July 13, 2011

ACTION

Buy

Fiat Industrial SPA (FI.MI)

Return Potential: 67%

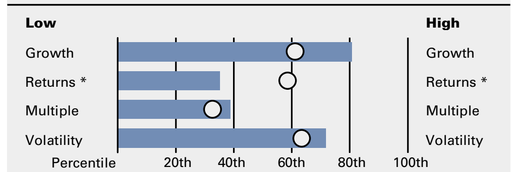
Equity Research

The Fiat Industrial revolution: Initiate with Buy, 12m PT of €13.80

Source of opportunity

We initiate coverage of Fiat Industrial with a Buy recommendation and a 12-month price target of €13.8, offering 67% upside. We believe recent underperformance offers an attractive entry point into a cyclical large cap name which, on our estimates, can deliver strong growth in operating profitability as recovery in core construction equipment and commercial vehicle markets normalises capacity utilisation. We forecast 67% average annual earnings growth with EPS of €0.60/€1.01/€1.31 in 2011/12/13. Its relative industry positioning suggests that Fiat Industrial could benefit from participation in potential industry consolidation in the medium term.

Investment Profile



Fiat Industrial SPA (FI.MI)

Europe Autos & Auto Parts Peer Group Average

* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Catalyst

(1) Earnings upgrades: our estimates are 3%/16%/23% ahead of Bloomberg consensus on 2011/12/13; (2) new 2011 guidance: Chairman Sergio Marchionne intimated at the 1Q results that guidance might be raised with 3Q results; (3) consolidation: persistent press speculation on corporate interest in parts or all of Fiat Industrial's activities; (4) leadership structure: announcement of new management structure with group CEO and CFO; and (5) move to a non-Italian domicile and potential dual listing.

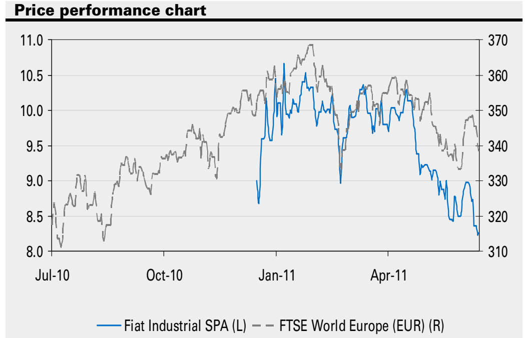
Key data	Current
Price (€)	8.26
12 month price target (€)	13.80
Upside/(downside) (%)	67
Market cap (€ mn)	9,487.5
Enterprise value (€ mn)	13,358.7

	12/10	12/11E	12/12E	12/13E
Revenue (€ mn)	21,342.0	24,031.9	26,786.0	29,049.6
EBIT (€ mn)	1,092.0	1,599.9	2,250.5	2,800.5
EPS (€)	0.28	0.60	1.01	1.31
EV/EBITDA (X)	NM	5.9	4.1	3.2
P/E (X)	NM	13.7	8.2	6.3
Dividend yield (%)	NM	1.5	2.3	2.9
FCF yield (%)	NM	0.7	6.0	10.8
CROCI (%)	9.9	9.3	11.5	12.6
CROCI/WACC (X)	--	--	--	--
EV/GCI (X)	NM	0.7	0.6	0.6

Valuation

Our 12-month price target is based on our ROIC valuation framework assuming EV/IC equals ROIC/WACC (at 8%) on our 2012/13 return estimates. At our target price, Fiat Industrial would trade on P/Es of 13.7x/8.2x/6.3x our 2011/12/13 estimates.

Price performance chart



Key risks

In addition to a risk of a significant global economic slowdown, we see potential execution, leadership, domicile, potential threat from emerging market competition, and leverage risks. Given the current sovereign debt crisis, Fiat Industrial's shares may experience higher than normal volatility.

Share price performance (%)	3 month	6 month	12 month
Absolute	(14.7)	(16.8)	--
Rel. to FTSE World Europe (EUR)	(11.7)	(11.1)	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 7/12/2011 close.

INVESTMENT LIST MEMBERSHIP

Pan-Europe Buy List

Coverage View: Attractive

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Fiat Industrial SPA: Summary Financials

Profit model (€ mn)	12/10	12/11E	12/12E	12/13E
Total revenue	21,342.0	24,031.9	26,786.0	29,049.6
Operating costs	(19,772.0)	(21,799.9)	(23,821.4)	(25,482.9)
R&D	(418.0)	(563.1)	(651.1)	(697.2)
Lease payments	0.0	0.0	0.0	0.0
Other operating profit/(expense)	(60.0)	(69.0)	(63.0)	(69.0)
EBITDA	**1,757.0**	**2,259.1**	**2,976.1**	**3,583.6**
Depreciation & amortisation	(665.0)	(659.1)	(725.7)	(783.1)
EBIT	**1,092.0**	**1,599.9**	**2,250.5**	**2,800.5**
Net interest income/(expense)	(505.0)	(420.0)	(380.0)	(350.0)
Associates	64.0	100.0	175.0	200.0
Profit/(loss) on disposals	0.0	0.0	0.0	0.0
Others (recurring)	0.0	0.0	0.0	0.0
Pretax profits	**651.0**	**1,279.9**	**2,045.5**	**2,650.5**
Income tax	(198.0)	(473.6)	(736.4)	(954.2)
Tax rate (%)	30.4	37.0	36.0	36.0
Minorities	(37.0)	(60.0)	(65.0)	(75.0)
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**416.0**	**746.4**	**1,244.1**	**1,621.3**
Other non-recurring items post tax	(75.0)	0.0	0.0	0.0
Net income	**341.0**	**746.4**	**1,244.1**	**1,621.3**
EPS (underlying) (€)	**0.39**	**0.71**	**1.18**	**1.54**
EPS (basic, reported) (€)	0.28	0.60	1.01	1.31
Weighted shares outstanding (mn)	1,236.9	1,236.9	1,236.9	1,236.9
Common dividends declared	55.7	148.4	235.0	296.9
DPS (€)	0.05	0.12	0.19	0.24
Dividend payout ratio (%)	11.4	16.9	16.1	15.6
Dividend cover (X)	8.8	5.9	6.2	6.4

Growth & margins (%)	12/10	12/11E	12/12E	12/13E
Revenue growth	18.8	12.6	11.5	8.5
EBITDA growth	83.2	28.6	31.7	20.4
EBIT growth	239.1	46.5	40.7	24.4
Net income growth	173.5	118.9	66.7	30.3
EPS growth	438.6	79.4	66.7	30.3
DPS growth	(30.8)	166.7	58.3	26.3
EBITDA margin	8.2	9.4	11.1	12.3
EBIT margin	5.1	6.7	8.4	9.6

Cash flow statement (€ mn)	12/10	12/11E	12/12E	12/13E
Net income	341.0	746.4	1,244.1	1,621.3
D&A add-back (incl. ESO)	665.0	659.1	725.7	783.1
Minority interest add-back	37.0	60.0	65.0	75.0
Net (inc)/dec working capital	1,070.0	(174.8)	(244.0)	(160.0)
Other operating cash flow	442.0	80.0	117.5	130.0
Cash flow from operations	**2,555.0**	**1,370.7**	**1,908.3**	**2,449.4**
Capital expenditures	(871.0)	(1,300.0)	(1,300.0)	(1,350.0)
Acquisitions	(27.0)	0.0	0.0	0.0
Divestitures	42.0	0.0	0.0	0.0
Others	429.0	0.0	0.0	0.0
Cash flow from investing	**(427.0)**	**(1,300.0)**	**(1,300.0)**	**(1,350.0)**
Dividends paid (common & pref)	(93.0)	(75.8)	(170.4)	(269.8)
Inc/(dec) in debt	2,038.0	0.0	0.0	0.0
Other financing cash flows	(2,066.0)	0.0	0.0	0.0
Cash flow from financing	**(121.0)**	**(75.8)**	**(170.4)**	**(269.8)**
Total cash flow	**2,125.0**	**(5.1)**	**437.8**	**829.6**
Capex/D&A (%)	131.0	197.2	179.1	172.4
Reinvestment rate (%)	58.7	84.1	60.4	51.7
Cash flow cover of dividends (X)	31.3	12.2	10.8	10.3
Free cash flow cover of dividends (X)	30.3	0.5	2.6	3.7

Balance sheet (€ mn)	12/10	12/11E	12/12E	12/13E
Cash & equivalents	3,686.0	3,680.9	4,118.7	4,948.3
Accounts receivable	2,457.0	2,511.8	2,595.8	2,655.8
Inventory	3,898.0	3,958.0	4,038.0	4,088.0
Financial services assets	--	--	--	--
Other current assets	14,851.0	14,801.0	14,713.5	14,613.5
Total current assets	**24,892.0**	**24,951.7**	**25,466.0**	**26,305.6**
Net PP&E	3,856.0	4,496.9	5,071.2	5,638.1
Net intangibles	3,567.0	3,567.0	3,567.0	3,567.0
Total investments	737.0	737.0	737.0	737.0
Other long-term assets	1,869.0	1,839.0	1,809.0	1,779.0
Total assets	**34,921.0**	**35,591.5**	**36,650.2**	**38,026.7**
Accounts payable	4,585.0	4,525.0	4,445.0	4,395.0
Short-term debt	5,608.5	5,608.5	5,608.5	5,608.5
Other current liabilities	2,423.0	2,423.0	2,423.0	2,423.0
Total current liabilities	**12,616.5**	**12,556.5**	**12,476.5**	**12,426.5**
Long-term debt	13,086.5	13,086.5	13,086.5	13,086.5
Other long-term liabilities	4,474.0	4,474.0	4,474.0	4,474.0
Total long-term liabilities	**17,560.5**	**17,560.5**	**17,560.5**	**17,560.5**
Total liabilities	**30,177.0**	**30,117.0**	**30,037.0**	**29,987.0**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**3,987.0**	**4,657.5**	**5,731.2**	**7,082.7**
Minority interest	**757.0**	**817.0**	**882.0**	**957.0**
Total liabilities & equity	**34,921.0**	**35,591.5**	**36,650.2**	**38,026.7**
Capitalised leases	0.0	0.0	0.0	0.0
Financial services adjustment	**--**	**--**	**--**	**--**
Capital employed	**23,439.0**	**24,169.5**	**25,308.2**	**26,734.7**
Adj for unfunded pensions & GW	0.0	0.0	0.0	0.0
Adjusted capital employed	**23,439.0**	**24,169.5**	**25,308.2**	**26,734.7**
Gross cash invested	**18,648.0**	**20,122.8**	**21,666.8**	**23,176.8**

Ratios	12/10	12/11E	12/12E	12/13E
CROCI (%)	9.9	9.3	11.5	12.6
CROCI/WACC (X)	--	--	--	--
ROIC (%)	4.9	5.7	7.5	8.7
ROIC/WACC (X)	--	--	--	--
ROA (%)	2.4	3.0	4.3	5.1
WACC (%)	--	--	--	--
Inventory days	66.7	60.1	55.0	51.4
Asset turnover (X)	5.5	5.3	5.3	5.2
Net debt/equity (%)	40.1	34.8	22.2	7.9
EBITDA interest cover (X)	3.5	5.4	7.8	10.2

Valuation	12/10	12/11E	12/12E	12/13E
EV/sales (X)	NM	0.6	0.6	0.5
EV/EBITDAR (X)	NM	6.7	5.2	4.1
EV/EBITDA (X)	NM	6.7	5.2	4.1
EV/EBIT (X)	NM	9.4	6.8	5.3
P/E (X)	NM	11.7	7.0	5.4
Dividend yield (%)	NM	1.5	2.3	2.9
FCF yield (%)	NM	0.7	6.0	10.8
EV/GCI (X)	NM	0.7	0.6	0.6
EV/adj. capital employed (X)	NM	0.7	0.7	0.6
Price/book (X)	NM	2.2	1.8	1.4

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

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The prices in the body of this report are based on the market close of July 11, 2011.

The authors would like to thank Demian Flowers for his substantial contribution to this report. We would also like to thank our global colleagues Jerry Revich and Junji Sakurada for their input.

Overview: The Fiat Industrial revolution

We initiate coverage of Fiat Industrial (FI.MI) with a coverage relative Buy recommendation and a 12-month price target of €13.80, offering 67% upside.

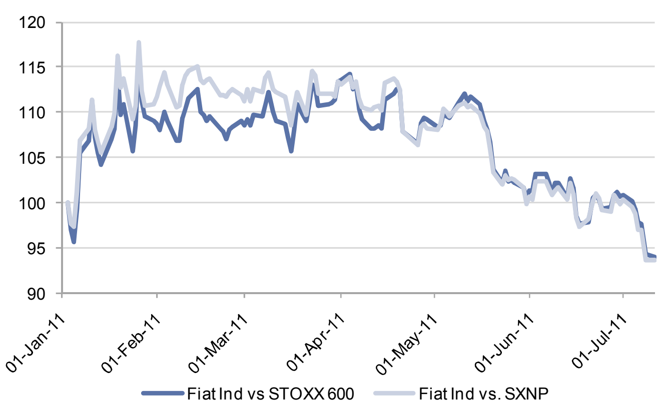
New industrial investment opportunity

Fiat Industrial (FI.MI) has been trading on the Milan stock exchange since January 3, 2011, after the spin-off of Fiat SpA's industrial assets. With total 2010 reported pro-forma revenues of €21.3 bn, Fiat Industrial is the world's third largest independent capital goods company. It is a significant global and diversified enterprise, active in agricultural and construction equipment, commercial vehicles, and powertrain applications. The group also has a broad and well balanced geographical footprint compared to its global peer group. While the group operates in three key end markets, FPT Industrial, its engine and transmission business is a key building block for the new company. Powertrain and transmission can account for more than half of the value added in these businesses and therefore FPT is a key common denominator and source of significant economies of scale.

Recent share price weakness offers attractive entry point

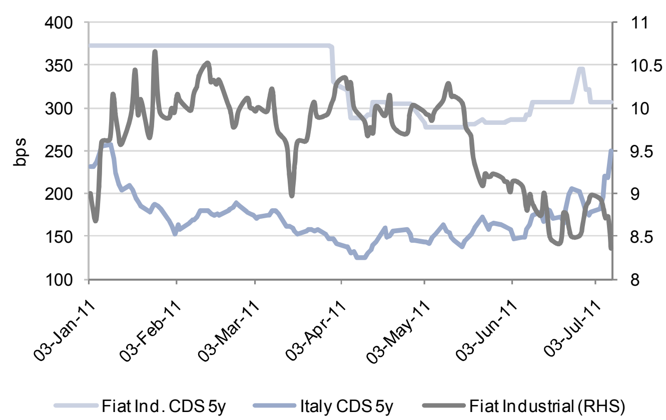
The Italian CDS has increased 106 bp to 231 from April lows of 125, and Fiat Industrial's share price is down 8.7% year-to-date vs. Euro Stoxx down 5.9% and SXNP down 6.2%. Most of this absolute and relative underperformance has been accrued over the past eight weeks when the market started to test the resolve of European Union politicians to find a solution to and framework for the sovereign debt crisis and potential contagion risks. Fiat Industrial's share price is down 8.7% in absolute terms, down 5.9% relative to the market, and down 6.2% relative to the sector over the same period. In addition to being a cyclical industrial stock, Fiat Industrial was particularly vulnerable over this period not only because of its Italian domicile and revenue exposure to southern Europe, but also given its €1.9 bn net industrial debt position with a 2011 net debt/EBITDA of 0.8x, lack of a group CEO and CFO and comparatively short independent trading history with only one set of quarterly results reported. At €8.3, trading at 8.2x 2012E earnings, we believe Fiat Industrial shares offer an attractive risk reward trade-off. **Given our pro-cyclical bias, we initiate coverage of Fiat Industrial with a Buy recommendation and a 12-month price target of €13.80, offering 67% upside.**

Exhibit 1: Relative share price shows recent declines
Fiat Industrial relative price performance



Source: Datastream.

Exhibit 2: Widening CDS spreads and falling share price
Fiat Ind. share price vs. Italy and Fiat Ind. 5y CDS

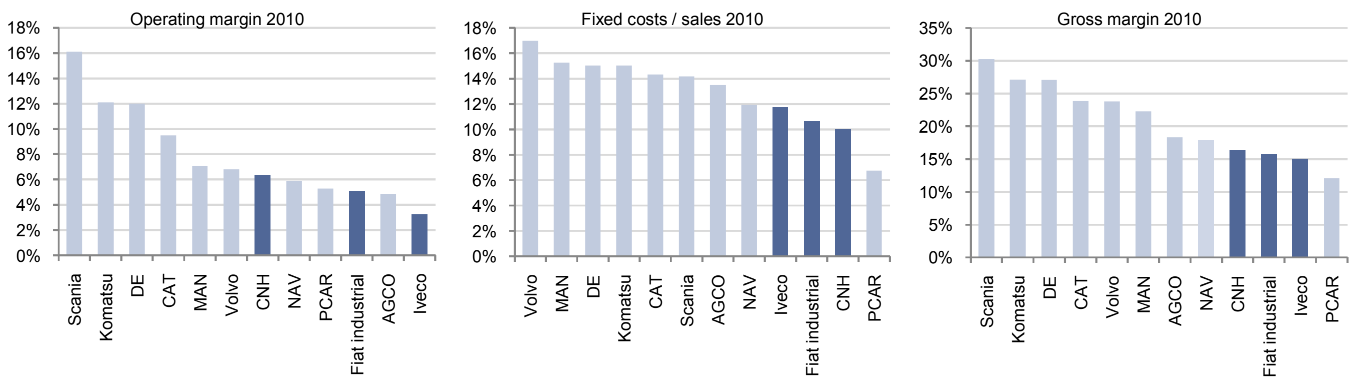


Source: Datastream.

We see Fiat Industrial as a 10% EBIT margin company

At the current share price, the market discounts Fiat Industrial to be a 6.6% EBIT margin business into perpetuity without growth. In contrast, with construction equipment and commercial vehicle end markets recovering over our forecast period, we forecast revenues to grow 9.4% pa from €21.3 bn in 2010 to €30.6 bn in 2014. We believe that Fiat Industrial management will continue to focus on strong cost discipline maintaining a low fixed cost ratio of 11% (i.e. the conversion of gross margin to trading profit). We forecast Fiat Industrial's gross margins to improve 540 bp to 21.2% in 2014 from 15.8% in 2010 as a result of operating leverage and implementation of structural cost savings and efficiency gains. We therefore forecast the trading profit margin to increase 500 bp to 10.1% in 2014 from 5.1% in 2010.

Exhibit 3: Fiat Industrial trading profit to grow 37% pa over 2010-13 forecast period



Source: Company data, Goldman Sachs Research estimates.

Ambitious plan 2014 to close the performance gap

Fiat Industrial is a new member of a group of global capital goods companies with exposure to agricultural, construction and commercial vehicle end markets across the world. As part of the investor day in Turin on April 21, 2010, Fiat SpA announced a 'five-year plan' with financial targets by division, forthcoming product launches, and various other strategic objectives. Fiat Industrial's aim, based on the individual plans for CNH, Iveco and FPT Industrial, is to close its operational and financial performance gap relative to its global peer group. By 2014, the plan targets a group trading profit of €3.3 bn with a 11.4% margin offering 6.4% upside to our forecast trading profit of €3.1 bn and 130 bp higher trading profit margin than our forecast 10.1% in 2014.

FPT Industrial: A potential competitive advantage

FPT Industrial produces engines, transmission and other components for commercial vehicles and for industrial machinery. The sharing of these components across the group is a key strategic synergy. Because efficiency is a vital determinant of a vehicle's cost of ownership, engine technology is often key to an end customer's purchase decision powertrain applications can account for more the 50% of the value add in the production of commercial and off-highway vehicles. By pooling the volume of both CNH and Iveco, FPT Industrial has access to competitive economies of scale, further improved by the growing third party business. FPT Industrial believes that its engine portfolio will be very competitive in meeting forthcoming global emissions regulations. FPT plans to launch Euro VI compliant engines using only SCR (selective catalytic reduction) technology, compared to SCR in combination with EGR (exhaust gas recirculation) solutions adopted by key competitors. The increasing number of third party customers lends support to FPT Industrial's commercial claims in our view.

- **Current trading:** So far during 2011 FPT Industrial has reported strong year-on-year volume increases (engines 48%, gearboxes 21%). Capacity utilization is improving and is now c.60%, supported by the extension of contracts to provide engines to Generac and Komatsu. However, the unit's trading profit is impacted by the start of production of its Cursor 13 TST engine, and the completion of the ramp-up in China of its Cursor 9 heavy truck engine during 1H 2011.
- **Strategy:** The five-year plan for FPT Industrial intends first to leverage the division's technological leadership and to expand the product portfolio, and second to develop its third party business so that the division moves from being predominantly a supplier of engines to Fiat group companies to being an important contributor of profits to the group. By 2014 the group is targeting revenues of €3.9 bn, and an operating margin of 12.6%. At this time the plan expects FPT industrial to be contributing 15% of group operating profit. Of the improvement in operating profit to 2014, the company plans that one third of the profit improvement will come from its 'world class manufacturing' operational improvement programme, one third from ongoing efficiency improvements, and one third will be market-driven.

We forecast FPT Industrial to increase its trading profit/margin to €450 mn/10.7% in 2014 from €65 mn/2.7% in 2010, compared with the five-year plan target of €490 mn/12.6%.

Iveco: Key to margin expansion

Iveco is Fiat Industrial's trucks and commercial vehicles division focusing on the production of light, medium and heavy trucks. It also produces buses, coaches and other special use and military vehicles. Iveco expects demand for commercial vehicles to continue to recover in 2011 and beyond.

- **Current trading:** For 2011, Iveco forecasts Western European truck market to continue with mixed performances among markets and segments (i.e. weaker market recovery in Southern Europe and stronger demand recovery in Northern European countries). In Brazil, Iveco sees the possibility of some pre-buying activity in the fourth quarter as Brazil moves to the Euro V engine standard in 2012.
- **Strategy:** The five-year plan for Iveco is based on the assumption that the anticipated growth and volume increases will enable full utilisation of production capacity at plants in Italy, Germany and Spain by the end of the plan period. During this time, no additional investment in capacity is planned. It is anticipated that growth will primarily be driven by: (1) volume recovery in Western and Eastern European truck markets which have been hit particularly hard during the crisis in 2008-09; (2) an improvement in Iveco's competitor position in Latin America; 3) strengthening of the Special Vehicles business; and (4) development of opportunities offered by Iveco's presence in China. Iveco's strategy for implementing the plan targets relies on it executing on a number of key strategic goals.

We forecast Iveco to increase its trading profit/margin to €1,158 mn/9.2% in 2014 from €270 mn/3.3% in 2010, below the five-year plan target of €1,200 mn/10.0%.

CNH – core profitability with structural growth

CNH (89% owned by Fiat Industrial) is the world's second largest manufacturer of agricultural and construction equipment, worldwide.

- **Current trading:** Given the sharp decline in global construction markets, CNH's agricultural business is accounting for the majority of profits currently. CNH expects global demand for agricultural equipment to be flat to up 5% vs. 2010 (tractors: flat to up 5%, combines up 10%-15%). CNH expects the global construction equipment market recovery to continue with global growth of 25%; it expects global light equipment demand growth of 25% and global heavy equipment demand growth of 25%-30%.

- **Strategy:** The core strategic drivers in CNH's five-year plan include: (1) a strengthening of the product portfolio through the launch of new models across product segments; (2) expansion in high growth markets (i.e. Russia and neighboring countries, India and China); and (3) streamlining of the organisational structure for the Construction Equipment business. In addition, CNH plans to continue to focus on achievement of efficiencies in production and purchasing as well as further overhead reduction.

We forecast CNH to increase its trading profit/margin to €1.49 bn/9.5% in 2014 from €0.76 bn/6.3% in 2010, below the five-year plan target of €1.60 bn/10.5%.

Joint ventures: Exposure to growth markets

Fiat Industrial has a broad international footprint, characterized by CNH's strength in the US and Europe, and Iveco's strong presence in Europe. In addition, Fiat Industrial has a number of international joint ventures, predominantly in emerging markets. In 2010, the combined impact of income from joint ventures and other investments was €64 mn. However, we believe there is scope for these investments to contribute a multiple of this amount within the next few years given the growth profile of the markets in which they operate. Fiat Industrial's joint ventures comprise a number of alliances in Turkey, Russia, Japan, Pakistan and China where Iveco has three separate commercial vehicle joint ventures with SAIC in China. Under the 'five-year plan', Fiat Industrial expects to increase the equity accounted income to €200 mn in 2014 from €65 mn in 2010. In our ROIC valuation framework, we value the dividend payments from equity interests currently assuming on average a 50% payout of equity interest net income.

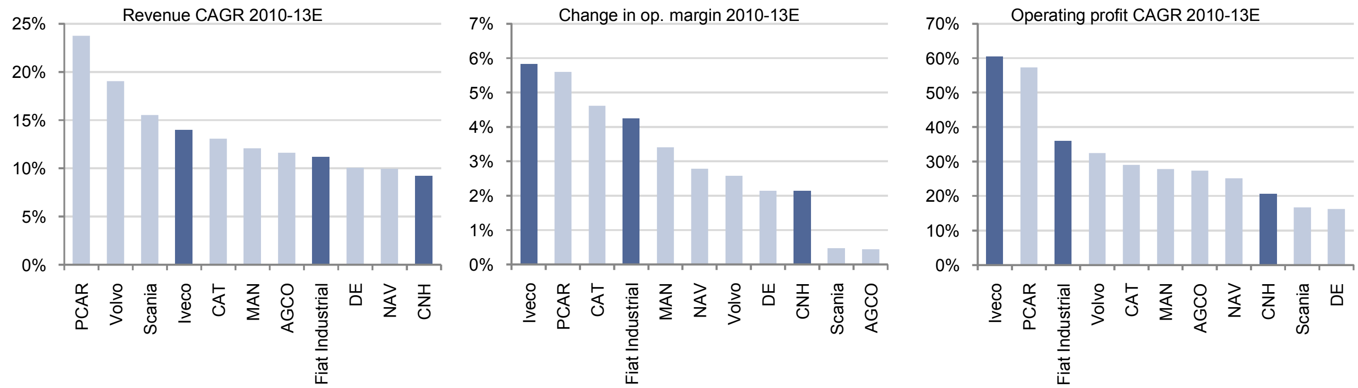
Capital discipline to drive cash generation and capital returns

Fiat Industrial reported a pro-forma industrial net debt of €1.9 bn in 2010. With EBITDA of €2.3 bn in 2011, the net debt/EBITDA ratio is 1.1x in 2011 falling to 0.2x in 2013 on our estimates. According to the group's 2014 plan, Fiat Industrial targets annual capex of €1.4 bn at 2.1x depreciation compared to 1.1x historically. The company aims to achieve investment grade rating criteria by end-2012 and to be debt free by end-2013. On our estimates we assume Fiat Industrial will invest €1.3 bn pa, still 1.9x depreciation and we see the company as being cash positive in 2014.

Strong earnings growth as key end markets continue to recover

We forecast trading profit for Fiat Industrial of €1,600 mn/€2,250 mn/€2,800 mn in 2011/12/13, 3%/16%/23% ahead of Bloomberg consensus. Fiat Industrial's growth in operating profits of 37% pa over 2010-13E makes the group the second fastest growing company among a global group of capital goods companies. This earnings growth is the result of operating leverage from end market recovery and revenue growth, amplified by structural cost savings and efficiency measures.

Exhibit 4: Operating leverage drives strong forecast earnings growth



Source: Company data, Goldman Sachs Research estimates.

Industry positioning likely to drive corporate activity

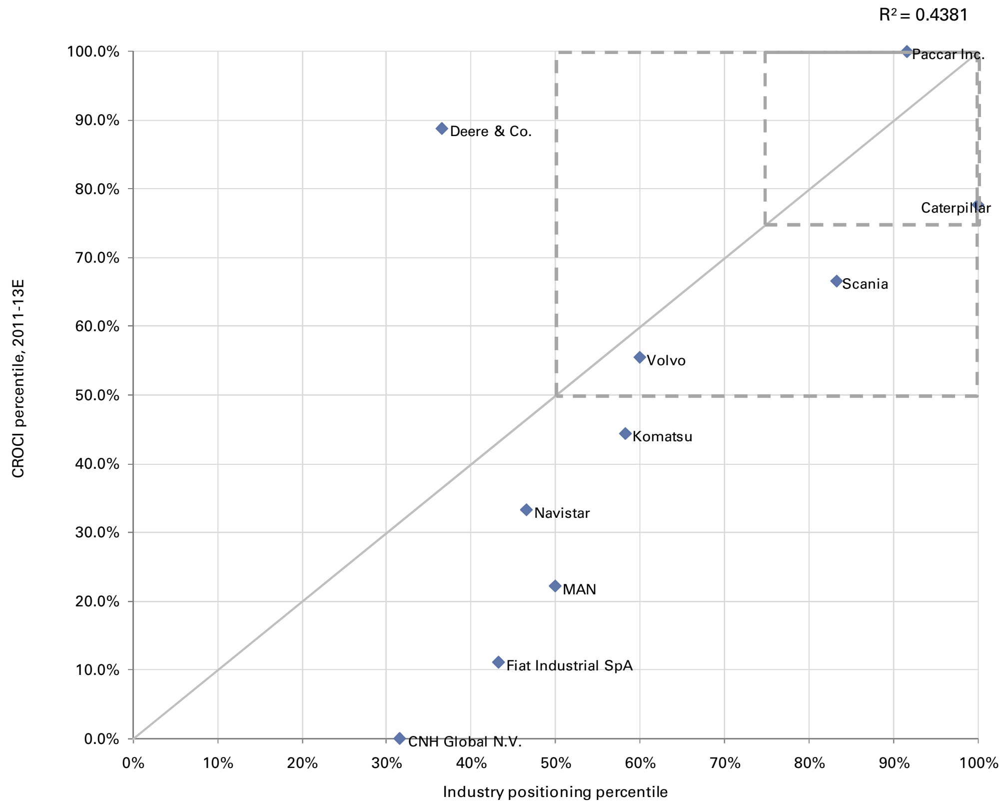
The GS SUSTAIN framework seeks to deliver long-term outperformance by identifying the companies in each sector best positioned to sustain leading returns on capital and long-term growth as a result. Accelerating demand growth in many markets, growing resource constraints and intensifying competition are combining to drive a growing wedge between the level and duration of profitability for leaders and laggards in each sector. In contrast, increasingly short-term focused equity markets remain inefficient at differentiating those leaders from laggards. As a result, correctly identifying the companies that can sustain industry leading cash returns has proven a consistently rewarding investment strategy.

Assessing Fiat Industrial within our global capital goods GS SUSTAIN framework highlights that Fiat Industrial's CROCI (cash return on cash invested) is not only underperforming its global peers but is also low relative to its industry positioning. In addition to lower operating margins, we identify a comparatively low asset turn as a key driver of Fiat Industrial's lower CROCI. We believe that given its industrial positioning, particularly in commercial vehicles, Fiat Industrial could benefit from participation in industry consolidation. However near term the company is likely to focus on narrowing the operational and financial gap to global peers.

In contrast to recent and frequent newspaper speculation, we do not believe that Fiat Industrial would contemplate the disposal of either Iveco or CNH separately but a combination with another global player could have an attractive industrial logic: creation of a global, dominant capital goods group generating economies of scale in powertrain applications by pooling volume across the agricultural, construction and commercial vehicle end markets.

Exhibit 5 illustrates that Fiat Industrial's CROCI is not only underperforming global peers, but is also underperforming relative to the return potential implied by its industry positioning.

Exhibit 5: Fiat Industrial CROCI is low vs. peers and its industry positioning
GS SUSTAIN analysis: CROCI percentile vs. industry positioning percentile



Source: Company data, Goldman Sachs Research estimates.

Structural changes offer further upside

In addition to delivering strong earnings growth, we believe that Fiat Industrial's 2014 plan, the creation of group CEO/CFO roles, conversion of CNH minorities to Fiat Industrial shareholders, and simplification of its three class share structure would be supportive to sentiment and share price performance.

- **Potential creation of a group CEO/CFO role:** In a recent meeting, Fiat Industrial Chairman Sergio Marchionne intimated that he was contemplating the creation of a group CEO/CFO role to help sharpen Fiat Industrial's profile to the capital markets and increase management focus and accountability. He expressed a wish to allow the group to become more operationally and strategically independent as he is increasingly operationally focused on Fiat/Chrysler.
- **Conversion of CNH minorities to Fiat Industrial shareholders:** Sergio Marchionne has stated that in the medium term Fiat Industrial could seek to convert CNH minorities into Fiat Industrial shareholders, which could potentially require a dual listing of the shares in the US.
- **Simplification of three share class structure:** Finally, the three share class structure is considered dated and could be simplified with such a dual listing.

Target price of €13.80 based on our ROIC valuation framework

We believe that economic returns drive valuation and share price performance. We initiate coverage with a 12-month price target of €13.80 based on our ROIC valuation framework assuming EV/IC equals ROIC//WACC (at 8%) based on our 2012/13 return estimates for our truck and industrial goods coverage. In contrast, we focus on the next 12 months returns for automotive companies and suppliers. We show more detail on our valuation analysis later in this report, but Exhibit 6 shows the sensitivities to two key variables: return on invested capital and net industrial debt (cash).

Exhibit 6: Target price of €13.8 based on our ROIC valuation framework

ROIC (%)	2%	4%	6%	8%	9%	12%	**14%**	16%	18%	20%
Net Debt(€mn)										
1,600	-1.5	1.0	3.5	6.0	7.8	11.0	13.3	16.0	18.4	20.9
1,400	-1.3	1.2	3.7	6.2	8.0	11.1	13.5	16.1	18.6	21.1
1,200	-1.1	1.4	3.9	6.3	8.1	11.3	13.7	16.3	18.8	21.3
1,052	-1.0	1.5	4.0	6.5	**8.3**	11.5	**13.8**	16.4	18.9	21.4
800	-0.8	1.7	4.2	6.7	8.5	11.7	14.0	16.6	19.1	21.6
600	-0.6	1.9	4.4	6.9	8.6	11.8	14.2	16.8	19.3	21.8
400	-0.4	2.1	4.6	7.0	8.8	12.0	14.4	17.0	19.5	22.0
200	-0.2	2.2	4.7	7.2	9.0	12.2	14.5	17.2	19.7	22.1

Source: Company data, Goldman Sachs Research estimates.

Catalysts

CNH and Fiat Industrial are due to report 2Q results on July 25. Fiat Industrial Chairman Sergio Marchionne confirmed the plan and 2011 guidance for €1.3 bn trading profit with 1Q results, intimating that group guidance would be updated at the third quarter. However, we believe that should the 2Q trading profit make the full year guidance look out of line, Fiat Industrial could review 2011 guidance early with the 2Q results. However, given that our forecasts are 3%/16% ahead of Bloomberg consensus in 2011/12, we believe that upgrades to 2012 consensus estimates would be more supportive to share price performance. In addition, improving news flow on the European sovereign debt crisis and its potential implications for Italy could also help shares reverse recent underperformance.

Key risks to our view and target price

- **Contagion effect from sovereign debt crisis**: Our Portfolio Strategists note that tentative signs of increased assistance to Greece and beyond are encouraging. With the banks in Europe inextricably linked to sovereign spreads, the currently perceived contagion risks are resulting in raised spreads in Spain and, even more so in Italy. Fiat Industrial's domicile and the perception of significant sales exposure to Italy and Spain could be a significant negative in the context of the ongoing European sovereign debt crisis with potential contagion risk to Italy and Spain.

  In mitigation, should this remain a more significant and lasting issue for Fiat Industrial Sergio Marchionne has indicated that he might contemplate moving the corporate domicile to the US with a listing on the New York stock exchange. This would make Fiat Industrial not only more comparable with global peers, but also create a possible route to eliminating minority interests in CNH by offering to convert their holdings into shares of Fiat Industrial.

- **Global economic slowdown:** Fiat Industrial's end markets are economically sensitive. While farmers' net income and commodity prices are key drivers for agricultural markets, economic growth is the main influence on global construction equipment and commercial vehicle markets. After some downward revisions to our global economic forecasts during 2Q, we now expect global GDP growth of 4.3% in 2011, 4.7% in 2012.

  Our Economists use a proprietary global leading indicator (GLI) index to analyse economic activity momentum. The June reading of the GLI paints a weaker picture for the current state of the global industrial cycle, with momentum now running at negative levels and the headline rate still falling. This pattern likely reflects at least in part the lagged impact of headwinds from higher oil prices and the Japan earthquake in February/March of this year.

While there are tentative signs that these factors should reverse in the months ahead, including an improvement in the latest batch of US survey data, it is too early to determine whether the slowdown is temporary or whether underlying growth in the US and globally is weaker than our Economists originally thought. We will be watching the GLI closely for signs of moderation or reversal in the months ahead.

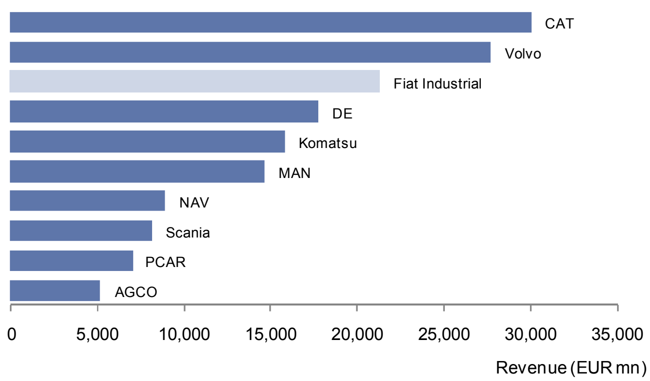
- **Execution risk:** Although Fiat Industrial's divisional business have been part of Fiat SpA, the market is still getting acquainted with the standalone business. Given the comparatively short trading history, execution is crucial to share price performance. Therefore, should Fiat Industrial fail to execute on its five-year plan and achieve its ambitious financial targets, this is likely to have a negative impact on shareholder sentiment and share price performance. At a recent visit to Turin, Fiat Industrial Chairman Sergio Marchionne confirmed not only 2011 guidance for Fiat Industrial but also the entire 'five-year plan'. He also stated that an important part of his role is to oversee the successful implantation of the five-year plan and targets.
- **Leadership risk:** Financial markets and investors like accountability. To that extent, Fiat Industrial's current leadership configuration with an Executive Chairman, three divisional CEOs and a group treasurer could be perceived as difficult given the high profile and time-consuming role of Sergio Marchionne as CEO of Fiat/Chrysler. We believe that the lack of a group CEO and CFO could become a negative for Fiat Industrial's share price performance. However Fiat Industrial Executive Chairman Sergio Marchionne has indicated that he is aware of this issue. We therefore believe that there could be a structural change with Iveco CEO Alfredo Altavilla growing into the Fiat Industrial CEO role in the medium term.
- **Potential threat from emerging market competition**: Given that emerging markets, particularly China account for significant share of the global market in volume terms in both commercial vehicles and construction equipment, there is potential risk of the domestic players in these markets entering Fiat Industrial's core markets. However, with the tight emissions regulations in North America and Europe powertrain technology is a key barrier of entry in our view not easily overcome by emerging market competitors.
- **Leverage:** A key lesson from the recent global debt and credit crisis is that financial markets tend to avoid leverage in periods of great uncertainty. To that extent, Fiat Industrial's leveraged balance sheet could negatively impact its share price performance should the market risk premium increase significantly. Fiat Industrial reported net debt of €1.9 bn in 2010 with net debt/EBITDA of 1.1x. The group aims to qualify for investment grade at the end of 2012 with the target to be debt free at the end of 2013.

Fiat Industrial: A new industrials investment opportunity

European domiciled global capital goods company

Fiat Industrial (FI.MI) started trading on January 3, 2011, on the Milan stock exchange. Fiat Industrial is a European domiciled global capital goods company with operations in agricultural equipment, construction equipment, commercial vehicle, and powertrain application markets. Although the company is the third largest global capital goods company (Exhibit 7), it only ranks 7th in terms of market capitalisation (Exhibit 8).

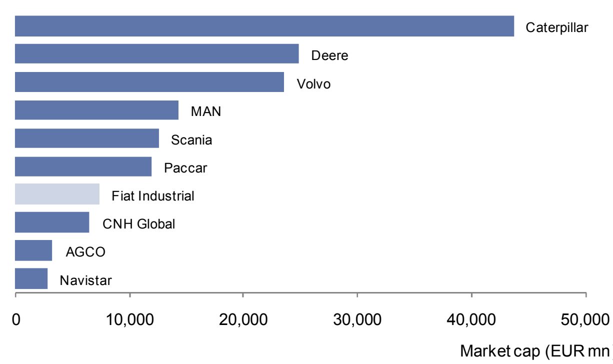
Exhibit 7: Peer group revenue comparison



Source: Company data, Goldman Sachs Research estimates.

Exhibit 8: Peer group market cap comparison

Peer group market cap comparison

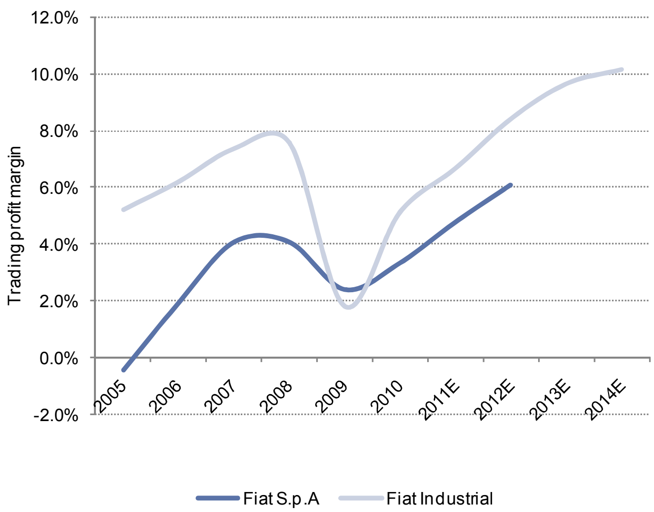


Source: Company data, Goldman Sachs Research estimates.

Fiat Industrial was created by a demerger from Fiat SpA

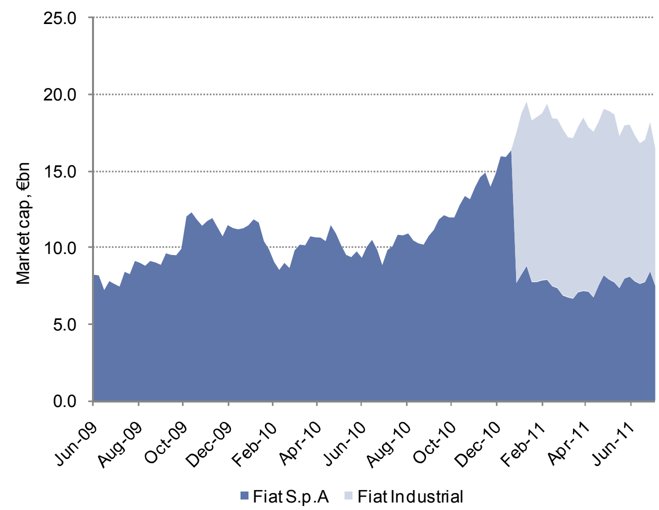
Fiat Industrial was created in December 2010 from the demerger from Fiat SpA of the group's capital goods businesses. These comprised the agricultural and construction equipment (CNH), truck and commercial vehicles activities (Iveco), and the industrial & marine business line of the FPT Powertrain Technologies business. One of the rationales for the demerger was that the market was not recognising the very different nature of Fiat's capital goods businesses as Fiat SpA was largely considered an automotive stock. We believe another motivation was that to implement Fiat CEO Sergio Marchionne's strategy to create a new global automotive manufacturer through the rapid combination of Fiat and Chrysler, it was necessary to divorce the industrial assets from the automotive business as early as December 30, 2010. Exhibit 9 shows the historical and forecast margin evolution of Fiat Industrial and Fiat SpA. In Exhibit 10, we demonstrate that the demerger, or spin-off, of Fiat Industrial created shareholder value. The combined market cap of both companies was €19.4 bn after six weeks of trading, up 30% from €14.9 bn six weeks prior to the demerger.

Exhibit 9: Fiat Industrial vs. Fiat SpA trading margins



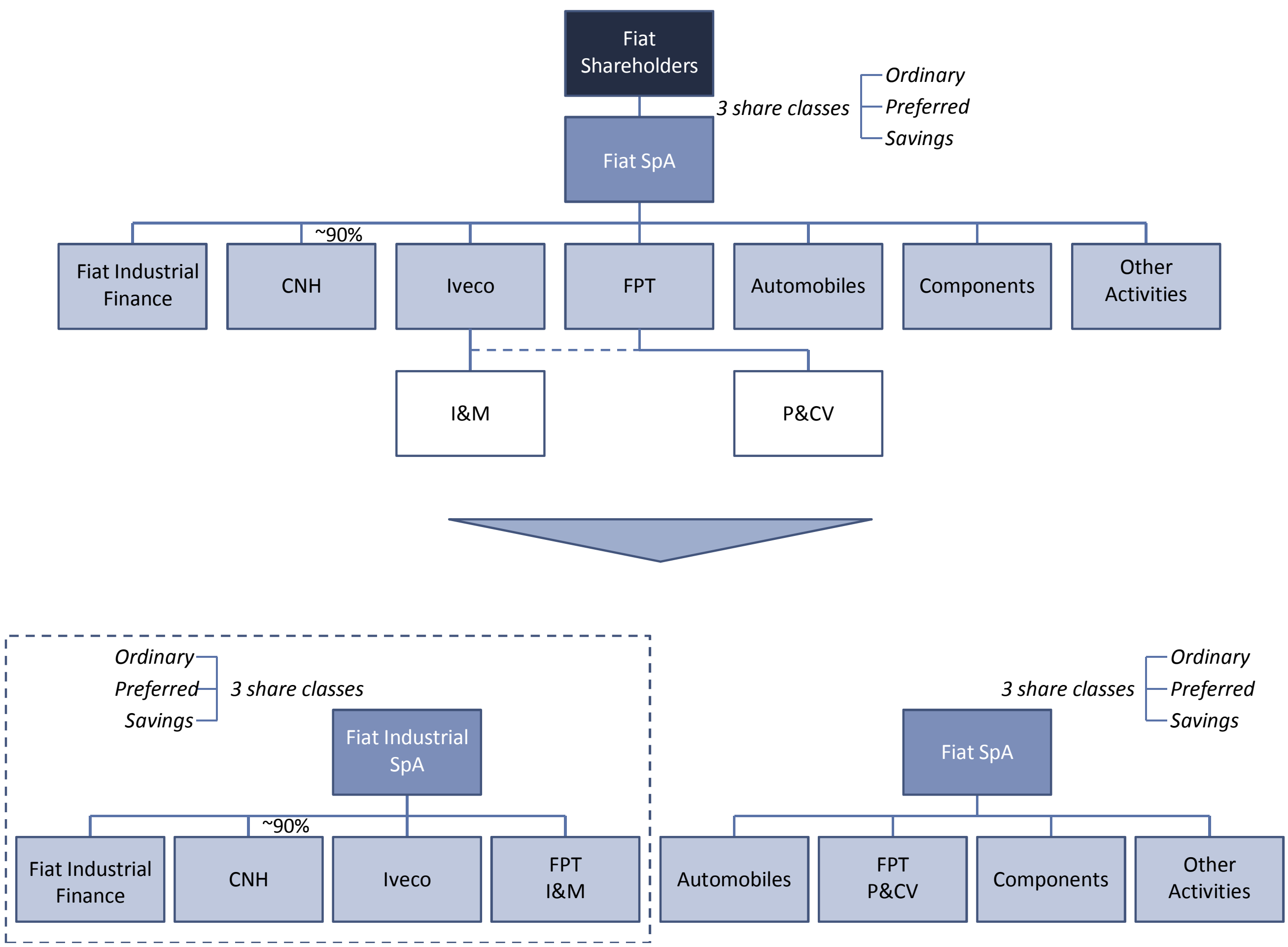
Source: Company data, Goldman Sachs Research estimates.

Exhibit 10: Fiat Industrial/SpA combined market cap



Source: Datastream.

Exhibit 11: Demerger of Fiat Industrial from Fiat SpA

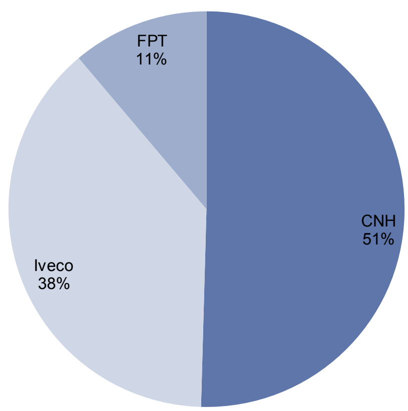


Source: Company data.

A substantial, global, diversified player

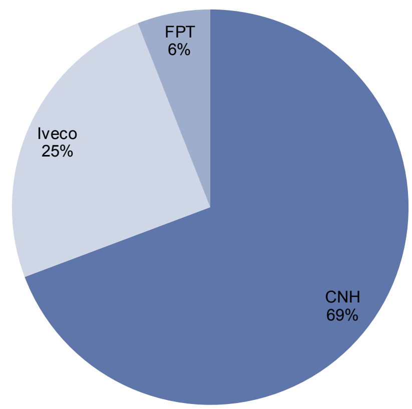
Fiat Industrial's three key business segments serve distinct end markets, which provide the group with multiple revenue streams. CNH produces equipment for the agricultural equipment and construction equipment markets, Iveco produces trucks and commercial vehicles, and FPT Industrial produces engines and industrial powertrain applications. The bulk of revenues are split between CNH and Iveco. Group revenues were €21.3 bn in 2010, of which CNH generated approximately half (Exhibit 12). Iveco accounted for 38%, with the remainder generated by FPT Industrial. CNH however, is currently the most profitable division. It accounted for 69% of group trading profit in 2010, compared with Iveco's 25% (Exhibit 13).

Exhibit 12: Group revenue by division 2010



Source: Company data.

Exhibit 13: Group EBIT by division 2010

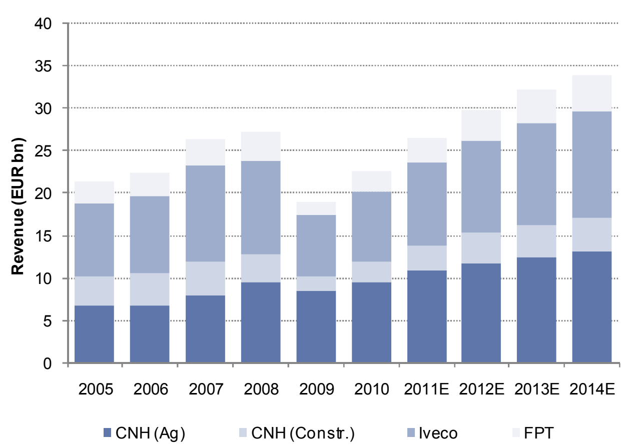


Source: Company data.

A broad geographical footprint

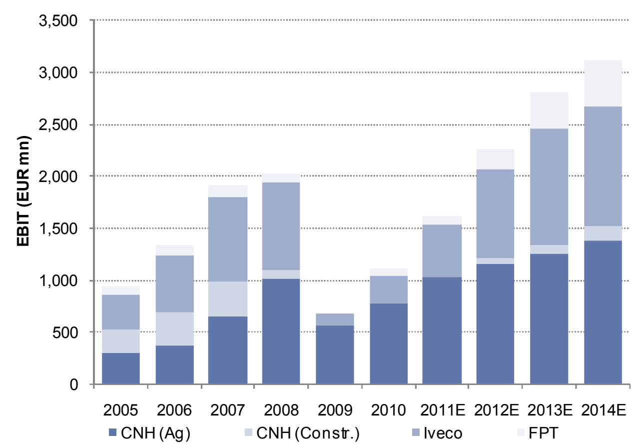
Fiat Industrial has a broad geographical footprint generating 22% and 43% of revenues in North America and EMEA, respectively. The detailed picture however shows that each segment of the business has a distinct geographical revenue base (Exhibit 16).

Exhibit 14: Group revenue by division progression



Source: Company data, Goldman Sachs Research estimates.

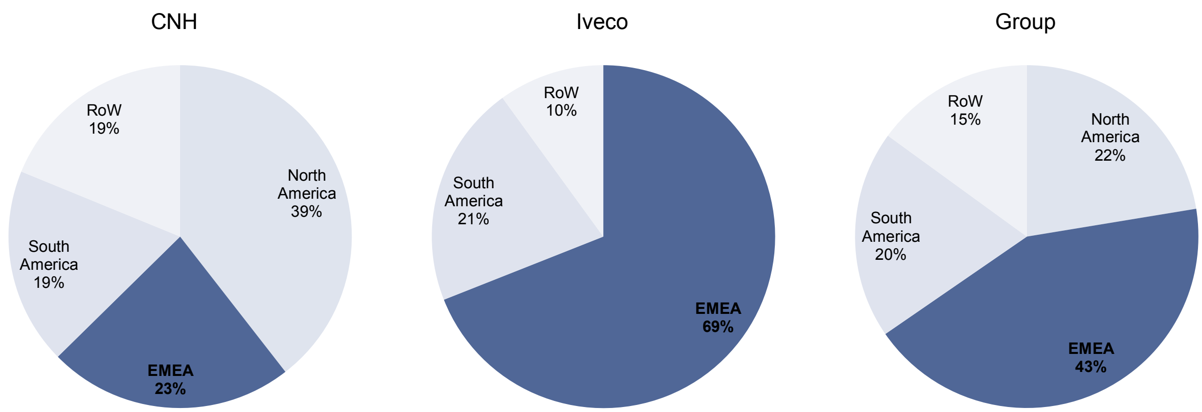
Exhibit 15: Group EBIT by division progression



Source: Company data, Goldman Sachs Research estimates.

Iveco is focused largely on EMEA (69%) predominantly Western Europe; but also with a strong presence in South America (21%), predominantly Brazil. Iveco does not generate any significant revenue in the US. **CNH** revenues are strongest in North America (39%), and Western Europe (23%). Over a third of revenues for the construction equipment division are generated in Latin America, and over 40% of agricultural equipment division sales are from North America. In addition to the geographical sales exposure it reports explicitly as revenue, Fiat Industrial's geographical exposure is broadened by its various equity-accounted joint ventures, which we detail further in the section 'joint ventures'. Through these partnerships the group has developed exposure to China, India, Russia, Turkey, and is well-positioned to benefit from these growth markets.

Exhibit 16: CNH, Iveco and group revenue by region 2010

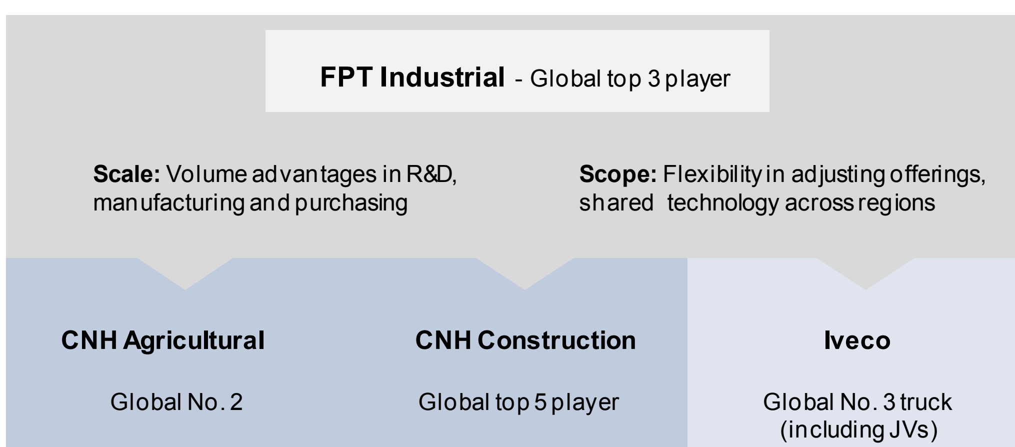


Source: Company data.

Three end markets, one common denominator

In our view, Fiat Industrial is not just the sum of the parts of CNH (agricultural and construction equipment), Iveco (trucks and buses) and FPT Industrial (industrial powertrain applications). We see FPT Industrial the spinal cord of this new, substantial global capital goods company. FPT Industrial is the key in developing communality between Fiat Industrial's agricultural and construction equipment and commercial vehicle businesses, aggregating economies of scale supporting not only the margin improvement of Iveco and CNH but also creating a credible and meaningful third party engine business. Powertrain applications including transmissions can account for more than 50% of the value add in off-highway and commercial vehicles, which are subject to increasingly more stringent and costly emission requirements.

Exhibit 17: FPT Industrial creates commonality between the group businesses



Source: Company data, Goldman Sachs Research estimates.

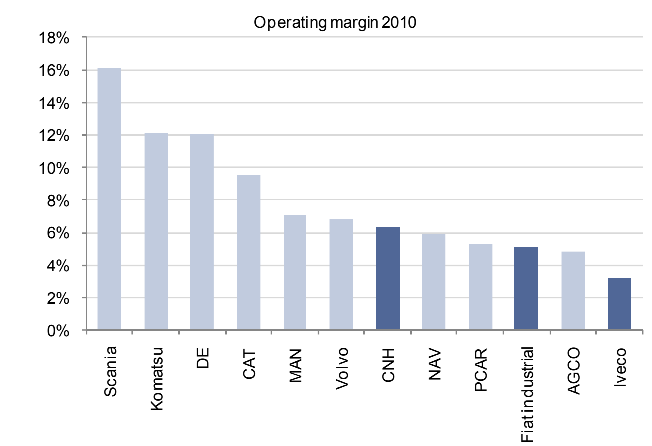
FI will be at least a 10% margin business by 2014 in our view

We expect construction equipment and commercial vehicle end markets to recover over the 2010-14 period, and we forecast revenues to grow 9.4% pa to €30.6 bn. We believe that Fiat Industrial management will continue to focus on strong cost discipline, i.e., maintaining fixed costs at a low ratio of c.11%. We forecast gross margins to improve 540 bp to 21.2% in 2014 from 15.8% in 2010 as result of operating leverage and structural cost savings and efficiency gains. As result, we forecast trading profit margin to increase 500 bp to 10.1% in 2014 from 5.1% in 2010.

Fiat Industrial profitability lagged global peer group in 2010

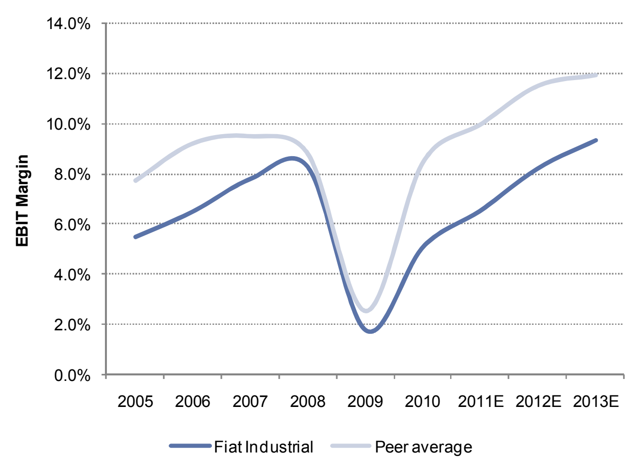
Comparing operating performance of the global capital goods companies, we show that Fiat Industrial is lagging its global peers in terms of operating profitability on 2010 pro-forma financials. Fiat Industrial reported a pro-forma trading profit margin of 5.1% (comprising 6.1% for CNH and 3.3% for Iveco). This compares with an average operating profitability in 2010 for the group of 7.9% with top profitability recorded by truck maker Scania at 16.1% and agricultural equipment manufacturer Deere at 12%.

Exhibit 18: Peer operating profit margins



Source: Company data, Goldman Sachs Research estimates.

Exhibit 19: Operating profit margin vs. peer group

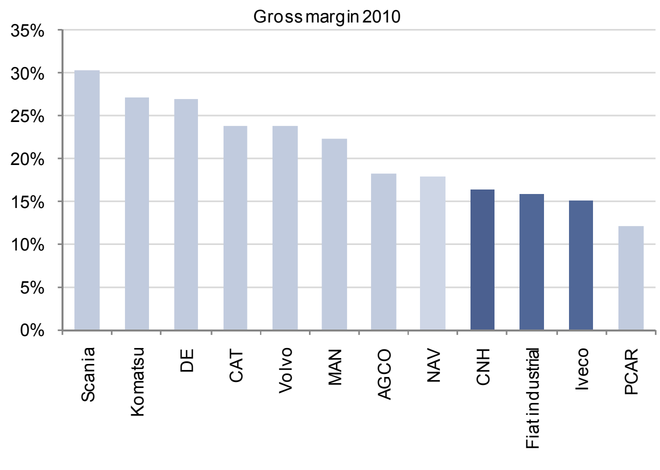


Source: Company data, Goldman Sachs Research estimates.

Low gross margin disguises an efficient fixed cost structure

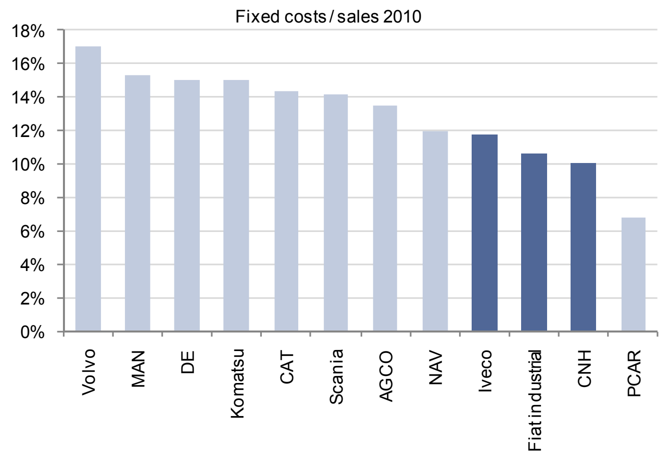
In Exhibits 20 and 21, we show our analysis of operating profitability across the global capital goods companies. We analyse two key drivers of operating profitability: (1) gross margin and (2) gross margin conversion costs (i.e. costs for sales and general administration costs, and research and development costs). This analysis highlights that Fiat Industrial had competitive gross margin conversion costs (i.e. the difference between gross margin and trading profit margin) in 2010 highlighting the new group's efficient fixed cost structure. With 10.6% of sales spent on converting its gross margin to operating profit, Fiat Industrial is among the most efficient global capital goods companies, compared to the peer average gross margin conversion costs of 13.0%. Therefore, we conclude that Fiat Industrial's operating profitability is suffering from a poor gross margin. Fiat Industrial reported a pro-forma gross margin of 15.8% in 2010, compared to 20.8% for the group average.

Exhibit 20: Peer gross margins



Source: Company data, Goldman Sachs Research estimates.

Exhibit 21: Peer fixed costs /sales

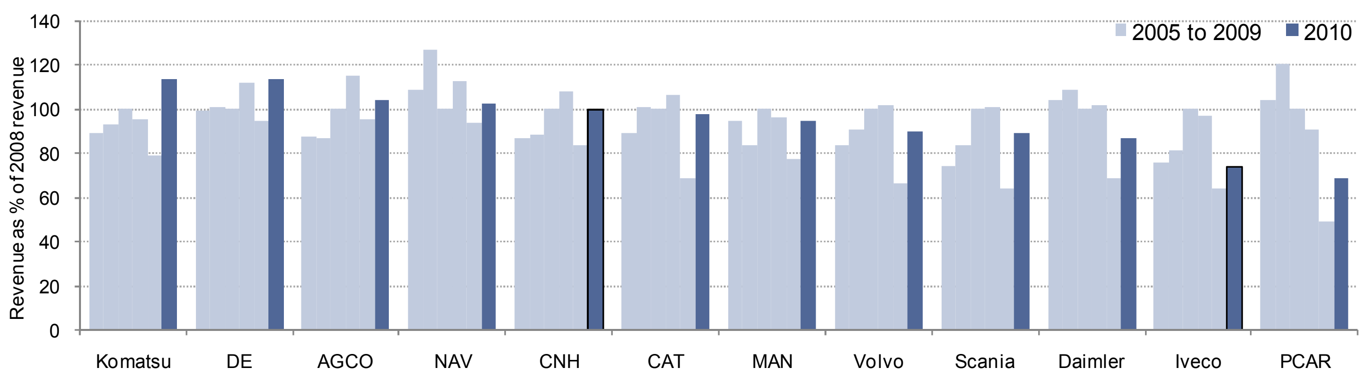


Source: Company data, Goldman Sachs Research estimates.

Low capacity utilisation key driver for weak gross margin

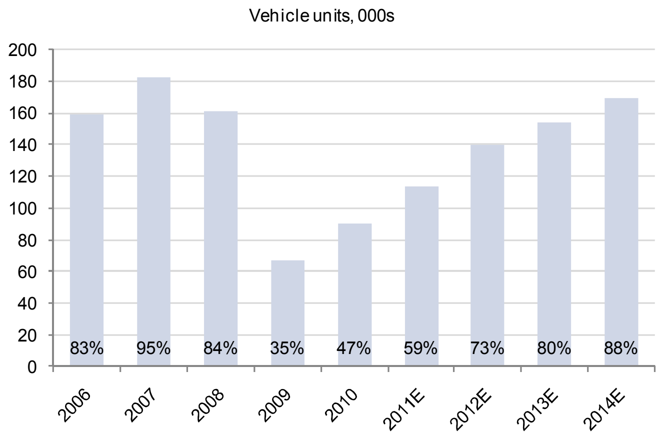
Fiat Industrial comprises four key business segments: agricultural equipment, construction equipment, commercial vehicles (i.e. trucks and buses), and power train solutions for off-highway and commercial vehicles. Fiat Industrial's poor gross margin is a function of its low capacity utilisation. This is particularly true in the truck division. Iveco has stated that from its peak of 95% in 2007, plant utilisation fell to 35% in 2009, and although recovery is in progress there is some way to go. Iveco and FPT Industrial 2014 plans target respective trading profit margins of 10% and 12.6% are both predicated on significantly improved capacity utilisation. Iveco aims to improve capacity utilisation in Europe from 47% in 2010 to 88% in 2014. FPT Industrial aims to improve capacity utilisation in Europe from 50% in 2010 to 100% in 2014.

Exhibit 22: Iveco's capacity utilisation is among the lowest of its peers
Peer revenue development relative to cyclical peak



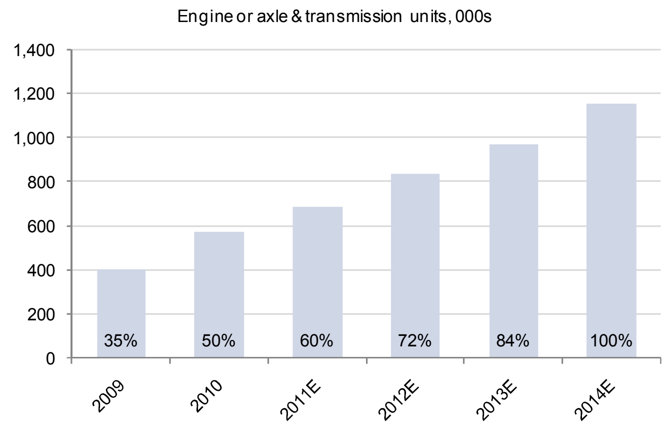
Source: Company data, Goldman Sachs Research estimates.

Exhibit 23: Iveco capacity utilisation



Source: Company data, Goldman Sachs Research estimates.

Exhibit 24: FPT Industrial capacity utilisation

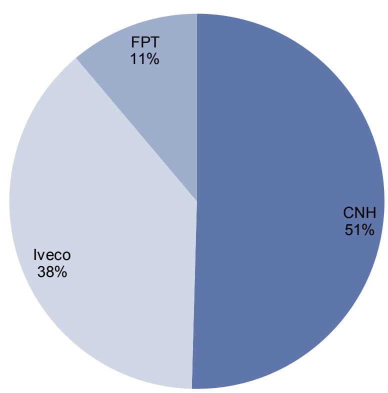


Source: Company data, Goldman Sachs Research estimates.

End markets forecast to recover over forecast period

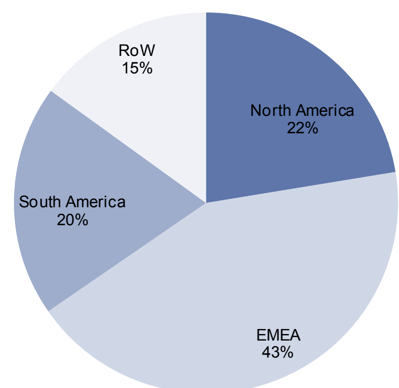
Fiat Industrial revenues comprise a number of end markets: agricultural equipment (40%), construction equipment (12%), trucks, buses & special vehicles (37%).

Exhibit 25: Group revenue by division 2010



Source: Company data.

Exhibit 26: Group revenue by region 2010



Source: Company data.

- **Agricultural equipment:** CNH expects global demand for agricultural equipment to be flat to up 5% vs. 2010 (tractors: flat to up 5%, combines up 10%-15%).
- **Construction equipment:** CNH expects the global construction equipment market recovery to continue with global growth of 25%; it expects global light equipment demand growth of 25% and global heavy equipment demand growth of 25%-30%.

Exhibit 27: CNH positive market outlook for 2011
CNH tractor and combine market forecasts

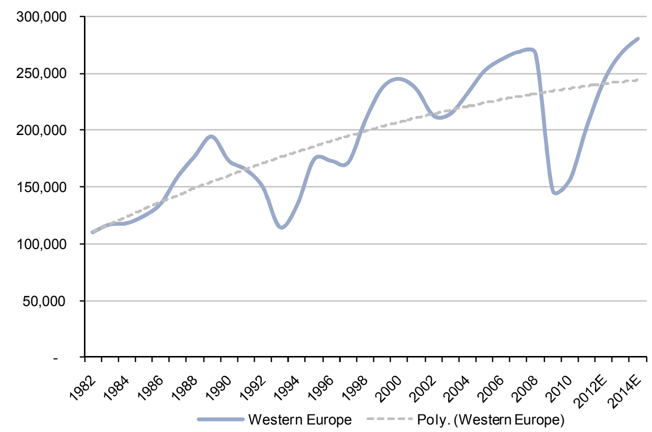
Tractor	2010	2011
World	**14%**	**0-5%**
North America	3%	5-10%
EMEA & CIS	6%	15-20%
Latin America	32%	(5-10%)
Asia	18%	(0-5%)

Combine	2010	2011
World	**1%**	**15-20%**
North America	9%	~15%
EMEA & CIS	-17%	25-30%
Latin America	29%	(0-5%)
Asia	-8%	0-5%

Source: Company data.

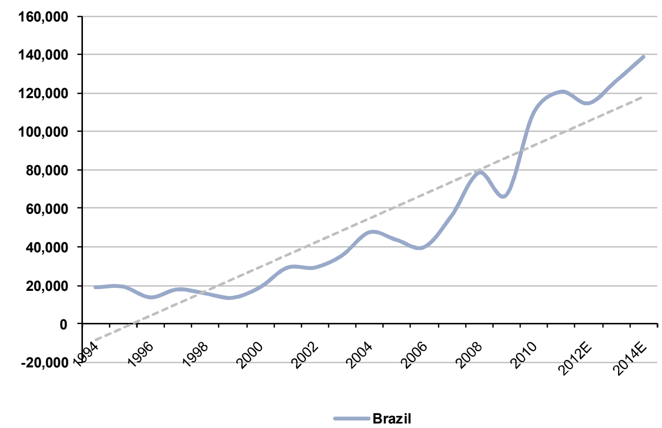
- **Trucks & commercial vehicles:** Iveco expects demand for commercial vehicles to continue to recover in 2011 and beyond. For 2011, Iveco forecasts the Western European truck market to deliver mixed performances among markets and segments (i.e. weaker market recovery in Southern Europe and stronger demand recovery in Northern European countries). For Latin America (mainly Brazil), Iveco expects growth to continue for the rest of the year albeit at a slower pace. We believe that there is a possibility of some pre-buying activity in the fourth quarter as Brazil moves to introduce Euro V engine standards. Iveco might see growth supported by recent order wins in its special vehicle division.

Exhibit 28: GS European heavy truck market forecasts



Source: Goldman Sachs Research estimates.

Exhibit 29: GS Brazilian heavy truck market forecasts



Source: Goldman Sachs Research estimates.

We forecast 9.4% average annual top-line growth

We forecast Fiat Industrial revenues to grow 9.4% pa over the next four years as key end markets, particularly construction equipment and commercial vehicles in Western and Eastern Europe, continue to recover. Group top-line growth is also supported by the acceleration of third-party sales from FPT Industrial which expects to increase third-party sales from €0.8 bn in 2010 to €1.7 bn in 2014, 75% of which has already been contracted.

Exhibit 30: GS revenue and revenue growth forecasts by division

Revenue, €mn	2007	2008	2009	2010	2011E	2012E	2013E	2014E
CNH	11,800	12,800	10,107	11,906	12,780	14,000	14,800	15,600
Iveco	11,200	10,900	7,183	8,307	9,700	10,900	12,000	12,600
FPT	3,200	3,400	1,580	2,415	3,000	3,500	4,000	4,200
Consolidation	-	-	-902	-1,286	-1,448	-1,614	-1,750	-1,841
Total	**26,200**	**27,100**	**17,968**	**21,342**	**24,032**	**26,786**	**29,050**	**30,559**
Revenue growth								
CNH	12.4%	8.5%	-21.0%	17.8%	7.3%	9.5%	5.7%	5.4%
Iveco	23.1%	-2.7%	-34.1%	15.6%	16.8%	12.4%	10.1%	5.0%
FPT	18.5%	6.3%	-53.5%	52.8%	24.2%	16.7%	14.3%	5.0%
Total	**17.5%**	**3.4%**	**-33.7%**	**18.8%**	**12.6%**	**11.5%**	**8.5%**	**5.2%**

Source: Company data, Goldman Sachs Research estimates.

Efficiency gains from World Class Manufacturing

World Class Manufacturing (WCM) is a manufacturing system introduced by Fiat SpA and now utilized within Fiat Industrial which is designed to bring about process improvement in all aspects of plant organisation. It aims for continuous improvements in workplace organization, quality, maintenance, and logistics. In Iveco for example, the programme will extend from covering 5 plants in 2010 to 23 plants by 2014, and targets an 8% pa saving in transformation costs from 2011 onwards.

Global sourcing benefits despite higher raw material costs

Purchasing for Fiat Industrial is carried out via Fiat Group Purchasing, a company responsible for managing procurement for Fiat Group Automobiles, FPT Powertrain, Iveco and CNH. Its aim is to generate cost savings via organizational alignment, common strategies on major commodities and suppliers, price benchmarking, and architecture sharing. The group procurement programme saved €1.5 bn in 2007-09, and the five-year plan targets a saving of €400 mn in 2011 and a total saving of €2.4 bn from 2010 to 2014 for Fiat SpA and Fiat Industrial combined on a total purchasing volume of over €30 bn in 2010.

Third party FPT sales to drive divisional margins to 12%

FPT Industrial’s broadened product range and its ability to develop engines which can meet forthcoming emissions standards in a cost effective way will be instrumental in enabling the firm to increase revenue through ‘non-captive sales’, i.e., sales to third parties. The firm already has a number of high profile customers: for example Daimler purchases engines from FPT Industrial to use in Mitsubishi Fuso mid-sized trucks. Other key third-party relationships include Claas, ArgoTractors, Perkins, Generac, and Tata Daewoo. Non-captive sales were €0.8 bn in 2010 and constituted 33% of powertrain revenues. The company plans to grow this to c.€1.7 bn and 47% of revenues in 2014. The company has stated that more than 80% of this target is already contracted following recent additional agreements with Claas and Generac.

We forecast a 10% trading profit margin in 2014

We believe, Fiat Industrial can become a 10% operating margin business over 2010-14 as recovery in the construction equipment and commercial vehicle end markets will improve capacity utilisation and group gross margins while Fiat Industrial will maintain a keen focus on cost discipline. We believe that Fiat Industrial could achieve a 20% plus gross margin in 2013 and with a gross margin conversion (i.e. the difference between trading profit margin and gross margin) of 10%, this yields group operating profitability of 10%.

Exhibit 31: Fiat Industrial becomes a 10% trading profit margin business

Fiat Industrial P&L, gross margin and conversion to trading margin (year to end December, € mn)

	2009	2010	2011E	2012E	2013E	2014E
Net revenues	**17,968**	**21,342**	**24,032**	**26,786**	**29,050**	**30,559**
Cost of sales	-15,549	-17,979	-19,781	-21,571	-23,043	-24,069
Gross Profit	**2,419**	**3,363**	**4,251**	**5,215**	**6,007**	**6,490**
% margin	**13%**	**16%**	**18%**	**19%**	**21%**	**21%**
SG&A	-1,636	-1,793	-2,019	-2,250	-2,440	-2,567
% of sales	-9%	-8%	-8%	-8%	-8%	-8%
R&D	-388	-418	-563	-651	-697	-728
% of sales	-2%	-2%	-2%	-2%	-2%	-2%
Other income (expenses)	-73	-60	-69	-63	-69	-95
Trading profit	**322**	**1,092**	**1,600**	**2,250**	**2,800**	**3,100**
% margin	**2%**	**5%**	**7%**	**8%**	**10%**	**10%**
Gains (losses) on the disposal of investments	1	3	0	0	0	0
Restructuring costs	-144	-58	0	0	0	0
Other unusual income (expenses)	-198	-20	0	0	0	0
Operating profit/(loss)	**-19**	**1,017**	**1,600**	**2,250**	**2,800**	**3,100**
Interest income	68	77	77	77	77	77
Interest expense	-469	-582	-497	-457	-427	-407
Financial income (expenses)	**-401**	**-505**	**-420**	**-380**	**-350**	**-330**
Result from investments	-50	64	100	175	200	225
Profit before taxes	**-470**	**576**	**1,280**	**2,045**	**2,650**	**2,995**
Income taxes	-33	-198	-474	-736	-954	-1,078
Tax rate (%)	-7%	34%	37%	36%	36%	36%
Net profit/(loss)	**-503**	**378**	**806**	**1,309**	**1,696**	**1,917**
Minority interests	-39	37	60	65	75	80
Equity holders of the parent	**-464**	**341**	**746**	**1,244**	**1,621**	**1,837**
NOSH	1,237	1,237	1,237	1,237	1,237	1,237
EPS	**-0.38**	**0.28**	**0.60**	**1.01**	**1.31**	**1.48**
Gross Margin	**13.5%**	**15.8%**	**17.7%**	**19.5%**	**20.7%**	**21.2%**
Conversion	**11.7%**	**10.6%**	**11.0%**	**11.1%**	**11.0%**	**11.1%**
Trading Profit Margin	**1.8%**	**5.1%**	**6.7%**	**8.4%**	**9.6%**	**10.1%**

Source: Company data, Goldman Sachs Research estimates.

The plan 2014: Closing the performance gap to global peers

Fiat Industrial is a new global capital goods player…

Fiat Industrial is a new member of a group of global capital goods companies with exposure to agricultural, construction, and commercial vehicle end markets across the world. In Exhibit 32, we provide a comparative overview of Fiat Industrial, its businesses and key global competitors.

Exhibit 32: A substantial new global player in capital goods
Fiat Industrial peer regional and business unit splits, 2010

	Industrial Sales (EUR bn)	Sales by Region				Sales by Segment				EBIT margin by Segment				Industrial EBIT
		North America	EMEA	South America	RoW	AG	CE	CV	Other	AG	CE**	CV	Other	
Daimler CV*	29,462	20%	17%	22%	40%			100%				4.5%		4.5%
CAT	27,503	36%	24%	15%	25%		34%		66%		7.2%		10.5%	9.5%
Volvo	25,795	17%	51%	7%	25%		20%	71%	9%		11.3%	5.7%	4.9%	6.8%
Fiat Ind	21,342	22%	30%	20%	27%	45%	12%	43%		8.2%		3.0%		5.1%
DE	16,263	64%	22%	10%	4%	84%	16%			14.0%	3.2%			12.0%
Komatsu	15,386	11%	16%	13%	60%		88%		12%		13.5%		0.3%	12.2%
MAN	14,603		66%	16%	17%			51%	49%			0.8%	12.1%	7.0%
NAV	8,177	80%		13%	7%			100%				5.9%		5.9%
Scania	7,708		70%	15%	14%			71%	29%			16.1%		16.1%
PCAR	6,433	49%	34%		18%			100%				5.3%		5.3%
AGCO	4,758	22%	49%	25%	4%	100%				4.9%				4.9%

	Industrial Sales (EUR bn)	North America	EMEA	South America	RoW	AG	CE	CV	Other	AG	CE**	CV	Other	Industrial EBIT
Fiat Ind	21,342	22%	30%	20%	27%	45%	12%	43%		8.2%		3.0%		5.1%
CNH	11,906	39%	23%	19%	19%	80%	20%			8.2%				6.3%
Iveco	8,307		40%	22%	39%			100%				3.0%		3.3%

*Daimler CV consists of Daimler's truck and bus divisions
** CNH CE EBIT margin was negative (€-54m) in 2010

Source: Company data, Goldman Sachs Research estimates.

Ambitious 2014 plan and targets….

At its investor day in Turin in April 2010, Fiat SpA announced a 'five-year plan' in which financial targets by division, forthcoming product launches, and various other strategic objectives were laid out in detail for all divisions. This included a set of comprehensive and ambitious targets for CNH, Iveco and Fiat Powertrain Industrial, the three business units of Fiat Industrial. During the process of the demerger of Fiat Industrial, these divisional plans were aggregated into a plan for Fiat Industrial.

The 2014 plan targets revenues to grow on average 8.0% pa from €21.3 bn in 2010 to €29.0 bn in 2014. Trading profit is expected to triple from €1.09 bn in 2010 to €3.3 bn in 2014 with trading profit margin improving 630 bp from 5.1% in 2010 to 11.4% in 2014. With €1.9 bn of net industrial debt at end-2010, and a target annual capex plan of €1.4 bn over the plan period, Fiat Industrial aims to meet the criteria for an investment grade rating by end-2012 and expects to be debt free by the end of 2013. We have summarised the plan for divisional and group targets in Exhibit 33.

Exhibit 33: Fiat Industrial five-year plan targets

Fiat Group Five-Year Plan (2011-2014)	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E
Revenues										
CNH	10,200	10,500	11,800	12,800	10,107	11,906	12,200	13,100	14,200	15,300
Iveco	8,500	9,100	11,200	10,900	7,183	8,307	8,500	9,800	11,200	12,100
FPT Industrials	2,600	2,700	3,200	3,400	1,580	2,415	2,600	3,100	3,600	3,900
Other	-1100	-1100	-1300	-1300	-902	-1,286	-1,300	-2,000	-2,000	-2,300
Total	**20,200**	**21,200**	**24,900**	**25,800**	**17,968**	**21,342**	**22,000**	**24,000**	**27,000**	**29,000**
Trading Profit Margin										
CNH	6.8%	7.0%	8.4%	8.8%	3.3%	6.3%	6.6%	8.3%	9.2%	10.5%
Iveco	3.9%	6.0%	7.3%	7.7%	1.6%	3.3%	4.6%	7.0%	8.8%	10.0%
FPT Industrials	3.2%	3.7%	3.7%	2.4%	-8.3%	2.7%	2.7%	6.6%	10.8%	12.6%
Other										
Total					1.8%	5.1%	5.9%	8.3%	9.8%	11.4%
Trading Profit										
CNH	700	700	1000	1,126	337	755	810	1090	1310	1610
Iveco	300	500	800	800	100	300	390	690	990	1210
FPT Industrials	80	100	120	80	-130	70	70	200	390	490
Other					15	-33	30	20	-40	-10
Total					**322**	**1,092**	**1,300**	**2,000**	**2,650**	**3,300**
Plan Low							1,200	1,900	2,500	3,200
Plan High							1,400	2,100	2,800	3,400
Industrial EBITDA					**959**	**1,757**	**1,900**	**2,600**	**3,300**	**4,100**
%margin					5.3%	8.2%	8.6%	10.8%	12.2%	14.1%
Capex					-706	-871	-1,400	-1,400	-1,400	-1,400
Industrial net debt					**1,315**	**1,900**	**1,905**	**net debt free at end of 2013**		

Source: Company data.

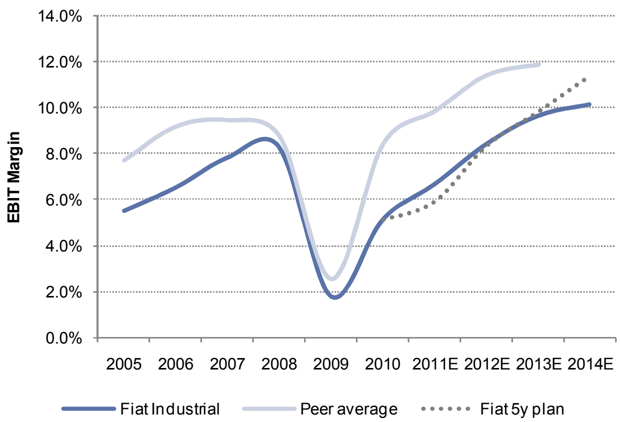
… to close historical performance gap over 2010-14

Since his arrival at Fiat SpA in 2004, Sergio Marchionne has focused on improving the operational performance of Fiat's assets, including those that are now part of Fiat Industrial, with the stated objective to close the performance gap to global peers. In 2006, Fiat announced a three year plan (2007-09) with margin targets for both CNH and Iveco.

Exhibit 34 shows the margin evolution of Fiat Industrial (pro-forma) vs. a global peer group. It shows that Fiat's Industrial's businesses have improved operational performance and were closing the margin gap to their global peers prior to the downturn. It also shows that Fiat Industrial performed well during the downturn, avoiding operational losses, but has since underperformed peers in the recovery phase.

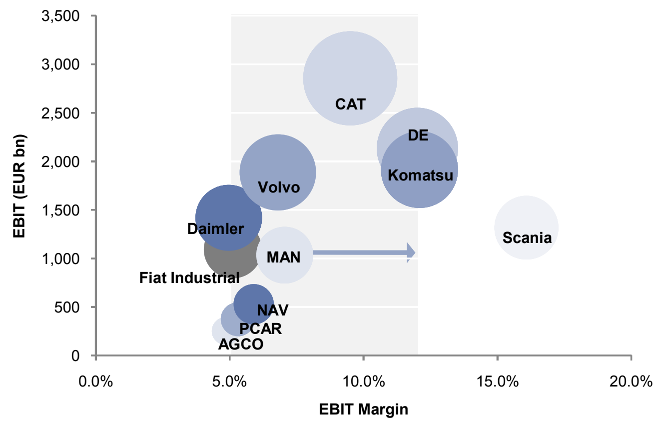
Fiat Industrial narrowed its performance gap over the 2005-08 period from 221 bp to 48 bp, performing almost in line with global peers during the downturn. However post the crisis in the early phase of the recovery, pro-forma Fiat Industrial has suffered a setback in terms of comparative profitability. Both the 2014 plan and our estimates assume that Fiat Industrial will be able to narrow this gap again from 334 bp in 2010 to 226 bp in 2014.

Exhibit 34: Margin gap vs. peer average



Source: Company data, Goldman Sachs Research estimates.

Exhibit 35: Peer margin analysis



Source: Company data, Goldman Sachs Research estimates.

Exhibit 36: GS forecasts vs. Fiat Industrial plan
€ mn

	Plan Targets (Average)				GS Estimates				GS Vs Plan		
	2011E	2012E	2013E	2014E	2011E	2012E	2013E	2014E	2012E	2013E	2014E
Revenues											
CNH	12,200	13,100	14,200	15,300	12,780	14,000	14,800	15,600	6.9%	4.2%	2.0%
Iveco	8,500	9,800	11,200	12,100	9,700	10,900	12,000	12,600	11.2%	7.1%	4.1%
FPT Industrials	2,600	3,100	3,600	3,900	3,000	3,500	4,000	4,200	12.9%	11.1%	7.7%
Other					-1,448	-1,614	-1,750	-1,841			
Total	**22,000**	**24,000**	**27,000**	**29,000**	**24,032**	**26,786**	**29,050**	**30,559**	**11.6%**	**7.6%**	**5.4%**
Trading Profit Margin											
CNH	6.6%	8.3%	9.2%	10.5%	7.9%	8.6%	9.0%	9.5%	0.3%	-0.2%	-1.0%
Iveco	4.6%	7.0%	8.8%	10.0%	5.3%	7.8%	9.3%	9.2%	0.8%	0.5%	-0.8%
FPT Industrials	2.7%	6.6%	10.8%	12.6%	2.7%	5.7%	8.8%	10.7%	-0.9%	-2.1%	-1.9%
Other											
Total	**5.9%**	**8.3%**	**9.8%**	**11.4%**	**6.7%**	**8.4%**	**9.6%**	**10.1%**			
Trading Profit											
CNH	805	1,087	1,306	1,607	1,005	1,201	1,327	1,489	10%	2%	-7%
Iveco	391	686	986	1,210	513	847	1,121	1,158	24%	14%	-4%
FPT Industrials	70	205	389	491	80	200	350	450	-2%	-10%	-8%
Other											
Total	**1,300**	**2,000**	**2,650**	**3,300**	**1,600**	**2,250**	**2,800**	**3,100**	**12.5%**	**5.7%**	**-6.1%**

Source: Company data, Goldman Sachs Research estimates.

FPT Industrial: A potential competitive advantage

Overview

FPT Industrial (Fiat Powertrain Industrial) produces engines, transmissions and other components for commercial vehicles and for industrial machinery. On pro-forma 2010 results, FPT Industrial accounted for 11% of group revenues and 6% of group trading profit (Exhibit 37).

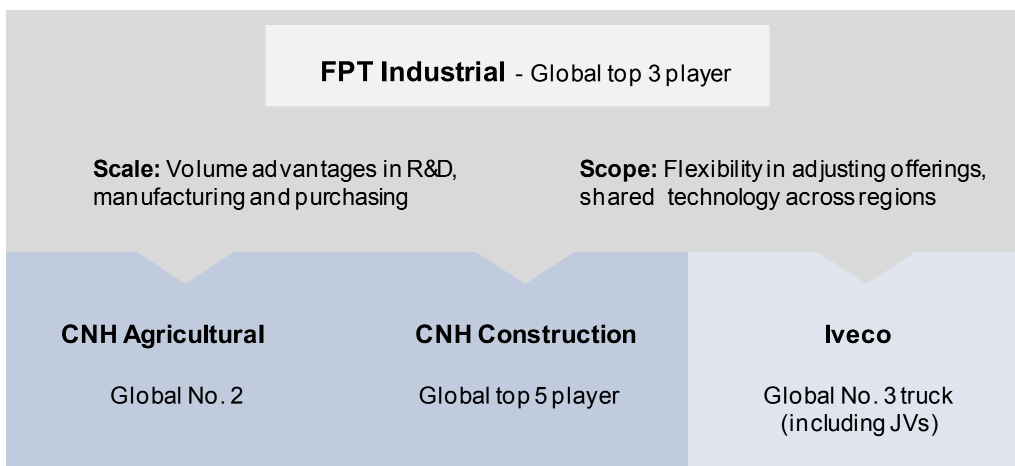
Exhibit 37: FPT Industrial revenue and trading profit
€ mn, year to December

FPT Industrial	2009	2010	2011E	2012E	2013E	2014E
Revenues	1,580	2,415	3,000	3,500	4,000	4,200
Trading profit	-131	65	80	200	350	450
Margin	-8.3%	2.7%	2.7%	5.7%	8.8%	10.7%
% of group revenues	9%	11%	12%	13%	14%	14%

Source: Company data, Goldman Sachs Research estimates.

Fiat Powertrain is the spinal cord of Fiat Industrial given that powertrain applications can account for more than 50% of the value add in the production of commercial and off-highway vehicles. By pooling the volume of both CNH and Iveco, Fiat Powertrain Industrial has access to competitive economies of scale, further improved by the growing third-party business.

Exhibit 38: FPT Industrial creates commonality between the group businesses

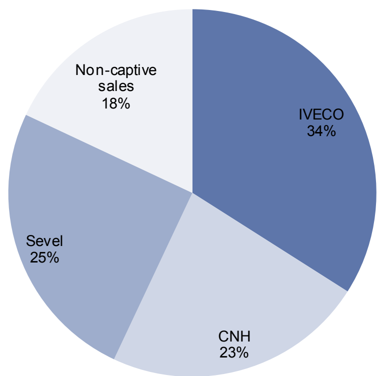


Source: Company data, Goldman Sachs Research estimates.

FPT Industrial produces all engines for Iveco, and the vast majority of those used by CNH. At present 82% of its revenues come from within Fiat Industrial and its partners. The remaining 18% comes from 'non-captive sales', i.e. sales to third-parties. In 2010 FPT Industrial generated €65 mn in operating profit. However it plans to increase this figure more than seven-fold to 2014 by pursuing a strategy of increasing its third-party sales.

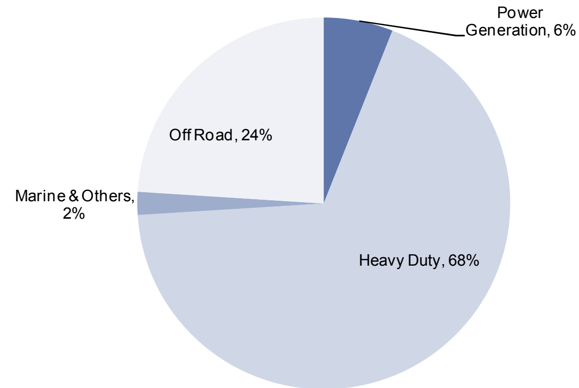
FPT Industrial believes its engine products will prove readily marketable largely because of their competitive solution to meeting forthcoming emissions regulations. Developed countries will introduce challenging standards on NOx and particulates by 2014. FPT Industrial plans to launch compliant engines using selective catalytic reduction (SCR) technology only. This is likely to enable it to produce simpler and more fuel efficient engines than those of competitors that have opted for different technical solutions. The increasing number of third-party customers lends some support to FPT Industrial's commercial claims in our view.

Exhibit 39: FPT Industrial sales by customer 2010



Source: Company data.

Exhibit 40: Fiat Industrial sales by application 2010



Source: Company data.

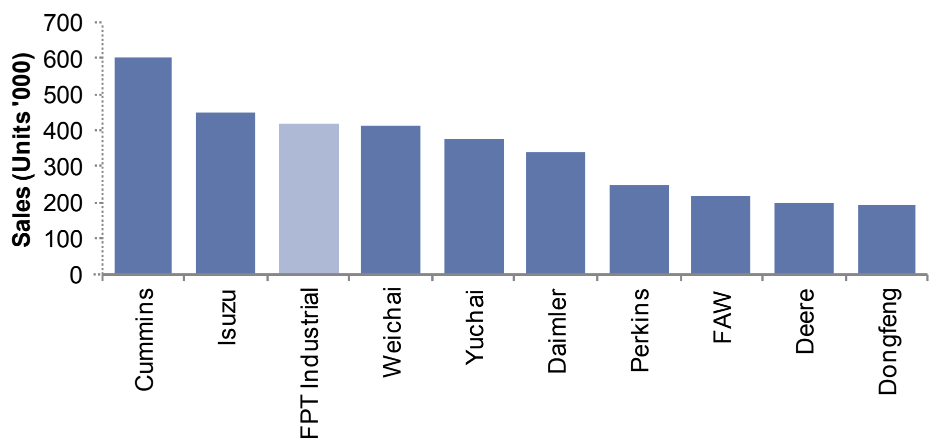
A history of innovation in diesel engines: Fiat has a history of innovation in diesel engines: it introduced the common rail diesel injection system in 1997, which is now the industry standard. The evolution of that design is its current MultiJet and MultiJet II systems, each of which claims incremental reduction in emissions and noise levels. Its current products also utilise MultiAir technology which Fiat developed as a more efficient valve control system, and TCT, a twin clutch system in its transmission products which aims to lower fuel consumption.

Wide product range: FPT Industrial produces engines, transmissions and other components for light, medium and heavy commercial vehicles and for industrial machinery. It also produces engines for marine and power generation applications. Its products are used in a broad set of applications, including heavy duty on-road, off-road, marine, and power generation (Exhibit 40).

Its medium and heavy diesel engine line-up consists of the S series, F series, N series, C series, and V series. While some engines have a specialist application, its N series (3.9-6.7 litre) and C series (7.8-12.9 litre) engines are shared across Iveco truck, CNH agricultural equipment, CNH construction equipment, marine, industrial and power generation applications. Power outputs range from 97 to 560 HP and displacements range from 2.3 to 20 litres.

Leading independent engine provider: In addition to producing engines and transmissions to the Fiat Industrial group companies, FPT Industrial supplies its products to other manufacturers. Some 82% of its revenues come from within Fiat Industrial and its partners (including the Sevel joint venture with Peugeot), and 18% from non-captive sales (Exhibit 39). It cites Daimler, Claas, Perkins, Argo and Tata as being among its key clients. By volume, FPT Industrial is a top three independent producer of powertrains (Exhibit 41).

Exhibit 41: FPT is a top-three independent player by volume
Fiat Powertrain peer unit sales, 2009



Source: Global Insight, FPT Industrial Internal Analysis.

Strategy

FPT Industrial 5-year plan: The five-year plan for FPT Industrial intends first to leverage the division's technological leadership and to expand the product portfolio, and second to develop its third-party business so that the division moves from being predominantly a supplier of engines to Fiat group companies to being an important contributor of profits to the group. By 2014 the group is targeting revenues of €3.9 bn, and an operating margin of 12.6%. At this time the plan expects FPT industrial to be contributing 15% of group operating profit. Of the improvement in operating profit to 2014, the company plans for one third to come from its 'world class manufacturing' operational improvement programme, one third from ongoing efficiency improvements, and one third will be market-driven.

The key source of group synergies: The cost of designing and manufacturing an engine and powertrain varies considerably, but is inevitably substantial. Development costs are increasingly shared by manufacturers or groups of manufacturers through joint ventures, or powertrains are bought in from third parties in lower-volume applications that cannot justify the development cost of a bespoke engine or transmission. In addition to being a source of revenue in itself, the economies of scale FPT Industrial generates enable CNH and Iveco to share a considerable source of costs. This is particularly important in the current regulatory environment in which ongoing pressure to reduce emissions is high.

Meeting challenging emissions regulations: Regulations to limit emissions are tightening across all the major markets with developed countries introducing the strictest standards. FPT Industrial plans to launch Euro VI-compliant engines using selective catalytic reduction (SCR) technology only. This is likely to enable it to produce simpler and more fuel efficient engines than those of competitors that have opted for different technical solutions.

New products being developed: Engines with power output appropriate to the application ensure that the engine runs within its most suitable operating conditions and help minimize running costs for operators. Therefore, adding engines to its range enables FPT Industrial to provide cost-effective solutions to customers. Maintaining a limited number of engine families minimises its own development costs. As such, the group is planning several new powertrain product launches by 2014. There will be a new F5 3.4 litre unit for off-road applications and two new Cursor units at 11 litres and 15.9 litres for heavy applications on and off-road.

Targeting non-captive sales growth: FPT Industrial's broadened product range and its ability to develop engines which can meet forthcoming emissions standards in a cost effective way will be instrumental in enabling the firm to increase revenue through 'non-captive sales', i.e., to third parties. The firm already has a number of high profile customers: for example Daimler purchases engines from FPT Industrial to use in Mitsubishi Fuso mid-sized trucks. Other key third-party relationships include Claas, ArgoTractors, Perkins, Generac, and Tata Daewoo. Non-captive sales were €0.8 bn in 2010 and constituted 33% of powertrain revenues. The company plans to grow this to c.€1.7 bn and 47% of revenues in 2014. The company has stated that more than 80% of this target is already contracted following recent additional agreements with Claas and Generac.

FPT Industrial discloses captive and non-captive revenue targets (Exhibit 42). It has also provided its total operating profit targets for the plan period. Given that Fiat Industrial does not charge full prices within the group, we assume an operating margin of 10% for captive business. This allows us to derive an operating margin assumption for FPT's non-captive business: we see this rising to 16% in 2014 as non-captive business ramps up.

Exhibit 42: Growing non-captive sales
Non-captive sales and operating profit assuming 10% margin for captive sales

€mn	2009	2010	2011	2012E	2013E	2014E
Revenue						
Captive	1,100	1,600	1,700	1,900	2,000	2,200
Non-captive	500	800	900	1,200	1,600	1,700
Total	1,600	2,400	2,600	3,100	3,600	3,900
Operating profit						
Captive	110	160	170	190	200	220
Non-captive	-243	-95	-100	15	189	271
Total	-133	65	70	205	389	491
Margin						
Captive	10%	10%	10%	10%	10%	10%
Non-captive	-49%	-12%	-11%	1%	12%	16%
Total	-8%	3%	3%	7%	11%	13%

Source: Company data, Goldman Sachs Research estimates.

Financials

FPT industrial's five-year plan sees revenues growing from €2.0 bn in 2010 to €3.9 bn in 2014 largely the result of recovering sales in its captive customer base but also growth in third-party sales. Non-captive sales contribute strongly to this revenue growth: the plan envisages 47% or €1.7 bn of revenues being generated from non-captive sales in 2014. On margins, Fiat Industrial believes that FPT Industrial can become a 12.6% operating margin business by 2014.

In our estimates, we see the guidance being reached one year early and we forecast 2014 trading profit of €450 mn and trading margin of 10.7%. In the nearer term, for FY2011 we forecast revenues ahead of plan of €3.0 bn and trading profit also ahead of plan at €80 mn.

Exhibit 43: FPT Industrial 5-year plan vs. GS forecasts
€ bn

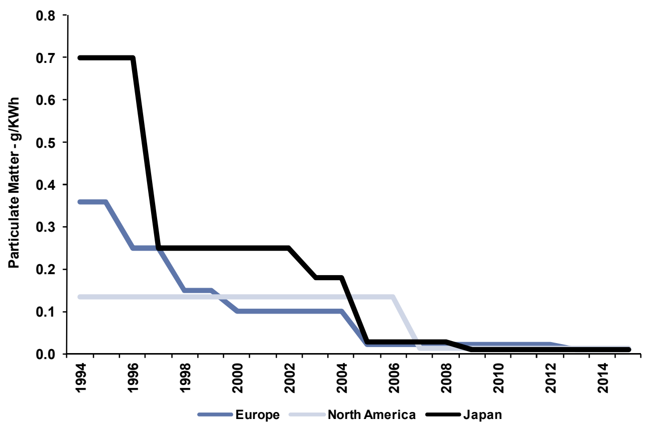
	FPT Industrial financial targets					GS estimates				
FPT	**2010E**	**2011E**	**2012E**	**2013E**	**2014E**	**2010**	**2011E**	**2012E**	**2013E**	**2014E**
Revenue	2.0	2.6	3.1	3.6	3.9	2.4	3.0	3.5	4.0	4.2
% growth yoy	26.6%	30.0%	19.2%	16.1%	8.3%	52.8%	24.2%	16.7%	14.3%	5.0%
Trading profit	-0.04	0.07	0.20	0.39	0.49	0.07	0.08	0.20	0.35	0.45
Margin	-1.8%	2.7%	6.6%	10.8%	12.6%	2.7%	2.7%	5.7%	8.8%	10.7%

Source: Company data, Goldman Sachs Research estimates.

FPT Industrial Powertrain Applications

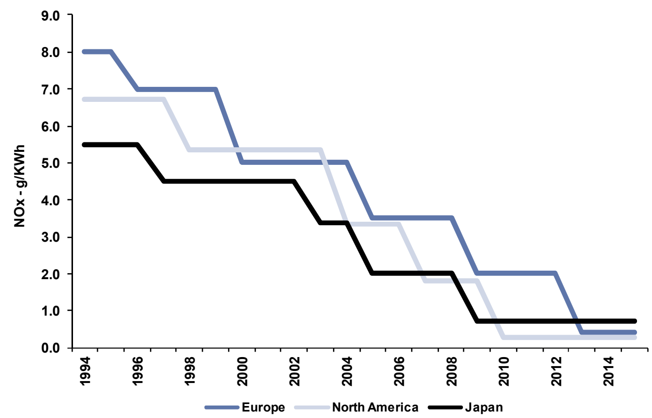
Regulatory tightening poses challenges: Emissions regulations are set to become far more stringent over the next 36 months for trucks and other diesel-powered equipment. Increasingly strict rules are being applied internationally on an ongoing basis (Exhibit 46). The strictest regulations are those being implemented in the developed markets. For example, in the diesel truck space, the forthcoming Euro VI in Europe and its equivalent EPA '14 in the US will lower the thresholds on particulates and nitrogen oxide (NO_x). By the start of 2014 European regulations will limit particulates in new truck emissions to 0.01g/KWh, and emissions of nitrogen oxide to 0.46g/KWh. These limits are at levels which represent a significant technical challenge to manufacturers to achieve compliance.

Exhibit 44: Particulate matter regulatory emissions limits



Source: Company data, Goldman Sachs Research estimates.

Exhibit 45: NOx regulatory emissions limits



Source: Company data, Goldman Sachs Research estimates.

Exhibit 46: Truck emission standard timeline 2002-2014E

Summary	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU27	Euro 3	Euro 3	Euro 3	**Euro 4**	Euro 4	Euro 4	Euro 4	**Euro 5**	Euro 5	Euro 5	Euro 5	**Euro 6**	Euro 6
Russia	Euro 1	Euro 1	Euro 1	Euro 1	**Euro 2**	Euro 2	**Euro 3**	Euro 3	**Euro 4**	Euro 4	Euro 4	Euro 4	Euro 4
USA	EPA'98	EPA'98	**EPA'04**	EPA'04	EPA'04	**EPA'07**	EPA'07	EPA'07	**EPA'10**	EPA'10	EPA'10	EPA'10	**EPA'14**
Mexico	EPA'98	EPA'98	EPA'98	EPA'98	EPA'98	EPA'98	**EPA'04**	EPA'04	EPA'04	EPA'04	EPA'04	**EPA'07**	EPA'07
Brazil	Euro 2	Euro 2	Euro 2	Euro 2	**Euro 3**	Euro 3	Euro 3	**Euro 4**	Euro 4	Euro 4	**Euro 5**	Euro 5	Euro 5
Japan	JE 97	**JE 03**	JE 03	**JE 05**	JE 05	JE 05	JE 05	**JE 09**	JE 09	JE 09	JE 09	**JE 13**	JE 13
China	Euro 1	**Euro 2**	Euro 2	Euro 2	Euro 2	Euro 2	**Euro 3**	Euro 3	**Euro 4**	Euro 4	Euro 4	Euro 4	**Euro 5**

Source: Company data, Goldman Sachs Research estimates.

FPT Industrial is well-prepared on compliance: FPT Industrial has been among the first manufacturers to announce that it intends to meet Euro VI using a 'SCR only' engine (Scania being another). This implies that its SCR system is capable of reducing NOx emissions to a level at which EGR becomes unnecessary, and all else equal would imply a fuel efficiency advantage over rivals using EGR and SCR. The company attributes the effectiveness of its SCR solution to various innovations which improve the efficiency of dosing and injection of the reducing agent. FPT Industrial states that it will not begin sales of its Euro VI products until 2014 unless we see the introduction of government incentives on Euro VI-compliant products before that date. It remains to be seen which other manufacturers will also announce SCR-only solutions before then.

Economies of scale in development are advantageous: Developing engines to meet forthcoming emissions regulations has been among the biggest challenges facing powertrain manufacturers for the coming years. Economies of scale are proving important in determining which companies have the capabilities and resources to invest in solutions. Fiat Industrial has benefitted from the ongoing emissions objectives for trucks being essentially identical to those for agricultural/construction equipment. Consequently CNH is already delivering SCR-only tractors to comply with the Interim Tier 4 regulation; and, as noted above, FPT Industrial states that it is already prepared to launch fully Euro VI-compliant truck products.

The advantage is yet to be realized: FPT Industrial believes that the benefits of its engine technologies will not be fully realized until the next stage of emissions regulations comes into effect in 2014. By this time its peers should have brought their Euro VI compliant products to market, and proper comparisons of each will be available. Management is confident that at such time the efficiency benefits of its engines will become evident and improve its competitive position relative to peers.

Iveco: The key driver of margin expansion

Overview

Iveco is the trucks and commercial vehicles division of Fiat Industrial. Its core business is the production of light, medium and heavy trucks. It also produces buses and coaches branded as Iveco Irisbus, and other special use and military vehicles branded as Iveco, Astra or Magirus. Iveco sells and supports its products via an international network of independent dealers which at end-2009 included 712 dealers globally, and 3,488 service outlets globally, with 2,746 in Western Europe. Financing is made available via the FPT Industrial finance division. On pro-forma 2010 results, Iveco accounted for 39% of group revenues and 25% of group trading profit (Exhibit 47).

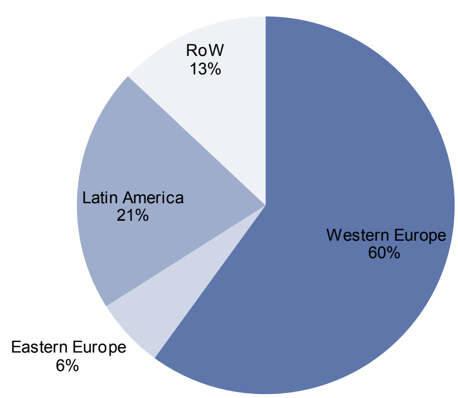
Exhibit 47: Iveco revenue and trading profit
€ mn

Iveco	2009	2010	2011E	2012E	2013E	2014E
Revenues	7,183	8,307	9,700	10,900	12,000	12,600
Trading profit	113	270	513	847	1,121	1,158
Margin	1.6%	3.3%	5.3%	7.8%	9.3%	9.2%
% of group revenues	40%	39%	40%	41%	41%	41%

Source: Company data, Goldman Sachs Research estimates.

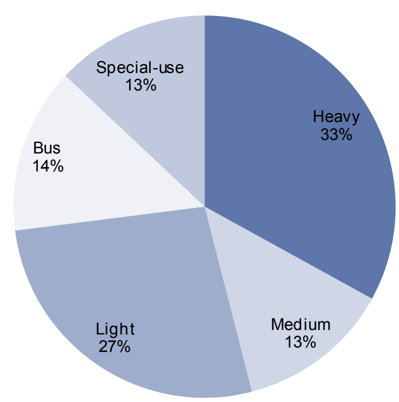
Iveco is geographically diversified, but has a European bias. Iveco's home market of Western Europe constitutes the majority of its unit sales (60% in 2010, Exhibit 48) although it also has a presence in Eastern Europe (9%) and Brazil (we estimate 10%) where it is growing its market share in all segments. In revenue terms trucks account for 73% of group revenues, buses for 14% and special use vehicles for 13%. Within trucks the split between light (under 6 tons, 27%) and heavy (over 15 tons, 33%) is quite even.

Exhibit 48: Iveco revenue by geography 2010



Source: Company data.

Exhibit 49: Iveco revenue by product type 2010



Source: Company data.

Although from a pure revenue perspective, Iveco is the fourth largest truck player, it produces more light trucks than most of its heavy-oriented peers. In volume terms, light trucks make up the majority of the division's output (55% in 2010), with heavy and medium making up 22% and 14% of divisional volumes respectively. The remainder of its products comprise buses (5%) and special use vehicles (4%).

In terms of overall revenue we believe Iveco ranks behind Daimler's truck and van divisions, Volvo, and MAN (Exhibit 50). It has a broad geographical coverage in spite of being absent from the US market. Relative to its peers it has a greater proportion of light and medium-sized trucks in its mix which poses two challenges: first Iveco must maintain competiveness in a number of segments in which it lacks scale advantage; and second margins in light trucks tend to be lower than those in heavy. In combination with its depressed capacity utilization levels, this explains why Iveco currently has the lowest EBIT margin of its peers at 3.3%.

Exhibit 50: Iveco peer group analysis

Iveco peer regional and business unit splits, 2010

	Industrial Revenue	Revenue by Region				Revenue by Segment				Unit Sales	Unit Sales by Type			Industrial EBIT
		North America	EMEA	South America	RoW	CE	Trucks	Buses	Other		Light (3.5-6T)	Medium (6-15T)	Heavy (>15T)	
Daimler CV	28,582	17%	20%	22%	41%		84%	16%		100%	16%	35%	49%	5.0%
Volvo	27,718	17%	51%	7%	25%	20%	63%	8%	9%	86%	15%	17%	69%	6.8%
MAN	14,675		66%	16%	17%		43%	8%	49%	32%		28%	72%	7.1%
Iveco	8,307		69%	21%	10%		100%			22%	36%	21%	43%	3.3%
NAV	8,934	80%		13%	7%		100%			28%			100%	5.9%
Scania	8,184		70%	15%	14%		61%	10%	29%	14%			100%	16.1%
PCAR	7,029	49%	34%		18%		100%			29%		16%	84%	5.3%

Source: Company data, Goldman Sachs Research estimates.

Strategy

Iveco 5-year plan: The five-year plan for Iveco is based on the assumption that the anticipated growth and volume increases will enable full utilisation of production capacity at plants in Italy, Germany and Spain by the end of the plan period. During this time, no additional investment in capacity is planned. It is anticipated that growth will primarily be driven by: (1) volume recovery in Western and Eastern European truck markets which were hit particularly hard during the crisis in 2008-09; (2) an improvement in Iveco's competitor position in Latin America; 3) strengthening of the Special Vehicles business; and (4) development of opportunities offered by Iveco's presence in China. Iveco's strategy for implementing the plan targets relies on its executing on a number of key strategic goals.

Improving competitive position in Latin America: Iveco's strategy in Latin America is to capitalize on its brand momentum and to continue to grow market share in all segments. Iveco introduced its Vertis medium-sized truck at end-2010, and is growing and restructuring its dealer network in the region. Within Latin America, Brazil is an important growth market for Iveco. It has a 21% share of the light market, and it grew its share in each of the light, medium and heavy segments by over 2.0 pp over the 12 months to 1Q11. We see Brazil sales over 2011 rising 10% from 109,760 to 120,700.

Focus on Special Businesses: Iveco intends to generate growth in its high-margin Special Vehicles and Buses divisions. It will re-align its product portfolio in Buses to improve manufacturing efficiency, and it will seek to grow special vehicle sales into new markets. It has recently secured a multi-year contract with the Brazilian Ministry of Defence worth €2.5 bn in total, and by 2014 it anticipates revenues of c.€1.4 bn in Special Vehicles and €1.6 bn in Buses.

Development of opportunities in China: Iveco operates in China through joint ventures with SAIC which give it presence in the light, medium and heavy truck markets. Although Iveco is guiding to much lower market growth in China in 2011 (c.7%) than 2010 (c.70%) Iveco plans to serve the Chinese domestic market in all segments

Renewal of product pipeline to 2014: Iveco is investing in product innovation, and improving fuel efficiency using engines from FPT Industrial. Since 2007, it has updated or replaced each model in its product range. By end-2014, it plans to have repeated this process. Its key light commercial vehicle product the Daily will be upgraded during 2H11 and replaced by a new model in 2013 (Exhibit 51). The renewed product line-up aims first, to reduce total cost of ownership for purchasers by improving fuel efficiency and reliability, and second to broaden the European revenue base to improve competitiveness in the Northern European regions.

Exhibit 51: Iveco product plan

EMEA		2010	2011	2012	2013	2014
Light			Upgrade		New model	
Light Imported						
Medium				Upgrade		
Medium Imported					New model	
Heavy				Major modification		New model
New models	3					
Major modifications	1					
Upgrades	2					

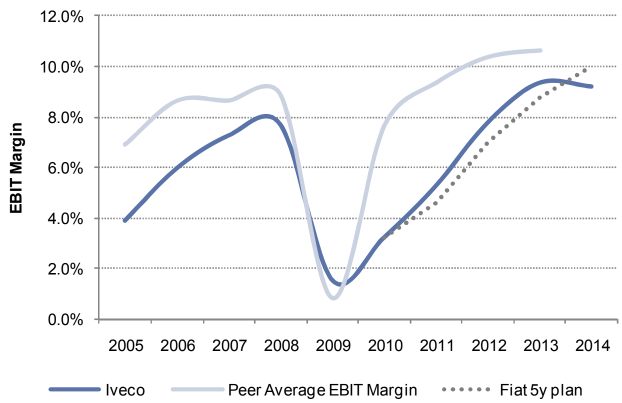
Latin America		2010	2011	2012	2013	2014
Light				Upgrade		Upgrade
Light Imported						
Medium Imported						
Medium 'Vertis'		New model		Upgrade		Major modification
Medium 'Cavallino'				Upgrade	New model	
Heavy			Major modification			Upgrade
New models	2					
Major modifications	2					
Upgrades	5					

Source: Company data, Goldman Sachs Research estimates.

Financials

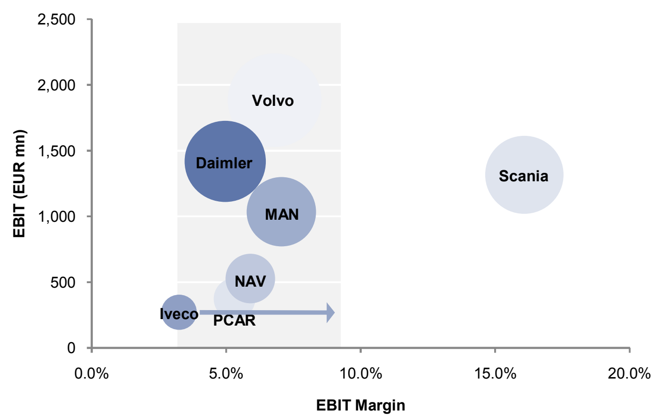
The heavy truck market in Europe has been more challenging for Iveco, given the company’s high exposure to the Italian and Spanish truck markets. Another factor slowing the recovery of Iveco’s operating profitability is its strong position in light commercial vehicles which had been more robust during the downturn but now display less strong recovery than heavy truck markets. Iveco’s five-year plan sees revenues growing steadily from €7.9 bn in 2010 to €12.1 bn in 2014. On margins, Fiat Industrial believes that Iveco can achieve new peak margins in 2013, and become a 10% operating margin business by 2014.

Exhibit 52: Iveco margin gap vs. peer average



Source: Company data, Goldman Sachs Research estimates.

Exhibit 53: Iveco peer margin analysis



Source: Company data, Goldman Sachs Research estimates.

We forecast revenue growth slightly ahead of the plan, with 2013 revenues reaching €12.0 bn. On margins, Fiat Industrial believes that Iveco can be a 10% operating margin business by 2014, and our forecast for 2014 of 9.2% is slightly behind this target. In the nearer term, for FY2011 we forecast revenues ahead of plan of €9.7 bn and trading profit also ahead of plan at €0.51 bn.

Exhibit 54: Iveco 5-year plan vs. GS forecasts
€ bn

	Iveco financial targets					GS estimates				
Iveco	**2010E**	**2011E**	**2012E**	**2013E**	**2014E**	**2010**	**2011E**	**2012E**	**2013E**	**2014E**
Revenue	7.9	8.5	9.8	11.2	12.1	8.3	9.7	10.9	12.0	12.6
% growth yoy	9.7%	7.6%	15.3%	14.3%	8.0%	15.6%	16.8%	12.4%	10.1%	5.0%
Trading profit	0.25	0.39	0.69	0.99	1.21	0.27	0.51	0.85	1.12	1.16
Margin	3.2%	4.6%	7.0%	8.8%	10.0%	3.3%	5.3%	7.8%	9.3%	9.2%

Source: Company data, Goldman Sachs Research estimates.

As of 1Q11 Iveco's order intake across all segments was up 30% vs. the previous year at c.39,000 units, with Latin America up 40%, Europe up 30% and the rest of the world up 9%. Growth in Southern Europe has continued to be weak but this has been offset by stronger than expected recovery in Northern Europe and Latin America. Following the 1Q results, the unit stated that it expects revenue growth in Western Europe and Latin America to continue for the rest of the year, albeit with some moderation of its growth rate in Latin America.

Iveco Commercial Vehicles

The drivers of revenue growth in Iveco's core markets are subject to pronounced regional variation. In developed markets such as Western Europe, demand for medium and heavy trucks is primarily linked to the economic and capital investment cycle. In developed markets, demand is additionally affected by improvements in infrastructure such that heavy truck demand increases when roads become capable of supporting larger vehicles.

Volume recovery in truck markets: Iveco revenues in 2010 were 26% below the 2007 peak. The cyclical recovery is providing positive momentum to Iveco's revenues, and our economic growth forecasts are supportive of the volume recovery plan. In Europe, our Economists currently forecast European GDP growth of 2.2% in 2011 and 2.1% in 2012. These forecasts are still ahead of the 2010 rate of 1.8%.

As further support, traffic data at the Oresund road bridge connecting Sweden and Denmark (Exhibit 58) is seen as a barometer of European freight volumes, and indicates that traffic levels continue to grow since the downturn.

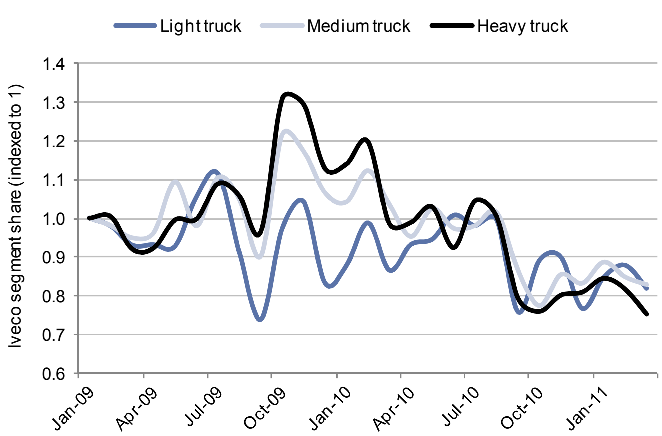
Global growth momentum as indicated by our GLI provides a more mixed outlook of the global industrial cycle. Its reading has shown positive momentum for most of 2011 but recently turned negative: the June reading shows momentum now in negative territory and the headline rate still falling. This pattern likely reflects at least in part the lagged impact of headwinds from higher oil prices and the Japan earthquake in February/March of this year. While there are tentative signs that these factors should reverse in the months ahead, including an improvement in the latest batch of US survey data, it is too early to determine whether the slowdown is temporary or whether underlying growth in the US and globally is weaker than our Economists originally thought. Currently their global GDP forecast for 2011 stands at 4.3%.

Growth moderated by Southern Europe bias: Following the economic downturn Iveco's volumes have been depressed for longer than the peer average due to its larger exposure to southern European markets which are experiencing slower economic growth than the European core: a problem exacerbated by ongoing sovereign debt concerns. However, in spite of lower-than-anticipated growth in this region, management has stated that higher-than-anticipated growth in other regions offsets the softening such that five-year plan revenue guidance is still applicable. In 2010 Italy and Spain accounted for 16% of group volumes, compared to an average 27% over the last six years.

New growth in Brazil: In Brazil, Iveco has a 21% share of the light market, and c.10% of the truck market overall. It is growing this share quite rapidly: it increased its share in each of the light, medium and heavy segments by more than 2.0 pp over the 12 months to 1Q11, helped by its ongoing dealer development plan which is increasing its network presence. The launch of the new Vertis in the medium segment will provide support to the market share growth momentum. In addition, economic growth in the region will continue to be supportive of top-line growth: our Economists are forecasting GDP growth in Brazil of 4.5% and 4.0% in 2011 and 2012 respectively. We see Brazil sales over 2011 rising 10% from 109,760 units to 120,700.

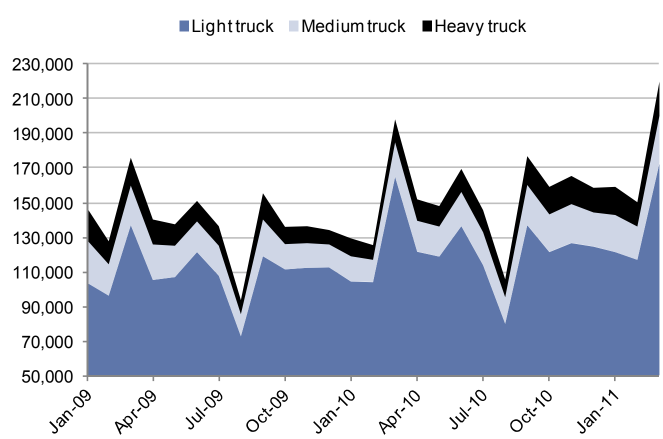
Truck sector growth forecasts: Finally our heavy truck sector sales volume forecasts show strong growth to 2014.

Exhibit 55: Iveco W. Europe share of registrations by segment



Source: ACEA.

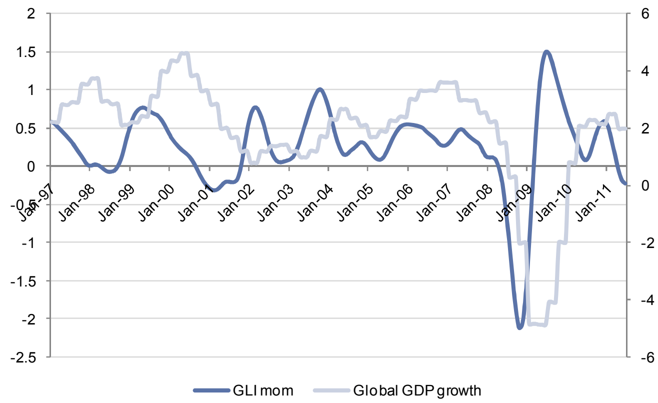
Exhibit 56: Iveco W. Europe number of registrations by segment



Source: ACEA.

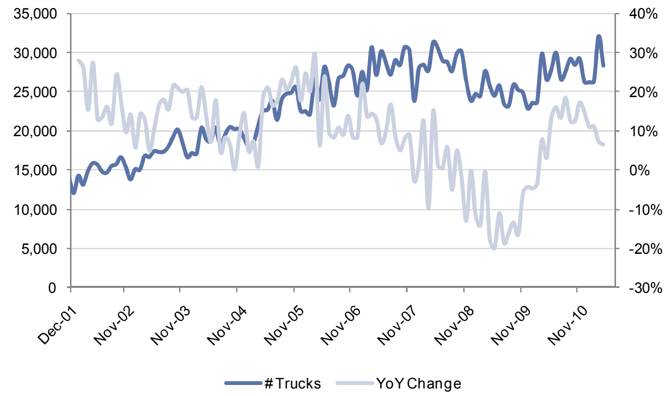
Support from new products: Iveco's product plan includes several major modifications to the model line-up, and a number of completely new models. The line-up will benefit markedly from the improvements to the light truck and the heavy truck in Western Europe.

Exhibit 57: Global Leading Indicator and global real GDP growth



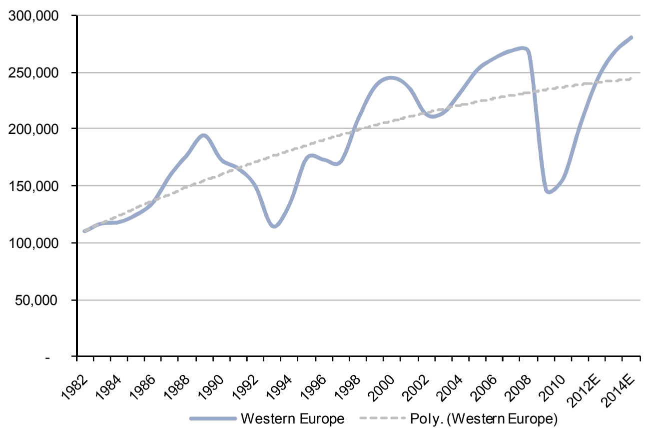
Source: Goldman Sachs Research estimates.

Exhibit 58: Oresundsbron bridge truck traffic data



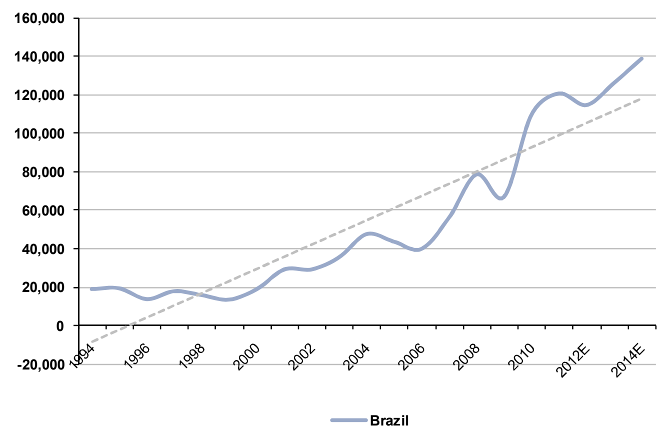
Source: Oresundsbron

Exhibit 59: W. Europe heavy truck unit sales forecasts



Source: Goldman Sachs Research estimates.

Exhibit 60: Brazil heavy truck unit sales forecasts



Source: Goldman Sachs Research estimates.

CNH: Core profitability with structural growth

Overview

Case New Holland (CNH) is the second largest producer of agricultural equipment and a leading producer of construction equipment. On pro-forma 2010 results, CNH accounted for 56% of group revenues and 69% of group trading profit (Exhibit 61).

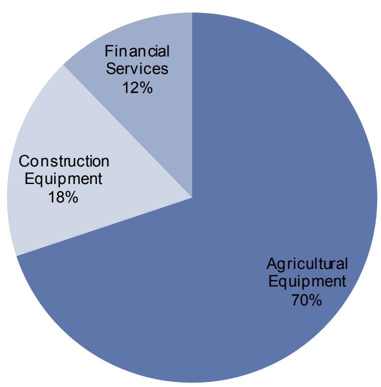
Exhibit 61: CNH revenue and trading profit
€ mn

CNH	2009	2010	2011E	2012E	2013E	2014E
Revenues	10,107	11,906	12,780	14,000	14,800	15,600
Trading profit	337	755	1,005	1,201	1,327	1,489
Margin	3.3%	6.3%	7.9%	8.6%	9.0%	9.5%
% of group revenues	56%	56%	53%	52%	51%	51%

Source: Company data, Goldman Sachs Research estimates.

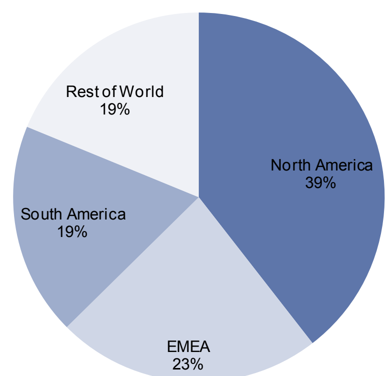
CNH's **agricultural equipment** division produces principally tractors and combine harvesters, but also a range of machinery used in other agricultural applications such as foraging machines, crop harvesters, chemical spreaders and tilling equipment. The agricultural equipment market is driven primarily by farm income in the relevant markets. This is in turn highly dependent upon agricultural commodity prices, which are an important determinant of farmers' capital spending power. The **construction equipment** division manufactures excavators, loaders, and backhoes for commercial and residential construction, road construction, mining and extraction, and other maintenance functions. Key driver for the construction equipment businesses is general economic activity. CNH also provides **financial services** in support of its core activities.

Exhibit 62: CNH revenue by business unit



Source: Company data.

Exhibit 63: CNH revenue by geography



Source: Company data.

CNH enjoys a strong brand heritage and recognition across the globe but its revenues are predominantly generated in Europe (23%) and North America (39%) with Latin America representing 19% and RoW 19% of 2010 sales. The group owns six brands: four of which are international: New Holland Agriculture, Case IH Agriculture, New Holland Construction and Case Construction; and two which are regional: Steyr for agricultural equipment and Kobelco for construction equipment.

Exhibit 64 compares CNH with key competitors Caterpillar, Deere, Komatsu, and AGCO. CNH has a broad geographical revenue base, and generates a greater proportion of its sales in South America and other emerging markets than for example Deere.

The company with the closest mix in terms of product offering is Deere, which produces a similar mix of agricultural and construction equipment on a revenue basis. Komatsu competes with CNH in construction equipment, although it is more focused on Asian markets, and has a greater proportion of heavy equipment in its product mix. AGCO is a main competitor to CNH's agricultural equipment business, but is absent from construction. Caterpillar's product range is generally much heavier than CNH's and also encompasses mining equipment, and is therefore less likely to be viewed as a direct competitor to CNH.

On profitability, CNH's operating margin lags behind its larger peers. Across the group, the 2010 EBIT margin was 6.1%. At the divisional level this can be broken into an 8.2% margin in the agricultural equipment business, which compares favourably with AGCO's 4.9% but well below Deere's 14%. In contrast, the construction equipment business generated an operating loss in 2010.

Exhibit 64: CNH peer group analysis
CNH peer regional and business unit splits, 2010

	Industrial Sales	Sales by Region				Sales by Segment			EBIT Margin		
		North America	EMEA	South America	RoW	AG	CE	Other Industrial	AG	CE	Industrial
CAT	27,503	36%	24%	15%	25%		34%	66%		7.2%	9.5%
DE	16,263	64%	22%	10%	4%	84%	16%		14.0%	3.2%	12.0%
Komatsu	15,386	11%	16%	13%	60%		88%	12%		13.5%	12.2%
CNH	9,985	39%	23%	19%	19%	80%	20%		8.2%		6.1%
AGCO	4,758	22%	49%	25%	4%	100%			4.9%		4.9%

*CNH Construction Equipment EBIT for 2010 was negative

Source: Company data, Goldman Sachs Research estimates.

Strategy

Five-year strategic plan: The core strategic drivers in CNH's five-year plan include: (1) a strengthening of the product portfolio through the launch of new models across product segments; (2) expansion in high growth markets (i.e. Russia and neighbouring countries, India and China); and (3) streamlining the organisational structure for the Construction Equipment business. In addition, CNH plans to continue to focus on achievement of efficiencies in production and purchasing as well as further overhead reduction.

New product launches in pipeline: In Agricultural Equipment, the plan period sees CNH launching ten new tractor models, expanding its combine range, and refreshing its grape harvesters and cotton, sugar cane and coffee harvesters. In construction equipment, four new light segment and four new heavy segment products will be launched, in addition to numerous upgrades of the existing model line-up. For both divisions, CNH will commit significant resources to ensure compliance with the Tier 4 emissions standards that come into effect over the next six years.

Exhibit 65: CNH Agricultural Equipment product plan

Tractors		2010	2011	2012	2013	2014
4WD		New model	New model			Repowering
220+ hp		New model	New model	Upgrade	Upgrade	Repowering
100-220 hp		Upgrade/Repowering	Upgrade	Upgrade	Upgrade	Repowering
55-115 hp		New model	New model	New model	New model	
15-55 hp		New model			New model	
New models	10					
Upgrades	6					
Repowering	4					

Harvesting		2010	2011	2012	2013	2014
Combine Class 7,8,9		New model	Upgrade/Repowering	Upgrade	Upgrade	New model
Combine Class 4,5,6		Upgrade	New model	New model	New model	Upgrade
Combine Headers		New model	New model	New model		Upgrade
Forage Harvester			Repowering			Upgrade/Repowering
Grape Harvester		Upgrade		Upgrade	Upgrade	
New models	8					
Upgrades	10					
Repowering	3					

Source: Company data.

Exhibit 66: CNH Construction Equipment product plan

Light		2010	2011	2012	2013	2014
Tractor Loader Backhoe		New model/Upgrade	Upgrade/Repowering			Repowering
Skid Steer Loader				New model/Upgrade	Repowering	Repowering
Crawler Excavator		Repowering	Repowering	Repowering		Repowering
Wheel Excavator		Repowering	New model	Repowering		Repowering
New models	4					
Upgrade	2					
Repowering	12					

Heavy		2010	2011	2012	2013	2014
Wheel Loader		Repowering	New model/Repowering	Repowering		Repowering
Dozer		New model	New Model	Repowering		Repowering
Grader		Repowering		Repowering		Repowering
Compactor		New model		Repowering		Repowering
New models	4					
Repowering	11					

Source: Company data.

Restructuring of construction equipment business: In a programme which began in 2009, CNH set itself the objective of saving $87 mn of costs annually. In the first year CNH cut salaried & contract headcount by 24%, and created a single organization for brand management within the unit. This yielded a $32 mn of annualised cost savings in 2009. In the second phase which began in 2010, the company targets a further $55 mn of annual cost reduction to be achieved over 2010/11.

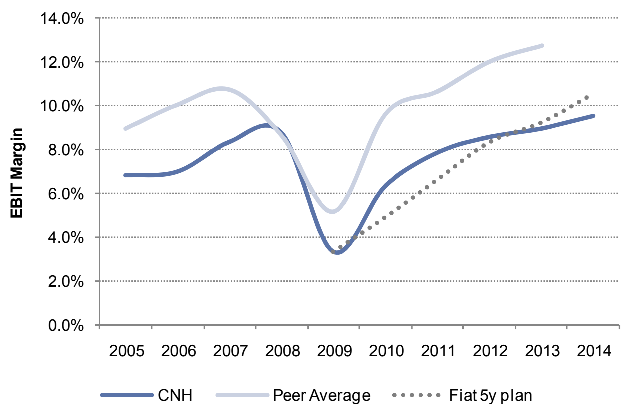
Cost reduction via modularisation: Over the five-year plan period CNH will employ modular design systems across its brands, and it will reduce the number of cab models it produces by 55% over the plan period. It will increase the standardisation of powertrains across its products. It also plans to rationalise its supplier base. Further cost reductions are planned via rationalizing purchasing arrangements. As part of a group BCC (Best Cost Country) sourcing plan, CNH aims to increase the sourcing from BCC from $0.4 bn (9%) to $1 bn (15%). CNH also plans to continue to roll out the group's World Class

Manufacturing system further driving production efficiency gains. In addition, CNH plans to insource key components and maximise the utilisation of FPT Industrial powertrain solutions.

Financials

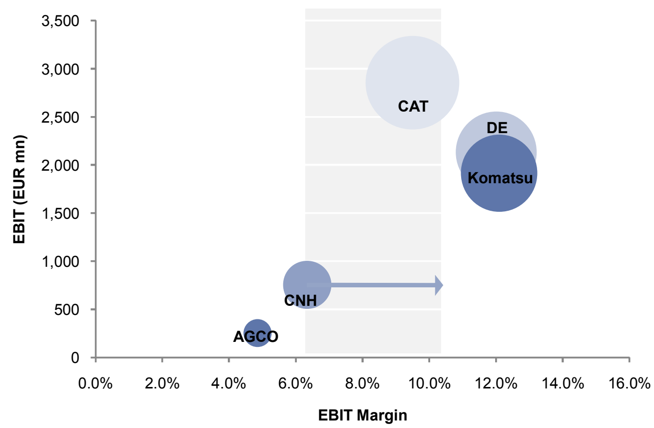
We believe the collapse in construction equipment sales end markets during the global economic and financial crisis caused CNH to underperform agricultural peers in 2009 as these companies are less exposed to the construction sector. Going forward, the more muted recovery of the construction end market continues to suppress the margin recovery at CNH, in our view. CNH's five-year plan sees revenues growing steadily from €11.9 bn achieved in 2010 to €15.3 bn in 2014. Exhibit 67 shows that on margins, Fiat Industrial believes that CNH can achieve new peak margins in 2013, and become a 10% operating margin business by 2014.

Exhibit 67: CNH margin gap vs. peer average



Source: Company data, Goldman Sachs Research estimates.

Exhibit 68: CNH peer margin analysis



Source: Company data, Goldman Sachs Research estimates.

We forecast CNH revenues to increase from €11.9 bn in 2010 to €15.6 bn in 2014 and trading profit/margin to increase to €1,489 mn/9.5% in 2014 from €755 mn/6.3% in 2010. The peer average operating margin expands over the same period to reach 12.7% in 2013, supported by strong margin expansion at, for example, Komatsu and Caterpillar.

Exhibit 69: CNH 5-year plan vs. GS forecasts
€ bn

	CNH financial targets					GS estimates				
CNH	**2010E**	**2011E**	**2012E**	**2013E**	**2014E**	**2010**	**2011E**	**2012E**	**2013E**	**2014E**
Revenue	11.3	12.2	13.1	14.2	15.3	11.9	12.8	14.0	14.8	15.6
% growth yoy	13.0%	8.0%	7.4%	8.4%	7.7%	17.8%	7.3%	9.5%	5.7%	5.4%
Trading profit	0.55	0.81	1.09	1.31	1.61	0.76	1.01	1.20	1.33	1.49
Margin	4.9%	6.6%	8.3%	9.2%	10.5%	6.3%	7.9%	8.6%	9.0%	9.5%

Source: Company data, Goldman Sachs Research estimates.

CNH expects steady growth in agricultural equipment over the plan period. In the short term, the outlook for agricultural commodity prices is mixed, with wheat and corn facing short-term pricing pressures. In the longer term, the segment will see support from structural growth in biofuels as corn usage in bioethanol production continues to increase, and further structural support from increased mechanization across increasingly commercialized farms. As such the USDA forecasts farm incomes to rise to 2014. Our US colleague Jerry Revich who covers CNH forecasts agricultural revenues to continue to increase on average 7.9% pa to US$15.6 bn in 2014 from US$13.0 bn in 2010. He sees agricultural equipment trading profit/margin improving to US$1.6 bn/10.5% in 2014 from US$0.94 bn/8.2% in 2010.

In construction equipment, CNH expects a slow recovery in key North American and European markets. At the moment, Latin America provides the bulk of current revenues. This is partly due to strong historical growth in Latin America (revenue CAGR of 24% between 2006 and 2010), and depressed current revenue levels in the US and Europe: in the US, 2010 revenues were 37% of their 2005 peak, and Europe revenues were 39% of their 2006 peak. CNH's developed market revenue contraction has reflected the downturn in construction activity since 2007-8. By end-2010, construction activity had fallen 30% from the peak in the US and 14% from the peak in Western Europe. Jerry Revich forecasts construction equipment growing on average 12.9% pa to US$4.8 bn in 2014 from US$2.9 bn in 2010, and he forecasts trading profit/margin improving to US$165 mn/3.5% in 2014 from a loss of US$34 mn in 2010.

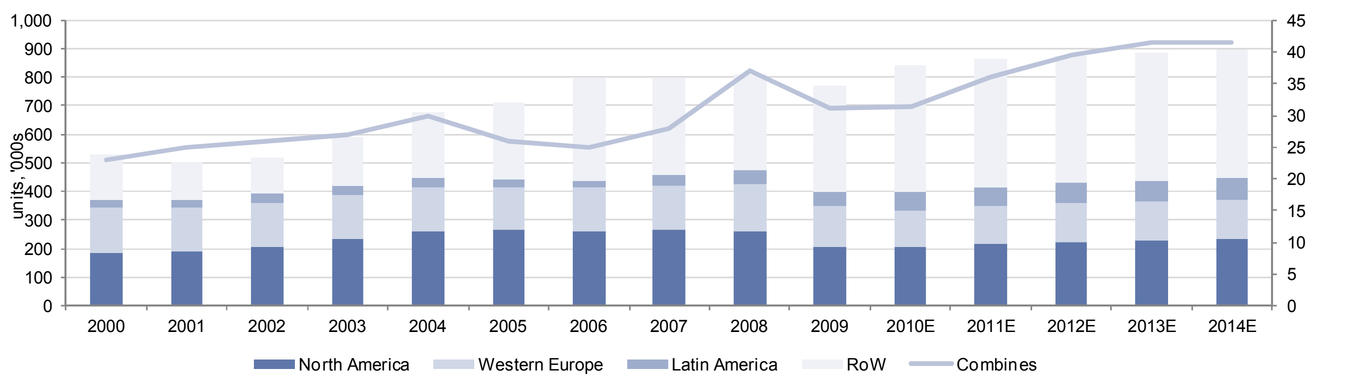
We believe that construction output has bottomed and that improving market conditions will drive revenue growth and a pronounced improvement in capacity utilization. Leading indicators now point to a steady recovery in the US and Europe (see *Construction: A long grind, but with material upside potential*, April 21, 2011). In the US, we tentatively expect a recovery in housing starts to lead the recovery. New home inventories are now falling (Exhibit 79). In Europe, our leading indicator of construction activity shown in Exhibit 81 (based on 11 data series from the five largest European economies) points to a return to growth during 2011.

CNH Agricultural Equipment

The Agricultural Equipment and Construction Equipment divisions of CNH are each affected by distinct external drivers of revenue. The agricultural equipment market is driven primarily by farm income in the relevant markets. This is in turn highly dependent upon agricultural commodity prices, which are an important determinant of farmers' capital spending power.

Market outlook: CNH expects global demand for agricultural equipment to be flat to up 5% vs. 2010 (tractors: flat to up 5%, and combines: up 15%-10%).

Exhibit 70: Tractor sales by region and global combine sales



Source: John Deere Fact Book, Goldman Sachs Research estimates.

Numerous demand drivers in global agricultural equipment: The core markets for CNH's Agricultural Equipment division consist of cash grain farmers, livestock farmers, and contractors who provide services to these farmers.

The demand for agricultural equipment is driven primarily by farm income. This is in turn highly dependent upon agricultural commodity demand, commodity prices, volume of acreage planted, and crop yields. Farmers can afford to increase their capital expenditure when their incomes rise, and their incomes are closely linked to the prices at which their crops can be sold. Government policies and subsidies may also influence the markets by affecting commodity prices and acreage planted. Furthermore demand is subject to considerable seasonal variations, for example, peak Northern Hemisphere tractor demand is in late spring. However, commodity prices are an important factor and a useful barometer of expected investment in agricultural machinery (Exhibit 73).

Short-term price outlook mixed: The agricultural commodities that exert the most influence over US farm income are wheat, soybeans and corn (corn is the most important). The current outlook from our Commodities analysts is that wheat and corn face short-term pricing pressures (see Commodities Research: *Agriculture Update: Lowering price forecasts but still expect soybean outperformance*, July 1, 2011). Their wheat, soybean and corn price forecasts are shown in Exhibit 75.

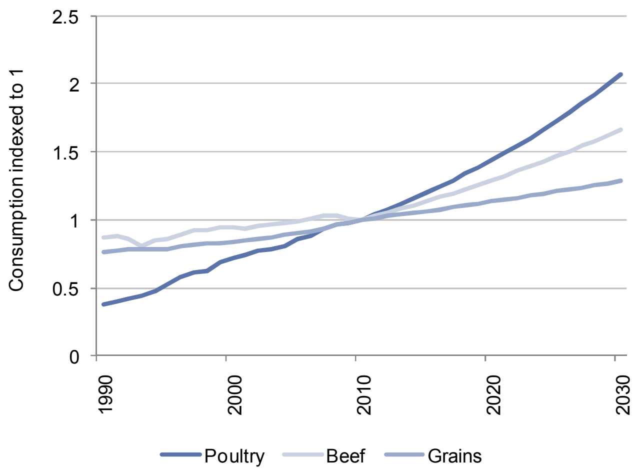
Structural growth in biofuels supportive: The most important driver of crop demand in recent years has been corn usage in bioethanol production. Usage of crops such as corn as biofuel increased eight-fold from 1999 to 2009. With renewable fuel mandates moving higher we believe energy usage will provide a continued tailwind to fuel crop prices. We do not see a significant impact on demand as a result of the end of the ethanol tax credit in the US. Long-term structural population growth and income growth will support a rise in food demand, providing an additional tailwind (Exhibit 72).

Structural trends towards increased mechanisation: The forecast increases in crop demand are accompanied by structural changes in the role machinery plays in agriculture. Farms will need to increase productivity to meet rising demand; in many cases, increasing mechanization will be a necessary part of this process. In addition, the movement towards farm consolidation which is observed in many rapidly growing economies creates an increasing number of large commercial farms which in turn increases demand for more complicated agricultural machinery to manage production.

Farm income forecasts supportive: Ultimately farm income determines the available funds for investment in agricultural equipment. The outlook to 2014 as forecast by the USDA (Exhibit 74) shows income increasing from the 2010 level of $79 bn to $80 bn in 2014, against a 10-year historical average of $65 bn .

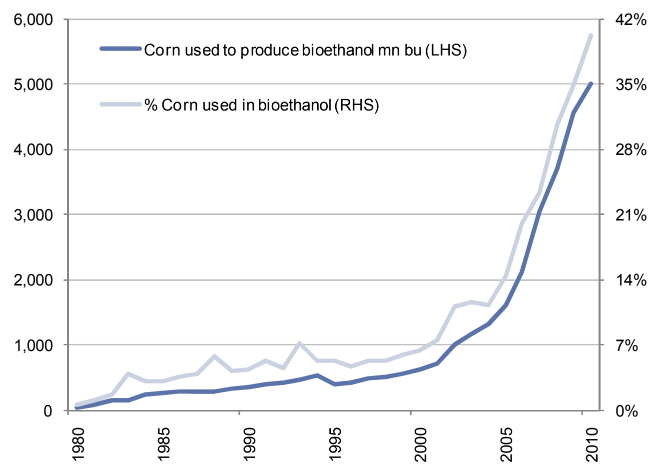
Agricultural equipment demand cycle impact mixed: In the US, we see the tailwind from crop prices being partially offset by the equipment demand cycle which is near a 20-year cyclical peak, and acreage constraints which could limit equipment investment (see *Machinery share of GDP rising above mid-cycle: Compression risk in ag equipment*, May 25, 2011). In Europe, the demand cycle should provide a more favourable effect as the market emerges from a period of underinvestment. On a global level, the growth outlook for tractors (Exhibit 76) and agricultural equipment in general looks positive.

Exhibit 71: Indexed historical and forecast consumption



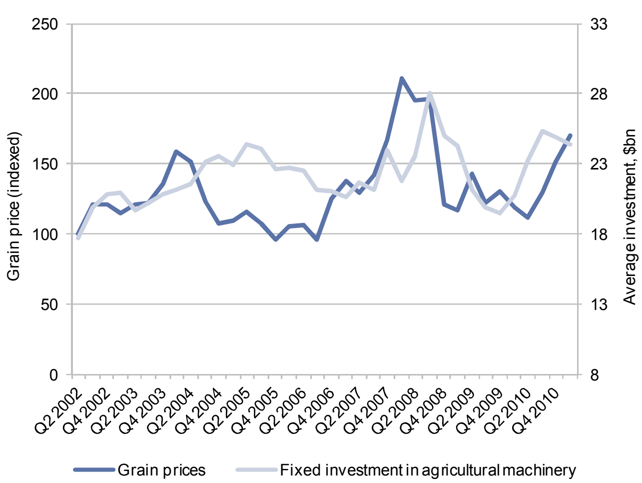
Source: Goldman Sachs Research estimates

Exhibit 72: Corn usage in bioethanol production



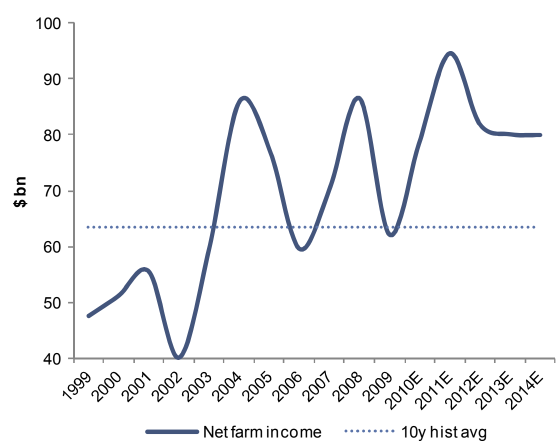
Source: USDA, Goldman Sachs Research

Exhibit 73: Indexed grain prices and private fixed investment in agricultural machinery



Source: Datastream

Exhibit 74: US net farm income



Source: United States Department of Agriculture

Exhibit 75: Agricultural commodity prices and forecasts

			2009				2010	2011			Forecasts
		3Q	4Q	1Q	2Q	3Q	4Q	1Q	3m	6m	12m
CBOT Wheat	cent/bu	485	522	496	467	653	707	786	590	600	620
CBOT Soybean	cent/bu	1,049	1,002	955	957	1,035	1,245	1,379	1,300	1,375	1,375
CBOT Corn	cent/bu	327	386	370	355	422	562	670	590	575	570

Forecasts as published 01/7/2011

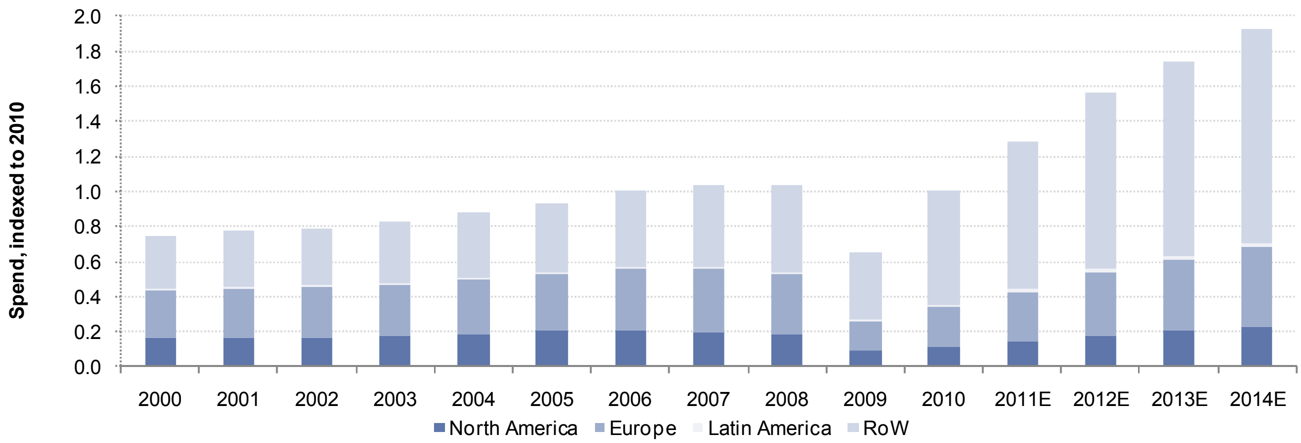
Source: Goldman Sachs Global ECS Research.

CNH Construction Equipment

The construction equipment market is driven by expected levels of infrastructure construction and repair activity, which is in turn dependent on expected government spending and economic growth. Light construction equipment is used more heavily in residential building, and heavy construction equipment is used in non-residential and infrastructure projects.

Market outlook: our forecasts for global construction equipment indicate that the overall market will grow on average 18% pa between 2010 and 2014, with North America and Europe averaging 19% growth and Latin America 8%.

Exhibit 76: Construction equipment spend by market



Source: Company data, Goldman Sachs Research estimates.

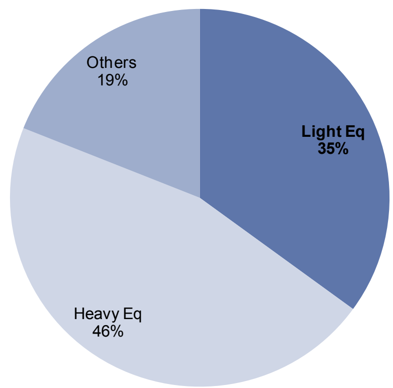
Different usages of heavy and light equipment: The core markets for CNH's Construction Equipment division are the 'heavy' market, which the company defines as larger loaders, excavators, graders etc. over 12 metric tons, and light equipment including skid-steer loaders, backhoe loaders and smaller excavators under 12 tons (Exhibit 77). Heavy equipment tends to be used in large-scale developments and infrastructure projects and demand is linked to GDP growth. In contrast light equipment is used in smaller projects by contractors and residential builders, and demand is correlated with commercial and residential construction activity levels.

Strength in LatAm offsetting US and Europe weakness: The revenue split for the division in 2010 (Exhibit 78) is 36% Latin America, 27% North America, and 17% Western Europe. In spite of Latin America providing the bulk of current revenues, this is in large part due to very depressed revenue levels in the US and Europe. In the US, 2010 revenues are 37% of their 2005 peak, and Europe revenues are 39% of their 2006 peak. As established markets contracted, the division's Latin America revenues were growing strongly, achieving a revenue CAGR of 24% between 2006 and 2010.

Global construction output has bottomed: The primary macroeconomic driver of revenues in CNH's construction division is construction activity in its core markets. CNH's developed market revenue contraction has reflected the downturn in construction since 2007-8. By end-2010, construction activity had fallen 30% from the peak in the US and 14% from the peak in Western Europe. Our Construction team believes that global construction output has now bottomed, and that leading indicators now point to a steady recovery in the US and Europe (see Construction: *A long grind, but with material upside potential*, April 21, 2011).

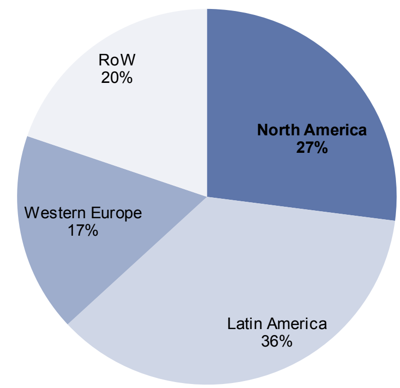
Bullish signals in the US and Europe: In the US, a decline in housing starts marked the beginning of the downturn, and this measure has remained at a low level. We expect a recovery in housing starts to lead the recovery, and while the timing of any improvement remains uncertain, one positive sign is that new home inventories are now falling (Exhibit 79). In Europe, our leading indicator of construction activity (Exhibit 81, based on 11 data series from the five largest European economies) points to a return to growth during 2011.

Exhibit 77: CNH Construction Equipment revenue by type



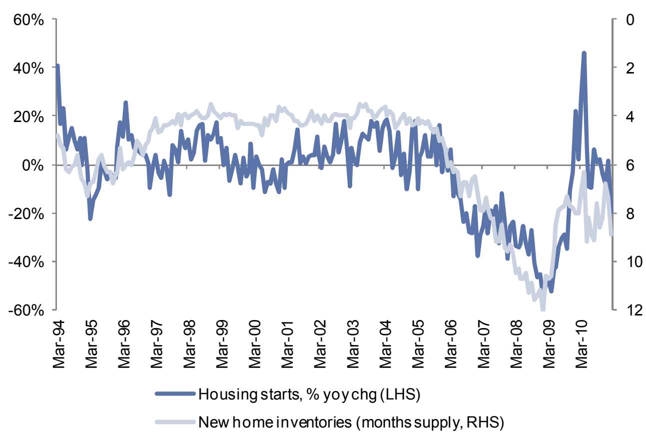
Source: Company data.

Exhibit 78: CNH Construction Equipment revenue by region



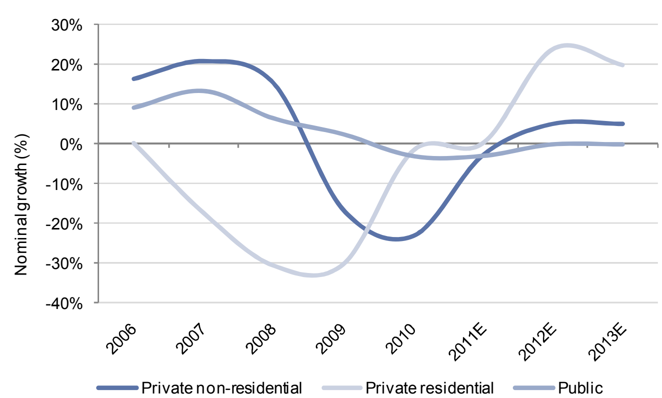
Source: Company data.

Exhibit 79: US housing starts and new home inventories



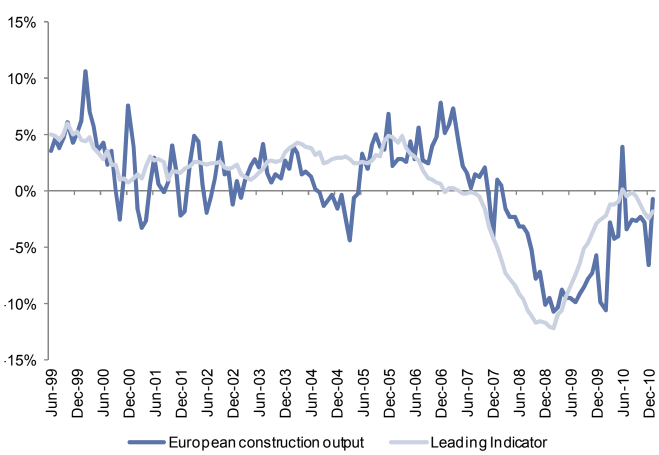
Source: Goldman Sachs Research estimates.

Exhibit 80: Goldman Sachs US construction forecasts



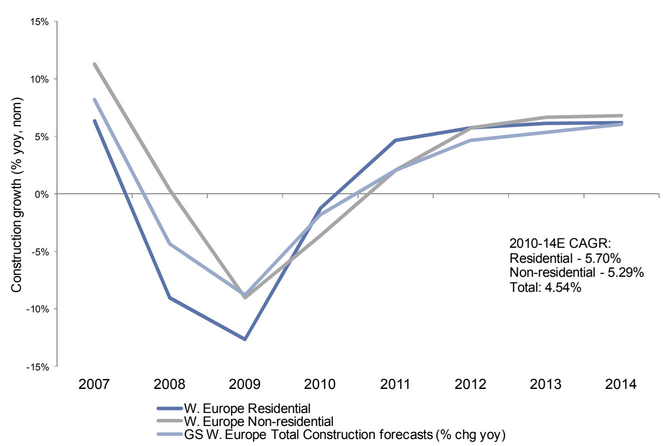
Source: Goldman Sachs Research estimates.

Exhibit 81: European construction growth vs. GS leading indicator



Source: Goldman Sachs Research estimates.

Exhibit 82: Goldman Sachs Western Europe construction forecasts



Source: Goldman Sachs Research estimates.

Light construction equipment market recovering earlier: We expect light construction to begin recovering faster relative to heavy in Europe and the US. Our Construction team's forecasts for the US market (Exhibit 80) show a recovery in residential construction in 2011 being accompanied by a milder recovery in non-residential construction. In Europe (Exhibit 81), our analysts are forecasting residential construction growth of 4.6% in 2011, accompanied by growth in the non-residential sector lagging by c.12 months.

Construction business running at low capacity utilisation: Depressed activity in the construction sector in the US and Europe has resulted in CNH's construction business running considerably below its peak capacity since the economic downturn. However, leading indicators are now indicating a return to growth, which should provide support for the company's revenues in its core markets. In 2011 we are forecasting CNH's year-on-year revenue growth in both the US (23%) and in Europe (29%) to outstrip growth in Latin America (17%) for the first time since 2002. We are forecasting that CNH's operating leverage will convert this revenue growth into a marked upturn in earnings.

Joint ventures: Exposure to growth markets

Fiat Industrial has an international footprint

Fiat Industrial has a broad international footprint, characterized by CNH's strength in the US and Europe, and Iveco's strong presence in Europe. In addition, Fiat Industrial has a number of international joint ventures, predominantly in emerging markets. In 2010, the combined impact of income from joint ventures and other investments was €64 mn. However, there is scope for these investments to contribute a multiple of this amount within the next few years in our view as a result of the growth profile of the markets in which they operate.

Exhibit 83: Fiat Industrial investment income
€ mn

	2009	2010	2011E	2012E	2013E	2014E
Result from investments, €mn	-50	64	100	175	200	225

Source: Goldman Sachs Research estimates.

The main equity-accounted ventures, listed by location, are as follows:

China

Iveco has three separate commercial vehicle joint ventures with SAIC in China. SAIC is a government-owned producer of cars, commercial vehicles and components, which itself has a number of established automotive joint ventures with GM and Volkswagen. SAIC and Iveco jointly own:

- Naveco. The company produces the 'Daily' and 'Yuejin' light and medium trucks, the former of which is the leader in its segment. Iveco holds a 50% stake.
- SIH (SAIC-Iveco Hongyan). The company produces the 'Genlyon' heavy trucks. Iveco holds a 33.5% stake.
- SFH (SAIC-IVECO FPT Hongyan). The company produces engines largely for use by the aforementioned ventures. Products include the Cursor, NEF, and F1C. Fiat group owns 60% of the company.

Turkey

CNH has a 37.5% stake in Turk Traktor, a well-established joint venture with Koc Group which produces tractors in Ankara, Turkey.

Russia

CNH has a 50% stake in a relatively new joint venture with Kamaz, the largest producer of heavy duty trucks in Russia. CNH Kamaz was formed following agreement in 2009, and began producing tractors and combines in May 2010. The company is currently working on bringing production of construction equipment on-line.

Japan

CNH has a 50% stake in New Holland HFT, a joint venture with Shibamoto in Sapporo Japan, which distributes tractors.

Pakistan

CNH has a 43% stake in Al Ghazi, a producer of tractors in Dera Ghazi Khan, Pakistan.

In addition to the above, CNH has a broad strategic alliance with Kobelco Construction Machinery, a Japanese manufacturer of construction equipment specializing in hydraulic excavators. The companies partner to distribute construction equipment in Europe and the US. The companies brand products as New Holland Construction or Kobelco brands depending on the end market. CNH owns 20% of Kobelco Construction Machinery, and the companies have formed a number of joint ventures in Europe and the US.

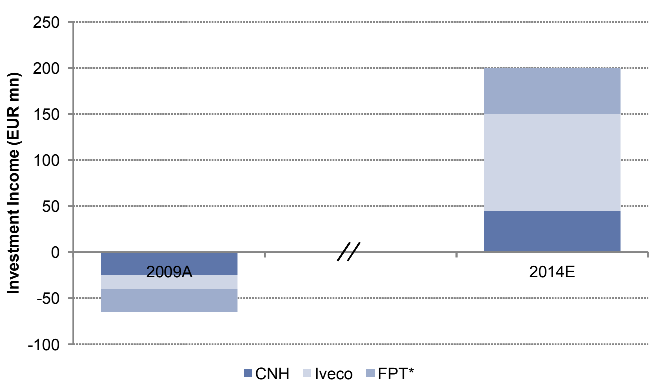
Management seeks to grow investment income

Fiat Industrial provides limited detail on the individual profitability of its joint ventures, and the operations outlined above are all accounted in the group's financial statements via the equity method. However, in its five-year plan, Fiat outlined a set of targets for investment income in 2014.

In 2009 at the plan's inception, investment income was negative in all three units: CNH (-€25 mn), Iveco (-€25 mn), and FPT (-€25 mn). Management laid out its intention to grow investment income from a loss of €65 mn in 2009 to €200 mn in 2014.

Although the plan does not lay out the path by year, the results it has achieved to date are consistent with meeting the target. Fiat Industrial reported a net result from investments of €64 mn in 2010, and started 2011 positively reporting €26 mn in 1Q. We are forecasting €100 mn for 2011and believe that management can exceed its own targets based on performance data and on our above-consensus emerging market growth forecasts. As such we believe that investment income will reach the plan level of €200 mn pa early in 2013.

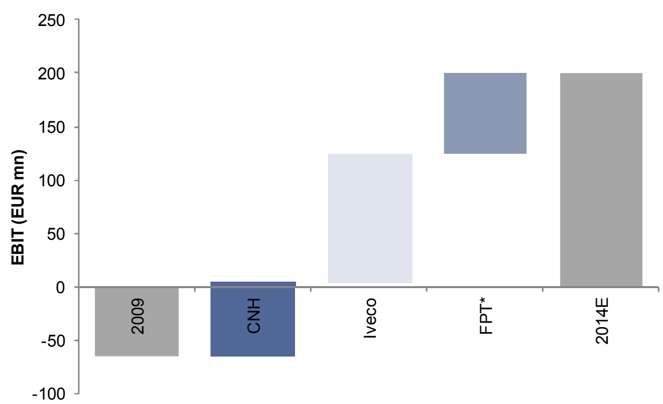
Exhibit 84: Five-year plan investment income



*FPT Includes Auto and Marine businesses

Source: Company data.

Exhibit 85: Five-year plan investment income



*FPT Includes Auto and Marine businesses

Source: Company data.

GS SUSTAIN: FI underperforming global peers on CROCI

The GS SUSTAIN framework seeks to deliver long-term outperformance by identifying the companies in each sector best positioned to sustain leading returns on capital. Accelerating demand growth in many markets, growing resource constraints and intensifying competition are combining to drive a growing wedge between the level and duration of profitability for leaders and laggards in each sector. In contrast, increasingly short term focused equity markets remain inefficient at differentiating those leaders from laggards. As a result, correctly identifying the companies that can sustain industry leading cash returns has proven a consistently rewarding investment strategy. Assessing Fiat Industrial within our global capital goods GS SUSTAIN framework highlights that Fiat Industrial's CROCI (cash return on cash invested) is not only underperforming its global peers but is also low relative to its industry positioning. In contrast to recent and frequent news paper speculation regarding a potential disposal of Iveco or CNH, we believe a combination with another global player could have an attractive industrial logic.

GS SUSTAIN analytical roadmap

The GS SUSTAIN framework is designed to identify the companies in each global industry that are best positioned to sustain competitive advantage and superior returns on capital over the long term (3-5 years and beyond) relative to sector peers. The framework integrates analysis of companies' management quality with respect to environmental, social and governance (ESG) issues, industry positioning and return on capital, using objective, quantifiable and transparent measures of performance on each dimension. Overall leaders must stand out across all three of these dimensions.

Within our GS SUSTAIN analysis, we have found that sustained industry-leading returns are key to outperformance over the longer run (see *The die has been cast: A new age of accelerating consumption, constraints and competition,* April 19, 2011). High cash returns in the forecast years are a prerequisite, but companies' ability to deploy cash flow into attractive high-return investments and maintain strong competitive positions in their markets is key to ensuring that these superior returns can be maintained. As such, the GS SUSTAIN framework is designed to identify the companies in each global industry that are best positioned to sustain competitive advantage and superior returns on capital over the long term (3-5 years and beyond) relative to sector peers.

Our capital goods industry roadmap captures the key themes facing the industry and provides the basis for our industry analysis, company earnings forecasts and ratings. The framework evaluates companies on three attributes: management quality, industry positioning, and return on capital (Exhibit 86:) using objective, quantifiable and transparent measures of performance.

We measure management quality using an ESG score measuring the degree to which companies have engaged with and are managing the environmental, social and governance issues within their industry. Although Fiat SpA has a high ESG score, lack of disclosure and its short history as an independent company make it difficult as of now to calculate an ESG score for Fiat Industrial.

We measure return on capital using CROCI. In our view, this provides a more consistent measure of profitability across accounting regimes in different countries than other conventional returns measures such as ROIC or ROE – this is particularly important for global comparisons used in GS SUSTAIN. CROCI compares the cash flow that companies generate for all providers of capital with the total capital invested in the business.

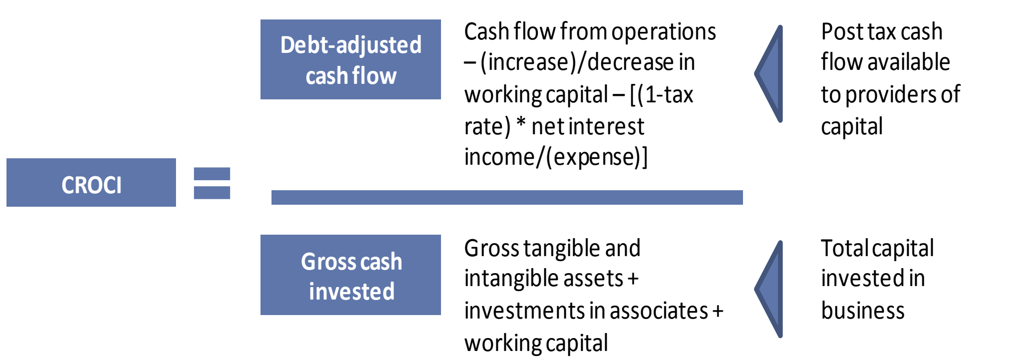
Exhibit 86: GS SUSTAIN capital goods framework

Themes	**Significant infrastructure investment requirements**	**Rise of emerging market competition**	**Human capital shortages**	**Media proliferation and technology disruption**	**Resource constraints**
	Emerging market capital investment is growing at twice the developed economy rate	BRICs-based companies are increasingly competing outside their domestic markets in many industrial markets	Declining numbers of science and engineering graduates in developed economies	Accelerating technological change requires more rapid reinvestment in industrial capacity	Growing shortages in resources is driving increased capital investment in the energy and mining sectors

Drivers of corporate performance	**Management quality**	**Industry positioning**			**Return on capital**	**GS SUSTAIN**
Capital goods	**ESG** Environmental, social and governance issues	Exposure to growth	Industry structure	Business model	**CROCI** Cash return on cash invested	
		Avg. rate of GDP growth in regions to which exposed and avg. rate of forecasted end-market growth (both weighted by sales mix, to 2020E)	Customer concentration score and market position score	% of revenues from aftermarket/service (2010)		

Source: Goldman Sachs Research.

Exhibit 87: Cash Return on Cash Invested (CROCI)



Source: Goldman Sachs Research.

Industry positioning drives economic returns

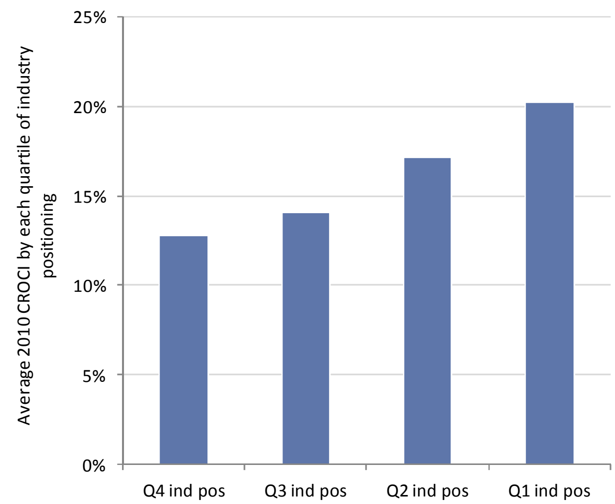
Within our GS SUSTAIN analysis, we have found that sustained industry-leading returns are key to outperformance over the longer run (see *The die has been cast: A new age of accelerating consumption, constraints and competition,* April 19, 2011). High cash returns in the forecast years are a prerequisite, but companies' ability to deploy cash flow into attractive high-return investments and maintain strong competitive positions in their markets is key to ensuring that these superior returns can be maintained. In the analysis of 23 sectors globally, the GS SUSTAIN team has found a strong positive relationship between our industry positioning measures and cash returns.

Exhibit 88: There is a broad correlation between industry positioning and returns …

CROCI quartile	Number of companies in each quartile			
1st	33	39	59	115
2nd	37	56	79	69
3rd	56	66	63	44
4th	121	72	39	13
Industry Positioning quartile	4th	3rd	2nd	1st

Source: Goldman Sachs Research.

Exhibit 89: … and companies with higher industry positioning tend to generate higher returns



Source: Goldman Sachs Research.

Three criteria to measure industry positioning

We evaluate industry positioning on criteria chosen for their applicability to the capital goods sector. Although Fiat Industrial assets are well positioned in their respective end markets, our analysis of industry positioning of Fiat Industrial vs. direct peers covered by GS analysts globally suggests that Fiat Industrial screens as poorly positioned. This analysis incorporates an assessment of key drivers of industry positioning: (1) exposure to growth (geographic and end markets); (2) industry structure (customer concentration and market positioning vs. competition); and (3) Business model (share of aftermarket/service revenues).

Exhibit 90: Industry positioning: measures of strategic positioning for Capital Goods

Measure		Rationale	Calculation
Exposure to growth	Weighted average demand growth in regions and product end-markets markets to which exposed (to 2020E)	We measure capital goods companies' exposure to growth both geographically and by end market. Companies with higher exposure to emerging markets are advantaged by higher growth in fixed capital investment, and we also expect differing growth rates across multiple end markets	- Average rate of GDP growth in regions to which exposed to 2020E (weighted by geographic sales mix) - Average rate of forecast end-market growth (weighted by product sales mix) (to 2020E)
Industry structure	Customer concentration and market position vs. competition	Companies facing a less concentrated customer base, all else equal, face lower pricing pressure and should be able to derive higher returns Companies with market leading positions (in terms of market share and technology leadership) benefit from scale advantages vs. competitors	- Customer concentration score (3 is high/dispersed, 1 is low/concentrated) - Market position score (3 is high/strong position, 1 is low/weak position)
Business model	Exposure to revenues from aftermarket and services	Aftermarket and service revenues provide sustainability of cash flow in their own right, in addition to acting as a proxy for a company's ability to manage its customer relationships on a total cost of ownership basis	- % of revenues from aftermarket/service (2010)

Source: Goldman Sachs Research.

Exhibit 91: Fiat Industrial screens as 72nd percentile on industry positioning vs. global peers

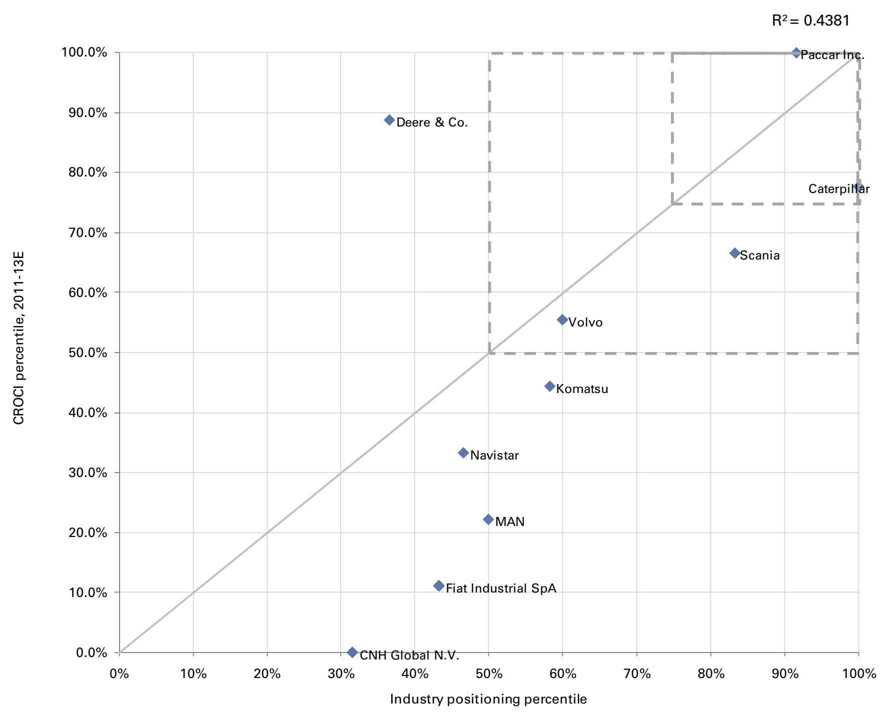
	Industry positioning										
	Exposure to growth				Industry Structure				Business model		Overall Industry Positioning
	Geographic		End market		Customer concentration		Market position vs. competition		Aftermarket/Service		
Company	weighted average regional growth rate (2010-20E CAGR)	Percentile	weighted average end-market growth rate (2010-20E CAGR)	Percentile	Customer concentration score (3 is high/dispersed, 1 is low/concentated)	Percentile	Market position score (3 is high/strong position, 1 is low/weak position)	Percentile	% of revenues from aftermarket/service (2010)	Percentile	Percentile
Caterpillar	5%	78%	5%	78%	2.50	70%	2.90	90%	35%	77%	**100%**
CNH Global N.V.	5%	72%	2%	2%	2.80	83%	1.75	0%	15%	35%	**32%**
Deere & Co.	3%	17%	2%	3%	2.80	83%	2.75	72%	18%	43%	**37%**
Fiat Industrial SpA	6%	83%	4%	23%	2.85	90%	2.40	42%	20%	47%	**72%**
Komatsu	7%	87%	4%	48%	1.80	18%	2.60	60%	20%	47%	**57%**
MAN	5%	67%	5%	70%	3.00	95%	2.50	48%	15%	35%	**83%**
Navistar	5%	60%	4%	33%	2.60	80%	2.20	22%	14%	33%	**45%**
Paccar Inc.	4%	42%	5%	70%	3.00	95%	2.65	70%	24%	63%	**90%**
Scania	5%	63%	5%	70%	2.99	93%	2.75	72%	20%	47%	**92%**
Volvo	5%	80%	4%	50%	2.86	92%	2.50	48%	17%	40%	**82%**

Source: Goldman Sachs Research estimates.

Industry positioning drives cash returns long-term

Exhibit 92 shows the CROCI (average 2011-13) and industry positioning score (percentile) for the global capital goods peer group. The plot highlights that Fiat Industrial's CROCI is not only underperforming global peers but is also poor relative to its industry positioning.

Exhibit 92: CROCI percentile vs. industry positioning percentile



Source: Company data, Goldman Sachs Research estimates.

Cash returns the product of profitability and asset productivity

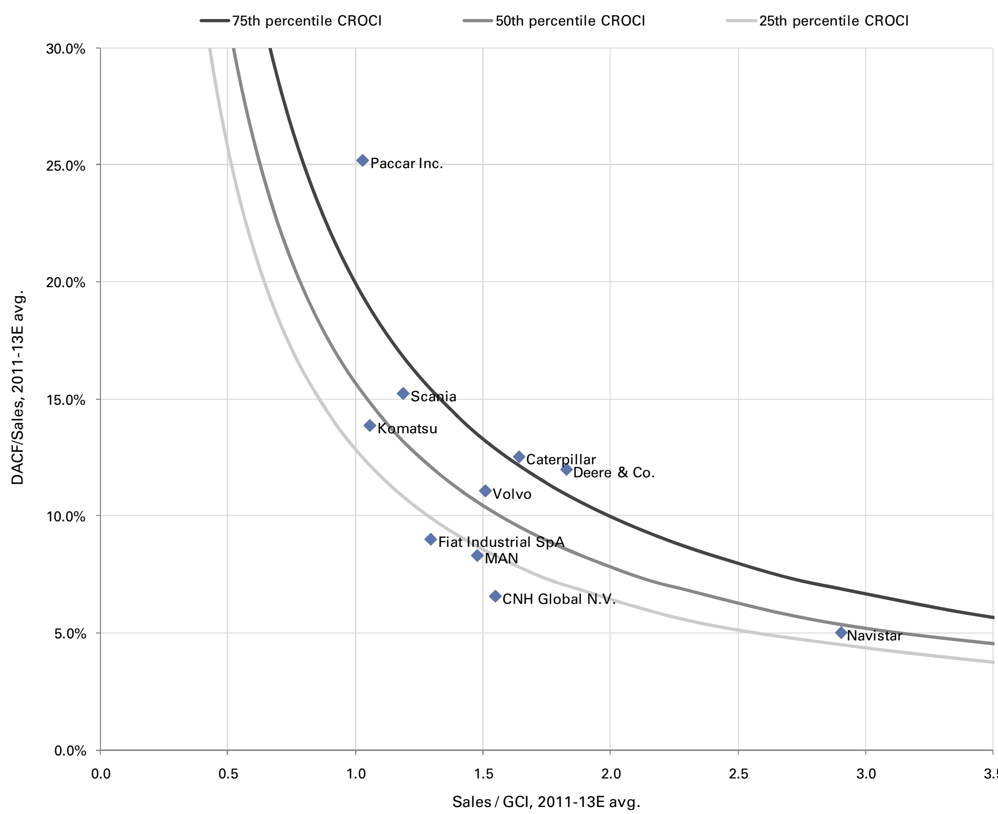
CROCI has two key drivers: margins (DACF – debt adjusted cash flow – margins) and asset turn (revenues/GCI – gross cash invested). Exhibit 93 illustrates that while based on 2011-13E average DACF margins, Fiat Industrial will continue to underperform its peers, the more important driver of Fiat Industrial's poor comparative CROCI positioning is its comparatively low asset turn. Although we forecast capacity utilisation of the group to improve over the 2011-13 period, there is still significant capacity left to accommodate further revenue growth. Alternatively this could offer potential synergies in the event of group or divisional level corporate activity.

Exhibit 93: CROCI progression over time

Company	CROCI														CROCI, 2008-10	CROCI, 2011-13E
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E		
Capital Goods																
Caterpillar	9%	10%	8%	8%	11%	14%	17%	18%	19%	8%	17%	21%	21%	20%	15%	21%
CNH Global N.V.	-1%	1%	2%	4%	5%	8%	7%	7%	10%	4%	12%	10%	11%	10%	9%	10%
Deere & Co.	6%	0%	12%	14%	27%	18%	17%	24%	25%	15%	18%	18%	23%	25%	19%	22%
Fiat Industrial SpA											10%	9%	11%	13%	10%	11%
Komatsu	-1%	8%	1%	3%	7%	11%	11%	16%	16%	9%	11%	14%	16%	17%	12%	16%
MAN	10%	6%	-5%	9%	18%	20%	17%	34%	16%	2%	7%	11%	13%	13%	8%	12%
Navistar	18%	8%	-10%	1%	14%	20%	23%	12%	31%	25%	15%	16%	12%	16%	23%	15%
Paccar Inc.	21%	11%	22%	26%	35%	33%	53%	41%	31%	9%	12%	22%	27%	28%	18%	26%
Scania	13%	7%	8%	11%	11%	10%	14%	21%	18%	6%	18%	18%	18%	18%	14%	18%
Volvo	8%	6%	10%	11%	17%	17%	18%	16%	12%	0%	13%	16%	17%	17%	9%	17%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 94: DACF margin vs. asset turnover (2011-13 avg.)



Source: Company data, Goldman Sachs Research estimates.

Exhibit 95: CROCI: Global peers and European coverage

Company	CROCI													
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E	2013E
Capital Goods														
Caterpillar	9%	10%	8%	8%	11%	14%	17%	18%	19%	8%	17%	21%	21%	20%
CNH Global N.V.	-1%	1%	2%	4%	5%	8%	7%	7%	10%	4%	12%	10%	11%	10%
Deere & Co.	6%	0%	12%	14%	27%	18%	17%	24%	25%	15%	18%	18%	23%	25%
Fiat Industrial SpA											10%	9%	11%	13%
Komatsu	-1%	8%	1%	3%	7%	11%	11%	16%	16%	9%	11%	14%	16%	17%
MAN	10%	6%	-5%	9%	18%	20%	17%	34%	16%	2%	7%	11%	13%	13%
Navistar	18%	8%	-10%	1%	14%	20%	23%	12%	31%	25%	15%	16%	12%	16%
Paccar Inc.	21%	11%	22%	26%	35%	33%	53%	41%	31%	9%	12%	22%	27%	28%
Scania	13%	7%	8%	11%	11%	10%	14%	21%	18%	6%	18%	18%	18%	18%
Volvo	8%	6%	10%	11%	17%	17%	18%	16%	12%	0%	13%	16%	17%	17%
European Coverage														
BMW		19%	17%	16%	14%	13%	12%	12%	5%	6%	16%	14%	15%	14%
Daimler	21%	13%	16%	12%	7%	10%	10%	12%	6%	2%	14%	13%	14%	14%
Peugeot														
Renault	22%	28%	35%	41%	42%	30%	30%	29%	22%	-2%	3%	0%	1%	1%
Porsche			12%	10%	13%	9%	8%	9%	6%	3%	6%	6%	7%	7%
VW	9%	13%	12%	9%	9%	9%	8%	12%	10%	6%	10%	9%	9%	9%
Autoliv	13%	10%	11%	13%	13%	12%	14%	11%	10%	6%	16%	14%	16%	16%
Continental	10%	8%	14%	13%	16%	16%	15%	11%	8%	9%	11%	12%	12%	13%
Elringklinger		12%	14%	14%	16%	15%	17%	20%	10%	13%	17%	14%	16%	17%
Faurecia	6%	6%	6%	7%	11%	8%	5%	6%	4%	3%	10%	11%	15%	17%
GKN	13%	8%	8%	9%	5%	7%	2%	8%	6%	3%	9%	8%	11%	13%
Leoni			12%	9%	11%	12%	14%	13%	8%	0%	13%	12%	14%	14%
Michelin	8%	7%	6%	7%	7%	8%	7%	8%	6%	6%	8%	7%	8%	8%
Nokian	10%	15%	15%	17%	20%	13%	16%	23%	15%	10%	22%	23%	24%	26%
Pirelli					4%	4%	1%	6%	5%	1%	8%	8%	9%	9%
Valeo	10%	8%	9%	10%	11%	10%	8%	8%	7%	5%	11%	10%	11%	12%
Fiat Industrial SpA											10%	9%	11%	13%
MAN	10%	6%	-5%	9%	18%	20%	17%	34%	16%	2%	7%	11%	13%	13%
Scania	13%	7%	8%	11%	11%	10%	14%	21%	18%	6%	18%	18%	18%	18%
Volvo	8%	6%	10%	11%	17%	17%	18%	16%	12%	0%	13%	16%	17%	17%

Source: Company data, Goldman Sachs Research estimates.

Fiat Industrial could benefit from participation in industry consolidation

Assessing Fiat Industrial within our global capital goods GS SUSTAIN framework highlights that Fiat Industrial's CROCI is not only underperforming its global peers but is also low relative to its industry positioning. In addition to lower operating margins, we identify a comparatively low asset turn as a key driver of Fiat Industrial's lower CROCI. This suggests that Fiat Industrial could benefit from participation in industry consolidation once the company has narrowed the operational and financial gap to global peers. In contrast to recent and frequent news paper speculation, we do not believe that Fiat Industrial would contemplate the disposal of either Iveco or CNH separately but a combination with another global player could have an attractive industrial logic: creation of global, dominant capital goods group generating economies of scale in powertrain applications by pooling volume across the agricultural, construction and commercial vehicle end markets.

Valuation: Our 12 month target price implies 67% upside

We initiate coverage of Fiat Industrial with a Buy recommendation and a 12-month price target of €13.80. Our price target is based on our ROIC valuation framework assuming EV/EC equals ROIC/WACC (at 8%) on our 2012/13 return forecast. Exhibit 96 shows our detailed valuation methodology. The sensitivity of our target share price to ROIC and net debt (cash) in this calculation is summarised in Exhibit 97.

Exhibit 96: Target price of €13.8 based on our ROIC valuation framework

	2009	2010	2011E	2012E	2013E	2014E	12m
TOTAL INVESTED CAPITAL	10,370	9,820	10,636	11,454	12,181	12,905	11,817
AVERAGE INVESTED CAPITAL	**10,370**	**10,095**	**10,228**	**11,045**	**11,817**	**12,543**	**11,431**
NOPLAT							
Company-defined EBIT	-19	1,017	1,600	2,250	2,800	3,100	2,525
reported EBIT margin (%)	*-0.1%*	*4.8%*	*6.7%*	*8.4%*	*9.6%*	*10.1%*	*9.0%*
- operating exceptionals	341	75	0	0	0	0	0
- net capitalized R&D	-150	-234	-182	-179	-203	-219	-191
Underlying EBIT	**172**	**858**	**1,418**	**2,071**	**2,597**	**2,881**	**2,334**
Implied margin (%)	1.0%	4.0%	5.9%	7.7%	8.9%	9.4%	8.4%
Tax charge	-64	-317	-525	-746	-935	-1,037	-840
Tax rate (%)	**37.0%**	**37.0%**	**37.0%**	**36.0%**	**36.0%**	**36.0%**	**36.0%**
Other 1	18	32	50	88	100	113	94
NOPLAT	**126**	**573**	**943**	**1,413**	**1,762**	**1,956**	**1,588**
ROIC (%)	**1.2%**	**5.7%**	**9.2%**	**12.8%**	**14.9%**	**15.6%**	**13.9%**
NOPLAT Margin	0.7%	2.7%	3.9%	5.3%	6.1%	6.4%	5.7%
Asset Turns (x)	1.7x	2.1x	2.3x	2.4x	2.5x	2.4x	2.4x
ROIC (%)	**1.2%**	**5.7%**	**9.2%**	**12.8%**	**14.9%**	**15.6%**	**13.9%**
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
ROIC - WACC (spread)	-6.8%	-2.3%	1.2%	4.8%	6.9%	7.6%	5.9%
Economic Profit	**-703**	**-235**	**125**	**529**	**817**	**953**	**673**
Theoretical EV (EV/IC = ROIC/WACC)	**1,580**	**7,157**	**11,792**	**17,663**	**22,027**	**24,450**	**19,845**
Theoretical EV	**1,580**	**7,157**	**11,792**	**17,663**	**22,027**	**24,450**	**19,845**
+ Net debt / (cash)	1,315	1,900	1,905	1,467	638	-356	1,052
+ Minority interests (market value / or book value)	718	757	817	882	957	1,037	920
+ Net pension deficit (post deferred tax)	1,905	2,017	2,017	2,017	2,017	2,017	2,017
Economic net debt / (cash)	**3,938**	**4,674**	**4,739**	**4,366**	**3,612**	**2,698**	**3,989**
Implied equity value	-2,359	2,483	7,053	13,297	18,416	21,753	15,856
Number of shares - weighted avg (reported)	1,149	1,149	1,149	1,149	1,149	1,149	1,149
Adjustment to sh count to respective class	1	1	1	1	1	1	1
Adjusted no. of shares	1,149	1,149	1,149	1,149	1,149	1,149	1,149
Implied equity value per share	**-2**	**2.2**	**6.1**	**11.6**	**16.0**	**18.9**	**13.8**
Average/current share price		*8.3*	*8.3*	*8.3*	*8.3*	*8.3*	*8.3*

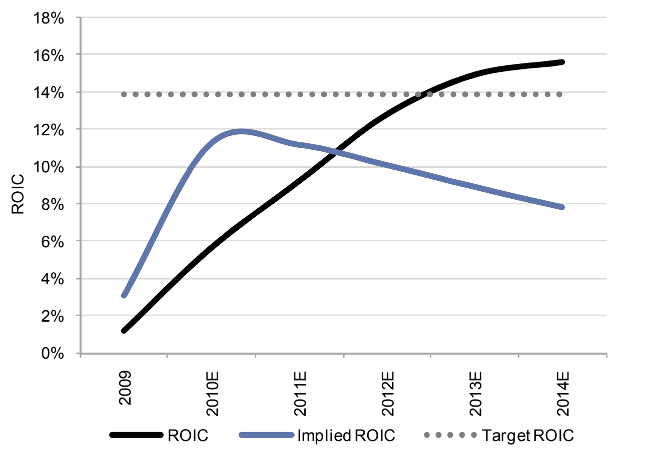
Source: Company data, Goldman Sachs Research estimates.

Exhibit 97: ROIC sensitivity analysis

ROIC (%)	2%	4%	6%	8%	9%	12%	14%	16%	18%	20%
Net Debt(€mn)										
1,600	-1.5	1.0	3.5	6.0	7.8	11.0	13.3	16.0	18.4	20.9
1,400	-1.3	1.2	3.7	6.2	8.0	11.1	13.5	16.1	18.6	21.1
1,200	-1.1	1.4	3.9	6.3	8.1	11.3	13.7	16.3	18.8	21.3
1,052	-1.0	1.5	4.0	6.5	**8.3**	11.5	**13.8**	16.4	18.9	21.4
800	-0.8	1.7	4.2	6.7	8.5	11.7	14.0	16.6	19.1	21.6
600	-0.6	1.9	4.4	6.9	8.6	11.8	14.2	16.8	19.3	21.8
400	-0.4	2.1	4.6	7.0	8.8	12.0	14.4	17.0	19.5	22.0
200	-0.2	2.2	4.7	7.2	9.0	12.2	14.5	17.2	19.7	22.1

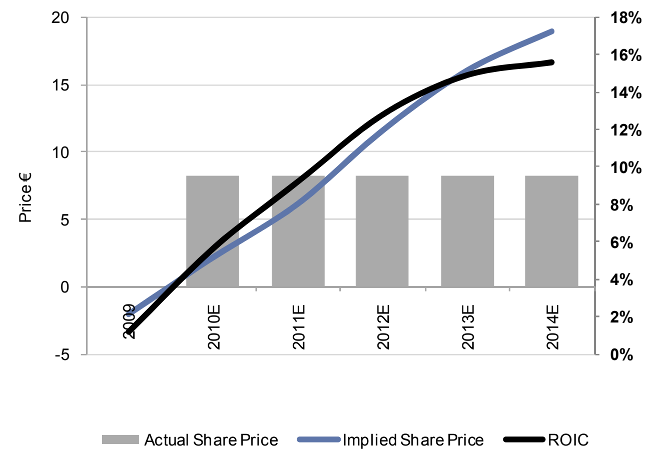
Source: Company data, Goldman Sachs Research estimates.

Exhibit 98: Fiat Industrial ROIC and implied ROIC



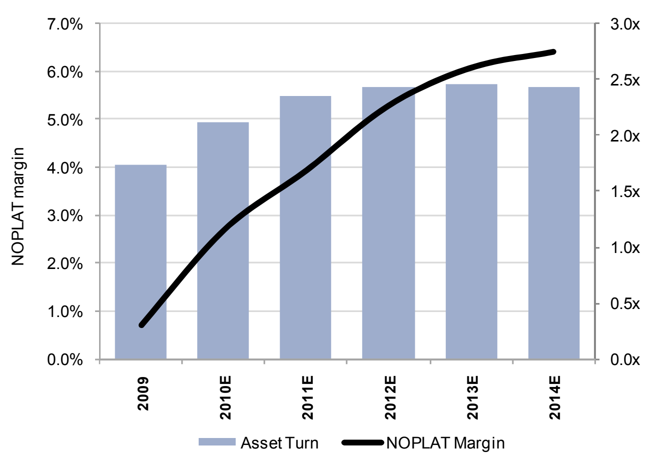
Source: Company data, Goldman Sachs Research estimates.

Exhibit 99: Fiat Industrial share price and ROIC-implied share price



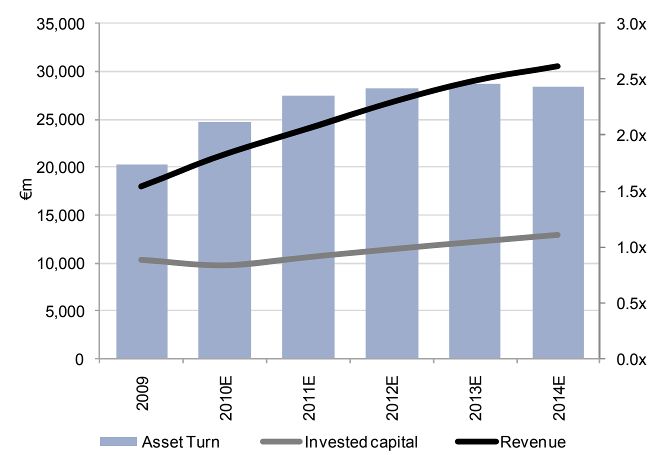
Source: Company data, Goldman Sachs Research estimates.

Exhibit 100: Fiat Industrial returns decomposition



Source: Company data, Goldman Sachs Research estimates.

Exhibit 101: Fiat Industrial invested capital and revenue



Source: Company data, Goldman Sachs Research estimates.

Exhibit 102: Fiat Industrial EV calculation

EV Calculation €mn	2010	2011E	2012E	2013E	2014E
Market cap	9484	9484	9484	9484	9484
Net Debt (excl. Pensions)	1900	1905	1467	638	-356
Pension liability	2017	2017	2017	2017	2017
Minorities	757	817	882	957	1037
Stakes	-549	-857	-1500	-1714	-1929
Total EV	**13,610**	**13,366**	**12,351**	**11,382**	**10,254**

Source: Company data, Goldman Sachs Research estimates.

Exhibit 103: Fiat Industrial key multiples

Fiat Industrial Valuation multiples	2010	2011E	2012E	2013E	2014E
EV/Sales (Avg)	64%	56%	46%	39%	34%
EV/EBITDA (Avg)	7.7x	5.9x	4.1x	3.2x	2.6x
EV/EBIT (Avg)	12.5x	8.4x	5.5x	4.1x	3.3x
EV/IC (Avg)	1.3x	1.3x	1.1x	1.0x	0.8x
EPS Multiple	29.9x	13.7x	8.2x	6.3x	5.6x
Dividend yield	0.5%	1.5%	2.3%	2.9%	3.6%
Price/Book Value	2.4x	2.0x	1.7x	1.3x	1.1x
FCF pre div yield	22%	1%	6%	12%	14%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 104: Capital goods peers valuation sheet

Company	Headline EV/Sales 2010	2011E	2012E	2013E	Core EV/Sales 2010	2011E	2012E	2013E	Headline EV/EBITDA 2010	2011E	2012E	2013E
European OEMS												
Paccar	155%	99%	75%	63%	155%	99%	75%	63%	17.2	8.5	5.7	4.7
Navistar	41%	33%	28%	23%	41%	33%	28%	23%	7.2	4.7	3.7	3.0
Fiat Indstl	**70%**	**61%**	**52%**	**44%**	**68%**	**58%**	**47%**	**38%**	**8.5**	**6.8**	**5.0**	**3.9**
MAN	101%	88%	74%	65%	101%	88%	74%	65%	8.5	6.4	6.2	5.3
Scania	139%	118%	98%	84%	139%	118%	98%	84%	6.7	5.8	4.9	4.3
Volvo	90%	74%	60%	51%	90%	74%	60%	51%	7.4	5.3	4.2	3.7
AGCO	66%	51%	43%	38%	66%	51%	43%	38%	8.4	5.7	4.6	3.9
CNH Global	64%	57%	51%	52%	64%	57%	51%	52%	6.2	5.0	4.3	4.3
Caterpillar	151%	108%	94%	81%	151%	108%	94%	81%	9.9	6.1	5.1	4.4
Deere	147%	119%	108%	98%	147%	119%	108%	98%	9.0	7.0	6.1	5.4

Company	Core EV/EBITDA 2010	2011E	2012E	2013E	Headline EV/EBIT 2010	2011E	2012E	2013E	P/E (GS forecasts) 2010	2011E	2012E	2013E
European OEMS												
Paccar	17.2	8.5	5.7	4.7	22.2	9.7	6.3	5.1	36.9	17.6	12.4	10.9
Navistar	7.2	4.7	3.7	3.0	12.5	6.7	5.0	3.9	17.9	9.0	7.7	6.8
Fiat Indstl	**8.2**	**6.5**	**4.5**	**3.3**	**13.7**	**9.5**	**6.7**	**5.1**	**22.5**	**14.0**	**8.9**	**7.0**
MAN	8.5	6.4	6.2	5.3	11.6	8.1	8.0	6.5	17.9	11.3	11.3	9.5
Scania	6.7	5.8	4.9	4.3	8.5	7.3	6.0	5.1	12.3	11.2	9.5	8.5
Volvo	7.4	5.3	4.2	3.7	13.1	8.2	6.0	5.1	19.2	11.8	8.7	7.7
AGCO	8.4	5.7	4.6	3.9	11.8	7.2	5.6	4.7	20.4	11.7	9.8	8.9
CNH Global	6.2	5.0	4.3	4.3	7.7	5.9	5.0	5.0	18.4	15.2	12.3	10.9
Caterpillar	9.9	6.1	5.1	4.4	13.0	7.4	6.1	5.1	23.3	13.1	10.8	9.7
Deere	9.0	7.0	6.1	5.4	10.4	7.9	6.8	6.0	17.5	13.0	11.0	9.5

Company	EBIT margin 2010	2011E	2012E	2013E	EBITDA margin 2010	2011E	2012E	2013E	Net profit margin 2010	2011E	2012E	2013E
European OEMS												
Paccar	2%	7%	10%	12%	5%	9%	12%	13%	1%	5%	7%	8%
Navistar	3%	3%	5%	6%	6%	6%	7%	8%	2%	2%	3%	4%
Fiat Indstl	**2%**	**5%**	**6%**	**8%**	**5%**	**8%**	**9%**	**10%**	**-1%**	**2%**	**3%**	**4%**
MAN	2%	9%	11%	9%	9%	12%	14%	12%	-2%	5%	7%	6%
Scania	4%	16%	16%	16%	10%	21%	20%	20%	2%	12%	11%	12%
Volvo	-8%	7%	9%	10%	-1%	12%	14%	14%	-7%	4%	6%	7%
AGCO	4%	6%	7%	8%	6%	8%	9%	9%	2%	3%	5%	5%
CNH Global	5%	8%	10%	10%	7%	10%	12%	12%	-1%	3%	4%	4%
Caterpillar	5%	12%	15%	15%	10%	15%	18%	18%	5%	6%	9%	9%
Deere	10%	14%	15%	16%	12%	16%	17%	18%	6%	8%	9%	9%

Company	P/B 2010	2011E	2012E	2013E	Dividend yield 2010	2011E	2012E	2013E	Price/Sales 2010	2011E	2012E	2013E
European OEMS												
Paccar	3.1	2.7	2.2	1.9	1.5%	1.0%	1.2%	1.3%	179%	122%	100%	92%
Navistar	-4.2	-9.3	30.8	5.1	0.0%	0.0%	0.0%	0.0%	33%	29%	26%	24%
Fiat Indstl	**2.8**	**2.4**	**1.9**	**1.5**	**0.5%**	**0.7%**	**0.7%**	**0.7%**	**48%**	**43%**	**38%**	**35%**
MAN	2.3	2.0	1.8	1.6	2.1%	2.1%	2.9%	3.4%	95%	82%	72%	66%
Scania	3.7	3.1	2.6	2.2	3.6%	4.3%	4.6%	5.4%	142%	127%	110%	100%
Volvo	2.9	2.4	2.0	1.7	2.4%	3.4%	4.4%	4.9%	79%	68%	58%	52%
AGCO	1.7	1.4	1.2	1.1	0.0%	0.0%	0.0%	0.0%	66%	52%	46%	44%
CNH Global	1.2	1.1	1.0	1.0	0.0%	0.0%	0.0%	0.0%	63%	55%	49%	47%
Caterpillar	5.6	3.9	3.0	2.4	1.8%	1.8%	1.8%	1.8%	143%	110%	99%	92%
Deere	5.5	4.5	4.1	3.6	1.4%	1.6%	1.8%	2.0%	147%	120%	109%	102%

Source: Datastream.

Exhibit 105: Fiat Industrial down 8.7% ytd vs. SXNP down 0.7% and EuroSTOXX down 2.4%

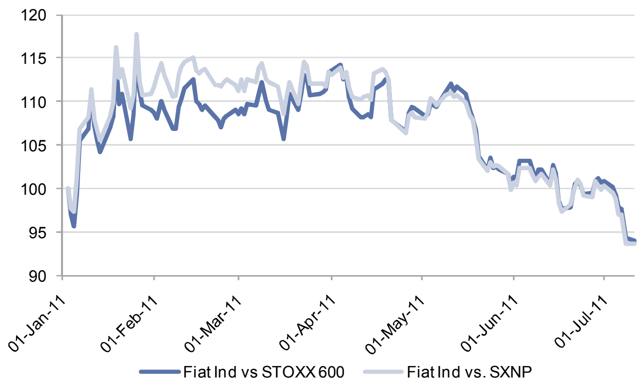
Rank	1 week	Change %	1 month	Change %	3 month	Change %	YTD	Change %	12 month	Change %
1	Caterpillar, Inc.	-0.4%	Caterpillar, Inc.	11.7%	Paccar Inc.	-0.5%	Caterpillar, Inc.	15.5%	Caterpillar, Inc.	67.1%
2	Deere & Co.	-1.2%	Cummins, Inc.	11.6%	Caterpillar, Inc.	-0.8%	Deere & Co.	0.5%	Cummins, Inc.	44.9%
3	Komatsu	-2.8%	Paccar Inc.	10.2%	Volvo	-1.6%	Komatsu	0.1%	CNH Global N.V.	44.6%
4	Paccar Inc.	-3.1%	Komatsu	8.1%	Scania	-2.1%	MAN SE	-5.4%	Deere & Co.	43.9%
5	Volvo	-3.4%	Volvo	4.3%	Cummins, Inc.	-3.5%	Cummins, Inc.	-5.8%	Komatsu	42.5%
6	Cummins, Inc.	-3.5%	Deere & Co.	2.1%	MAN SE	-6.5%	Navistar International Corp.	-5.9%	Paccar Inc.	20.6%
7	Scania	-4.2%	Scania	1.5%	Komatsu	-11.1%	Scania	-8.2%	Volvo	18.2%
8	Navistar International Corp.	-6.6%	Navistar International Corp.	-0.1%	Deere & Co.	-12.1%	Fiat Industrial SPA	-8.7%	MAN SE	16.2%
9	CNH Global N.V.	-7.6%	CNH Global N.V.	-3.4%	Fiat Industrial SPA	-16.5%	Volvo	-9.4%	Scania	13.3%
10	Fiat Industrial SPA	-8.1%	Fiat Industrial SPA	-7.4%	Navistar International Corp.	-18.7%	Paccar Inc.	-12.0%	Navistar International Corp.	9.9%
11	MAN SE	-9.8%	MAN SE	-11.1%	CNH Global N.V.	-20.8%	CNH Global N.V.	-23.0%		
EURO STOXX INDS GDS & SVS E		**-3.9%**		**-0.4%**		**-3.7%**		**-0.7%**		**18.9%**
EURO STOXX AUTO & PARTS E		**-3.6%**		**8.2%**		**9.6%**		**7.2%**		**44.1%**
EURO STOXX		**-5.0%**		**-0.9%**		**-7.4%**		**-2.4%**		**4.9%**

Source: Company data, Goldman Sachs Research estimates.

Risks to our view

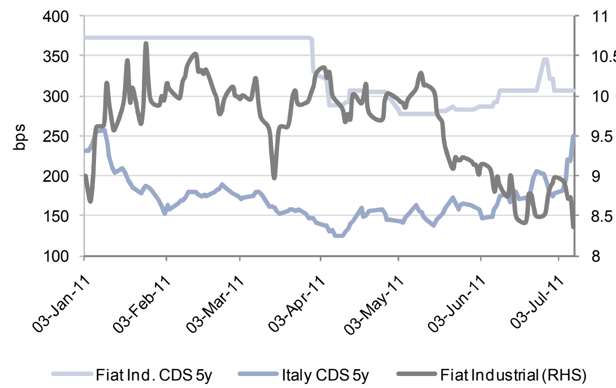
Contagion effect from sovereign crisis: Our Portfolio Strategists note that tentative signs of increased assistance to Greece and beyond are encouraging. With the banks in Europe inextricably linked to sovereign spreads, the currently perceived contagion risks are resulting in raised spreads in Spain and, even more so in Italy (Exhibit 106). Fiat Industrial's domicile and the perception of significant sales exposure to Italy and Spain could be a significant negative in the context of the ongoing European sovereign debt crisis with potential contagion risk to Italy and Spain.

Exhibit 106: Relative share price shows recent declines
Fiat Industrial relative price performance



Source: Datastream.

Exhibit 107: Widening CDS spreads and falling share price
Fiat Ind. share price vs. Italy and Fiat Ind. 5y CDS



Source: Datastream.

In mitigation, should this remain a more significant and lasting issue for Fiat Industrial Sergio Marchionne has indicated that he might contemplate moving the corporate domicile to the US with a listing on the New York stock exchange. This would make Fiat Industrial not only more comparable with global peers, but also create a possible route to eliminating minority interests in CNH by offering to convert their holdings into shares of Fiat Industrial.

Global economic slowdown: Fiat Industrial's end markets are economically sensitive. While farmers' net income and commodity prices are key drivers for agricultural markets, economic growth is the main influence on global construction equipment and commercial vehicle markets. After some downward revisions to our global economic forecasts during 2Q, we now expect global GDP growth of 4.3% in 2011, 4.7% in 2012.

Our Economists use a proprietary global leading indicator (GLI) index to analyse economic activity momentum. The June reading of the GLI paints a weaker picture for the current state of the global industrial cycle, with momentum now running at negative levels and the headline rate still falling. This pattern likely reflects at least in part the lagged impact of headwinds from higher oil prices and the Japan earthquake in February/March of this year.

While there are tentative signs that these factors should reverse in the months ahead, including an improvement in the latest batch of US survey data, it is too early to determine whether the slowdown is temporary or whether underlying growth in the US and globally is weaker than our Economists originally thought. We will be watching the GLI closely for signs of moderation or reversal in the months ahead.

Execution risk: Although Fiat Industrial's divisional business have been part of Fiat SpA, the market is still getting acquainted with the standalone business. Given the comparatively short trading history, execution is crucial to share price performance. Therefore, should Fiat Industrial fail to execute on its five-year plan and achieve its ambitious financial targets, this is likely to have a negative impact on shareholder sentiment and share price performance. At a recent visit to Turin, Fiat Industrial Chairman Sergio Marchionne confirmed not only 2011 guidance for Fiat Industrial but also the entire 'five-year plan'. He also stated that an important part of his role is to oversee the successful implantation of the five-year plan and targets.

Leadership risk: Financial markets and investors like accountability. To that extent, Fiat Industrial's current leadership configuration with an Executive Chairman, three divisional CEOs and a group treasurer could be perceived as difficult given the high profile and time-consuming role of Sergio Marchionne as CEO of Fiat/Chrysler. We believe that the lack of a group CEO and CFO could become a negative for Fiat Industrial's share price performance. However Fiat Industrial Executive Chairman Sergio Marchionne has indicated that he is aware of this issue. We therefore believe that there could be a structural change with Iveco CEO Alfredo Altavilla growing into the Fiat Industrial CEO role in the medium term.

Potential threat from emerging market competition: Given that emerging markets, particularly China account for significant share of the global market in volume terms in both commercial vehicles and construction equipment, there is potential risk of the domestic players in these markets entering Fiat Industrial's core markets. However, with the tight emissions regulations in North America and Europe powertrain technology is a key barrier of entry in our view not easily overcome by emerging market competitors.

Leverage: A key lesson from the recent global debt and credit crisis is that financial markets tend to avoid leverage in periods of great uncertainty. To that extent, Fiat Industrial's leveraged balance sheet could negatively impact its share price performance should the market risk premium increase significantly. Fiat Industrial reported net debt of €1.9bn in 2010 with net debt/EBITDA of 1.1x. The group aims to qualify for investment grade at the end of 2012 with the target to be debt free at the end of 2013.

Exhibit 108: Leverage risk
€ mn

	2009	2010	2011E	2012E	2013E	2014E
Net debt	1,315	1,900	1,905	1,467	638	-356
EBITDA	959	1,757	2,259	2,976	3,584	3,935
Net debt/EBITDA	1.4x	1.1x	0.8x	0.5x	0.2x	-0.1x

Source: Company data, Goldman Sachs Research estimates.

Financials

Exhibit 109: Revenues and EBIT by division
€ mn, year to end December

Fiat Industrial (€ mn)	2009	2010	2011E	2012E	2013E	2014E
Revenues						
Agricultural and Construction Equipment (CNH)	10,107	11,906	12,780	14,000	14,800	15,600
Trucks and Commercial Vehicles (Iveco)	7,183	8,307	9,700	10,900	12,000	12,600
FPT Powertrain Technologies	1,580	2,415	3,000	3,500	4,000	4,200
Other Businesses and Eliminations	-902	-1,286	-1,448	-1,614	-1,750	-1,841
Group	**17,968**	**21,342**	**24,032**	**26,786**	**29,050**	**30,559**
Trading Profit						
Agricultural and Construction Equipment (CNH)	337	755	1,005	1,201	1,327	1,489
Trucks and Commercial Vehicles (Iveco)	113	270	513	847	1,121	1,158
FPT Powertrain Technologies	-131	65	80	200	350	450
Other Businesses and Eliminations	3	2	2	2	2	2
Group	**322**	**1,092**	**1,600**	**2,250**	**2,800**	**3,100**
Trading Margin (%)						
Agricultural and Construction Equipment (CNH)	3.3%	6.3%	7.9%	8.6%	9.0%	9.5%
Trucks and Commercial Vehicles (Iveco)	1.6%	3.3%	5.3%	7.8%	9.3%	9.2%
FPT Powertrain Technologies	-8.3%	2.7%	2.7%	5.7%	8.8%	10.7%
Other Businesses and Eliminations	-0.3%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%
Group	**1.8%**	**5.1%**	**6.7%**	**8.4%**	**9.6%**	**10.1%**

Source: Company data, Goldman Sachs Research estimates.

Exhibit 110: Summary income statement
€ mn, year to end December

Summary Income Statement (€mn)	2009	2010	2011E	2012E	2013E	2014E
Revenues	17,968	21,342	24,032	26,786	29,050	30,559
Cost of sales	-15,549	-17,979	-19,781	-21,571	-23,043	-24,069
Gross Profit	**2,419**	**3,363**	**4,251**	**5,215**	**6,007**	**6,490**
Sales and administrative costs	-1,636	-1,793	-2,019	-2,250	-2,440	-2,567
Research and development costs	-388	-418	-563	-651	-697	-728
Other operating income and expenses	-73	-60	-69	-63	-69	-95
Trading Profit	**322**	**1,092**	**1,600**	**2,250**	**2,800**	**3,100**
Exceptional items	-341	-75	0	0	0	0
Operating Profit	**-19**	**1,017**	**1,600**	**2,250**	**2,800**	**3,100**
Financial income	-401	-505	-420	-380	-350	-330
Unusual financial income	0	0	0	0	0	0
Results from investments	-50	64	100	175	200	225
Profit before tax	**-470**	**576**	**1,280**	**2,045**	**2,650**	**2,995**
Income taxes	-33	-198	-474	-736	-954	-1,078
Tax rate (%)	-7%	34%	37%	36%	36%	36%
Net profit	**-503**	**378**	**806**	**1,309**	**1,696**	**1,917**
Minority interest	-39	37	60	65	75	80
Net to Fiat shareholders	**-464**	**341**	**746**	**1,244**	**1,621**	**1,837**
EPS	**-0.37**	**0.28**	**0.60**	**1.01**	**1.31**	**1.48**

Source: Company data, Goldman Sachs Research estimates.

Exhibit 111: Summary cash flow
€ mn, year to end December

Summary Cash Flow (€mn)	2009	2010	2011E	2012E	2013E	2014E
Net Income	-503	378	806	1,309	1,696	1,917
Depreciation and amortisation	637	665	659	726	783	835
Other operating cash flow	101	410	30	30	30	30
Dividends received	18	32	50	88	100	113
Operating Cash Flow pre working capital	**253**	**1,485**	**1,545**	**2,152**	**2,609**	**2,895**
Change in working capital	869	1,070	-175	-244	-160	-160
Cash inflow from operating activities	**1,122**	**2,555**	**1,371**	**1,908**	**2,449**	**2,735**
Investments in tangible and intangible assets	-706	-871	-1,300	-1,300	-1,350	-1,400
Investments in unconsolidated subsidiaries and other	-5	-27	0	0	0	0
Proceeds from sale of non-current assets	12	42	0	0	0	0
Other Investing cashflow	1,105	429	0	0	0	0
Cash outflow from investing activities	**406**	**-427**	**-1,300**	**-1,300**	**-1,350**	**-1,400**
New issuance of bonds	717	1,132	0	0	0	0
Repayment of bonds	-358	-377	0	0	0	0
Issuance of other medium-term borrowings	522	832	0	0	0	0
Repayment of other medium-term	-749	-830	0	0	0	0
Net change in other financial payables, assets/liabilities	623	1,281	0	0	0	0
Increase in share capital	312	1,156	0	0	0	0
Other financing cashflow	-1,622	-3,221	0	0	0	0
Dividend paid	-561	-93	-76	-170	-270	-341
Cash inflow/outflow from financing activities	**-1,116**	**-120**	**-76**	**-170**	**-270**	**-341**
Exchange rate impact	61	118	0	0	0	0
Change in cash and cash equivalents (group)	**473**	**2,126**	**-5**	**438**	**830**	**994**
Other financing cashflow	0	-3,894	0	0	0	0
Net Industrial debt (cash)	**1,315**	**1,900**	**1,905**	**1,467**	**638**	**-356**

Source: Company data, Goldman Sachs Research estimates.

Exhibit 112: Summary balance sheet
€ mn, year to end December

Summary Balance Sheet (€mn)	2009	2010	2011E	2012E	2013E	2014E
Intangible assets	3,200	3,567	3,567	3,567	3,567	3,567
PP&E	3,846	3,856	4,497	5,071	5,638	6,203
Investment Property	0	0	0	0	0	0
Investments and other financial assets:	671	737	737	737	737	737
Leased assets	457	492	462	432	402	372
Defined benefit plan assets	126	166	166	166	166	166
Deferred tax assets	917	1,211	1,211	1,211	1,211	1,211
Non-Current Assets	**9,217**	**10,029**	**10,640**	**11,184**	**11,721**	**12,256**
Inventories	4,144	3,898	3,958	4,038	4,088	4,138
Trade receivables	1,729	1,839	1,894	1,978	2,038	2,098
Receivables from financing activities	10,605	10,908	10,908	10,908	10,908	10,908
Fiat Group Post Demerger	2,201	2,865	2,865	2,865	2,865	2,865
Current tax receivables	315	618	618	618	618	618
Other current assets	946	955	905	818	718	605
Current financial assets	190	112	112	112	112	112
Cash and Cash equivalents	1,561	3,686	3,681	4,119	4,948	5,942
Assets held for sale	11	11	11	11	11	11
Current assets	**21,702**	**24,892**	**24,952**	**25,466**	**26,306**	**27,297**
TOTAL ASSETS	**30,919**	**34,921**	**35,592**	**36,650**	**38,027**	**39,553**
Shareholders Equity	**2,711**	**3,987**	**4,658**	**5,731**	**7,083**	**8,579**
Minority interest	718	757	817	882	957	1,037
EQUITY	**3,429**	**4,744**	**5,475**	**6,613**	**8,040**	**9,616**
Pension provisions	1,905	2,017	2,017	2,017	2,017	2,017
Other provisions	2053	2258	2258	2258	2258	2258
Debt	17,370	18,695	18,695	18,695	18,695	18,695
Other financial liabilities	227	147	147	147	147	147
Trade payables	3220	4077	4017	3937	3887	3837
Current tax payables	262	508	508	508	508	508
Deferred tax liabilities	62	52	52	52	52	52
Other current liabilities	2391	2423	2423	2423	2423	2423
Liabilities held for sale	0	0	0	0	0	0
LIABILITIES	**27,490**	**30,177**	**30,117**	**30,037**	**29,987**	**29,937**
TOTAL EQUITY AND LIABILITIES	**30,919**	**34,921**	**35,592**	**36,650**	**38,027**	**39,553**

Source: Company data, Goldman Sachs Research estimates.

Reg AC

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