

GM, Fiat Reach Settlement Agreement

Detroit (ots/PRNewswire) -

- Master Agreement Is Terminated
- GM Preserves Diesel Engine Capability
- Joint Cost Savings Expected to Continue

General Motors Corp (NYSE: GM) and Fiat S.p.A. (NYSE: FIA) today announced they have executed an agreement to terminate the Master Agreement between the companies and realign their industrial relationships. The boards of directors of both GM and Fiat have approved the settlement agreement.

GM will acquire certain strategic assets from Fiat to assure the future availability of a full range of diesel engines for vehicles produced by GM's global operations.

"GM and Fiat have agreed that it is in the best interest of their companies and shareholders to terminate the Master Agreement," said GM Chairman and Chief Executive Officer Rick Wagoner. "GM has derived significant benefits from its association with Fiat Auto, including the accelerated development of diesel engines, cost savings and the joint development of certain vehicle programs. With this settlement, our overall financial returns will have been favorable.

"We believe that we have reached a fair and equitable agreement that enables both companies to maintain a high level of synergy savings, but in a more focused approach that gives each of us more freedom to act in today's competitive environment," Wagoner said.

Under terms of the agreement, GM will pay Fiat EUR1.55 billion to terminate the Master Agreement (including the put option) and to acquire an interest in key strategic diesel engine assets, and other important rights with respect to diesel engine technology and know-how. GM will return its 10 percent equity interest in Fiat Auto Holdings to Fiat S.p.A.

The most significant elements of the settlement agreement are as

follows:

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- The Fiat-GM Powertrain (FGP) joint-venture company will be dissolved and GM will regain complete ownership of all GM assets originally contributed. During a transition period, FGP will continue to supply both companies so that their respective operations will not be disrupted;
- GM will co-own with Fiat key powertrain intellectual property, including the SDE and JTD diesel engines and the M20-32 six-speed manual transmission;
- GM will acquire a 50 percent interest in a new joint venture limited to operating the powertrain manufacturing plant in Bielsko-Biala, Poland, that currently produces the 1.3 liter SDE diesel engine;
- The GM-Fiat Worldwide Purchasing joint venture will be dissolved.
- The companies will continue to generate joint cost savings in several key areas, including:
 - Long-term agreements to supply each other with powertrains;
 - Continued cooperative development of certain vehicle programs;
 - Through Fiat's participation in GM's purchasing alliance program.

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GM will take an after tax charge to earnings of approximately US \$840 million or US\$1.49 per fully diluted share.

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