	6,935,498	5,539,611	1,395,887
MEMORANDUM ACCOUNTS	563,642	471,678	91,964
Total	7,499,140	6,011,289	1,487,851

Liabilities

(Amounts expressed in millions of lire)

Profit and Loss Account 1980 and 1979

Operating Expenses

(Amounts expressed in millions of lire)

	1980	1979	Increase/ (Decrease)
OPENING INVENTORIES	1,217,903	1,016,610	201,293
OPERATING EXPENSES			
Expenses for purchases of raw materials, work in progress and finished products, and merchandise	4,537,573	3,608,569	929,004
Labour costs			
Provision for wages and salaries	1,221,910	1,078,588	143,322
Social security contributions	374,929	377,483	(2,554)
Provision for employee severance indemnities	128,686	135,757	(7,071)
Expenses for services	867,626	671,157	196,469
Fixed-income depreciation	246,011	220,429	25,582
Depreciation for intangible assets and deferred charges	15,587	6,160	9,427
Provision for:			
Bad and doubtful debts	4,992	3,180	1,812
General risks and future charges	17,362	5,000	12,362
Interest on overdue receivables	1,851	—	1,851
Other expenses	42,686	27,455	15,231
Total operating expenses	7,459,213	6,133,778	1,325,435
FINANCIAL CHARGES			
Interest from			
Borrowings from Parent Company	31,280	21,949	9,331
Amounts due to banks and other financial institutions	114,982	47,227	67,755
Other liabilities	504	1,077	(573)
Discounts and other financial charges	129,561	73,978	55,583
Write-downs resulting from balance sheet valuations			
Shareholderings	119,871	—	119,871
Fixed-income securities	153	48	105
Total financial charges	396,351	144,279	252,072
OTHER CHARGES			
Losses on disposal of fixed assets	10,507	7,204	3,303
Miscellaneous charges	16,073	5,088	10,985
Total other charges	26,580	12,292	14,288
INCOME TAXES	159	308	(149)
Grand total	9,100,206	7,307,267	1,792,939

	1980	1979	Increase/ (Decrease)
CLOSING INVENTORIES	1,732,098	1,217,903	514,195
REVENUES FROM SALES			
Motor vehicles	6,659,880	5,540,214	1,119,666
Mechanical production	30,849	17,049	13,800
Components for commercial vehicles	13,359	10,250	3,109
Solid, fluid, and gaseous fuels	7,762	6,837	925
	6,711,850	5,574,350	1,137,500
REVENUES FROM SERVICES RENDERED	261,756	236,039	25,717
Total revenues	6,973,606	5,810,389	1,163,217
OTHER REVENUES			
Internal production of fixed assets	35,057	41,188	(6,131)
Other operating revenues	44,398	20,668	23,730
Revenues from real estate investment	2,198	1,670	528
Total revenues	81,653	63,526	18,127
INTEREST AND OTHER INCOME			
Interest from			
Fixed-income securities	1,084	684	400
Banks	3,174	2,360	814
Parent Company and subsidiary and associated companies	5,683	1,377	4,306
Customers	9,951	8,734	1,217
Other interest	2,087	1,357	730
Dividends from investments	880	16,502	(15,622)
Other income	135,580	77,080	58,500
Total other income	158,439	108,094	50,345
EXTRAORDINARY GAINS			
Gains from the disposal of			
Shareholderings and fixed-income securities	710	—	710
Fixed assets	4,350	2,030	2,320
Other extraordinary gains	19,250	8,125	11,125
Total extraordinary gains	24,310	10,155	14,155
LOSS FOR THE YEAR	130,100	97,200	32,900
Grand total	9,100,206	7,307,267	1,792,939

Revenues

(Amounts expressed in millions of lire)

Note

The Balance Sheet at December 31, 1980 and the Profit and Loss Account are shown in millions of Lire and have been reclassified in order to conform to international reporting practices so as to afford a presentation of the state of affairs of the Company in a more understandable form for the international financial community.

**“Reclassified”
Balance
Sheet at
December 31, 1980
and 1979**

(Amounts expressed in millions of lire)

Assets

	31 December 1980	31 December 1979	Increases (Decreases)
CURRENT ASSETS			
Cash on hand at banks	36,779	54,853	(18,074)
Trade accounts receivable	1,262,969	911,260	351,709
Less - Provision for bad and doubtful debts	(15,527)	(15,153)	(374)
Other receivables	101,893	118,585	(16,692)
Advances to suppliers	298	2,833	(2,535)
Inventories	1,732,098	1,217,903	514,195
Accrued income and prepaid expenses	38,188	29,575	8,613
Total current assets	3,156,698	2,319,856	836,842
LONG-TERM ASSETS			
Accounts receivable maturing after one year	113,572	79,631	33,941
Loans to third parties	19,888	18,637	1,251
Investments	793,246	701,315	91,931
Fixed-income securities	10,952	7,813	3,139
Total long-term assets	937,658	807,396	130,262
FIXED ASSETS			
Less - Provision for depreciation	(461,782)	(220,429)	(241,353)
Net	2,100,015	2,030,346	69,669
INTANGIBLE ASSETS AND DEFERRED CHARGES			
	36,518	49,231	(12,713)
Total long-term assets	3,074,191	2,886,973	187,218
Total assets	6,230,889	5,206,829	1,024,060

Liabilities

	31 December 1980	31 December 1979	Increases/ (Decreases)
CURRENT LIABILITIES			
Bank overdrafts	441,124	266,820	174,304
Current maturities on medium and long-term debt	126,336	93,660	32,676
Financial accounts from Parent company	464,284	—	464,284
Trade accounts payable	1,735,430	1,793,276	(57,846)
Other payables	156,162	72,257	83,905
Advances from suppliers	11,550	4,632	6,918
Accrued liabilities and deferred income	210,604	229,320	(18,716)
Provision for taxation	196	300	(104)
Total current liabilities	3,145,686	2,460,265	685,421
MEDIUM AND LONG-TERM PROVISIONS AND LIABILITIES			
Accounts payable maturing after one year - Suppliers	43	91	(48)
Long-term debt net of current maturities	1,355,621	978,329	377,292
Employee severance indemnities	732,626	660,159	72,467
Other provisions	24,213	5,185	19,028
Total medium and long-term provisions and liabilities	2,112,503	1,643,764	468,739
SHAREHOLDERS' EQUITY			
Share capital	1,200,000	1,200,000	—
Result for the previous year	(97,200)	—	(97,200)
Result for the year	(130,100)	(97,200)	(32,900)
Total shareholders' equity	972,700	1,102,800	(130,100)
Total liabilities and shareholders' equity	6,230,889	5,206,829	1,024,060

	1980	1979	Increases/ (Decreases)
INCOME			
Sales	6,711,850	5,574,350	1,137,500
Services	261,756	236,039	25,717
Total income	6,973,606	5,810,389	1,163,217
COSTS AND EXPENSES FOR THE YEAR			
Purchases of raw materials, work in progress and finished products, and merchandise	4,537,573	3,608,569	929,004
Labour costs	1,596,839	1,456,071	140,768
Provision for employee severance indemnities	128,686	135,757	(7,071)
Expenses for services	867,626	671,157	196,469
Depreciation	261,598	226,589	35,009
Risk cover provision	24,205	8,180	16,025
Other expenses	36,832	24,060	12,772
Less - Internal production, export refunds, etc.	(56,431)	(59,761)	3,330
Less - Variations in stocks	(514,195)	(201,293)	(312,902)
Total costs and expenses for the year	6,882,733	5,869,329	1,013,404
OPERATING INCOME (LOSS)	90,873	(58,940)	149,813
FINANCIAL INCOME/(CHARGES)			
Interest received	21,979	14,512	7,467
Interest paid	(146,766)	(70,253)	(76,513)
Other financial income - net amount	5,866	3,054	2,812
Investments	(119,871)	—	(119,871)
Dividends from investments	880	16,502	(15,622)
Total net financial income/(charges)	(237,912)	(36,185)	(201,727)
OTHER INCOME/(CHARGES)			
Disposals of fixed assets - net amount	(6,157)	(5,174)	(983)
Disposals of investments and fixed-income securities	710	—	710
Surplus, income, and various charges - net amount	22,479	3,399	19,080
Total other income/(charges)	17,032	(1,775)	18,807
LOSS BEFORE TAXATION	(130,007)	(96,900)	(33,107)
TAXATION ON INCOME	(93)	(300)	207
LOSS FOR THE YEAR	(130,100)	(97,200)	(32,900)

**“Reclassified”
profit
and loss
account
for the
years 1980 and
1979**

(Amounts expressed in millions of lire)

**Statement
of source
and application
of funds
for the
year 1980
and 1979**

(Amounts expressed in
millions of lire)

	1980	1979
FUNDS GENERATED FROM OPERATIONS		
Loss for the year	(130,100)	(97,200)
Depreciation	261,598	226,589
Provision for employee severance indemnities	128,686	151,567
Provision for general risks and future charges	24,205	8,180
Total a)	284,389	289,136
FUNDS FROM OTHER SOURCES		
Disposal of fixed assets (net)	20,257	15,328
Medium- and long-term loans, net of current maturities	456,340	160,511
Borrowings from Fiat S.p.A.	476,982	487,303
Sales of investments	—	114,346
Total b)	953,579	777,488
APPLICATION OF FUNDS		
Purchases of fixed assets	336,122	348,920
Investment in long-term assets	96,321	639,581
Repayments of medium- and long-term liabilities	91,745	38,126
Employee severance indemnities	56,219	25,367
Other utilizations	41,587	75,715
Total c)	621,994	1,127,709
Increase (decrease) in working capital (a + b - c)	615,974	(61,085)
MOVEMENTS IN WORKING CAPITAL		
Current assets		
Cash on hand and with banks	(18,074)	43,895
Trade accounts receivable	335,017	489,627
Inventories	514,195	201,293
Other assets	6,078	24,097
Total a)	837,216	758,912
Current liabilities		
Bank overdrafts	174,304	209,970
Medium- and long-term debts maturing within the year	32,676	43,180
Trade accounts payable	26,059	541,110
Other liabilities	(11,797)	25,737
Total b)	221,242	819,997
Increase (decrease) in working capital (a - b)	615,974	(61,085)

Principal Balance Sheet and Economic Indices for 1980 and 1979

BALANCE SHEET RATIOS	1980	1979
<u>Aggregate depreciation</u> Gross fixed assets	18.1	9.8
<u>Current assets</u> Current liabilities	100.3	94.3
<u>Net long-term assets</u> Shareholders' equity	316	261.8
<u>Net long-term assets</u> Shareholders' equity + medium- and long-term debt	99.6	105.1
<u>Shareholders' equity</u> Total liabilities and provisions	21.6	32.1

MANAGEMENT RATIOS		
<u>Cost of labour</u> Sales	24.7	27.4
<u>Interest paid</u> Sales	2.1	1.2
<u>Sales</u> Gross fixed assets	272.2	258.1

PROFITABILITY RATIOS		
<u>Net profit for the year</u> Sales	(1.9)	(1.7)
<u>Net loss for the year</u> Shareholders' equity	(13.4)	(8.8)
<u>Net loss for the year + Depreciation of fixed assets</u> Gross fixed assets	4.5	5.5
<u>Net loss for the year + Depreciation of fixed assets</u> Sales	1.7	2.1

Notes to the Accounts

Assets

FIXED ASSETS

Tangible assets

These assets are stated at cost of acquisition for assets bought out and at cost of production for assets made within the Company. Maintenance costs have been

fully accounted for in the year they were incurred; for fiscal purposes only, they have been re-entered and depreciated within the limits provided for by art. 68 of D.P.R. no. 597 of 29.9.1973.

Movements in the year are summarised in the table below:

(L./million)	Balance at 31/12/79	Movements in the year		Balance at 31/12/80
		Additions	Disposals	
Residential land and buildings	72,748	67	—	72,815
Industrial land and buildings	798,646	36,898	2,449	833,095
Plant	520,600	98,488	7,149	611,939
Machinery	402,923	77,019	4,459	475,483
Production equipment	305,988	77,449	3,300	380,137
Furniture and fixtures	122,718	34,947	886	156,779
Motor vehicles	18,480	11,262	6,857	22,885
	2,242,103	336,130	25,100	2,553,133
Work in progress				
Advance to suppliers	8,672	8	—	8,664
	2,250,775	336,122	25,100	2,561,797

The destination of investments is given in the appropriate section of the report.

Disposals in the year refer substantially to production process assets and transfers of industrial land and buildings.

Work in progress mainly refers to

advances for the acquisition of industrial plant and buildings, machinery and plant.

Intangible assets

The following movements were recorded during the year::

(L./million)	Total	Trademarks	Patents	Research expenses
Intangible assets at 31/12/1979	5,794	2	233	5,559
Additions	1,786	25	23	1,738
Decreases due to amortisation	76	4	72	—
Intangible assets at 31/12/1980	7,504	23	184	7,297

Trademarks and patents are shown in the Balance Sheet at cost less depreciation calculated in accordance with the period of utilisation.

Research expenses have been increased by costs borne during the year related to future years, subject to the prudence concept. They will be depreciated and charged to the operating years in which sales resulting from such research expenses are made, probably starting from 1981.

Investments

Investments are stated in the Balance Sheet at cost of acquisition or amount paid up, if share capital is involved.

In the event of definitely certified losses, this value has been adjusted in accordance with the following criteria:

- Companies not quoted on the Stock Exchange reduction in book value in proportion to the variation in net work as resulting from the last approved balance sheet

- Companies quoted on the Stock Exchange adjustment of book value to the average settling price in the last quarter of the year.

The following movements took place during the year:

(L./million)	Additions		Total
	Increase in share capital	Payments to cover losses	
Subsidiary Companies			
Abarth & C. S.p.A. - Turin	—	1,596	1,596
Sira S.r.l. - Turin	19	—	19
Fiat Automóveis S.A. - Betim	34,817	—	34,817
Fiat Auto International Holding B.V. - Amsterdam	155,441	—	155,441
Total	190,277	1,596	191,873
Associated Companies			
Centro Ricerche Fiat S.p.A. - Turin	—	1,500	1,500
Sevel S.p.A. - Atessa	16,380	—	16,380
Van Doorne's Transmissie B.V. - Tilburg	3,152	—	3,152
Total	19,532	1,500	21,032
Grand total increases	209,809	3,096	212,905

	Reductions		Total
	Transfers	Write-downs	
Subsidiary Companies			
Abarth & C. S.p.A. - Turin	—	1,608	1,608
Associated Companies			
Hertz Italiana S.p.A. - Rome	1,103	—	1,103
Centro Ricerche Fiat S.p.A. - Turin	—	1,580	1,580
Seat S.A. - Madrid	—	116,683	116,683
Total	1,103	118,263	119,366
Grand total decreases	1,103	119,871	120,974

The chart below breaks down shareholding values at December 31, 1980 between subsidiary and associated Companies. ▶

Fiat Auto interest at 31/12/1980		Companies	Value at 31/12/79 (L./million)	Movements in year	Value at 31/12/80
%	par value				
Subsidiary Companies					
Investments in Italy					
100	750	Abarth & C. S.p.A. - Turin	515	-12	503
100	500	Autogestioni S.p.A. - Turin	575	—	575
100	1,000	Sasn S.p.A. - Autopiste Sperimentali Nardò - Santa Chiara di Nardò	1,362	—	1,362
100	20	Sira S.r.l. - Società Industriale Ricerche Automotoristiche - Turin	1	19	20
55.41	166	Uica S.p.A. - Unione Italiana Costruttori Autoveicoli - Turin	499	—	499
50	500	Ferrari S.p.A. - Esercizio Fabbriche Automobili e Corse - Modena	1,157	—	1,157
Investments abroad					
53.32	94,533	Fiat Automóveis S.A. - Betim	198,211	34,817	233,028
100	520,406	Fiat Auto International Holding B.V. - Amsterdam	347,933	155,441	503,374
617,875		Total Subsidiary Companies	550,253	190,265	740,518
Associated Companies					
Investments in Italy					
50	22,500	Sevel S.p.A. - Società Europea Veicoli Leggeri - Atessa	6,120	16,380	22,500
37	222	Isvor Fiat S.p.A. - Società di Sviluppo e Addestramento Industriale - Turin	222	—	222
45	4,500	Centro Ricerche Fiat S.p.A. - Orbassano (Turin)	4,500	-80	4,420
—	—	Hertz Italiana S.p.A. - Rome	1,103	-1,103	—
24.48	612	Fiat SE.P.IN. S.p.A. - Servizi per l'Industria - Turin	612	—	612
15	45	S.E.S. S.p.A. - Sistemi Energia Sud - Brindisi	45	—	45
Investments abroad					
41.50	1,912	Tofas - Türk Otomobil Fabrikasi A/S - Istanbul	7,635	—	7,635
18.26	58,956	Seat S.A. - Sociedad Española de Automóviles de Turismo - Madrid	127,855	-116,683	11,172
24	6,296	Van Doorne's Transmissie B.V. - Tilburg	2,970	3,152	6,122
95,043		Total Associated Companies	151,062	-98,334	52,728
712,918		Total	701,315	91,931	793,246

Fixed-Income Securities L. million 10,952

Fixed-Income Securities are stated at purchase price except for quoted securities that are valued at their cost or average price in the last three months of the year, whichever is lower. Of this amount Lire 6,621 million have been utilised as pledges or deposits to guarantee contracts.

The net increase of L. 3,139 million compared to the year before is the result of the following movements:

L. 5,560 million, additions following purchase of securities

L. 2,421 million, decreases following refunds, sales and adjustments.

Financial Accounts L. million 19,888

These show an increase of L. 1,251 million over last year.

An amount of Lire 18,095 million represents receivables due from Zavodi Crvena Zastava for technical collaboration.

Such amount has been consolidated in that company as a financial investment.

CURRENT ASSETS

Stock of raw materials, work in progress, and finished products, and merchandise

L. million 1,732,098

The increase of L. 514,195 million compared to December 31, 1979 is due essentially to the increase in the quantity and value of finished products.

The above stocks have been valued at the lower of purchase or production cost and market value or realizable proceeds.

Purchase cost reflects the average cost of acquisition, including certain other direct expenses.

Production cost includes industrial costs for production and the relative depreciation calculated on the straight line basis.

Semi-finished goods have been valued at average production cost related to the state of progress of the goods.

Supplies in progress (advances)

L. million 298

Comparison with the figures at December 31, 1979 shows a reduction of L. 2,535 million.

Trade accounts receivable

L. million 1,376,541

Trade accounts receivable are stated at book value. The reduction to estimated realizable value is made through a provision in the liabilities section of the balance sheet.

The net increase of L. 385,650 million by comparison with December 31, 1979, is essentially due to rises in the price of supplies and to different payment conditions for export business.

Receivables in foreign currencies are valued at the exchange rate on the date of the transaction (historical exchange rate).

Cash at banks

L. million 19,537

This figure is mainly represented by current deposits. The net decrease of L. 21,052 million is due to a lower flow of bank remittances from abroad.

Other receivables

L. million 101,893

These are shown in the Balance Sheet at nominal value and break down as follows:

Advances to employees under - national labour agreements and various other amounts	53,563
Amounts due from INPS on account of the fiscalisation of welfare charges	7,417
Amounts due from fiscal authorities for Direct Tax	3,045
Guaranteed deposits	2,999
Amounts due from SAVA S.p.A. on commission for handling of installment sales	19,677
Miscellaneous	15,192

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses

These have been included in the balance sheet in accordance with the principle of matching income and expenses according to the relevant period and are represented as follows:

(L./million)	Other assets	Prepaid expenses
Reimbursement of customs duty on exports and taxes on manufacture	28,738	
Contributions from government agencies	2,035	
Interest on monies due from customers and other income	1,114	
Compensation for damage	1,444	
Interest charges relating to 1981		1,065
Miscellaneous	1,844	1,948
	35,175	3,013

Deferred charges

Deferred charges as shown in the balance sheet are composed as follows:

(L./million)	1980	1979
Premium on debenture loan from IMI	6,760	8,019
Preliminary expenses and costs of increasing share capital	7,250	9,667
Deferred benefits resulting from costs of reorganisation	7,511	8,855
Amount of severance indemnities advanced in accordance with renewed labour contracts	6,661	15,810
Miscellaneous	832	1,086
	29,014	43,437

The net variation of L. 14,423 million is the result of:

the addition of expenditures capitalised in 1980 (L. 1,098 million)
the reduction of depreciation for the year (L. 15,511 million) calculated in accordance with the directives of art. 2426 of the Italian Civil Code and on the basis of our prudent assessment.

Liabilities

SHARE CAPITAL

Made up of 1,200 million registered shares of L. 1,000 each; on April 13, 1981 it was resolved by the Extraordinary Meeting of January 15, 1981.

PROVISION FOR DEPRECIATION AND OTHER PROVISION

Provision for fixed-asset depreciation

The rates adopted for depreciation charged in the Profit and Loss Account are commensurate to the useful lives of the assets in use and the incidence of obsolescence.

The total charge amounts to L. 246,011 million and is inclusive of L. 21,854 million as calculated on the investments for the year in accordance with the ordinary rates allowed by fiscal legislation and at 50% of these rates.

The provision has been further increased by L. 185 million by transfer from the Provision for reinvestment of capital gains at 31 December 1979.

The movements that accrued during 1980 are summarized in the table below:

(L./million)	% (*)	Provision at Rate	Movements in the year		Provision at 31/12/80
			31/12/79	Increase	
Residential land and buildings	3	2,181	2,183	—	4,364
Industrial land and buildings	3	23,035	23,765	69	46,731
Plant	11	59,921	62,219	1,178	120,962
Machinery	12.5	53,345	(*) 53,612	1,536	105,421
Production equipment	25	65,711	84,293	975	149,029
Furniture and fixtures	12	13,541	16,622	186	29,977
Motor vehicles	20	2,695	3,502	899	5,298
		220,429	246,196	4,843	461,782

(*) Average rates charged to assets depreciated at 1/1/1980.

(*) of which: L. 185 million from the "Provision for reinvestment of capital gains".

Provision for bad debts L. million 15,527

The net increase of L. 374 million compared to December 31, 1979 is the result of:
the new provision of L. 4,992 million, reduced by uptake in respect of the writing off of no longer exactable credits amounting to L. 248 million and by the receipt of credits formerly considered doubtful amounting to L. 4,370 million.

Provision for general risks and future charges L. million 22,362

The purpose of this item is to cover charges emerging from commitments accepted by contract or by law with respect to customers.

Provision for interest on overdue receivables L. million 1,851

This refers to interest maturing on overdue receivables relating to installment sales through Sava S.p.A.

Provision for employee severance indemnities L. million 732,626

The size of this fund is commensurate with needs as of December 31, 1980, and has been calculated in accordance with ruling legislation and national labour contracts.

Compared to last year, it presents a net increase of L. 72,467 million, this being the balance between the provision of L. 128,686 million for the year, funds employed in respect of personnel leaving the Company, and movements resulting from transfers of personnel from one Group Company to another.

Provision for taxation L. million 196

This shows a reduction of L. 164 million, corresponding to taxes paid, and is adequate to meet the tax liability for the 1980 operating year.

OTHER LIABILITIES

Medium and long-term loans from banks and other financial institutions L. million 976.766

The increase of L. 398,387 million is the balance between new loans of L. 489,017 million contracted and monies refunded during the year.

Loans in foreign currencies are stated at the rate of exchange at the date of the transaction.

The following table provides a breakdown of these amounts:

SECURED (expressed in millions of lire)	Date due of loan	Interest rate %	Balance at 31/12/1980	Balance at 31/12/1979
Italian currency loans				
IMI - for the purchase of advanced technology assets	1980	6.09	—	5
IMI - for the Pescara area	1980	3	—	61
IMI - for the Cassino area	1986	4	27,468	31,450
IMI - for the Cassino area	1990	7.5	4,437	4,729
IMI - for the Cassino area	1990	8.85	1,343	1,425
IMI - for the Cassino area	1985	7.5	28,980	33,946
IMI - for the Cassino area	1988	8.8	38,212	40,000
IMI - for the Cassino area	1988	8.85	6,783	7,100
ICIPU - for the Cassino area	1984	8.7	7,301	9,127
IMI - for the Termini Imerese area	1984	3	512	648
IMI - for the Termini Imerese area	1984	4	707	891
IMI - for the Termini Imerese area	1985	4	330	396
IMI - for the Termini Imerese area	1986	3	510	594
IMI - for the Termini Imerese area	1987	3	123	139
IMI - for the Termini Imerese area	1988	8.85	17,920	18,500
IMI - for the Termini Imerese area	1988	8.8	7,642	8,000
IMI - for the Termini Imerese area	1988	9.25	22,000	22,000
IMI - for the Sulmona area	1987	4	4,157	4,663
IMI - for the Sulmona area	1990	7.5	734	786
IMI - for the Sulmona area	1989	4.7	1,330	—
IMI - for the Termoli area	1988	6	17,361	19,016
IMI - for the Termoli area	1990	7.5	20,344	21,780
IMI - for the Termoli area	1987	10.25(*)	2,000	2,000
IMI - for the Termoli area	1987	10 (*)	3,790	4,000
IMI - for the Termoli area	1994	8.85	4,450	4,450
IRFIS - Istituto Regionale per il Finanziamento alle industrie in Sicilia - Palermo branch office	1980	3	—	29
Istituto di Credito Fondiario delle Venezie - for the construction of buildings in Verona and Padua	1980	8	—	43
ISVEIMER - for the Bari branch office	1984	3	192	243
IMI - for the Naples branch office	1981	5.3	324	346
IMI - for the Salussola area	1989	8.3	3,097	3,250
IMI - for the Verrone area	1989	8.3	3,192	3,350
IMI - for the Turin and Chivasso area	1986	14	6,117	6,746
IMI - for the Turin and Chivasso area	1987	14.5	11,933	12,888
IMI - for the Turin and Chivasso area	1988	13.8	5,549	5,781
IMI -	1989	10.6	97,975	104,907
INTERBANCA	1988	a) (*)	12,000	—
Foreign currency loans				
EXIMBANK - tranche 1971	1981	6.5	1,400	2,800
Total secured loans			360,213	376,089

(a) Variable rate as a function of A.B.I. prime rate.
(*) Annual par rate.

UNSECURED (expressed in millions of lire)	Due date of loan	Interest rate %	Balance at 31/12/1980	Balance at 31/12/1979
Italian currency loans				
Mediobanca	1983	b) (*)	5,625	7,500
Isveimer - for the Cassino, Sulmona, Termoli areas	1986	14	29,471	32,500
Isveimer - for the Cassino, Sulmona, Termoli areas	1986	14	15,869	17,500
Isveimer	1987	14.5	57,500	—
Banco di Sicilia - for the Turin area	1985	c)	41,670	50,000
IMI	1982	18.75	300,000	—
Efibanca	1988	d)	50,000	—
Centrobanca	1988	13.89	2,200	—
Banks for finance of exports				
Italian currency loans				
Mediobanca	various	various	439	2,661
Imi	various	various	43,100	34,045
Interbanca	various	various	16,563	6,301
Efibanca	various	various	13,170	11,329
Icipu	various	various	55	155
Banca Nazionale del Lavoro	various	various	6,040	87
Banco di Napoli	various	various	3,693	3,679
Banco di Sicilia	various	various	2,812	3,505
Centrobanca	various	various	6,327	—
Foreign currency loans				
ICIPU	various	various	22,019	33,028
Total unsecured loans			616,553	202,290
Grand total			976,766	578,379

(b) Rate 1.50% greater than that given by the main financial institutions on secured medium term deposits, for at least 48 months.

(c) Rate 1.75% below prime rate.

(d) Rate 1.875% greater than that given by the Bank on certificates of deposit for 48 months.

(*) Annual par rate.

Bank and other short-term borrowings
L. million 441,124

Indebtedness at December 31, 1980 shows an increase of L. 174,304 million due to bigger advances against foreign currency receivables from abroad.

Borrowings from Group companies
L. million 969,475

The increase of L. 475,865 million is due to the medium and long-term loan granted by the Group parent (L. 500,000 million) net of the reduction in short-term borrowings (L. 24,135 million).

Advances from customers L. million 11,550

These represent goods not yet supplied and break down as follows:

Italy L. 6,275 million
Abroad L. 5,275 million

Trade Accounts payable
L. million 1,735,473

These are substantially unchanged compared to December 31, 1980 and break down as follows:

Italy L. 1,426,557 million
Abroad L. 308,916 million

Trade accounts payable in foreign currency are stated at the rate ruling at the time of the operation (historical exchange rate).

Other liabilities L. million 156,162
These show a net rise of L. 83,905

million as a result of the following movements:

Guarantee deposits from third parties	6,120
Social security authorities	38,860
Withholding taxes	54,456
VAT suspense account	30,715
Severance money paid out	10,947
Miscellaneous	<u>15,064</u>

OTHER PAYABLES AND ACCRUED LIABILITIES

The Balance Sheet entry complies with the criterion of temporal and economic pertinence and breakdown is as follows:

Other Accrued
liabilities expenses
(L./million)

Labour costs and related charges	144,181	
Financial charges	35,452	
Interest relating to future periods in respect of discounting operations		16,588
Miscellaneous	14,381	2
	<u>194,014</u>	<u>16,590</u>

MEMORANDUM ACCOUNTS

Third party assets and company assets with third parties.

These are mainly composed as follows:

- Goods on deposit
- Machinery and equipment in use
- Title deeds pledged as securities for contracts
- Directors' guarantee deposits and qualification shares.

Special risks and guarantee liabilities

Are represented by the following items:

- Guaranteed of indemnification given to third parties and Companies
- Guarantee given to banks for bills issued
- Contingent liabilities for bills outstanding.

Profit and Loss Account

The presentation of the profit and loss account is in accordance with Article 2425 bis of the Italian Civil Code.

Comments on the principal items are shown below.

OPERATING EXPENSES AND OPENING INVENTORIES

Expenses for purchase of raw materials, work in progress, finished products and merchandise.

The total entry of L. 4,537,573 million compared with expenditures last year net of stock at the beginning brought forward, shows a rise of L. 929,004 million attributable to the inflation in costs and to the higher purchase volumes reflected in the increase in the end-stocks of cars and other finished products.

Labour costs

This figure takes in remuneration of personnel and compulsory welfare charges. The total of L. 1,596,839 million shows an increase of L. 140,768 million compared to last year.

Provision for employee severance indemnities

It amounts to L. 128,686 million down L. 7,071 million on the previous year.

Expenses for Services

An analysis of the main groupings is as follows:

	(L./million)
Sub-contracting work	207,839
Other selling and advertising expenses	414,460
Expenses for legal and tax services	245,327

Depreciation and Amortisation

The calculation of the depreciation charge for the year has already been explained in the notes to the balance sheet.

Risk cover provision

Bad debts provision — the charge of Lire 4,992 million, equal to 3.63% of trade accounts receivable is in accordance with Decree no. 597, Article 66 of 29/9/1973.

General risks and future charges

This appropriation (for L. 17,362 million) was set aside during the year

against charges that will emerge in relation to customer commitments.

Indirect taxation

The figure of Lire 5,854 million refers to local taxes, contract registration taxes, stamp duties, and taxes on government grants.

Other expenses

The amount stated of Lire 36,832 million mainly refers to employee assistance expenses, premiums paid to associations, and other services.

INTEREST AND OTHER CHARGES

Interest paid to banks and financial institutions

L. 114,982 million

The subdivision between interest on short term and medium-long term loans is as follows:

Short-term	38,845
Medium-term and long-term	76,137

Discounting and other financial charges

L. 129,561 million

The figure includes:

Expenses for instalment sales made through SAVA dealerships	72,285
Exchange losses	47,922
Commissions and bank expenses	3,416
Discounting of bills	5,104
Miscellaneous expenses	834

Write-down resulting from balance sheet valuations

Shareholdings L. 119,871 million

It reflects the adjustment to valuation in accordance with the criteria described under the heading "Shareholdings" with respect to companies listed in the table outlining "movements in the year decreases".

EXTRAORDINARY LOSSES

Losses on Fixed Assets

L. 10,507 million are due to disposals of assets.

Other extraordinary losses

Amounting to Lire 16,073 million relate mainly to the realization of further liquidation costs incurred in the previous year.

DIRECT TAXATION

The figure of L. 159 million mainly refers to the payment of local income tax on rental income from residential buildings, taxed separately in accordance with fiscal law (L. 93 million).

REVENUE FROM SALES AND SERVICES RENDERED

Are stated as follows:

Sales Revenue	(L./million)
Cars and commercial vehicles	5,926,941
Motor vehicles spare parts	423,596
Engines, components, and motor car accessories	253,188
Complementary activities and others	56,155
Components and accessories for commercial vehicles	13,359
Tools and equipment	30,849
Solid, fluid, and gaseous fuels	7,762
	<hr/>
	6,711,850

Revenue from services rendered

	(L./million)
Royalties, design, consultancy, and technical assistance	45,631
Services rendered to customers	65,354
Transport expenses recovered	105,733
Personnel services	8,833
Sundry services	36,205
Work for third parties	1,177
Services rendered for administration, accountancy, taxation, company, and financial consultancy	5,701
EDP services	2,427
Public relations and advertising services	9,389
Refunds from Fiat S.p.A. for products modification expenses	5,254
Various services	12,257
	<hr/>
	261,756

Internal production of fixed assets

Represents capitalization of:

	(L./million)
Tangible assets	33,806
Intangible assets	1,251
	<hr/>
	35,057

Other operating revenues

The total amount of Lire 44,398 million refers to the following:

	(L./million)
Refunds of customer dues and charges on exports	13,474
Capital contribution on IMI loans	21,471
Grants for the purchase of assets (increased recovery of value added taxes per Decree 675 Article 18 of 12/2/77)	1,393
Compensation for sundry damage	2,844
Contributions from Government authorities	2,358

INTEREST AND OTHER INCOME

Dividends from investments

Composed as follows:

Received	(L./million)
Autogestioni S.p.A.	500
Ferrari S.p.A.	30
SASN S.p.A.	100
Hertz Italiana S.p.A.	250
	<hr/>
	880

Other income

Made up as follows:

	(L./million)
Interest in sales through SAVA S.p.A.	89,339
Exchange gains	43,797
Other	2,444
	<hr/>
	135,580

EXTRAORDINARY GAINS

Extraordinary gains are made up as follows:

	(L./million)
Overaccruals made for expenses	6,070
Overaccruals for bad debts	4,370
Other	8,810
	<hr/>
	19,250

Report of Statutory Auditors

Shareholders,

In its own Report, the Board of Directors reviews the results of the second operating year.

With continuing problems in the general situation and in the car industry in particular, the Balance Sheet at December 31, 1980 now being submitted to your attention, has closed with a loss of L. 130,100,459,718.

In fulfilment of their mandate, the statutory auditors have carried out periodic controls during the year to make sure that the Company's administration complies with conditions laid down by the Law and the Company Articles.

The Statutory Auditors have also carried periodic checks on liquid assets and securities owned by the Company or held as guarantees and have attended all meetings of the Board of Directors.

The Statutory Auditors can state that the books of account have been correctly kept and that the balance sheet and profit and loss account correspond to the balances resulting from the books of account and accounting entries.

Results may be summed up as follows:

BALANCE SHEET

Assets

Fixed assets	L. 3,393,386,881,391
Current assets	L. 3,247,608,447,412
Accrued income and prepaid expenses	L. 67,201,994,336
Loss on previous year	L. 97,200,443,915
Loss on year	L. 130,100,459,718
	<u>L. 6,935,498,226,772</u>

Liabilities

Share capital	L. 1,200,000,000,000
Depreciation funds and provisions	L. 1,234,343,508,417
Payables	L. 4,290,550,180,487
Accrued liabilities and deferred income	L. 210,604,537,868
	<u>L. 6,935,498,226,772</u>

Memorandum accounts balance at

L. 563,641,800,874

PROFIT AND LOSS ACCOUNT

Inflow	L. 8,970,105,452,519
Outflow	L. 9,100,205,912,237
Loss on year	L. <u>130,100,459,718</u>

Depreciation of L. 246,011 million has been set aside on fixed assets, applying rates considered adequate to cover physical deterioration and obsolescence, within the rates laid down by tax laws.

Trademarks and patents have been depreciated by 20% and such depreciation has been deducted directly from the book value.

Research and development expenses incurred in 1980 have been charged against the profit and loss account for the year. The book entry of L. 7,297 million is mainly the reflection of costs incurred during previous years for specific research projects. These costs constitute a future benefit which will be amortised in future years.

Values of shareholdings have been fixed by the Board of Directors after applying, as specified in their Report, the following criteria about which we agree:

1) holdings in quoted companies, at book value or settlement price in the last quarter, whichever is lower;

2) holdings in unquoted companies, at purchase price or the amount paid up.

As for fixed-income securities, the assessment corresponds to purchase cost or, in the case of a quoted security, to the average settlement price in the last quarter of the year, if lower.

Stocks are valued at the lower of cost or purchase price and market.

Deferred charges, including costs relating to the formation of the company, the transfer from Fiat, costs relating to long-term debt, costs relating to production restructuring with a future benefit and past service benefits relating to renegotiation of the employee labour contract, are shown net of depreciation.

Receivables are covered by a reserve for doubtful receivables of over L. 15 billion, which is considered adequate cover for the risk of insolvencies.

The provisions for general risks and future charges, employee severance indemnities, and taxation have been adjusted to meet foreseeable liabilities.

Prepayments and accrued liabilities have been calculated, in agreement with ourselves, on the accruals basis of allocation, in order to attribute to the present fiscal year pertinent costs and income.

We would therefore conclude by recommending you to approve the balance sheet and profit and loss account as presented and the Board's proposal to carry forward the loss.

Finally, an Extraordinary Meeting has been called to take resolutions on the proposal to incorporate Abarth & C. in your Company, a matter about which the Auditors are in agreement with the Board.

24 April 1981

The Auditors
(Federico Gamma)
(Giuseppe Arnulfo)
(Dario Miaja)

Resolutions by the Shareholders' Meeting

The ordinary and extraordinary meeting of shareholders was held on May 13, 1981.

After taking note in the ordinary section of the favourable opinion expressed by the statutory auditors in their report, the meeting approved the Board report, the balance sheet, and the proposal to carry forward the loss of L. 130,100,459,718.

It has also decided to raise the number of Board members from 12 to 13, by appointing Mr Carlo Eugenio Rossi as additional member for the remaining period in which the Board will be in office.

It then resolved in the extraordinary section to take over Abarth & C. S.p.A. by incorporation.

