

Paolo Monferino's speech at IAA 2010

Good morning ladies and gentlemen.

Once again we meet in Hanover, the European Motor Show for commercial vehicles and their technologies.

For me it is the third time here and we have seen some significant changes over that period.

Looking back, we have presented ourselves as Flexible, Resilient and open to challenge.

In 2004 we exhibited a full range of solutions relating to safety, the environment and vehicle productivity.

In 2006 we focused on vehicle concepts, exhibiting Transport Concept in which we demonstrated advanced technologies related to accident avoidance, energy efficiency and promoted a mass and dimension concept to improve industry intermodality.

2008 was the year of moving change, in which our focus was alternative traction systems for longer term energy saving. At this time we were aware of the economic recession but we had no idea of its eventual severity. Now, in 2010 we are seeing an economic recovery but I do not believe that we will see the European markets reach their 2007-2008 levels for some years to come. It is for this reason that our presence in Hanover this year is somewhat different to that of 2008.

In fact, Driving Innovation to Reality, the theme for 2010, takes some of the innovative products shown as prototypes in 2008 and presents them as production vehicles today, like the Eurocargo hybrid truck and the Citelis hybrid bus. In addition, we see the opportunity to offer integrated products and services and the new ECOStralis is designed to realise this important concept.

To assist us in communicating our message, Driving Innovation to Reality, we have enlisted the help of Leonardo Da Vinci, painter, architect, scientist, engineer, inventor and just about everything else!

The key message is one of customer ready technologies that meet their needs today and tomorrow.



That is not to say that Iveco is no longer working on future strategies, you will see that we are.

But we must reflect on the recent past and set our stall with an outlook that reflects the current needs of our customers.

The concept shown here was used with the launch of ECODaily in 2009 and perfectly reflects our future plans for all product lines as we strive to deliver ecology and economy, bringing obvious benefits for customers and the environment.

I have briefly referred to ECOStralis and you will hear more about it tomorrow at the Iveco product briefing at our stand. Let me just say that ECOStralis is innovative in the way in which the products and the services offered are somewhat unique and will become the norm in business to business transactions.

Supplying business tools and equipment is never just a question of product supply; products and services become inseparable in this case. Indeed, when we look at how the transport, particularly the logistics sector, is evolving, we see an increasing degree of consolidation resulting in fewer, larger companies. With larger purchasing power, these companies demand the integration of products and services and we will become less of a vehicle manufacturer and more of a service provider of which the vehicle becomes only a part.

Of course, an essential service is that provided by our dealer network in carrying out maintenance and repairs. In April of this year we launched Truck Service Station, a network within the network of strategically sited workshops capable and equipped to ensure resolution of breakdowns to trucks and their trailers are resolved in the shortest possible time.

This demonstrates that innovation doesn't have to be futuristic: the realisation time is now. Our fundamental message is that the future starts today.

And speaking of the future, in April of this year we addressed a meeting of investors and we began with our plans covering the years 2010 to 2014.

In Iveco, our planning is given significant status and, in general, we work hard to ensure that the plans remain relevant throughout their period of application.

You can see here our financial targets contained within the plans that we presented in 2004 and 2006 and for each year, with the exception of 2009, we have either met or exceeded them. Of course, circumstances beyond our control shook the business world starting from the second half of 2008. With very few exceptions, our markets have gone through an unprecedented decline which has forced us to use all flexibility leverages, far beyond our initial expectations, simply to survive.



You will know that within our industry, we are not alone in missing our 2009 objectives.

Among our European competitors, we recorded one of the best results during this period, and it was the international analysts who said that we had thereby demonstrated to be “structurally” on the right path.

The European commercial vehicle industry is not yet fully on its feet even now. Our domestic truck sales market is increasing, albeit very slowly whereas in other areas of the world, the truck industry is demonstrating significant growth.

As we said at the Fiat Group Investor Day on April 21, we have planned, on the P&L side, to reach Double-Digit Profitability in 2014 with a turnover of around 12 billion euros.

Market conditions should allow us to move from the 1.5% Return on Sales of 2009 to a better 3-3.4% range in 2010 in a still difficult environment to arrive in 2014 at the objective of 10%.

This chart shows how the market is recovering in our major sales areas for the first half of 2010.

I said earlier that the recovery had not been as strong in European markets as we would have liked. The key point concerning the situation shown here is the relative lethargy of our mature home market compared to the vibrant performance of our newer activities in Latin America and China.

Of course, this also illustrates the advantage of being a global player where individual market performance has less of an effect on overall company performance.

In our markets for the period of our 5 year plan with data from 2006 for reference, you can see how dominant the Chinese business really is and the role this country will have in the future.

Our task is to ensure that we have the correct product range for this important market and this is the role of our JV companies in China.

We must also work to exploit export opportunities with our Chinese JV products, not only for non sophisticated markets but also, in the future, in our home market.

Our product plan covers Europe, Latin America, Africa and the Middle East and, apart from the key legislation driven actions of light duty Euro 5 and heavy duty Euro 6, we will introduce new or significantly refreshed products each year.

The blue horizontal bars indicate European derived products and the red ones indicate those derived from our Chinese platforms.

In our light range we plan to refresh the current Daily by introducing a new Model Year in 2011 and be completely renewed in 2013. The Power Daily, produced in China, will be launched in Latin America and some African and Middle Eastern countries.

We will introduce a new Model Year for Eurocargo in 2012. In Latin America the new Cursor medium truck range replaces the current Cavallino this year.

A light-medium range Cab-Over based on an existing Chinese platform enhanced by FPT power train solutions will be launched into Latin America, Africa and the Middle East. A totally new vehicle specifically designed for the European market and based on a Chinese platform will be introduced here in 2013.

Specifically for Latin America, rapidly becoming one of Iveco's most important markets, we will introduce the new Vertis. This vehicle is the result of a specific Latin American product development programme based on one of our Chinese vehicle platforms.

After some major modifications that will be introduced in 2012, the Heavy range is where we intend to make a considerable breakthrough with the introduction of the New Line, a completely new product range in 2014. The many important improvements in terms of quality, reliability and performance that we have achieved with the introduction of the Stralis are well recognised. Building on this, the backbone of the new product will be a modular truck system, whose introduction will create the conditions to offer a more competitive heavy range, very much a world truck.

Within the western world, the only way we can compete is by owning ideas: we cannot make everything here. China will be far too dominant and we will, therefore, exploit the considerable investments we have made in our Chinese JV activities.

I'm sure you are already well aware that Iveco is not just about trucks. In our business portfolio, in addition to commercial vehicles, we have a very successful bus operation producing vehicles from minibuses to luxury coaches under the Iveco Irisbus brand and an outstanding Special Vehicles operation producing military, fire-fighting and specialised construction vehicles. These are businesses driven by very different economic factors and represent a fundamental point in our product specialisation strategy.



Representing around 30% of our revenues, they both complement and extend the Iveco product offer.

The bus market is very complex and customers' needs are both varied and specific.

Our immediate aim is to rationalise our product range as far as possible in order to standardise our products and significantly reduce product costs.

Iveco's production facilities follow the World Class Manufacturing Programme and this is being actively implemented into all bus production facilities. This will bring significant cost reduction and efficiency gains.

We further plan to extend our reach into non-domestic markets and, in order to promptly respond to customer needs, we plan to introduce direct sales channels in some key markets.

In Iveco Irisbus, we actively respond to customer needs with innovative product initiatives. In 2008 we presented the prototype Hynovis with many advanced product features. This year we present the Citelis series hybrid bus, ready for immediate service.

In the world of defence and tactical logistics, our products are already well known. We intend to leverage on the success of recent products and to further develop our presence beyond our traditional markets.

The contract signed last December with the Brazilian Ministry of Defence is a significant case in point: with a total sales revenue of around 2.5 billion Euros, it is a milestone in the development strategy of our Defence business, outside of our traditional domestic market.

In the Fire Fighting segment, we expect to retain our leadership in the supply of specialist ladders. The enlargement of our product range with airport specialist vehicles will further diversify our product offer and help to consolidate our worldwide leadership in this segment.

In the construction, quarry and mining sectors, Astra's specific product offering is poised to take advantage of the foreseen recovery trend in this industry.

You will recall my comment regarding future transport vehicle strategies - let me introduce you to Iveco Glider.

The concept is grace and efficiency.



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The Iveco Glider takes these concepts in terms of energy efficiency, as always the most important of our customers' needs and of considerable interest to society as a whole.

Glider focuses on energy efficiency and 'liveability' for the driver. A beltless engine has auxiliaries managed by smart control systems. Electricity generated by photovoltaic solar panels, a KERS kinetic energy recovery system and an exhaust gas heat recovery system bring significant reduction of fuel consumption, and hence CO2 emission savings potential.

The liveability in Glider is realised in three themes: Drive, Office and Home, to compensate the driver, often away from home during long distance haulage. The aim is to make the working day at the wheel less stressful and to introduce some home comforts.

The final objective is improved productivity and comfort with environmental impact reduced to a minimum.

Let me turn now to the future of Iveco.

Sergio Marchionne proposed this structure in April of this year and it was subsequently agreed by the Fiat Group board in July.

Last week, the demerger was agreed by Fiat's shareholders and by the end of this year Fiat Industrial will be a reality.

This new company will include all activities of Iveco, Case New Holland and of the Industrial & Marine part of Fiat Powertrain Technologies.

This will bring advantages in terms of clearer strategic and financial planning, enabling a more effective and independent development in all activities.

Iveco and CNH have distinct synergies, and we both have need of efficient, modern power trains. In FPT Industrial and Marine, we have a leading, if not the leading, contender in our industry.

We are lean and, just as we were in 2008, we can change direction in an instant to ensure we meet our objectives.

We have freedom to act, we have survived the worst financial crisis on record and returned positive results throughout this period.

The important aspect of our business is dynamic performance: stationary companies are sinking.



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We have fully embraced this challenge, and we are ready to adapt to rapidly changing market conditions.

Our presence in Hanover is with optimistic confidence.

We are here for the long game.

Thank you very much for your attention.

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