# Annual Report

At 31 December 2013

SOCIETÀ PER AZIONI

108th financial year

# Annual Report

At 31 December 2013

SOCIETÀ PER AZIONI

**All our reports are available at**
*http://2013interactivereports.fiatspa.com*

Go to the online version of the Fiat Annual Reports to learn more about the Group's financial performance, sustainable development and other corporate information.

**Download our app**
*www.fiatspa.com/mobileapp*

# General Meeting

An Ordinary General Meeting of Shareholders will be held at 11 a.m. on 31 March 2014 (single call) at Centro Congressi Lingotto, Via Nizza 280, Turin to vote on the following:

### Agenda

1. Motion for Approval of the Statutory Financial Statements and Allocation of 2013 Net Result
2. Compensation and Own Shares:
   a) Compensation Policy pursuant to Article 123-*ter* of Legislative Decree 58/98
   b) Authorization for the Purchase and Disposal of Own Shares

## Attendance and Representation

Shareholders are entitled to attend the Meeting if they hold the right to vote at the close of business on the record date of 20 March 2014 and the Company has received the relevant confirmation of entitlement from an authorized intermediary.

As provided by law, shareholders entitled to attend the Meeting may also be represented by proxy.

The Company has appointed Computershare S.p.A. (Via Nizza 262/73, Turin) as the Designated Representative, pursuant to Article 135-*undecies* of Legislative Decree 58/98, upon whom shareholders may confer proxy and instruct to vote on all or some of the motions on the agenda. Notifications of proxy appointment should be submitted to Computershare no later than 27 March 2014 using the form available on the corporate website (www.fiatspa.com – Investors/Shareholder Corner/Shareholder Meetings/Proxy Form to Computershare S.p.A.). The form can also be requested by calling +39 011 0923200.

## Documents and Information

The Notice of General Meeting available on the corporate website (www.fiatspa.com – Investors/Shareholder Corner/Shareholder Meetings) contains complete information and instructions relating to the rights exercisable by shareholders.

The Annual Report and Annual Report on Corporate Governance, as well as reports and motions relating to other items on the agenda, will be available at the Company's registered office and on the corporate website on or before the legal deadline.

# Contents

Board of Directors and Auditors ........................................ 7
Letter from the Chairman .................................................... 8
Letter from the Chief Executive Officer ............................... 9

1 **The Group at a Glance**
Highlights ............................................................................ 14
Fiat Group's Activities ........................................................ 16
Shareholders ....................................................................... 18
Key Events in 2013 ............................................................. 20
Creating Value for Stakeholders ........................................ 26

2 **Report on Operations**
Main Risks and Uncertainties to which Fiat S.p.A. and its Subsidiaries are Exposed .................................................... 30
Financial Review – Fiat Group ............................................ 42
Commercial Performance by Operating Segment ............. 65
Mass-Market Brands (NAFTA, LATAM, APAC, EMEA) ..... 65
Luxury Brands (Ferrari, Maserati) .................................. 73
Components (Magneti Marelli, Teksid, Comau) .............. 76
Sustainability ....................................................................... 80
Sustainability Governance and Commitment to Stakeholders ................................................................ 80
Research, Innovation and Sustainable Mobility .............. 83
Employees ......................................................................... 91
Industrial Relations and Social Dialogue .......................... 94
Corporate Governance ...................................................... 103
Transactions between Group Companies and with Related Parties .................................................................. 110
Subsequent Events and Outlook ........................................ 111
Financial Review – Fiat S.p.A. ............................................ 114
Motion for Approval of the Statutory Financial Statements and Allocation of 2013 Net Result ...................................... 118

*The terms "Fiat", "Fiat Group" or simply "Group" are used to identify Fiat S.p.A. together with its direct and indirect subsidiaries which, beginning 1 June 2011, include Chrysler Group LLC and its direct and indirect subsidiaries following the acquisition of control.*

## 3 Fiat Group – Consolidated Financial Statements at 31 December 2013


Consolidated Income Statement ........................................ 122

Consolidated Statement of Comprehensive Income/(losses) ........................................ 123

Consolidated Statement of Financial Position ..................... 124

Consolidated Statement of Cash Flows .............................. 126

Statements of Changes in Consolidated Equity .................. 127

Consolidated Income Statement pursuant to Consob Resolution 15519 of 27 July 2006 ........................................ 129

Consolidated Statement of Financial Position pursuant to Consob Resolution 15519 of 27 July 2006 .......................... 130

Consolidated Statement of Cash Flows pursuant to Consob Resolution 15519 of 27 July 2006 .......................... 132

Notes to the Consolidated Financial Statements ................ 133

Appendix I – Fiat Group Companies at 31 December 2013 .......................................... 237

Appendix II – Information required under Article 149-*duodecies* of the “Regolamento Emittenti” issued by Consob ............................................ 259

Attestation of the Consolidated Financial Statements under Article 154-*bis* of Legislative Decree 58/98 .............. 260


## 4 Fiat S.p.A. – Statutory Financial Statements at 31 December 2013


Income Statement ............................................ 264

Statement of Comprehensive Income ................................ 265

Statement of Financial Position .......................................... 266

Statement of Cash Flows ................................................... 267

Statements of Changes in Equity ....................................... 268

Income Statement pursuant to Consob Resolution 15519 of 27 July 2006 ............................................ 270

Statement of Financial Position pursuant to Consob Resolution 15519 of 27 July 2006 ........................................ 271

Statement of Cash Flows pursuant to Consob Resolution 15519 of 27 July 2006 .......................... 272

Notes to the Statutory Financial Statements ....................... 273

Appendix – Information required under Article 149-*duodecies* of the “Regolamento Emittenti” issued by Consob ............................................ 335

Attestation of the Statutory Financial Statements under Article 154-*bis* of Legislative Decree 58/98 .............. 336


## 5 Auditors’ Reports and Motions for AGM


Reports of the Independent Auditors.................................... 340

Reports of the Board of Statutory Auditors .......................... 344

Motions for AGM ............................................ 349


This document has been translated into English for the convenience of international readers. The original Italian is the authoritative version.

# Board of Directors and Auditors

## BOARD OF DIRECTORS

### Chairman

John Elkann[1]

### Chief Executive Officer

Sergio Marchionne

### Directors

Andrea Agnelli

Joyce Victoria Bigio[1][2]

Tiberto Brandolini d'Adda

René Carron[2][3]

Luca Cordero di Montezemolo

Gian Maria Gros-Pietro[2][3]

Patience Wheatcroft[1][3]

## BOARD OF STATUTORY AUDITORS

### President

Ignazio Carbone

### Regular Auditors

Lionello Jona Celesia

Piero Locatelli

### Alternate Auditors

Lucio Pasquini

Fabrizio Mosca

Corrado Gatti

## INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

[1] *Member of the Nominating, Corporate Governance and Sustainability Committee.*
[2] *Member of the Internal Control and Risk Committee.*
[3] *Member of the Compensation Committee.*

# Letter from the Chairman

Dear Shareholders,

The results for 2013 demonstrate how successfully the Group managed a very challenging year.

Revenues reached nearly €87 billion and worldwide vehicle shipments increased to 4.4 million units, to highlight just a couple of milestones.

Beyond the figures, however, 2013 was an exceptional year above all for what was accomplished to integrate Fiat and Chrysler, two distinct entities, to create the world's seventh largest auto group.

Of the many notable results achieved, I would like to highlight three in particular.

First is the success of Jeep. For the second consecutive year, the brand set an all-time global record of more than 731,000 vehicles sold. That performance demonstrates the significant work that has been done to strengthen this unique brand and we plan to continue that development in the coming years.

Second are the signs of improvement for our European business, despite the market registering its sixth consecutive year of decline. The significant reduction in losses we achieved in a difficult trading environment shows that, although there is still progress to be made, we are on the right path.

The third and perhaps most important element, which represents an essential component of our future strategy, involves Maserati. Shipments were up 148% over the prior year to 15,400 vehicles. This notable result was driven by the success of the two new models, the Quattroporte and Ghibli, which entered production during the year at the new Giovanni Agnelli plant inaugurated in January 2013. It also represents the first concrete fruits of our premium strategy, which we intend to expand by leveraging on the design and technological excellence of our brands.

The current year promises to be equally challenging. With acquisition of 100% ownership of Chrysler, we completed the final step necessary for full integration with Fiat. The story of Fiat Chrysler Automobiles is one of a strong and vibrant organization built on a solid foundation with ambitious plans for the future.

Our customers, shareholders, business partners and, above all, our employees – whom I want to thank for their extraordinary contribution – all have a vital role to play in our future success.

A final comment on the document you are reading: this year, priority has been given to the digital on-line version of the annual report – with enhanced photo, video, graphic and interactive content – that will gradually replace the printed version. This is one more way in which we are responding in a direct and personalized manner to evolving information needs, while also enhancing the transparency and completeness of information provided to the market.

/s/ John Elkann

John Elkann

CHAIRMAN

# Letter from the Chief Executive Officer

Dear Shareholders,

The Group has just closed another very significant year, particularly with regard to the integration process between Fiat and Chrysler.

What we had achieved in industrial, commercial and cultural terms laid the necessary ground work to complete that process with the completion of the acquisition of full ownership of Chrysler.

We believed from the beginning that the integration between Fiat and Chrysler needed to take place in practice even before it did on paper.

For the past four and a half years, we have been working to integrate our respective traditions, transform our differences into strengths and break down geographic and cultural barriers.

The two groups have learned to work alongside each other in a spirit of cooperation and have made each other stronger through the sharing of ideas, know-how and experience.

Each with their own distinct identity, Fiat and Chrysler have shared the spirit and values of an organization intent on distinguishing itself not only in terms of the excellence of its products, but also for its commitment, integrity and transparency.

As you know, following a lengthy negotiation, on January 1st of this year we reached an agreement with the VEBA that cleared the way for us to acquire full control of Chrysler.

Although this was an historic milestone for Fiat, in reality it simply represents the formalization of the work the two organizations had already done to create a single group with extraordinary potential at the technical, professional and human level.

Together we have created a leading global automaker that ranks as the seventh largest in the world and the consolidated results for 2013 demonstrate the benefits of this union.

Worldwide vehicle shipments were up 3% over the prior year to 4.4 million units.

Revenues totaled €87 billion, increasing 3% in nominal terms and 7% on a constant currency basis.

Trading profit totaled €3.4 billion and net profit was nearly €2 billion.

At year end, available liquidity totaled €22.7 billion.

In order to maintain a balanced level of liquidity following the acquisition of the minority stake in Chrysler, the Board of Directors has decided not to recommend a dividend on Fiat shares for 2013.

Overall, a positive performance for the mass-market brands in North America and Asia-Pacific more than compensated for the continuing weakness in the European market and the slow-down in Latin America.

At the same time, our Luxury Brands posted strong growth and Components made a positive contribution.

Looking at the performance of our mass-market operations by region, in NAFTA we continued to outperform the market, with sales up 8% over the prior year.

In the U.S., we closed the year with 45 consecutive months of year-over-year sales gains and our strongest annual sales since 2007.

In Canada, we recorded 49 straight months of growth and reconfirmed our position as the number two selling automaker, posting our strongest annual sales performance in 13 years.

In LATAM, we registered positive results, although below the prior year's level primarily as a result of negative currency impacts, principally the weakening of the Brazilian Real, input cost inflation for the Brazilian operations and initial start-up costs for the new Pernambuco plant.

The year-over-year comparison for LATAM is also against a record 2012, when the Group demonstrated exceptional flexibility in responding to a sharp increase in demand in Brazil following the introduction of government incentives.

Despite the above, the Group continued to be the market leader in Brazil, a position we have held for 12 years, with a 270 basis point lead over our nearest competitor.

In Argentina, sales were up 31% and market share increased 140 basis points.

In APAC, the Group posted strong earnings on the back of significant volume growth.

Retail sales in the region, including JVs, were up 73% – significantly outpacing industry growth of around 9% for the year.

In China, the Fiat Viaggio continued to gain momentum and it is now the Group's best-selling model in the region. In India, where the distribution network is now fully owned and operated by the Group, volumes were up 41% for the year. In Australia, we posted the industry's best year-over-year performance, up 53%.

In EMEA trading conditions remained extremely weak with the industry in Europe registering its sixth straight year of decline.

Despite market conditions, however, losses in EMEA were reduced to €470 million, representing a €233 million improvement over 2012, due in large part to a better product mix, driven primarily by the early success of the commercial strategy centered around the 500 family, as well as increased cost efficiencies achieved during the year.

In addition, the premium strategy announced in 2012 in response to difficult market conditions has yielded promising initial results.

The first fruits of this decision to expand into the more profitable premium end of the market are evident in Maserati's outstanding results.

The brand closed the year with a particularly strong fourth quarter following the introduction of the new Ghibli in October, building on the success of the new Quattroporte launched in March. For the full year, vehicle shipments were up 148%, revenues up 120%, trading profit up €114 million to €171 million and trading margins exceeded 10%.

Ferrari also turned in an excellent performance. Despite production volumes being held below the 2012 level to preserve the brand scarcity and exclusivity, revenues were 5% higher at €2.3 billion and trading profit was up 9% to €364 million with trading margins increasing to 15.6%.

On the production front, we continued in our commitment to World Class Manufacturing standards at Group plants worldwide, achieving further quality improvements in products and processes.

As evidence of that commitment, the plants in Pomigliano d'Arco (Italy), Tychy (Poland) and Bursa (Turkey) all achieved WCM Gold level during 2013 and in Chrysler we began to introduce WCM into suppliers' locations.

With regard to the near-term outlook, the Group will be presenting an updated business plan in early May 2014 to provide increased visibility on the Group's strategic direction and execution priorities.

We have already given guidance for the current year, with expected revenues of around €93 billion, trading profit in the €3.6-€4.0 billion range and net profit of €0.6-0.8 billion. The net industrial debt target in the €9.8 billion to €10.3 billion range takes into account the €2.7 billion payment to the VEBA Trust in January 2014 to acquire the remaining 41.5% interest in Chrysler.

We will work towards the achievement of these targets with the same spirit that has brought us this far and with respect for the diversity of experiences and cultures that coexist, both inside and outside the Group. That commitment extends to the needs of the local communities where we operate and the environment, as well as the legacy that we intend to leave future generations.

A commitment to operating responsibly and promoting a model of sustainable development is part of the tradition and values of the Group that continue to be recognized internationally.

For the fifth consecutive year, Fiat was included in the prestigious Dow Jones Sustainability World and Europe indexes. The Group achieved the maximum score in several key areas, such as the economic, environmental and social dimensions.

For the second consecutive year, we were recognized as the leader in Italy for our commitment to addressing climate change. Our environmental performance together with transparency in disclosure earned us recognition at the very top of the Carbon Disclosure Project's Italy 100 Climate Disclosure Leadership Index (CDLI) and Climate Performance Leadership Index (CPLI).

That recognition is the result of a business philosophy, involving each individual throughout the entire organization, where striving for product excellence goes hand-in-hand with acting responsibly.

Let me take this opportunity to thank everyone in the Group for embracing the culture of sustainability and working every day to translate it into concrete action.

Thank you also to all of our shareholders for standing by us as we have grown and transformed the business and for continuing to support us as we move to the next chapter in the Fiat-Chrysler story.

27 February 2014

/s/ Sergio Marchionne

Sergio Marchionne

CHIEF EXECUTIVE OFFICER

# 1

# The Group at a Glance

Highlights .......... 14

Fiat Group's Activities .......... 16

Shareholders .......... 18

Key Events in 2013 .......... 20

Creating Value for Stakeholders .......... 26

****

*This report, and in particular the section "Outlook", contains forward-looking statements. These statements are based on the Group's current expectations and projections about future events and, by their nature, are subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future and, as such, undue reliance should not be placed on them. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, including: volatility and deterioration of capital and financial markets, including possibility of new Eurozone sovereign debt crisis, changes in commodity prices, changes in general economic conditions, economic growth and other changes in business conditions, weather, floods, earthquakes or other natural disasters, changes in government regulation (in each case, in Italy or abroad), production difficulties, including capacity and supply constraints and many other risks and uncertainties, most of which are outside of the Group's control.*

# Highlights

## Financial Highlights

| (€ million) | | 2013 | 2012[1] | 2011[2] | 2010[3] | 2009[3] |
|---|---|---|---|---|---|---|
| Net revenues | | **86,816** | 83,957 | 59,559 | 35,880 | 32,684 |
| Trading profit/(loss) | | **3,394** | 3,541 | 2,392 | 1,112 | 736 |
| EBIT | | **2,972** | 3,404 | 3,467 | 1,106 | 455 |
| EBITDA | (4) | **7,546** | 7,538 | 6,825 | 3,292 | 2,491 |
| Profit/(loss) before taxes | | **1,008** | 1,519 | 2,185 | 706 | 103 |
| Profit/(loss) for the year | | **1,951** | 896 | 1,651 | 222 | (345) |
| Attributable to: | | | | | | |
| Owners of the parent | | **904** | 44 | 1,334 | 179 | (374) |
| Non-controlling interests | | **1,047** | 852 | 317 | 43 | 29 |
| Basic earnings/(loss) per ordinary share (€) | (5) | **0.744** | 0.036 | 1.101 | - | - |
| Profit/(loss) excluding unusuals | (6) | **943** | 1,140 | 684 | 342 | 13 |
| Basic earnings/(loss) per ordinary share (excluding unusuals) (€) | | **0.099** | 0.242 | 0.254 | - | - |
| Investments in tangible and intangible assets | | **7,440** | 7,534 | 5,528 | 2,864 | 2,684 |
| of which: capitalized R&D costs | | **2,042** | 2,138 | 1,438 | 886 | 748 |
| R&D spending | (7) | **3,362** | 3,310 | 2,175 | 1,284 | 1,154 |
| Net industrial debt | | **6,649** | 6,545 | 5,529 | 542 | 3,103 |

*(1) Figures previously included in the 2012 Annual Report have been restated to reflect application of the amendment to IAS 19. Trading profit and EBIT were reduced by €273 million, profit before taxes was reduced by €517 million, and profit for the year was reduced by €515 million.*
*(2) Includes Chrysler from June 2011.*
*(3) Excludes activities transferred to Fiat Industrial S.p.A. (now CNH Industrial N.V.) on 1 January 2011.*
*(4) EBIT plus depreciation and amortization.*
*(5) For 2011, the calculation assumes conversion of all Fiat S.p.A. preference and savings shares into ordinary shares on January 1st. For prior years, comparable data is not available. Note 12 to the Consolidated Financial Statements provides additional information on the calculation of basic and diluted earnings per share.*
*(6) Excluding unusual items and, for 2013, also the recognition of one-off net deferred tax assets.*
*(7) Includes capitalized R&D and R&D charged directly to the income statement.*

## Select Data by Geographical Area

| | Employees | | Plants | | R&D Centers | | Revenues(*) (€ million) | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Italy | **62,505** | 61,858 | **45** | 44 | **35** | 37 | **6,937** | 7,275 |
| Europe (excluding Italy) | **26,525** | 26,767 | **33** | 33 | **16** | 15 | **13,038** | 12,999 |
| North America | **81,365** | 73,713 | **49** | 48 | **17** | 16 | **47,738** | 45,348 |
| South America | **48,306** | 46,949 | **19** | 19 | **5** | 5 | **10,501** | 11,805 |
| Other regions | **6,886** | 5,549 | **13** | 14 | **5** | 4 | **8,602** | 6,530 |
| **Total** | **225,587** | **214,836** | **159** | **158** | **78** | **77** | **86,816** | **83,957** |

(*) *Revenues for each geographical area include Mass-Market Brands, Luxury Brands and Components.*

## Sustainability Highlights

| | | 2013 | 2012 | 2011(1) |
|---|---|---|---|---|
| Employees | *(no.)* | **225,587** | 214,836 | 197,021 |
| of which women | *(%)* | **19.6** | 19.2 | 17.9 |
| Hours of training | *(thousand)* | **4,232** | 4,206 | 4,048 |
| Employees participating in performance evaluation process (2) | *(no.)* | **54,500** | 52,700 | 39,500 |
| Frequency rate of accidents | *(no. accidents per 100,000 hours worked)* | **0.19** | 0.22 | 0.28 |
| Severity rate of accidents | *(no. days of absence due to accidents per 1,000 hours worked)* | **0.06** | 0.07 | 0.08 |
| Energy consumption by plants (3) | *(TeraJoules)* | **48,322** | 45,692 | 48,875 |
| $CO_2$ emissions by plants (3) | *(thousands of tons)* | **4,178** | 3,965 | 4,196 |
| Water withdrawal by plants | *(thousands of m3)* | **24,936** | 25,874 | 29,862 |
| Waste generated by plants | *(thousands of tons)* | **1,809** | 1,761 | 1,855 |
| Contributions to local communities (4) | *(€ million)* | **19.7** | 20.8 | 36.5 |

*Note: All data is audited by the independent certification organization SGS Italia S.p.A. The scope, methodology, limitations and conclusions of the audit are provided in the Assurance Statement issued by SGS and published in the Fiat Group 2013 Sustainability Report.*

(1) *Includes Chrysler Group for the full year.*
(2) *Includes all employees participating in the PLM (Performance and Leadership Management) and PBF (Performance & Behavior Feedback) evaluation processes.*
(3) *Data for 2011 has been recalculated to reflect the scope of reporting applicable for 2012.*
(4) *Includes initiatives undertaken by the Group worldwide in support of local communities. Calculation based on London Benchmarking Group (LBG) method.*

# Fiat Group's Activities

Fiat is an international auto group engaged in industrial activities in the automotive sector through companies located in 40 countries and has commercial relationships with customers in approximately 150 countries. The Group designs, engineers, manufactures, distributes and sells vehicles for the mass market under the Fiat, Alfa Romeo, Lancia, Abarth and Fiat Professional brands and Chrysler brands such as Chrysler, Jeep, Dodge and Ram brand vehicles and vehicles with the SRT vehicle performance designation, as well as luxury cars under the Ferrari and Maserati brands. Fiat also operates in the components sector, through Magneti Marelli and Teksid, and in the production systems sector, through Comau and in after-sales services and products under the Mopar brand name. In addition, the Group provides retail and dealer finance, leasing and rental services in support of the car business through subsidiaries, joint ventures and commercial agreements with specialized financing services providers.

The Group's operations relating to mass market brands passenger cars, light commercial vehicles and related parts and services are run on a regional basis and attributed to four regions representing four geographical areas: NAFTA (U.S., Canada and Mexico), LATAM (South and Central America, excluding Mexico), APAC (Asia and Pacific countries) and EMEA (Europe, Russia, Middle East and Africa).

The Group's activities are carried out through the following operating segments:

- **NAFTA**: design, engineering, development, manufacturing, distribution and sale of passenger cars, utility vehicles, minivans and light commercial vehicles, under the Dodge, Jeep, Ram, Chrysler, and Fiat brand names, and sale of the related parts and accessories (under the Mopar brand name) in the United States, Canada and Mexico.
- **LATAM**: design, engineering, development, manufacturing, distribution and sale of passenger cars and light commercial vehicles and related spare parts under the Fiat and Fiat Professional brand names in South and Central America, excluding Mexico, and distribution of Chrysler brand cars in the same region; in addition, supply of financial services to the dealer network in Brazil and Argentina, and to the dealer network and end-customers of the CNH Industrial Group for the sale of trucks and commercial vehicles in those countries.
- **APAC**: distribution and sale of cars and related spare parts under the Chrysler, Jeep, Dodge, Fiat, Alfa Romeo and Abarth brands mostly in China, Japan, Australia, South Korea and India, carried out in the region through both subsidiaries and joint ventures; financial services to the dealer network and end-customers of Fiat Group and CNH Industrial Group, in China only.

- **EMEA**: design, engineering, development, manufacturing, distribution and sale of passenger cars and light commercial vehicles under the Fiat, Alfa Romeo, Lancia, Abarth and Fiat Professional brand names and sale of the related spare parts in Europe, Russia, the Middle East and Africa, and distribution of Chrysler Group vehicles in the same areas; supply of financial services related to the sale of cars and light commercial vehicles in Europe, primarily through the 50/50 joint venture Fiat Group Automobiles Capital S.p.A. (FGA Capital) with the Crédit Agricole Group.
- **Luxury Brands**: design, engineering, development, manufacturing, distribution and sale of luxury sport cars under the Ferrari and Maserati brands, management of the Ferrari racing team and supply of financial services offered in conjunction with the sale of Ferrari branded cars.
- **Components**: production and sale of lighting components, engine control units, suspensions, shock absorbers, electronic systems, and exhaust systems and activities in the plastic molding components and in the after-market carried out under the Magneti Marelli brand name, cast iron components for engines, gearboxes, transmissions and suspension systems, and aluminum cylinder heads (Teksid), design and production of industrial automation systems and related products for the automotive sector (Comau).

The Group also has companies operating in businesses that are not included in the above regions and operating segments. Grouped under “Other Activities”, they mainly consist of companies that offer services to the Fiat Group and the CNH Industrial Group, manage central treasury activities (excluding Chrysler) and operate in media and publishing (*La Stampa* daily newspaper).

# Shareholders

## Financial Communication

Fiat maintains constant dialogue with individual shareholders, institutional investors and financial analysts through its Investor Relations (IR) function, which provides information to the market to consolidate and enhance their confidence and level of understanding of the Company and its business activities.

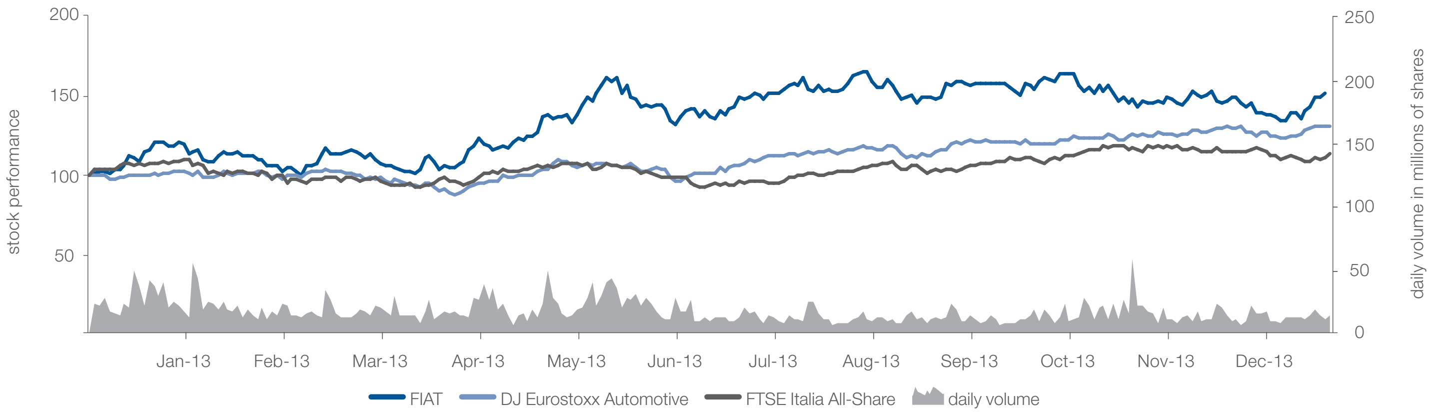
The Investor Relations team also communicates on a continuous basis with the financial community through conference calls and public presentations held to present financial results or other events that require direct communication to the market. The IR program includes seminars, industry conferences and non-deal roadshows in major financial centers that provide the opportunity for direct contact with management.

Shareholders can also contact the Company at the following:

**For holders of Fiat shares:**
Toll-free number in Italy: **800-804027**
E-mail: serviziotitoli@fiatspa.com
investor.relations@fiatspa.com

**For holders of ADRs:**
Toll-free number in the USA and Canada: **800 749 1873**
Outside the USA and Canada: **+1 (718) 921 8137**
Website: www.adr.db.com

### Fiat Shares - 1/1/2013 to 31/12/2013 performance relative to the FTSE Italia All-Share and DJ Eurostoxx Automotive (rebased to 100: 1/1/2013) and daily trading volume

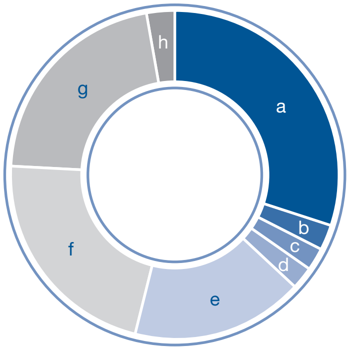



During 2013, equity markets showed positive trends driven by America's economic performance, recovery in Japan and improved expectations for stabilization in Europe. In emerging countries, stock markets declined driven by fears of a slowdown in economic growth and social turmoil. That sentiment was exacerbated by currency concerns, particularly in South America.

In the U.S., the Dow Jones Industrial Average ended the year with a 26.5% gain (best year since 2009), while the S&P 500 increased by 29.6% year-over-year (the best performance since 1997). In Italy, the national stock market index posted a 16.5% gain.

## Major Shareholders

At the date of this Report, Fiat had a total of 1,250,739,023 shares outstanding and the following institutions held more than 2% of shares:




Number of Shares: **1,250,739,023**

| | | |
|---|---|---|
| a. | 30.06% | Exor S.p.A. |
| b. | 2.64% | Baillie Gifford & Co. |
| c. | 2.26% | Vanguard International Growth Fund |
| d. | 2.01% | Norges Bank |
| e. | 17.10% | Other institutional investors – EU |
| f. | 21.80% | Other institutional investors – outside EU |
| g. | 21.37% | Other shareholders |
| h. | 2.76% | Treasury shares held by Fiat S.p.A. |

## Earnings per Share

| (figures in €) | 2013 | 2012(*) |
|---|---|---|
| Basic earnings/(loss) per share | 0.744 | 0.036 |
| Diluted earnings/(loss) per share | 0.736 | 0.036 |

(*) *For 2012, EPS has been restated to reflect the amendment to IAS 19.*

## Reference Price per Share(*):

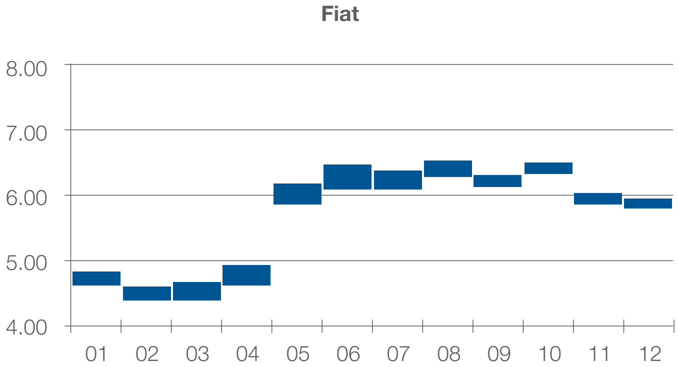
| (figures in €) | 30.12.13 |
|---|---|
| Shares | 5.94 |

*(Source: Bloomberg)*

(*) *Closing auction price.*

## Monthly Minimum and Maximum Price in 2013

(figures in €)



# Key Events in 2013

## 01

Fiat Group Automobiles S.p.A. and Mazda Motor Corporation sign agreement for development of new rear-wheel-drive roadster for the Mazda and Alfa Romeo brands. Both vehicles will be manufactured at the Mazda plant in Hiroshima, Japan. Production of the Alfa Romeo model is scheduled to begin in 2015.

World premiere of the new Quattroporte at the North American Auto Show in Detroit.

2013 Ram 1500 named “2013 Pickup Truck of the Year” by *Four Wheeler Magazine* and winner of “North American Truck/Utility of the Year” at the North American Auto Show.

## 02

Chrysler Group and Santander Consumer USA Inc. sign agreement to provide, beginning 1 May 2013, a full range of wholesale and retail financing services under the Chrysler Capital brand to Chrysler Group’s U.S. dealers and consumers.

Fitch lowers rating on Fiat S.p.A.’s long-term debt from ‘BB’ to ‘BB-’ and confirms short-term rating of ‘B’, with negative outlook.

Fiat brand presents the 105 hp 1.6L MultiJet II and 0.9L TwinAir Turbo engine versions of the 500L.

**03**

Fiat issues a €1.25 billion bond (6.625%, due March 2018).

At **Geneva Motor Show:**

Fiat unveils Trekking version of the 500L and Alfa Romeo presents exclusive Launch Edition of the 4C sport coupé. Jeep gives European premiere of the new Grand Cherokee and Compass, and presents 10th Anniversary special edition of the Wrangler Rubicon.

Ferrari presents the new limited edition LaFerrari, for which orders received are more than two times the limited production run of 499 units.

Maserati unveils the four-seat GranTurismo MC Stradale and European premiere of the new Quattroporte.

**04**

World debut of the new Maserati Ghibli, a top-of-the-range E-segment sedan, at the Shanghai Motor Show.

2013 Chrysler Town & Country named “2013 Minivan of Texas” by the *Texas Auto Writers Association*.

**05**

2013 Ram 1500 pickup named “2013 Automobile Magazine All-Star”.

06

Chrysler Group LLC reduces interest rate on USD 3.0 billion Tranche B Term Loan and undrawn USD 1.3 billion revolving credit facility. The interest rate on the Tranche B Term Loan is cut further in December with savings in annual interest costs estimated at approximately USD 72 million.

Fiat S.p.A. signs agreement for a €2 billion 3-year committed revolving credit facility to replace the €1.95 billion 3-year revolving credit facility signed in July 2011. The facility is subsequently increased to €2.1 billion.

Fiat unveils the 500L Living: the most spacious vehicle in its category, with best-in-class baggage capacity and a 5+2 seating configuration in just 4.35 meters.
Fiat awarded "Best Green Engine of the Year 2013" for the eco-performing, fun-to-drive natural gas TwinAir Turbo. City Brake Control, the automatic collision avoidance system currently available on the Panda and 500L, receives "Euro NCAP Advanced" award.
The plant in Pomigliano d'Arco, Italy, becomes first Group assembly plant to achieve prestigious World Class Manufacturing Gold Level.

07

Fiat CEO presents 5-year, €700 million investment plan for the Sevel plant in Italy. The plant, which currently produces Ducato light commercial vehicles, is operated as a 50/50 JV between Fiat Group Automobiles and PSA-Peugeot Citroën.
Fiat issues an €850 million bond (6.75%, due October 2019). Following re-opening of the transaction in September, a further €400 million in notes are issued, increasing the total principal amount to €1.25 billion.

Fiat Group Automobiles, Crédit Agricole and Crédit Agricole Consumer Finance reach an agreement to extend the 50/50 JV in FGA Capital ("FGAC") up to 31 December 2021. The extension of the alliance is intended to ensure the long-term sustainability of FGAC, a captive finance company that manages FGA's main activities in retail auto financing, dealership financing, long-term car rental and fleet management in 14 European countries. Fiat presents the new 500L Living and Trekking to the international media and launches "Natural Power" versions of the 500L and 500L Living.

Jeep Grand Cherokee wins the *Cars.com/USA Today* "Midsize SUV Challenge".

*J.D. Power and Associates* APEAL Study ranks Ram Truck as top "non-premium" brand and Fiat 500 as top city car.

08

Fiat and Itaú Unibanco renew commercial cooperation agreement in Brazil for a further 10 years. In place since 2003, the agreement ensures a strong financial partner to offer Fiat's customers and dealer network a full spectrum of competitive financing solutions.

2013 Dodge Dart named "Top Safety Pick+" by the *Insurance Institute for Highway Safety*.

09

Fitch confirms rating on Fiat S.p.A.'s long-term debt at 'BB-' and short-term at 'B'. The outlook remains negative.
For fifth consecutive year, the Group is included in the DJSI World and Europe with top scores in several key areas in the economic, environmental and social dimensions. The overall score was 89/100 compared with average of 61/100 for all sector companies evaluated by RobecoSAM.

Presentation of refreshed versions of the MiTo and Giulietta at the Frankfurt Motor Show. Features include new interiors, latest generation UConnect infotainment systems and new engine options (105 hp 0.9L TwinAir Turbo for the MiTo and 150 hp 2.0L JTDM 2 for the Giulietta).

At the Frankfurt Motor Show, Maserati showcases the Quattroporte diesel and the Ermenegildo Zegna Limited Edition concept version: a first step in the collaboration with the premiere Italian fashion house.

10

Fiat Group Automobiles completes acquisition of remaining 50% stake in VM Motori S.p.A., for purchase consideration of €34.1 million, giving the Group 100% control. The initial 50% stake was acquired in 2010.

Chrysler Group brands win 15 of 24 awards issued by the *Texas Auto Writers Association* such as "Truck of Texas" (Ram 1500 pickup), "SUV of Texas" (Jeep Grand Cherokee), "Commercial Vehicle of Texas" (Ram ProMaster), and "Truck Line of Texas" (Ram Trucks).

11

European Investment Bank, SACE and Fiat sign agreement for €400 million in financing to support R&D programs at five Fiat research centers in Italy for the period 2013-2016. The loan is 50% guaranteed by SACE.
Fiat issues a CHF 450 million bond (4.00%, due November 2017).

Ghibli debuts in North America at the Los Angeles Auto Show.

The Tofaş plant in Bursa, Turkey achieves World Class Manufacturing Gold Level.

12

For second consecutive year, Fiat Group is recognized as leader in the Carbon Disclosure Project's Italy 100 Climate Disclosure Leadership Index (CDLI) and Climate Performance Leadership Index (CPLI) for its commitment to addressing climate change. The Group received the highest overall score (99/100) for transparency in disclosure and the maximum score (A) for its commitment toward reducing carbon emissions.

Group plant in Tychy, Poland, achieves World Class Manufacturing Gold Level.

Ram Pickup receives *Motor Trend Magazine*'s "Truck of the Year" for 2013 and 2014 (December 2013), the first time ever a vehicle has won two years in a row.

3.0L EcoDiesel V-6 and Fiat 500e battery-electric drive system named among *Ward*'s "10 Best Engines for 2014".

Alfa Romeo 4C named winner of the Sportscars/Imported category by readers of *Auto Zeitung* in Germany and "Car of the Year 2013" by *FHM* magazine in the U.K. Delivery of the Launch Edition of the Alfa Romeo 4C began in October.

# Creating Value for Stakeholders

The industrial and cultural integration of Fiat and Chrysler continued during the year and was enhanced at the beginning of 2014 with Fiat's acquisition of the remaining equity interest in Chrysler Group LLC.

The sharing of know-how, resources, projects, challenges and ambitions between the two partners has enabled the Group to position itself as a global automaker playing a leading role in the sector.

Contributing to the success of this ambitious undertaking was the shared values and spirit of a group intent on distinguishing itself not only in terms of the excellence of its products, but also for its integrity, transparency and the sense of responsibility with which it conducts its activities.

For the Group that represents a daily commitment to achieving concrete objectives – throughout the value chain – aimed at the **creation of value** for stakeholders.

An **awareness of the impact** that a large industrial group such as Fiat jointly with Chrysler can have on financial markets, the environment and society at large is central to the Group's model of responsibility.

Managing our business responsibly requires that we take all potential implications of our strategic decisions and projects into consideration. Such an approach takes on even greater importance in today's increasingly competitive landscape where market conditions are often challenging and the mobility needs of customers are rapidly changing.

For Fiat Group, sustainability is an **approach to business** that constantly challenges the organization to **continuously improve** performance.

Over the years, our sustainability model has evolved in parallel with the organization, resulting in a well-developed model integrated with every aspect of the Group's activities. The sustainability management process is based on a model of shared responsibility that, beginning with top management, involves every area and employee in each of the 40 countries where the Group has a presence.

In order to **achieve tangible long-term value creation for stakeholders**, the Group places particular emphasis on the following:

- a governance model based on transparency and integrity
- safe and eco-friendly products
- a full-line product offering
- affordable and innovative mobility solutions
- promoting awareness and effective communication with consumers
- proper management and professional development of employees
- working conditions and human rights
- mutually beneficial relationships with business partners and local communities
- environmental impacts of manufacturing and non-manufacturing processes

The Group uses multiple channels, including the corporate website and social networks, to provide up-to-date and transparent information on its sustainability commitments and results.

The sustainability section of the 2013 Annual Report addresses issues identified as being of greatest importance to the Group's internal and external stakeholders. Additional information relating to the Group's sustainability commitments is available in the 2013 Sustainability Report and on the corporate website.

## A Sustainability Leader

Our Group's commitment to sustainability has received recognition at the global level from several leading organizations and indexes.

For the fifth consecutive year, Fiat S.p.A. was selected by RobecoSAM AG (the specialists in sustainability investing) for inclusion in the prestigious Dow Jones Sustainability Indexes (DJSI) World and Europe which only admit companies judged best-in-class in terms of economic, environmental and social performance. The Group received a score of 89/100 compared with an overall average of 61/100 for companies evaluated in the Automobiles sector.

In addition, for the second consecutive year, the Group was recognized as the undisputed leader in Italy for its commitment to addressing climate change. On the basis of performance and transparency in disclosure, the Group was named the leader in the CDP Italy 100 Climate Disclosure Leadership Index (CDLI) and Climate Performance Leadership Index (CPLI) for 2013. Fiat received the highest score overall for transparency in disclosure (99/100) and the maximum score (A) for its commitment toward reducing carbon emissions.

During the year, Fiat Group's position was also confirmed in the Euronext Vigeo Europe 120 and the Euronext Vigeo Eurozone 120 indexes, both established in collaboration with NYSE Euronext, which include the top ESG performers based on an analysis of approximately 330 indicators.

The Group is also a member of several other major sustainability indexes, including: ESI Excellence Europe, STOXX Global ESG Leaders, STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Governance Leaders, ECPI Euro Ethical Equity, ECPI EMU Ethical Equity, ECPI Global Developed ESG Best in Class Equity, FTSE ECPI Italia SRI Benchmark and FTSE ECPI Italia SRI Leaders. In 2013, the Group also entered the Parks GLBT Diversity Index.

# 2

# Report on Operations

Main Risks and Uncertainties to which Fiat S.p.A. and its Subsidiaries are Exposed .................................. 30

Financial Review – Fiat Group .................................. 42

Commercial Performance by Operating Segment .................................. 65

Mass-Market Brands (NAFTA, LATAM, APAC, EMEA) .................................. 65

Luxury Brands (Ferrari, Maserati) .................................. 73

Components (Magneti Marelli, Teksid, Comau) .................................. 76

Sustainability .................................. 80

Sustainability Governance and Commitment to Stakeholders .................................. 80

Research, Innovation and Sustainable Mobility .................................. 83

Employees .................................. 91

Industrial Relations and Social Dialogue .................................. 94

Corporate Governance .................................. 103

Transactions between Group Companies and with Related Parties .................................. 110

Subsequent Events and Outlook .................................. 111

Financial Review – Fiat S.p.A. .................................. 114

Motion for Approval of the Statutory Financial Statements and Allocation of 2013 Net Result .................................. 118

# Main Risks and Uncertainties to which Fiat S.p.A. and its Subsidiaries are Exposed

Fiat S.p.A. and its subsidiaries (which include Chrysler since June 2011) face a variety of risks in their business. The risks and uncertainties described below are not the only ones facing the Fiat Group. Additional risks and uncertainties that the Fiat Group is unaware of or that it currently believes to be immaterial, may also become important factors that affect it. If any of the following events occur, the Fiat Group business, financial condition and results of operations could be materially and adversely affected.

**1. The Group's profitability depends on reaching certain minimum vehicle sales volumes. If vehicle sales deteriorate, the Group's results of operations and financial condition will suffer**

The Group's success requires it to achieve certain minimum vehicle sales volumes. As is typical for an automobile manufacturer, the Group has significant fixed costs and, therefore, changes in vehicle sales volume can have a disproportionately large effect on profitability. Moreover, the Group tends to operate with negative working capital and the Group generally receives payments from vehicle sales to dealers within a few days of shipment from the assembly plants, whereas there is a lag between the time when parts and materials are received from suppliers and when the Group pays for such parts and materials; therefore, if vehicle sales decline the Group will suffer a significant negative impact on cash flow and liquidity as the Group continues to pay suppliers during a period in which it receives reduced proceeds from vehicle sales. If vehicle sales do not increase, or if they were to fall short of assumptions, due to financial crisis, renewed recessionary conditions, changes in consumer confidence, geopolitical events, inability to produce sufficient quantities of certain vehicles, limited access to financing or other factors, the Group's financial condition and results of operations would be materially adversely affected.

**2. The businesses of the Group are affected by global financial markets and general economic and other conditions over which it has no control**

The Group's earnings and financial position may be influenced by various macroeconomic factors — including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates for or availability of consumer and business credit, energy prices, the cost of commodities or other raw materials and the rate of unemployment — within the various countries in which it operates.

Beginning in 2008, global financial markets have experienced severe disruptions, resulting in a material deterioration of the global economy. The global economic recession in 2008 and 2009, which affected most regions and business sectors, resulted in a sharp decline in demand for automobiles. Although more recently the Group has seen signs of recovery in certain regions, the overall global economic outlook remains uncertain.

In Europe, in particular, despite measures taken by several governments and monetary authorities to provide financial assistance to certain Eurozone countries and to avoid default on sovereign debt obligations, concerns persist regarding the debt burden of several countries. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, have led to further pressure on economic growth and to new periods of recession. These ongoing concerns could have a detrimental impact on the global economic recovery, as well as on the financial condition of European institutions, which could result in greater volatility, reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. In addition, widespread austerity measures in many countries in which the Group operates could continue to adversely affect consumer confidence, purchasing power and spending, which could adversely affect the Group's financial condition and results of operations.

Following the Group's acquisition of control of Chrysler and subsequent acquisition of 100 percent of Chrysler, a majority of the Group's revenues are generated in the NAFTA region. Although economic recovery in North America has been slower and less robust than many economic experts predicted, vehicle sales in North America have experienced significant growth from their 2009-2010 trough. However, this recovery may not be sustained or may be limited to certain classes of vehicles. In addition, the recovery may be partially attributable to the pent-up demand and average age of vehicles in North America following the extended economic downturn so there can be no assurances that improvements in general economic conditions or employment levels will lead to corresponding increases in vehicle sales. As a result, North America may experience limited growth or declines in vehicle sales in the future.

In addition, slower expansion is also being experienced in major emerging countries, such as China, Brazil and India. In addition to weaker export business, lower domestic demand also led to a slowing economy in these countries. All these potential developments could adversely affect the financial condition and results of operations of the Group.

In general, the automotive sector has historically been subject to highly cyclical demand and tends to reflect the overall performance of the economy, often amplifying the effects of economic trends. Given the difficulty in predicting the magnitude and duration of economic cycles, there can be no assurances as to future trends in the demand for products sold by the Group in any of the markets in which it operates.

In addition to slow economic growth or recession, other economic circumstances — such as increases in energy prices and fluctuations in prices of raw materials or contractions in infrastructure spending — could have negative consequences for the industry in which the Group operates and, together with the other factors referred to previously, could have a material adverse effect on the Group's financial condition and results of operations.

### 3. The Group's future performance depends on its ability to enrich the Group's product portfolio and offer innovative products

The success of the Group's businesses depends, among other things, on their ability to maintain or increase their share in existing markets and/or to expand into new markets through the development of innovative, high-quality products that are attractive to customers and provide adequate profitability. It generally takes two years or more to design and develop a new product, and a number of factors may lengthen that schedule. Because of this product development cycle and the various elements that may contribute to consumers' acceptance of new vehicle designs, including competitors' product introductions, fuel prices, general economic conditions and changes in styling preferences, an initial product concept or design that the Group believes will be attractive may not result in a production model that will generate sales in sufficient quantities and at high enough prices to be profitable. A failure to develop and offer innovative products that compare favorably to those of the Group's principal competitors, in terms of price, quality, functionality and features, with particular regard to the upper-end of the product range, or delays in bringing strategic new models to the market, could impair the Group's strategy, which would have a material adverse effect on the Group's financial condition and results of operations. Additionally, the Group's high proportion of fixed costs, both due to its significant investment in property, plant and equipment as well as the requirements of its collective bargaining agreements, which limit its flexibility to adjust personnel costs to changes in demand for its products, may further exacerbate the risks associated with incorrectly assessing demand for its vehicles.

### 4. The automotive industry is highly competitive and cyclical and the Group may suffer from those factors more than some of its competitors

Substantially all of the Group's revenues are generated in the automobile industry, which is highly competitive, encompassing the production and distribution of passenger cars, light commercial vehicles and the related components and production systems. The Group faces competition from other international passenger car and light commercial vehicle manufacturers and distributors and components suppliers in Europe, North America, Latin America and the Asia Pacific region. These markets are all highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service and financial services offered, and many of the Group's competitors are better capitalized with larger market shares.

Competition, particularly in pricing, has increased significantly in the Group's industry in recent years. In addition, partly as a result of lower growth in demand for automobiles, global automobile production capacity significantly exceeds current demand. This overcapacity, combined with high levels of competition and weakness of major economies, has intensified and may further intensify pricing pressures.

The Group's competitors may respond to these conditions by attempting to make their vehicles more attractive or less expensive to customers by adding vehicle enhancements, providing subsidized financing or leasing programs, or by reducing vehicle prices whether directly of by offering option package discounts, price rebates or other sales incentives in certain markets. In addition, manufacturers in countries which have lower production costs have announced that they intend to export lower-cost automobiles to established markets. These actions have had, and could continue to have, a negative impact on the Group's vehicle pricing, market share, and operating results.

In the automotive business, sales to end-customers are cyclical and subject to changes in the general condition of the economy, the readiness of end-customers to buy and their ability to obtain financing, as well as the possible introduction of measures by governments to stimulate demand. The automotive industry is also subject to the constant renewal of product offerings through frequent launches of new models. A negative trend in the automobiles business or the Group's inability to adapt effectively to external market conditions could have a material adverse impact on the financial condition and results of operations of the Group.

**5. The Group may be unsuccessful in efforts to expand the international reach of some of its brands that the Group believes have global appeal and reach**

The Group's growth strategies include significant investments designed to expand several brands believed to have global appeal into new markets. That includes pursuing extension of the Jeep brand into Asia and Latin America and reintroduction of the Alfa Romeo brand into North America. This will require significant investments in production facilities and in distribution networks in these markets. If the Group is unable to introduce vehicles that appeal to consumers in these markets and achieve its brand expansion strategies, the Group may be unable to earn a sufficient return on these investments and this could have a material adverse impact on the financial condition and results of operations of the Group.

**6. Fiat's current credit rating is below investment grade and any further deterioration may significantly affect the Group's funding and prospects**

The Group's ability to access the capital markets or other forms of financing and the related costs depend, among other things, on the Group's credit ratings. Following downgrades by the major rating agencies, Fiat is currently rated below investment grade. The rating agencies review these ratings regularly and, accordingly, new ratings may be assigned to Fiat during 2014. It is not currently possible to predict the timing or outcome of any ratings review. Any downgrade may increase the Group's cost of capital and potentially limit its access to sources of financing, with a consequent material adverse effect on the Group's business prospects, earnings and financial position.

In addition, the ratings agencies separately review and rate Chrysler on a stand-alone basis and it is possible that Fiat's credit ratings may not benefit from any improvements in Chrysler's credit ratings or that a deterioration in Chrysler's credit ratings could result in a negative rating review of Fiat.

### 7. The Group may not be able to realize anticipated benefits from any acquisitions and challenges associated with strategic alliances may have an adverse impact on the Group's results of operations

The Group may engage in acquisitions or enter into, expand or exit from strategic alliances which could involve risks that may prevent the Group from realizing the expected benefits of the transactions or the achievement of strategic objectives. Such risks could include:

- technological and product synergies, economies of scale and cost reductions not occurring as expected;
- unexpected liabilities;
- incompatibility in processes or systems;
- unexpected changes in laws or regulations;
- inability to retain key employees;
- inability to source certain products;
- increased financing costs and inability to fund such costs;
- significant costs associated with terminating or modifying alliances; and
- problems in retaining customers and integrating operations, services, personnel, and customer bases.

If problems or issues were to arise among the parties to one or more strategic alliances for managerial, financial, or other reasons, or if such strategic alliances or other relationships were terminated, the Group's product lines, businesses, financial position, and results of operations could be adversely affected.

### 8. The Group may not achieve the expected benefits from the integration with Chrysler

The acquisition of 100% of the equity in Chrysler and the related integration of the two businesses is intended to provide the Group with a number of long-term benefits, including allowing new vehicle platforms and powertrain technologies to be shared across a larger volume, as well as procurement benefits, management services and global distribution opportunities, particularly the extension of brands into new markets. The integration is also intended to facilitate penetration of key brands in several international markets where the Group believes products would be attractive to consumers, but where they currently do not have significant market penetration.

The ability to realize the benefits of the integration is critical for the Group to compete with other automakers. If the Group is unable to convert the opportunities presented by the integration into long-term commercial benefits, either by improving sales of vehicles and service parts, reducing costs or both, the Group's financial condition and results of operations may be materially adversely affected.

As a result, any adverse development for Chrysler or Fiat, or the failure of the Group to achieve the intended benefits of the related integration could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

### 9. The Group's business operations may be impacted by various types of claims, lawsuits, and other contingent obligations

The Group is involved in various product liability, warranty, product performance, asbestos, personal injury, environmental claims and lawsuits, governmental investigations and other legal proceedings including those that arise in the ordinary course of its business. The Group estimates such potential claims and contingent liabilities and, where appropriate, records provisions to address these contingent liabilities. The ultimate outcome of the legal matters pending against the Group is uncertain, and although such lawsuits are not expected individually to have a material adverse effect on the Group's financial position or its results of operations, such lawsuits could have, in the aggregate, a material adverse effect on the Group's financial condition or results of operations. Furthermore, the Group could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on its results of operations in any particular period. In addition, while the Group maintains insurance coverage with respect to certain claims, it may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims.

## 10. The Group may be exposed to shortfalls in Chrysler's pension plans

Chrysler's defined benefit plans are currently underfunded and its pension funding obligations may increase significantly if the investment performance of plan assets does not keep pace with benefit payment obligations. Mandatory funding obligations may increase because of lower than anticipated returns on plan assets, whether as a result of overall weak market performance or particular investment decisions, changes in the level of interest rates used to determine required funding levels, changes in the level of benefits provided for by the plans, or any changes in applicable law related to funding requirements. Chrysler's defined benefit plans currently hold significant investments in equity and fixed income securities, as well as investments in less liquid instruments such as private equity, real estate and certain hedge funds. Due to the complexity and magnitude of certain investments, additional risks may exist, including significant changes in investment policy, insufficient market capacity to complete a particular investment strategy and an inherent divergence in objectives between the ability to manage risk in the short term and the ability to quickly rebalance illiquid and long-term investments.

To determine the appropriate level of funding and contributions to its defined benefit plans, as well as the investment strategy for the plans, Chrysler is required to make various assumptions, including an expected rate of return on plan assets and a discount rate used to measure the obligations under defined benefit pension plans. Interest rate increases generally will result in a decline in the value of investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases will increase the value of investments in fixed income securities and the present value of the obligations.

Any reduction in investment returns or the value of plan assets, or any increase in the present value of obligations, may increase pension expenses and required contributions and, as a result, could constrain liquidity and materially adversely affect Chrysler's financial condition and results of operations. If Chrysler fails to make required minimum funding contributions, it could be subjected to reportable event disclosure to the Pension Benefit Guaranty Corporation[(1)], as well as interest and excise taxes calculated based upon the amount of any funding deficiency. With Fiat's ownership in Chrysler now exceeding 80%, Fiat may become subject to certain US legal requirements making it secondarily responsible for a funding shortfall in certain of Chrysler's pension plans in the event these pension plans were terminated and Chrysler were to be insolvent.

## 11. The Group may not be able to provide adequate access to financing for its dealers and retail customers

The Group's dealers enter into wholesale financing arrangements to purchase vehicles to hold in inventory and retail customers use a variety of finance and lease programs to acquire vehicles.

Unlike many of its competitors, the Group does not own and operate its own finance company dedicated solely to its operations. Instead it has elected to partner with specialized financing services providers through joint ventures and commercial agreements. The Group's lack of a captive finance company may increase the risk that dealers and retail customers will not have access to sufficient financing on acceptable terms which may adversely affect the Group's vehicle sales in the future. Furthermore, many of the Group's competitors are better able to implement financing programs designed to maximize vehicle sales in a manner that optimizes profitability for them and their captive finance companies on an aggregate basis. Since the Group's ability to compete depends on access to appropriate sources of financing for dealers and retail customers, its lack of a captive finance company could adversely affect its results of operations.

*(1) The Pension Benefit Guaranty Corporation (PBGC) is an independent agency of the United States government that was created by the Employee Retirement Income Security Act of 1974 (ERISA) to encourage the continuation and maintenance of voluntary private-sector defined benefit pension plans.*

Any independent financing services provider will face other demands on its capital, including the need or desire to satisfy funding requirements for dealers or customers of the Group's competitors as well as liquidity issues relating to other investments. Furthermore, they may also subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to Group dealers and retail customers.

Additionally, if consumer interest rates increase substantially or if financing service providers tighten lending standards or restrict their lending to certain classes of credit, consumers may not be able to obtain financing to purchase or lease the Group's vehicles.

To the extent that a financing services provider is unable or unwilling to provide sufficient financing at competitive rates to the Group's dealers and consumers, such dealers and consumers may not have sufficient access to financing to purchase or lease Group's vehicles. As a result, the Group's vehicle sales and market share may suffer, which would adversely affect the Group's financial condition and results of operations.



**12. Vehicle sales depend heavily on affordable interest rates for vehicle financing**
In certain regions, financing for new vehicle sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. To the extent that interest rates rise generally, market rates for new vehicle financing are expected to rise as well which may make the Group's vehicles less affordable to consumers or steer consumers to less expensive vehicles, adversely affecting the Group's financial condition and results of operations. Furthermore, because Group's customers may be relatively more sensitive to changes in the availability and adequacy of financing and macroeconomic conditions, the Group's vehicle sales may be disproportionately affected by changes in financing conditions relative to the vehicle sales of Group's competitors.

**13. Limitations on the Group's liquidity and access to funding may limit its ability to execute its business plan and improve its business, financial condition and results of operations**
The Group's future performance will depend on, among other things, its ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and possible recourse to capital markets or other sources of financing. Although the Group has measures in place that are designed to ensure that adequate levels of working capital and liquidity are maintained, declines in sales volumes could have a negative impact on the cash-generating capacity of its operating activities. The Group could, therefore, find itself in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions, with limited availability of funding and a general increase in funding costs. Any limitations on the Group's liquidity, due to decreases in vehicle sales, the amount of or restrictions in the Group's existing indebtedness, conditions in the credit markets, general economic conditions or otherwise, may adversely impact the Group's ability to execute its business plan and impair its financial condition and results of operations. In addition, any actual or perceived limitations of the Group's liquidity may limit the ability or willingness of counterparties, including dealers, customers, suppliers and financial service providers, to do business with the Group, which may adversely affect the Group's financial condition and results of operations.

**14. The Group's ability to achieve cost reductions and to realize production efficiencies is critical to maintaining its competitiveness and long-term profitability**
The Group is continuing to implement a number of cost reduction and productivity improvement initiatives in automotive operations, for example, by increasing the number of vehicles that are based on common platforms, reducing dependence on sales incentives offered to dealers and consumers, leveraging purchasing capacity and volumes between Fiat and Chrysler and implementing World Class Manufacturing, or WCM, principles. The Group's future success depends upon its ability to implement these initiatives successfully throughout its operations. In addition, while some of the productivity improvements are within its control, others depend on external factors, such as commodity prices,

supply capacity limitations, or trade regulation. These external factors may make it more difficult to reduce costs as planned, and the Group may sustain larger than expected production expenses, materially affecting its business and results of operations. Furthermore, reducing costs may prove difficult due to the need to introduce new and improved products in order to meet consumer expectations.

**15. Product recalls may result in direct costs and loss of vehicle sales that could have material adverse effects on Group's business**

From time to time, the Group has been required to recall vehicles to address performance, compliance or safety-related issues. The costs the Group incurs to recall vehicles typically include the cost of replacement parts and labor to remove and replace the problem parts, and may substantially depend on the nature of the remedy and the number of vehicles affected. Product recalls may also harm the Group's reputation and may cause consumers to question the safety or reliability of its products. Any costs incurred, or lost vehicle sales, resulting from product recalls could materially adversely affect the Group's financial condition or results of operations. Moreover, if the Group faces consumer complaints, or receives information from vehicle rating services that calls into question the safety or reliability of one of its vehicles and the Group does not issue a recall, or if the Group does not do so on a timely basis, its reputation may also be harmed and the Group may lose future vehicle sales.

**16. Failure to maintain adequate financial and management processes and controls could lead to errors in the financial reporting, which could harm the Group's business reputation**

The Group continuously monitors and evaluates changes in its internal controls over financial reporting. In support of a drive toward common global systems, the Group is extending the current finance, procurement, and capital project and investment management systems to new areas of operations. As appropriate, the Group continues to modify the design and documentation of internal control processes and procedures relating to the new systems to simplify and automate many of its previous processes. The Group's management believes that the implementation of this system will continue to improve and enhance internal controls over financial reporting. Failure to maintain adequate financial and management processes and controls could lead to errors in the Group's financial reporting.

**17. The Group is subject to risks relating to international markets and exposure to changes in local conditions**

The Group is subject to risks inherent to operating globally, including those related to:

- exposure to local economic and political conditions;
- import and/or export restrictions;
- multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries;
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds. In particular, current regulations limit the Group ability to access and transfer liquidity out of Venezuela to meet demands in other countries and also subject the Group to increased risk of devaluation or other foreign exchange losses. In December 2010 and February 2013, the Venezuelan government announced devaluations of the official Venezuelan Bolivar (VEF)-USD exchange rate, which resulted in devaluation of the Group VEF denominated balances; and/or
- the introduction of more stringent laws and regulations.

Unfavorable developments in any one of these areas (which may vary from country to country) could have a material adverse effect on the Group's financial condition and results of operations.

**18. Developments in emerging market countries may adversely affect the Group's business**

The Group operates in a number of emerging markets, both directly (e.g., Brazil and Argentina) and through joint ventures and other cooperation agreements (e.g., Turkey, India, China and Russia). In Brazil, in recent years the Group has been the market leader, which has provided a key contribution to the Group's performance in terms of revenues and profitability. The Group's exposure to other emerging countries has increased in recent years, as have the number and importance of such joint ventures and cooperation agreements. Economic and political developments in Brazil and other emerging markets, including economic crises or political instability, have had and could in the future have material adverse effects on the Group's financial condition and results of operations.

The Group continues to increase its presence in emerging markets such as China and India through a series of partnerships. In 2013, the Group entered into a joint venture with Guangzhou Automobile Group Co., Ltd (GAC Group) for the production of engines and passenger cars for the Chinese market, as well as securing exclusive distribution of Fiat branded cars in China. The Group has also entered into a joint venture with TATA Motors for the production of C-segment cars, engines and transmissions in India. Maintaining and strengthening its position in these emerging markets is a key component of the Group's global growth strategy. However, with competition from many of the largest global manufacturers as well as numerous smaller domestic manufacturers, the automotive market, both in China and India, is highly competitive. As these markets continue to grow, the Group anticipates that additional competitors, both international and domestic, will seek to enter these markets and that existing market participants will act aggressively to protect or increase their market share. Increased competition may result in price reductions, reduced margins and the Group's inability to gain or hold market share.

**19. Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced GHG emissions, may have a significant effect on how the Group does business and may adversely affect the Group's results of operations**

In order to comply with government regulations related to fuel economy and emissions standards, the Group must devote significant financial and management resources, as well as vehicle engineering and design attention to these legal requirements. The Group expects the number and scope of these regulatory requirements, along with the costs associated with compliance, to increase significantly in the future and these costs could be difficult to pass through to customers, which could result in limitations on the types of vehicles the Group sells and where it can sell them, which could have a material adverse impact on the financial condition and results of operations of the Group.

Government initiatives to stimulate consumer demand for products sold by the Group, such as changes in tax treatment or purchase incentives for new vehicles, can substantially influence the timing and level of revenues. The size and duration of such government measures are unpredictable and outside of the Group's control. Any adverse change in government policy relating to those measures could have material adverse effects on the Group's business prospects, earnings and financial position.

**20. Labor laws and labor unions could impact the ability of the Group to increase the efficiency of its operations**

Substantially all of the Group's production employees are represented by trade unions, are covered by collective bargaining agreements and/or protected by applicable labor relations regulations that may restrict the Group's ability to modify operations and reduce costs quickly in response to changes in market conditions. These and other provisions may impede the Group's ability to restructure its business successfully to compete more effectively, especially with those automakers whose employees are not represented by unions or are subject to less stringent regulations.

**21. Amounts required to develop and commercialize vehicles incorporating sustainable technologies for the future are significant, as are the barriers that still limit the mass-market potential of such vehicles**

The Group's product strategy is driven by the objective of achieving sustainable mobility by reducing the environmental impact of vehicles over their entire life cycle. The Group therefore intends to continue investing capital resources to develop new sustainable technology. It aims to increase the use of alternative fuels, such as natural gas, by continuing to offer a complete range of dual-fuel passenger cars and commercial vehicles. Additionally, it plans to continue developing alternative propulsion systems, particularly for vehicles driven in urban areas (such as the zero-emission Fiat 500e).

In many cases, technological and cost barriers limit the mass-market potential of sustainable natural gas and in particular electric vehicles. In some other cases the technologies that the Group plans to employ are not yet commercially practical and depend on significant future technological advances by the Group and by suppliers. There can be no assurance that these advances will occur in a timely or feasible way, that the funds that the Group has budgeted for these purposes will be adequate, or that it will be able to establish its right to these technologies. Further, the Group's competitors and others are pursuing similar technologies and other competing technologies and there can be no assurance that they will not acquire similar or superior technologies sooner than it does or on an exclusive basis or at a significant price advantage.

## 22. The Group depends on its relationships with suppliers

The Group purchases raw materials and components from a large number of suppliers and depends on services and products provided by companies outside the Group. Close collaboration between a manufacturer and its suppliers is common in the automotive industry and although this offers economic benefits in terms of cost reduction, it also means that the Group depends on its suppliers and is exposed to the possibility that difficulties, including those of a financial nature, experienced by those suppliers (whether caused by internal or external factors) could have a material adverse effect on the Group's financial condition and results of operations.

## 23. Risks associated with increases in costs, disruptions of supply or shortages of raw materials

The Group uses a variety of raw materials in its business including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium, as well as energy. The prices for these raw materials fluctuate and at times in recent periods, these commodity prices have increased significantly in response to changing market conditions. The Group seeks to manage this exposure, but it may not be successful in hedging its exposure to these risks. Substantial increases in the prices for raw materials would increase the Group's operating costs and could reduce profitability if the increased costs cannot be offset by changes in vehicle prices. In addition, certain raw materials are sourced only from a limited number of suppliers and from a limited number of countries. The Group cannot guarantee that it will be able to maintain arrangements with these suppliers that assure access to these raw materials, and in some cases this access may be affected by factors outside of the Group's control and the control of its suppliers. For instance, natural disasters or civil unrest may have severe and unpredictable effects on the price of certain raw materials in the future.

As with raw materials, the Group is also at risk for supply disruption and shortages in parts and components for use in its vehicles for many reasons including, but not limited to tight credit markets or other financial distress, natural or man-made disasters, or production difficulties. The Group will continue to work with suppliers to monitor potential shortages and to mitigate the effects of any emerging shortages on its production volumes and revenues; however, there can be no assurances that these events will not have an adverse effect on its production in the future, and any such effect may be material.

Any interruption in the supply or any increase in the cost of raw materials, parts, components and systems could negatively impact the Group's ability to achieve its vehicle sales objectives and profitability. Long-term interruptions in supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle sales objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, may result in a material impact on the Group's financial condition and results of operations.

**24. The Group is subject to risks associated with exchange rate fluctuations, interest rate changes, credit risk and other market risks**

The Group operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to the differences in geographic distribution of the Group's manufacturing activities and commercial activities, resulting in cash flows from sales being denominated in currencies different from those connected to purchases or production activities.

The Group uses various forms of financing to cover funding requirements for its industrial activities and for financing customers and dealers. Moreover, liquidity for industrial activities is also principally invested in variable-rate or short-term financial instruments. The Group's financial services businesses normally operate a matching policy to offset the impact of differences in rates of interest on the financed portfolio and related liabilities. Nevertheless, changes in interest rates can affect revenues, finance costs and margins.

The Group seeks to manage risks associated with fluctuations in currency and interest rates through financial hedging instruments. Despite such hedges being in place, fluctuations in currency or interest rates could have a material adverse effect on the Group's financial condition and results of operations.

The Group's financial services activities are also subject to the risk of insolvency of dealers and end-customers, as well as unfavorable economic conditions in markets where these activities are carried out. Despite the Group's efforts to mitigate such risks through the credit approval policies applied to dealers and end-customers, there can be no assurances that the Group will be able to successfully mitigate such risks, particularly with respect to a general change in economic conditions.

**25. The Group's success largely depends on the ability of its current management team to operate and manage effectively**

The Group's success largely depends on the ability of its senior executives and other members of management to effectively manage the Group and individual areas of the business. The loss of any senior executive, manager or other key employees without an adequate replacement or the inability to attract, retain and incentivize senior executive managers, other key employees or new qualified personnel could therefore have a material adverse effect on the Group's business prospects, earnings and financial position.

**26. The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and limit its financial and operating flexibility**

The extent of the Group's indebtedness could have important consequences on its operations and financial results, including:

- the Group may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
- the Group may need to use a portion of its projected future cash flow from operations to pay principal and interest on its indebtedness, which may reduce the amount of funds available to the Group for other purposes;
- the Group may be more financially leveraged than some of its competitors, which could put it at a competitive disadvantage; and
- the Group may not be able to adjust rapidly to changing market conditions, which may make it more vulnerable to a downturn in general economic conditions or its business.

These risks may be exacerbated by volatility in the financial markets, particularly those resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions, particularly in the Eurozone.

Among the anticipated benefits of the corporate reorganization announced in January 2014 is the expected reduction in funding costs over time due to improved debt capital markets positioning of the combined entity. However, certain of the circumstances and risks described may delay or reduce the expected cost savings from the future funding structures and the expected cost savings may not be achieved in full or at all.

Even after the acquisition by Fiat, Chrysler continues to manage financial matters, including funding and cash management, separately. Additionally, Fiat has not provided guarantees or security or undertaken any other similar commitment in relation to any financial obligation of Chrysler, nor does it have any commitment to provide funding to Chrysler in the future.

Furthermore, certain bonds issued by Fiat include covenants that may be affected by circumstances related to Chrysler. In particular, these bonds include cross-default clauses which may accelerate the relevant issuer's obligation to repay its bonds in the event that a "material subsidiary" of Fiat fails to pay certain debt obligations on maturity or is otherwise subject to an acceleration in the maturity of any of those obligations. Chrysler Group LLC is a "material subsidiary" and certain of its subsidiaries may become material subsidiaries of Fiat within the meaning of those bonds. Therefore, the cross-default provision could require early repayment of the Notes or those bonds in the event Chrysler's debt obligations are accelerated or are not repaid at maturity. There can be no assurance that the obligation to accelerate the repayment by Chrysler of its debts will not arise or that it will be able to pay its debt obligations when due at maturity.

In addition, one of Fiat's existing revolving credit facilities, expiring in July 2016, provides for some limits on Fiat's ability to provide financial support to Chrysler.

### 27. Restrictive covenants in the Group's debt agreements could limit its financial and operating flexibility

The indentures governing certain of the Group's outstanding public indebtedness, and other credit agreements to which companies in the Group are a party, contain covenants that restrict the ability of companies in the Group to, among other things:

- incur additional debt;
- make certain investments;
- enter into certain types of transactions with affiliates;
- sell certain assets or merge with or into other companies;
- use assets as security in other transactions; and
- enter into sale and leaseback transactions.

### 28. Risk associated with restrictions arising out of Chrysler's debt instruments

Chrysler is party to a credit agreement for certain senior secured credit facilities and an indenture for two series of secured senior notes. These debt instruments include covenants that restrict Chrysler's ability to make certain distributions or purchase or redeem capital stock, prepay other debt, encumber assets, incur or guarantee additional indebtedness, incur liens, transfer and sell assets or engage in certain business combinations, enter into certain transactions with affiliates or undertake various other business activities.

In particular, in January 2014, Chrysler paid a distribution of USD 1.9 billion to its members. With certain exceptions, further distributions will be limited to 50 percent of Chrysler's consolidated net income (as defined in the agreements) from the period from January 2012 until the end of the most recent fiscal quarter, less the amount of the January 2014 distribution.

These restrictive covenants could have an adverse effect on the Group's business by limiting its ability to take advantage of financing, mergers and acquisitions, joint ventures or other corporate opportunities. In addition, the senior credit facilities contain, and future indebtedness may contain, other and more restrictive covenants and also prohibit Chrysler from prepaying certain of its indebtedness. The senior credit facilities require Chrysler to maintain borrowing base collateral coverage and a liquidity threshold. A breach of any of these covenants or restrictions could result in an event of default on the indebtedness and any of the other indebtedness of Chrysler or result in cross-default under certain of its indebtedness.

If Chrysler is unable to comply with these covenants, its outstanding indebtedness may become due and payable and creditors may foreclose on pledged properties. In this case, Chrysler may not be able to repay its debt and it is unlikely that it would be able to borrow sufficient additional funds. Even if new financing is made available to Chrysler in such circumstances, it may not be available on acceptable terms.

In addition, compliance with certain of these covenants could restrict Chrysler's ability to take certain actions that its management believes are in Chrysler's and Group's best long-term interests.

Should Chrysler be unable to undertake strategic initiatives due to the covenants provided for by the above instruments, the Group's business prospects, financial condition and results of operations could be adversely impacted.

# Financial Review – Fiat Group

## Key Performance Indicators

Fiat Group monitors its operations through the use of various performance indicators that may not be comparable to other similarly titled indicators of other companies. Group management believes these performance indicators provide comparable measures of its financial performance based on normalized operational factors, which then facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions.

The Group's key performance indicators are defined as follows:

- **Trading Profit/(Loss)** is computed starting with Net Revenues less operating costs (cost of sales, SG&A, R&D costs, other operating income and expenses).
- **Earnings Before Interest, Taxes ("EBIT")** is computed starting from Trading profit/(loss) and then adjusting for restructuring costs, other income/expenses that are unusual in the ordinary course of business (such as gains and losses on the disposal of investments) and the Result from investments.
- **Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")** is computed starting with EBIT and then adding back depreciation and amortization expense.
- **Net Debt** is computed as debt plus other financial liabilities less (i) cash and cash equivalents, (ii) current securities, (iii) current financial receivables from jointly-controlled financial services entities and (iv) other financial assets.
- **Net Industrial Debt** is computed as debt plus other financial liabilities related to Industrial Activities less (i) cash and cash equivalents, (ii) current securities, (iii) current financial receivables from Group or jointly-controlled financial services entities, and (iv) other financial assets. Therefore, debt, cash and other financial assets/liabilities pertaining to Financial Services entities are excluded from the computation of Net Industrial Debt.

For presentation of the income statement, the Group uses a classification based on the function of expenses (otherwise known as the "cost of sales" method), rather than one based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice in the automotive sector.

## Operating Performance

| (€ million) | 2013 Fiat | 2013 Fiat excluding Chrysler | 2012[*] Fiat | 2012[*] Fiat excluding Chrysler |
|---|---|---|---|---|
| Net revenues | 86,816 | 35,593 | 83,957 | 35,566 |
| Cost of sales | 74,570 | 31,324 | 71,701 | 31,117 |
| Selling, general and administrative | 6,689 | 2,896 | 6,763 | 2,998 |
| Research and development | 2,231 | 1,151 | 1,850 | 1,037 |
| Other income/(expense) | 68 | 24 | (102) | (76) |
| **TRADING PROFIT/(LOSS)** | **3,394** | **246** | **3,541** | **338** |
| Result from investments | 97 | 103 | 107 | 110 |
| Gains/(losses) on disposal of investments | 8 | 8 | (91) | (91) |
| Restructuring costs | 28 | 38 | 15 | 63 |
| Other unusual income/(expense) | (499) | (507) | (138) | (107) |
| **EBIT** | **2,972** | **(188)** | **3,404** | **187** |
| Financial income/(expense) | (1,964) | (989) | (1,885) | (817) |
| **PROFIT/(LOSS) BEFORE TAXES** | **1,008** | **(1,177)** | **1,519** | **(630)** |
| Income taxes | (943) | (736) | 623 | 418 |
| **PROFIT/(LOSS)** | **1,951** | **(441)** | **896** | **(1,048)** |

[*] *Figures previously included in the 2012 Annual Report have been restated to reflect application of the amendment to IAS 19. Restatement resulted in a reduction in net profit of €515 million (€7 million increase in net loss for Fiat excluding Chrysler), reflecting a €273 million increase in operating expense (€17 million increase for Fiat excluding Chrysler), a €244 million increase in financial expense (€8 million decrease in financial expense for Fiat excluding Chrysler) and a €2 million decrease in income taxes (€2 million decrease for Fiat excluding Chrysler).*

Group **revenues** totaled €86.8 billion in 2013, an increase of 3% over the prior year (+7% at constant exchange rates – "CER"). On a regional basis, revenues in NAFTA were up 5% to €45.8 billion (CER +9%) on the back of higher volumes. LATAM reported revenues of €10 billion, down 10% in nominal terms (CER +1%). APAC was up 48% to €4.6 billion (CER +54%), driven by strong volume performance. Revenues for EMEA were down 2% to €17.4 billion (CER -1%), mainly reflecting volume declines in Europe during the first half. For Luxury Brands, revenues increased 31% to €3.8 billion (CER +34%), with Ferrari up 5% and Maserati more than doubling its revenues to €1.7 billion on the strength of new models introduced during the year. Components revenues were in line with 2012 at €8.1 billion (CER +4%).

**Trading profit** was €3,394 million, down 4% over the prior year in nominal terms, but up 1% at constant exchange rates. For 2013, R&D amortization was €0.3 billion higher. NAFTA reported a trading profit of €2,220 million (€2,443 million for 2012, IAS 19 restated), a 9% decrease in nominal terms (CER -6%), with positive volume and pricing more than offset by higher industrial costs, including content enhancements for new models, and increased R&D amortization. LATAM posted a trading profit of €619 million (€1,056 million in 2012, IAS 19 restated), a 41% decrease in nominal terms (CER -33%) primarily attributable to input cost inflation, an unfavorable production mix and a lower result in Venezuela. APAC increased 38% to €358 million, driven by strong volume growth. In EMEA, losses were reduced by one-third to €470 million, mainly on the back of improved product mix and cost efficiencies. For Luxury Brands, trading profit increased 36% to €535 million, with Ferrari up 9% to €364 million, and Maserati tripling from the prior year's level to €171 million. For Components, trading profit was 16% higher at €201 million (CER +21%).

**Income from investments** totaled €97 million (€107 million for 2012) and primarily reflects the Group's share of the profit or loss of investees recognized using the equity method (€87 million in 2013 and €94 million in 2012). Included in that figure are: the result from investments in EMEA (€145 million in 2013; €160 million in 2012), in APAC (-€39 million in 2013; -€5 million in 2012), mainly related to the Group's share of losses of the Chinese JV attributable to industrial costs associated with new product launches, the investment in RCS MediaGroup (-€34 million in 2013; -€68 million in 2012) and other investments (€20 million in 2013; €18 million in 2012).

**Net gains on disposal of investments** totaled €8 million. For 2012, there were net losses on disposal of investments of €91 million, which related to the write-down of the investment in the SevelNord joint venture.

**Restructuring costs** of €28 million for 2013 consisted primarily of provisions for Other activities, partially offset by a reversal in restructuring charges previously recognized for the NAFTA region.

**Other unusual expense** of €499 million included approximately €390 million in asset write-downs associated with the rationalization of architectures relating to the new product strategy, particularly for the Alfa Romeo, Maserati and Fiat brands, as well as asset impairments related to Teksid's Cast Iron business. In addition, there was a €56 million write-off of the carrying value of the Equity Recapture Agreement Right following the 1 January 2014 agreement to purchase the minority remaining equity stake in Chrysler from the VEBA Trust[1]. Other unusual items for the year included a €115 million charge related to the June 2013 voluntary safety recall and customer satisfaction action in NAFTA and a €43 million net charge related to the devaluation of the Venezuelan bolivar (VEF) relative to the U.S. dollar. Those charges were offset by recognition of a €166 million gain following amendments to Chrysler's U.S. and Canadian salaried defined benefit pension plans.

**EBIT** totaled €2,972 million for the year (€3,404 million for 2012, IAS 19 restated). Net of unusuals, EBIT was down 4% year-over-year to €3,491 million (€3,648 million for 2012, IAS 19 restated).

**Net financial expense** totaled €1,964 million, an increase of €79 million over 2012. Excluding the gains on the Fiat stock option-related equity swaps (€31 million for 2013, at their expiration, compared to €34 million for 2012), net financial expense was €76 million higher, largely due to a higher average net debt level.

**Profit before taxes** was €1,008 million (€1,519 million for 2012, IAS 19 restated), €511 million lower than the prior year due to the €432 million decrease in EBIT and higher net financial expense.

**Income taxes** were a positive €943 million, including a positive one-off of €1,500 million from the recognition of net deferred tax assets related to Chrysler. Net of this item, there was income tax expense of €557 million (€623 million for 2012), of which €244 million for Fiat excluding Chrysler primarily related to the taxable income of companies operating outside Italy and employment-related taxes in Italy.

**Net profit** was €1,951 million (€896 million for 2012, IAS 19 restated). Excluding unusual items and the positive deferred tax impact, there was a net profit of €943 million for the year (€1,140 million for 2012, IAS 19 restated). On the same basis, Fiat excluding Chrysler reported a net loss of €911 million (loss of €787 million in 2012).

**Profit attributable to owners of the parent** totaled €904 million (€44 million for 2012).

---

[1] *The UAW Retiree Medical Benefits Trust, a Voluntary Employees' Beneficiary Association, is an independently administered trust established to pay health care benefits for retirees from Chrysler.*

The breakdown of EBIT by segment[1] was as follows:

| (€ million) | Trading profit/(loss) | | Result from investments | | Unusual income/(expense) | | EBIT | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012(*) | 2013 | 2012 | 2013 | 2012 | 2013 | 2012(*) |
| NAFTA | 2,220 | 2,443 | (1) | - | 71 | 48 | 2,290 | 2,491 |
| LATAM | 619 | 1,056 | - | - | (127) | (31) | 492 | 1,025 |
| APAC | 358 | 260 | (39) | (5) | (1) | - | 318 | 255 |
| EMEA | (470) | (703) | 145 | 160 | (195) | (194) | (520) | (737) |
| Luxury Brands | 535 | 392 | - | - | (65) | - | 470 | 392 |
| Components | 201 | 174 | 5 | 2 | (60) | (11) | 146 | 165 |
| Other activities | (67) | (85) | (13) | (52) | (87) | (12) | (167) | (149) |
| Eliminations and adjustments | (2) | 4 | - | 2 | (55) | (44) | (57) | (38) |
| **Total Fiat Group** | **3,394** | **3,541** | **97** | **107** | **(519)** | **(244)** | **2,972** | **3,404** |

(*) *Figures previously included in the 2012 Annual Report have been restated to reflect application of the amendment to IAS 19. The impact on trading profit and EBIT for each segment is, where applicable, reported in the notes to the following tables.*

(1) *See "Fiat Group's activities" and Note 34 – "Segment reporting" in the Note to the Consolidated Financial Statements.*

## Results by Segment

Following is a summary of revenues, trading profit and EBIT by segment and comparison with 2012.

### NAFTA

| (€ million) | 2013 | 2012(*) | Change |
|---|---|---|---|
| Net revenues | 45,777 | 43,521 | 2,256 |
| Trading profit | 2,220 | 2,443 | -223 |
| EBIT | 2,290 | 2,491 | -201 |
| Shipments (000s) | 2,238 | 2,115 | 123 |

(*) *Figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in trading profit and EBIT being reduced by €250 million.*

Group **shipments** in NAFTA totaled 2,238,000 units for 2013, a 6% increase over 2012. A total of 1,876,000 vehicles were shipped in the U.S. (up 7% from 2012), 269,000 in Canada (up 5%) and 93,000 for Mexico and other.

**Revenues** for 2013 were €45,777 million, up €2,256 million or 5% over the prior year (+9% at constant exchange rates). Approximately €1.4 billion of the increase was due to a 6% increase in shipments driven primarily by increased demand for Chrysler Group vehicles, including the Ram 1500 trucks, the launch of the all-new 2014 Jeep Cherokee which began shipping to dealers in late October 2013, the Jeep Grand Cherokee, which launched in the first quarter of 2013, as well as increases in the Jeep Wrangler. These increases were partially offset by a reduction in Jeep Liberty shipments due to its discontinued production at the end of the second quarter of 2012 in preparation of the all-new 2014 Jeep Cherokee. During the third quarter of 2012, Chrysler Group continued to ship the residual Jeep Liberty inventory to dealers.

Approximately €800 million of the increase in revenues was attributable to favorable vehicle line mix as there was a higher percentage growth in truck shipments as compared to minivan and passenger car shipments. In addition, revenues increased by approximately €800 million as a result of favorable net pricing from vehicle content enhancements in the Group's 2014 model year vehicles as compared to prior model years. Further, approximately €300 million of the increase in revenues was due to a favorable shift in market mix to greater retail shipments as a percentage of total shipments, which is consistent with the Group's continuing strategy to grow U.S. retail market share while maintaining stable fleet shipments. Typically, the average revenue per vehicle for retail shipments is higher than the average revenue per vehicle for fleet shipments, as retail customers tend to purchase vehicles with more optional features. Additionally, revenues were negatively impacted by €1.5 billion in currency translation impacts.

**Trading profit** for 2013 was €2,220 million (€2,443 million for 2012, IAS 19 restated), with positive volume/mix (+€588 million) and pricing (+€868 million) effects that were more than offset by higher industrial costs (€1,456 million), including costs associated with new models and content enhancements as well as higher R&D amortization, increased SG&A costs (€90 million) to support volume growth and commercial launches of the new products, in addition to negative currency translation impacts (~€80 million).

**EBIT** was €2,290 million (€2,491 million for 2012, IAS 19 restated), mainly reflecting lower trading profit and €23 million higher net unusual income. For 2013, net unusual income of €71 million included a gain of €166 million, with a corresponding net reduction to pension obligations following amendments to Chrysler's U.S. and Canadian salaried defined benefit pension plans, partly offset by charges related to the June 2013 voluntary safety recall for the 1993-1998 Jeep Grand Cherokee and the 2002-2007 Jeep Liberty, as well as the customer satisfaction action for the 1999-2004 Jeep Grand Cherokee.

## LATAM

| (€ million) | 2013 | 2012(*) | Change |
|---|---|---|---|
| Net revenues | 9,973 | 11,062 | -1,089 |
| Trading profit | 619 | 1,056 | -437 |
| EBIT | 492 | 1,025 | -533 |
| Shipments (000s) | 950 | 979 | -29 |

(*) *Figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in trading profit and EBIT being reduced by €7 million.*

In 2013 **revenues** were down €1,089 to €9,973 million mainly impacted by negative currency translation effect of €1,170 million, net of which revenues increased by 1% with net pricing benefit being partially offset by 3% decrease in shipments year-over-year to 950,000 vehicles.

**Trading profit** was €619 million, or €437 million lower than the €1,056 million reported for 2012. The decrease was mainly attributable to higher industrial costs (€257 million), almost entirely related to input cost inflation in Brazil (with the weakening of the Real affecting prices of imported materials), in addition to start-up costs for the Pernambuco plant, negative volumes/mix (€111 million) and higher SG&A costs (€37 million). There was a negative €85 million in currency translation impacts. These impacts were partially offset by €64 million in positive pricing.

**EBIT** totaled €492 million (€1,025 million in 2012), reflecting lower trading profit and net unusual charges of €127 million, mainly related to the negative impact of the February 2013 devaluation of the Venezuelan bolivar (VEF) relative to the U.S. dollar (net €43 million) and to the streamlining of architectures and models associated with the region's refocused product strategy (€75 million).

## APAC

| (€ million) | 2013 | 2012 | Change |
|---|---|---|---|
| Net revenues | 4,621 | 3,128 | 1,493 |
| Trading profit | 358 | 260 | 98 |
| EBIT | 318 | 255 | 63 |
| Shipments (000s) | 163 | 103 | 60 |

Group **shipments** in the APAC region (excluding JVs) totaled 163,000 units for 2013, representing a 58% year-over-year increase.

**Revenues** for 2013 increased by €1,493 million to €4,621 million compared to €3,128 million posted in 2012, of which €1.8 billion was attributable to the increase in APAC shipments from 103,000 to 163,000 vehicles, primarily driven by the strong demand for the Jeep brand across the region, the successful return of the Dodge Journey in China, increased focus on development of the Fiat and Alfa Romeo brands in Australia, and the consolidated India sales after the Group took complete control of sales and distribution operations.

The positive impact of increased volumes was partially offset by a negative currency translation effect of €200 million, a less favorable mix of €71 million and lower pricing of €79 million due to an increasingly competitive environment, particularly in China.

**Trading profit** was €358 million in 2013, up €98 million over the prior year with strong volume growth and an improved sales mix contributing €423 million, partially offset by higher industrial costs (€106 million) and SG&A expenses (€72 million) to support Group growth in the region, as well as less favorable pricing (€79 million) and unfavorable currency translation effects (€13 million).

**EBIT** totaled €318 million, up 25% from the €255 million in 2012, with higher trading profit partially offset by losses for the Chinese joint ventures attributable to industrial costs associated with new product launches.

## EMEA

| (€ million) | 2013 | 2012(*) | Change |
|---|---|---|---|
| Net revenues | **17,420** | 17,800 | -380 |
| Trading profit/(loss) | **(470)** | (703) | 233 |
| EBIT | **(520)** | (737) | 217 |
| Shipments (000s) | **979** | 1,012 | -33 |

(*) *Figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in trading profit and EBIT being reduced by €1 million.*

Group passenger car and LCV **shipments** in the EMEA region totaled 979,000 units for the year, a decrease of approximately 33,000 units (-3%) over 2012.

In 2013, **revenues** were €17,420 million, decreasing by €380 million or 2% over the prior year. Net of negative currency translation impacts (€135 million) the decrease was €245 million. Revenues were negatively impacted by a 3% decrease in shipments (€360 million), unfavorable net pricing (€170 million) and lower volumes for the parts and services business, with lower demand resulting from a decrease in cars on the road (€140 million). These reductions were partially offset by a €125 million benefit due to favorable product mix, primarily driven by the results for the 500 family (particularly the 500L), and for LCVs (particularly the Ducato), higher sales of used vehicles (€90 million) and the consolidation of VM Motori (€210 million).

The **trading loss** of €470 million for the year was €233 million or 33% lower as compared to the €703 million loss recorded in 2012. The positive impacts of better product mix (€135 million), driven primarily by results for the 500 family, lower industrial costs (€139 million), driven by higher industrial efficiencies and purchasing savings, as well as a €199 million reduction in SG&A, more than offset negative net pricing (€172 million), lower volumes (€58 million) and higher R&D amortization.

**EBIT** was a negative €520 million. The change over the prior year (-€737 million for 2012) mainly reflected the improved trading profit and a lower contribution from equity investments (€145 million in 2013 and €160 million in 2012) with unusual charges flat at €195 million. For 2013, unusual charges included the write-off of capitalized R&D related to development on new models for Alfa Romeo, which have now been switched to a new platform considered technically more appropriate for the brand.

## Luxury Brands

| (€ million) | 2013 | 2012[1] | Change |
|---|---|---|---|
| **Ferrari** | | | |
| Shipments (000s) | **7.0** | 7.4 | -0.4 |
| Net revenues | **2,335** | 2,225 | 110 |
| Trading profit | **364** | 335 | 29 |
| EBIT | **364** | 335 | 29 |
| **Maserati** | | | |
| Shipments (000s) | **15.4** | 6.2 | 9.2 |
| Net revenues | **1,659** | 755 | 904 |
| Trading profit | **171** | 57 | 114 |
| EBIT | **106** | 57 | 49 |
| **LUXURY BRANDS** | | | |
| Shipments (000s) | **22.4** | 13.6 | 8.8 |
| Net revenues[2] | **3,809** | 2,898 | 911 |
| Trading profit | **535** | 392 | 143 |
| EBIT | **470** | 392 | 78 |

(1) *Ferrari and Maserati stand-alone have been restated to reflect the allocation to Maserati of its activities in China conducted, from a legal entity standpoint, through the local Ferrari subsidiary.*
(2) *Net of eliminations.*

### *Ferrari*
Consistent with the 2013 announcement that production would be maintained below the prior year's level to preserve brand exclusivity, Ferrari managed shipments to the network down to 6,922 street cars (-5% vs. 2012), including the first 20 units of the special edition LaFerrari.

**Revenues** for 2013 were up 5% over the prior year to €2,335 million.

**Trading profit** and **EBIT** totaled €364 million, an increase of €29 million over €335 million for 2012. Trading margin improved to 15.6% from 15.1%, reflecting a better sales mix and the contribution from licensing and the personalization program.

### *Maserati*
For 2013, shipments were up 148% to 15,400 vehicles, driven by the success of the new Quattroporte and Ghibli models launched during the year. For the Quattroporte, which was released in March, shipments totaled 7,800 units. For the Ghibli, a total of 2,900 units were shipped between launch in October and year end. Order intake for the two new models totaled 13,000 units apiece. Combined shipments for the GranTurismo and GranCabrio were in line with 2012 at 4,700 units for the year.

**Revenues** were up 120% year-over-year to €1,659 million.

**Trading profit** totaled €171 million, representing a €114 million increase over the prior year (€57 million in 2012), and the full-year trading margin was 10.3%.

**EBIT** totaled €106 million and included a €65 million write-down of capitalized R&D related to development of a new model, which has now been switched to a more technically advanced platform considered more appropriate for the Maserati brand. The year-over-year improvement reflected the significant increase in volumes.

## Components

| (€ million) | 2013 | 2012 | Change |
|---|---|---|---|
| **Magneti Marelli** | | | |
| Net revenues | **5,988** | 5,828 | 160 |
| Trading profit | **166** | 141[1] | 25 |
| EBIT | **169** | 131[1] | 38 |
| **Teksid** | | | |
| Net revenues | **688** | 780 | -92 |
| Trading profit/(loss) | **(13)** | - | -13 |
| EBIT | **(70)** | 4 | -74 |
| **Comau** | | | |
| Net revenues | **1,463** | 1,482 | -19 |
| Trading profit | **48** | 33[1] | 15 |
| EBIT | **47** | 30[1] | 17 |
| **COMPONENTS** | | | |
| Net revenues [2] | **8,080** | 8,030 | 50 |
| Trading profit | **201** | 174[1] | 27 |
| EBIT | **146** | 165[1] | -19 |

(1) *The figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in total Trading Profit and EBIT for Components being reduced by €2 million (+€1 million for Magneti Marelli and -€3 million for Comau).*
(2) *Net of eliminations.*

### *Magneti Marelli*

Magneti Marelli reported **revenues** of €5,988 million, an increase of 3% over the prior year (6% at constant exchange rates), driven by performance in NAFTA and China, in addition to a modest gain in Europe. In Brazil, revenues were substantially in line with 2012 on a constant currency basis.

The Lighting business line posted a 12% increase in revenues on the back of performance in China and in NAFTA, which benefited from the full-year contribution of several new products that were launched during the second half of 2012. For the Electronic Systems business line, revenues were 7% higher primarily due to growth in sales of telematics and body products. For the Powertrain business line, revenues were in line with the prior year on a constant currency basis. The After Market business line posted a 5% increase in revenues (CER +13%) with growth in Europe and Mercosur only partially offset by a decrease in NAFTA.

**Trading profit** totaled €166 million, compared with €141 million for 2012, with top-line growth only partially offset by higher costs associated with new product launches in NAFTA.

**EBIT** was €169 million, an increase of €38 million over the prior year reflecting higher trading profit and the non-repeat of unusual charges recognized in 2012.

### *Teksid*

**Revenues** totaled €688 million, down 12% over the prior year.

The Cast Iron business unit posted a 7% decrease in volumes in Europe and the Americas, with demand lower in all market segments, particularly light vehicles. For the Aluminum business unit, volumes were up 13% year-over-year.

Teksid closed the year with a **trading loss** of €13 million, compared to break-even for 2012. The decrease was primarily attributable to volume declines.

**EBIT** was a negative €70 million (positive €4 million in 2012), including €60 million in unusual charges mainly related to asset impairments for the Cast Iron business unit.

### *Comau*

Comau posted 2013 **revenues** of €1,463 million, substantially in line with the prior year.

Order intake for the Systems activities totaled €1,454 million, an 18% increase over 2012. At 31 December 2013, the order backlog totaled €1,022 million, a 17% increase over year-end 2012 attributable primarily to the Body Welding business.

**Trading profit** for the year totaled €48 million, up €15 million over 2012, with the increase primarily driven by the Body Welding operations.

**EBIT** was €47 million, compared with €30 million for 2012.

## Consolidated Statement of Cash Flows

Following is a summary statement of cash flows and related comments. A complete statement of cash flows is provided in the Consolidated Financial Statements.

| (€ million) | | 2013 | 2012 |
|---|---|---|---|
| A) | CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 17,657 | 17,526 |
| B) | CASH FROM/(USED IN) OPERATING ACTIVITIES | 7,589 | 6,444 |
| C) | CASH FROM/(USED IN) INVESTING ACTIVITIES | (8,086) | (7,537) |
| D) | CASH FROM/(USED IN) FINANCING ACTIVITIES | 3,188 | 1,643 |
| | Currency translation differences | (909) | (419) |
| E) | NET CHANGE IN CASH AND CASH EQUIVALENTS | 1,782 | 131 |
| F) | CASH AND CASH EQUIVALENTS AT END OF YEAR | 19,439 | 17,657 |

**Operating activities** generated cash of €7,589 million, of which €6,121 million from income-related cash inflows (i.e., net profit plus amortization and depreciation, dividends, changes in provisions and items related to sales with buy-back commitments, net of gains/losses on disposals and other non-cash items) and €1,468 million from the decrease in working capital.

**Investing activities** absorbed €8,086 million in cash, consisting primarily of a €7,440 million increase in tangible and intangible fixed assets (including €2,042 million in capitalized development costs) and a €449 million increase in receivables from financing activities, mainly consisting of dealer financing in Latin America and China, as well as a €231 million increase in equity investments. The change in equity investments includes the additional investment in RCS (€94 million), capitalization of the 50% JV interests in Fiat India Automobiles (€46 million) and GAC Fiat Automobiles (€37 million), and the acquisition of the remaining 50% in VM Motori (€34 million).

**Financing activities** generated €3.2 billion in cash. During the year, Fiat S.p.A. issued bonds totaling €2.9 billion and repaid a €1 billion bond at maturity in February. In addition, there were new medium-term borrowings of approximately €2.6 billion[1], which more than covered medium-term borrowings maturing during the period (€2.0 billion).

[1] *Excluding approximately €0.6 billion in new notes issued as repayment for existing notes in relation to the renegotiation of the Tranche B Term Loan by Chrysler in June.*

## Consolidated Statement of Financial Position at 31 December 2013

**Total assets** were €86.8 billion at 31 December 2013, increasing €4.7 billion over year-end 2012 (€82.1 billion).

**Non-current assets**[(1)] totaled €47.6 billion, €2.1 billion higher than year-end 2012 (€4.3 billion net of currency translation impacts). The increase related primarily to the change in deferred tax assets (€1.3 billion net of currency effects), including a €1.7 billion positive impact from the recognition of deferred tax assets related to Chrysler, a €2.6 billion increase in fixed assets (net of depreciation and amortization) and consolidation of the assets of VM Motori from 1 July 2013[(2)].

**Current assets**[(3)] totaled €39.2 billion, an increase of €2.6 billion for the year. At constant exchange rates, current assets were €4.6 billion higher, primarily due to increases in net inventory (€1.4 billion) and cash and cash equivalents (€2.7 billion, excluding currency translation effects).

**Working capital** (net of items relating to vehicles sold under buy-back commitments) was a negative €10,935 million, representing a €1,004 million decrease over the negative €9,931 million at 31 December 2012.

| (€ million) | | 31.12.2013 | 31.12.2012 | Change |
|---|---|---|---|---|
| Inventory | (a) | 8,975 | 8,340 | 635 |
| Trade receivables | | 2,406 | 2,702 | (296) |
| Trade payables | | (17,235) | (16,558) | (677) |
| Other current receivables/(payables) & current taxes receivable/(payable) | (b) | (5,081) | (4,415) | (666) |
| **Working capital** | | **(10,935)** | **(9,931)** | **(1,004)** |

*(a) Inventory is reported net of the value of vehicles sold under buy-back commitments, which includes vehicles still in use by customers and vehicles that have been repurchased and are held for sale.*

*(b) Other current payables, included under other current receivables/(payables) & current taxes receivable/(payable), are stated net of amounts due to customers in relation to vehicles sold under buy-back commitments, which consist of the repurchase amount payable at the end of the lease period, together with the value of any lease installments received in advance. The value at the beginning of the contract period, equivalent to the difference between the sale price and the repurchase amount, is recognized on a straight-line basis over the contract period.*

---

*(1) Non-Currents assets include: Intangible assets, Property, plant and equipment, Investments and other financial assets, Leased assets, Defined benefit plan assets and Deferred tax assets. See also Fiat Group Consolidated Financial Statements and Notes.*

*(2) Fiat acquired an initial 50% interest in VM Motori in 2011. On 1 July 2013, following exercise of the put option held by the JV partner, Fiat acquired control, pursuant to IAS 27 – Consolidated and Separate Financial Statements, and the investee was consolidated on a line-by-line basis from that date. For more information, see Notes to the Consolidated Financial Statements at 31 December 2013 – "Scope of consolidation" .*

*(3) Current assets include: Inventories, Trade receivables, Receivables from financing activities, Current tax receivables, Other current assets, Current financial assets and Cash and cash equivalents. See also Fiat Group Consolidated Financial Statements and Notes.*

Excluding currency translation effects and changes in the scope of consolidation:

- inventories (net of vehicles sold under buy-back commitments) increased by approximately €1 billion, mainly in relation to higher activity levels for NAFTA, APAC and Luxury Brands
- trade receivables decreased by approximately €0.2 billion, which includes payment of amounts receivable from the Indian JV and volume contractions in EMEA and LATAM
- trade payables increased €1.4 billion, mainly due to an increase in production levels in NAFTA and for the Luxury Brands
- other current receivables/(payables) was approximately €0.8 billion lower, mainly due to increases in accrued expenses and deferred income, as well as indirect taxes payable.

At 31 December 2013, trade receivables, other receivables and receivables from financing activities maturing after that date and sold without recourse – and, therefore, eliminated from the statement of financial position pursuant to the derecognition requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* – totaled €3,576 million (€3,631 million at 31 December 2012). That amount includes €2,177 million in receivables (€2,179 million at 31 December 2012), primarily financing to the dealer network, that were sold to jointly-controlled financial services companies (FGA Capital Group).

At 31 December 2013, consolidated **net debt**[(1)] totaled €9,793 million, an increase of €193 million over year-end 2012. For Fiat excluding Chrysler, net debt was €10,008 million, €1,905 million higher than 2012 year-end. Capital expenditure for the year (€3.9 billion), an increase in the financial services portfolio (€0.5 billion), equity investments and a change in the scope of operations (€0.4 billion) were only partially compensated for by income-related cash inflows (€2.4 billion) and positive currency translation differences (€0.4 billion).

Chrysler reported a net cash position of €215 million, compared with net debt of €1.5 billion at year-end 2012, with €5.2 billion in operating cash flow more than offsetting €3.6 billion in capital expenditure.

[(1)] *See “Key Performance Indicators” for a description of this measure.*

| (€ million) | | 31.12.2013 Fiat | Chrysler | Fiat excluding Chrysler | 31.12.2012 Fiat | Chrysler | Fiat excluding Chrysler |
|---|---|---|---|---|---|---|---|
| Debt: | | (29,902) | (9,544) | (20,451) | (27,889) | (10,312) | (17,586) |
| Asset-backed financing | | (596) | - | (596) | (449) | - | (449) |
| Bonds, bank loans and other debt | | (29,306) | (9,544) | (19,855) | (27,440) | (10,312) | (17,137) |
| Current financial receivables from jointly-controlled financial services companies | (a) | 27 | - | 27 | 58 | - | 58 |
| Intersegment financial receivables | (b) | - | 7 | 86 | - | 9 | - |
| **Debt, net of current financial receivables from jointly-controlled financial services companies and intersegment financial receivables** | | **(29,875)** | **(9,537)** | **(20,338)** | **(27,831)** | **(10,303)** | **(17,528)** |
| Other financial assets | (c) | 533 | 97 | 436 | 519 | 45 | 474 |
| Other financial liabilities | (c) | (137) | (21) | (116) | (201) | (42) | (159) |
| Current securities | | 247 | - | 247 | 256 | - | 256 |
| Cash and cash equivalents | | 19,439 | 9,676 | 9,763 | 17,657 | 8,803 | 8,854 |
| **Net (debt)/cash** | | **(9,793)** | **215** | **(10,008)** | **(9,600)** | **(1,497)** | **(8,103)** |
| *Industrial Activities* | | *(6,649)* | *215* | *(6,864)* | *(6,545)* | *(1,497)* | *(5,048)* |
| *Financial Services* | | *(3,144)* | *-* | *(3,144)* | *(3,055)* | *-* | *(3,055)* |
| Cash, cash equivalents and current securities | | 19,686 | 9,676 | 10,010 | 17,913 | 8,803 | 9,110 |
| Undrawn committed credit lines | | 3,043 | 943 | 2,100 | 2,935 | 985 | 1,950 |
| **Total available liquidity** | | **22,729** | **10,619** | **12,110** | **20,848** | **9,788** | **11,060** |

(a) *Includes current financial receivables from FGA Capital Group, an associate recognized using the equity method.*
(b) *Relates to intragroup manufacturing agreements classified as finance leases in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease, in addition to receivables relating to factoring transactions between Chrysler Group companies and Fiat Group Financial Services companies in EMEA.*
(c) *Includes fair value of derivative financial instruments.*

Debt (bonds, bank loans and other debt) increased by approximately €1.9 billion to €29.3 billion. The Group issued bonds totaling €2.9 billion during the year and repaid €1 billion at maturity. Excluding bonds, currency translation impacts (-€1.3 billion), and assets acquired and consolidated during the period (approximately €0.2 billion), debt was €1.1 billion higher.

At 31 December 2013, cash, cash equivalents and current securities totaled €19.7 billion, an increase of approximately €1.8 billion over year-end 2012, despite €900 million in negative currency translation impacts (relating primarily to depreciation of the U.S. dollar and Brazilian real against the euro).

**Total available liquidity**, inclusive of €3.0 billion in undrawn committed credit lines, was €22.7 billion, a €1.9 billion increase over 31 December 2012, reflecting the positive contribution from financing activities throughout the year, including the increase of the syndicated revolving credit facility of Fiat, net of €1.0 billion in negative currency translation effects. For Fiat excluding Chrysler, total available liquidity was €12.1 billion (€11.1 billion at 2012 year-end) and for Chrysler the total was €10.6 billion, negatively impacted by currency translation of €0.6 billion for the full year.

**Industrial Activities and Financial Services – Results for 2013**

In order to provide a better insight into the financial position and performance of the Group and going beyond the requirements of IFRS 8 - *Operating segments*, the following tables provide a breakdown of the consolidated statements of income, financial position and cash flows between "Industrial Activities" and "Financial Services". In more detail, the separate evidence of the financial debt between industrial activities and financial services is based on the different sources of cash flows used for the repayment: represented by cash from operations for industrial activities and by collection of financial receivables for financial services. Consequently, a separate analysis of the financial structure in terms of debt to equity and other ratios is considered appropriate.

Financial Services includes companies that provide retail and dealer finance, leasing and rental services in support of the mass-market brands and for the luxury brands.

Financial Services also includes FGA Capital (the joint venture between Fiat Group Automobiles and Crédit Agricole Group), which is accounted for under the equity method.

*Basis of analysis*

The separation between Industrial Activities and Financial Services represents a sub-consolidation prepared on the basis of the activities of each Group company.

Investments held by companies belonging to one area in companies included in the other area are accounted for under the equity method. To provide a more meaningful presentation of net profit, the results of investments accounted for in this manner are classified in the income statement under Result from intersegment investments.

The holding companies (Fiat S.p.A., Fiat Partecipazioni S.p.A. and Fiat North America LLC) are classified under Industrial Activities.

The sub-consolidation of Industrial Activities also includes companies that provide centralized treasury services for Fiat excluding Chrysler (i.e., raising funds in the market and financing Group companies, with the exception of Chrysler Group LLC and its subsidiaries). Those activities do not, however, include offering financing to third parties.

N.B.: All Chrysler Group activities are included under Industrial Activities and Chrysler Group's treasury activities (including funding and cash management) are managed separately from the rest of Fiat Group.

*Operating Performance by Activity*

| | 2013 | | | 2012(*) | | |
|---|---|---|---|---|---|---|
| (€ million) | Consolidated | Industrial Activities | Financial Services | Consolidated | Industrial Activities | Financial Services |
| Net revenues | 86,816 | 86,549 | 370 | 83,957 | 83,660 | 394 |
| Cost of sales | 74,570 | 74,362 | 311 | 71,701 | 71,527 | 271 |
| Selling, general and administrative | 6,689 | 6,642 | 47 | 6,763 | 6,719 | 44 |
| Research and development | 2,231 | 2,231 | - | 1,850 | 1,850 | - |
| Other income/(expense) | 68 | 64 | 4 | (102) | (113) | 11 |
| **TRADING PROFIT/(LOSS)** | **3,394** | **3,378** | **16** | **3,541** | **3,451** | **90** |
| Result from investments (**) | 97 | 11 | 86 | 107 | 24 | 83 |
| Gains/(losses) on disposal of investments | 8 | 8 | - | (91) | (91) | - |
| Restructuring costs | 28 | 28 | - | 15 | 15 | - |
| Other unusual income/(expense) | (499) | (499) | - | (138) | (138) | - |
| **EBIT** | **2,972** | **2,870** | **102** | **3,404** | **3,231** | **173** |
| Financial income/(expense) | (1,964) | (1,964) | - | (1,885) | (1,885) | - |
| **PROFIT/(LOSS) BEFORE TAXES** | **1,008** | **906** | **102** | **1,519** | **1,346** | **173** |
| Income taxes | (943) | (954) | 11 | 623 | 594 | 29 |
| **PROFIT/(LOSS)** | **1,951** | **1,860** | **91** | **896** | **752** | **144** |
| Result from intersegment investments | - | 91 | - | - | 144 | - |
| **PROFIT/(LOSS)** | **1,951** | **1,951** | **91** | **896** | **896** | **144** |

(*) *Figures for 2012 have been restated to reflect application of the amendment to IAS 19. Compared with the figures previously reported for the Group and for Industrial Activities, restatement resulted in a reduction in net profit of €515 million, reflecting a €273 million increase in operating expense, a €244 million increase in financial expense and a €2 million decrease in income taxes.*
(**) *Includes income from investments, as well as impairment (losses)/reversals on non-intersegment investments accounted for using the equity method.*

## Industrial Activities

Net **revenues** for Industrial Activities totaled €86.5 billion, up 3% over the prior year, with growth in NAFTA and APAC more than offsetting contractions in LATAM and EMEA. Luxury Brands posted a strong year-over-year increase, with Maserati more than doubling over the prior year.

**Trading profit** totaled €3,378 million for the year (€3,451 million for 2012, restated for IAS 19 as amended). For 2013, R&D amortization was €0.3 billion higher mainly due to new product launches in NAFTA. The reduction in losses for EMEA, strong increase for Luxury Brands – including Maserati's trading profit more than triple the 2012 level – as well as the positive contribution from Components were more than offset by lower trading profit for NAFTA and LATAM.

## Financial Services

**Net revenues** for Financial Services totaled €370 million for the year, down 6% over 2012 (CER +4%). **Trading profit** totaled €16 million, compared with €90 million for 2012.

| | Revenues | | | | Trading Profit | |
|---|---|---|---|---|---|---|
| 2013 | 2012 | Change | (€ million) | 2013 | 2012 | Change |
| 323 | 347 | -24 | **Mass-market Brands** (LATAM, APAC, EMEA) | 3 | 75 | -72 |
| 47 | 47 | - | **Luxury Brands** (Ferrari) | 13 | 15 | -2 |
| **370** | **394** | **-24** | **Total** | **16** | **90** | **-74** |

### *Mass-market Brands (LATAM, APAC, EMEA)*

The Group offers financial services to support vehicle sales in Europe, Latin America and China directly through its financial services subsidiaries or associates. In other markets, the Group's sales activities are supported by vendor programs offered jointly with leading partner banks.

In Europe, financial services are provided by FGA Capital, a 50/50 joint venture with the Crédit Agricole Group (accounted for under the equity method). FGA Capital supports the Group's sales activities through dealer financing, retail financing and medium and long-term rental. The collaboration with Crédit Agricole has produced results that are in line with expectations and meet the Group's commercial needs. During the year, the two partners renewed the agreement (ahead of scheduled expiry date) for a further 8 years (2021).

New financing to the dealer network totaled €12,787 million (€13,292 million in 2012).

Retail financing (which this year also includes finance leases) was provided on 439,343 vehicles, representing a financed value of €7,163 million and a penetration rate of 26% on Group sales (2012: 387,800 vehicles, financed value of €6,015 million and 21% penetration rate of sales for Group brands).

There were new medium and long-term rental agreements on 54,768 vehicles, representing a financed value of €647 million and a penetration rate of 5.2% on Group sales (2012: 53,643 rental agreements, financed value of €632 million and 4.8% penetration rate of sales for Group brands).

In Italy, Fidis S.p.A. (a wholly-owned subsidiary of Fiat Group Automobiles S.p.A.) also manages a factoring portfolio and issues guarantees on behalf of Fiat Group.

For Latin America and China, dealer and retail financial services are provided by Banco Fidis in Brazil, Fiat Crédito Compañía Financiera in Argentina and Fiat Automotive Finance in China. All three companies are subsidiaries of Fidis S.p.A. and, in addition to their principal activities in support of the FGA and Chrysler networks, they also provide financing to customers and the dealer networks of Iveco, CNH and, in China, their joint ventures.

The average managed portfolio of Fidis and its subsidiaries was €3,157 million (€2,963 million in 2012), of which €1,473 million was dealer financing, essentially in Brazil (€1,304 million in 2012), and €778 million end-customer financing (€945 million in 2012).

In 2013, **revenues** for the Financial Services companies that support the sales activities of the Mass-market Brands were down 7% in nominal terms. On a constant currency basis, however, there was a 4% increase over 2012, primarily due to an increase in the average portfolio in Brazil and Argentina.

**Trading profit** totaled €3 million. The decrease over the €75 million profit for 2012 was mainly attributable to an increase in bad debt provisions in APAC and LATAM.

*Luxury Brands (Ferrari)*
Ferrari Financial Services ("FFS") provides car financing to customers in Europe, North America and Japan through its subsidiaries FFS S.p.A. (Italy), FFS AG (Germany, U.K., Switzerland, France, Belgium and Austria), FFS Inc. (U.S. and Canada) and FFS KK (Japan). The Japanese subsidiary began offering car finance and leasing services to retail customers in July 2013.

The financial services companies also offer financing to dealers in Europe (Germany, Switzerland, Belgium, U.K. and Italy) and Japan.

At the commercial level, penetration in Europe was 43% (41% in 2012) and in North America 41% (40% in 2012).

For 2013, total new finance agreements were up 3% in volume terms to 3,003 and 19% in value terms to €556 million.

At 31 December, the total value of the portfolio was €768 million (Italy 6%, Rest of Europe 38%, USA 55% and Japan 1%).

FFS reported consolidated **revenues** of €47 million, in line with 2012. **Trading profit** totaled €13 million, a decrease of €2 million over the prior year mainly attributable to an increase in the cost of funding.

*Statement of Financial Position by Activity*

| | 31.12.2013 | | | 31.12.2012(*) | | |
|---|---|---|---|---|---|---|
| (€ million) | Consolidated | Industrial Activities | Financial Services | Consolidated | Industrial Activities | Financial Services |
| Intangible assets | 19,509 | 19,502 | 7 | 19,284 | 19,279 | 5 |
| Property, plant and equipment | 22,843 | 22,840 | 3 | 22,061 | 22,058 | 3 |
| Investments and other financial assets | 2,260 | 2,657 | 863 | 2,287 | 2,756 | 787 |
| Leased assets | 1 | 1 | - | 1 | 1 | - |
| Defined benefit plan assets | 105 | 105 | - | 93 | 93 | - |
| Deferred tax assets | 2,893 | 2,826 | 67 | 1,738 | 1,677 | 61 |
| **Total non-current assets** | **47,611** | **47,931** | **940** | **45,464** | **45,864** | **856** |
| Inventory | 10,230 | 10,222 | 8 | 9,295 | 9,290 | 5 |
| Trade receivables | 2,406 | 2,394 | 24 | 2,702 | 2,690 | 20 |
| Receivables from financing activities | 3,671 | 1,580 | 3,685 | 3,727 | 1,600 | 3,643 |
| Current taxes receivable | 291 | 289 | 6 | 236 | 237 | 6 |
| Other current receivables | 2,302 | 2,248 | 56 | 2,163 | 2,131 | 32 |
| Current financial assets: | 815 | 788 | 29 | 807 | 724 | 83 |
| Current investments | 35 | 35 | - | 32 | 32 | - |
| Current securities | 247 | 219 | 28 | 256 | 173 | 83 |
| Other financial assets | 533 | 534 | 1 | 519 | 519 | - |
| Cash and cash equivalents | 19,439 | 19,239 | 200 | 17,657 | 17,411 | 246 |
| **Total current assets** | **39,154** | **36,760** | **4,008** | **36,587** | **34,083** | **4,035** |
| Assets held for sale | 9 | 9 | - | 55 | 55 | - |
| **TOTAL ASSETS** | **86,774** | **84,700** | **4,948** | **82,106** | **80,002** | **4,891** |
| Equity | 12,584 | 12,584 | 1,264 | 8,369 | 8,369 | 1,256 |
| Provisions: | 17,360 | 17,345 | 15 | 20,276 | 20,254 | 22 |
| Employee benefits | 8,265 | 8,259 | 6 | 11,486 | 11,481 | 5 |
| Other provisions | 9,095 | 9,086 | 9 | 8,790 | 8,773 | 17 |
| Debt: | 29,902 | 27,998 | 3,498 | 27,889 | 25,933 | 3,472 |
| Asset-backed financing | 596 | 156 | 440 | 449 | 52 | 397 |
| Other debt | 29,306 | 27,842 | 3,058 | 27,440 | 25,881 | 3,075 |
| Other financial liabilities | 137 | 135 | 4 | 201 | 198 | 3 |
| Trade payables | 17,235 | 17,225 | 20 | 16,558 | 16,546 | 20 |
| Current taxes payable | 314 | 300 | 19 | 231 | 223 | 15 |
| Deferred tax liabilities | 278 | 272 | 6 | 801 | 795 | 6 |
| Other current liabilities | 8,943 | 8,820 | 122 | 7,781 | 7,684 | 97 |
| Liabilities held for sale | 21 | 21 | - | - | - | - |
| **TOTAL EQUITY AND LIABILITIES** | **86,774** | **84,700** | **4,948** | **82,106** | **80,002** | **4,891** |

(*) *Figures for 2012 Annual Report have been restated to reflect application of the amendment to IAS 19 – Employee Benefits. Compared with the figures published in the 2012 financial statements, there was a €4,804 million reduction in equity for the Group and for Industrial Activities and a €2 million reduction for Financial Services.*

*Net Debt by Activity*

| (€ million) | | 31.12.2013 Consolidated | Industrial Activities | Financial Services | 31.12.2012 Consolidated | Industrial Activities | Financial Services |
|---|---|---|---|---|---|---|---|
| Debt: | | (29,902) | (27,998) | (3,498) | (27,889) | (25,933) | (3,472) |
| Asset-backed financing | | (596) | (156) | (440) | (449) | (52) | (397) |
| Other debt | | (29,306) | (27,713) | (1,593) | (27,440) | (25,790) | (1,650) |
| Intersegment financial payables | | - | (129) | (1,465) | - | (91) | (1,425) |
| Current financial receivables from jointly-controlled financial services companies | (a) | 27 | 27 | - | 58 | 58 | - |
| Intersegment financial receivables | | - | 1,465 | 129 | - | 1,425 | 91 |
| **Debt, net of intersegment and current financial receivables from jointly-controlled financial services companies** | | **(29,875)** | **(26,506)** | **(3,369)** | **(27,831)** | **(24,450)** | **(3,381)** |
| Other financial assets | (b) | 533 | 534 | 1 | 519 | 519 | - |
| Other financial liabilities | (b) | (137) | (135) | (4) | (201) | (198) | (3) |
| Current securities | | 247 | 219 | 28 | 256 | 173 | 83 |
| Cash and cash equivalents | | 19,439 | 19,239 | 200 | 17,657 | 17,411 | 246 |
| **Net (debt)/cash** | | **(9,793)** | **(6,649)** | **(3,144)** | **(9,600)** | **(6,545)** | **(3,055)** |

[a] *Includes current debt payable by FGA Capital to other Fiat Group companies.*
[b] *Includes fair value of derivative financial instruments.*

*Net Debt by Activity for Fiat excluding Chrysler*

| (€ million) | | 31.12.2013 Fiat excluding Chrysler | 31.12.2013 Industrial Activities excluding Chrysler | 31.12.2013 Financial Services | 31.12.2012 Fiat excluding Chrysler | 31.12.2012 Industrial Activities excluding Chrysler | 31.12.2012 Financial Services |
|---|---|---|---|---|---|---|---|
| Debt: | | (20,451) | (18,545) | (3,498) | (17,586) | (15,630) | (3,472) |
| Asset-backed financing | | (596) | (156) | (440) | (449) | (52) | (397) |
| Other debt | | (19,855) | (18,262) | (1,593) | (17,137) | (15,487) | (1,650) |
| Intersegment financial payables | | - | (127) | (1,465) | - | (91) | (1,425) |
| Current financial receivables from jointly-controlled financial services companies | (a) | 27 | 27 | - | 58 | 58 | - |
| Intersegment financial receivables | (b) | 86 | 1,549 | 129 | - | 1,425 | 91 |
| **Debt, net of intersegment and current financial receivables from jointly-controlled financial services companies** | | **(20,338)** | **(16,969)** | **(3,369)** | **(17,528)** | **(14,147)** | **(3,381)** |
| Other financial assets | (c) | 436 | 437 | 1 | 474 | 474 | - |
| Other financial liabilities | (c) | (116) | (114) | (4) | (159) | (156) | (3) |
| Current securities | | 247 | 219 | 28 | 256 | 173 | 83 |
| Cash and cash equivalents | | 9,763 | 9,563 | 200 | 8,854 | 8,608 | 246 |
| **Net (debt)/cash** | | **(10,008)** | **(6,864)** | **(3,144)** | **(8,103)** | **(5,048)** | **(3,055)** |

(a) *Includes current debt payable by FGA Capital to other Fiat Group companies.*
(b) *Includes amounts receivable from Chrysler relating to intragroup manufacturing agreements classified as finance leases in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease.*
(c) *Includes fair value of derivative financial instruments.*

Debt, cash and other financial assets/liabilities pertaining to Financial Services entities are not included in the calculation of Net Debt for Industrial Activities. In addition to their other activities, treasury companies of Fiat excluding Chrysler raise funds for consolidated Financial Services companies by incurring debt on their behalf and on-lending it to those companies. Loans from the treasury companies of Fiat excluding Chrysler (which are included in Industrial Activities) to the consolidated Financial Services companies are included under intersegment financial receivables and are deducted in the calculation of net debt for Industrial Activities.

Intersegment financial receivables for Financial Services companies, on the other hand, represent deposits with Group treasury as well as advances to industrial companies – for receivables sold to Financial Services companies that do not meet the derecognition requirements of IAS 39 – *Financial Instruments: Recognition and Measurement*.

Net debt for Financial Services companies at 31 December 2013 was up €89 million over year-end 2012 to €3,144 million. A €499 million increase in the managed portfolio and €16 million in dividends paid to industrial companies were largely offset by €93 million in cash from operating activities and €334 million in positive currency translation differences.

*Change in Net Industrial Debt*[1]

| | 2013 | | | 2012(*) | | |
|---|---|---|---|---|---|---|
| (€ million) | Fiat | Chrysler | Fiat excluding Chrysler | Fiat | Chrysler | Fiat excluding Chrysler |
| **Net industrial debt at beginning of year** | **(6,545)** | **(1,497)** | **(5,048)** | **(5,529)** | **(3,080)** | **(2,449)** |
| Profit/(loss) | 1,951 | 2,392 | (441) | 896 | 1,944 | (1,048) |
| Depreciation and amortization | 4,572 | 2,273 | 2,299 | 4,132 | 2,017 | 2,115 |
| Changes in provisions and other changes | (475) | 204 | (679) | 617 | 653 | (36) |
| **Cash from/(used in) operating activities before change in working capital** | **6,048** | **4,869** | **1,179** | **5,645** | **4,614** | **1,031** |
| Change in working capital | 1,464 | 335 | 1,129 | 694 | 1,275 | (581) |
| **Cash from/(used in) operating activities** | **7,512** | **5,204** | **2,308** | **6,339** | **5,889** | **450** |
| Investments in property, plant and equipment and intangible assets | (7,433) | (3,573) | (3,860) | (7,530) | (4,311) | (3,219) |
| **Cash from/(used in) operating activities, net of capital expenditure** | **79** | **1,631** | **(1,552)** | **(1,191)** | **1,578** | **(2,769)** |
| Change in consolidation scope and other changes | (183) | 125 | (308) | 292 | 45 | 247 |
| **Net industrial cash flow** | **(104)** | **1,756** | **(1,860)** | **(899)** | **1,623** | **(2,522)** |
| Capital increases and dividends | (3) | (6) | 3 | (36) | - | (36) |
| Currency translation differences | 3 | (38) | 41 | (81) | (40) | (41) |
| **Change in net industrial debt** | **(104)** | **1,712** | **(1,816)** | **(1,016)** | **1,583** | **(2,599)** |
| **Net industrial (debt)/cash at end of year** | **(6,649)** | **215** | **(6,864)** | **(6,545)** | **(1,497)** | **(5,048)** |

(*) *Figures for 2012 Annual Report have been restated to reflect application of the amendment to IAS 19 – Employee Benefits. Compared with the figures published in the 2012 financial statements, net profit was reduced by €515 million, of which €508 million related to Chrysler and €7 million to the Industrial Activities of Fiat excluding Chrysler. Corresponding increases were recognized under "Changes in provisions and other changes".*

Net industrial debt increased €104 million for the year with €1.7 billion in cash generation for Chrysler almost fully compensating cash absorption for Fiat excluding Chrysler. Net of equity investments, the Group generated approximately €0.1 billion in cash.

For Chrysler, there was a positive difference of €1,712 million, reflecting €5,204 million in cash from operating activities and €3,573 million in capital expenditure for the year.

For Fiat excluding Chrysler, net industrial debt increased by €1,816 million, reflecting capital expenditure (€3,860 million compared with €3,219 million in 2012) and equity investments and the change in scope of consolidation (included under "Change in consolidation scope and other changes"), which were only partially compensated for by the €2,308 million cash generated from operating activities during the year.

(1) *See "Key Performance Indicators" for a description of this measure.*

*Statement of Cash Flows by Activity*

| (€ million) | | 2013 Consolidated | 2013 Industrial Activities | 2013 Financial Services | 2012 Consolidated | 2012 Industrial Activities | 2012 Financial Services |
|---|---|---|---|---|---|---|---|
| **A) Cash and cash equivalents at beginning of year** | | **17,657** | **17,411** | **246** | **17,526** | **17,429** | **97** |
| **B) Cash from/(used in) operating activities:** | | | | | | | |
| Profit/(loss) | | 1,951 | 1,951 | 91 | 896(*) | 896(*) | 144 |
| Amortization and depreciation (net of vehicles leased out) | | 4,574 | 4,572 | 2 | 4,134 | 4,132 | 2 |
| (Gains)/losses on disposal of non-current assets and other non-cash items | (a) | 545 | 436 | 18 | 667(*) | 556(*) | (33) |
| Dividends received | | 92 | 108 | - | 89 | 103 | - |
| Change in provisions | | 444 | 450 | (6) | 77 | 90 | (13) |
| Changes in deferred taxes | | (1,578) | (1,562) | (16) | (72) | (73) | 1 |
| Changes relating to buy-back commitments | (b) | 92 | 92 | - | (51) | (51) | - |
| Changes related to operating leases | | 1 | 1 | - | (10) | (8) | (2) |
| Change in working capital | | 1,468 | 1,464 | 4 | 714 | 694 | 20 |
| **Total** | | **7,589** | **7,512** | **93** | **6,444** | **6,339** | **119** |
| **C) Cash from/(used in) investing activities:** | | | | | | | |
| Investments in: | | | | | | | |
| Property, plant and equipment and intangible assets (net of vehicles leased out) | | (7,440) | (7,433) | (7) | (7,534) | (7,530) | (4) |
| Subsidiaries and other equity investments | | (231) | (231) | - | (24) | (26) | - |
| Proceeds from the sale of non-current assets | | 48 | 47 | - | 139 | 139 | - |
| Net change in receivables from financing activities | | (449) | 50 | (499) | (24) | (27) | 3 |
| Change in current securities | | (10) | (57) | 47 | (64) | (24) | (40) |
| Other changes | | (4) | (135) | 131 | (30) | 11 | (41) |
| **Total** | | **(8,086)** | **(7,759)** | **(327)** | **(7,537)** | **(7,457)** | **(82)** |
| **D) Cash from/(used in) financing activities:** | | | | | | | |
| Net change in debt and other financial assets/liabilities | | 3,191 | 2,960 | 231 | 1,679 | 1,536 | 143 |
| Increase in share capital | | 4 | 4 | - | 22 | 22 | 2 |
| Dividends paid | | (1) | (1) | (16) | (58) | (58) | (14) |
| Payment of tax withholdings on behalf of shareholders of companies outside Italy | | (6) | (6) | - | - | - | - |
| **Total** | | **3,188** | **2,957** | **215** | **1,643** | **1,500** | **131** |
| Currency translation differences | | (909) | (882) | (27) | (419) | (400) | (19) |
| **E) Net change in cash and cash equivalents** | | **1,782** | **1,828** | **(46)** | **131** | **(18)** | **149** |
| **F) Cash and cash equivalents at end of year** | | **19,439** | **19,239** | **200** | **17,657** | **17,411** | **246** |

(*) *Figures for 2012 have been restated to reflect application of the amendment to IAS 19. For both the Group and Industrial Activities, profit was reduced by €515 million, with a corresponding increase in "(Gains)/losses on disposal of non-current assets and other non-cash items".*

(a) *Includes reversal of gains in the fair value of equity swaps on a basket of Fiat S.p.A. and CNH Industrial N.V. shares of €27 million for 2013 and €31 million for 2012.*

(b) *Cash from vehicles sold under buy-back commitments for the periods reported above, net of amounts already recognized through profit and loss, is included in a separate line item under operating activities, which also includes change in working capital.*

**Industrial Activities**
For 2013, Industrial Activities generated cash and cash equivalents of €1,828 million.

- **Operating activities** generated €7,512 million in cash, of which €5,204 million was attributable to Chrysler. Excluding Chrysler, Industrial Activities generated €2,308 million in cash, consisting of €1,179 million in income-related cash flows and a €1,129 million decrease in working capital.
- **Investing activities** absorbed a total of €7,759 million, including €7,433 million for investments in tangible and intangible assets (of which €3,573 million related to Chrysler) and €231 million for equity investments, in addition to funding provided to financial services companies (included under other changes).
- **Financing activities** generated €2,957 million in cash, consisting primarily of a net increase in borrowings (approximately €1.9 billion in bonds and €1 billion in other debt).

**Financial Services**
Cash and cash equivalents for Financial Services totaled €200 million at 31 December 2013, down €46 million over the beginning of the year.

Changes in cash were attributable to:

- **Operating activities**, which generated €93 million in cash (net profit plus amortization and depreciation).
- **Investing activities** (including changes in financial receivables from and debt payable to industrial companies), which absorbed €327 million in cash, primarily relating to an increase in the lending portfolio net of loans from treasury companies (included under other changes) and a decrease in current securities.
- **Financing activities**, which generated a total of €215 million, consisting of €231 million of net inflows from new financing, less dividends paid to companies included under Industrial Activities (€16 million).

# Commercial Performance by Operating Segment

## MASS-MARKET BRANDS

### NAFTA

*Commercial Performance*

**Passenger Car and Truck Shipments by Market**

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| United States | 1,876 | 1,748 | 7% |
| Canada | 269 | 255 | 5% |
| Mexico | 85 | 98 | -13% |
| Contract Manufacturing(*) and other | 8 | 14 | -43% |
| **Total** | **2,238** | **2,115** | **6%** |

**Passenger Car and Truck Shipments by Brand**

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| Jeep | 601 | 548 | 10% |
| Dodge | 745 | 717 | 4% |
| Chrysler | 325 | 347 | -6% |
| Ram | 496 | 423 | 17% |
| Fiat | 63 | 66 | -5% |
| Contract Manufacturing(*) and other | 8 | 14 | -43% |
| **Total** | **2,238** | **2,115** | **6%** |

(*) *Vehicles produced for other automakers, including Fiat Group Automobiles.*

Vehicle shipments in NAFTA totaled 2,238,000 units for FY 2013, representing a 6% increase over FY 2012. In the U.S., vehicle shipments were 1,876,000 (up 7% from FY 2012), in Canada 269,000 (up 5%) and 93,000 for Mexico and other. The year benefited from strong shipments and sales of the Ram 1500 pickup truck, Jeep Grand Cherokee and Wrangler and, from Q4, the very positive market reception of the all-new Jeep Cherokee.

Vehicle sales[1] in NAFTA totaled 2,147,000 for FY 2013, an increase of 8% over FY 2012. Sales increased 9% in the U.S. to 1,800,000 units and 7% in Canada to 260,000. In the U.S., the Group has posted 45 consecutive months of year-over-year sales gains and the strongest annual sales since 2007. In Canada, the Group recorded its 49th consecutive month of year-over-year sales growth in December and, for the full year, it reconfirmed its position as the number two selling manufacturer, posting the strongest annual sales level since 2000.

### Industry Sales by Market

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| United States | **15,862** | 14,786 | 7% |
| Canada | **1,777** | 1,713 | 4% |
| Mexico | **1,101** | 1,024 | 8% |

The **U.S. vehicle market** finished FY 2013 up 7% year-over-year to 15.9 million vehicles. The Group's overall market share was up 0.2 p.p. versus the prior year to 11.4%. Jeep vehicle sales totaled 490,000 for the year, up 3% versus FY 2012, with double-digit percentage increases for all currently produced vehicles, including the Jeep Grand Cherokee (+13%), Jeep Compass (+32%), Jeep Patriot (+22%) and the Jeep Wrangler (+10%), offsetting the absence of Jeep Liberty sales for most of 2013 (6,000 in 2013 compared to 75,000 in 2012). The Liberty replacement, the all-new Jeep Cherokee was first delivered to U.S. dealers at the end of October 2013, and 26,000 have already been sold to consumers in Q4. Dodge, the Group's number one selling brand in the region, posted sales of 596,000 vehicles, up 14% from the prior year mainly driven by the Charger (+19%), Durango (+43%), and Challenger (+19%), as well as the first full-year contribution of the Dart with 83,000 units. The Ram truck brand posted an increase of 22% to 368,000 vehicles, the largest increase of all brands, with sales increases for light-duty and heavy-duty pickups of 25% and 16%, respectively. Chrysler brand sales totaled 303,000 vehicles during FY 2013, down slightly from last year.

The **Canadian vehicle market** increased 4% year-over-year to 1.78 million vehicles. The Group's total market share increased 0.4 p.p. versus FY 2012 to 14.6%, mainly driven by strong performances from the Ram light-duty pickup (+25% year-over-year), Dodge Dart (+185%) and Chrysler Town & Country (+111%).

Fiat brand sales in the U.S. and Canada were down 2% year-over-year to 51,000 vehicles for FY 2013. The new 500L launched in May with sales of over 8,000 vehicles for the year.

### *Products and Awards*

Throughout the year, the Group's products received various awards and recognitions, including the Ram Pickup, which received back-to-back *Motor Trend Magazine*'s "Truck of the Year" for 2013 and 2014, the first time ever a vehicle has won two years in a row. The 2013 Ram Pickup also won the "North American Truck/Utility of the Year" at the North American Auto Show in January 2013. The 3.0-liter EcoDiesel V-6 and the Fiat 500e battery-electric drive system were named among *Ward's* "10 Best Engines for 2014". In addition, the Group won 15 of 24 awards issued by the Texas Auto Writers Association, including the Truck of Texas (Ram 1500 pickup), SUV of Texas (Jeep Grand Cherokee), Commercial Vehicle of Texas (Ram ProMaster), and Truck Line of Texas (Ram Trucks).

(1) *"Sales" represents sales to end customers as reported by the Chrysler dealer network.*

Quality awards garnered throughout the year included the 2013 Chrysler 200 Convertible, Chrysler Town & Country, Dodge Durango, and Dodge Dart being named "Best 2013 Total Quality" in their respective segments by Strategic Vision's Total Quality Index. The Chrysler Town & Country was judged the "Highest-Ranking Minivan" by the J.D. Power 2013 Initial Quality Study. Various vehicles also continue to be recognized as "Top Safety Picks" by the Insurance Institute for Highway Safety, and *Consumer Digest* and *Consumer Guide®* "Best Buys".

## LATAM

### *Commercial Performance*

#### Passenger Car and LCV Shipments

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| Brazil | 785 | 845 | -7% |
| Argentina | 111 | 84 | 32% |
| Venezuela | 6 | 9 | -33% |
| Other | 48 | 41 | 17% |
| **Total** | **950** | **979** | **-3%** |

#### Passenger Car and LCV Industry Sales

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| Brazil | 3,581 | 3,636 | -1% |
| Argentina | 919 | 805 | 14% |
| Venezuela | 84 | 108 | -23% |
| Other | 1,340 | 1,297 | 3% |
| **Total** | **5,924** | **5,846** | **1%** |

In 2013, Group shipments in the LATAM region decreased 3% year-over-year to a total of 950,000 vehicles. Industry sales in LATAM were up 1.3% to 5,924,000 units.

In **Brazil**, the passenger car and light commercial vehicles (LCV) market was down 1.5% over the prior year to 3,581,000 units.

For 2013, the Group confirmed its leadership in the Brazilian market, with an overall share of 21.5%. Although 1.8 p.p. lower than 2012 – when exceptional performance was driven by the Group's flexibility in responding to the sharp increase in demand following the government's introduction of incentives – Group share was still 2.7 p.p. ahead of the nearest competitor. Group products continued to perform well, taking a combined 25% share of the A/B segment, driven by the continued success of the new Palio and Uno. Siena and Grand Siena posted a combined 25% year-over-year increase and Strada was up 5% (50% segment share) boosted by the contribution from the refreshed model launched in Q4.

The Group shipped 785,000 passenger cars and LCVs in Brazil, representing a 7% decrease compared with 2012, which benefited from a period of higher sales tax incentives.

In **Argentina**, where the market was up 14% for the year to 919,000 units, Group sales increased 31% to approximately 111,000 units, with share up 1.4 p.p. to 12.0% facilitated by improved customs clearance for vehicle imports. In the A/B segment, share was 14.1%, with the Palio posting a 71% year-over-year increase.

For other LATAM markets, shipments totaled approximately 54,000 units, up 7% over 2012.

### *Products and Awards*

During the year, new product launches included: the 2014 Fiat Uno and Dodge Durango in Q1; special versions of the Fiat Grand Siena and Strada in Q2; special *Italia* series versions of the new Fiat Uno and Palio Fire in Q3; and, in Q4, the new Fiat Fiorino and Strada, the 2014 Jeep Grand Cherokee, and the *Grazie Mille* special edition of the Fiat Uno Mille.

The new Strada was the winner of four categories in the "Truck of the Year 2013" awards from *Auto Esporte* magazine. The Grand Siena won "Owners Satisfaction Award 2013" in its segment from *Quatro Rodas* magazine.

The Group's new plant in Goiana, Pernambuco, is expected to start activities during the first half of 2015 with initial production capacity of 200,000 vehicles per year based on the Small Wide platform which will strengthen the product offering in the mid-size segments of the market. The site will also have an integrated supply park, product engineering center and testing facilities.

# APAC

## *Commercial Performance*

### Passenger Car and LCV Shipments

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| China | 90 | 54 | 67% |
| South Korea | 5 | 4 | 25% |
| Japan | 16 | 15 | 7% |
| Australia | 37 | 23 | 61% |
| Other | 15 | 7 | 114% |
| **Total** | **163** | **103** | **58%** |

### Passenger Car and LCV Industry Sales

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| China | 16,670.9 | 14,246.6 | 17% |
| South Korea | 1,291.8 | 1,306.8 | -1% |
| Japan | 4,562.3 | 4,572.4 | - |
| Australia | 1,106.2 | 1,080.7 | 2% |
| Other | 2,472.3 | 2,664.3 | -7% |
| **Total** | **26,103.5** | **23,870.8** | **9%** |

Vehicle shipments in APAC (excluding JVs) totaled 163,000 units for 2013, representing an increase of 58% over the prior year.

Regional demand[1] rose year-over-year led by growth in China and Australia, while India and South Korea were down versus the prior year.

Group retail sales, including JVs, totaled 199,500 units, up 73% over the prior year driven by strong performance in China and Australia, compared with a 9% growth for the industry. By brand, Jeep sales were up 26% versus the prior year. Fiat brand posted growth of 40,700 units for the year, reflecting sales performance for the Chinese-produced Fiat Viaggio launched in late 2012. Dodge brand sales were up 5 times over the prior year, driven by the re-launch of the Dodge Journey in China in early 2013.

(1) *Aggregate for key markets where the Group is present (i.e. China, India, Australia, Japan and South Korea).*

### *Products and Awards*

Jeep remained the best-selling brand across the region and, during the year, the product line-up was enhanced with the introduction of the new 2014 Grand Cherokee with 8-speed automatic transmission and 3.0L variants of the Jeep Grand Cherokee and Jeep Wrangler.

Launched in February 2013 with new and improved features, the Dodge Journey enjoyed a successful return, quickly becoming the Group's fourth best-selling vehicle in the region and driving the brand's five-fold sales increase for the year.

Fiat Viaggio continued to gain momentum in China, becoming the Group's best-selling vehicle in the region. The Fiat brand product line-up was further enhanced with the presentation of the Shining Edition of the Fiat Viaggio and the all-new hatchback version, the Fiat Ottimo, both unveiled at the Guangzhou Auto Show in November. The second Fiat vehicle to be produced in China, the Fiat Ottimo will be launched at dealerships in early 2014.

The newly-established distribution network in India which now totals 100 points of sale, posted a 41% same period year-over-year sales increase since its inception in April 2013, driven by the successful launch of the all-new Fiat Linea Classic and Fiat Punto Sport in Q3 2013.

In other key markets, Group sales in Australia grew 53% year-over-year, compared with 2% for the industry, representing the best year-over-year growth in the market by any manufacturer and driven by the Jeep and Fiat brands. In South Korea, Group sales were up 16% over the prior year driven by the re-introduction of the Fiat brand. In Japan, sales were up 6% year-over-year compared with a flat performance for the industry.

## EMEA

### *Commercial Performance*

**Passenger Car and LCV Shipments by Market**

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| France | 84.4 | 82.2 | 2.7% |
| Germany | 97.5 | 109.6 | -11.0% |
| U.K. | 84.4 | 71.2 | 18.5% |
| Italy | 408.7 | 446.9 | -8.5% |
| Spain | 33.7 | 27.3 | 23.4% |
| Poland | 20.5 | 24.5 | -16.3% |
| Rest of Europe | 123.0 | 134.1 | -8.3% |
| **Europe (EU27+EFTA)** | **852.2** | **895.8** | **-4.9%** |
| Other | 126.7 | 115.8 | 9.4% |
| **Total Sales** | **978.9** | **1,011.6** | **-3.2%** |
| Associates and JVs | 79.6 | 87.9 | -9.4% |
| **Grand Total** | **1,058.5** | **1,099.5** | **-3.7%** |

Passenger car and LCV shipments in the EMEA region totaled 979,000 units for the year, a decrease of approximately 33,000 units (-3%) over 2012.

Passenger car shipments were down 4% to 776,000 units, with significant declines in Italy and Germany. LCV shipments were in line with the prior year at 203,000 units.

**Passenger Car Industry Sales**

| (units in thousands) | 2013 | 2012 | Change |
|---|---|---|---|
| France | 1,786.4 | 1,890.0 | -5.5% |
| Germany | 2,871.7 | 3,001.0 | -4.3% |
| U.K. | 2,264.9 | 2,043.6 | 10.8% |
| Italy | 1,304.4 | 1,403.0 | -7.0% |
| Spain | 723.9 | 700.6 | 3.3% |
| Poland | 287.8 | 271.0 | 6.2% |
| **Europe (EU27+EFTA)** | **12,308.2** | **12,528.1** | **-1.8%** |

In **Europe** (EU27+EFTA), the **passenger car market** was down 2% for the year to 12.3 million vehicles. By major market, demand was down in Italy (-7%), France (-6%) and Germany (-4%). The positive trend continued in both the U.K. and Spain, where demand was up 11% and 3%, respectively. For the rest of Europe, there was an overall contraction of around 4%.

Group brands accounted for a combined 6.0% share of the European market, representing a 0.3 p.p. decrease over 2012. There were year-over-year gains in France (+0.2 p.p. to 3.5%), Spain (+0.4 p.p. to 3.7%) and U.K. (+0.1 p.p. to 3.2%). By contrast, share was down 0.9 p.p. in Italy to 28.7% and 0.2 p.p. in Germany to 2.7%, in part reflecting management of channel mix.

The commercial strategy centered on the 500 family continues to yield positive results. The 500 was the best selling A-segment vehicle in Europe, with a 13.9% share, and the 500L ranked as the number one Small multi purpose vehicle (MPV), with 73,500 units sold for the year and a 17.9% segment share.

The **European light commercial vehicle market** (EU27+EFTA) registered a 1% year-over-year decrease, with significant contractions in Italy (-15%), France (-5%) and Germany (-2%).

Fiat Professional's European share[(1)] was down marginally to 11.6% as a result of a less favorable market mix. Share was up 1.3 p.p. in Italy to 44.0%, up 1.4 p.p. in the U.K. to 5.0% and up 0.4 p.p. in Spain to 8.9%. In France and Germany, share remained in line with prior year levels at 9.0% and 11.7%, respectively.

### *Products and Awards*

During the year, new product highlights included: the launch of the 105 hp 1.6L MultiJet II and 0.9L TwinAir Turbo engine versions of the 500L, as well as the new Fiat 500L Living and Trekking and the "Natural Power" versions of the 500L and 500L Living. In the fourth quarter, the brand also introduced the 105 hp 0.9L TwinAir option for the 500 and 500C and the 120 hp 1.4L T-Jet Turbo and 1.6L MultiJet II options for the 500L, 500L Trekking and 500L Living. At the Frankfurt Motor Show in September, Fiat presented the special 30th anniversary limited edition Panda 4x4 Antarctica. The Fiat brand received the "Best Green Engine of the Year 2013" award for the eco-performing natural gas TwinAir Turbo.

In October, Alfa Romeo presented refreshed versions of the MiTo and Giulietta, with new engine options, including the 105 hp 0.9L TwinAir Turbo for the MiTo and the all-new 150 hp 2.0 JTDM 2 for the Giulietta, as well as latest generation UConnect infotainment systems and new interiors.

The brand also began delivery of the "Launch Edition" of the Alfa Romeo 4C in the fourth quarter. The Alfa Romeo 4C was named winner of the Sportscars/Imported category by readers of *Auto Zeitung* in Germany and was named "Car of the Year 2013" by *FHM* magazine in the U.K.

Jeep launched the 2014 Jeep Grand Cherokee in markets across Europe during Q2 followed, in the fourth quarter, by the 2014 Jeep Compass, which has undergone a refresh.

During the year, the World Class Manufacturing program's Gold level was awarded to Fiat plants in Pomigliano d'Arco, Italy, and Tychy, Poland, as well as the Tofaş plant in Bursa, Turkey.

*[(1)] Due to unavailability of market data for Italy since January 2011, the figures reported are an extrapolation and discrepancies with actual data could exist.*

## LUXURY BRANDS

### Ferrari

#### *Commercial Performance*

During 2013, Ferrari maintained production below the prior year's level in line with the strategy announced in May 2013 aimed at preserving the brand's exclusivity.

A consistently high level of investment in product development has enabled Ferrari to achieve the most innovative and comprehensive product offering in its history. New model releases during 2013 included the limited edition LaFerrari, which attracted orders for more than double the 499 unit production run even before its official debut at the Geneva Motor Show, as well as the 458 Speciale, which sports a myriad of world-class technological innovations.

Product mix was improved, with 12-cylinder models accounting for 25% of total sales as the F12 Berlinetta reached full production and demand for the FF remained strong. The 8-cylinder models, the 458 (coupé and spider versions) and California30, both continued to experience solid demand.

The U.S. remained the number one market and Ferrari increased shipment levels moderately to avoid customers experiencing excessive waiting times. In Europe, shipments in the U.K. were higher following the introduction of the right-hand drive F12 Berlinetta, but down in Germany reflecting planned reductions. In Italy, government austerity measures continued to penalize demand with sales in 2013 accounting for less than 3% of the global total.

Performance was very positive in the Middle East and Japan, while shipments in Greater China were reduced as part of Ferrari's strategy to preserve brand exclusivity in one of its traditional key markets, particularly in Hong Kong (where Ferrari celebrated its 30th anniversary in October), while in the People's Republic of China, where the brand reduced shipments consistent with the decision to maintain lower stock levels, sales to end customers were substantially comparable with the prior year.

In Formula One, Team Ferrari had a promising start to the season before encountering development issues that affected competitiveness in the latter part of the year. Despite the setback, Fernando Alonso placed second in the Drivers' Championship and the team was third overall in the Constructors' Championship.

The 458 GT had a rewarding season, racking up victories on three continents, including a hat trick in the GTE Pro class of the FIA World Endurance Championship and victory in the GTE Am category.

From the Grand Am to the European and Asian Le Mans Series, the Blancpain Series and the International GT Open, the 458 enjoyed a string of successes once again this season at both the competitive and commercial level. Now in its third season, the mono-brand 458 Challenge series also remained an extremely popular event with Ferrari owners.

In November, it was announced that all brand-related activities (licensing, retail, franchising and e-commerce) would be transferred to a wholly-owned subsidiary of Ferrari effective 1 January 2014, enabling an increased and more direct management focus.

Retail volumes continued to grow through the more than 50 Ferrari Stores worldwide and the e-commerce channel. In the licensing area, the number of agreements was reduced, while profitability was increased. Major licensing arrangements include partnerships with Electronic Arts and Codemasters.

On the sponsorship front, in 2013 Weichai Power, a leader in the automotive and components sector, and UPS, the major U.S.-based logistics supplier, both linked their names with Team Ferrari. The Oakley brand will also appear on the drivers' helmets for the 2014 F1 season.

The brand also continued to strengthen its presence on social networks, with the official Facebook page now counting more than 13 million fans.

A total of 7,124 street cars were **sold to end customers** during the year. Solid growth in North America and the Middle East compensated for the effect of challenging economic conditions in Europe, particularly in the eurozone.

For 12-cylinders models, sales were up 29% for the year to 1,931 vehicles, representing 27% of total sales. The increase was driven by the F12 Berlinetta, which completed its first full year in production, and the continued success of the FF.

The brand also began shipping the new super car, the limited edition LaFerrari, which was premiered at the Geneva Motor Show in March.

North America (U.S. and Canada) posted another record year, with sales up 9% over the prior year to 2,230 vehicles. The region remained Ferrari's largest market, accounting for 31% of worldwide sales.

In Europe, sales to end customers were down 13% to a total of 2,722 vehicles. In southern and western Europe (Italy, France, the Iberian Peninsula and Benelux), where economic conditions remained challenging, sales were down 23% from the 2012 level to 670 vehicles. For Central Europe, sales were down 11% in both Germany (672 vehicles) and Switzerland (329) as a result of the brand's strategic decision. In the U.K., sales were up 1% over the prior year to 673 vehicles placing it ahead of Germany as the brand's number one European market for the year.

The Middle East and Africa continued to be among the strongest performers, with combined sales up 12% over the prior year to a record 605 vehicles.

In the Asia-Pacific region, sales contracted 3% overall to 1,437 units. Greater China remained the second largest market globally, with sales in China stable at 458 vehicles (454 for 2012), but Hong Kong and Taiwan decreasing by 9% to 687 vehicles sold. The recovery continued in Japan, where sales were up 3% for the year to 351 units. For the remainder of Asia (South Korea and South East Asia), sales increased 6% to 289 vehicles.

In Australasia, 110 vehicles were sold (109 in 2012).

In 2013, Ferrari **shipped** 6,922 street cars (-5% year-over-year), including the first 20 units of the special edition LaFerrari. Shipments of 8-cylinder models were down 12% over the prior year, but there was a 19% increase for 12cylinder models driven primarily by the F12 Berlinetta, which was released just a year ago.

### *Products and Awards*

The new product releases during the year demonstrated Ferrari's continued technological leadership.

At the Geneva Motor Show, the press and public were given a first look at the limited series LaFerrari: the maximum expression of the brand's excellence in technological innovation, performance, styling and driving emotion. Setting a new benchmark for the sector, LaFerrari incorporates the latest technological innovations that Ferrari will apply to future models.

The Frankfurt Motor Show was the venue for the debut of the limited edition 458 Speciale, which is equipped with a series of unique technological innovations and design features characteristic of the brand, ranging from engine and drivetrain to the vehicle's active aerodynamics and electronic control systems.

Awards and recognitions received during the year included: "Best Performance Engine of the Year", for the third consecutive year, for the 12-cylinder engine on the F12 Berlinetta and "Supercar of the Year" from *Top Gear* for the 458 Speciale.

## Maserati

### *Commercial Performance*

For Maserati, 2013 was a very significant year in terms of both new products and strategic developments.

In January, Maserati gave its world premiere presentation of the new flagship Quattroporte at the North American International Auto Show in Detroit. The Shanghai Motor Show in April was the venue for the world premiere presentation of the new Ghibli and heralded the brand's entry in the E segment, which accounts for more than 30% of the luxury car market worldwide. Both vehicles are offered with diesel and all-wheel-drive options, representing firsts for Maserati. With the introduction of these two new models and continued contribution of the existing Sport models, Maserati posted its best ever annual performance with a total of 15,400 vehicles shipped and combined order intake for the two new models of 26,000 units.

Major events during the year included: the opening of a new, state-of-the-art production facility for the Quattroporte and Ghibli, presentation of a new brand image and communications strategy to support the new strategic objectives and, in December, the official launch of Maserati's 100th anniversary celebrations. The occasion was marked with the release of the official commemorative book entitled "Maserati – A Century of History", the centenary logo and a program of events for 2014.

In motor sport, the fourth season of the mono-brand MC Trofeo championship kicked off at the end of April at the Paul Ricard circuit in France. The 2013 race calendar consisted of three fixtures in Europe (France, U.K. and Germany) and three outside Europe, including the U.S. and China, with the final race held in Abu Dhabi in mid-December.

Worldwide **shipments** were up 148% for the year, with 15,400 vehicles delivered to the network. For the Quattroporte, which was released in March, shipments totaled 7,800 units. For the Ghibli, a total of 2,900 units were shipped between launch in October and year end. Combined shipments for the GranTurismo and GranCabrio were in line with 2012 at 4,700 units for the year.

All markets contributed positively to the significant year-over-year increase. The U.S. remained the brand's number one market, with shipments up 138% over the prior year to 6,900 units. Maserati's second largest market, China, recorded the highest percentage increase with shipments up 334% to 3,800 units. Even in Europe, where economic conditions remained difficult, shipments were up 133% to 2,500 units driven by demand for the new models. Results were also strong for the Asia-Pacific region (excluding China) and the Middle East, which registered increases of 52% (to 1,300 vehicles) and 81% (to 750 vehicles), respectively.

### *Products and Awards*

In January 2013, Maserati gave its world premiere presentation of both the V8 (530 hp) and V6 (410 hp) versions of the new Quattroporte at the North American International Auto Show in Detroit.

At the Geneva Motor Show in early March, Maserati presented the 4-seat GranTurismo MC Stradale and, for the first time in Europe, the new Quattroporte.

The Shanghai Motor Show in April was the chosen venue for the world premiere presentation of the new Maserati Ghibli.

At the Frankfurt Motor Show in September, Maserati presented the diesel version of the Quattroporte along with the Ermenegildo Zegna Limited Edition concept version, the first project in partnership with the premiere Italian fashion house.

Mid-November saw the North American debut of the Ghibli at the Los Angeles Auto Show.

## COMPONENTS

### Magneti Marelli (Components)

Magneti Marelli reported an increase in revenues of 3% over the prior year (6% at constant exchange rates) driven primarily by performance in NAFTA and China, in addition to a modest gain in Europe. In Brazil, revenues were substantially in line with 2012 on a constant currency basis.

During the year, Magneti Marelli entered into several major agreements relating to the development of innovative products in its core business areas.

In January, an agreement was signed with a leading car leasing company, LeasePlan, for fleet maintenance by Magneti Marelli's Checkstar service centers.

In September, Magneti Marelli and China South Industries Group Corporation, a manufacturer of automotive parts and systems, entered into an agreement to establish a 50/50 JV in China (Hubei Huazhong Magneti Marelli Automotive Lighting Co. Ltd.) for the production of auto headlights and tail lights.

In November, Magneti Marelli signed two cooperation agreements with Faurecia (a global supplier of passenger car modules and components), one for the production and distribution of interior and exterior components for FIASA in Brazil (Pernambuco) and the other for the design, development and production of advanced human-machine interfaces for vehicle interiors.

Also in November, Magneti Marelli signed a cooperation agreement with Opar, a Tofaş subsidiary and leader in the automotive parts market in Turkey, for distribution of aftermarket parts in Turkey. It also entered into an agreement with Iveco for the distribution of two new lines of OEM parts for LCVs in Europe.

In December, Magneti Marelli and Hero MotoCorp Ltd. established a JV in India for the production of engine control systems for the two-wheeler market. Magneti Marelli will hold 40% of the JV and Hero MotoCorp the remaining 60%.

Performance for the principal business lines was as follows:

#### *Lighting*

Revenues totaled €2,275 million for 2013, an increase of approximately 12% over the prior year driven by growth in NAFTA, where several new products were launched during the second half of 2012, and in China for Volkswagen. In the German-Czech Republic region and Brazil, revenues were substantially in line with the prior year.

Innovation and development activities related to:

- LED projection module (eLight Modular Concept), the concept has the flexibility to react to changes in market trends and/or technological improvements such as substitution of the LEDs with latest generation LEDs that offer the same performance with fewer diodes;
- glare free high-beam LED technology applied on reflexion technology. Based on use of a single LED, the solution will reduce the cost of modules;
- laser beam in headlamps: product which will use the laser beam module for a high beam application.

Major new orders included headlights for Audi, Ford, Volkswagen and Mini models, as well as headlights and tail lights for Honda.

### *Powertrain*

Revenues totaled €898 million, which was in line with the prior year on a constant currency basis. In Europe, an increase in turnover from sales of the direct injection pump to Hyundai more than compensated for lower sales of a similar component to PSA.

A modest increase in sales to FIASA and Volkswagen in Brazil and the supply of new products to Chrysler more than compensated for the loss of revenues associated with the sale of the carburetor business to Edelbrock in 2012.

Activity in the Chinese market was in line with 2012, while sales to Maruti Suzuki in India were down, particularly in the second half, due to an overall decline in local demand.

On the innovation front, development continued on electric inverters and motors for application on hybrid electric and battery electric vehicles (HEV/BEV) for Ferrari, Qoros Group (China) and Chrysler.

Major orders received during the year included: systems and components for FAW and Volkswagen, intake manifolds for the Chrysler Pentastar, systems and components for Chrysler and Qoros hybrid vehicles, manifolds and throttle bodies for Fire MultiAir turbo engines for Fiat/Chrysler and Mazda.

### *Suspension Systems*

Revenues were €470 million, substantially in line with 2012. Increased sales associated with the Ducato in Brazil and Mexico compensated for contractions across brands for Fiat Group, the business line's principal customer, in Italy and Poland.

Research and innovation activities related to high-resistance metal (steel and iron) and alloy solutions (carbon steel) and variable thickness components continued during the year.

Major new orders included suspension components for the new SUV vehicle platform for Fiat/Chrysler in Italy and Brazil.

### *Shock Absorbers*

The business line recorded revenues of €309 million for 2013, a 4% year-over-year decrease at constant exchange rates attributable to an overall contraction in demand in the business line's core markets.

Principal new product developments during the year related to aluminum mono-tube shock absorbers that contribute to reduced emissions, cabin leveler shock absorbers for Iveco, low-cost Dual Stage Valve shock absorber technology, and E_FSD (electronic frequency selective damping) shock absorbers. Development also continued on regenerative shock absorbers.

### *Electronic Systems*

Revenues totaled €935 million for the year, an increase of approximately 7% over 2012 driven primarily by growth in sales of telematics and body products to PSA (RT5, RT6 and RT6FF radio navigation systems and SMEG A9 and SMEG+ infotainment systems).

Ongoing innovation projects included: development of a new infotainment system for BMW (launched in November 2013); the new instrument cluster platform for Audi and Fiat/Chrysler SUVs; new body computers for Chrysler and Fiat/GAC's Compact United States Wide (CUSW) platform, the L7 family in Slovakia (Ducato and Iveco MY 2014), the L9 family for application on FIASA models in LATAM.

New orders included: the E-call system for FGA, a telematics box for GM and Suzuki, an infotainment system for the BMW EVO range and a body computer for the 2014 Ducato.

### *Exhaust Systems*

Revenues totaled €559 million, a 2% decrease at constant exchange rates attributable to the overall contraction in demand in the business line's principal markets, which was only partially offset by increased volumes to customers in Serbia and China.

On the innovation front, the business line launched projects for the development of second generation Selective Catalytic Reduction systems. In addition, research continued on systems that recover exhaust-generated heat and design solutions to reduce the weight of exhaust systems and, consequently, contribute to achieving lower $CO_2$ emissions through reductions in the total weight of the vehicle.

Major new orders included exhaust systems for Chrysler's TigerShark engine in the U.S. and Volkswagen's LCV range in Germany.

### *After Market*

Revenues totaled €356 million for 2013, up 5% over the previous year (+13% at constant exchange rates). Growth in Europe and Mercosur was partially offset by decreases in NAFTA. March saw the launch of the business line's sales activities in China, where lighting products led the way. All product areas experienced volume increases with particularly strong growth for telematics products.

### *Plastic Components and Modules*

Revenues were down 2% over the prior year to €410 million. The decrease was attributable to an overall contraction in demand in the business line's core markets, only partially compensated for by revenue growth associated with new products for FGA models, particularly the 500L.

Orders received during the year included interiors, exteriors, fuel systems and pedals for the new B-SUV Jeep to be produced at the Melfi plant starting in 2014.

## Teksid (Metallurgical Products)

During 2013, the global Light Vehicle market registered a 3.1% increase globally. By region, production for Teksid's customer segment was down 0.5% in Western Europe (Italy -0.5%, France -11.5%, Spain +8.5%), but higher in both Mercosur (+4.1%) and North America (+4.8%).

For Medium and Heavy Vehicles combined, the global market was up 4.3% over the prior year. By region, production for Teksid's customer segment was down 2.8% in Western Europe (Italy +4.4%, Germany -9.3%, France -3.3%), up 43.5% in Mercosur (Brazil +47.5%, compared with 2012 when volumes were down 50% over pre-crisis levels) and down 3.0% in NAFTA. Increases were not sufficient to bring Teksid's volumes in the Medium and Heavy Vehicle segment to pre-crisis levels.

The Cast Iron business unit recorded a 7% decrease in volumes, primarily due to lower demand in the heavy vehicle segment, and the continuing shift to the use of aluminum in the production of car engine basements. Revenues were down 16% for the year.

The Aluminum business unit closed the year with volumes up 13% and revenues up 10%.

## Comau (Production Systems)

During 2013, automakers maintained investment in activities related to the Body Welding business line at 2012 levels, but reduced investment in areas related to Powertrain's activities.

In the U.S., automakers continued to invest, but at significantly different levels.

In China, investment levels remained high.

In Brazil, new contract orders were up and the medium-term outlook is robust.

In Europe, investment levels were higher in the U.K., but elsewhere automakers demonstrated a high degree of selectivity in their investment programs.

Order intake for the Systems activities totaled €1,454 million, an increase of 18% over the prior year attributable primarily to the Body Welding business.

By region, 44% of new orders were generated in Europe, 28% in NAFTA, 16% in APAC and 12% in LATAM. By customer, 25% of orders came from Fiat/Chrysler companies and the remaining 75% from other manufacturers. At 31 December 2013, the order backlog totaled €1,022 million, a 17% increase over the previous year.

For the Services operations, activity was substantially in line with 2012 levels but with signs of a recovery.

# Sustainability[1]

## SUSTAINABILITY GOVERNANCE AND COMMITMENT TO STAKEHOLDERS

### Sustainability Governance

All areas of the Group have an active role in addressing the goals and challenges of sustainability. The sustainability management process is based on a model of shared responsibility that begins with the top level of management and involves every area and function within the organization. All employees worldwide are expected to conduct their activities responsibly.

Several entities within the organization are responsible for directing and coordinating the sustainable management of the Group's businesses. Those entities include:

The *Sustainability Team*, through its offices in Italy, the U.S. and Brazil, has a key role in promoting a culture of sustainability within the Group and facilitating the process of continuous improvement, while contributing to risk management, cost optimization, stakeholder engagement and enhancement of the Group's image. The team collaborates with individuals within the operating segments, regions and central functions that have operational responsibility for issues such as the environment, energy, innovation and human resources, and supports them in identifying key areas for action. It also manages relationships with international sustainability organizations, as well as sustainability rating agencies and investment analysts, with the support and coordination of the Investor Relations team.

The *Cross-functional Sustainability Committee* (CSC) consists of the heads of the principal central functions, operating segments and regions, who are often also consulted individually. The CSC evaluates and facilitates operational decisions, as well as serving in an advisory capacity for proposals submitted by the Sustainability Team to the Group Executive Council (GEC), the decision-making body headed by the Group CEO and composed of the COOs of the regions and operating segments, together with the heads of various central functions. The GEC is responsible for defining the strategic approach, approving operating guidelines and evaluating the alignment of the Sustainability Plan with business objectives. The Committee periodically updates the GEC on individual initiatives and the Group's overall sustainability performance.

The *Nominating, Corporate Governance and Sustainability Committee* (a committee of the Board of Directors) evaluates proposals relating to strategic guidelines for sustainability-related issues and, as appropriate, formulates proposals to the Board of Directors. The Committee also reviews the annual Sustainability Report.

[1] *All information in the Sustainability section has been audited by the independent certification organization SGS Italia S.p.A. The scope, methodology, limitations and conclusions of the audit are provided in the Assurance Statement issued by SGS and published in the Fiat Group 2013 Sustainability Report.*

### Commitment to Stakeholders

The Group's ability to generate value through business decisions also depends on listening to and understanding the expectations and needs of all stakeholders who, directly or indirectly, have an influence on or are influenced by the Group's activities.

The decisions of many internal and external stakeholders – including customers, suppliers, dealers, employees, public institutions, trade and industry groups, investors and local communities – are affected by the Group's activities just as the Group's activities and results are, to varying degrees, also affected by the actions and expectations of stakeholders.

Operating responsibly therefore requires constant engagement with all stakeholders, at the local and global level, in order to understand and appropriately address the most relevant needs and expectations, as set out in the Stakeholder Engagement Guidelines.

As the engagement with stakeholders evolves over time, initiatives have become increasingly effective. The Group uses a variety of channels to engage with each category of stakeholders and gain a more in-depth understanding of their expectations.

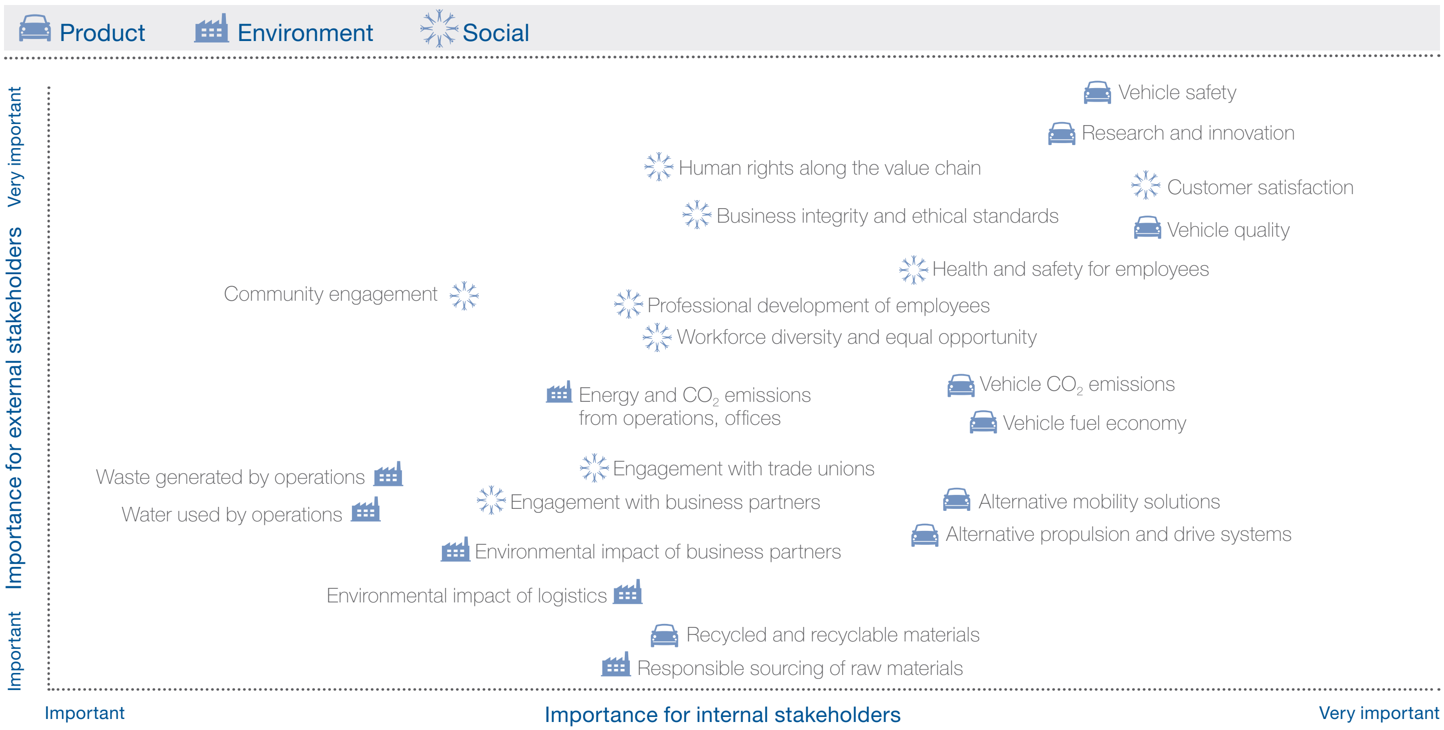
In 2013, the Group developed additional channels for interaction with external stakeholders, including three sustainability-focused Stakeholder Engagement events held in Italy, Brazil and the U.S. These events provided a platform for individual customers, fleet operators, dealers, suppliers, media, local communities, universities and technical schools, environmental organizations, foundations and NGOs to express their views, priorities and needs. For each stakeholder category, specific local issues also emerged.

## MATERIALITY ANALYSIS

The dialogue with stakeholders enables the Group to identify which areas of sustainability are considered most material and, as a result, to continue creating value for all stakeholders in both the short and long-term.

The stakeholder engagement events organized in Italy, Brazil and the U.S. in 2013 provided an opportunity for additional insight into the economic, environmental and social aspects of the Group's activities that have the greatest impact on the decisions of stakeholders, including issues of specific relevance in each geographic area. As a result, the Group has updated the materiality diagram first presented in the 2012 Sustainability Report.

### Materiality diagram



# RESEARCH, INNOVATION AND SUSTAINABLE MOBILITY

Fiat Group is committed to meeting the mobility needs of customers, while reducing the environmental and social impact of vehicles over their entire life cycle. The Group's global research and innovation activities are focused on developing solutions for increasingly sustainable mobility, by reducing fuel consumption and emissions, improving vehicle recyclability and safety, and developing new models of mobility. Continuous innovation is essential to development of products that are environmentally and socially sustainable, as well as affordable.

## Innovating for Sustainable Products and Processes

In 2012, the Group launched the Global Innovation Process (GIP), which establishes a common framework for the coordination of all innovation activities worldwide.

Developed in collaboration with, and on the basis of, input from the Group's four operating regions, the GIP covers all phases of the innovation process, from idea generation to pre-competitive development. As part of that process, guidelines and targets are then formalized in the Strategic Agenda.

The process is coordinated centrally by the Chief Technology Officer who, as a member of the Group Executive Council, ensures alignment of the innovation process with the Group's strategic objectives, as well as synergies and transfer of new solutions across the Group's global product portfolio.

At year-end 2013, the Group's Research and Innovation activities involved some 18,700 individuals at 78 centers worldwide.

During the year, the Group invested approximately €3.4 billion in R&D[1], representing around 4% of net revenues from Industrial Activities.

The Group's innovation activities have generated a significant intellectual property portfolio over the years and, at year-end 2013, it had a total of 8,521 registered patents.

**Patents – Fiat Group** worldwide (no.)

| | |
|---|---:|
| Patents registered at 31 December 2013 | 8,521 |
| *of which: registered in 2013* | *425* |
| Patents pending at 31 December 2013 | 3,333 |
| *of which: new patent applications filed in 2013* | *459* |

## Centers of Excellence

**Centro Ricerche Fiat** (CRF), headquartered in Orbassano (Turin, Italy), was established in 1978 as a focal point for Fiat Group's research and innovation activities and it is a recognized center of excellence at the international level. The Center's mission is to continuously improve the Group's competitiveness through the development of innovative solutions, processes and methodologies. All research activities are carried out in coordination with the Group's technical areas and operating regions. CRF draws on technical skills and know-how covering the full spectrum of automotive engineering disciplines and is equipped with state-of-the-art laboratories for testing powertrain systems, analyzing materials and electromagnetic compatibility, and conducting noise and vibration analyses and driving simulations.

The **Chrysler Group Automotive Research and Development Centre** (ARDC) opened in May 1996 in partnership with the University of Windsor in Canada and serves as an illustration of what can be achieved when industry, academia and government work together. The ARDC is equipped with six road-test simulators and a range of research and development support facilities, including the Automotive Coatings Research Facility, the Automotive Lighting Research Facility and the Vehicle Recycling Laboratory.

---

[1] *Includes capitalized R&D and R&D charged directly to the income statement.*

| Dedication to innovation in numbers (no.) | 2013 |
|---|---|
| CFR employees at year end | 905 |
| Co-funded research programs, approved under the EU's 7th Framework Program(*)(2007-2013) | 174 |
| *of which: approved in 2013* | 23 |

(*) *The Framework Programs are funding instruments established by the European Union to support and encourage research and development. Each program is put forward by the European Commission and adopted by the European Council and Parliament. The 7th Framework Program ran from 2007 to 2013.*

## Strategy to Minimize Emissions

The Group's product strategy is based on an approach centered on reducing the environmental impact of vehicles over their entire life cycle. Key elements in that strategy include improving the efficiency of conventional engines, offering a full range of alternative fuel vehicles, developing alternative propulsion and emissions reduction systems, reducing the energy requirements of vehicles, promoting driver behavior that contributes to reducing emissions and introducing new mobility services and solutions.

There is no single solution to the challenges faced by the automotive industry. Immediate and tangible results can only be achieved by combining conventional and alternative technologies, while recognizing and accommodating the different economic, geographic and fuel requirements of each market. Affordability is also a key consideration: even the most effective technologies cannot have a significant impact on the environment if they are too expensive to reach a sufficiently large number of people.

The Group's commitment to increasingly sustainable mobility has been demonstrated by the results already achieved in reducing fuel consumption and CO2 emissions, particularly in EMEA and NAFTA, where approximately 72% of Group revenues were generated in 2013.

In the European Union, the Group's mass-market and premium brands (Fiat, Alfa Romeo, Lancia, Abarth, Chrysler and Jeep) have reduced average $CO_2$ emissions per vehicle sold by 24% over the past 13 years. In addition, approximately 71% of Group cars sold in 2013 had $CO_2$ emissions at or below 120 g/km, and 81% at or below 130 g/km.

| New registrations by $CO_2$ emissions level in European Union for Mass-Market and premium brands (g/km)(*) | |
|---|---|
| up to 100 | 13% |
| from 101 to 110 | 12% |
| from 111 to 120 | 46% |
| from 121 to 130 | 10% |
| above 130 | 19% |

(*) *$CO_2$ data based on New European Driving Cycle (NEDC) measurement standard.*

In the United States, which accounts for 84% of shipments in the NAFTA market, vehicle efficiency is measured by fuel economy[1] expressed in miles per gallon (mpg). In 2013, Chrysler Group's domestic passenger car mpg increased from 31.1 in 2012 to 32.1, an improvement of 3%. Light truck mpg increased 1%, from 24.3 to 24.5.

This trend of continuing improvements in emissions and fuel economy is the result of strategic choices made by the Group based on a process of continuous innovation.

Following are descriptions of some of the main technological innovations introduced on Group vehicles during 2013.

(1) *Data is reported to the U.S. National Highway Traffic Safety Administration (NHTSA) and provided by model year, meaning the year used to designate a discrete vehicle model, irrespective of the calendar year in which the vehicle was actually produced, provided that the production period does not exceed 24 months. CAFE standards from NHTSA are set independently for passenger cars and light duty trucks. Fuel economy is based on the most recent NHTSA required submission, which for 2013 reflects mid-model year data. Previous year data is adjusted to reflect final EPA/NHTSA reports.*

### Innovative Powertrains

During the year, the Group continued introduction of the award-winning two-cylinder **TwinAir** engine on models sold in Europe, including the 65 hp naturally-aspirated version, the 85 hp and 105 hp turbo and the 80 hp natural gas turbo. The natural gas version is now available on the Fiat 500L and 500L Living and the 105 hp turbo (introduced on the 500L in 2012) was launched on the Fiat 500 hatchback and convertible, the Fiat Punto and the Alfa Romeo MiTo. All versions of the TwinAir family and the 170 hp FIRE Turbo engine use second generation **MultiAir** technology (MultiAir II) which, with advanced air intake and combustion management systems, offers significant reductions in $CO_2$ emissions without compromising performance or drivability. During the year, the Group also completed the process of upgrading all gasoline engines to comply with Euro 6 emissions standards that will apply to all new cars sold in Europe from September 2015.

Chrysler Group's eight-speed rear-wheel-drive automatic transmission is available on the Ram 1500 pickup, Chrysler 300, Lancia Thema, Dodge Durango and Charger, Jeep Grand Cherokee and Grand Cherokee SRT. Depending on the application, this transmission contributes to fuel economy improvements of up to 12%, compared with the previous five-speed and six speed transmissions it replaces. It will ultimately be used on all rear-wheel drive vehicles except for the heavy-duty diesel versions of the Ram truck.

In 2013, a new nine-speed front-wheel-drive transmission was introduced on the 2014 Jeep Cherokee and the recently unveiled 2015 Chrysler 200. In addition to improved fuel economy over a six-speed automatic transmission, the Cherokee's nine-speed transmission delivers a more responsive driving experience, including quicker acceleration and smoother shifting. The Chrysler 200 is the world's first mid-size sedan to feature a nine-speed automatic transmission, which comes standard. When equipped with the available award-winning 3.6L Pentastar V-6 engine, which delivers best-in-class 295 hp, the Chrysler 200 sedan's highway fuel economy is improved by nearly 13% compared with the outgoing model.

Research in gasoline engine technology continued to focus on solutions that optimize performance while reducing emissions. Those solutions leverage the synergies offered by complementary technologies, such as modern turbocharging systems coupled with the performance characteristics of the second-generation MultiAir system and use of exhaust gas recycling systems. The result is increased flexibility in engine management and, as a consequence, the potential for reductions in both fuel consumption and emissions. New transmissions enabling engines to run at lower operating speeds (downspeeding) will lead to further reductions in fuel consumption. This will enhance the competitiveness of the product, by combining improved performance with a reduction in operating costs.

For **diesel engines**, the MultiJet II with Injection Rate Shaping (IRS) technology was extended to the entire range with the launch of the new 120 hp 1.6L version on the 500L and the new 150 hp 2.0L version on the Alfa Romeo Giulietta. The MultiJet II offers reduced fuel consumption (up to 3% lower) and polluting emissions (as much as 20% lower nitrogen oxide emissions) through the use of advanced combustion control strategies, without sacrificing performance. The MultiJet is the latest evolution of Fiat's revolutionary Common Rail technology and, in 2013, the Group plant in Bielsko Biala, Poland, produced 5 million units of the 1.3-liter version alone.

The Group's recently-launched V-6 EcoDiesel engine benefits from Fiat's MultiJet II technology. The engine was adapted specifically for the North American market to meet stringent emissions and on-board diagnostic regulations. The 3.0L EcoDiesel V-6 engine was named one of *Ward's* 10 Best Engines for 2014 and contributed to the 2014 Ram 1500 being named *Motor Trend* Truck of the Year.

Research activities focus on two main areas: continued evolution of the injection and combustion process, aimed at increasing engine output and reducing noise, and the study and development of innovative solutions to reduce polluting emissions, particularly nitrogen oxides, which will be subject to further legislative restrictions in the future.

In the transmissions area, innovation activities primarily focused on evolution of the Dual Clutch systems currently available on the Alfa Romeo MiTo and Giulietta, Dodge Dart and Fiat Viaggio and the Fiat 500L in the U.S. Specific areas of focus included optimization of the mechatronic actuation system and integration with the transmission, as well as refinements to the control system to further enhance handling and fuel efficiency.

For Magneti Marelli, eco-sustainable products[1] contributed €1.41 billion in revenues for 2013, representing an increase of 9.3% over the prior year (€1.29 billion).

### Alternative Fuels and Propulsion Systems

A key element in Fiat Group's emissions reduction strategy is the use of alternative fuels.

The Group believes that **natural gas** is currently the most effective and affordable solution available for reducing $CO_2$ emissions and pollution levels, particularly in urban areas. The level of $CO_2$ emissions from a car running on natural gas is 23% lower than for an equivalent gasoline-powered vehicle.

In addition, natural gas in the form of biomethane, which is produced from biomass, has significant potential for development as a widely-available renewable energy source.

With a total of 12 natural gas/gasoline models now available, Fiat Group is the first and only automaker to offer a complete range of bi-fuel passenger cars and commercial vehicles. In 2013, the Group launched natural gas versions of the Fiat 500L and 500L Living with the new 80 hp Natural Power TwinAir Turbo engine, which was awarded "Best Green Engine of the Year 2013", one of the 12 categories in the prestigious "International Engine of the Year Awards".

The Group also continued as the undisputed leader in this market sector in Europe with over 62,000 natural gas vehicles sold in 2013 (+15% versus 2012).

In 2013, Chrysler Group remained the only automaker in North America to offer a factory-built natural gas pickup, the Ram 2500 Heavy Duty CNG.

The Group continued research and development of technologies that will use natural gas even more efficiently. Advances in engine technology that leverage the properties of natural gas offer significant potential for achieving solutions to meet the $CO_2$ emissions targets being phased in across Europe through 2020.

Fiat maintained its long-standing leadership in **biofuel** vehicles in Brazil with 744,100 Flexfuel and TetraFuel vehicles sold in 2013, accounting for approximately 97.5% of vehicles sold by the Group. Flexfuel technology enables use of varying blends of gasoline and bioethanol, while the TetraFuel engine is the first in the world capable of running on four different fuels: bioethanol, Brazilian gasoline (refined crude oil and 22% anhydrous ethanol), standard gasoline and natural gas.

### Alternative Propulsion Systems

The Group is also developing alternative propulsion systems. In 2013, the Fiat 500e battery electric vehicle was launched for sale in the U.S. market with an Environmental Protection Agency (EPA) label of 108 highway MPGe[2] and a class-leading 87 miles of combined city/highway driving range. Customers will spend an estimated USD 500 a year to power the vehicle assuming a 15,000 mile annual distance, according to the EPA. The Fiat 500e battery-electric drive system was included in *Ward's* 10 Best Engines ranking for 2014 and is the lone representative of electric vehicle technology on the list.

---

*[1] Includes Xenon and LED headlights, LED tail lights, GDI injection systems, electronic control modules, automated manual transmissions and dual clutch transmissions.*
*[2] MPGe is the measure devised by the U.S. Environmental Protection Agency for determining how many miles an electric vehicle can travel on a quantity of battery-generated electricity having the same energy content as a gallon of gasoline.*

### Innovative Vehicle Architectures

Solutions for an optimal balance between vehicle safety, comfort and emissions levels are focused on minimizing vehicle weight, aerodynamic drag, rolling resistance and the energy demands of auxiliary systems.

In 2013, the Group introduced the latest architectural solutions on the new Fiat 500L Living and Chrysler Group vehicles. High-Strength Steels (HSS), which represent around 72% of the weight of the 500L Living, ensure a strong, rigid structure. The newly-launched 2014 Jeep Cherokee uses 65% HSS, an improvement of 16% over its predecessor, the Jeep Liberty. In addition, optimization of the 500L Living's aerodynamic profile enabled a 10% reduction in the aerodynamic drag coefficient ($C_x$) compared with the Lancia Musa. The 2014 Ram 1500, with active aerodynamics including grille shutters and air suspension, delivers best-in-class fuel economy and an aerodynamic drag coefficient ($C_x$) of 0.360.

### Sustainable Materials

Research and innovation for materials used in Group vehicles are concentrated in three areas:

- research on new materials and structures to reduce vehicle weight (e.g., high-strength steels, new light alloys, composite plastic materials)
- analysis of biomaterials suitable for automotive applications (e.g., recycled polypropylene reinforced with natural fibers for use in vehicle interiors, and bioplastics from renewable sources)
- identification of alternative uses for materials recovered at end of vehicle life (e.g., use of scrap tires to produce rubberized asphalt)

### Promoting Eco-Sustainable Driving

Driving behavior is a significant contributing factor in the environmental impact of vehicles. Aware of the substantial difference drivers can make, Fiat Group has continued to invest in the **eco:Drive** system, which provides personalized tips to help drivers improve their driving style and, as a consequence, reduce fuel consumption and vehicle emissions. The eco:Drive system is now available on nearly all Fiat and Fiat Professional models sold in Europe, Brazil, the U.S. and Canada.

An analysis of the best drivers revealed that the system can contribute to reducing fuel consumption by as much as 16%. By the end of 2013, eco:Drive had been used by more than 94,000 customers and contributed to annual avoidance of more than 5,800 tons of $CO_2$ emissions.

On the Fiat 500L, 500L Living and 500L Trekking, the latest version of this application, eco:Drive Live, allows drivers to see tips and suggestions via the new Uconnect multimedia system. Real-time feedback on driving style enables immediate reductions in fuel consumption and emissions.

### New Models of Mobility

The Group's innovation activities also focus on solutions to respond to the emerging mobility needs of customers.

To address those needs, the Group has launched a variety of initiatives.

One of those initiatives is **Enjoy**, an innovative car-sharing service launched in Milan, Italy, by the energy company ENI, in collaboration with Fiat and Trenitalia. Enjoy is designed to tackle traffic congestion and improve the quality of life for the city's inhabitants. Fiat is the vehicle supplier for the project, the largest car-sharing fleet in Italy with a total of 640 Fiat 500s and 500Ls. Innovative features of the service include online or smartphone app sign-up and management, as well as the ability to instantly select from a pool of available vehicles parked at locations around the city and to leave the vehicle at any of the approved parking facilities within the service coverage area.

Another Group project is **easygo**, which is targeted at the approximately 18,000 employees who commute to and from the Group's Mirafiori complex in Turin, Italy. Through a dedicated portal, employees can arrange car-pooling with coworkers and access updated information on public transport and mobility services. The principal benefits expected from the 'easygo' project include a reduction in the environmental impact of daily commuting to and from the complex, as well as direct benefits to employees such as reductions in commute times, cost, stress and the risk of accidents.

Naturally, youth have an important part to play in any discussion about the future of mobility. Fiat launched the **Fiat Likes U** project in 2012 (in collaboration with the Departments of Education and the Environment in Italy) with students from 8 universities throughout Italy taking part. The project represents the first time in Europe that an automaker has worked with universities on an initiative to promote environmental awareness and the use of eco-friendly cars using the three-pronged approach of Mobility (free car-sharing service for students), Study (eight €5,000 university scholarships and eight seminars conducted by Fiat managers) and Work (eight paid internships within Fiat Group).

The initiative has proven extremely successful: more than 6,000 students used the car service in 2012 and 2013, which includes a fleet of Fiat Pandas and 500Ls, for 28,000 trips totaling 320,000 km. In addition, there were more than 180,000 subscribers to the likesu.fiat.it website.

During the year, Fiat decided to expand the project to other European universities in the Erasmus network, beginning with the Royal College of Art in London.

As part of the program with Turin Polytechnic and in collaboration with ATA and CRF, three new voluntary courses were launched in 2013 focused on environmental sustainability and certain aspects of emissions reduction. Organized as Voluntary Educational Programs and Summer Schools, the programs provided 120 hours of training for Automotive Engineering students, giving them direct access to the latest know-how from professionals working directly in the field.

Fiat Group is also a Global Partner of Expo 2015 in Milan, a non-commercial Universal Exposition oriented towards interpreting the collective challenges faced by humanity. The Expo 2015 theme of "Feeding the Planet, Energy for Life" is perfectly matched to the Group's own commitment to the environment. The Group will provide a fleet of vehicles which will be used for transport within the Expo area and as courtesy cars for delegations visiting from around the world.

In the United States, Chrysler Group has been heavily engaged in research on future social and technological trends that will affect nearly every aspect of the business - from design to manufacturing, marketing and human resources. This research is organized around five driving forces: cities, lifestyle, work, health and energy. The findings from this research will enable Fiat-Chrysler to more successfully anticipate evolving consumer needs and behaviors.

## A CUSTOMER-FOCUSED APPROACH

To ensure the highest level of customer satisfaction and loyalty, the Group's product and service offering seeks to respond to the diversification of existing and emerging mobility needs.

The Stakeholder Engagement events held during 2013 confirmed that customer-focused services, and product quality and safety are among the issues considered of primary importance by the Group's stakeholders.

The Group is continuously monitoring customer satisfaction and developing new channels of interaction with customers to improve the quality of services and product safety.

### Interaction with Customers

To ensure a consistent and high standard of quality in the interaction with customers, the Group has established Customer Contact Centers (CCC) dedicated to managing relationships with existing and potential customers.

A total of 26 Centers with around 1,000 customer care professionals manage approximately 10 million contacts a year. The services provided range from information, to complaint management and coordination of roadside assistance. Together with dealers, the Customer Contact Centers represent an essential channel of communication with customers.

In order to respond to the constantly evolving needs and expectations of customers, the CCCs regularly monitor customer satisfaction levels to identify potential areas for improvement in service levels, as well as customized, on-demand channels of communication.

Given the vital importance of transparency and professionalism, particular emphasis is placed on training for personnel who communicate directly with customers.

### Integrated On-board Safety

The Group is strongly committed to its efforts to enhance safety for all road users. Research in this area includes solutions that assist drivers in avoiding dangerous situations and in taking evasive action to prevent accidents.

The Group applies an integrated approach to the development of on-board safety systems – which has been proven to significantly reduce the probability of injury in the event of an accident – focusing on the following key areas:

- **accident prevention:** systems that assist the driver in recognizing potentially dangerous situations
- **driver assist:** systems that provide active assistance in controlling the vehicle and maneuvering to avoid collisions
- **damage mitigation:** systems to minimize damage and injury in the event of an impact

Proper vehicle maintenance and responsible driving are also essential to vehicle safety. The Group contributes in this area by conducting driver safety courses and awareness campaigns on the importance of proper vehicle maintenance, as well as raising public awareness of the dangers of driving while distracted.

As a result of thousands of hours of virtual simulation, testing of components and sub-systems, as well as extensive crash tests, all of the Group's new models have been recognized for their safety performance.

In 2013, the new Maserati Ghibli and Jeep Cherokee were awarded the Euro NCAP 5 Stars. And, as evidence of the Group's emphasis on vehicle design in all markets, the Fiat Panda also received an ANCAP 5 Star rating in Australia. In the U.S., the Insurance Institute for Highway Safety (IIHS) recognized the Maserati Ghibli and Fiat 500L as "Top Safety Picks" for 2013 and the Dodge Dart, Dodge Avenger and Chrysler 200 sedan as "Top Safety Picks" for 2014. In addition, the Jeep Grand Cherokee 4WD was awarded the NHTSA NCAP 5 Stars and the Jeep Grand Cherokee 2WD and Jeep Compass received a 4 Star rating.

The need for affordable mobility and efficient infomobility systems is expected to be even more vital in the future. CRF and Magneti Marelli have both been actively working on wireless technology solutions for effective Vehicle-to-Vehicle (V2V) and Vehicle-to-Infrastructure (V2I) communications, which together represent one of the key technological challenges for sustainable mobility. Both organizations continued experimentation with systems to support safe and eco-compatible driving, as well as researching advanced driver interfaces that improve recognition of dangerous situations. By alerting the driver of potential dangers and assisting in taking evasive action, such technologies help maximize the level of protection for vehicle occupants and other road users. In addition, systems that use real-time information to reconstruct and predict conditions around the vehicle represent significant progress toward the concepts of assisted driving and autonomous vehicles.

**Product Quality**

The Group is committed to offering customers vehicles of the highest quality, in all markets and segments, while addressing the specific requirements of each market and leveraging the opportunities offered by the Fiat/Chrysler integration. To ensure achievement of that objective, standard methodologies and processes have been introduced for all operating areas worldwide.

Vehicle quality improvements are implemented by both dedicated model-specific teams and cross-functional teams. Their activities include preventive checks and controls for processes, definition of areas for improvement and implementation of improvement measures. Quality assessments address the following areas:

- **Reliability**: minimization of vehicle defects
- **Perceived quality**: level of perception of all aspects of a vehicle
- **Performance** and **dislikes**: how the vehicle compares to competitors' vehicles and satisfies customer expectations
- **Service quality**: level of customer satisfaction before and after purchase
- **Regulatory compliance**: conformity with strictest safety and environmental standards

Definition and monitoring of specific indicators for each of these characteristics throughout the vehicle design and production cycle are key to ensuring customer satisfaction.

# EMPLOYEES

The Group's human capital is crucial to its ability to compete as a leader in the global auto sector, as well as creating value that is sustainable over the long term.

At 31 December 2013, the Group had a total of 225,587 employees, a 5% increase over year-end 2012 that also reflects changes in the scope of operations.

**Employees by region**

Fiat Group worldwide

| | |
|---|---|
| Europe | 39.5% |
| North America | 36.0% |
| South America | 21.4% |
| Asia | 3.0% |
| Rest of World | 0.1% |

**Employees by category[(1)]**

Fiat Group worldwide

| | |
|---|---|
| Hourly | 70.4% |
| Salaried | 14.6% |
| Professional | 13.9% |
| Manager | 1.1% |

[(1)] *There are four main categories of employees: hourly, salaried, professional and manager. Professional encompasses all individuals who perform specialized and managerial roles (including "professional" and "professional expert" under the Fiat S.p.A. classification system and "mid-level professional" and "senior professional" under the Chrysler Group classification). Manager refers to individuals in senior management roles (including those identified as "professional masters," "professional seniors" and "executives" under the Fiat S.p.A. classification system, and "senior managers" and above under the Chrysler Group classification).*

There were a total of 34,245 new hires during the year, of which 47.4% were in North America, where there was a particularly significant increase in production levels. Approximately 6,900 fixed-term contracts were converted to permanent, demonstrating the Group's continued commitment to the long-term stability of the workforce.

**Employee turnover**

Fiat Group worldwide

| | |
|---|---|
| **Employees at 31/12/2012** | **214,836** |
| New Hires | 34,245 |
| Departures | (25,542) |
| Change in scope of operations | 2,048 |
| **Employees at 31/12/2013** | **225,587** |

### Management and Development

Stakeholder engagement initiatives launched in 2012, and expanded in 2013, revealed that the Group's commitment to the professional development of its employees is an issue of major importance to stakeholders.

Recognizing performance, facilitating professional development and ensuring equal opportunity to compete for key positions within the organization have always been an essential part of the Group's commitment toward its employees.

The Group uses a structured global leadership and performance management process to identify and develop talent and maintain the motivation of employees.

The Performance and Leadership Management process implemented worldwide (PLM, or Performance and Leadership Management, for managers and professionals. PBF, or Performance and Behavior Feedback, for salaried employees) is used to evaluate employee performance and set specific objectives for individual results and professional development.

The performance and leadership mapping process involves around 54,500 Group employees worldwide, including all managers and professionals, and a sub-set of salaried personnel. The Group also uses other performance evaluation processes to determine individual variable compensation.

Talent management and succession planning also form part of the HR management model and are designed to ensure the alignment of objectives and processes across the four operating regions. In 2013, Talent Reviews were conducted for 20 different professional families, companies and functions to identify talented individuals with leadership potential who merit additional investment in their professional development.

During the year, the Group also invested around €76 million in training and skill-building initiatives, which represent another important management tool.

The Group's extensive training offer was expanded to include new initiatives aimed at strengthening individual skills and performance by leveraging on the Group's diversity of talent, experience and cultures. The new initiatives included training and seminars designed to equip employees to operate with the same degree of effectiveness in different cultural settings.

More than 4.2 million hours of training were provided during the year (+1.1% over 2012) to around 186,000 employees.

The Group also continued a pilot project based on the World Class Manufacturing Cost Deployment methodology to evaluate the benefits of training initiatives. In 2013, the total cost of training activities evaluated using this methodology was approximately €1.3 million. The initiatives provided workers additional technical skills, resulting in an overall improvement in processes and working practices and estimated potential cost savings of around €2.5 million.

### Diversity: Equal Opportunity and Innovation

Diversity is fundamental to the overall success of an organization and the Group is committed to ensuring a work environment where employees feel respected, valued and included. In the hiring process, it seeks to attract personnel that are highly motivated and can contribute to the organization's innovative spirit and diversity.

Diversity, including gender diversity, brings a wealth of perspectives and experience to the Group and significantly enhances its ability to compete and to understand customers, cultures and local communities.

During the year, the Group hired people of 63 different nationalities[1] around the world, further enhancing the multicultural makeup of the organization and the diversity of experience and perspectives.

---

[1] *Based on a sample of 38 countries where the Group operates.*

The percentage of female employees continued to grow, reaching 19.6% of the total workforce at year-end 2013. Women now also account for approximately 13.1% of management personnel.

The Group also continued to ensure equal opportunities for minority groups, including specific opportunities for disabled workers.

Fiat S.p.A.'s Code of Conduct, Human Capital Management Guidelines and Human Rights Guidelines formally set out the Group's commitment to ensuring all employees equal opportunities in every area, creating career and advancement opportunities in a culture that is free from discrimination and values diversity.

Through its Discrimination and Harassment Prevention Policy, Chrysler Group ensures application of those same standards in compliance with federal, state and local law. Together, the Code of Conduct and guidelines ensure uniform application of the Group's standards worldwide. As stated in the Code of Conduct, in jurisdictions where legislation is less stringent, company standards take precedence.

Diversity within an organization is closely correlated to the ability to innovate. The Group encourages creativity at all levels within the organization. As part of the World Class Manufacturing (WCM) program, for example, employees worldwide are encouraged to submit suggestions to improve production processes. Specific initiatives in each region are also designed to increase employee involvement and encourage innovative ideas through the use of non-traditional channels and forums.

For example, in 2012, the EMEA region launched the iPropose initiative, which is designed to encourage employees to propose ideas on ways to reduce costs and increase competitiveness. In 2013, the initiative involved some 8,400 employees who submitted a total of 8,300 proposals. Adoption of the best suggestions led to approximately €17.3 million in cost savings.

**Health and Safety in the Workplace**

Fiat Group is committed to ensuring a safe and healthy working environment for all employees, at all sites and in every area of activity. That commitment also extends to suppliers, service providers and customers.

The Group's strategy for safeguarding and promoting health and safety in the workplace addresses several areas:

- application of uniform procedures for identification and evaluation of risks
- adherence to the highest safety and ergonomics standards for plant and machinery design
- promotion of safe behavior through training initiatives and awareness campaigns
- assurance of a healthy work environment and promotion of a healthy lifestyle

For several years, the Group has been tracking and analyzing monthly performance data in each of these areas to ensure that objectives are being met. Health and safety performance indicators are, in fact, an integral component of the Group's industrial performance measures.

The commitment to achieving 'zero accidents' is formalized in the Group's Health and Safety Guidelines – which form the basis for policies in each area of activity – and through global adoption of an Occupational Health and Safety Management System (OHSMS) certified to the OHSAS 18001 standard.

At year-end 2013, a total of 110 plants (including two operated through JVs), accounting for 147,000 employees, had an OHSMS in place that was OHSAS 18001 certified.

Measures implemented by the Group over the years have resulted in a significant improvement in all accident indicators. For 2013, the Frequency Rate was down 13.6% over the prior year (with 0.19 accidents per 100,000 hours worked) and the Severity Rate was down 14.3% (with 0.06 days of absence due to accidents per 1,000 hours worked).

Effective safety management is also provided through the application of World Class Manufacturing tools and methodologies, active involvement of employees, development of specific know-how and targeted investment (+15.5% over 2012 to €194 million).

In Italy, investment in health and safety, together with other measures implemented during the year, resulted in a progressive reduction in the level of risk attributed to Group plants by INAIL (the national accident and disability agency). This enabled the Group to take advantage of premium discounts for good performers, resulting in total savings of more than €17.5 million in 2011, approximately €16 million in 2012 and €14.6 million in 2013.

In addition to safety in the workplace, the Group also has numerous initiatives to promote the health and well-being of employees and their families.

At Group level, for example, the "WELL" initiative focuses on the promotion of a healthy lifestyle and prevention of cardiovascular disease. In 2013, new fact sheets containing simple and easy-to-apply suggestions were made available via a dedicated portal. Areas covered included advice on healthy eating, smoking cessation, cardiovascular disease and correct use of medicine. These issues are not only important to the health of Group employees, but they are also relevant to the theme of "access to food that is healthy, safe and sufficient for everyone on the planet" for Expo 2015, of which the Group is an official sponsor.

## INDUSTRIAL RELATIONS AND SOCIAL DIALOGUE

During 2013, the Group maintained the dialogue with trade unions and employee representatives to achieve consensus-based solutions for responding to different market conditions in each geographic area and reducing the impact on workers of measures adopted in response to conditions in Europe, which were particularly critical in Italy.

At the **European level**, establishment of a European Works Council (EWC) ensures workers the right to information and consultation as required by EU regulations applicable to Community-scale undertakings. The Fiat Group EWC was established in 1997 on the basis of the implementing agreement initially signed in 1996 and subsequently revised and amended. Since renewal of the agreement on 28 June 2011, however, the EWC has yet to be formally constituted, with representatives for four countries (out of a total of nine) still to be appointed. As a result, Fiat S.p.A. has been unable to call a meeting of the EWC in accordance with the established procedures. Fiat notified industriAll European Trade Union (the European federation of metal, chemical and textiles workers) of its willingness to initiate that procedure as soon as the EWC has been formed, as well as working jointly to find solutions for any obstacles to the correct constitution of the EWC that may still exist.

In **Italy**, Fiat S.p.A. and the trade unions FIM-CISL, UILM-UIL, FISMIC, UGL Metalmeccanici and the Associazione Quadri e Capi Fiat reached an agreement for renewal of pay conditions for 2013 under the company-specific collective bargaining agreement (CCSL).

This agreement was particularly significant given the current economic crisis in Italy and the continued difficulties in the auto sector in general. A mutually-agreed negotiation process enabled the Group to manage the crisis without redundancies or plant closures, focusing instead on significant new investments for the relaunch of the Group's manufacturing activities in Italy.

During the year, the Italian manufacturing activities benefited from leveraging the Group's premium brands to realign the product portfolio and reposition the business.

In particular, January saw the inauguration of the Avv. Giovanni Agnelli plant in Grugliasco (Turin, Italy), where the Maserati Quattroporte and Maserati Ghibli are produced for export to markets worldwide. Fiat invested more than €1 billion in development of the two new models and preparation of the plant for production.

In July, the Group presented plans for future activities at the Sevel plant in Atessa, Italy (operated as a 50/50 JV between Fiat Group Automobiles and PSA–Peugeot Citroën for production of LCVs), where the Fiat Professional Ducato is currently produced. Approximately €700 million is to be invested in the facility over a 5-year period.

During the year, the Group also launched a program of investments at the SATA Melfi plant (Italy), announced at the end of 2012, where more than €1 billion will be spent on upgrades in preparation for production of the new 500X and a Jeep brand vehicle.

As in previous years, the CEO met with trade unions (signatories to the CCSL) to present the Group's half-year financial results. At a meeting in September, the Group and trade unions renewed their mutual commitment to strengthening the contractual relationship, which was recognized as essential to Fiat's continued commitment to an industrial presence in Italy. On the basis of that renewed commitment, the CEO announced that the Group would commence the investment necessary to ensure future production and jobs at the Mirafiori plant in Turin.

The Ministry for Economic Development continued to examine solutions for maintaining industrial activities at the Termini Imerese plant where, as announced in 2009, the Group ceased production in December 2011.

### Collective Bargaining

**Collective bargaining** at various levels resulted in agreements with trade unions on both pay and work conditions in several countries.

In **Italy**, Fiat S.p.A. reached agreement with unions on renewal of pay conditions under the CCSL applicable to Group employees in Italy from 2012. The agreement provides for an average increase in basic pay of €40 gross per month, in addition to the introduction of an individual productivity bonus, payable monthly, based on the actual number of hours worked. Also finalized during the year was the structure of the FASIF supplementary healthcare scheme, which offers employees different contribution and service levels, in addition to free basic healthcare cover automatically provided by the Company. As of January 2013, employees under the CCSL are also eligible for a Long-Term Care scheme (covering long-term disabilities requiring care) and bi-annual checkups for cardiovascular conditions and metabolic syndrome.

The agreement applies for the 2013 calendar year and in November 2013 the Company and unions began negotiations for renewal of the agreement.

In **France** and **Poland**, the results of the company-level collective wage bargaining reflected the negative earnings results in Europe which, together with continuing negative market conditions, required that any collective wage increases be strictly limited.

In **Serbia**, the 3-year collective agreement applicable to employees of Fiat Automobiles Serbia d.o.o Kragujevaç was renewed. The negotiation on wage conditions resulted in average increases in line with inflation. The agreement also provides for an individual "Christmas Bonus" based on the actual number of hours worked.

In **Canada**, CpK Interior Products Inc. (owned by Chrysler Canada Inc.) and the United Steel Workers (USW) negotiated a new 4-year collective agreement providing competitive labor cost provisions and work rules.

In **Mexico**, Chrysler Group and the Sindicato Nacional de Trabajadores de la Industria Automotriz Integrada Similares y Conexos de la Republica Mexicana reached a new 3-year agreement, which terminates on 9 May 2016. The agreement represents the Mexican automotive manufacturing sector's first ever multi-year agreement.

In 2013, the level of **labor unrest** at Fiat Group companies in **Italy** was negligible, both in terms of the number of instances and the number of employees taking part, despite appearances based on the level of public attention given to certain issues. Local labor action during the year was also negligible.

**Outside Italy**, the overall level of labor unrest was again negligible this year, and mostly involved local issues at individual plants.

### Management of Production Levels

In 2013, the Group's earnings results once again reflected the benefits of geographic diversification.

The Group was able to respond to increased activity levels in some markets through the use of flexible labor mechanisms. Market conditions also enabled conversion of the majority of fixed-term contracts into permanent contracts.

In **Europe**, the significant contraction in market demand had an impact on production levels in Italy, in particular, making temporary production stoppages necessary. However, the Group maintained its policy of protecting jobs through the use of temporary layoff benefit schemes, where possible, or other mechanisms provided under collective bargaining agreements or company policy.

In **Italy**, use of temporary layoff benefit schemes enabled the Group to manage production declines, as well as restructuring and reorganization activities related to the Group's investment programs.

In **other European countries**, there was only a marginal level of production stoppages – implemented through the use of temporary layoff benefit schemes, where possible, or other mechanisms provided under collective bargaining agreements or company policy – as well as restructuring and reorganizations. In the early part of the year, the Group completed the reorganization at the Fiat Auto Poland plant in Tychy announced in December 2012.

In **Brazil**, the need to increase production in response to higher market demand was primarily managed through use of flexible labor mechanisms already in place and reorganization of shifts, based on union agreements.

Chrysler Group increased vehicle production at its **NAFTA** facilities in response to increased product demand. Staffing levels were increased to support higher output levels, including manufacturing employees to support current and anticipated production volumes, as well as additional engineering, research and development and other highly-skilled employees to support product development, sales, marketing and other corporate activities.

## SUSTAINABLE SUPPLY CHAIN MANAGEMENT

A robust process based on sound environmental practices and respect for human rights can only be truly effective with the direct involvement of all suppliers, which represent strategic partners for the Group in producing technologically advanced vehicles that meet the highest standards of quality. The supplier selection process is based on objective assessment criteria that guarantee impartiality and equal opportunity in the process itself. At the same time, conduct which is environmentally responsible, ethical and respects human rights is given the same value in the selection process as competitiveness and quality of products and services. Group Purchasing, which is responsible for procurement activities worldwide, manages about €45 billion in direct materials purchases through a base of 2,884 direct materials suppliers. The supplier base is highly concentrated, with the top 184 suppliers, which account for approximately 57% of the total value of purchases, considered strategic suppliers.

Approximately 69% of the direct materials purchases, by value, are for plants in NAFTA, 19% for plants in EMEA, and 12% for plants in LATAM. By supplier, 73% are located in NAFTA, 19% in EMEA, 3% in LATAM, and 5% in APAC (based on the value of direct material purchases). Where possible, the Group uses local suppliers in order to generate opportunities for direct and indirect employment and support economic growth in local communities, as well as limiting environmental impacts, including those associated with transport and the use of natural resources.

### Environmental and Social Impacts of Suppliers

Following the 2009 introduction of supplier evaluation and selection procedures that incorporate sustainability-related criteria, clauses have been gradually introduced to new supply agreements requiring adherence to the Group's Code of Conduct and specific Sustainability Guidelines. Those clauses are also included in all new project-specific supply agreements, in addition to the general purchasing terms and conditions.

Group Purchasing uses self-assessment questionnaires and on-site audits to monitor compliance with the Group's sustainability standards and, where necessary, implement measures for improvement or alignment. The questionnaires address supplier practices in areas such as human rights, the environment, health and safety, ethics, anti-corruption, and employee training and development. In 2013, more than 1,200 suppliers, representing 43% of the value of purchases managed by Group Purchasing for the year, responded to the self-assessment questionnaires. In addition, in-depth audits were conducted by internal and external personnel, on the basis of which no significant issues were identified, no suppliers were placed on watch status, and no supplier agreements were suspended or terminated. However, where areas for potential improvement were identified, corrective action plans were formulated in collaboration with the supplier(s) concerned.

Given the nature and intensity of economic change, in addition to the existing monitoring programs, the Group has also adopted models of consultation and collaboration with suppliers based on effective, interactive communication processes. Initiatives such as local seminars, discussion forums and training programs have been developed over the years to facilitate the exchange of ideas and know-how and increase the level of collaboration.

On the environmental front, for example, suppliers are encouraged to develop internal policies and guidelines and adopt a certified environmental management system. In 2013, as part of the Group's commitment to supporting suppliers in addressing climate change issues and focusing their attention on the importance of reducing greenhouse gas emissions, a select number of suppliers were invited to participate in the Carbon Disclosure Project's Supply Chain program, which each year collects information from participating suppliers on the strategies and initiatives they have implemented to address climate change and manage water resources. The 45 suppliers that participated (out of 68 selected) achieved a score of 68/100 for transparency in disclosure and placed in the 'C' performance band for commitment toward reducing carbon emissions. The results revealed that measures implemented by those suppliers had yielded a 39 million ton reduction in $CO_2$ emissions. The Group has also initiated a series of consultations with several strategic suppliers to monitor water management within the supply chain and, over the next few years, develop a risk management strategy for areas where water resources are scarce.

Another important area of long-term focus for the Group, in collaboration with industry peers and stakeholders, is the respect of human rights and working conditions at all levels in the supply chain. One of the greatest challenges is extending Group practices beyond the first level of suppliers, where the risk of sub-standard working conditions may exist. To address that potential risk, Tier 1 suppliers are required to implement a system of supply chain management. In addition, in 2013, a free online training course on responsible working conditions was also extended to Tier 2 suppliers, with approximately 100 companies participating, predominantly from the EMEA region. The Group's objective is to develop new approaches to involve downstream suppliers with which there is no direct contractual relationship. This will improve the ability to evaluate the overall level of commitment, conformity and effectiveness and, as a consequence, the ability to ensure sustainable practices throughout the supply chain.

## REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND NON-MANUFACTURING PROCESSES

The Group sees its commitment to the environment and conservation of natural resources as essential to the process of responsible and sustainable development. It is fully committed to minimizing the impact of its activities on the environment in all areas from manufacturing processes to logistics, dealerships and commercial and administrative offices. Efforts to reduce its environmental footprint and continuously improve environmental performance are an integral part of the Group's overall industrial strategy.

The Group's focus on the environment also includes targeted activities such as eComau, a division of Comau whose primary activity is working with customers on innovative environmental solutions for their industrial processes. In 2013, eComau reported a 67% year-over-year increase in revenues to around €1.5 million.

## WORLD CLASS MANUFACTURING PROCESSES

The World Class Manufacturing (WCM) program – first adopted by the Group about 10 years ago and now implemented at nearly all manufacturing sites worldwide – represents the concrete application of the Group's focus on the environment and reducing the impacts of its production processes. WCM is a rigorous and integrated manufacturing methodology that involves the entire organization and encompasses all phases of production and distribution. In 2013, some 41,700 WCM-related projects were implemented, including several specifically targeted at reducing environmental impacts. Through the Environmental Pillar, WCM develops and applies tools and methodologies to reduce waste and optimize use of natural resources. Approximately 3,000 projects based on this pillar led to significant reductions in energy consumption and approximately €70 million in cost savings.

Other measures to ensure a responsible approach to environmental management include the development and application of an Environmental Management System (EMS) that conforms to ISO 14001 standards. Adopted at all plants worldwide, the EMS consists of a system of methodologies and processes designed to prevent or reduce the environmental impact of the Group's manufacturing activities through, for example, reductions in emissions, water consumption and waste generation and conservation of energy and raw materials. At year-end 2013, 100% of Group plants included in the 2012 scope of reporting were ISO 14001 certified.

## Energy Consumption and Emissions

The Group is continuously researching new solutions to reduce use of fossil fuels and greenhouse gas emissions in response to increasingly strict regulations. Over time, this has also resulted in significant energy-related cost savings.

A total of approximately 2,400 energy-related projects developed during the year as part of WCM contributed to a reduction of approximately 2,000 terajoules of energy, with a corresponding reduction of approximately 180,000 tons in $CO_2$ emissions. One example is the new paint shop at the Group's Sterling Heights Assembly Plant near Detroit, Michigan. In auto manufacturing, painting is the most energy-intensive process. Natural gas, electricity and water are used to meet stringent process control requirements. The new paint shop at the Sterling Heights plant (which covers 100,000 square meters) uses a highly-efficient "Cascading Air/Recirculating Air" process to significantly reduce energy and water usage, recirculating 90% of air. This innovation provides annual energy savings of approximately €1.3 million, avoiding approximately 24,000 tons of potential $CO_2$ emissions through direct and indirect energy reduction, while also resulting in a significant reduction in water use.

Despite those energy-related initiatives, the increase in production volumes for mass-market and premium brands in NAFTA together with extreme temperatures throughout the year were the main contributors to a year-over-year increase in energy consumption of 5.4%. However, consumption in 2013 remained well below levels recorded for 2010 and 2011.

### Direct and indirect energy consumption

| Fiat Group worldwide (TeraJoules) | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Total energy consumption** | **48,322** | 45,692 | 48,875 |

Total $CO_2$ emissions from manufacturing processes also increased over 2012 (+5%), but remained well below levels recorded for 2010 and 2011.

### Total $CO_2$ emissions

| Fiat Group worldwide (thousands of tons of $CO_2$) | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Total $CO_2$ emissions** | **4,178** | 3,965 | 4,196 |

In 2013, utilization of energy from renewable sources at Group plants increased to 20.9% of total energy consumed[1] (20.5% in 2012).

## Water Management

In many parts of the world, scarcity of water resources is currently one of the greatest challenges faced by governments, businesses and private households.

[1] *Includes all plants of Fiat Group Automobiles, Ferrari, Maserati, Comau, Magneti Marelli and Teksid.*

To protect this essential natural resource, the Group has adopted Water Management Guidelines that establish criteria for sustainable management of the entire water cycle, including technologies and procedures to maximize recycling and reuse of water and minimize the level of pollutants existing in discharged water.

In 2013, the level of water reuse in the manufacturing cycle at Group plants worldwide was 98.8%, representing a total of more than 2.1 billion $m^3$ in water savings.

As a result, water withdrawal was reduced by 3.6% over 2012 maintaining the trend of continuous reductions (-27.1% versus 2010)[1]. Lower water consumption at plants worldwide generated total savings of approximately €2.5 million.

**Water withdrawal**

| Fiat Group worldwide (thousands of $m^3$) | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Total water withdrawal** | **24,936** | 25,874 | 29,862 |

## Waste Management

Fiat Group is committed to preventing waste generation to reduce the consumption of raw materials and the related environmental impacts. Throughout the Group, procedures are in place to ensure the maximum recovery and reuse of materials. What cannot be reused is recycled. If neither reuse nor recovery is possible, waste is disposed of using the method having the least environmental impact, with landfills only used as a last resort. These principles are incorporated in the Waste Management Guidelines formalized in 2012 and adopted at Group sites worldwide.

Continued improvements in the waste management cycle meant that the level of waste generation in 2013 was substantially in line with the prior year despite the increase in production volumes. Compared with 2011, however, there was 2.5% reduction.

At Group level, the percentage of waste recovered increased to 72.7% of total waste generated. Waste sent to landfill accounted for 24.3% and essentially related to inert sand from Teksid foundries. Plants which produce for the mass-market and premium brands, however, reduced waste to landfill either to zero or very close to zero.

The Group is also committed to reducing hazardous waste and in 2013 it achieved a 3.1% year-over-year reduction in hazardous waste generated (-36.7% since 2010).

In 2013, the reduction in the total volume of waste generated led to savings of around €4.5 million worldwide.

**Waste generated**

| Fiat Group worldwide (thousands of tons) | 2013 | 2012 | 2011 |
|---|---|---|---|
| Waste recovered | **1,316** | 1,271 | 1,247 |
| *% of waste recovered* | ***72.72%*** | *72.20%* | *67.24%* |
| Waste disposed of | **493** | 490 | 608 |
| **Total waste generated** | **1,809** | **1,761** | **1,855** |
| *of which hazardous* | ***39*** | *40* | *51* |

[1] *First year in which Chrysler Group was consolidated and therefore scope of operations is comparable with 2013.*

## LOGISTICS PROCESSES

Efficient and environmentally-sustainable logistics are important elements in the value creation process.

The Group has also been working to reduce logistics-related emissions throughout the supply chain and minimize the use of non-reusable packaging. This has enabled optimization of transport flows, resulting in reduced traffic and transportation costs.

In 2010, the Group published the Green Logistics Principles as part of a process to coordinate the approach and methods of interaction with logistics partners. The Principles provide guidelines on reducing environmental impacts with a focus on four main areas:

- low-emissions transport
- intermodal transport solutions
- optimized use of available transport capacity
- reduced use of packaging and protective materials

These measures have contributed to lowering $CO_2$ emissions from the movement of vehicles and materials and at the same time lowered transportation costs.

As a result of its increased use of intermodal transport solutions in 2013, Chrysler Group achieved a cost savings of €1.3 million and reduced $CO_2$ emissions by approximately 4,500 tons.

## ECO-SUSTAINABLE DEALERS

In 2013, the Group launched a number of initiatives to extend its environmental commitment to the dealer network. In Italy, Group-owned dealerships, with a total surface area of around 105,000 square meters, implemented measures that led to a 5.5% or 6,400 GJ reduction in energy consumption over 2012, reducing $CO_2$ emissions by 685 tons and generating cost savings at the same time. Similar initiatives to improve sustainability are planned for dealers outside Italy.

In the U.S., for the second consecutive year, Chrysler Group managed the Dealer Environmentally Conscious Operations (ECO) Program, which recognizes dealers with a demonstrated commitment to eco-friendly business practices. During 2014, best practices will be shared with the rest of the dealer network via the DealerCONNECT portal.

## OFFICES

Efforts to improve environmental performance also encompass offices and other work areas.

During the year, the Group continued the program of replacing electronic office equipment such as computers, monitors and printers with energy-saving equipment certified by Energy Star. The program to migrate to virtual servers also continued. For the period 2010-2013, these initiatives led to a reduction of more than 26,000 tons in $CO_2$ emissions.

New and existing initiatives provided the opportunity for employee involvement and training on issues relating to personal health, the environment (waste management, water consumption, energy savings) and good practices in the workstation environment. The ultimate objective of these initiatives is to generate a 360 degree awareness of sustainable practices applicable both in the office and at home.

Environmental initiatives include the "Zero Waste to Landfill" program instituted at the Chrysler Group Headquarters and Technology Center in Auburn Hills (Michigan, U.S.A.), where more than 14,000 people work. Approximately 1,670 containers were installed for separate disposal of plastic, paper, recyclable and organic waste. At a special education event employees were given a questionnaire to test their awareness relating to waste disposal with awards given for the best responses. Of a total 8,358 tons of waste generated at the Auburn Hills complex during 2013, including 5,613 tons of metallic materials, zero waste was disposed of via landfill.

Group initiatives utilize a variety of different channels to encourage employee involvement, including face-to-face meetings, information published via intranet portals or websites, e-mail campaigns, notices posted in common areas and special events.

In 2013, the Group undertook the conversion of an unutilized 42,000 $m^2$ industrial site in Mirafiori (Turin, Italy) into offices.

The energy performance specifications of the new structure are superior to existing regulations and, from 2014, the site will house approximately 1,600 employees. Beginning with the design phase, particular attention was given to the ability of the building's outer shell to adapt to seasonal variations in climate, optimizing ventilation systems and natural lighting, as well as using advanced technologies to limit thermal dispersion.

From an environmental point of view, the primary benefits of renovating an existing building rather than building a new structure are:

- reuse of an existing industrial site
- significant reduction in the generation of waste due to preservation of the building's internal structure and outer shell
- reduction in use of new construction materials with consequent impacts of production and transport being avoided
- conservation of latent energy of materials forming part of existing structure

Another tangible sign of the project's responsible approach was the use of recyclable materials for the renovation.

Once occupied, the building's energy performance will be monitored. In addition, the new site is expected to contribute to a progressive revitalization of the local area and infrastructure.

## RESPONSIBILITY TO LOCAL COMMUNITIES

The Group actively contributes to the advancement of local communities. Initiatives follow the Group's Guidelines for Investment in Local Communities which provide instructions on how to manage activities to benefit the targeted communities and establish commitments that are consistent with the characteristics and positioning of the Group and its brands. Projects which represent a major financial commitment are approved and managed centrally, while other initiatives are managed locally by the plant, company or brand.

These activities are primarily targeted at areas around the Group's industrial sites, but can also include response to natural disasters in other geographic areas. Social initiatives are primarily in the form of long-term investment based on a detailed plan targeted at development in the local community. Investment is not just monetary, but often also includes employees volunteering time and know-how for initiatives that address community development, education, the environment and basic social needs.

A variety of forms of support are planned in collaboration with local stakeholders and provided to communities based on specific local requirements.

Particular attention has been given to educational initiatives (which account for 39% of approximately €20 million in contributions to local communities) to encourage development and self-sufficiency of communities and improve quality of life for the residents.

Specific indicators are used to measure the impact and effectiveness of local community initiatives and identify opportunities for further development.

# Corporate Governance

## Foreword

Fiat Group adheres to the Corporate Governance Code for Italian Listed Companies issued in December 2011, with modifications that take into account the specific characteristics of the Group. In 2012, the Board of Directors, at the proposal of the Compensation Committee, formulated a Compensation Policy that conforms to the recommendations of the Corporate Governance Code and Consob regulations that took effect on 31 December 2011. The Policy (which, in accordance with statute, forms the first section of the Compensation Report) was revised on 20 February 2013 and submitted to the non-binding vote of shareholders who voted in favor at the Annual General Meeting on 9 April 2013.

Additionally, in 2012 the Board also introduced changes to the Guidelines for the Internal Control and Risk Management System, including redefinition of the roles of the Internal Control Committee (which was renamed Internal Control and Risk Committee) and other related entities and individuals.

In accordance with legal and regulatory requirements, the Company prepares an "**Annual Report on Corporate Governance**" which provides a general description of the Group's corporate governance system together with information on ownership structure and adherence to the Corporate Governance Code, including key governance practices and the principal characteristics of the system of internal control and risk management, including with reference to financial reporting. The Report, which is available in the Governance section of the Group website (www.fiatspa.com), is divided into four sections: the first contains a description of the governance structure; the second gives information on the ownership structure; the third provides an analysis of implementation of specific recommendations of the Corporate Governance Code and describes the principal characteristics of the system of internal control and risk management, including with reference to financial reporting and key governance practices; and, the fourth includes tables summarizing Fiat's ownership and Board structure, a side-by-side comparison illustrating how Fiat has applied the principles and criteria of the revised Code, as well as the principal corporate governance related documents. This section provides a summary of aspects relevant to the Report on Operations. The Corporate Governance Code is available on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it).

## Direction and Coordination

Fiat S.p.A. is not subject to the direction and coordination of any other company or entity and has full independence to define its strategic and operating guidelines. Fiat's direct and indirect subsidiaries in Italy have, with a few specific exceptions, named Fiat as the entity which, pursuant to Article 2497-*bis* of the Civil Code, exercises direction and coordination over them. That activity consists in setting general strategic and operating guidelines for the Group through definition and updating of the internal control and risk management system, corporate governance model and corporate structure, establishment of a group-wide Code of Conduct, in addition to definition of policies for the management of personnel and financial resources, and for the procurement of production materials, and marketing and communications services. Coordination of the Group also encompasses centralized cash management, corporate and accounting, and internal audit services, including through specialized companies.

Direction and coordination undertaken at group level enables subsidiaries, which retain full management and operating autonomy, to realize economies of scale by availing themselves of professional and specialized services with improving levels of quality and to concentrate their resources on management of their core business.

Subsidiaries headquartered outside Italy generally benefit from those activities. However, Chrysler, which has a board of directors composed of a majority of members not affiliated with Fiat S.p.A., relies directly on capital markets funding for its operations and for those of its subsidiaries and manages its financial resources independently. The board of directors of Chrysler Group LLC, in addition to ensuring maintenance of Chrysler Group's standalone financial integrity, has oversight responsibilities for Chrysler Group operations, including approval of capital expenditures above certain levels and, during 2013, the review and approval of non-Alliance transactions above *de minimis* levels between Fiat and Chrysler Group LLC. On 21 January 2014, Fiat S.p.A., through its wholly owned subsidiary Fiat North America LLC, completed the acquisition of all of the VEBA Trust's membership interests in Chrysler Group LLC. Chrysler Group subsequently became an indirect wholly-owned subsidiary of Fiat (see "Subsequent Events" for further details).

## Board of Directors

The By-laws establish that the Company's Board of Directors may be composed of between nine and fifteen members. With due consideration given to the Company's increased focus in the automobiles sector following the demerger of the capital goods activities to Fiat Industrial, on 4 April 2012 Shareholders voted – at the recommendation of the Board – to set the number of board members at nine. In addition, in recognition of the benefits of gender diversity among the board's members, shareholders voted to elect two women directors, resulting in early application by the Company of the legal requirements that will apply from 2015. Under Article 11 of the By-laws, Board members are elected through a voting list system, which ensures minority shareholders the opportunity to elect a director to the Board. The minimum equity interest required for submission of a list of candidates is established by Consob with reference to the Company's market capitalization in the fourth quarter of the last financial year of the Board's mandate. Each list must indicate at least one candidate that satisfies the legal requirements for independence.

The voting list system was utilized for the first time for the election of the Board of Directors at the General Meeting of 27 March 2009 and was used for the renewal of the Boards of Directors and Statutory Auditors at the General Meeting of 4 April 2012. The Company invited shareholders who, individually or jointly with others, owned at least 1% of ordinary shares (as established by Consob with reference to Fiat's average market capitalization for the fourth quarter of 2011) to submit lists of candidates – indicated in numerical order and who satisfied the requirements of law and the Company's By-laws – to the Company at its registered office at least 25 days prior to the General Meeting.

Two lists of candidates for the Board of Directors were presented: one list was presented by EXOR S.p.A., holder of 30.465% of shares, and the other by a group of Italian and international asset managers and institutional investors, holders of a combined 1.86% of shares.

Under Article 16 of the By-laws, all directors with executive responsibilities are vested, separately and individually, with the power to represent the Company and under Article 12 the Vice Chairman, if appointed, shall act as Chairman if the latter is absent or unable to carry out his duties. In application of this provision, the Board of Directors has, as in the past, adopted a model for delegation of broad operating powers to the Chairman and the Chief Executive Officer by which they are authorized, separately and individually, to perform all ordinary and extraordinary acts that are consistent with the Company's purpose and not reserved by law for, or otherwise delegated or assumed by, the Board of Directors itself. In practice, the Chairman has the role of coordination and strategic direction for the activities of the Board of Directors, while the Chief Executive Officer is responsible for the operational management of the Group. From an operational perspective, the Chief Executive Officer is supported by the Group Executive Council (GEC), a decision-making body led by the Chief Executive and composed of the heads of the operating sectors and certain central functions. As a result of the acquisition of majority ownership of Chrysler Group and consistent with the objective of enhancing the operational integration of Fiat and Chrysler, on 1 September 2011 a new Group Executive Council was formed which is composed of 4 main groupings: regional operations, brands, industrial processes, and support/corporate functions. Certain functions that are fundamental to the governance structure of individual companies (such as Legal and Internal Audit) remain independent within the ambit of the operating companies (Fiat and Chrysler Group).

Effective 1 January 2011, the Company adopted procedures for transactions with related parties to ensure full transparency and substantial and procedural fairness in transactions with related parties, as defined under IAS 24. The Procedures define “significant transactions” which require the prior approval of the Board – subject to the binding opinion of the Internal Control and Risk Committee, which is the committee responsible for related-party transactions, with the exception of those matters relating to compensation, for which the Compensation Committee is responsible – and must be publicly disclosed in the form of an information document.

Other transactions, except those falling within the residual category of minor transactions – i.e., transactions less than €200,000 in value or, for transactions with legal entities having consolidated annual revenues in excess of €200 million only, transactions less than €10 million in value – are defined as “non-significant” and may be entered into with the prior non-binding opinion of the above committee. The Procedures also establish exemptions, including: transactions taking place in the ordinary course of business and entered into at standard or market terms; transactions with or between subsidiaries and transactions with associates, provided that no other parties related to the Company have a significant interest; and transactions of minor value.

The task of implementing the Procedures and disseminating them to Group companies is assigned to the manager responsible for the Company’s financial reporting, who must also ensure coordination with the administrative and accounting procedures required under Article 154-*bis* of Legislative Decree 58/1998.

As established in the “Guidelines for Significant Transactions”, transactions having a significant impact on the Company’s earnings and financial position are subject to prior examination and approval by the Board.

Accordingly, the powers attributed to the executive directors specifically exclude decision-making authority for significant transactions, pursuant to the criteria for significance established by Consob. A reasonable period in advance of the Company undertaking a significant transaction, the executive directors are to provide the Board a summary report on their analysis of the strategic compatibility, economic feasibility and expected return.

As provided under Articles 70 (8) and 71 (1-*bis*) of the Consob Issuer Regulations, on 30 October 2012 the Board of Directors approved the opt-out from the obligation to publish an information document for significant transactions (e.g., significant mergers, spin-offs, share capital increases by means of in-kind contributions of assets, acquisitions and disposals).

Pursuant to Article 12 of the By-laws, after consultation with the Board of Statutory Auditors, the Board of Directors appoints one or more **managers responsible for the Company’s financial reporting**. If more than one manager is attributed that responsibility, it is to be carried out jointly and with joint responsibility. It is a requirement that the individual(s) appointed have several years of accounting and financial experience within a large company. In implementation of that provision, the Board of Directors appointed the Chief Financial Officer as the manager responsible for the Company’s financial reporting, vesting him with the relevant powers.

At 31 December 2013, the Board of Directors was composed of three executive directors and six non-executive directors (i.e., directors without specific executive powers or responsibilities within the Company or the Group), four of whom qualified as independent on the basis of the criteria approved by Shareholders on 4 April 2012 and adopted for past elections. All of those independent directors (Joyce Victoria Bigio, René Carron, Gian Maria Gros-Pietro and Patience Wheatcroft) also meet the independence requirements established under Legislative Decree 58/98.

The Chairman and Chief Executive Officer are **executive directors**. They also hold executive responsibilities at subsidiary companies: John Elkann is Chairman of Editrice La Stampa S.p.A. and Sergio Marchionne, in addition to being Chairman of the principal subsidiaries, is also Chairman and Chief Executive Officer of Fiat Group Automobiles S.p.A. and of Chrysler Group LLC. Luca Cordero di Montezemolo also qualifies as an executive director by virtue of his position as Chairman of Ferrari S.p.A.

An adequate number of independent directors is an essential element in protecting the interests of shareholders, particularly minority shareholders, and third parties. For this reason, considering it to be significantly in the Company's interests to maintain adequate guarantees against potential conflicts of interest, in its proposal of 22 February 2012, the Board of Directors recommended that, in relation to re-election of the Board on 4 April 2012, Shareholders elect a significant number of independent directors. In consideration of the current legal requirement that at least two directors are independent and the provision of the Corporate Governance Code that at least one-third of the members of the Board of Directors are independent, Shareholders voted to elect four directors who meet the requirements of independence adopted for previous elections.

The **independence of directors** is assessed annually and is based on the absence or non-relevance, during the previous three years, of economic or shareholding relationships or other relationships, whether direct, indirect or on behalf of third parties, with the Company, its executive directors and executives with strategic responsibilities, its controlling companies or subsidiaries, or any other party related to the Company. The criteria also exclude directors as being considered independent if they were partners or directors of major competitors, rating agencies or audit firms engaged by the Company or Group companies in the previous three years, or are executive directors at other companies where the Company's directors are non-executive directors. The results of those assessments are published in the Annual Report on Corporate Governance.

The Board of Directors verified that Joyce Victoria Bigio, René Carron, Gian Maria Gros-Pietro and Patience Wheatcroft satisfied the requirements of independence.

Some directors also hold positions at other listed companies or companies of significant interest. Excluding the positions held by the executive directors within Fiat Group, the most significant are as follows:

- Andrea Agnelli: Chairman of Juventus FC S.p.A., General Partner of Giovanni Agnelli e C. S.a.p.A., Director of EXOR S.p.A. and Member of the Advisory Board of BlueGem Capital Partners LLP;
- Joyce Victoria Bigio: Director of Simmel Difesa S.p.A. and Gentium S.p.A.;
- Tiberto Brandolini D'Adda: Chairman of EXOR S.A., General Partner of Giovanni Agnelli e C. S.a.p.A. and Vice Chairman of EXOR S.p.A.;
- Luca Cordero di Montezemolo: Chairman of Charme Management S.r.l., Vice Chairman of UniCredit S.p.A., Director of Poltrona Frau S.p.A., N.T.V. S.p.A., Tod's S.p.A., Kering S.A. (previously Pinault Printemps Redoute S.A.), Montezemolo & Partners SGR and Delta Topco Ltd.;
- John Elkann: Chairman of Giovanni Agnelli e C. S.a.p.A., Chairman and Chief Executive Officer of EXOR S.p.A., Director of CNH Industrial N.V., Gruppo Banca Leonardo S.p.A., The Economist Group and News Corporation;
- Gian Maria Gros-Pietro: Chairman of ASTM S.p.A., Chairman of the Management Board of Intesa Sanpaolo S.p.A. and Independent Director of Edison S.p.A. and Caltagirone S.p.A.;
- Sergio Marchionne: Chairman of CNH Industrial N.V., CNHI International S.A., Iveco S.p.A., FPT Industrial S.p.A. and SGS S.A., Director of EXOR S.p.A. and Philip Morris International Inc.;
- Patience Wheatcroft: Member of the Advisory Board of Huawei Technologies (UK) and Bell Pottinger LLP, Non-executive Director of St. James's Place PLC.

## Board Committees

The Board of Directors has established the following committees: the Internal Control Committee – whose role was redefined in February 2012 and was renamed the Internal Control and Risk Committee; the Nominating and Corporate Governance Committee – whose role includes selecting and proposing candidates for the Board and which, during 2009 was also assigned responsibility for sustainability-related issues and subsequently renamed the Nominating, Corporate Governance and Sustainability Committee; and, the Compensation Committee – whose role was redefined on 22 February 2012 in accordance with the provisions of the new Corporate Governance Code.

## Internal Control System

In 2012, the Board approved the "Guidelines for the Internal Control and Risk Management System", which constituted a revision of the procedures established in 1999 and 2003, including adoption of changes introduced by the Corporate Governance Code in 2011.

The Internal Control and Risk Management System, based on the model provided by the COSO Report and the principles of the Corporate Governance Code, consists of a set of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the principal risks to which the Company is exposed. The system is integrated within the organizational and corporate governance framework adopted by the Company, and contributes to the protection of corporate assets, as well as ensuring the efficiency and effectiveness of business processes, reliability of financial information and compliance with laws and regulations, as well as the By-laws and internal procedures.

The system, which has been developed on the basis of international best practice, consists of the following 3 levels of control:

- Level 1: operating areas, which identify and assess risk and establish specific actions for management of that risk
- Level 2: departments responsible for risk control, which define methodologies and instruments for managing risk and monitor that risk
- Level 3: internal audit, which conducts independent evaluations of the System in its entirety. The head of Internal Audit is also assigned the role of Compliance Officer pursuant to Article 150 of Legislative Decree 58/1998

The Guidelines for the System of Risk Management and Internal Control provide a detailed description of the duties and responsibilities of the principal individuals and entities involved and set out the procedures for their coordination in order to ensure the effectiveness and efficiency of the system and reduce potential duplication of activities.

The Company has developed a system of internal control and risk management in relation to financial reporting based on the model provided by the COSO Framework aimed at ensuring the reliability, accuracy, completeness and timeliness of the information reported. The periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework model (control environment, risk assessment, control activities, information and communication, monitoring) in achieving those objectives. As mentioned previously, the principal characteristics of the system of internal control and risk management in relation to financial reporting are provided in the Annual Report on Corporate Governance.

Fiat has administrative and accounting procedures in place that ensure a high degree of reliability in the system of internal control over financial reporting.

Documents and financial information regarding the Company are made public, including via the internet, in accordance with the provisions of the procedures for the internal management and public disclosure of confidential information adopted by the Board of Directors in 2006 and 2007.

Essential components of the Internal Control System are the **Code of Conduct**, adopted in 2002 to replace the Code of Ethics and subsequently revised in 2010, and the **Compliance Program**, adopted by the Board of Directors in implementation of regulations on the ‘Liability of Legal Persons’ pursuant to Legislative Decree 231/2001, as amended. The Code of Conduct sets out the ethics principles to which the Company adheres and which directors, statutory auditors, employees, consultants and partners are required to observe.

On 20 February 2013, the Board was presented Fiat S.p.A.’s revised Compliance Program and Guidelines for Adoption and Revision of the Compliance Program by Group companies in Italy, which incorporate new categories of offenses introduced in Italian legislation. With these amendments, new criminal offenses were included and the relevant sensitive processes were identified. Legislative Decree 109/2012 introduced as Article 25-*duodecies* of Legislative Decree 231/2001 the offense of “Employment of foreign nationals residing illegally in Italy” (Article 22 (12-*bis*) of Legislative Decree 286/1998, which addresses immigration and legal status of foreign nationals). Law 190/2012 introduced the offense of being induced to give a bribe as Article 25 (3) and the offense of bribery between private individuals as Article 25-*ter* (1) (S-*bis*) with direct reference to Article 2635 (3) of the Civil Code which establishes penalties for giving or promising financial or other advantage to directors, managers, statutory auditors or employees of a company. Additionally, the Guidelines were revised in July 2013 to reflect additional requirements placed on the Compliance Program Supervisory Body consistent with the strengthening of the Group’s corporate governance system.

The Compliance Program Supervisory Body is composed of the head of Internal Audit & Compliance, the General Counsel (head of the Legal Department), and an external advisor. It has its own Internal Policies and Procedures and operates on the basis of a specific supervisory program. It meets at least once per quarter and reports to the Board of Directors (including through the Internal Control and Risk Committee) and the Board of Statutory Auditors.

In application of the Compliance Program, the Code of Conduct, and the provisions of the Sarbanes-Oxley Act (to which the Company was subject while listed on the NYSE) on whistleblowing, the **Whistleblowing Procedures** were adopted on 1 January 2005, for the management of reports and claims filed by persons inside and outside the Company in relation to suspected or presumed violations of the code of conduct, fraud involving company assets or financial reporting, oppressive behavior towards employees or third parties, reports or claims regarding accounting, internal accounting controls and independent audits.

The **Procedures for the Engagement of Independent Auditors** regulate the engagement of audit firms and other related parties, by Fiat S.p.A. and its subsidiaries, in order to ensure the independence of firms engaged to audit the financial statements. Related parties of an audit firm are considered to be entities belonging to the same network, as well as equity partners, shareholders, directors, members of management and supervisory bodies and employees of the audit firm.

With reference to the “Conditions for the listing of shares of companies having control over companies incorporated and regulated under the laws of a non-EU member State”, pursuant to Articles 36 and 39 of the Market Rules, the accounting systems in place at the Company and its subsidiaries, as discussed in the Annual Report on Corporate Governance, enable public disclosure of certain accounting information prepared by companies included in the scope of application of the Regulation and used in preparation of the consolidated financial statements and are adequate for the regular provision to management and the Parent Company’s auditors of information necessary for preparation of the consolidated financial statements. In addition, there is an effective flow of information to the Parent Company’s auditors, including regular information on the composition of corporate bodies within all subsidiary companies and the position held by each member. The Company is also responsible for systematically maintaining and updating centralized records of formal documents related to the by-laws and delegation of powers to members of the corporate bodies.

## Board of Statutory Auditors

In accordance with Article 17 of the By-laws, the Board of Statutory Auditors is composed of three regular auditors and three alternates, all of whom must be entered in the Register of Auditors and have at least three years of experience as a statutory account auditor. They may, within the legal limit, also hold other positions as director or statutory auditor.

In accordance with Legislative Decree 58/1998, Article 17 of the Company's By-laws establishes the right for appropriately constituted **minority groups** to appoint one regular auditor, who serves as Chairman, and one alternate. The By-laws also establish that the minimum equity interest required for submission of a list of candidates for elections of the Statutory Auditors may not be lower than the percentage required by law for elections of the Board of Directors. The lists presented, together with the documentation required by law and the Company's By-laws, must be placed on record at the Company's registered office at least 25 days prior to the date set for the General Meeting on first call.

On 4 April 2012, the Board of Statutory Auditors was elected using a voting list system.

The Statutory Auditors are: Ignazio Carbone, Chairman; Lionello Jona Celesia and Piero Locatelli, regular auditors; and Lucio Pasquini, Fabrizio Mosca and Corrado Gatti, alternate auditors. The regular auditors Lionello Jona Celesia and Piero Locatelli were elected from the list presented by the majority shareholder EXOR S.p.A. and Ignazio Carbone, Chairman of the Board of Statutory Auditors, was elected from the minority list presented by a group of Italian and international asset managers and institutional investors holding 1.86% of shares (a complete list of those shareholders is provided in the Annual Report on Corporate Governance). The minimum equity interest required to submit a list of candidates was 1% of ordinary shares, as established by Consob with reference to Fiat's average market capitalization for the fourth quarter of 2011. Additional information provided to Shareholders on the candidates and lists presented are available in the Investors section of the Group website (www.fiatspa.com).

The Board of Statutory Auditors' current term of office expires on the date of the General Meeting called for approval of the 2014 financial statements. Following is a list of the most significant positions held by the members of the Board of Statutory Auditors. Ignazio Carbone is a director of Banca Popolare del Frusinate S.c.p.a. and Enertronica S.p.A.; Lionello Jona Celesia is Chairman of the Board of Statutory Auditors of Giovanni Agnelli e C. S.a.p.A., IBM Italia S.p.A., Lazard S.r.l., statutory auditor of ASTM S.p.A. and Chairman of the Board of Directors of Banca del Piemonte S.p.A.; Piero Locatelli is a statutory auditor of Giovanni Agnelli e C. S.a.p.A. and Simon Fiduciaria S.p.A.

# Transactions between Group Companies and with Related Parties

During the period, there were no transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related-party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Note 31 to the Consolidated Financial Statements and in Note 29 to Fiat S.p.A.'s Financial Statements.

**********

As part of the requirements of Legislative Decree 196/03 (the Italian data protection act), several activities were performed to evaluate the system of data protection for information held by Group companies subject to this law. Those activities confirmed that legislative requirements relating to the protection of personal data processed by Group companies had been substantially complied with.

With the conversion of Law Decree 5 of 9 February 2012 through the enactment of Law 35 of 4 April 2012, the obligation to prepare and maintain an updated Program Security Document — for controllers of sensitive or judicially relevant data processed in electronic format — was abolished.

However, given that other obligations under Legislative Decree 196/03 continue to exist, Group companies prepared the Program Security Document, enabling formal attestation of compliance with the obligations of Legislative Decree 196/03 by individual data controllers.

# Subsequent Events and Outlook

## Subsequent Events

- On January 1st, 2014, Fiat S.p.A. announced an agreement with the VEBA Trust, under which its wholly-owned subsidiary, Fiat North America LLC ("FNA"), would acquire all of the VEBA Trust's equity membership interests in Chrysler Group LLC ("Chrysler Group"), representing 41.5% of Chrysler Group. The transaction closed on 21 January 2014. In consideration for the sale of its membership interests in Chrysler Group, the VEBA Trust received an aggregate consideration of USD 3,650 million consisting of a special distribution paid from available cash on hand by Chrysler Group to its members, in an aggregate amount of USD 1,900 million (FNA directed its portion of the special distribution to the VEBA Trust as part of the purchase consideration) and a payment from FNA for the remainder of USD 1,750 million in cash purchase consideration to the VEBA Trust. Fiat funded the USD 1,750 million in cash from available cash on hand. Contemporaneously with the transactions described above, Chrysler and the UAW entered into a memorandum of understanding under the collective bargaining agreement with the UAW in which the UAW made commitments to continue to support Chrysler industrial operations and the further implementation of the Fiat-Chrysler Alliance. In particular, the UAW has committed to use its best efforts to cooperate in the continued roll-out of World Class Manufacturing, or WCM, programs, actively participate in benchmarking efforts associated with implementation of WCM programs across all Fiat-Chrysler manufacturing sites to ensure objective performance assessments and provide for proper application of WCM principles, and to actively assist in the achievement of the Group long-term business plan. In consideration of these commitments, Chrysler agreed to make payments to the VEBA Trust totaling USD 700 million to be paid in four equal annual installments. The initial payment of USD 175 million was made on 21 January 2014 and additional payments will be payable on each of the next three anniversaries of the initial payment.
- On January 10th, Standard & Poor's Ratings Services:
  - raised its ratings on Chrysler Group LLC, including the corporate credit rating, to 'BB-' from 'B+'. The outlook is stable.
  - confirmed its rating on Fiat S.p.A.'s long-term debt at 'BB-'. The short-term rating was confirmed at 'B'. The outlook remains stable.
- On January 29th, the Board of Directors of Fiat S.p.A. approved a corporate reorganization and the formation of Fiat Chrysler Automobiles ("FCA") as a fully-integrated global automaker. Following Fiat's acquisition of the minority equity interest in Chrysler Group LLC, previously held by the VEBA Trust, the Fiat Board of Directors reviewed options for the most appropriate governance and corporate structure. In order to establish a true peer to the major global automotive groups, in both scale and capital market appeal, the Board decided to establish Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent company of the Group.

  Under the proposal approved by the Fiat Board, Fiat shareholders will receive one FCA common share for each Fiat share held and the FCA common shares will be listed on the New York Stock Exchange (NYSE) with an additional listing on the *Mercato Telematico Azionario* (MTA) in Milan. It is intended that FCA will be resident for tax purposes in the United Kingdom, but this is not expected to affect the taxes payable by Group companies in the jurisdictions where their activities are carried out.
- On February 7th, Chrysler Group LLC closed its offering of secured senior debt securities, raising approximately USD 3.0 billion in net proceeds; and senior secured term loan facilities, raising approximately USD 2.0 billion in net proceeds. Chrysler Group applied the proceeds of the debt offering to prepay all amounts outstanding, including accrued and unpaid interest, of approximately USD 5.0 billion under the senior unsecured note issued on 10 June 2009 to the VEBA Trust with an original face amount of USD 4.587 billion (the "VEBA Trust Note").

The secured senior debt securities, issued on top of existing bonds, consist of USD 1.375 billion aggregate principal amount of 8% Secured Senior Notes due 2019 at an issue price of 108.25% of their aggregate principal amount plus accrued interest from 15 December 2013, and USD 1.380 billion aggregate principal amount of 8¼% Secured Senior Notes due 2021 at an issue price of 110.50% of their aggregate principal amount plus accrued interest from 15 December 2013. The issue prices represent a yield to maturity of 6.165% per annum for the Notes due 2019 and 6.433% per annum for the Notes due 2021.

In connection with the term loan facilities, Chrysler Group borrowed (1) an additional USD 250 million of term loans under its existing senior secured credit facilities maturing May 24, 2017, under which Chrysler Group borrows at 2.75% over LIBOR, subject to a LIBOR floor of 0.75%; and (2) USD 1.75 billion of term loans under a new senior secured term loan facility maturing 31 December 2018, at 2.50% over LIBOR, subject to a LIBOR floor of 0.75%.

The refinancing transactions are expected to result in yearly interest expense savings, for the period from 2014 to 2016, of approximately USD 134 million.(1)

- On February 11th, Moody's Investors Service lowered Fiat S.p.A.'s Corporate Family Rating from 'Ba3' to 'B1' and consequently, in accordance with their methodology, ratings on the notes issued by Fiat Finance & Trade Ltd. S.A. and Fiat Finance North America Inc. were also lowered from 'B1' to 'B2'.

(1) *For the purposes of Chrysler Group consolidated financial statements (prepared in accordance with US GAAP) the refinancing transactions are expected to result in yearly interest expense savings, for the period from 2014 to 2016, of approximately USD 200 million including the elimination of the non-cash VEBA Trust Note discount amortization of approximately USD 65 million per annum. In addition, for the same reason, Chrysler Group expects to record a non-cash charge of approximately USD 500 million in connection with the repayment of the VEBA Trust Note.*

*For the purposes of its consolidated financial statements (prepared in accordance with IFRS) Fiat Group expects to record interest expense savings lower than those recorded by Chrysler Group and to report no non-cash charges in connection with the repayment of the VEBA Trust Note, which has been carried at face value as a result of the purchase accounting related to the acquisition of control and consolidation of Chrysler Group in May 2011.*

## Outlook

As already announced and now increasingly relevant following the acquisition of the minority stake in Chrysler previously held by the VEBA Trust, the Group will be presenting an updated business plan in early May 2014 that will give increased visibility of the Group's strategic direction and execution priorities. Notwithstanding that process, the Group indicates the following guidance for 2014:

- **Revenues**: ~€93 billion, representing a 7% increase over reported revenues for 2013. It is expected that the increase will be primarily driven by commercial activities in NAFTA where, as illustrated in the financial results presentation given on 29 January 2014, the market is expected to register continued growth, albeit at a lower rate than for prior years, and where the Group expects revenue growth as sales of new models introduced over the past 12 months gain increased momentum, mainly the Jeep Cherokee and also the new Chrysler 200, which will be available in the second quarter of 2014. The year-over-year revenue contribution from APAC is also expected to be higher in 2014, driven by both increased market demand and penetration in the Group's key markets in the region, particularly China and Australia. For EMEA, the Group's volumes and revenues are expected to be substantially in line with 2013, primarily due to the industry outlook that overall demand will remain flat and that competitive pricing pressures, particularly in the mass-market segments, will continue to be a key factor. In Latin America, it is expected that overall car demand will remain at 2013 levels, with the Group expecting to maintain its market position substantially unchanged despite increased competition. The Group's luxury brands are also expected to contribute to revenue growth in 2014 on the strength of volume growth for new models launched in 2013, particularly for Maserati.
- **Trading profit**: ~€3.6 to €4.0 billion.
- **Net income**: ~€0.6 to €0.8 billion, with EPS to improve from ~€0.10 (ex-unusuals) to ~€0.44-€0.60. Includes increased deferred tax charge of ~€0.5 billion due to the recognition of net deferred tax assets at year-end 2013 related to Chrysler.
- The **net industrial debt** target for year-end 2014 is between €9.8 and €10.3 billion. Excluding disbursements for the purchase of the VEBA interest in Chrysler, totaling €2.7 billion and the €0.3 billion negative effect from the consolidation of the debt related to joint operations due to the application of the new accounting standard IFRS 11[1] cash used in investing activities for the period is expected to exceed cash from operating activities[2] in a range between €0.1 and €0.6 billion. The targeted increase in EBITDA reflects the expectation for higher trading profit together with an increase in depreciation and amortization. Working capital is expected to generate positive cash flow for the period, although below the 2013 level. The year-over-year comparison reflects an expected increase in export activity, resulting in higher finished inventories, and exceptional seasonality in 2013, which resulted in higher sales volumes and production levels for Chrysler in the fourth quarter, primarily relating to the launch of the new Jeep Cherokee.

---

(1) *See Notes to the Consolidated Financial Statement – "New standards and interpretations not yet effective".*
(2) *Cash from operating activities consists of EBITDA less interest and cash taxes expected for the year in addition to changes in working capital and provisions.*

# Financial Review – Fiat S.p.A.

The following information is based on the 2013 financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union, and regulations implementing Article 9 of Italian Legislative Decree 38/2005.

## Operating Performance

Fiat S.p.A. reported a loss of €227 million for 2013, compared with a loss of €152 million for the prior year.

The principal components of the income statement were as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Income from investments | (3) | 68 |
| Dividends | 536 | 1,030 |
| Impairment (losses)/reversals on investments | (540) | (962) |
| Gains/(losses) on disposals | 1 | - |
| Personnel and operating costs, net of other income | (28) | (35) |
| Financial income/(expense) | (210) | (216) |
| **PROFIT/(LOSS) BEFORE TAXES** | **(241)** | **(183)** |
| Income taxes | 14 | 31 |
| **PROFIT/(LOSS) FOR THE YEAR** | **(227)** | **(152)** |

**Income from investments** was a negative €3 million for the year (positive €68 million for 2012), with dividends received more than offset by net impairments:

- **Dividends** totaling €536 million included €500 million received from Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.), €23 million from Fiat Finance S.p.A., €5 million from Teksid S.p.A. and €8 million from Fiat Industrial S.p.A. (now CNH Industrial N.V.).

  In 2012, dividends totaling €1,030 million were received from Fiat Gestione Partecipazioni S.p.A. (€1,000 million), Fiat Finance S.p.A. (€24 million) and Fiat Industrial S.p.A. (€6 million).

- **Net impairment on investments** of €540 million consisted of a €465 million impairment on the investment in Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.), aligning the carrying amount with the book value of the investee's equity following the distribution of reserves to Fiat S.p.A., as well as impairment losses on the investments in RCS MediaGroup S.p.A. (€74 million) and Teksid Aluminum S.r.l. (€17 million), net of a partial reversal for Fiat Partecipazioni S.p.A., now FGA Real Estate Services S.p.A. (€16 million).

  In 2012, net impairments totaled €962 million, consisting of a €933 million impairment on the investment in Fiat Gestione Partecipazioni S.p.A., for the same reason as the adjustment recognized in 2013, as well as impairment losses on the investments in RCS MediaGroup S.p.A. (€35 million) and Teksid Aluminum S.r.l. (€15 million), net of a partial reversal for Fiat Powertrain Technologies S.p.A. (€21 million).

- **Gains on disposals** totaled €1 million and related to the transfer of the shareholdings in Fiat Revisione Interna S.c.p.A. and Isvor Fiat S.c.p.A. to Fiat Partecipazioni S.p.A. In 2012, no shareholdings were sold.

**Personnel and operating costs, net of other income** totaled €28 million, compared with €35 million for 2012.

- **Personnel and operating costs** totaled €111 million, compared with €112 million in 2012. A reduction in costs for services and lower notional charges for stock options offset an increase in personnel costs attributable to a higher average headcount (236 employees, compared with 219 in 2012). That increase was primarily due to the acquisition of a business unit from the subsidiary Fiat Services S.p.A. in early 2013.
- **Other income** of €83 million (€77 million in 2012) mainly related to services rendered, including by senior management personnel, to the principal Group companies. The €6 million increase over the prior year was mainly due to the increase in services rendered to Group companies, including services provided by the newly-acquired business unit, as well as an increase in reimbursements for the cost of seconded personnel.

**Net financial expense,** of €210 million, included €241 million in financial charges, relating primarily to interest expense on debt, partially offset by a €31 million gain at expiration on the stock-option related equity swaps on Fiat and CNH Industrial shares. For 2012, net financial expense of €216 million included a €250 million in financial charges offset by the €34 million gain in the mark-to-market of the above equity swaps. The €6 million year-over-year decrease was attributable to a more favorable mix of liquidity/debt/interest rates (€9 million), net of the negative difference in the gain on the equity swaps (€3 million).

For **income taxes**, the Company recognized a €14 million credit for the year (€31 million credit in 2012), which primarily reflected compensation received for losses contributed by Fiat S.p.A. to the domestic tax consolidation for the Group's Italian companies.

## Statement of Financial Position

The principal components of the statement of financial position were as follows:

| (€ million) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Non-current assets | 13,106 | 11,809 |
| of which: Investments | 13,060 | 11,765 |
| Working capital | (220) | (261) |
| **NET CAPITAL INVESTED** | **12,886** | **11,548** |
| **EQUITY** | **8,693** | **8,901** |
| **NET DEBT** | **4,193** | **2,647** |

**Non-current assets** consisted almost entirely of shareholdings in the Group's principal subsidiaries. The €1,295 million increase in investments over 31 December 2012 related primarily to the recapitalization of subsidiaries (€1,738 million, of which €1,650 million for Fiat Group Automobiles S.p.A.), capital subscriptions (€94 million related to the associate company RCS MediaGroup S.p.A.) and fair value revaluation of investments in other companies, net of the €540 million in impairments commented on above.

**Working capital** was a negative €220 million and consisted of trade receivables/payables, other receivables/payables (from/to tax authorities, employees, etc.), contract work in progress net of advances, and provisions for the period. The €41 million difference over 31 December 2012 mainly reflects changes in the receivable/payable position with subsidiaries arising from the domestic tax consolidation and the consolidated VAT settlement.

**Equity** totaled €8,693 million at 31 December 2013, a net decrease of €208 million over 31 December 2012, mainly reflecting the €227 million loss for the year, partially offset by gains recognized directly to reserves and other positive items.

A more detailed analysis of changes in equity is provided in the notes to Fiat S.p.A.'s statutory financial statements.

**Net debt** totaled €4,193 million at 31 December 2013, representing a €1,546 million increase over year-end 2012 due primarily to recapitalizations and capital subscriptions in investees, net of the dividends commented on above and other cash items. Net debt consisted of the following:

| (€ million) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Current financial assets, cash and cash equivalents | (1) | (59) |
| Current financial liabilities | 3,780 | 1,294 |
| Non-current financial liabilities | 414 | 1,412 |
| **NET DEBT/(CASH)** | **4,193** | **2,647** |

Current financial liabilities at 31 December 2013 consisted principally of the following items payable to the subsidiary Fiat Finance S.p.A.:

- a current account overdraft
- a short-term €3,000 million loan provided at market terms

At 31 December 2012, current financial assets and liabilities also consisted of receivables and payables from/to the subsidiary Fiat Finance S.p.A. relating to the positive fair value of equity swaps on Fiat and Fiat Industrial shares expiring in 2013, as described above.

Non-current financial liabilities mainly consisted of the loan from Fiat Finance S.p.A., at market rates of interest, which is repayable in 2014.

A more detailed analysis of cash flows is provided in the notes to Fiat S.p.A.'s statutory financial statements.

## Reconciliation between Equity and Net Profit of the Parent Company and the Group

As required by the Consob Communication of 28 July 2006, the following table provides a reconciliation between the net result and equity of Fiat S.p.A. for the years ended 31 December 2013 and 2012 and the comparable items on a consolidated basis (portion attributable to owners of Fiat S.p.A.).

| (€ million) | Equity at 31.12.2013 | 2013 Profit/(Loss) | Equity at 31.12.2012 | 2012 Profit/(Loss) |
|---|---|---|---|---|
| **Financial Statements of Fiat S.p.A.** | **8,693** | **(227)** | **8,901** | **(152)** |
| Elimination of carrying amount of interests in consolidated entities and related dividends | (12,761) | (528) | (11,454) | (1,024) |
| Elimination of impairment losses (net of reversals) on consolidated entities | - | 540 | - | 962 |
| Equity and profit/(loss) of consolidated entities | 14,170 | 1,163 | 10,501 | 311 |
| Consolidation adjustments: | | | | |
| Elimination of intercompany profit/loss on inventories and fixed assets, dividends paid between subsidiaries and other adjustments | (1,776) | (44) | (1,761) | (53) |
| **CONSOLIDATED FINANCIAL STATEMENTS (PORTION ATTRIBUTABLE TO OWNERS OF FIAT S.P.A.)** | **8,326** | **904** | **6,187** | **44** |

# Motion for Approval of the Statutory Financial Statements and Allocation of 2013 Net Result

Shareholders,

We hereby submit for your approval the Statutory Financial Statements for the year ended 31 December 2013, which report a net loss of €226,697,618. We propose that the loss be allocated to the Retained Profit reserve, bringing the value of the reserve to €1,537,084,936.

27 February 2014

*On behalf of the Board of Directors*

/s/ John Elkann

John Elkann

CHAIRMAN

3

# Fiat Group Consolidated Financial Statements

## at 31 December 2013

Consolidated Income Statement .......... 122

Consolidated Statement of Comprehensive Income/(losses) .......... 123

Consolidated Statement of Financial Position .......... 124

Consolidated Statement of Cash Flows .......... 126

Statements of Changes in Consolidated Equity .......... 127

Consolidated Income Statement pursuant to Consob Resolution 15519 of 27 July 2006 .......... 129

Consolidated Statement of Financial Position pursuant to Consob Resolution 15519 of 27 July 2006 .......... 130

Consolidated Statement of Cash Flows pursuant to Consob Resolution 15519 of 27 July 2006 .......... 132

Notes to the Consolidated Financial Statements .......... 133

Appendix I – Fiat Group Companies at 31 December 2013 .......... 237

Appendix II – Information required under Article 149-*duodecies* of the "Regolamento Emittenti" issued by Consob .......... 259

Attestation of the Consolidated Financial Statements under Article 154-*bis* of Legislative Decree 58/98 .......... 260

# Consolidated Income Statement(*)

| (€ million) | Note | 2013 | 2012(**) |
|---|---|---|---|
| Net revenues | (1) | 86,816 | 83,957 |
| Cost of sales | (2) | 74,570 | 71,701 |
| Selling, general and administrative costs | (3) | 6,689 | 6,763 |
| Research and development costs | (4) | 2,231 | 1,850 |
| Other income/(expenses) | | 68 | (102) |
| **TRADING PROFIT/(LOSS)** | | **3,394** | **3,541** |
| Result from investments: | (5) | 97 | 107 |
| Share of the profit/(loss) of investees accounted for using the equity method | | 87 | 94 |
| Other income/(expenses) from investments | | 10 | 13 |
| Gains/(losses) on the disposal of investments | (6) | 8 | (91) |
| Restructuring costs | (7) | 28 | 15 |
| Other unusual income/(expenses) | (8) | (499) | (138) |
| **EBIT** | | **2,972** | **3,404** |
| Financial income/(expenses) | (9) | (1,964) | (1,885) |
| **PROFIT/(LOSS) BEFORE TAXES** | | **1,008** | **1,519** |
| Tax (income)/expenses | (10) | (943) | 623 |
| **PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | | **1,951** | **896** |
| Profit/(loss) from Discontinued Operations | | - | - |
| **PROFIT/(LOSS)** | | **1,951** | **896** |
| | | | |
| **PROFIT/(LOSS) ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | 904 | 44 |
| Non-controlling interests | | 1,047 | 852 |

| (in €) | | | |
|---|---|---|---|
| **BASIC EARNINGS/(LOSS) PER ORDINARY SHARE** | (12) | **0.744** | **0.036** |
| **DILUTED EARNINGS/(LOSS) PER ORDINARY SHARE** | (12) | **0.736** | **0.036** |

(*) *Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions on the consolidated income statement are presented in the specific Income Statement schedule provided in the following pages and are further described in Note 31.*

(**) *Following the retrospective application of the amendment to IAS 19 from 1 January 2013, the 2012 comparative amounts were restated as required by IAS 1. Compared to the previously reported figures, Profit for 2012 decreased by €515 million, of which mainly €273 million in Trading Profit/EBIT and €244 million in Financial expenses. Reference should be made to the section "New and revised IFRSs adopted since 1 January 2013" for further details.*

# Consolidated Statement of Comprehensive Income/(losses)

| (€ million) | Note | 2013 | 2012(*) |
|---|---|---|---|
| **PROFIT/(LOSS) (A)** | | **1,951** | **896** |
| | | | |
| Items that will never be reclassified to the Income statement: | | | |
| Gains/(losses) on remeasurements of defined benefit plans | (23) | 2,678 | (1,843) |
| Share of gains/(losses) on remeasurements of defined benefit plans for equity accounted entities | (23) | (9) | 1 |
| Related tax impact | (23) | 239 | 3 |
| **Total items that will never be reclassified to the Income statement (B1)** | | **2,908** | **(1,839)** |
| | | | |
| Items that may be reclassified to the Income statement: | | | |
| Gains/(losses) on cash flow hedging instruments | (23) | 162 | 184 |
| Gains/(losses) on available-for-sale financial assets | (23) | 4 | 27 |
| Exchange differences on translating foreign operations | (23) | (708) | (270) |
| Share of Other comprehensive Income/(losses) for equity accounted entities | (23) | (100) | 21 |
| Related tax impact | (23) | (27) | (24) |
| **Total items that may be reclassified to the Income statement (B2)** | | **(669)** | **(62)** |
| | | | |
| **TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX (B1)+(B2)=(B)** | | **2,239** | **(1,901)** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME/(LOSSES) (A)+(B)** | | **4,190** | **(1,005)** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME/(LOSSES) ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | 2,117 | (1,062) |
| Non-controlling interests | | 2,073 | 57 |

(*) *Following the retrospective application of the amendment to IAS 19 from 1 January 2013, the 2012 comparative amounts were restated as required by IAS 1. Compared to the previously reported, Total comprehensive income for 2012 decreased by €2,265 million, of which €515 million arose from lower Profit for 2012 and €1,750 million from a decrease in Total other comprehensive Income/(losses). Reference should be made to the section "New and revised IFRSs adopted since 1 January 2013" for further details.*

# Consolidated Statement of Financial Position(*)

| (€ million) | Note | At 31 December 2013 | At 31 December 2012(**) | At 1 January 2012(**) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Intangible assets | | **19,509** | 19,284 | 18,200 |
| Goodwill and intangible assets with indefinite useful lives | (13) | **12,439** | 12,947 | 13,213 |
| Other intangible assets | (14) | **7,070** | 6,337 | 4,987 |
| Property, plant and equipment | (15) | **22,843** | 22,061 | 20,785 |
| Investments and other financial assets: | (16) | **2,260** | 2,287 | 2,663 |
| Investments accounted for using the equity method | | **1,561** | 1,507 | 1,582 |
| Other investments and financial assets | | **699** | 780 | 1,081 |
| Leased assets | | **1** | 1 | 45 |
| Defined benefit plan assets | | **105** | 93 | 105 |
| Deferred tax assets | (10) | **2,893** | 1,738 | 1,689 |
| **TOTAL NON-CURRENT ASSETS** | | **47,611** | **45,464** | **43,487** |
| Inventories | (17) | **10,230** | 9,295 | 9,123 |
| Trade receivables | (18) | **2,406** | 2,702 | 2,625 |
| Receivables from financing activities | (18) | **3,671** | 3,727 | 3,968 |
| Current tax receivables | (18) | **291** | 236 | 369 |
| Other current assets | (18) | **2,302** | 2,163 | 2,088 |
| Current financial assets: | | **815** | 807 | 789 |
| Current investments | | **35** | 32 | 33 |
| Current securities | (19) | **247** | 256 | 199 |
| Other financial assets | (20) | **533** | 519 | 557 |
| Cash and cash equivalents | (21) | **19,439** | 17,657 | 17,526 |
| **TOTAL CURRENT ASSETS** | | **39,154** | **36,587** | **36,488** |
| Assets held for sale | (22) | **9** | 55 | 66 |
| **TOTAL ASSETS** | | **86,774** | **82,106** | **80,041** |

(*) *Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions on the Consolidated statement of financial position are presented in the specific Statement of financial position schedule provided in the following pages and are further described in Note 31.*

(**) *Following the retrospective application of the amendment to IAS 19 from 1 January 2013, the comparative amounts at 1 January and 31 December 2012 were restated as required by IAS 1. Reference should be made to the section "New and revised IFRSs adopted since 1 January 2013" for further details.*

# Consolidated Statement of Financial Position (continued)

| (€ million) | Note | At 31 December 2013 | At 31 December 2012(*) | At 1 January 2012(*) |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| Equity: | (23) | **12,584** | 8,369 | 9,711 |
| Equity attributable to owners of the parent | | **8,326** | 6,187 | 7,358 |
| Non-controlling interest | | **4,258** | 2,182 | 2,353 |
| Provisions: | | **17,360** | 20,276 | 18,182 |
| Employee benefits | (25) | **8,265** | 11,486 | 9,584 |
| Other provisions | (26) | **9,095** | 8,790 | 8,598 |
| Debt: | | **29,902** | 27,889 | 26,772 |
| Asset-backed financing | (27) | **596** | 449 | 710 |
| Other debt | (27) | **29,306** | 27,440 | 26,062 |
| Other financial liabilities | (20) | **137** | 201 | 429 |
| Trade payables | (28) | **17,235** | 16,558 | 16,418 |
| Current tax payables | | **314** | 231 | 230 |
| Deferred tax liabilities | (10) | **278** | 801 | 761 |
| Other current liabilities | (29) | **8,943** | 7,781 | 7,538 |
| Liabilities held for sale | (22) | **21** | - | - |
| **TOTAL EQUITY AND LIABILITIES** | | **86,774** | **82,106** | **80,041** |

(*) *Following the retrospective application of the amendment to IAS 19 from 1 January 2013 the comparative figures at 1 January and 31 December 2012 were restated as required by IAS 1. More specifically, the amount of Equity at 31 December 2012 decreased by €4,804 million, of which €2,872 million in Equity attributable to owners of the parent and €1,932 million in Non-controlling interest. Reference should be made to the section "New and revised IFRSs adopted since 1 January 2013" for further details.*

# Consolidated Statement of Cash Flows(*)

| (€ million) | Note | 2013 | 2012 |
|---|---|---|---|
| **A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | (21) | **17,657** | **17,526** |
| **B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR:** | | | |
| Profit/(loss) for the year | | 1,951 | 896(**) |
| Amortization and depreciation | | 4,574 | 4,134 |
| (Gains)/losses on disposal of: | | | |
| Property, plant and equipment and intangible assets | | 31 | 14 |
| Investments | | (8) | 91 |
| Other non-cash items | (32) | 522 | 562(**) |
| Dividends received | | 92 | 89 |
| Change in provisions | | 444 | 77 |
| Change in deferred taxes | | (1,578) | (72) |
| Change in items due to buy-back commitments | (32) | 92 | (51) |
| Change in operating lease items | (32) | 1 | (10) |
| Change in working capital | | 1,468 | 714 |
| **TOTAL** | | **7,589** | **6,444** |
| **C) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:** | | | |
| Investments in: | | | |
| Property, plant and equipment and intangible assets | (32) | (7,440) | (7,534) |
| Investments in consolidated subsidiaries | | (19) | - |
| Other investments | | (212) | (24) |
| Proceeds from the sale of: | | | |
| Property, plant and equipment and intangible assets | | 43 | 118 |
| Other investments | | 5 | 21 |
| Net change in receivables from financing activities | | (449) | (24) |
| Change in current securities | | (10) | (64) |
| Other changes | | (4) | (30) |
| **TOTAL** | | **(8,086)** | **(7,537)** |
| **D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:** | | | |
| New issuance of bonds | | 2,866 | 2,535 |
| Repayment of bonds | | (1,000) | (1,450) |
| Issuance of other medium-term borrowings | | 3,188 | 1,925 |
| Repayment of other medium-term borrowings | | (2,549) | (1,528) |
| Net change in other financial payables and other financial assets/liabilities | | 686 | 197 |
| Increase in share capital | | 4 | 22 |
| Dividends paid | | (1) | (58) |
| Distribution for tax withholding obligations on behalf of non-controlling interests (“NCI”) | | (6) | - |
| **TOTAL** | | **3,188** | **1,643** |
| Translation exchange differences | | (909) | (419) |
| **E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS** | | **1,782** | **131** |
| **F) CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | (21) | **19,439** | **17,657** |

(*) *Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions on the Consolidated statement of cash flows are presented in the specific Statement of cash flows schedule provided in the following pages.*

(**) *Following the retrospective application of the amendment to IAS 19 from 1 January 2013, the 2012 comparative amounts for Profit decreased by €515 million with a corresponding increase in Other non-cash items.*

# Statement of Changes in Consolidated Equity

| (€ million) | Share capital | Treasury shares | Capital reserves | Earnings reserves | Cash flow hedge reserve | Cumulative translation adjustment reserve | Available for sale financial assets reserve | Remeasu-rement of defined benefit plans reserve | Cumulative share of OCI of entities consolidated under the equity method | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **AT 31 DECEMBER 2011** (Reported amounts) | **4,466** | **(289)** | **147** | **3,862** | **(170)** | **834** | **(43)** | **-** | **(80)** | **3,533** | **12,260** |
| IAS 19 revised adoption effect | - | - | - | (79) | - | - | - | (1,287) | (3) | (1,180) | **(2,549)** |
| **AT 1 JANUARY 2012** | **4,466** | **(289)** | **147** | **3,783** | **(170)** | **834** | **(43)** | **(1,287)** | **(83)** | **2,353** | **9,711** |
| **Changes in equity for 2012:** | | | | | | | | | | | |
| Capital increase | - | - | - | - | - | - | - | - | - | 22 | **22** |
| Effect of the conversion of preference and savings shares into ordinary shares | 10 | - | (10) | - | - | - | - | - | - | - | **-** |
| Share based payments | - | 30 | - | (15) | - | - | - | - | - | - | **15** |
| Dividends distributed | - | - | - | (40) | - | - | - | - | - | (18) | **(58)** |
| Purchase and sale of shares in subsidiaries from/to non-controlling interests | - | - | - | 22 | 1 | 3 | - | (114) | - | (232) | **(320)** |
| Total comprehensive income | - | - | - | 44 | 184 | (204) | 26 | (1,133) | 21 | 57 | **(1,005)** |
| Other changes | - | - | - | 4 | - | - | - | - | - | - | **4** |
| **AT 31 DECEMBER 2012** | **4,476** | **(259)** | **137** | **3,798** | **15** | **633** | **(17)** | **(2,534)** | **(62)** | **2,182** | **8,369** |

# Statement of Changes in Consolidated Equity (continued)

| (€ million) | Share capital | Treasury shares | Capital reserves | Earnings reserves | Cash flow hedge reserve | Cumulative translation adjustment reserve | Available for sale financial assets reserve | Remeasu-rement of defined benefit plans reserve | Cumulative share of OCI of entities consolidated under the equity method | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **AT 31 DECEMBER 2012** (Reported amounts) | **4,476** | **(259)** | **137** | **4,187** | **15** | **580** | **(17)** | **-** | **(60)** | **4,114** | **13,173** |
| IAS 19 revised adoption effect | **-** | - | - | (389) | - | 53 | - | (2,534) | (2) | (1,932) | **(4,804)** |
| **AT 1 JANUARY 2013** | **4,476** | **(259)** | **137** | **3,798** | **15** | **633** | **(17)** | **(2,534)** | **(62)** | **2,182** | **8,369** |
| **Changes in equity for 2013:** | | | | | | | | | | | |
| Capital increase | 1 | - | 2 | - | - | - | - | - | - | 1 | **4** |
| Dividends distributed | - | - | - | - | - | - | - | - | - | (1) | **(1)** |
| Share based payments | - | - | - | 9 | - | - | - | - | - | - | **9** |
| Total comprehensive income | - | - | - | 904 | 86 | (555) | 4 | 1,786 | (108) | 2,073 | **4,190** |
| Distribution for tax withholding obligations on behalf of NCI | - | - | - | - | - | - | - | - | - | (6) | **(6)** |
| Purchase of shares in subsidiaries from non-controlling interests | | | | 2 | - | - | - | - | - | - | **2** |
| Other changes | - | - | - | 8 | - | - | - | - | - | 9 | **17** |
| **At 31 DECEMBER** 2013 | **4,477** | **(259)** | **139** | **4,721** | **101** | **78** | **(13)** | **(748)** | **(170)** | **4,258** | **12,584** |

# Consolidated Income Statement
## pursuant to Consob Resolution 15519 of 27 July 2006

| (€ million) | Note | 2013 Total | 2013 of which Related parties (Note 31) | 2012 Total | 2012 of which Related parties (Note 31) |
|---|---|---|---|---|---|
| Net revenues | (1) | 86,816 | 2,832 | 83,957 | 2,793 |
| Cost of sales | (2) | 74,570 | 3,391 | 71,701 | 3,674 |
| Selling, general and administrative costs | (3) | 6,689 | 119 | 6,763 | 116 |
| Research and development costs | (4) | 2,231 | 1 | 1,850 | 7 |
| Other income/(expenses) | | 68 | 35 | (102) | 20 |
| **TRADING PROFIT/(LOSS)** | | **3,394** | | **3,541** | |
| Result from investments: | (5) | 97 | 97 | 107 | 107 |
| Share of the profit/(loss) of investees accounted for using the equity method | | 87 | 87 | 94 | 94 |
| Other income/(expenses) from investments | | 10 | 10 | 13 | 13 |
| Gains/(losses) on the disposal of investments | (6) | 8 | - | (91) | - |
| Restructuring costs | (7) | 28 | - | 15 | - |
| Other unusual income/(expenses) | (8) | (499) | - | (138) | - |
| **EBIT** | | **2,972** | | **3,404** | |
| Financial income/(expenses) | (9) | (1,964) | (22) | (1,885) | (25) |
| **PROFIT/(LOSS) BEFORE TAXES** | | **1,008** | | **1,519** | |
| Tax (income)/expenses | (10) | (943) | | 623 | |
| **PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | | **1,951** | | **896** | |
| Profit/(loss) from Discontinued Operations | | - | | - | |
| **PROFIT/(LOSS)** | | **1,951** | | **896** | |
| | | | | | |
| **PROFIT/(LOSS) ATTRIBUTABLE TO:** | | | | | |
| Owners of the parent | | 904 | | 44 | |
| Non-controlling interests | | 1,047 | | 852 | |

# Consolidated Statement of Financial Position
## pursuant to Consob Resolution 15519 of 27 July 2006

| (€ million) | Note | At 31 December 2013 Total | At 31 December 2013 of which Related parties (Note 31) | At 31 December 2012 Total | At 31 December 2012 of which Related parties (Note 31) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Intangible assets | | **19,509** | **-** | 19,284 | - |
| Goodwill and intangible assets with indefinite useful lives | (13) | **12,439** | **-** | 12,947 | - |
| Other intangible assets | (14) | **7,070** | **-** | 6,337 | - |
| Property, plant and equipment | (15) | **22,843** | **-** | 22,061 | - |
| Investments and other financial assets: | (16) | **2,260** | **1,930** | 2,287 | 1,880 |
| Investments accounted for using the equity method | | **1,561** | **1,561** | 1,507 | 1,507 |
| Other investments and financial assets | | **699** | **369** | 780 | 373 |
| Leased assets | | **1** | **-** | 1 | - |
| Defined benefit plan assets | | **105** | **-** | 93 | - |
| Deferred tax assets | (10) | **2,893** | **-** | 1,738 | - |
| **TOTAL NON-CURRENT ASSETS** | | **47,611** | | **45,464** | |
| Inventories | (17) | **10,230** | **3** | 9,295 | 2 |
| Trade receivables | (18) | **2,406** | **279** | 2,702 | 384 |
| Receivables from financing activities | (18) | **3,671** | **163** | 3,727 | 201 |
| Current tax receivables | (18) | **291** | **-** | 236 | - |
| Other current assets | (18) | **2,302** | **34** | 2,163 | 49 |
| Current financial assets: | | **815** | **-** | 807 | - |
| Current investments | | **35** | **-** | 32 | - |
| Current securities | (19) | **247** | **-** | 256 | - |
| Other financial assets | (20) | **533** | **-** | 519 | - |
| Cash and cash equivalents | (21) | **19,439** | **-** | 17,657 | - |
| **TOTAL CURRENT ASSETS** | | **39,154** | | **36,587** | |
| Assets held for sale | (22) | **9** | **-** | 55 | 54 |
| **TOTAL ASSETS** | | **86,774** | | **82,106** | |

# Consolidated Statement of Financial Position

pursuant to Consob Resolution 15519 of 27 July 2006 **(continued)**

| | | At 31 December 2013 | | At 31 December 2012 | |
|---|---|---|---|---|---|
| (€ million) | Note | Total | of which Related parties (Note 31) | Total | of which Related parties (Note 31) |
| **EQUITY AND LIABILITIES** | | | | | |
| Equity: | (23) | 12,584 | - | 8,369 | - |
| Equity attributable to owners of the parent | | 8,326 | - | 6,187 | - |
| Non-controlling interests | | 4,258 | - | 2,182 | - |
| Provisions: | | 17,360 | 158 | 20,276 | 158 |
| Employee benefits | (25) | 8,265 | 146 | 11,486 | 145 |
| Other provisions | (26) | 9,095 | 12 | 8,790 | 13 |
| Debt: | | 29,902 | 448 | 27,889 | 272 |
| Asset-backed financing | (27) | 596 | 85 | 449 | 61 |
| Other debt | (27) | 29,306 | 363 | 27,440 | 211 |
| Other financial liabilities | (20) | 137 | - | 201 | - |
| Trade payables | (28) | 17,235 | 873 | 16,558 | 969 |
| Current tax payables | | 314 | - | 231 | - |
| Deferred tax liabilities | (10) | 278 | - | 801 | - |
| Other current liabilities | (29) | 8,943 | 164 | 7,781 | 179 |
| Liabilities held for sale | (22) | 21 | - | - | - |
| **TOTAL EQUITY AND LIABILITIES** | | **86,774** | | **82,106** | |

# Consolidated Statement of Cash Flows

## pursuant to Consob Resolution 15519 of 27 July 2006

| (€ million) | Note | 2013 Total | 2013 of which Related Parties (Note 31) | 2012 Total | 2012 of which Related Parties (Note 31) |
|---|---|---|---|---|---|
| **A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | (21) | **17,657** | | **17,526** | |
| **B) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR:** | | | | | |
| Profit/(loss) for the period | | 1,951 | | 896 | |
| Amortization and depreciation | | 4,574 | | 4,134 | |
| (Gains)/losses on disposal of: | | | | | |
| Property, plant and equipment and intangible assets | | 31 | | 14 | |
| Investments | | (8) | | 91 | |
| Other non-cash items | (32) | 522 | 6 | 562 | 9 |
| Dividends received | | 92 | 92 | 89 | 89 |
| Change in provisions | | 444 | 1 | 77 | 1 |
| Change in deferred taxes | | (1,578) | - | (72) | - |
| Change in items due to buy-back commitments | (32) | 92 | 2 | (51) | 2 |
| Change in operating lease items | (32) | 1 | - | (10) | - |
| Change in working capital | | 1,468 | 79 | 714 | (90) |
| **TOTAL** | | **7,589** | | **6,444** | |
| **C) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:** | | | | | |
| Investments in: | | | | | |
| Property, plant and equipment and intangible assets | (32) | (7,440) | - | (7,534) | - |
| Investments in consolidated subsidiaries | | (19) | - | - | - |
| Other investments | | (212) | (211) | (24) | (20) |
| Proceeds from the sale of: | | | | | |
| Property, plant and equipment and intangible assets | | 43 | - | 118 | - |
| Other investments | | 5 | - | 21 | - |
| Net change in receivables from financing activities | | (449) | 17 | (24) | (7) |
| Change in current securities | | (10) | - | (64) | - |
| Other changes | | (4) | - | (30) | - |
| **TOTAL** | | **(8,086)** | | **(7,537)** | |
| **D) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:** | | | | | |
| Issuance of bonds | | 2,866 | - | 2,535 | - |
| Repayment of bonds | | (1,000) | - | (1,450) | - |
| Issuance of other medium-term borrowings | | 3,188 | - | 1,925 | - |
| Repayment of other medium-term borrowings | | (2,549) | - | (1,528) | - |
| Net change in other financial payables and other financial assets/liabilities | | 686 | 191 | 197 | (34) |
| Increase in share capital | | 4 | - | 22 | - |
| Dividends paid | | (1) | - | (58) | (11) |
| Distribution for tax withholding obligations on behalf of non-controlling interests ("NCI") | | (6) | - | - | - |
| **TOTAL** | | **3,188** | | **1,643** | |
| Translation exchange differences | | (909) | | (419) | |
| **E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS** | | **1,782** | | **131** | |
| **F) CASH AND CASH EQUIVALENTS AT END OF THE YEAR AS REPORTED** | (21) | **19,439** | | **17,657** | |

# Notes to the Consolidated Financial Statements

## Principal activities

Fiat S.p.A. is a corporation organized under the laws of the Republic of Italy. Fiat S.p.A. and its subsidiaries (the “Group”), among which the most significant is Chrysler Group LLC (together with its subsidiaries, “Chrysler” or “Chrysler Group”), are engaged in the design, engineering, manufacture, distribution and sale of automobiles and light commercial vehicles, engines, transmission systems, automotive-related components, metallurgical products and production systems. In addition, the Group has for a long while also been involved in certain other activities, including services (mainly captive) and publishing, which represent an insignificant portion of the Group core business.

## Basis of preparation

The 2013 consolidated financial statements have been prepared in accordance with the *International Financial Reporting Standards* (the “IFRS”) issued by the *International Accounting Standards Board* (“IASB”) and adopted by the European Union, and with the provisions implementing article 9 of Legislative Decree 38/2005. The designation “IFRS” also includes all valid *International Accounting Standards* (“IAS”), as well as all interpretations of the IFRS *Interpretations Committee*, formerly the *Standing Interpretations Committee* (“SIC”) and then the *International Financial Reporting Interpretations Committee* (“IFRIC”).

The financial statements are prepared under the historical cost method, modified as required for the measurement of certain financial instruments, as well as on a going concern basis. In this respect, the Group’s assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist about its ability to continue as a going concern, also considering the on going operational integration between Fiat and Chrysler and the Group’s industrial and financial flexibility.

The Group’s presentation currency is Euro.

### Format of the financial statements

For presentation of the Income statement, the Group uses a classification based on the function of expenses, rather than one based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice in the automotive sector.

The Group measures its performance on the basis of Trading profit and Earnings before Interest and Taxes (EBIT). EBIT is the measure of the Group profitability before interests and taxes; it includes all revenues and costs, income and expenses arising from the Group ongoing operations, whether recurring or non-recurring. Trading profit reflects the result from ongoing operations before Result from investments and unusual items that are separately reported in accordance with IAS 1 paragraph 85 which are:

- Gains/(losses) on the disposal of investments in subsidiaries, jointly controlled entities and associates;
- Restructuring costs;
- Impairment of Property plant and equipment and Intangible assets arising from transactions that are only incidentally related to the ordinary activities of the Group and are not expected to occur frequently (i.e. impairment or other losses as a consequence of change in strategy related to products portfolio, manufacturing footprint, dealer network and suppliers);
- Other items only incidentally related to the ordinary activities of the Group and not expected to occur frequently, such as the effect of defined benefit plan amendments, including curtailments and settlements, and acquisition costs related to a business combination or costs arising from operations terminated or disposed of in prior years.

The definition of “unusual” adopted by the Group differs from the definition provided in the Consob Communication of 28 July 2006, under which unusual and/or abnormal transactions are those which – because of their significance or materiality, the nature of the counterparty, the object of the transaction, the method for determination of the transfer price or the timing of the event (e.g., close to year-end) – could give rise to doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, the proper safeguarding of corporate assets or protection of non-controlling interests.

For the Consolidated statement of financial position, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1. More specifically, the Group’s financial statements include both industrial companies and financial services companies. The investment portfolios of financial services companies are included in current assets, as the investments will be realized in their normal operating cycle. However, the financial services companies only obtain a portion of their funding from the market; the remainder is obtained from Fiat S.p.A. through the Group’s treasury companies (included under industrial activities), which provide funding both to industrial companies and financial services companies in the Group, as the need arises. This financial service structure within the Group does not allow the separation of financial liabilities funding the financial services operations (whose assets are reported within current assets) and those funding the industrial operations. Presentation of financial liabilities as current or non-current based on their date of maturity would not facilitate comparison with financial assets, which are categorized on the basis of their normal operating cycle. Disclosure as to the due date of liabilities is provided in Note 27.

The Statement of cash flows is presented using the indirect method.

In connection with the requirements of Consob Resolution No. 15519 of 27 July 2006 relating to the format of the financial statements, specific supplementary Income statement, Statement of financial position and Statement of cash flows formats have been added for related party transactions.

## Significant accounting policies

### Basis of consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the Group, as defined in IAS 27 – *Consolidated and Separate Financial Statements*. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date that control commences until the date that control ceases. Equity attributable to non-controlling interests and non-controlling interests in the profit/(loss) of consolidated subsidiaries are presented separately from the interests of the owners of the parent in the Consolidated statement of financial position and Income statement respectively. Losses applicable to non-controlling interests that exceed the minority’s interests in the subsidiary’s equity are allocated against the non-controlling interests.

Changes in the Group’s ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions. The carrying amounts of the Equity attributable to owners of the parent and Non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the book value of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in the Equity attributable to the owners of the parent.

If the Group loses control of a subsidiary, a gain or loss is recognized in the Income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Any profits or losses recognized in Other comprehensive income/(losses) in respect of the measurement of the assets of the subsidiary are reclassified to the Income statement when the Group loses control of the subsidiary if, in accordance with relevant IFRS, these gains and losses would be reclassified to the Income statement on the disposal of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the fair value on initial recognition of a financial assets in accordance with *IAS 39 – Financial instruments: recognition and measurement* or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

*Jointly controlled entities*

Jointly controlled entities are enterprises in which the Group has contractually agreed to share control or for which a contractual arrangement exists whereby two or more parties undertake an economic activity that is subject to joint control. Investments in jointly controlled entities are accounted for using the equity method from the date that joint control commences until the date that joint control ceases.

*Associates*

Associates are entities over which the Group has significant influence, as defined in IAS 28 – *Investments in Associates*, but not control or joint control over the financial and operating policies. Investments in associates are accounted for using the equity method from the date that significant influence commences until the date it ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate in the Group's balance sheet, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

*Investments in other companies*

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or losses arising from changes in fair value are recognized in Other comprehensive income/(losses) until the assets are sold or are impaired; at that time, the cumulative Other comprehensive income/(losses) are recognized in the Income statement. Investments in other companies for which fair value is not available are stated at cost less any impairment losses.

Dividends received are included in Other income/(expenses) from investments.

*Transactions eliminated in consolidation*

All significant intragroup balances and transactions and any unrealized gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

*Foreign currency transactions*

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the Income statement.

*Consolidation of foreign entities*

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated into Euro at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as Other comprehensive Income/(losses) until the disposal of the investment. Average exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the Consolidated statement of cash flows.

The goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the Euro are recognized in the functional currency and translated at the exchange rate at the acquisition date. These balances are translated at subsequent balance sheet dates at relevant exchange rate.

The principal exchange rates used to translate into Euros the financial statements prepared in currencies other than the Euro were as follows:

| | Average 2013 | At 31 December 2013 | Average 2012 | At 31 December 2012 |
|---|---|---|---|---|
| U.S. Dollar | 1.328 | 1.379 | 1.285 | 1.319 |
| Brazilian Real | 2.867 | 3.258 | 2.508 | 2.704 |
| Chinese Renminbi | 8.164 | 8.349 | 8.106 | 8.221 |
| Serbian Dinar | 113.096 | 114.642 | 113.120 | 113.718 |
| Polish Zloty | 4.197 | 4.154 | 4.185 | 4.074 |
| Argentine Peso | 7.263 | 8.988 | 5.836 | 6.478 |
| Pound Sterling | 0.849 | 0.834 | 0.811 | 0.816 |
| Swiss Franc | 1.231 | 1.228 | 1.205 | 1.207 |

## Business Combinations

Business combinations are accounted for by applying the acquisition method of accounting, in accordance with IFRS 3 – *Business combinations*. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in Income statements under Gains/(losses) on the disposal of investments. Changes in the equity interest in the acquiree that have been recognized in Other comprehensive income/(losses) in prior reporting periods are reclassified to Income statement as if the interest had been disposed.

## Intangible assets

*Goodwill*

Goodwill arising from business combinations is initially measured at cost as established on the acquisition date. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

On the loss of control of a previously acquired entity, any outstanding goodwill balance is included in the determination of the gain or loss on disposal.

*Development costs*

Development costs for vehicle project production and related components, engines and production systems are recognized as an asset if and only if both of the following conditions under IAS 38 – *Intangible assets* are met: that development costs can be measured reliably and that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development costs include all direct and indirect costs that may be directly attributed to the development process.

Capitalized development costs are amortized on a straight-line basis from the start of production over the expected life cycle of the models (generally 5-6 years) or powertrains developed (generally 10-12 years).

All other development costs are expensed as incurred.

*Intangible assets with indefinite useful lives*

Intangible assets with indefinite useful lives consist principally of brands which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired, by comparing the carrying amount with the recoverable amount.

## Property, plant and equipment

*Cost*

Property, plant and equipment are initially recognized at cost which comprises the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The self-constructed assets are initially recognized at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized in the Income statement.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statements as a Debt. The assets are depreciated by the method and at the rates indicated below depending on the nature of the leased assets.

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

*Depreciation*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| In % | Depreciation rates |
|---|---|
| Buildings | 3% - 8% |
| Plant, machinery and equipment | 3% - 33% |
| Other assets | 5% - 33% |

Land is not depreciated.

## Impairment of assets

The Group assesses at the end of each reporting period whether there is any indication that its Intangible assets (including development costs) and its Property, plant and equipment may be impaired. Goodwill and Intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount that is the higher of fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In assessing the value in use of an asset, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the recoverable amount is lower than the carrying amount. Impairment of Property plant and equipment and Intangible assets arising from transactions that are only incidentally related to the ordinary activities of the Group and that are not expected to occur frequently, are recognized under Other unusual expenses.

Where an impairment loss for assets other than Goodwill, subsequently no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. The reversal of an impairment loss is recognized in the Income statement immediately.

## Financial instruments

### *Presentation*

Financial instruments held by the Group are presented in the financial statements as described in the following paragraphs.

Investments and other non-current financial assets comprise investments in unconsolidated companies and other non-current financial assets (held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets).

Current financial assets, as defined in IAS 39, include Trade receivables, Receivables from financing activities, Current Investments, Current securities and Other current financial assets (which include derivative financial instruments stated at fair value), as well as Cash and cash equivalents. In particular, Cash and cash equivalents include cash at banks, units in liquidity funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value. Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents; Current securities include both available-for-sale and held-for-trading securities.

Financial liabilities refer to Debt, which includes Asset-backed financing, and Other financial liabilities (which include derivative financial instruments stated at fair value), Trade payables and Other payables.

### *Measurement*

Investments in unconsolidated companies are accounted for as described in the previous paragraph – Investments in other companies.

Non-current financial assets other than Investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*.

Current financial assets and held-to-maturity securities are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, available-for-sale and held-for-trading financial assets are measured at fair value. When market prices are not directly available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date).

Gains and losses on available-for-sale financial assets are recognized in Other comprehensive income/(losses) until the financial asset is disposed of or is impaired; when the asset is disposed of, the cumulative gains or losses, including those previously recognized in Other comprehensive income/(losses), are reclassified to the Income statement for the period, within Financial income and expenses; when the asset is impaired, accumulated losses are recognized in the Income statement. Gains and losses arising from changes in the fair value of held-for-trading financial instruments are included in the Income statement for the period.

Loans and receivables which are not held by the Group for trading (loans and receivables originating in the course of business), held-to-maturity securities and equity investments whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates. Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in the Income statement for the period.

Except for derivative instruments, financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities hedged against changes in fair value (fair value hedge) are measured in accordance with hedge accounting principles: gains and losses arising from remeasurement at fair value, due to changes in the respective hedged risk, are recognized in the Income statement and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

*Derivative financial instruments*

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks (primarily concerning commodities and securities). In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

- *Fair value hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the Income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the Income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the Income statement.
- *Cash flow hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the Income statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income/(losses). The cumulative gain or loss is reclassified from Other comprehensive income/(losses) to the Income statement at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the Income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in Other comprehensive income/(losses) and is recognized in the Income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in Other comprehensive income/(losses) is recognized in the Income statement immediately.

- *Hedges of a net investment* – If a derivative financial instrument is designated as a hedging instrument for a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognized in Other comprehensive income/(losses). The cumulative gain or loss is reclassified from Other comprehensive income/(losses) to Income statement on the disposal of the foreign operation.

For further information on the effects arising on Income statement on derivative financial instruments refers to Note 20.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the Income statement.

### Transfers of financial assets

The Group derecognizes financial assets when, and only when, the contractual rights to the cash flows arising from the asset are no longer held or if it transfers the financial asset. In case of a transfer of financial asset:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset;
- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:
  - if it has not maintained control, it derecognizes the financial asset and recognizes separately as assets and liabilities any rights and obligations created or retained in the transfer;
  - if it has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

On derecognition of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in the Income statement.

### Inventories

Inventories of raw materials, semi-finished products and finished goods are stated at the lower of cost and net realizable value, cost being determined on a first in-first-out (FIFO) basis. The measurement of Inventories includes the direct costs of materials, labor and indirect costs (variable and fixed). Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of production systems construction contracts is based on the stage of completion determined as the proportion of cost incurred to the balance sheet date over the estimated total contract cost. These items are presented net of progress billings received from customers. Any losses on such contracts are fully recorded in the Income statement when they become known.

## Employee benefits

*Defined contribution plans*
Costs arising from defined contribution plans are recognized as an expense as incurred.

*Defined benefit plans*
The Group net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned in the current and prior periods, and deducting the fair value of any plan assets. The present value of the defined benefit obligation is measured using actuarial techniques and actuarial assumptions that are unbiased and mutually compatible and attributes benefits to periods in which the obligation to provide post-employment benefits arise by using the Projected Unit Credit Method. Plan assets are recognized and measured at fair value.

When the net obligation is a potential asset, the recognized amount is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan (asset ceiling).

The components of the defined benefit cost are recognized as follows:

- the service costs are recognized in Income statement by function and presented in the respective line items (Cost of sales, Selling general and administrative costs, Research and development costs, etc.);
- the net interests on the defined benefit liability or asset are recognized in the Income statement as Financial income (expenses), and is determined by multiplying the net liability/(asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year;
- the remeasurement components of the net obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest income recognized in the Income statement) and any change in the effect of the asset ceiling are recognized immediately in Other comprehensive income/(losses). These remeasurement components are not reclassified in Income statement in a subsequent period.

Past service costs arising from plan amendments and curtailments are recognized immediately in the Income statement within Other unusual income and expenses. Gains and losses on the settlement of a plan are recognized in the Income statement within Other unusual income and expenses when the settlement occurs.

*Other long term employee benefits*
The Group obligations represent the present value of future benefits that employees have earned in return for their service during the current and prior periods. Remeasurement components on other long term employee benefits are recognized in the Income statements in the period in which they arise.

*Termination benefits*
Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

## Provisions

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Changes in estimates of provisions are reflected in the Income statement in the period in which the change occurs.

### Revenue recognition

Revenue for sale of vehicles and service parts is recognized if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. Revenue is recognized when the risks and rewards of ownership are transferred to the customer, the sales price is agreed or determinable and collectability is reasonably assured; for vehicles this corresponds generally to the date when the vehicles are made available to dealers, or when the vehicle is released to the carrier responsible for transporting vehicles to dealers.

Revenues are recognized net of discounts, including but not limited to, sales incentives and customer bonus.

The estimated costs of sales incentive programs incudes incentive offered to dealers and retail customers as well as any granting of retail financing at significant discount to market interest rates. These costs are recognized at the time of the sale of the vehicle.

New vehicle sales with a buy-back commitment, or through Guaranteed Depreciation Program ("GDP"), under which the Group guarantees the residual value or otherwise assumes responsibility for the minimum resale value of the vehicle, are not recognized at the time of delivery but are accounted for similar to an operating lease and rental income is recognized over the contractual term of the lease on a straight-line basis. At the end of the lease term, the Group recognizes revenue for the portion of the vehicle sales price which had not been previously recognized as rental income and recognizes, in Cost of sales, the remainder of the cost of the vehicle.

Revenues from services and from construction contracts are recognized when they are rendered by reference to the stage of completion.

Revenues also include lease rentals recognized over the contractual term of the lease on a straight-line basis and interest income from financial services companies.

### Cost of sales

Cost of sales comprises expenses incurred in the manufacturing and distribution of vehicles and parts, mainly the cost of materials and components. The remaining costs principally include labor costs, consisting of direct and indirect wages, as well as depreciation, amortization and transportation costs. Cost of sales also includes warranty and product-related costs, estimated at the time of sale to dealer networks or to the end customer.

Expenses which are directly attributable to the financial services companies, including the interest expenses related to their financing as a whole and provisions for risks and write-downs of assets, are reported in Cost of sales.

### Government grants

Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated for accounting purposes as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and is accounted for in accordance with the policies used for the recognition of government grants.

### Taxes

Income taxes include all taxes based upon the taxable profits of the Group. Current and deferred taxes are recognized as income or expense and included in the Income statement for the period, except tax arising from (i) a transaction or event which is recognized, in the same or a different period, either in Other comprehensive income/(losses) or directly in Equity, (ii) a business combination.

Deferred taxes are accounted for under the full liability method. They are recognized for all temporary differences between the tax base of assets or liabilities and their carrying amounts in the Consolidated financial statements, except for deferred tax liabilities arising from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to the period when the asset is realized or liability is settled.

The Group recognizes deferred tax liabilities associated with the existence of a subsidiary's undistributed profits, except when it is able to control the timing of the reversal of the temporary difference; and it is probable that this temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets associated with the deductible temporary differences on investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from deductible temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized. The Group reassesses unrecognized deferred tax assets at the end of each year and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income taxes and deferred taxes are offset when they relate to the same taxation authority and there is a legally enforceable right of offset.

Other taxes not based on income, such as property taxes and capital taxes, are included in Other income/(expenses).

## Segment reporting

The organization of the Group, with reference to the car mass-market brands, is based on four operating regions (the "regions") that deal with the development, production and sale of "mass-market brand" passenger cars, light commercial vehicles and related parts and services in specific geographical areas: NAFTA (U.S., Canada and Mexico), LATAM (South and Central America, excluding Mexico), APAC (Asia and Pacific countries) and EMEA (Europe, Middle East and Africa). The Group also includes two additional operating segments (Luxury Brands and Components), the first which designs, manufactures and sells luxury cars (Ferrari and Maserati) and the other that produces and sells components and production systems for the automotive industry (Magneti Marelli, Teksid and Comau). Both segments operate on a worldwide basis.

In more detail, the regions and the operating segments identified by the Group are the following:

- NAFTA mainly earns its revenues from the design, development, production, distribution and sale of automobiles under the Chrysler, Jeep, Dodge, Ram, SRT and Fiat brand names, and from sales of the related parts and accessories (under the Mopar brand name) in the United States, Canada and Mexico.
- LATAM mainly earns its revenues from the production and sale of passenger cars and light commercial vehicles and related spare parts under the Fiat and Fiat Professional brand names in South and Central America, excluding Mexico, and from the distribution of Chrysler group brand cars in the same region; in addition, it provides financial services to the dealer network in Brazil and Argentina, and to the dealer network and end customers of CNH Industrial group for the sale of trucks and commercial vehicles in the same countries.
- APAC mainly earns its revenues from the sale of cars, engines and transmissions and related spare parts under the Chrysler and Fiat brands mostly in China, Japan, Australia, South Korea and India. These activities are carried out by the region through both subsidiaries and joint ventures.
- EMEA mainly earns its revenues from the design, development, production and sale of passenger cars and light commercial vehicles under the Fiat, Alfa Romeo, Lancia/Chrysler, Abarth and Fiat Professional brand names and the sale of the related spare parts in Europe, Middle East and Africa, and from the distribution of Chrysler group vehicles in the same areas. In addition, the region provides financial services related to the sale of cars and light commercial vehicles in Europe, primarily through the 50/50 joint venture FGA Capital set up with the Crédit Agricole group included within entities accounted for using the equity method.

- The Luxury Brands (Ferrari and Maserati) grouping earns its revenues from the production and sale of luxury sport cars under the Ferrari and Maserati brands, from managing the Ferrari racing team and from providing financial services offered in conjunction with the sale of Ferrari brand cars.
- The Components (Magneti Marelli, Teksid and Comau) grouping earns its revenues from the production and sale of lighting components, engine control units, suspensions, shock absorbers, electronic systems and exhaust systems and from activities in the plastic molding components and in the after-market carried out under the Magneti Marelli brand name, cast iron components for engines, gearboxes, transmissions and suspension systems and aluminum cylinder heads (Teksid), in addition to the design and production of industrial automation systems and related products for the automotive industry (Comau).

The regions and operating segments reflect the components of the Group that are regularly reviewed by the Chief Executive Officer together with the Group Executive Council for making strategic decisions, allocating resources and assessing performance.

## Use of estimates

The Consolidated financial statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosures relating to contingent liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimate are recognized in the Income statement in the period in which the adjustment is made, or in future periods.

The main items affected by these uses of estimates are non-current assets (Tangible and Intangible assets), Deferred tax assets, Provision for employee benefits and Inventories. Following are the items requiring estimates for which there is a risk that a significant difference may arise in respect of the carrying amounts of assets and liabilities in the future.

### *Recoverability of non-current assets*

Non-current assets include Property, plant and equipment, Goodwill and Intangible assets with definite and indefinite useful lives. The Group periodically reviews the carrying amount of non-current assets and that of assets held for sale when events and circumstances warrant such a review. Impairment testing is performed by comparing the carrying amount and the recoverable amount of each cash-generating unit ("CGU"). The recoverable amount is the higher of the CGUs fair value less costs of disposal and their value in use. In assessing the value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The analysis of the recoverable amount of non-current assets is performed at least annually for CGUs to which Goodwill or Intangible assets with indefinite useful lives have been allocated. For a discussion on impairment testing on Goodwill arising from the Chrysler acquisition and Intangible assets with an indefinite useful life, reference should be made to Note 13.

For other CGUs, the same analysis is performed when events and circumstances indicate that an asset may be impaired. At 31 December 2012 and 2013, due to the continued decline in car demand on the European market (primarily in Italy) and to the streamlining of architectures[1] and related production platforms associated with the region's refocused product strategy, impairment tests relating to EMEA net assets were performed on two levels.

---

*[1] The "vehicle architecture" is the combination of systems that enables the generation of specific vehicle platforms for the different models in a certain segment.*

Firstly, the recoverable amounts of the assets of specific EMEA CGUs were tested, identified as plants, machinery and equipment as well as the associated intangible assets dedicated to the production of specific platforms and powertrains. This impairment analysis led to the recognition of impairment on Development costs of €66 million and on Other tangible assets of €37 million (€108 million in 2012 mainly related to Development costs and Other tangible assets). These impairment losses were recognized under Other unusual expenses (€93 million) and under Operating costs (€10 million). A similar process was carried out also for specific CGUs within the Components operating segment and for the Maserati CGU, leading to the recognition of an impairment of Property, plant and equipment for €30 million and an impairment of Development costs of €65 million, respectively.

Secondly, following the above mentioned decline in demand, at 31 December 2012 and 2013, the Group deemed necessary to test the recoverable amount of the Net Capital Employed pertaining to the EMEA operating segment as a whole, by determining its value in use with the following assumptions:

- reference scenario was based on 2014 budget, the expected trading conditions and the automotive market trends for the 2015-2019 period, based on analysis and studies carried out by primary independent analysts (*IHS-Global Insight*), in line with the announced strategic decision to leverage historical premium brand heritage (Alfa Romeo) and the success of the new 500 family;
- the six year period has been deemed necessary to take into account the full cycle of new vehicles introduced reflecting the benefits arising from the capital expenditure devoted to the product portfolio enrichment and renewal, largely concentrated in 2015-2016;
- the expected future cash flows, represented by the projected trading profit plus depreciation and amortization and reduced by expected capital expenditure, include a normalized terminal period used to estimate the future results beyond the time period explicitly considered. This terminal period was assumed substantially in line with 2017-2019 amounts. The long-term growth rate was set at zero;
- the expected future cash flows have been discounted using a pre-tax Weighted Average Cost of Capital ("WACC") of 12.20% (13.14% in 2012). This WACC reflects the current market assessment of the time value of money for the period being considered and the risks specific to the EMEA region. The WACC was calculated by referring among others to the yield curve of 10 years European government bonds and to Fiat cost of debt.

The recoverable amount of the net assets of the EMEA operating segment was higher than the corresponding book value. In addition, sensitivity analysis were performed by simulating two different scenarios: a) WACC was increased by 1% for 2017, 2% for 2018 and 3% for 2019 and for Terminal Value; b) cash-flows were reduced by estimating the impact of a 5% decrease in the European car market demand for 2015, 7.5% for 2016 and 10% for 2017-2019 as compared to the base assumptions. In all cases the recoverable amount of the net assets continued to be higher than their book value.

The estimates and assumptions described reflect the Group's current available knowledge as to the expected future development of the businesses and are based on an assessment of the future development of the markets and the car industry, which remain subject to a high degree of uncertainty due to the continuation of the economic difficulties in most countries of the Eurozone and its effects on the industry. More specifically, considering the uncertainty, a future worsening in the economic environment in the Eurozone that is not reflected in these Group assumptions, could result in actual performance that differs from the original estimates, and might therefore require adjustments to the carrying amounts of certain non-current assets in future periods.

*Recoverability of deferred tax assets*

The carrying amount of deferred tax assets is reduced to the extent that it is not probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized.

At 31 December 2013, the Group had deferred tax assets on deductible temporary differences of €6,173 million (€6,353 million at 31 December 2012), of which €435 million was not recognized (€2,445 million at 31 December 2012). At the same date the Group had also theoretical tax benefit of losses carried forward of €3,810 million (€3,399 million at 31 December 2012), of which €2,891 million was unrecognized (€2,473 million at 31 December 2012). In addition, at 31 December 2013, in view of the results achieved by Chrysler, of the continuous improvement of its product mix, its trends in international sales and its implementation of new vehicles, together with the consolidation of the alliance between Fiat and Chrysler, following Fiat's acquisition of the remaining shareholding at the beginning of 2014, the Group recognized previously unrecognized deferred tax assets for a total of €1,734 million, of which €1,500 million recognized in Income taxes and €234 million in Other comprehensive income/(losses).

The recoverability of deferred tax assets is dependent on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse and tax losses carried forward can be utilized. In making this assessment, the Group considers future taxable income arising on the most recent budgets and plans, prepared by using the same criteria described for testing the impairment of assets and goodwill, moreover, it estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these assets could be recovered.

These estimates and assumptions are subject to a high degree of uncertainty, in particular with regard to the future performance in the Eurozone, therefore changes in current estimates due to unanticipated events could have a significant impact on the Group's Consolidated financial statements.

*Pension plans and other post-retirement benefits*

At 31 December 2013 net liabilities and net assets for employee benefit, amounting to €7,181 million and to €95 million, respectively (€10,256 million and €83 million, respectively at 31 December 2012), are measured on an actuarial basis which requires the use of estimates and assumptions to determine the net liability or net asset. The actuarial method takes into consideration parameters of a financial nature such as the discount rate and the return on plan assets, the rates of salary increases and the rates of health care cost increases and the likelihood of potential future events estimated by using demographic assumptions such as mortality rates, dismissal and retirement rates.

In particular, the discount rates selected are based on high quality corporate bonds in the relevant market. The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself (other than those included in the actuarial assumptions used to measure the defined benefit obligation). Rates of salary increases reflect the Group's long-term actual expectation in the reference market and inflation trends. Trends in health care costs are developed on the basis of historical experience, the near-term outlook for costs and likely long-term trends. Changes in any of these assumptions are recognized in Other comprehensive income/(losses) when they occur and may have an effect on future contributions to the plans.

*Net realizable value of Inventories*

At 31 December 2013 the Group had Inventories of €10,230 million (€9,295 million at 31 December 2012), measured at the lower of cost and their net realizable value. Net realizable value is based on the most reliable evidence of the amount the Group expects to realize from vehicles and components, on future sales trends or needs (for components) and also takes into account items that are wholly or partially obsolete. A future unexpected worsening in market conditions could result in an adjustment in future expected sales, requirements and in estimated selling prices assumptions which may require an adjustment to the carrying amount of Inventories.

*Incentives*

The Group offers a variety of sales incentive programs, including: cash offers to dealers primarily on the basis of their cumulative level of sales during a specified period, cash offers to retail customers and subvention programs offered to retail customers or lease subsidies. Incentive programs are generally brand, model and region specific for a defined period of time, which may be extended. The Group recognizes the estimated cost of these incentive programs at the time of sale. The estimated cost represents the incentive programs offered to dealers and retail customers, as well as the expected modifications to these programs in order to facilitate sales of the dealer inventory. Subsequent adjustments to incentive programs and new incentive programs offered by the Group on vehicles previously sold to dealers are recognized as an adjustment to Net revenue in the period the adjustment is determined.

*Product warranties and liabilities*

At 31 December 2013 the Group had provisions for estimated expenses related to product warranties of €3,656 million (€3,617 million at 31 December 2012). Estimates of warranty costs are principally based on assumptions regarding the lifetime of warranty costs of each vehicle, as well as historical claims experience. Estimates of the future costs of these actions are inevitably imprecise and may result in adjustments to the established provisions due to numerous uncertainties, including new laws and regulations, the number of vehicles affected and the nature of the corrective action.

Moreover, the Group makes provisions for estimated product liability costs arising from personal injuries alleged to be the result of product defects. The valuation of the reserve is actuarially determined on an annual basis based on, among other factors, the number of vehicles sold and product liability claims incurred. Costs associated with these provisions are recorded in Cost of Sales and any subsequent adjustments are recorded in the period in which the adjustment is determined.

*Contingent liabilities*

The Group makes provision in connection with pending or threatened disputes or legal proceedings when it is considered probable that there will be an outflow of funds and when the amount can be reasonably estimated. If an outflow of funds becomes possible but the amount cannot be estimated, the matter is disclosed in the notes to the financial statements. The Group is the subject of legal and tax proceedings covering a wide range of matters in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the outflow of funds which will result from such disputes with any certainty. Moreover, the cases and claims against the Group often derive from complex legal issues which are subject to a differing degree of uncertainty, including the facts and circumstances of each particular case and the manner in which applicable law is likely to be interpreted and applied to such fact and circumstances, and the jurisdiction and the different laws involved. The Group monitors the status of pending legal procedures and consults with experts on legal and tax matters on a regular basis. It is therefore possible that the provisions for the Group's legal proceedings and litigation may vary as the result of future developments in pending matters.

## New and revised IFRSs adopted since 1 January 2013

The following new standards and amendments were adopted by the Group since 1 January 2013:

- Amendments to IAS 19 – *Employee Benefits*;
- IFRS 13 – *Fair Value Measurement*;
- Amendments to IAS 1 – *Presentation of Financial Statements: Presentation of items of Other Comprehensive Income*;
- Amendments to IFRS 7 – *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities;*
- Amendments to IAS 1 – *Presentation of Financial Statements* (as part of the *Annual Improvements to IFRS's – 2009-2011 Cycle*).

The nature and effects of changes are explained below.

*Amendments to IAS 19 – Employee Benefits*

The Group adopted IAS 19, as amended, effective 1 January 2013. The revised standard modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes relate to the:

- Recognition of the plan deficit or surplus: The amendments remove the previous option of deferring actuarial gains and losses under the off balance sheet "corridor method", and require them to be recognized directly in Other comprehensive income/(losses). In addition, the amendments require the immediate recognition of past service costs in the Income statement. These amendments led to the recognition of the entire plan deficit or surplus in the balance sheet.
- Net interest expense: The interest expense, calculated by using a discount rate, and the expected return on plan assets, calculated by using a long-term rate of return of assets, are replaced by the net interest expense on the plan deficit or surplus, which consists of (i) the interest expense calculated on the present value of the obligations, (ii) the interest income arising from the valuation of the plan assets, and (iii) the interest expense or income on the effect of the asset ceiling. All above components are calculated by using the discount rate applied for measuring the obligation at the beginning of the period.
- Classification of net interest expense: The Group recognizes net interest expense in Financial income/(expenses). Under the previous version of IAS 19, the Group recognized all income and expense arising from the measurement of funded pension plan assets and liabilities in operating costs, by function, while the interest expense relating to unfunded defined benefit plans was included in Financial income/(expenses).
- Administrative expenses: the amendments require that the cost of managing plan assets should be deducted from the return on plan assets (through Other comprehensive income/losses) and all other administrative costs relating to assets should be recognized in the Income statements in the year they occur. Under the previous version of IAS 19, the Group recognized all administrative costs and costs for managing plan assets in the Income statements in the year in which they occur, as a deduction from the expected return on assets.

The Group applied the relevant transitional provisions and restated the comparative amounts reported in this Annual report on a retrospective basis. The impacts of the adoption of these amendments on amounts previously reported are set out below:

| | At 1 January 2012 | | | At 31 December 2012 | | |
|---|---|---|---|---|---|---|
| (€ million) | Amounts as previously reported | IAS 19 amendments adoption effect | Amounts as restated | Amounts as previously reported | IAS 19 amendments adoption effect | Amounts as restated |
| **Effects on Statement of financial position** | | | | | | |
| Investments and other financial assets | 2,660 | 3 | **2,663** | 2,290 | (3) | **2,287** |
| Defined benefit plan assets | 97 | 8 | **105** | 105 | (12) | **93** |
| Deferred tax assets | 1,690 | (1) | **1,689** | 1,736 | 2 | **1,738** |
| Provision for employee benefits | 7,026 | 2,558 | **9,584** | 6,694 | 4,792 | **11,486** |
| Deferred tax liabilities | 760 | 1 | **761** | 802 | (1) | **801** |
| **Equity:** | **12,260** | **(2,549)** | **9,711** | **13,173** | **(4,804)** | **8,369** |
| Equity attributable to owners of the parent | 8,727 | (1,369) | **7,358** | 9,059 | (2,872) | **6,187** |
| Non-controlling interests | 3,533 | (1,180) | **2,353** | 4,114 | (1,932) | **2,182** |

| (€ million) | Amounts as previously reported | IAS 19 revised adoption effect | 2012 Amounts as restated |
|---|---|---|---|
| **Effects on Income statement** | | | |
| Cost of sales | 71,474 | 227 | **71,701** |
| Selling, general and administrative costs | 6,731 | 32 | **6,763** |
| Research and development costs | 1,835 | 15 | **1,850** |
| Other income/(expenses) | (103) | 1 | **(102)** |
| **Trading profit/(loss)** | **3,814** | **(273)** | **3,541** |
| **EBIT** | **3,677** | **(273)** | **3,404** |
| Financial income/(expenses) | (1,641) | (244) | **(1,885)** |
| Income taxes | 625 | (2) | **623** |
| **Profit/(loss) from continuing operations** | **1,411** | **(515)** | **896** |
| **Profit/(loss) for the period** | **1,411** | **(515)** | **896** |
| **Profit/(loss) for the period attributable to:** | | | |
| Owners of the parent | 348 | (304) | **44** |
| Non-controlling interests | 1,063 | (211) | **852** |

| (in €) | Amounts as previously reported | IAS 19 revised adoption effect | 2012 Amounts as restated |
|---|---|---|---|
| **Basic and diluted earnings/(loss) per share** | | | |
| Basic earnings/(loss) per ordinary share | 0.286 | (0.250) | **0.036** |
| Diluted earnings/(loss) per ordinary share | 0.284 | (0.248) | **0.036** |

| (€ million) | Amounts as previously reported | IAS 19 revised adoption effect | 2012 Amounts as restated |
|---|---|---|---|
| **Effects on Statement of comprehensive income** | | | |
| PROFIT/(LOSS) FOR THE PERIOD (A) | **1,411** | **(515)** | **896** |
| Items that will never be reclassified to Income statement (B1) | - | (1,839) | **(1,839)** |
| Items that may be reclassified to Income statement (B2) | (151) | 89 | **(62)** |
| Total Other comprehensive income/(losses), net of tax (B1)+(B2)=(B) | (151) | (1,750) | **(1,901)** |
| Total Other comprehensive income/(losses) (A)+(B) | **1,260** | **(2,265)** | **(1,005)** |

| (€ million) | Amounts as previously reported | IAS 19 revised adoption effect | 2012 Amounts as restated |
|---|---|---|---|
| **Effects on Consolidated statement of cash flows** | | | |
| **Cash flows from/(used in) operating activities** | | | |
| Profit/(loss) for the period | **1,411** | **(515)** | **896** |
| Other non-cash items | 47 | 515 | **562** |

*IFRS 13 – Fair Value Measurement*
The new standard clarifies the measurement of fair value for the purpose of the financial statements and is applicable to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. Moreover, IFRS 13 includes extensive disclosure requirements on the fair value measurements. In accordance with the relevant transitional provision, the Group adopted the new fair value measurement guidance prospectively since 1 January 2013 without applying the new disclosure requirements in the standard for comparative information reported in this Annual report. Other than the additional disclosures on the fair value measurement reported in the Note 30, the adoption of the new standard had no significant effect on the amounts recognized in this Annual report.

*Amendments to IAS 1 – Presentation of Financial Statements: Presentation of items of Other Comprehensive Income*
The amendments required items of Other comprehensive income/(losses) to be grouped on the basis of whether they will be reclassified subsequently to the Income Statements when specific conditions are met. The Group adopted these amendments in this Annual report and modified the presentation of items of Other comprehensive income. Comparative information has been reclassified accordingly.

*Amendments to IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities*
The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The Group applied the amendments since 1 January 2013 retrospectively. The adoption of the amendments had no impacts on the disclosure or on the amounts recognized in this Annual report.

*Amendments to IAS 1 – Presentation of Financial Statements (as part of the Annual Improvements to IFRS's – 2009-2011 Cycle)*
On 17 May 2012, the IASB issued a number of amendments to IFRSs ("*Annual Improvements to IFRS's – 2009-2011 Cycle*"). The amendments that are relevant to the Group, effective 1 January 2013, are the amendments to IAS 1 – *Presentation of Financial Statements.* The amendments clarify the way in which comparative information should be presented when an entity changes accounting policies or retrospectively restates or reclassifies items in its financial statements and when an entity provides comparative information in addition to the minimum comparative financial statements. The amendments were applied by the Group for the restatement of the amounts presented in the statements of financial position as a result of applying the amendments to IAS 19 by adding a third Statement of financial position as of 1 January 2012.

## New standards and interpretations not yet effective

In May 2011, a package of three standards was issued: IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements* and IFRS 12 – *Disclosure of Interests in Other Entities.* IAS 27 – *Consolidated and Separate Financial Statements* (which has been renamed IAS 27 – *Separate Financial Statements)* and IAS 28 – *Investments in Associates* (which has been renamed IAS 28 – *Investments in Associates and Joint Ventures*) were consequently revised. Subsequently, other amendments were issued to clarify transitional guidance on the first-time adoption of the standards. The new standards are effective for annual periods beginning on or after 1 January 2013, and must be applied retrospectively. The European Union endorsed these standards by postponing their effective date to 1 January 2014, allowing early adoption from 1 January 2013. The Group will apply the new standards from 1 January 2014. In particular:

- IFRS 10 – *Consolidated Financial Statements* will replace SIC-12 – *Consolidation: Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements* (which has been renamed IAS 27 – *Separate Financial Statements* and addresses the accounting treatment of investments in separate financial statements). The new standard builds on existing principles by identifying a single control model applicable to all entities, including "structured entities". The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. At the date of this Annual report, adoption of this new standard would have no effect as no changes to the control conclusions reached before and after the adoption of the new standard would arise.
- IFRS 11 – *Joint Arrangements* supersedes IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities: Non-monetary Contributions by Venturers*. The adoption of this new standard for the Group will require the reclassification of investments classified as jointly controlled entities under IAS 31 as either Joint ventures (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or Joint operations (if the Group has right only to the net assets of an arrangement). The classification will focus on the rights and obligations of the arrangements, rather than their legal form. Notwithstanding the reclassification, the Group investments that will be classified as Joint ventures under IFRS 11 will continue to be recognized by applying the equity method and the Group expects no impact on its Consolidated financial statements for these investments. In relation to its interests in Sevel S.p.A. and in Fiat India Automobiles Limited, that will be classified as Joint operations upon the adoption of IFRS 11, the Group will recognize its share of assets, liabilities, revenues and expenses instead of recognizing its interests by using the equity method. At 31 December 2013, this adoption of IFRS 11 would lead to an estimated increase in total Assets recognized of approximately €440 million, an increase in Debt of approximately €380 million (the effect on Net industrial debt is an increase of approximately €360 million). No effect will arise on the Group's Profit/(Loss) or Equity from the adoption of the standard.
- IFRS 12 – *Disclosure of Interests in Other Entities*, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other unconsolidated vehicles. The application of the new standard will result in expanded disclosure in the Notes to the Consolidated financial statements.

On 16 December 2011, the IASB issued certain amendments to IAS 32 – *Financial Instruments: Presentation* to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. No significant effect is expected from the first time adoption of the standard.

On 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets* addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The application of this amendment will result in an expanded disclosure in the Notes to the Consolidated financial statements in case of impairment based on fair value less cost of disposal.

On 27 June 2013, the IASB issued narrow scope amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* entitled *"Novation of Derivatives and Continuation of Hedge Accounting"*. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in *IFRS 9 - Financial Instruments*. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. No significant effect is expected from the first time adoption of these amendments.

In addition, the European Union had not yet completed its endorsement process for these standards and amendments at the date of this Annual report:

- On 12 November 2009, the IASB issued IFRS 9 – *Financial Instruments*. The new standard was reissued in October 2010 and subsequently amended in November 2013. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting. It replaces the relevant parts of IAS 39 – *Financial Instruments: recognition and measurement*. As part of the November 2013 amendments, among other, the IASB removed the standard's mandatory effective date, previously set on 1 January 2015. This date will be added to the standard when all phases of the IFRS 9 project are completed and a final complete version of the standard is issued.
- On 20 May 2013, the IASB issued the IFRIC Interpretation 21 - *Levies*, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. The interpretation sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.
- On 21 November 2013, the IASB published narrow scope amendments to IAS 19 – *Employee benefits* entitled "*Defined Benefit Plans: Employee Contributions*". These amendments apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases. The amendments are effective, retrospectively, for annual periods beginning on or after 1 July 2014 with earlier application permitted.
- On 12 December 2013 the IASB issued the *Annual Improvements to IFRSs 2010–2012* Cycle and *Annual Improvements to IFRSs 2011–2013 Cycle*. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – *Share based payment*, the aggregation of operating segments in IFRS 8 – *Operating Segments,* the definition of key management personnel in IAS 24 – *Related Party disclosures*, the extension of the exclusion from the scope of IFRS 3 – *Business Combinations* to all types of joint arrangements (as defined in IFRS 11 – *Joint arrangements*) and to clarify the application of certain exceptions in IFRS 13 – *Fair value Measurement*.

The Group will comply with these new standards and amendments based on their relevant effective dates when endorsed by the European Union and it will evaluate their potential impacts on the Consolidated financial statements.

## Scope of consolidation

*Consolidated entities*

The Consolidated financial statements at 31 December 2013 includes Fiat S.p.A. and 303 subsidiaries consolidated on a line-by-line basis in which Fiat S.p.A., directly or indirectly, has a majority of the voting rights, and over which it exercises control or from which it is able to derive benefit by virtue of its power to govern their corporate financial and operating policies.

There were no significant changes in the scope of consolidation in 2013, although the following minor changes occurred:

- on 1 July 2013, the Group, through its wholly owned subsidiary Fiat Group Automobiles S.p.A., acquired full control of the VM Motori group, which was previously considered a joint venture consolidated by using the equity method. Starting from this date, Fiat Group has consolidated VM Motori group on a line-by-line basis;
- from November 2013, the investment in the Brazilian company, CMP Componentes e Modulos Plasticos Industria e Comercio Ltda, which was previously classified as held for sale on acquisition, has been consolidated on a line by line basis as a result of changes in the plans for its sale;
- from December 2013, the assets and liabilities related to a subsidiary consolidated by the Components operating segment (Fonderie du Poitou Fonte S.A.S.) were reclassified as Assets and liabilities held for sale (Note 22).

Certain minor subsidiaries (dealership and captive service companies) generating a negligible volume of activities are excluded from consolidation and accounted for using the equity method. Their proportion of the Group's assets, liabilities and aggregate revenues are insignificant. Other minor subsidiaries that are dormant, under liquidation or generating a negligible volume of business are excluded from consolidation and accounted for at cost. Their aggregate assets and revenues at 31 December 2013 represent 0.1% of the Group's respective amounts.

Interests in jointly controlled entities are accounted for using the equity method. Condensed financial information based on the Group's pro-rata interest in these entities, before eliminations, is as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Non-current assets | 1,730 | 1,984 |
| Current assets | 8,759 | 8,790 |
| **TOTAL ASSETS** | **10,489** | **10,774** |
| Debt | 7,686 | 7,602 |
| Other liabilities | 1,319 | 1,601 |

The combined balances of the Group's share in the principal Income statement items of jointly controlled entities accounted for using the equity method are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Net revenues | 4,021 | 4,381 |
| Trading profit/(loss) | 213 | 230 |
| EBIT | 213 | 225 |
| Profit/(loss) before taxes | 175 | 200 |
| Profit/(loss) | 136 | 148 |

At 31 December 2013 the main aggregate amounts related to the Group's interests in associates are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Total assets | 404 | 294 |
| Liabilities | 293 | 218 |

| (€ million) | 2013 | 2012 |
|---|---|---|
| Net revenues | 225 | 182 |
| Net profit/(loss) | (28) | (38) |

The main aggregate amounts related to the Group interests in associates measured at cost are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Total assets | 30 | 35 |
| Liabilities | 13 | 16 |

| (€ million) | 2013 | 2012 |
|---|---|---|
| Net revenues | 47 | 48 |
| Net profit/(loss) | 5 | 4 |

## Acquisitions or disposals

No significant subsidiaries were acquired or disposed of in 2013. Nevertheless, as discussed above on 1 July 2013, through its potential voting rights, the Fiat Group acquired control of the VM Motori group in accordance with IAS 27 - *Consolidated and Separate Financial Statements*. The company, which was previously consolidated by using the equity method, was consolidated on a line-by-line basis from that date. On the same date, General Motors, holding the 50% remaining interest in VM Motori, notified Fiat of the exercise of its put option to sell its interest, subject to the approval of the relevant anti-trust authorities. The transaction closed on 28 October 2013 with the payment of a purchase consideration of €34.1 million. Other option rights existing at that date expired unexercised. At 31 December 2013, the purchase price allocation was completed with the recognition of goodwill for €15 million. Amounts of fair valued assets and liabilities acquired are disclosed as Change in the scope of consolidation, where significant in the relevant Notes.

No significant subsidiaries were acquired or disposed of in 2012. Nevertheless, in January 2012, as a result of the occurrence of the third performance event ("*Ecological Event*") established in *Chrysler's LLC Operating Agreement,* the Group acquired a further 5% interests in Chrysler with no monetary consideration. At 31 December 2012, Fiat had therefore a 58.5% ownership interest in Chrysler.

## Composition and principal changes

### 1. Net revenues

Net revenues are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Sales of goods | 83,000 | 80,278 |
| Services provided | 2,043 | 2,049 |
| Contract revenues | 1,047 | 1,086 |
| Interest income from customers and other financial income of financial services companies | 239 | 277 |
| Lease installments for assets sold with a buy-back commitment and for operating leases | 226 | 244 |
| Other | 261 | 23 |
| **Total Net revenues** | **86,816** | **83,957** |

Net revenues are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Italy | 6,937 | 7,275 |
| Rest of the world | 79,879 | 76,682 |
| **Total Net revenues** | **86,816** | **83,957** |

Net revenues in the Rest of the world in 2013 are attributed mainly to: United States, Canada and Mexico for €47,552 million (€45,170 million in 2012), Brazil for €8,431 million (€9,834 million in 2012), China for €4,438 million (€2,697 million in 2012), Germany for €3,054 million (€3,167 million in 2012), France for €1,957 million (€2,055 million in 2012), UK for €1,453 million (€1,429 million in 2012), Argentina for €1,439 million (€1,179 million in 2012), Turkey for €1,268 million (€1,236 million in 2012) and Spain for €1,015 million (€873 million in 2012).

### 2. Cost of sales

Cost of sales amounts to €74,570 million in 2013 (€71,701 million in 2012) and the majority of it is made up by cost of materials and components. The remaining costs principally include labor costs, consisting of direct and indirect wages, as well as depreciation of Property, plant and equipment, amortization of Other intangible assets relating to production and transportation costs. Cost of sales also includes warranty and product-related costs, estimated at the time of sale to dealer networks or to the end customer.

Cost of sales also includes €190 million (€158 million in 2012) of interest cost and other financial expenses from financial services companies.

## 3. Selling, general and administrative costs

Selling costs amount to €4,269 million in 2013 (€4,367 million in 2012) and mainly consist of marketing, advertising, and sales personnel costs. Marketing and advertising expenses consist primarily of media campaigns, as well as marketing support in the form of trade and auto shows, events, and sponsorships.

General and administrative costs amount to €2,420 million in 2013 (€2,396 million in 2012) and mainly consist of administration expenses which are not attributable to sales, manufacturing or research and development functions.

## 4. Research and development costs

Research and development costs are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Research and development costs expensed during the year | 1,320 | 1,172 |
| Amortization of capitalized development costs | 887 | 621 |
| Write-down of costs previously capitalized | 24 | 57 |
| **Total Research and development costs** | **2,231** | **1,850** |

## 5. Result from investments

In 2013 the net gain, amounting to €97 million (a net gain of €107 million in 2012), mainly consists of the Group's share of €87 million (€94 million in 2012) in the Net profit/(loss) of investees accounted for using the equity method, and also includes write-downs for impairment, reversals, accruals to provisions against investments and dividends.

In particular, in 2013, the item includes (amounts in € million): investments held by subsidiaries pertaining to the EMEA region €145 (€160 in 2012), to the Components operating segment €5 (€2 in 2012), to the APAC region -€39 (-€5 in 2012), to the RCS MediaGroup investment -€34 (-€68 in 2012) and other investments €20 (€18 in 2012).

## 6. Gains/(losses) on the disposal of investments

In 2012, this item included the write-down of €91 million of the investment in Sevelnord Société Anonyme following its reclassification to Assets held for sale (transferred during the first quarter of 2013).

## 7. Restructuring costs

Net restructuring costs amounts to €28 million in 2013 and mainly relates to the restructuring provision in other minor business aggregated within Other activities in the segment reporting for €38 million, partially offset by the release of a restructuring provision previously made by the NAFTA region for €10 million.

Net restructuring costs in 2012 amounted to €15 million and related to the EMEA region for €43 million, the Components operating segment and Other Activities for €20 million. The item also included the release of restructuring provisions previously made by the NAFTA region for €48 million.

## 8. Other unusual income/(expenses)

In 2013, Other unusual expenses amount to €686 million and mainly includes write-downs of €272 million as a result of the rationalization of architectures associated with the new product strategy, particularly for the Alfa Romeo, Maserati and Fiat brands; in particular, €226 million related to development costs and €46 million to tangible assets. In addition, in relation to the market expected trends, the assets of the cast-iron business in the Components segment (Teksid) were written down by € 57 million. Moreover, there was a €56 million write-off of the book value of the Equity Recapture Agreement Right considering the agreement closed on 21 January 2014 to purchase the remaining minority equity stake in Chrysler from the VEBA Trust (as described in the Subsequent events note). Other unusual charges also includes for 2013 a €115 million charge related to the June 2013 voluntary safety recall for the 1993-1998 Jeep Grand Cherokee and the 2002-2007 Jeep Liberty, as well as the customer satisfaction action for the 1999-2004 Jeep Grand Cherokee. This item also includes a €59 million foreign currency translation loss recognized in the first quarter of 2013 related to the February 2013 devaluation of the official exchange rate of the Venezuelan Bolivar ("VEF") relative to the US Dollar from 4.30 VEF per US Dollar to 6.30 VEF per US Dollar. During the second and third quarter of 2013, certain monetary liabilities, which had been submitted to the Commission for the Administration of Foreign Exchange ("CADIVI") for payment approval through the ordinary course of business prior to the devaluation date, were approved to be paid at an exchange rate of 4.30 VEF per US Dollar. As a result, €12 million in the second quarter of 2013 and €4 million in the third quarter of 2013 of foreign currency transaction gains were recognized due to these monetary liabilities being previously remeasured at the 6.30 VEF per US Dollar at the devaluation date.

In 2012, Other unusual expense of net €138 million mainly included €145 million of costs arising from disputes relating to operations terminated in prior years and costs related to the termination of the joint venture Sevelnord Société Anonyme.

In 2013, Other unusual income amount to €187 million. This item mainly includes the impacts of a curtailment gain and plan amendments of €166 million with a corresponding net reduction to Chrysler's pension obligation. During the second quarter of 2013, Chrysler amended its U.S. and Canadian salaried defined benefit pension plans. The U.S. plans were amended in order to comply with Internal Revenue Service regulations, cease the accrual of future benefits effective 31 December 2013, and enhance the retirement factors. The Canada amendment ceases the accrual of future benefits effective 31 December 2014, enhances the retirement factors and continues to consider future salary increases for the affected employees. An interim remeasurement was required for these plans, which resulted in an additional €509 million net reduction to the pension obligation, a €7 million reduction to defined benefit plan assets and a corresponding €502 million increase in Total Other comprehensive income/(losses).

## 9. Financial income/(expenses)

The following table sets out details of the Group's financial income and expenses, including the amounts reported in the Income statement within the Financial income/(expenses) line item, as well as interest income from customers and other financial income of financial services companies, recognized under Net revenues, and Interest cost and other financial charges from financial services companies, recognized under Cost of sales.

| (€ million) | 2013 | 2012 |
|---|---|---|
| Financial income: | | |
| Interest income and other financial income | 200 | 254 |
| Interest income from customers and other financial income of financial services companies | 239 | 277 |
| Gains on disposal of securities | 4 | 2 |
| **Total Financial income** | **443** | **533** |
| of which: | | |
| Financial income, excluding financial services companies (A) | 204 | 256 |
| | | |
| Interest cost and other financial expenses: | | |
| Interest expense and other financial expenses | 1,880 | 1,936 |
| Write-downs of financial assets | 105 | 50 |
| Losses on disposal of securities | 3 | 9 |
| Net interest expenses on employee benefits provisions | 371 | 388 |
| **Total Interest and other financial expenses** | **2,359** | **2,383** |
| | | |
| Net (income)/expenses from derivative financial instruments and exchange rate differences | (1) | (84) |
| **Total interest and other financial expenses, net (income)/expenses from derivative financial instruments and exchange differences** | **2,358** | **2,299** |
| of which: | | |
| Interest cost and other financial expenses, net (income)/expenses from derivative financial instruments and exchange rate differences, excluding financial services companies (B) | 2,168 | 2,141 |
| | | |
| **Net financial income/(expenses) excluding financial services companies (A) – (B)** | **(1,964)** | **(1,885)** |

Net financial expenses in 2013 (excluding the financial services companies) amount to €1,964 million (€1,885 million in 2012).

This amount includes the net financial expenses of Chrysler of €975 million (€1,068 million in 2012), of which net interest expenses on employee benefits provisions of €347 million (€356 million in 2012). Net financial expenses also include net income of €31 million (net income of €34 million in 2012) arising from the equity swaps on Fiat S.p.A. and CNH Industrial N.V. (formerly Fiat Industrial S.p.A.) shares relating to certain stock option plans. These equity swaps expired in 2013.

Interest income and other financial income may be analyzed as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Interest income from banks deposits | 152 | 168 |
| Interest income from securities | 8 | 14 |
| Other interest income and financial income | 40 | 72 |
| **Total Interest income and other financial income** | **200** | **254** |

Interest cost and other financial expenses may be analyzed as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Interest expenses on bonds | 959 | 921 |
| Interest expenses on bank borrowing | 346 | 347 |
| Commission expenses | 25 | 21 |
| Other interest cost and financial expenses | 550 | 647 |
| **Total Interest cost and other financial expenses** | **1,880** | **1,936** |

In 2013 the Other interest cost and financial expenses included interest expenses of €326 million (€342 million in 2012) related to the *VEBA Trust Note* and interest expenses of €61 million (€71 million in 2012) related to the *Canadian Health Care Trust Note*.

## 10. Tax (income)/expenses

Income taxes are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Current taxes | 607 | 686 |
| Deferred taxes (benefits) costs | (1,570) | (71) |
| Taxes relating to prior periods | 20 | 8 |
| **Total Tax (income)/expenses** | **(943)** | **623** |

In 2013 Income taxes were a positive €943 million, mainly as a consequence of the recognition of previously unrecognized deferred tax assets related to Chrysler of €1,500 million.

In 2013, the Regional Italian Income Tax IRAP recognized within current taxes amounts to €54 million (€60 million in 2012) and IRAP recognized within deferred tax costs amounts to €12 million (€20 million in 2012).

The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate in effect in Italy for IRES (equal to 27.5%) and the income taxes recognized is as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| **Theoretical income taxes** | **277** | **418** |
| **Tax effect on:** | | |
| Recognition and utilization of previously unrecognized deferred tax assets | (1,747) | (529) |
| Permanent differences | 8 | (79) |
| Deferred tax assets not recognized and write-downs | 380 | 473 |
| Differences between foreign tax rates and the theoretical Italian tax rate and tax holidays | 119 | 164 |
| Taxes relating to prior years | 20 | 8 |
| Other differences | (66) | 88 |
| **Total Tax (income)/expenses, excluding IRAP** | **(1,009)** | **543** |
| Effective tax rate | - | *35.7%* |
| | | |
| IRAP (current and deferred) | 66 | 80 |
| **Total Tax (income)/expenses** | **(943)** | **623** |

Since IRAP taxable basis differs from income before taxes, it is excluded in the above reconciliation.

In 2013, the Group's effective tax rate is not representative because the Group recognized a net tax benefit in relation to a Consolidated Net profit. In particular, in 2013, the theoretical income taxes and the Group's actual differ primarily due to the recognition of previously unrecognized deferred tax assets related to Chrysler for €1,500 million. Excluding this effect, the theoretical tax rate of the Group in 2013 would have been 48.7%. The difference is also affected by other effects arising from the utilization of tax losses carried forward for which deferred tax assets were not recognized in the past. These benefits were partially offset by the negative impact of €380 million euro (€473 million in 2012) arising from the unrecognized deferred tax assets on temporary differences and tax losses arising in the year.

In 2013 Other differences include unrecoverable withholding tax of €84 million (€95 million in 2012).

The Group recognizes in its Statement of Financial Position within Deferred tax asset, the amount of Deferred tax assets less the Deferred tax liabilities of the individual consolidated companies, where these may be offset. Amounts recognized are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Deferred tax assets | 2,893 | 1,738 |
| Deferred tax liabilities | (278) | (801) |
| **Total** | **2,615** | **937** |

Changes in net deferred tax assets of €1,678 million are mainly due to the following:

- recognition of a net benefit of €1,570 million arising on previously unrecognized Deferred tax assets and the recognition of Deferred tax assets on temporary differences arising during the year, net of write-down of deferred tax relating to previous years;
- recognition directly to Equity of net deferred tax assets of €212 million;
- exchange rate differences and other changes for a negative amount of €99 million.

The significant components of Deferred tax assets and liabilities and their changes during the year are as follows:

| (€ million) | At 31 December 2012 | Recognized in Income statement | Charged to equity | Changes in the scope of consolidation | Translation differences and other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|
| Deferred tax asset arising on: | | | | | | |
| Provisions | 2,911 | 368 | - | 3 | (353) | **2,929** |
| Provision for employee benefits | 1,022 | 137 | 18 | - | (47) | **1,130** |
| Intangible assets | 381 | (38) | - | 1 | (1) | **343** |
| Impairment of financial assets | 228 | 13 | - | - | (50) | **191** |
| Inventories | 264 | (1) | - | 1 | (4) | **260** |
| Allowances for doubtful accounts | 90 | 18 | - | - | 2 | **110** |
| Other | 1,457 | (223) | - | 2 | (26) | **1,210** |
| **Total** | **6,353** | **274** | **18** | **7** | **(479)** | **6,173** |
| | | | | | | |
| Deferred tax liabilities arising on: | | | | | | |
| Accelerated depreciation | (1,354) | (128) | - | 1 | 77 | **(1,404)** |
| Capitalization of development costs | (1,211) | (252) | - | - | 47 | **(1,416)** |
| Brands and other intangibles | (784) | 48 | - | (17) | 113 | **(640)** |
| Provision for employee benefits | (21) | - | - | (1) | 2 | **(20)** |
| Other | (527) | 53 | (23) | (2) | (63) | **(562)** |
| **Total** | **(3,897)** | **(279)** | **(23)** | **(19)** | **176** | **(4,042)** |
| | | | | | | |
| **Deferred tax asset arising on tax loss carry-forward** | **3,399** | **437** | **-** | **7** | **(33)** | **3,810** |
| Unrecognized deferred tax assets | (4,918) | 1,138 | 217 | - | 237 | (3,326) |
| **Total net Deferred tax assets** | **937** | **1,570** | **212** | **(5)** | **(99)** | **2,615** |

The decision to recognize Deferred tax assets is taken for each company in the Group by assessing critically whether the conditions exist for the future recoverability of such assets by taking into account the basis of most recent forecasts from budgets and plans. In this regard at 31 December 2013, in view of the results achieved by Chrysler, of the continuous improvement of its product mix and of its trends in international sales and its implementation of new vehicles, together with the consolidation of the alliance between Fiat and Chrysler, following Fiat's acquisition of full control at the beginning of 2014, the Group recognized previously unrecognized deferred tax assets for a total of €1,734 million, of which €1,500 million recognized in Income taxes and €234 million in Other comprehensive income/(losses). Moreover, in respect to the Group's Italian entities, at 31 December 2013, despite a tax loss in the national tax consolidation, the Group continued to recognize Deferred tax assets for €1,016 million (€1,063 million at 31 December 2012) on the basis of the future taxable income expected to arise in future periods and taking into account that these tax losses can be carried forward indefinitely.

At 31 December 2013, the Group had deferred tax assets on deductible temporary differences of €6,173 million (€6,353 million at 31 December 2012), of which €435 million was not recognized (€2,445 million at 31 December 2012). At the same date the Group had also theoretical tax benefit on losses carried forward of €3,810 million (€3,399 million at 31 December 2012), of which €2,891 million was unrecognized (€2,473 million at 31 December 2012). At 31 December 2013, net deferred tax assets included the amount of €919 million in respect of benefits on unused tax losses carry-forwards (€926 million at 31 December 2012).

Deferred taxes on the undistributed earnings of subsidiaries have not been recognized, except in cases where it is probable they earnings will be distributed in the foreseeable future.

The totals of deductible and taxable temporary differences and accumulated tax losses at 31 December 2013, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiry, are as follows:

| | | Year of expiry | | | | | |
|---|---|---|---|---|---|---|---|
| (€ million) | At 31 December 2013 | 2014 | 2015 | 2016 | 2017 | Beyond 2017 | Unlimited/ indeterminable |
| Temporary differences and tax losses relating to State taxation (IRES in Italy): | | | | | | | |
| Deductible temporary differences | **18,768** | 4,997 | 1,738 | 1,641 | 1,803 | 8,589 | - |
| Taxable temporary differences | **(11,604)** | (1,133) | (1,396) | (1,229) | (1,218) | (5,360) | (1,268) |
| Tax losses | **13,555** | 86 | 16 | 303 | 31 | 1,556 | 11,563 |
| Amounts for which deferred tax assets were not recognized | **(11,546)** | (685) | (90) | (193) | (136) | (172) | (10,270) |
| **Temporary differences and tax losses relating to State taxation** | **9,173** | **3,265** | **268** | **522** | **480** | **4,613** | **25** |
| | | | | | | | |
| Temporary differences and tax losses relating to local taxation (IRAP in Italy): | | | | | | | |
| Deductible temporary differences | **18,570** | 3,922 | 1,946 | 2,248 | 2,067 | 8,387 | - |
| Taxable temporary differences | **(15,151)** | (1,193) | (1,634) | (1,540) | (1,529) | (6,934) | (2,321) |
| Tax losses | **1,091** | 2 | 3 | 9 | 54 | 234 | 789 |
| Amounts for which deferred tax assets were not recognized | **(1,169)** | (124) | (30) | (21) | (13) | (212) | (769) |
| **Temporary differences and tax losses relating to local taxation** | **3,341** | **2,607** | **285** | **696** | **579** | **1,475** | **(2,301)** |

## 11. Other information by nature

In 2013, personnel costs amounted to €9,352 million (€9,110 million in 2012), these amounts comprise costs that were capitalized mainly in connection to the product development activities.

In 2013, Fiat Group had an average number of employees of 220,194 (205,112 employees in 2012).

## 12. Earnings/(loss) per share

As explained in Note 23 below, in accordance with the resolution adopted at the extraordinary session of the Shareholders' General Meeting of 4 April 2012, from 21 May 2012 the share capital of Fiat S.p.A. is represented by ordinary shares.

The earnings/(loss) per share is determined by dividing the Profit/(loss) attributable to the equity holders of the parent company, by the weighted average number of ordinary shares outstanding during the period.

The following table provides amounts used in the calculation of basic earnings/(loss) per share for the two periods:

| | | 2013 | 2012 |
|---|---|---|---|
| Profit/(loss) attributable to owners of the parent | € million | 904 | 44 |
| Weighted average number of shares outstanding | thousands | 1,215,921 | 1,215,828 |
| **Basic earnings/(loss) per share** | euros | **0.744** | **0.036** |

In order to calculate the diluted earnings/(loss) per share, the average number of outstanding ordinary shares has been increased to also take into consideration the theoretical effect that would arise if all the share based payment plans were exercised.

The following table provides the amounts used in the calculation of diluted earnings per share for the periods presented:

| | | 2013 | 2012 |
|---|---|---|---|
| Profit/(loss) attributable to shares | € million | 904 | 44 |
| Weighted average number of shares | thousands | 1,228,926 | 1,225,868 |
| **Diluted earnings/(loss) per share** | € | **0.736** | **0.036** |

## 13. Goodwill and intangible assets with indefinite useful lives

In 2013 and 2012, changes in Goodwill and intangible assets with indefinite useful lives were as follows:

| (€ million) | At 31 December 2012 | Change in the scope of consolidation | Impairment losses | Translation differences and other changes | At 31 December 2013 |
|---|---|---|---|---|---|
| Gross amount | 10,644 | 15 | - | (377) | **10,282** |
| Accumulated impairment losses | (414) | - | - | (29) | **(443)** |
| **Goodwill** | **10,230** | 15 | - | (406) | **9,839** |
| | | | | | |
| **Brands** | **2,717** | - | - | (117) | **2,600** |
| **Goodwill and intangible assets with indefinite useful lives** | **12,947** | **15** | **-** | **(523)** | **12,439** |

| (€ million) | At 31 December 2011 | Change in the scope of consolidation | Impairment losses | Translation differences and other changes | At 31 December 2012 |
|---|---|---|---|---|---|
| Gross amount | 10,864 | - | - | (220) | **10,644** |
| Accumulated impairment losses | (421) | - | - | 7 | **(414)** |
| **Goodwill** | **10,443** | - | - | (213) | **10,230** |
| | | | | - | |
| **Brands** | **2,770** | - | - | (53) | **2,717** |
| **Goodwill and intangible assets with indefinite useful lives** | **13,213** | **-** | **-** | **(266)** | **12,947** |

Foreign exchange effects in 2013 and in 2012 arose mainly from changes in the US Dollar/Euro rate and amount to €523 million and €266 million, respectively.

Changes in the scope of consolidation includes the effects of the consolidation of the VM Motori group from the 1st July 2013, as discussed in the section Scope of consolidation.

*Brands*

Brands arise from the NAFTA region and comprise the Chrysler, Jeep, Dodge, Ram and Mopar brands. These rights are protected legally through registration with government agencies and through the continuous use in commerce. As these rights have no legal, contractual, competitive or economic term that limits their useful lives, they are classified as intangible assets with indefinite useful lives, and are therefore not amortized.

For the purpose of impairment testing, Brands and Goodwill are tested jointly and the carrying amount of Brands is allocated to the NAFTA operating segment.

*Goodwill*

Goodwill principally resulted from the acquisition of the control of Chrysler for €8,967 million (€9,372 million at 31 December 2012) and the purchase of certain interests in Ferrari S.p.A. for €786 million (€786 million at 31 December 2012).

Goodwill is allocated to operating segments or to CGUs within the operating segments as appropriate, in accordance with IAS 36. The following table presents the allocation of Goodwill across the operating segments:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| NAFTA | **7,330** | 7,661 |
| APAC | **968** | 1,012 |
| LATAM | **461** | 482 |
| EMEA | **208** | 217 |
| Luxury Brands | **786** | 786 |
| Components | **51** | 51 |
| Other activities | **35** | 21 |
| **Goodwill (net carrying amount)** | **9,839** | **10,230** |

In accordance with IAS 36, Goodwill is not amortized and is tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired. Impairment testing is performed by comparing the carrying amount and the recoverable amount of each CGU to which Goodwill has been allocated. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The assumptions used in this process represent the management's best estimate for the period under consideration.

Goodwill allocated to the NAFTA operating segment represents approximately 75% of the Group's total Goodwill. Additionally, all of the carrying value of the Group's Brands was included within the NAFTA operating segment as described before. The estimate of the value in use of the NAFTA operating segment for purposes of performing the annual impairment test was based on the following assumptions:

- The expected future cash flows covering the period from 2014 through 2017 have been derived from the Chrysler business plan prepared in connection with the recent public offering process (then withdrawn after the Fiat acquisition of the securities proposed to be offered through a private transaction) and based on two different scenarios: "Low Case" and "High Case", both of which based on the same market assumptions, but with different assumptions on variable and fixed costs. For the purpose of this impairment analysis, the "Low Case" scenario has been considered. More specifically, in making the estimates, expected EBITDA for the periods under consideration was adjusted to reflect the expected capital expenditure and monetary contributions to pension plans and other post-employment benefit plans. These flows relate to the CGU in its condition when preparing the Financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used for estimating the future cash flow are based on analyses and studies carried out by primary independent analysts, including in particular *IHS – Global Insight* and *Ward's Automotive* and on management assumptions. These assumptions are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends and segment, brand and model share for the NAFTA operating segment in the countries in which it operates (United States, Canada and Mexico) over the period considered.

- The expected future cash flows include a normalized terminal period used to estimate the future results beyond the time period explicitly considered. This terminal period was calculated by applying to the average 2014-2017 expected revenues, an EBITDA margin of the average of those estimated for 2014-2017; the EBITDA calculated in this way was then adjusted by a normalized amount of investments determined assuming a steady state business and by the expected monetary contributions to pension plans and post-employment benefit plans. As regards long-term growth rates, although it would have been reasonable to use a rate of between 2% and 3% in the market in which the NAFTA operating segment operates, a rate of zero was used.
- Pre-tax expected future cash flows have been estimated in U.S. Dollars, and discounted using a pre-tax discount rate appropriate for that currency, determined by using a base WACC of 16.0% (15.1% in 2012). The WACC used reflects the current market assessment of the time value of money for the period being considered and the risks specific to the operating segment under consideration. The WACC was calculated using the Capital Asset Pricing Model ("CAPM") technique in which the risk free rate has been calculated by referring to the yield curve of long-term U.S. government bonds and the beta coefficient and the debt/equity ratio have been extrapolated by analyzing a group of comparable companies operating in the automotive sector. Additionally, to reflect the uncertainty of the current economic environment and future market conditions, the cost of equity component of the WACC was progressively increased by a 50 basis point risk premium for the years 2014 through 2016 and by 300 basis points in the terminal period.

The surplus between the value in use estimated as above and the book value of the net capital employed (inclusive of Goodwill and Brands allocated to the NAFTA operating segment) at 31 December 2013 amounts to approximately €560 million. A sensitivity analysis was performed by increasing the WACC determined as above by 0.5%, resulting in a surplus of approximately €200 million of the value in use over the carrying amount. Based on scenario and business plan assumptions used, additional sensitivity analysis have not been performed as the assumptions used for the business plan preparation ("Low Case") and those used in the valuation analysis for the base case (additional execution risks, nil long-term growth rate and average results projected in terminal value), already take into account what management consider to be a conservative scenario.

Impairment tests for other regions, where Goodwill was allocated, were based on the expected future cash flows covering the period from 2014 through 2017. The assumptions used to determine the pre-tax WACCs and the risk premiums were consistent with those described above for the NAFTA region. Cash flows were measured in U.S. Dollars and base pre-tax WACCs of 14.9% (14.4% in 2012), 22.3% (17.2% in 2012) and 17.9% (16.4% in 2012) were used for the APAC, LATAM and EMEA regions respectively. For these regions, after an increase of 0.5% in WACCs, the recoverable amounts still exceed their carrying amounts.

For Luxury Brands, the CGU corresponds to the Ferrari and the expected future cash flows are the operating cash flows taken from the estimates included in the 2014 budget and the expected business performance, taking account of the uncertainties of the global financial and economic situation, extrapolated for subsequent years by using the specific medium/long-term growth rate for the sector equal to 1.0% (2.0% in 2012). These cash flows were then discounted using a post-tax discount rate of 8.35% (8.05% in 2012). The recoverable amount of the CGU to which the Ferrari Goodwill relates is significantly higher than its carrying amount; in addition, the exclusivity of the business, its historical profitability and its future earnings prospects indicate that this carrying amount will continue to be recoverable, even in the event of difficult economic and market conditions.

## 14. Other intangible assets

Changes in the gross carrying amount of Other intangible assets were as follows:

| (€ million) | At 31 December 2012 | Additions | Divestitures | Changes in the scope of consolidation | Translation differences and other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|
| Development costs externally acquired | 5,227 | 1,562 | (5) | 198 | (123) | **6,859** |
| Development costs internally generated | 4,637 | 480 | (304) | - | (159) | **4,654** |
| Total Development costs | **9,864** | 2,042 | (309) | 198 | (282) | **11,513** |
| | | | | | | |
| Patents, concessions and licenses externally acquired | **2,100** | 224 | (19) | 1 | (21) | **2,285** |
| Other intangible assets externally acquired | **625** | 64 | (2) | 21 | (99) | **609** |
| **Gross carrying amount** | **12,589** | **2,330** | **(330)** | **220** | **(402)** | **14,407** |

| (€ million) | At 31 December 2011 | Additions | Divestitures | Changes in the scope of consolidation | Translation differences and other changes | At 31 December 2012 |
|---|---|---|---|---|---|---|
| Development costs externally acquired | 3,841 | 1,547 | (4) | - | (157) | **5,227** |
| Development costs internally generated | 4,116 | 591 | (51) | - | (19) | **4,637** |
| Total Development costs | **7,957** | 2,138 | (55) | - | (176) | **9,864** |
| | | | | | | |
| Patents, concessions and licenses externally acquired | **1,982** | 175 | (35) | - | (22) | **2,100** |
| Other intangible assets externally acquired | **606** | 72 | (27) | - | (26) | **625** |
| **Gross carrying amount** | **10,545** | **2,385** | **(117)** | **-** | **(224)** | **12,589** |

Changes in accumulated amortization and impairment losses were as follow:

| (€ million) | At 31 December 2012 | Amortization | Impairment losses | Divestitures | Changes in the scope of consolidation | Translation differences and other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|
| Development costs externally acquired | 2,436 | 479 | 120 | (1) | 142 | (11) | **3,165** |
| Development costs internally generated | 2,516 | 408 | 130 | (286) | - | (90) | **2,678** |
| Total Development costs | **4,952** | 887 | 250 | (287) | 142 | (101) | **5,843** |
| | | | | | | | |
| Patents, concessions and licenses externally acquired | **875** | 213 | - | (18) | - | 16 | **1,086** |
| Other intangible assets externally acquired | **425** | 46 | - | (1) | 11 | (73) | **408** |
| **Accumulated amortization and impairment** | **6,252** | **1,146** | **250** | **(306)** | **153** | **(158)** | **7,337** |

| (€ million) | At 31 December 2011 | Amortization | Impairment losses | Divestitures | Changes in the scope of consolidation | Translation differences and other changes | At 31 December 2012 |
|---|---|---|---|---|---|---|---|
| Development costs externally acquired | 2,280 | 234 | 19 | - | - | (97) | **2,436** |
| Development costs internally generated | 2,157 | 387 | 38 | (45) | - | (21) | **2,516** |
| Total Development costs | **4,437** | 621 | 57 | (45) | - | (118) | **4,952** |
| | | | | | | | |
| Patents, concessions and licenses externally acquired | **705** | 208 | - | (34) | - | (4) | **875** |
| Other intangible assets externally acquired | **416** | 52 | 1 | (26) | - | (18) | **425** |
| **Accumulated amortization and impairment** | **5,558** | **881** | **58** | **(105)** | **-** | **(140)** | **6,252** |

Changes in the net carrying amount of Other intangible assets were as follows:

| (€ million) | At 31 December 2012 | Additions | Amorti-zation | Impairment losses | Divesti-tures | Change in the scope of consoli-dation | Translation diff. and other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|---|
| Development costs externally acquired | 2,791 | 1,562 | (479) | (120) | (4) | 56 | (112) | **3,694** |
| Development costs internally generated | 2,121 | 480 | (408) | (130) | (18) | - | (69) | **1,976** |
| Total Development costs | **4,912** | 2,042 | (887) | (250) | (22) | 56 | (181) | **5,670** |
| | | | | | | | | |
| Patents, concessions and licenses externally acquired | **1,225** | 224 | (213) | - | (1) | 1 | (37) | **1,199** |
| Other intangible assets externally acquired | **200** | 64 | (46) | - | (1) | 10 | (26) | **201** |
| **Net carrying amount** | **6,337** | **2,330** | **(1,146)** | **(250)** | **(24)** | **67** | **(244)** | **7,070** |

| (€ million) | At 31 December 2011 | Additions | Amorti-zation | Impairment losses | Divesti-tures | Change in the scope of consoli-dation | Translation diff. and other changes | At 31 December 2012 |
|---|---|---|---|---|---|---|---|---|
| Development costs externally acquired | 1,561 | 1,547 | (234) | (19) | (4) | - | (60) | **2,791** |
| Development costs internally generated | 1,959 | 591 | (387) | (38) | (6) | - | 2 | **2,121** |
| Total Development costs | **3,520** | 2,138 | (621) | (57) | (10) | - | (58) | **4,912** |
| | | | | | | | | |
| Patents, concessions and licenses externally acquired | **1,277** | 175 | (208) | - | (1) | - | (18) | **1,225** |
| Other intangible assets externally acquired | **190** | 72 | (52) | (1) | (1) | - | (8) | **200** |
| **Net carrying amount** | **4,987** | **2,385** | **(881)** | **(58)** | **(12)** | **-** | **(84)** | **6,337** |

Additions of €2,330 million in 2013 (€2,385 million in 2012) include development costs of €2,042 million (€2,138 million in 2012), consisting primarily of material costs and personnel related expenses relating to engineering, design and development focused on content enhancement of existing vehicles, new models and powertrain programs in NAFTA and EMEA region.

In 2013, to reflect the new product strategy the Group wrote-down certain Development costs by €250 million (€57 million in 2012). This amount mainly includes €151 million for the EMEA region, €32 million for the LATAM region and €65 million for Maserati in connection with development costs on new Alfa Romeo, Fiat and Maserati products, which have now been switched to new platforms considered technologically more appropriate. These write-downs of Development costs have been recognized as Other unusual expenses for €226 million. In 2012, the write-down was recognized within Trading profit/(loss), as this was not related to strategic factors.

Changes in the scope of consolidation amounted to €67 million mainly includes the effects of the consolidation of the VM Motori group, as discussed in the section Scope of consolidation.

Foreign exchange losses of €242 million in 2013 principally reflect the changes in the US Dollar and Brazilian Real against the Euro. Foreign exchange losses of €87 million in 2012 principally reflected the devaluation of the US Dollar and Brazilian Real against the Euro, partially offset by the appreciation of the Polish Zloty against the Euro.

## 15. Property, plant and equipment

Changes in the gross carrying amount of Property, plant and equipment were as follows:

| (€ million) | At 31 December 2012 | Additions | Divestitures | Depreciation | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|---|
| Land | 716 | 4 | (5) | - | 3 | (55) | 216 | **879** |
| Owned industrial buildings | 6,397 | 510 | (29) | - | 19 | (282) | 254 | **6,869** |
| Industrial buildings leased under finance leases | 19 | - | - | - | - | - | 71 | **90** |
| Total Industrial buildings | 6,416 | 510 | (29) | - | 19 | (282) | 325 | **6,959** |
| Owned plant, machinery and equipment | 34,078 | 2,470 | (847) | - | 213 | (1,338) | 2,357 | **36,933** |
| Plant, machinery and equipment leased under finance leases | 382 | 54 | (4) | - | 27 | 1 | 15 | **475** |
| Total Plant, machinery and equipment | 34,460 | 2,524 | (851) | - | 240 | (1,337) | 2,372 | **37,408** |
| Other tangible assets | 1,908 | 137 | (51) | - | 5 | (93) | 123 | **2,029** |
| Advances and tangible assets in progress | 3,273 | 1,935 | (4) | (2) | 4 | (177) | (2,752) | **2,277** |
| **Gross carrying amount** | **46,773** | **5,110** | **(940)** | **(2)** | **271** | **(1,944)** | **284** | **49,552** |

| (€ million) | At 31 December 2011 | Additions | Divestitures | Depreciation | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2012 |
|---|---|---|---|---|---|---|---|---|
| Land | 726 | 4 | (7) | - | - | (8) | 1 | **716** |
| Owned industrial buildings | 5,938 | 170 | (33) | - | 2 | (70) | 390 | **6,397** |
| Industrial buildings leased under finance leases | 57 | - | - | - | - | - | (38) | **19** |
| Total Industrial buildings | 5,995 | 170 | (33) | - | 2 | (70) | 352 | **6,416** |
| Owned plant, machinery and equipment | 31,674 | 1,244 | (822) | - | (12) | (404) | 2,398 | **34,078** |
| Plant, machinery and equipment leased under finance leases | 359 | 29 | (3) | - | (6) | 3 | - | **382** |
| Total Plant, machinery and equipment | 32,033 | 1,273 | (825) | - | (18) | (401) | 2,398 | **34,460** |
| Other tangible assets | 1,940 | 118 | (75) | - | 2 | (20) | (57) | **1,908** |
| Advances and tangible assets in progress | 2,679 | 3,584 | (9) | - | - | (104) | (2,877) | **3,273** |
| **Gross carrying amount** | **43,373** | **5,149** | **(949)** | **-** | **(14)** | **(603)** | **(183)** | **46,773** |

Changes in accumulated depreciation and impairment losses were as follows:

| (€ million) | At 31 December 2012 | Depreciation | Impairment losses | Divestitures | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|---|
| Land | 7 | - | - | - | - | - | - | **7** |
| | | | | | | | | |
| Owned industrial buildings | 2,228 | 257 | - | (14) | 2 | (82) | (38) | **2,353** |
| Industrial buildings leased under finance leases | 5 | 1 | - | - | - | - | (2) | **4** |
| Total Industrial buildings | 2,233 | 258 | - | (14) | 2 | (82) | (40) | **2,357** |
| | | | | | | | | |
| Owned plant, machinery and equipment | 21,352 | 2,960 | 84 | (811) | 131 | (689) | 50 | **23,077** |
| Plant, machinery and equipment leased under finance leases | 128 | 32 | - | (1) | 17 | - | 8 | **184** |
| Total Plant, machinery and equipment | 21,480 | 2,992 | 84 | (812) | 148 | (689) | 58 | **23,261** |
| | | | | | | | | |
| Other tangible assets | 982 | 178 | - | (37) | 4 | (44) | (10) | **1,073** |
| | | | | | | | | |
| Advances and tangible assets in progress | 10 | - | - | - | - | - | 1 | **11** |
| **Accumulated depreciation and impairment** | **24,712** | **3,428** | **84** | **(863)** | **154** | **(815)** | **9** | **26,709** |

| (€ million) | At 31 December 2011 | Depreciation | Impairment losses | Divestitures | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2012 |
|---|---|---|---|---|---|---|---|---|
| Land | 7 | - | - | - | - | - | - | **7** |
| | | | | | | | | |
| Owned industrial buildings | 1,999 | 253 | 2 | (13) | 2 | (22) | 7 | **2,228** |
| Industrial buildings leased under finance leases | 14 | 1 | - | - | - | - | (10) | **5** |
| Total Industrial buildings | 2,013 | 254 | 2 | (13) | 2 | (22) | (3) | **2,233** |
| | | | | | | | | |
| Owned plant, machinery and equipment | 19,505 | 2,794 | 47 | (795) | (12) | (202) | 15 | **21,352** |
| Plant, machinery and equipment leased under finance leases | 105 | 27 | - | - | (6) | 1 | 1 | **128** |
| Total Plant, machinery and equipment | 19,610 | 2,821 | 47 | (795) | (18) | (201) | 16 | **21,480** |
| | | | | | | | | |
| Other tangible assets | 948 | 178 | - | (56) | 2 | (16) | (74) | **982** |
| | | | | | | | | |
| Advances and tangible assets in progress | 10 | - | 1 | - | - | - | (1) | **10** |
| **Accumulated depreciation and impairment** | **22,588** | **3,253** | **50** | **(864)** | **(14)** | **(239)** | **(62)** | **24,712** |

Changes in the net carrying amount of Property, plant and equipment were as follows:

| (€ million) | At 31 December 2012 | Additions | Depreciation | Impairment losses | Divestitures | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Land | 709 | 4 | - | - | (5) | 3 | (55) | 216 | **872** |
| Owned industrial buildings | 4,169 | 510 | (257) | - | (15) | 17 | (200) | 292 | **4,516** |
| Industrial buildings leased under finance leases | 14 | - | (1) | - | - | - | - | 73 | **86** |
| Total Industrial buildings | 4,183 | 510 | (258) | - | (15) | 17 | (200) | 365 | **4,602** |
| Owned plant, machinery and equipment | 12,726 | 2,470 | (2,960) | (84) | (36) | 82 | (649) | 2,307 | **13,856** |
| Plant, machinery and equipment leased under finance leases | 254 | 54 | (32) | - | (3) | 10 | 1 | 7 | **291** |
| Total Plant, machinery and equipment | 12,980 | 2,524 | (2,992) | (84) | (39) | 92 | (648) | 2,314 | **14,147** |
| Other tangible assets | 926 | 137 | (178) | - | (14) | 1 | (49) | 133 | **956** |
| Advances and tangible assets in progress | 3,263 | 1,935 | - | (2) | (4) | 4 | (177) | (2,753) | **2,266** |
| **Net carrying amount** | **22,061** | **5,110** | **(3,428)** | **(86)** | **(77)** | **117** | **(1,129)** | **275** | **22,843** |

| (€ million) | At 31 December 2011 | Additions | Depreciation | Impairment losses | Divestitures | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Land | 719 | 4 | - | - | (7) | - | (8) | 1 | **709** |
| Owned industrial buildings | 3,939 | 170 | (253) | (2) | (20) | - | (48) | 383 | **4,169** |
| Industrial buildings leased under finance leases | 43 | - | (1) | - | - | - | - | (28) | **14** |
| Total Industrial buildings | 3,982 | 170 | (254) | (2) | (20) | - | (48) | 335 | **4,183** |
| Owned plant, machinery and equipment | 12,169 | 1,244 | (2,794) | (47) | (27) | - | (202) | 2,383 | **12,726** |
| Plant, machinery and equipment leased under finance leases | 254 | 29 | (27) | - | (3) | - | 2 | (1) | **254** |
| Total Plant, machinery and equipment | 12,423 | 1,273 | (2,821) | (47) | (30) | - | (200) | 2,382 | **12,980** |
| Other tangible assets | 992 | 118 | (178) | - | (19) | - | (4) | 17 | **926** |
| Advances and tangible assets in progress | 2,669 | 3,584 | - | (1) | (9) | - | (104) | (2,876) | **3,263** |
| **Net carrying amount** | **20,785** | **5,149** | **(3,253)** | **(50)** | **(85)** | **-** | **(364)** | **(121)** | **22,061** |

As a result of an analysis of the classification of the Group's assets arising from the data conversion connected to the implementation of a new accounting information system for certain subsidiaries, the 2011 and 2012 amounts presented in this analysis for comparative purposes have been reclassified to ensure comparability and consistency. A group of equipment previously classified within the item Other tangible assets is now classified as Plant, machinery and equipment. This reclassification had no effect on the results, net assets and total of Property, plant and equipment reported in the Statement of financial position.

Additions of €5,110 million in 2013 are primarily related to the car mass-market operations in NAFTA and EMEA region, as well as, to the ongoing construction of the new LATAM plant in Pernambuco.

In 2013, €30 million of impairment losses are related to assets in the Cast Iron business unit of the Components segment as a result of an expected reduction in these activities compared to the previous expectations, due to the increasing use of aluminum in the production of the automotive engine blocks rather than cast iron. These impairments, which are due to a structural change in the market, were fully recognized within Unusual expenses. The remaining impairment losses were related to the above mentioned streamlining of architectures and models associated with the EMEA region's refocused product strategy.

Changes in the scope of consolidation mainly reflects the consolidation of the VM Motori group from the 1st July 2013, as discussed in the section Scope of consolidation.

In 2013, Exchange losses of €1,129 million mainly reflect the changes of the US Dollar and the Brazilian Real against the Euro. In 2012, exchange losses of €364 million mainly reflected the depreciation of the US Dollar and the Brazilian Real against the Euro, partially offset by the appreciation of the Polish Zloty against the Euro.

In 2013 Other changes primarily consisted of the reclassification of prior year balances for Advances and tangible assets in progress to the respective categories when the assets were acquired and entered service. With reference to Land, Other changes also includes €214 million which is the fair value of the land donated to Fiat by the State of Pernambuco (Brazil) at the end of the year following the Group commitment to implement an industrial unit designed to produce, assemble and sell vehicles.

At 31 December 2013, Property, plant and equipment of the Fiat Group excluding Chrysler reported as pledged as collateral for loans, is mainly related to assets that are legally owned by suppliers but are recognized in the consolidated financial statements in accordance with IFRIC 4 with the corresponding recognition of a financial lease payable. They were as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Land and industrial buildings of pledged as security for debt | 102 | 31 |
| Plant and machinery pledged as security for debt and other commitments | 294 | 259 |
| Other assets pledged as security for debt and other commitments | 5 | 6 |
| **Property plant and equipment pledged as security for debt** | **401** | **296** |

The amount of Property, plant and equipment of Chrysler at 31 December 2013 is €11,975 million (€12,069 million at 31 December 2012). Substantially all the Property, plant and equipment of Chrysler and its U.S. subsidiary guarantors are unconditionally pledged as securities for certain debts of Chrysler (see Note 27).

At 31 December 2013, the Group had contractual commitments for the purchase of Property, plant and equipment amounting to €1,536 million (€919 million at 31 December 2012).

## 16. Investments and other financial assets

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Investments in jointly controlled entities | 1,405 | 1,416 |
| Investments in associates | 123 | 58 |
| Investments in subsidiaries | 33 | 33 |
| Equity method investees | 1,561 | 1,507 |
| | | |
| Investments at fair value with changes directly in Other comprehensive income/(losses) | 148 | 142 |
| Investments at fair value with changes in Income statement | 151 | 153 |
| Investments at fair value | 299 | 295 |
| | | |
| Investment in subsidiaries | 18 | 18 |
| Investments in associates | 19 | 23 |
| Investments in other entities | 15 | 15 |
| Investments measured at cost | 52 | 56 |
| **Total Investments** | **1,912** | **1,858** |
| | | |
| Non-current financial receivables | 292 | 310 |
| Other securities and other financial assets | 56 | 119 |
| **Total Investments and other financial assets** | **2,260** | **2,287** |

Changes in Investments in 2013 are set out below:

| (€ million) | At 31 December 2012 | Revaluations/ (Write-downs) | Purchases/ capital increases | Change in the scope of consolidation | Translation differences | Other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|
| Equity method investees | 1,507 | 87 | 202 | (35) | (87) | (113) | 1,561 |
| Investments at fair value | 295 | - | 1 | - | - | 3 | 299 |
| Investments measured at cost | 56 | (5) | 9 | (5) | (4) | 1 | 52 |
| **Total Investments** | **1,858** | **82** | **212** | **(40)** | **(91)** | **(109)** | **1,912** |

For equity method investees, revaluations and write-downs in 2013 mainly reflect the share of the net profit/(loss) recognized in the period. Other changes in investments consisting of a net decrease of €109 million mainly relates to dividends distributed by equity method investees for €92 million (of which €72 million relate to Tofas-Turk Otomobil Fabrikasi A.S. and €15 million relate to FGA Capital), to the negative change in the cash flow hedge reserve of €14 million, partially offset by the positive change in fair value of available-for-sale investments of €5 million.

*Investments accounted for using the equity method*
The equity method investees are as follows:

| | Operating segment | At 31 December 2013 % of interest | At 31 December 2013 (€ million) | At 31 December 2012 % of interest | At 31 December 2012 (€ million) |
|---|---|---|---|---|---|
| FGA Capital S.p.A. | EMEA | **50.0** | **839** | 50.0 | 770 |
| Tofas-Turk Otomobil Fabrikasi A.S. | EMEA | **37.9** | **240** | 37.9 | 329 |
| Società Europea Veicoli Leggeri-Sevel S.p.A. | EMEA | **50.0** | **104** | 50.0 | 102 |
| GAC Fiat Automobiles Co. Ltd. | APAC | **50.0** | **85** | 50.0 | 90 |
| Fiat India Automobiles Limited | APAC | **50.0** | **76** | 50.0 | 35 |
| VM Motori S.p.A.(*) | EMEA | - | - | 50.0 | 37 |
| Other | | | **61** | | 53 |
| **Total Investments in jointly controlled entities** | | | **1,405** | | **1,416** |
| | | | | | |
| RCS MediaGroup S.p.A. | OTHER ACTIVITIES | **16.4** | **87** | 10.1 | 28 |
| Other | | | **36** | | 30 |
| **Total Investments in associates** | | | **123** | | **58** |
| **Total Investments in subsidiaries** | | | **33** | | **33** |
| **Total investments accounted for using the equity method** | | | **1,561** | | **1,507** |

(*) *This investment was consolidated on a line by line basis from the 1st July 2013.*

On 30 July 2013 the Group, Crédit Agricole and Crédit Agricole Consumer Finance reached an agreement to extend the 50/50 Joint venture in FGA Capital S.p.A. up to 31 December 2021.

Tofas-Turk Otomobil Fabrikasi A.S., which is a listed entity, is classified as a jointly controlled entity as both partners have a shareholding of 37.9%.

With reference to the interest in RCS MediaGroup S.p.A. ("RCS"), as a result of the subscriptions of the share capital in 2013 Fiat increased its ownership to 16.4% of the whole capital (representing a 20.55% of ordinary shares) with a €94 million cash investment. In order to account for this investment, reference was made to the company's most recent published financial statements, being the "Interim Management Statements at 30 September 2013".

At 31 December 2013, the stock market price of equity investments in listed entities is as follows:

| (€ million) | Carrying value | Stock market price |
|---|---|---|
| Tofas - Turk Otomobil Fabrikasi A.S. | 240 | 857 |
| RCS MediaGroup S.p.A. | 87 | 115 |

*Investments measured at fair value*

At 31 December 2013, Investments at fair value with changes recognized directly in Other comprehensive income/(losses), include the investment in CNH Industrial N.V. (the entity resulting from the merger of Fiat Industrial S.p.A. with and into CNH Industrial N.V.) for €131 million (€130 million at 31 December 2012), the investment in Fin. Priv. S.r.l. for €14 million (€10 million at 31 December 2012) and the investment in Assicurazioni Generali S.p.A. for €3 million (€2 million at 31 December 2012).

Overall, at 31 December 2013, the investment in CNH Industrial N.V. consists of 34,007,650 ordinary shares (34,216,027 ordinary shares at 31 December 2012), corresponding to 3.72% voting rights, for an amount of €282 million (€283 million at 31 December 2012), of which 18,160,000 shares of CNH Industrial N.V., for an amount of €151 million, will be used for the stock option plans and are measured at fair value through profit or loss and 15,847,650 shares, for an amount of €131 million, are classified as available-for-sale and measured at fair value through Other comprehensive income/(losses). In addition, in the context of the above mentioned merger, the Group received 33,955,402 special voting shares, which cannot directly or indirectly be sold, disposed of or transferred, and over which the Group cannot create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance.

*Other securities and other financial assets*

At 31 December 2012, Other securities and other financial assets included €57 million ($75 million) relating to the amount paid for the contractual rights arising from the *Equity Recapture Agreement* and the *VEBA Call Option*. Considering the agreement with the VEBA Trust to purchase the remaining minority equity stake in Chrysler, which closed on 21 January 2014, the equivalent amount at 31 December 2013 of the $75 million amount paid for these rights (€56 million) was written-off and recognized within the unusual charges (see Note 8).

## 17. Inventories

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Raw materials, supplies and finished goods | **8,859** | 8,160 |
| Assets sold with a buy-back commitment | **1,253** | 952 |
| Gross amount due from customers for contract work | **118** | 183 |
| **Total Inventories** | **10,230** | **9,295** |

At 31 December 2013, Inventories increased by €935 million in line with the trend in production and sales volumes for the period in the various markets in which the Group operates. The increase in 2013 is primarily related to the launch of the new models in NAFTA during the last months of the year.

At 31 December 2013, Inventories include those measured at net realizable value (estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale) amounting to €1,341 million (€1,293 million at 31 December 2012).

The amount of inventory write-downs recognized as an expense during 2013 is €570 million (€634 million in 2012).

The amount of inventories of Chrysler at 31 December 2013 is €4,958 million (€4,200 million at 31 December 2012). Substantially all of the inventories of Chrysler and its U.S. subsidiary guarantors are unconditionally pledged as securities for certain debts of Chrysler (see Note 27).

The amount due from customers for contract work relates to the design and production of industrial automation systems and related products for the automotive sector and can be analyzed as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Aggregate amount of costs incurred and recognized profits (less recognized losses) to date | 1,514 | 1,482 |
| Less: Progress billings | (1,608) | (1,477) |
| **Construction contracts, net of advances on contract work** | **(94)** | **5** |
| Gross amount due from customers for contract work as an asset | 118 | 183 |
| Less: Gross amount due to customers for contract work as a liability included in Other current liabilities (Note 29) | (212) | (178) |
| **Construction contracts, net of advances on contract work** | **(94)** | **5** |

## 18. Current receivables and Other current assets

The composition of the Current receivables and Other current assets is as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Trade receivables | 2,406 | 2,702 |
| Receivables from financing activities | 3,671 | 3,727 |
| Current tax receivables | 291 | 236 |
| Other current assets: | | |
| Other current receivables | 1,860 | 1,776 |
| Accrued income and prepaid expenses | 442 | 387 |
| Total Other current assets | 2,302 | 2,163 |
| **Total Current receivables and Other current assets** | **8,670** | **8,828** |

The analysis by due date (excluding the Accrued income and prepaid expenses item) is as follows:

| | At 31 December 2013 | | | | At 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | due within one year | due between one and five years | due beyond five years | Total | due within one year | due between one and five years | due beyond five years | Total |
| Trade receivables | 2,389 | 15 | 2 | 2,406 | 2,660 | 42 | - | **2,702** |
| Receivables from financing activities | 2,776 | 863 | 32 | 3,671 | 2,688 | 1,014 | 25 | **3,727** |
| Current tax receivables | 206 | 44 | 41 | 291 | 145 | 27 | 64 | **236** |
| Other current receivables | 1,637 | 184 | 39 | 1,860 | 1,416 | 326 | 34 | **1,776** |
| **Total Current receivables** | **7,008** | **1,106** | **114** | **8,228** | **6,909** | **1,409** | **123** | **8,441** |

*Trade receivables*

Trade receivables, amounting to €2,406 million at 31 December 2013 (€2,702 million at 31 December 2012), are shown net of allowances for doubtful accounts of €344 million at 31 December 2013 (€347 million at 31 December 2012). Changes in these allowances, which are calculated on the basis of historical losses on receivables, were as follows in 2013:

| (€ million) | At 31 December 2012 | Provision | Use and other changes | At 31 December 2013 |
|---|---|---|---|---|
| Allowances for doubtful accounts | **347** | 47 | (50) | **344** |

The amount of trade receivables of Chrysler at 31 December 2013 is €847 million (€909 million at 31 December 2012). Substantially all the trade receivables of Chrysler and its U.S. subsidiary guarantors are unconditionally pledged as securities for certain debts of Chrysler (see Note 27).

*Receivables from financing activities*

Receivables from financing activities mainly relate to the business of financial services companies fully consolidated by the Group (primarily dealer and retail financing).

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Dealer financing | **2,286** | 2,108 |
| Retail financing | **970** | 1,115 |
| Finance leases | **297** | 331 |
| Other | **118** | 173 |
| **Total Receivables from financing activities** | **3,671** | **3,727** |

Receivables from financing activities decreased by €56 million over the period; net of foreign exchange translation effects, mainly from changes in the Real Brazilian/Euro rate, Receivables from financing activities increased by €331 million.

Other receivables from financing activities includes, amongst other, financial receivables from jointly controlled financial services entities (FGA Capital group) of €27 million (€58 million at 31 December 2012) and Financial receivables from companies under joint control, associates and unconsolidated subsidiaries of €33 million (€56 million at 31 December 2012).

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. At 31 December 2013, the allowance amounts to €119 million (€101 million at 31 December 2012). Changes in the allowance accounts during the year are as follows:

| (€ million) | At 31 December 2012 | Provision | Use and other changes | At 31 December 2013 |
|---|---|---|---|---|
| Allowance for Receivables from financing activities | 101 | 89 | (71) | **119** |

Finance lease receivables refer to vehicles leased out under finance lease arrangements, mainly by the Luxury Brands operating segment. This item may be analyzed as follows, gross of an allowance of €5 million at 31 December 2013 (€5 million at 31 December 2012):

| (€ million) | At 31 December 2013 due within one year | due between one and five years | due beyond five years | Total | At 31 December 2012 due within one year | due between one and five years | due beyond five years | Total |
|---|---|---|---|---|---|---|---|---|
| Receivables for future minimum lease payments | 104 | 223 | 8 | **335** | 123 | 236 | 5 | **364** |
| Less: unrealized interest income | (14) | (18) | (1) | **(33)** | (11) | (17) | - | **(28)** |
| **Present value of future minimum lease payments** | **90** | **205** | **7** | **302** | **112** | **219** | **5** | **336** |

Receivables for dealer financing are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a component of the portfolio of the financial services companies. These receivables are interest bearing, with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer networks vary from country to country, although payment terms range from two to six months.

*Other current assets*

At 31 December 2013, Other current assets mainly consist of Other tax receivables for VAT and other indirect taxes of €966 million (€871 million at 31 December 2012), Receivables from employees of €150 million (€76 million at 31 December 2012) and Accrued income and prepaid expenses of €442 million (€387 million at 31 December 2012).

*Transfer of financial assets*

The Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. Factoring transactions may be either with recourse or without recourse; certain without recourse transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), requiring first loss cover, meaning that the transferor takes priority participation in the losses, or require a significant exposure to the cash flows arising from the transferred receivables to be retained. These types of transactions do not comply with the requirements of IAS 39 for the derecognition of the assets since the risks and rewards connected with collection are not transferred, and accordingly the Group continues to recognize the receivables transferred by this means in its balance sheet and recognizes a financial liability of the same amount under Asset-backed financing (Note 27). The gains and losses arising from the transfer of these assets are only recognized when the assets are derecognized in the Group's balance sheet.

At 31 December 2013, the carrying amount of transferred financial assets not derecognized and the related liabilities was as follows:

| (€ million) | At 31 December 2013 Trade receivables | Receivables from financing activities | Current tax receivables | Total | At 31 December 2012 Trade receivables | Receivables from financing activities | Current tax receivables | Total |
|---|---|---|---|---|---|---|---|---|
| Carrying amount of assets transferred and not derecognized | 123 | 440 | 33 | **596** | 9 | 405 | 35 | **449** |
| Carrying amount of the related liabilities | 123 | 440 | 33 | **596** | 9 | 405 | 35 | **449** |

At 31 December 2013, the Group had receivables and bills due after that date which had been transferred without recourse and which were accordingly derecognized amounting to €3,576 million (€3,631 million at 31 December 2012). The transfers related to trade receivables and other receivables for €2,864 million (€2,932 million at 31 December 2012) and financial receivables for €712 million (€699 million at 31 December 2012). These amounts include receivables of €2,177 million (€2,179 million at 31 December 2012), mainly due from the sales network, transferred to jointly controlled financial services companies (FGA Capital).

## 19. Current securities

Current securities consist of short-term or marketable securities which represent temporary investments, but which do not satisfy all the requirements for being classified as cash equivalents. In particular:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Current securities available-for-sale | 92 | 83 |
| Current securities held-for-trading | 155 | 173 |
| **Total Current securities** | **247** | **256** |

## 20. Other financial assets and Other financial liabilities

These line items mainly consist of fair value measurement of derivative financial instruments. They also include some collateral deposits (held in connection with derivative transactions and debts).

| | At 31 December 2013 | | At 31 December 2012 | |
|---|---|---|---|---|
| (€ million) | Positive fair value | Negative fair value | Positive fair value | Negative fair value |
| Fair value hedges | | | | |
| Interest rate risk - Interest rate swaps | 93 | - | 121 | - |
| Interest rate and currency risk - Combined interest rate and currency swaps | 15 | - | 1 | (1) |
| Total Fair value hedges | 108 | - | 122 | (1) |
| | | | | |
| Cash flow hedges | | | | |
| Currency risks - Forward contracts, Currency swaps and Currency options | 260 | (59) | 108 | (75) |
| Interest rate risk - Interest rate swaps | 1 | (3) | - | (8) |
| Interest rate and currency risk - Combined interest rate and currency swaps | 9 | (22) | 7 | (9) |
| Commodity price risk – Commodity swap | 6 | (5) | 10 | (6) |
| Total Cash flow hedges | 276 | (89) | 125 | (98) |
| | | | | |
| Derivatives for trading | 129 | (48) | 254 | (102) |
| **Fair value of derivative instruments** | **513** | **(137)** | **501** | **(201)** |
| Collateral deposits | 20 | - | 18 | - |
| **Other financial assets/(liabilities)** | **533** | **(137)** | **519** | **(201)** |

The overall change in Other financial assets (from €519 million at 31 December 2012 to €533 million at 31 December 2013) and in Other financial liabilities (from €201 million at 31 December 2012 to €137 million at 31 December 2013) is mostly due to fluctuations in exchange rates, in interest rates and in commodity prices during the year, and to the equity swaps on Fiat S.p.A. and CNH Industrial N.V. ordinary shares, expired in 2013.

As this item consists principally of hedging derivatives financial instruments, the change in their value is compensated by the change in the value of the hedged items.

At 31 December 2013 derivatives for trading consisted principally of derivative contracts entered for hedging purposes which do not qualify for hedge accounting and one embedded derivative in a bond issue in which the yield is determined as a function of trends in the inflation rate and related hedging derivative, which converts the exposure to floating rate (the total value of the embedded derivative is offset by the value of the hedging derivative). At 31 December 2012 derivatives for trading also included certain equity swaps on Fiat S.p.A. and CNH Industrial N.V. shares that expired in 2013.

At 31 December 2013, the notional amount of outstanding derivative financial instruments is as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Currency risk management | 11,248 | 10,540 |
| Interest rate risk management | 2,546 | 5,226 |
| Interest rate and currency risk management | 1,455 | 1,118 |
| Commodity price risk management | 473 | 495 |
| Other derivative financial instruments | 14 | 168 |
| **Total notional amount** | **15,736** | **17,547** |

At 31 December 2013, the notional amount of Other derivative financial instruments of €14 million (€14 million at 31 December 2012) relates to the notional amount of the above mentioned embedded derivative and the related hedging derivative. At 31 December 2012 this amount also included €154 million which was the notional amount of the above mentioned equity swaps.

The following table provides an analysis by due date of outstanding derivatives financial instruments based on their notional amounts:

| | | | | At 31 December 2013 |
|---|---|---|---|---|
| (€ million) | within one year | due between one and five years | due beyond five years | Total |
| Currency risk management | 10,446 | 802 | - | **11,248** |
| Interest rate risk management | 764 | 1,782 | - | **2,546** |
| Interest rate and currency risk management | - | 1,455 | - | **1,455** |
| Commodity price risk management | 450 | 23 | - | **473** |
| Other derivative financial instruments | - | - | 14 | **14** |
| **Total notional amount** | **11,660** | **4,062** | **14** | **15,736** |

*Cash flow hedges*

The effects recognized in the Income statement mainly relate to currency risk management and, to a lesser extent, to hedges regarding commodity price risk management and the cash flows that are exposed to an interest rate risk.

The policy of the Group for managing currency risk normally requires that future cash flows from trading activities which will occur within the following twelve months, and from orders acquired (or contracts in progress), whatever their due dates, be hedged. It is considered reasonable to suppose that the hedging effect arising from this and recorded in the cash flow hedge reserve will be recognized in Income statement, mainly during the following year.

Derivatives relating to interest rate and currency risk management are treated as cash flow hedges and were entered into by treasuries for the purpose of hedging bonds issued in foreign currencies. The amount recorded in the cash flow hedge reserve will be recognized in Income statement according to the timing of the flows of the underlying bonds.

In respect of derivative financial instruments, in 2013 the Group reclassified gains of €190 million (losses of €105 million in 2012), net of the tax effect, from Other comprehensive income/(losses) to Income statement. These items are reported in the following lines:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Currency risk | | |
| Increase/(Decrease) in Net revenues | 126 | (92) |
| Decrease/(Increase) in Cost of sales | 44 | 25 |
| Financial income/(expenses) | 22 | 32 |
| Result from investments | 17 | (12) |
| | | |
| Interest rate risk | | |
| Decrease/(Increase) in Cost of sales | (6) | (6) |
| Result from investments | (4) | (5) |
| Financial income/(expenses) | (10) | (6) |
| | | |
| Commodities price risk | | |
| Decrease/(Increase) in Cost of sales | (1) | (40) |
| | | |
| Ineffectiveness - overhedges | 5 | (6) |
| | | |
| Taxes income/(expenses) | (3) | 5 |
| **Total recognized in the Income statement** | **190** | **(105)** |

The ineffectiveness of cash flow hedges was not material in 2013 or 2012.

In 2013 there was an overall positive economic effect of €5 million (negative effect of €6 million in 2012) which related to excess future flows hedged (over-hedges).

*Fair value hedges*

The gains and losses arising from the valuation of outstanding interest rate and currency derivatives financial instruments (mostly for managing currency risk) and interest rate derivatives (for managing the interest rate risk) recognized in accordance with fair value hedge accounting and the gains and losses arising from the respective hedged items are set out in the following table:

| (€ million) | 2013 | 2012 |
|---|---|---|
| Currency risk | | |
| Net gains/(losses) on qualifying hedges | 19 | 14 |
| Fair value changes in hedged items | (19) | (14) |
| | | |
| Interest rate risk | | |
| Net gains/(losses) on qualifying hedges | (28) | (51) |
| Fair value changes in hedged items | 29 | 53 |
| **Net gains/(losses)** | **1** | **2** |

The ineffective portion of transactions treated as fair value hedges was a positive amount of €1 million in 2013 (positive amount of €2 million in 2012).

## 21. Cash and cash equivalents

At 31 December 2013 Cash and cash equivalents amount to €19,439 million (€17,657 million at 31 December 2012), of which €9,676 million (€8,803 million at 31 December 2012) relates to Chrysler, and consists of:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Cash at banks(*) | 9,923 | 7,568 |
| Money market securities | 9,516 | 10,089 |
| **Total Cash and cash equivalents** | **19,439** | **17,657** |

(*) *Includes bank deposits which may be used exclusively by Group companies entitled to perform specific operations (cash with a pre-determined use) amounting to €3 million at 31 December 2013 (€8 million at 31 December 2012).*

These amounts include cash at banks, units in liquidity funds and other money market securities, comprising commercial papers and certificate of deposits, that are readily convertible into cash. Cash and cash equivalents are subject to an insignificant risk of changes in value, and consist of balances spread across various primary national and international banking institutions, and money market instruments.

The Group holds a subsidiary which operates in Venezuela whose functional currency is the U.S. Dollar. Pursuant to certain Venezuelan foreign currency exchange control regulations, the Central Bank of Venezuela centralizes all foreign currency transactions in the country. Under these regulations, the purchase and sale of foreign currency must be made through the Commission for the Administration of Foreign Exchange ("CADIVI"). The cash and cash equivalents denominated in VEF amounted to €270 million (VEF 2,347 million) at 31 December 2013 and €260 million (VEF 1,476 million) at 31 December 2012.

## 22. Assets and liabilities held for sale

The items included in Assets and liabilities held for sale are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Property, plant and equipment | 1 | 1 |
| Investments and other financial assets | - | 54 |
| Inventories | 3 | - |
| Trade and other receivables | 5 | - |
| **Total Assets held for sale** | **9** | **55** |
| Provisions | 5 | - |
| Trade and other payables | 16 | - |
| **Total Liabilities held for sale** | **21** | **-** |

Assets and liabilities held for sale at 31 December 2013 consist of certain properties and the assets and liabilities related to a subsidiary consolidated by the Components operating segment. At 31 December 2012, Assets held for sale included the above mentioned properties allocated to the Components operating segment, the investment in the jointly controlled entity Sevelnord Société Anonyme (transferred during the first quarter of 2013) and the investment in a company in Brazil now consolidated on line-by-line basis.

## 23. Equity

Consolidated shareholders' equity at 31 December 2013 increased by €4,215 million from 31 December 2012, mainly due to an increase of €2,908 million in the remeasurement of defined benefit plans reserve net of related tax impact, the profit for the period of €1,951 million and an increase of €123 million in the cash flow hedge reserve partially offset by the decrease of €796 million in the cumulative exchange differences on translating foreign operations.

*Share capital*
At 31 December 2013, fully paid-up share capital amounts to €4,477 million (€4,476 million at 31 December 2012) and consists of 1,250,687,773 ordinary shares (1,250,402,773 ordinary shares at 31 December 2012), with a par value of €3.58 each. The capital increase from the previous year is due to the issue of 285,000 new shares in relation to the exercise of stock options.

The following table provides a reconciliation between the number of Fiat S.p.A. shares outstanding at 31 December 2011 and the number outstanding at 31 December 2013:

| (number of shares in thousands) | At 31 December 2011 | Conversion of preferences and saving shares | Share based payments | At 31 December 2012 | Exercise of Stock Options | Al 31 December 2013 |
|---|---|---|---|---|---|---|
| Ordinary shares issued | 1,092,681 | 157,722 | - | 1,250,403 | 285 | **1,250,688** |
| Less: Ordinary treasury shares | (38,568) | (10) | 4,000 | (34,578) | - | **(34,578)** |
| Ordinary shares outstanding | 1,054,113 | 157,712 | 4,000 | 1,215,825 | 285 | **1,216,110** |
| | | | | | | |
| Preference shares issued | 103,292 | (103,292) | - | - | - | **-** |
| | | | | | | |
| Savings shares issued | 79,913 | (79,913) | - | - | - | **-** |
| | | | | | | |
| **Total Shares issued by Fiat S.p.A.** | **1,275,886** | **(25,483)** | **-** | **1,250,403** | **285** | **1,250,688** |
| **Less: Treasury shares** | **(38,568)** | **(10)** | **4,000** | **(34,578)** | **-** | **(34,578)** |
| **Total Fiat S.p.A. outstanding shares** | **1,237,318** | **(25,493)** | **4,000** | **1,215,825** | **285** | **1,216,110** |

The mandatory conversion of all 103,292,310 Fiat S.p.A. preference shares and 79,912,800 Fiat S.p.A. savings shares into 157,722,163 Fiat S.p.A. ordinary shares, approved by the extraordinary Shareholders' Meeting of 4 April 2012, took place (at a conversion ratio of 0.850 ordinary shares for every preference share and 0.875 ordinary shares for every savings share). From 21 May 2012 only Fiat S.p.A. ordinary shares are traded on the Borsa Italiana electronic exchange ("MTA").

As a result of the above-mentioned conversion, the allocation of the annual profit of Fiat S.p.A. as stated in its annual separate financial statements is currently as follows:

- to the legal reserve, 5% of net profit until the amount of the reserve is equal to one-fifth of share capital;
- further allocations to the legal reserve, allocations to the extraordinary reserve, to retained profit reserve and/or to other allocations as may be resolved by Shareholders;
- to each share, any remaining net profit which Shareholders may resolve to distribute.

In the case of winding up, the company's assets shall be distributed in equal pro rata amounts to shares.

In addition, as a result of the resolutions adopted by the Board of Directors on 3 November 2006, the demerger of Fiat Industrial S.p.A. (now CNH Industrial N.V.), and the resolution adopted by Shareholders at the Extraordinary Meeting on 4 April 2012, Fiat S.p.A. share capital may be increased by a maximum of €33,229,112.50 through the issue of up to 9,281,875 ordinary shares, through paid capital contributions, exclusively to executives employed by the Company and/or its subsidiaries in accordance with the relevant incentive plan.

**Policies and processes for managing capital**

Italian laws and regulations regarding the share capital and reserves of a joint stock corporation establish the following:

- the minimum share capital is €120,000;
- any change in the amount of share capital must be approved in a General meeting by shareholders who may delegate powers to the Board of Directors to increase share capital up to a predetermined amount for a maximum period of five years; the General meeting of shareholders is also required to adopt suitable measures when share capital decreases by more than one third as the result of ascertained losses and to reduce share capital if by the end of the following year such losses have not fallen by at least one third. If as the consequence of a loss of more than one third of capital this then falls below the legal minimum, shareholders in General meeting are required to approve a decrease and simultaneous increase of capital to an amount not less than this minimum or must change a company's legal form;
- an additional paid-in capital reserve is established if a company issues shares at a price exceeding their nominal value. This reserve may not be distributed until the legal reserve has reached one fifth of share capital;
- a company may not purchase treasury shares for an amount exceeding the distributable profits and available reserves stated in its most recently approved Financial statements. Any purchase must be approved by shareholders in General meeting and in no case may the nominal value of the shares acquired exceed one fifth of share capital.

For 2013, the Board of Directors has proposed to Shareholders at their annual general meeting not to recommend a dividend payment on Fiat shares, given the company's desire to maintain a balanced level of liquidity following the acquisition of the minority stake in Chrysler on 21 January 2014.

The objectives identified by the Group for managing capital are to create value for shareholders as a whole, safeguard business continuity and support the growth of the Group. As a result, the Group endeavors to maintain an adequate level of capital that at the same time enables it to obtain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds, including by means of achieving an adequate credit rating.

The Group constantly monitors the ratio between debt and equity and in particular the level of net debt and the generation of cash from its industrial activities.

In order to reach these objectives, the Group aims at a continuous improvement in the profitability of the business in which it operates. Further, in general, it may sell part of its assets to reduce the level of its debt, while the Board of Directors may make proposals to Shareholders in the general meeting to reduce or increase share capital or, where permitted by law, to distribute reserves. In this context, the Group may also make purchases of treasury shares, without exceeding the limits authorized by Shareholders in the general meeting, under the same logic of creating value, compatible with the objectives of achieving financial equilibrium and an improvement in its rating.

In this respect, capital means the value brought into Fiat S.p.A. by its shareholders (share capital plus the additional paid-in capital reserve less treasury shares), equal to €5,292 million at 31 December 2013 (€5,289 million at 31 December 2012) and the value generated by the Group in terms of the results achieved in operations (retained earnings and other reserves), equal in total, before the result for the year, to €3,786 million at 31 December 2013 and €3,252 million at 31 December 2012, excluding Other comprehensive income/(losses) and non-controlling interests.

*Treasury Shares*
Treasury shares consist of 34,577,867 Fiat S.p.A. ordinary shares for an amount of €259 million (34,577,766 ordinary shares for an amount of €259 million at 31 December 2012). There has been an increase of 101 in the number of treasury shares over 31 December 2012 as a result of the adjustment arising from the conversion of preference and savings shares into ordinary shares resolved in 2012.

In addition, at their annual general meeting of 9 April 2013, the shareholders renewed their authorization for the purchase and sale of treasury shares, including through subsidiaries. The previous authorization provided on 4 April 2012 was revoked. The authorization provides for the purchase of a maximum number of shares not to exceed the legally established percentage of share capital or an aggregate value of €1.2 billion, inclusive of the €259 million in Fiat shares already held. As announced, the buy-back program is currently on hold and Fiat has no obligation to buy-back shares under the authorization. The buy-back authorization is valid for a period of 18 months and any buy-backs must be carried out in the manner established by law and at a purchase price per share which may not be more than 10% higher or 10% lower than the reference price reported by Borsa Italiana on the day prior to purchase.

On 27 February 2014, the Board of Directors proposed to Shareholders to revoke the previous resolution, for the part not already utilized at the date of the General Meeting, and approve a new resolution for the purchase of own shares for a further period of 18 months and for an amount not to exceed the legally established percentage of share capital and the maximum amount of approximately €1.2 billion, inclusive of the equity reserves allocated for treasury shares already held for €259 million. Should renewal of the program be approved, the Company would, however, have no obligation to buy back shares. The authorization is being requested to ensure the Company the flexibility to pursue any strategic opportunities that may arise for all purposes permitted by law.

*Earnings reserves*
The main earnings reserves include:

- the legal reserve of Fiat S.p.A. of €529 million at 31 December 2013 (€529 million at 31 December 2012);
- retained earnings of €3,225 million at 31 December 2013 (retained earnings of €3,256 million at 31 December 2012);
- the profit attributable to owners of the parent of €904 million at 31 December 2013 (a profit of €44 million for the year ended 31 December 2012);
- the reserve for share-based payments of €63 million at 31 December 2013 (€54 million at 31 December 2012).

*Other comprehensive income/(losses)*

Other comprehensive income/(losses) are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| **Items that will never be reclassified to the Income statement:** | | |
| Gains/(losses) on remeasurement of defined benefit plans | 2,678 | (1,843) |
| Shares of gains/(losses) on remeasurement of defined benefit plans for equity accounted entities | (9) | 1 |
| **Total items that will never be reclassified to the Income statement (B1)** | **2,669** | **(1,842)** |
| | | |
| **Items that may be reclassified to the Income statement:** | | |
| Gains/(losses) on cash flow hedging instruments arising during the period | 343 | 91 |
| Gains/(losses) on cash flow hedging instruments reclassified to the Income statement | (181) | 93 |
| **Gains/(losses) on cash flow hedging instruments** | **162** | **184** |
| | | |
| Gains/(losses) on available-for-sale financial assets arising during the period | 4 | 27 |
| Gains/(losses) on available-for-sale financial assets reclassified to the Income statement | - | - |
| **Gains/(losses) on available-for-sale financial assets** | **4** | **27** |
| | | |
| Exchange differences on translating foreign operations arising during the period | (708) | (270) |
| Exchange differences on translating foreign operations reclassified to the Income statement | - | - |
| **Exchange differences on translating foreign operations** | **(708)** | **(270)** |
| | | |
| Share of Other comprehensive income/(losses) for equity accounted entities arising during the period | (87) | 4 |
| Share of Other comprehensive income/(losses) for equity accounted entities reclassified to the Income statement | (13) | 17 |
| **Share of Other comprehensive income/(losses) for equity accounted entities** | **(100)** | **21** |
| **Total items that may be reclassified to the Income statement (B2)** | **(642)** | **(38)** |
| | | |
| **TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES) (B1)+(B2)=(B)** | **2,027** | **(1,880)** |
| Tax effect | 212 | (21) |
| **TOTAL OTHER COMPREHENSIVE INCOME/(LOSSES), NET OF TAX** | **2,239** | **(1,901)** |

With reference to the Group defined benefit plans, the gains and losses arising from the remeasurement mainly include actuarial gains and losses arising during the period, the return on plan assets (net of interest income recognized in the Income statement) and any changes in the effect of the asset ceiling. These gains and losses are offset against the related net liabilities or assets for defined benefit plans (see Note 25).

The tax effect relating to Other comprehensive income/(losses) are as follows:

| (€ million) | 2013 Pre-tax balance | 2013 Tax income/ (expense) | 2013 Net balance | 2012 Pre-tax balance | 2012 Tax income/ (expense) | 2012 Net balance |
|---|---|---|---|---|---|---|
| Gains/(Losses) on remeasurement of defined benefit plans | 2,678 | 239 | 2,917 | (1,843) | 3 | (1,840) |
| Gains/(losses) on cash flow hedging instruments | 162 | (27) | 135 | 184 | (24) | 160 |
| Gains/(losses) on available-for-sale financial assets | 4 | - | 4 | 27 | - | 27 |
| Exchange gains/(losses) on translating foreign operations | (708) | - | (708) | (270) | - | (270) |
| Share of Other comprehensive income/(losses) for equity accounted entities | (109) | - | (109) | 22 | - | 22 |
| **Total Other comprehensive income/(losses)** | **2,027** | **212** | **2,239** | **(1,880)** | **(21)** | **(1,901)** |

*Non-controlling interest*

The non-controlling interest of €4,258 million at 31 December 2013 (€2,182 million at 31 December 2012) refers mainly to the following subsidiaries:

| (% held by non-controlling interest) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Chrysler Group LLC(*) | 41.5 | 41.5 |
| Ferrari S.p.A. | 10.0 | 10.0 |
| Teksid S.p.A. | 15.2 | 15.2 |

(*) *It should be noted that on 21 January 2014 Fiat acquired the remaining ownership interest of Chrysler (41.5%), further information are described in Note 39.*

The following table shows the effects of changes in Group's interest in its subsidiaries on the Group's equity:

| (€ million) | 2013 | 2012 |
|---|---|---|
| **Profit/(loss) for the period attributable to owners of the parent** | **904** | **348** |
| | | |
| Acquisition of 50% in VM Motori | 2 | - |
| Acquisition of 5% (fully-diluted) in Chrysler | - | 35 |
| Net transfers from/(to) non-controlling interests | 2 | 35 |
| **Total Profit/(loss) for the year and transfers from (to) non-controlling interest** | **906** | **383** |

## 24. Share-based compensation

The following share-based compensation plans relating to managers of Group companies and the Chief Executive Officer of Fiat S.p.A. were in place.

*Stock option plans linked to Fiat S.p.A. and CNH Industrial N.V. ordinary shares*

On 26 July 2004, the Board of Directors granted the Chief Executive Officer, as a part of his variable compensation in that position, options to purchase 10,670,000 Fiat S.p.A. ordinary shares at a price of €6.583 per share. Options are vested and exercisable at any time until 1 January 2016. Following the demerger of Fiat Industrial S.p.A. (now CNH Industrial N.V.), the beneficiary now has the right to receive one ordinary Fiat S.p.A. share and one ordinary CNH Industrial N.V. share for each original option, with the option exercise price remaining unchanged.

At 31 December 2013, the features of the stock option plan are as follows:

| Plan | Beneficiary | Date of amendment | Expiry date | Strike price (€) | N° of options granted | Vesting date | Vested portion |
|---|---|---|---|---|---|---|---|
| Stock Options July 2004 (modified) | Chief Executive Officer | 27 March 2009 | 1 January 2016 | 6.583 | 10,670,000 | 31 December 2010 | 100% |

On 3 November 2006, the Fiat S.p.A. Board of Directors approved (subject to the subsequent approval of Shareholders in general meeting, which was given on 5 April 2007) an eight year stock option plan, which granted certain managers of the Group and the Chief Executive Officer of Fiat S.p.A. the right to purchase a specific number of Fiat S.p.A. ordinary shares at a fixed price of €13.37 each. More specifically, the 10,000,000 options granted to employees and the 5,000,000 options granted to the Chief Executive Officer had a vesting period of four years, with an equal number vesting each year, were subject to achieving certain predetermined profitability targets (Non-Market Conditions or "NMC") in the reference period and are exercisable from the date on which the 2010 Financial statements were approved. The additional 5,000,000 options granted to the Chief Executive Officer of Fiat S.p.A. also had a vesting period of four years with an equal number vesting each year and are exercisable from November 2010. The ability to exercise the options is additionally subject to specific restrictions regarding the duration of the employment relationship or the continuation of the position held. Following the demerger of Fiat Industrial S.p.A. (now CNH Industrial N.V.), the beneficiary now has the right to receive one ordinary Fiat S.p.A. share and one ordinary CNH Industrial N.V. share for each original option, with the option exercise price remaining unchanged.

The contractual terms of the plan are as follows:

| Plan | Beneficiary | Expiry date | Strike price (€) | N° of options granted | Vesting date | Vesting portion |
|---|---|---|---|---|---|---|
| Stock Option November 2006 | Chief Executive Officer | 3 November 2014 | 13.37 | 5,000,000 | November 2007 | 25% |
| | | | | | November 2008 | 25% |
| | | | | | November 2009 | 25% |
| | | | | | November 2010 | 25% |
| Stock Option November 2006 | Chief Executive Officer | 3 November 2014 | 13.37 | 5,000,000 | 1st Quarter 2008(*) | 25%xNMC |
| | | | | | 1st Quarter 2009(*) | 25%xNMC |
| | | | | | 1st Quarter 2010(*) | 25%xNMC |
| | | | | | 1st Quarter 2011(*) | 25%xNMC |
| Stock Option November 2006 | Managers | 3 November 2014 | 13.37 | 10,000,000 | 1st Quarter 2008(*) | 25%xNMC |
| | | | | | 1st Quarter 2009(*) | 25%xNMC |
| | | | | | 1st Quarter 2010(*) | 25%xNMC |
| | | | | | 1st Quarter 2011(*) | 25%xNMC |

(*) *On approval of the prior year's Consolidated financial statements; subject to continuation of the professional relationship.*

With specific reference to the options under the November 2006 Stock Option Plan, for which vesting was subject to the achievement of pre-established profitability targets, only the first tranche of those rights had vested as the profitability targets originally established for the 3-year period 2008-2010 were not met.

A summary of the terms of the stock option plans outstanding at 31 December 2013 is as follows:

| | Rights granted to managers | | | Rights granted to the Chief Executive Officer | | |
|---|---|---|---|---|---|---|
| Exercise price (€) | Options outstanding at 31 December 2013 | Options outstanding at 31 December 2012 | Average remaining contractual life (years) | Options outstanding at 31 December 2013 | Options outstanding at 31 December 2012 | Average remaining contractual life (years) |
| 6.583 | - | - | - | 10,670,000 | 10,670,000 | 2.0 |
| 13.370 | 1,240,000 | 1,576,875 | 0.8 | 6,250,000 | 6,250,000 | 0.8 |
| **Total** | **1,240,000** | **1,576,875** | | **16,920,000** | **16,920,000** | |

Changes during the year 2013 were as follows:

| | Rights granted to managers | | Rights granted to the Chief Executive Officer | |
|---|---|---|---|---|
| | Number of options | Average exercise price (€) | Number of options | Average exercise price (€) |
| Outstanding at the beginning of the year | **1,576,875** | **13.37** | **16,920,000** | **9.09** |
| Granted | - | - | - | - |
| Forfeited | - | - | - | - |
| Exercised | (285,000) | 13.37 | - | - |
| Expired | (51,875) | 13.37 | - | - |
| **Outstanding at 31 December 2013** | **1,240,000** | **13.37** | **16,920,000** | **9.09** |
| **Exercisable at 31 December 2013** | **1,240,000** | **13.37** | **16,920,000** | **9.09** |
| **Exercisable at 31 December 2012** | **1,576,875** | **13.37** | **16,920,000** | **9.09** |

As they were already fully vested at 31 December 2010, the above stock option plans did not lead to any nominal cost for 2013 and 2012.

*Stock Grant plans linked to Fiat S.p.A.*

On 4 April 2012, General Shareholders Meeting resolved to approve the adoption of a Long Term Incentive Plan (the "*Retention LTI*"), in the form of *stock grants*.

As a result of the Shareholders' resolution the Group attributed the Chief Executive Officer with 7 million rights, representative of an equal number of Fiat S.p.A. ordinary shares. The rights vest ratably, one third on 22 February 2013, one third on 22 February 2014 and one third on 22 February 2015, subject to the requirement that the Chief Executive Officer remains in office.

The Plan is to be serviced through treasury shares without issuing new shares. The Company has the right to replace, in whole or in part, shares vested under the Plan with a cash payment calculated on the basis of the Official Price of those shares published by Borsa Italiana on the date of vesting fulfillment.

At 31 December 2013, the contractual terms of the Plan are therefore as follows:

| Plan | Beneficiary | Number of shares | Vesting date | Vesting portion |
|---|---|---|---|---|
| *Retention LTI* | Chief Executive Officer | 7,000,000 Fiat S.p.A. | 22 February 2013 | 2,333,333 |
| | | | 22 February 2014 | 2,333,333 |
| | | | 22 February 2015 | 2,333,333 |

Changes in the *Retention LTI* were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number of Fiat S.p.A. shares | Average Fair value at the grant date (€) | Number of Fiat S.p.A. shares | Average Fair value at the grant date (€) |
| Outstanding shares unvested at the beginning of the year | 7,000,000 | 4.205 | - | - |
| Granted | - | - | 7,000,000 | 4.205 |
| Forfeited | - | - | - | - |
| Vested | 2,333,333 | 4.205 | - | - |
| **Outstanding shares unvested at the end of the year** | **4,666,667** | **4.205** | **7,000,000** | **4.205** |

In 2013, a nominal cost of €6 million was recognized in the Income statement for this plan.

*Share-Based Compensation Plans Issued by Chrysler*

Four share-based compensation plans have been issued by Chrysler: the Chrysler Group LLC Restricted Stock Unit Plan ("RSU Plan"), the Amended and Restated Chrysler Group LLC Directors' Restricted Stock Unit Plan ("Directors' RSU Plan"), the Chrysler Group LLC Deferred Phantom Share Plan ("DPS Plan") and the Chrysler Group LLC 2012 Long-Term Incentive Plan ("2012 LTIP Plan").

The fair value of each unit issued under the plans is based on the fair value of Chrysler's membership interests. Each unit represents a "Chrysler Group Unit," which is equal to 1/600th of the value of a Chrysler Class A Membership Interest. Since there is no publicly observable trading price for Chrysler's interests, fair value was determined using a discounted cash flow methodology. This approach, which is based on projected cash flows of Chrysler, is used to estimate the Chrysler enterprise value. The fair value of Chrysler's outstanding interest bearing debt as of the measurement date is deducted from Chrysler's enterprise value to arrive at the fair value of equity. This amount is then divided by the total number of Chrysler Group Units, as determined above, to estimate the fair value of a single Chrysler Group Unit.

*Restricted Stock Unit Plans issued by Chrysler Group LLC*

During 2009, the U.S. Treasury's Office of the *Special Master for Troubled Asset Relief Program Executive Compensation* (the "Special Master") and the Compensation Committee of Chrysler approved the *Chrysler Group LLC Restricted Stock Unit Plan* ("RSU Plan"), which authorized the issuance of Restricted Stock Units ("RSUs") to certain key employees. RSUs represent a contractual right to receive a payment in an amount equal to the fair value of one Chrysler unit, as defined in the RSU plan. Originally, RSUs granted to Chrysler's employees in 2009 and 2010 vested in two tranches. In September 2012, Chrysler's Compensation Committee approved a modification to the second tranche of RSUs. The modification removed the performance condition requiring an IPO to occur prior to the award vesting. Prior to this modification, the second tranche of the 2009 and 2010 RSUs were equity-classified awards. In connection with the modification of these awards, Chrysler determined that it was no longer probable that the awards would be settled with Chrysler's company stock. Chrysler reclassified the second tranche of the 2009 and 2010 RSUs from equity-classified awards to liability-classified awards. As a result of this modification, additional compensation expense of €12 million was recognized during 2012. RSUs granted to employees generally vest if the participant is continuously employed by Chrysler through the third anniversary of the grant date. The settlement of these awards is in cash.

Further, during 2009 Chrysler established the *Amended and Restated Chrysler Group LLC Directors' Restricted Stock Unit Plan* ("Directors' RSU Plan"). In April 2012, the Compensation Committee amended and restated the Chrysler Group LLC 2009 Directors' Restricted Stock Unit Plan to allow grants having a one year vesting term to be granted on an annual basis. Director RSUs are granted to Chrysler non-employee members of our Board of Directors. Prior to the change, Director RSUs were granted at the beginning of a three-year performance period and vested in three equal tranches on the first, second, and third anniversary of the date of grant, subject to the participant remaining a member of the Chrysler Board of Directors on each vesting date. Under the plan, settlement of the awards is made within 60 days of the Director's cessation of service on the Board of Directors and awards are paid in cash; however, upon completion of an IPO, Chrysler has the option to settle the awards in cash or shares. The value of the awards is recorded as compensation expense over the requisite service periods and is measured at fair value.

The liability from the vast majority of these awards is measured and adjusted to fair value at reporting date. The expense recognized in total for both of the RSU Plans for the year ended 31 December 2013 and 2012 approximated €14 million and €28 million, respectively.

Changes during 2013 were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Restricted Stock Units | Weighted average Fair value at the grant date (€) | Restricted Stock Units | Weighted average Fair value at the grant date (€) |
| Outstanding shares unvested at the beginning of the year | 4,735,442 | 4.34 | 5,952,331 | 2.51 |
| Granted | 161,290 | 7.46 | 1,466,523 | 5.87 |
| Vested | (977,573) | 2.61 | (2,586,060) | 0.95 |
| Forfeited | (225,403) | 5.25 | (97,352) | 4.76 |
| **Outstanding shares unvested at the end of the year** | **3,693,756** | **4.72** | **4,735,442** | **4.34** |

*Deferred Phantom Shares issued by Chrysler Group LLC*

During 2009 the Special Master approved the *Chrysler Group LLC Deferred Phantom Share Plan* ("DPS Plan") which authorized the issuance of phantom shares of the Company ("Phantom Shares"). Under the DPS Plan, Phantom Shares were granted to certain key employees as well as to the Chief Executive Officer in connection with his role as a member of the Chrysler Group Board of Directors. The Phantom Shares vested immediately on the grant date and will be settled in cash. The Phantom Shares are redeemable in three equal annual installments.

Changes during 2013 were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Phantom Shares | Weighted average Fair value at the grant date (€) | Phantom Shares | Weighted average Fair value at the grant date (€) |
| Outstanding shares at the beginning of the year | 1,508,785 | 2.68 | 4,944,476 | 1.83 |
| Granted and Vested | - | - | - | - |
| Settled | (1,190,054) | 2.13 | (3,435,691) | 1.43 |
| **Outstanding shares at the end of the year** | **318,731** | **4.53** | **1,508,785** | **2.68** |

The expense recognized in connection with this plan in 2013 and 2012 approximated €2 million and €2 million, respectively.

*2012 Long-Term Incentive Plan of Chrysler Group LLC*

In February 2012, the Compensation Committee of Chrysler adopted the *2012 Long-Term Incentive Plan* (the "2012 LTIP"). The 2012 LTIP covers senior Chrysler executives (other than the Chief Executive Officer). It is designed to retain talented professionals and reward their performance through grants of phantom equity in the form of restricted share units ("LTIP RSUs") and performance share units ("LTIP PSUs"). LTIP RSUs may be granted annually, while LTIP PSUs are generally granted at the beginning of a three-year performance period. The Compensation Committee also has authority to grant additional LTIP PSUs awards during the three-year performance period. The LTIP RSUs will vest over three years in one-third increments on the anniversary of their grant date, while the LTIP PSUs will vest at the end of the three-year performance period only if Chrysler meets or exceeds certain three-year cumulative financial performance targets. Concurrent with the adoption of the 2012 LTIP Plan, the Compensation Committee established financial performance targets based on Chrysler Group's consolidated financial results for the three-year performance period, ending 31 December 2014. If Chrysler does not fully achieve these targets, the LTIP PSUs will be deemed forfeited. LTIP RSUs and LTIP PSUs represent a contractual right to receive a payment in an amount equal to the fair value of one Chrysler unit, as defined in the LTIP Plan. Once vested, LTIP RSUs and LTIP PSUs will be settled in cash or, in the event Chrysler conducts an IPO, in cash or shares of publicly traded stock, at the Compensation Committee's discretion. Settlement will be made as soon as practicable after vesting, but in any case no later than 15 March of the year following. Vesting of the LTIP RSUs and LTIP PSUs may be accelerated in certain circumstances, including upon the participant's death, disability or in the event of a change of control.

Changes during 2013 were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | LTIP RSUs | Weighted average Fair value at the grant date (€) | LTIP RSUs | Weighted average Fair value at the grant date (€) |
| Outstanding shares unvested at the beginning of the year | 1,805,123 | 5.78 | - | - |
| Granted | 1,628,822 | 6.89 | 1,835,833 | 5.73 |
| Vested | (615,315) | 5.77 | (20,123) | 5.91 |
| Forfeited | (120,423) | 6.20 | (10,587) | 5.91 |
| **Outstanding shares unvested at the end of the year** | **2,698,207** | **6.13** | **1,805,123** | **5.78** |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | LTIP PSUs | Weighted average Fair value at the grant date (€) | LTIP PSUs | Weighted average Fair value at the grant date (€) |
| Outstanding shares unvested at the beginning of the year | 8,419,684 | 5.78 | - | - |
| Granted | 587,091 | 7.15 | 8,450,275 | 5.73 |
| Vested | - | - | - | - |
| Forfeited | (589,264) | 5.77 | (30,591) | 5.91 |
| **Outstanding shares unvested at the end of the year** | **8,417,511** | **5.64** | **8,419,684** | **5.78** |

The expense recognized in connection with these plans in 2013 was €36 million (€24 million in 2012). Total unrecognized compensation expenses at 31 December 2013 was approximately €32 million. These expenses will be recognized over the remaining service periods based upon the assessment of the performance conditions being achieved.

## 25. Provisions for employee benefits

Group's provisions and net assets for employee benefits are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 | At 1 January 2012 |
|---|---|---|---|
| Present value of defined benefit obligations: | | | |
| Pension benefits | 23,136 | 26,973 | 25,202 |
| Health care and life insurance plans | 1,945 | 2,289 | 2,070 |
| Other post-employment benefits | 984 | 960 | 919 |
| **Total present value of defined benefit obligations** | **26,065** | **30,222** | **28,191** |
| | | | |
| **Fair value of plan assets** | **18,982** | **20,049** | **20,005** |
| | | | |
| Asset ceiling | 3 | - | - |
| **Total net defined benefit plans** | **7,086** | **10,173** | **8,186** |
| of which: | | | |
| Net defined benefit liability | 7,181 | 10,256 | 8,280 |
| (Defined benefit plan asset) | (95) | (83) | (94) |
| | | | |
| Other provisions for employees and liabilities for share based payments | 1,084 | 1,230 | 1,304 |
| **Total Provisions for employee benefits** | **8,265** | **11,486** | **9,584** |

The Group provides post-employment benefits for certain of their active employees and retirees. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates and may change periodically. The plans are classified by the Group on the basis of the type of benefit provided as follows: Pension benefits, Health care and life insurance plans, and Other post-employment benefits. Moreover, Group companies provide post-employment benefits, such as pension or health care benefits, to its employees under defined contribution plans. In this case, the Group pays contributions to public or private insurance plans on a legally mandatory, contractual, or voluntary basis. By paying these contributions the Group fulfills all of its obligations. The Group recognizes the cost for defined contribution plans over the period in which the employee renders service and classifies this by function in Cost of sales, Selling, general and administrative costs and Research and development costs. In 2013 this costs totaled €1,288 million (€1,087 million in 2012).

*Pension benefits*

Group companies in the United States, Canada and Mexico sponsor both non-contributory and contributory defined benefit pension plans. The non-contributory pension plans cover certain hourly and salaried employees. Benefits are based on a fixed rate for each year of service. Additionally, contributory benefits are provided to certain salaried employees under the salaried employees' retirement plans. These plans provide benefits based on the employee's cumulative contributions, years of service during which the employee contributions were made and the employee's average salary during the five consecutive years in which the employee's salary was highest in the 15 years preceding retirement.

In the United Kingdom, the Group participates, amongst others, in a pension plan financed by various entities belonging to the Group, called the "*Fiat Group Pension Scheme*" covering mainly deferred and retired employees.

Liabilities arising from these plans are usually funded by contributions made by Group subsidiaries and, at times by their employees, into legally separate trusts from which the employee benefits are paid. The Group's funding policy for defined benefit pension plans is to contribute at least the minimum amounts required by applicable laws and regulations. Occasionally, additional discretionary contributions in excess of these legally required are made to achieve certain desired funding levels. In the U.S. these excess amounts are tracked, and the resulting credit balance can be used to satisfy minimum funding requirements in future years. As of 31 December 2013, the combined credit balances for the U.S. qualified pension plans was approximately €1.9 billion, the usage of this credit balances to satisfy minimum funding requirements is subject to the plans maintaining certain funding levels. The Group contributions to funded pension plans for 2014 are expected to be €666 million, of which €647 million related to Chrysler and more specifically, €573 million are discretionary contributions and €74 million will be made to satisfy minimum funding requirement. The expected benefit payments for pension plans are as follows:

| (€ million) | Expected benefit payments |
|---|---|
| 2014 | 1,654 |
| 2015 | 1,623 |
| 2016 | 1,598 |
| 2017 | 1,572 |
| 2018 | 1,554 |
| 2019-2023 | 7,552 |

The following summarizes the changes in the pension plans:

| | | | | 2013 | | | | 2012 |
|---|---|---|---|---|---|---|---|---|
| (€ million) | Obligation | Fair value of plan assets | Asset ceiling | Liability (asset) | Obligation | Fair value of plan assets | Asset ceiling | Liability (asset) |
| **Amounts at 1 January** | **26,973** | **(20,049)** | **-** | **6,924** | **25,202** | **(20,005)** | **-** | **5,197** |
| **Included in the Income statement** | | | | | | | | |
| Current service cost | 292 | - | - | **292** | 271 | - | - | 271 |
| Interest expense/(income) | 1,026 | (768) | - | **258** | 1,199 | (942) | - | 257 |
| Other administration costs | - | 42 | - | **42** | - | 44 | - | 44 |
| Past service costs (credits) and gains or losses arising from settlements | (176) | 14 | - | **(162)** | 10 | - | - | 10 |
| **Included in Other comprehensive income/losses** | | | | | | | | |
| Actuarial losses (gains) from: | | | | | | | | |
| - Demographic assumptions | (35) | - | - | **(35)** | 172 | - | - | 172 |
| - Financial assumptions | (1,943) | (1) | - | **(1,944)** | 2,556 | - | - | 2,556 |
| - Other | (2) | 2 | - | **-** | (248) | - | - | (248) |
| Return on assets | - | (518) | - | **(518)** | - | (989) | - | (989) |
| Changes in the effect of limiting net assets | - | - | 3 | **3** | - | - | - | - |
| Changes in exchange rates | (1,352) | 1,107 | - | **(245)** | (402) | 286 | - | (116) |
| **Other** | | | | | | | | |
| Employer contributions | - | (458) | - | **(458)** | - | (216) | - | (216) |
| Plan participant contributions | 9 | (9) | - | **-** | 10 | (9) | - | (9) |
| Benefits paid | (1,673) | 1,667 | - | **(6)** | (1,796) | 1,781 | - | (15) |
| Other changes | 17 | (11) | - | **6** | (1) | 1 | - | - |
| **Amounts at 31 December** | **23,136** | **(18,982)** | **3** | **4,157** | **26,973** | **(20,049)** | **-** | **6,924** |

During the second quarter of 2013, Chrysler amended its U.S. and Canadian salaried defined benefit pension plans. The U.S. plans were amended in order to comply with U.S. regulations, cease the accrual of future benefits effective 31 December 2013, and enhance the retirement factors. The Canada amendment ceases the accrual of future benefits effective 31 December 2014, enhances the retirement factors and continues to consider future salary increases for the affected employees. An interim re-measurement was performed for these plans, which resulted a curtailment gain of €166 million recognized in unusual income in the Income statement (see Note 8). In addition, the Group recognized a €509 million reduction to its pension obligation, a €7 million reduction to defined benefit plan assets and a corresponding €502 million increase in accumulated Other comprehensive income/(losses).

During 2013 an increase in discount rates resulted in actuarial gains for the year ended 31 December 2013, compared with actuarial losses for the year ended 31 December 2012, when interest rates declined from the prior year end. The actuarial losses were partially offset by the return on plan assets during the year.

The fair value of plan assets by class is as follows:

| (€ million) | At 31 December 2013 Amount | At 31 December 2013 of which have a quoted market price in an active market | At 31 December 2012 Amount | At 31 December 2012 of which have a quoted market price in an active market |
|---|---|---|---|---|
| **Cash and cash equivalent** | **532** | **401** | **516** | **403** |
| US equity securities | 2,047 | 2,033 | 1,882 | 1,787 |
| Non-US equity securities | 1,540 | 1,531 | 1,558 | 1,549 |
| Commingled funds | 1,518 | 195 | 967 | 69 |
| **Equity instruments** | **5,105** | **3,759** | **4,407** | **3,405** |
| Government securities | 2,545 | 729 | 3,632 | 1,708 |
| Corporate bonds (including Convertible and high yield bonds) | 5,049 | 38 | 5,271 | 11 |
| Other fixed income | 635 | - | 717 | 1 |
| **Fixed income securities** | **8,229** | **767** | **9,620** | **1,719** |
| Private equity funds | 1,713 | - | 1,861 | - |
| Mutual funds | 4 | - | 3 | 3 |
| Real estate funds | 1,222 | - | 1,221 | - |
| Hedge funds | 1,759 | - | 1,844 | - |
| **Investments funds** | **4,698** | **-** | **4,929** | **3** |
| **Insurance contracts and other** | **418** | **46** | **577** | **7** |
| **Total fair value of plan assets** | **18,982** | **4,974** | **20,049** | **5,537** |

Non-US Equity securities are invested broadly in developed international and emerging markets. Debt instruments are fixed income securities which comprise primarily long duration U.S. Treasury and global government bonds, as well as U.S. developed international and emerging market companies' debt securities diversified by sector, geography and through a wide range of market capitalization. Private equity funds include those in limited partnerships that invest primarily in operating companies that are not publicly traded on a stock exchange. Real estate investments includes those in limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally. Hedge fund investments include those seeking to maximize absolute return using a broad range of strategies to enhance returns and provide additional diversification.

The investment strategies and objectives for pension assets in the U.S., Canada and Mexico reflect a balance of liability-hedging and return-seeking investment considerations. The investment objectives are to minimize the volatility of the value of the pension assets relative to the pension liabilities and to ensure assets are sufficient to pay plan obligations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset diversification, partial asset–liability matching and hedging. Assets are broadly diversified across many asset classes to achieve risk–adjusted returns that, in total, lower asset volatility relative to the liabilities. Additionally, in order to minimize pension asset volatility relative to the pension liabilities, a portion of the pension plan assets are allocated to fixed income securities. The group policy, for these plans, rebalances investments regularly and ensures actual allocations are in line with target allocations as appropriate.

Assets are actively managed, primarily, by external investment managers. Investment managers are not permitted to invest outside of the asset class or strategy for which they have been appointed. The Group uses investment guidelines to ensure investment managers invest solely within the mandated investment strategy. Certain investment managers use derivative financial instruments to mitigate the risk of changes in interest rates and foreign currencies impacting the fair values of certain investments. Derivative financial instruments may also be used in place of physical securities when it is more cost effective and/or efficient to do so. Plan assets do not include shares of Fiat S.p.A. or properties occupied by Group companies.

Sources of potential risk in the pension plan assets measurements relate to market risk, interest rate risk and operating risk. Market risk is mitigated by diversification strategies and as a result, there are no significant concentrations of risk in terms of sector, industry, geography, market capitalization, or counterparty. Interest rate risk is mitigated by partial asset–liability matching. The fixed income target asset allocation partially matches the bond–like and long–dated nature of the pension liabilities. Interest rate increases generally will result in a decline in the fair value of the investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases generally will increase the fair value of the investments in fixed income securities and the present value of the obligations.

The weighted average assumptions used to determine the defined benefit obligations are as follows:

| | At 31 December 2013 | | | At 31 December 2012 | | |
|---|---|---|---|---|---|---|
| (In %) | USA | Canada | UK | USA | Canada | UK |
| Discount rate | 4.7 | 4.6 | 4.5 | 4.0 | 3.9 | 4.6 |
| Future salary increase rate | 3.0 | 3.5 | 3.1 | 3.0 | 3.5 | 3.0 |

The discount rates are used in measuring the obligation and the interest expense/(income) of net period cost. The Group selects these rates on the basis of the rate on return on high-quality (AA rated) fixed income investments for which the timing and amounts of payments match the timing and amounts of the projected pension and other post-employment plan. The average duration of the U.S. and Canadian liabilities was approximately 11 and 12 years, respectively. The average duration of the UK pension liabilities was approximately 21 years.

The effect of the increase or decrease of 0.1% in the assumed discount rate, holding all other assumptions constant, would be as follows:

| (€ million) | 0.1% decrease in discount rate | 0.1% increase in discount rate |
|---|---|---|
| Effect on defined benefit obligation | 265 | (261) |

*Health care and life insurance plans*

Liabilities arising from these plans comprise obligations for retiree health care and life insurance granted to employees and to retirees in the U.S. and Canada by Chrysler Group companies. Upon retirement from the Company, these employees may become eligible for continuation of certain benefits. Benefits and eligibility rules may be modified periodically. These plans are unfunded. The expected benefit payments for unfunded health care and life insurance plans are as follows:

| (€ million) | Expected benefit payments |
|---|---|
| 2014 | 128 |
| 2015 | 127 |
| 2016 | 127 |
| 2017 | 127 |
| 2018 | 126 |
| 2019-2023 | 631 |

Changes in the net defined benefit obligations for healthcare and life insurance plans are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| **Present value of obligations at 1 January** | **2,289** | 2,070 |
| **Included in Income statement** | | |
| Current service cost | 23 | 22 |
| Interest expense | 89 | 103 |
| Past service costs (credits) and gains or losses arising from settlements | - | (6) |
| **Included in OCI** | | |
| Actuarial losses (gains) from: | | |
| Demographic assumptions | (21) | 52 |
| Financial assumptions | (207) | 231 |
| Other | 11 | (1) |
| Effect of movements in exchange rates | (112) | (38) |
| **Other** | | |
| Benefits paid | (126) | (145) |
| Other | (1) | 1 |
| **Present value of obligations at 31 December** | **1,945** | 2,289 |

Health care and life insurance plans are accounted for on an actuarial basis, which requires the selection of various assumptions, in particular, it requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as health care cost increases and demographic experience.

The weighted average assumptions used to determine the defined benefit obligations are as follows:

| | At 31 December 2013 | | At 31 December 2012 | |
|---|---|---|---|---|
| (In %) | USA | Canada | USA | Canada |
| Discount rate | 4.9 | 4.7 | 4.1 | 3.9 |
| Salary growth | n/a | 2.7 | n/a | 2.7 |
| Weighted average ultimate healthcare cost trend rate | 5.0 | 3.6 | 5.0 | 3.7 |

The discount rates used for the measurement of these obligations are based on yields of high-quality (AA-rated) fixed income securities for which the timing and amounts of payments match the timing and amounts of the projected benefit payments. The average duration of the U.S. and Canadian liabilities was approximately 12 and 15 years, respectively.

The effect of the increase or decrease of 0.1% in the assumed discount rate, holding all other assumptions constant, is as follows:

| (€ million) | 0.1% decrease in discount rate | 0.1% increase in discount rate |
|---|---|---|
| Effect on defined benefit obligation | 24 | (23) |

The annual rate of increase in the per capita cost of covered U.S. health care benefits assumed for 2013 was 6.8% (8.0% in 2012). The annual rate was assumed to decrease gradually to 5.0% after 2017 and remain at that level thereafter. The annual rate of increase in the per capita cost of covered Canadian health care benefits assumed for 2013 was 3.3% (3.7% in 2012). The annual rate was assumed to remain at 3.6% thereafter.

The assumed health care cost trend rate has a significant effect on the amounts reported for postretirement health care and life insurance benefits. A one percentage point change in the assumed health care cost trend rate for U.S. and Canada combined would have the following effects as of 31 December 2013:

| (€ million) | 1 % decrease in assumed health care trend rate | 1 % increase in assumed health care trend rate |
|---|---|---|
| Effect on defined benefit obligation | (40) | 48 |

*Other post-employment benefits*

Other post-employment benefits includes other employee benefits granted to Group employees in Europe and comprise, amongst other, the Italian TFR (obligation amounting to €825 million at 31 December 2013 and to €796 million at 31 December 2012), consisting of the residual obligation for the benefit due to employees of Italian companies until 31 December 2006, having more than 50 employees and accrued over the employee's working life for the others and settled when an employee leaves the Group. These schemes are unfunded.

Changes in defined benefit obligations for other post-employment benefits are as follows:

| (€ million) | 2013 | 2012 |
|---|---|---|
| **Present value of obligations at 1 January** | **960** | **919** |
| **Included in Income statement** | | |
| Current service cost | 9 | 8 |
| Interest expenses | 15 | 24 |
| Past service costs (credits) and gains or losses arising from settlements | - | (3) |
| **Included in OCI** | | |
| Actuarial losses (gains) from: | | |
| Demographic assumptions | (1) | (4) |
| Financial assumptions | 34 | 51 |
| Other | 23 | 25 |
| Effect of movements in exchange rates | (4) | 2 |
| **Other** | | |
| Benefits paid | (57) | (76) |
| Change in the scope of consolidation | 21 | - |
| Other | (16) | 14 |
| **Present value of obligations at 31 December** | **984** | **960** |

The main assumptions used in developing the required estimates for other post- employment benefits include the discount rate, the retirement or employee leaving rate and the mortality rates.

The discount rates used for the measurement of the Italian TFR obligation are based on yields of high-quality (AA rated) fixed income securities for which the timing and amounts of payments match the timing and amounts of the projected benefit payments. For this plan, the single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2013 is equal to 2.77% (3.4% in 2012). The average duration of the Italian TFR is approximately 7 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and law requirements for retirement in Italy. The effect on the TFR obligation of 1% increase or decrease in the assumed discount rate, holding all other assumption constant, is negative for €43 million and positive for €52 million respectively.

*Other provisions for employees and liabilities for share based payments*

At 31 December 2013, Other provisions for employees and liabilities for share based payments comprised other long term benefits obligations for €332 million (€323 million at 31 December 2012), representing the expected obligation for benefits as jubilee and long term disability granted to certain employees by the Group. This item also comprised Liabilities for share-based payments amounting to €123 million at 31 December 2013 (€125 million at 31 December 2012).

## 26. Other provisions

Changes in Other provisions are as follows:

| (€ million) | At 31 December 2012 | Charge | Utilization | Release to income | Translation differences | Changes in the scope of consolidation and other changes | At 31 December 2013 |
|---|---|---|---|---|---|---|---|
| Warranty provision | **3,617** | 1,962 | (1,720) | (13) | (194) | 4 | **3,656** |
| Restructuring provision | **261** | 41 | (90) | (21) | (2) | 2 | **191** |
| Investment provision | **13** | - | - | - | (2) | 1 | **12** |
| Other risks | **4,899** | 8,279 | (7,507) | (217) | (222) | 4 | **5,236** |
| **Total Other provisions** | **8,790** | **10,282** | **(9,317)** | **(251)** | **(420)** | **11** | **9,095** |

The effect of discounting these provisions is €21 million in 2013.

The warranty provision represents the best estimate of commitments given by the Group for contractual, legal, or constructive obligations arising from product warranties given for a specified period of time beginning at the date of sale to the end customer. This estimate is principally based on assumptions regarding the lifetime warranty costs of each vehicle and each model year of that vehicle line, as well as historical claims experience for vehicles. The Group establishes provisions for product warranty obligations when the related sale is recognized. Warranty provisions also include management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a general recall of vehicles, which are estimated by making an assessment of the historical occurrence of defects on a case-by-case basis and are accrued when a reliable estimate of the amount of the obligation can be made.

The restructuring provision at 31 December 2013 consists of termination benefits of €106 million (€194 million at 31 December 2012) payable to employees in connection with restructuring plans, manufacturing rationalization costs of €15 million (€21 million at 31 December 2012) and other costs of €70 million (€46 million at 31 December 2012). These provisions are related to car mass-market operations for €94 million, Components €28 million and Other activities €69 million.

The provision for other risks represents the amounts provided by the individual companies of the Group in connection mainly with contractual and commercial risks and disputes. Details of this item are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Sales incentives | 2,993 | 2,622 |
| Legal proceedings and other disputes | 545 | 528 |
| Commercial risks | 371 | 393 |
| Environmental risks | 29 | 36 |
| Indemnities | 62 | 62 |
| Other reserves for risk and charges | 1,236 | 1,258 |
| **Total Other risks** | **5,236** | **4,899** |

A description of these follows:

- Sales incentives that are offered on a contractual basis to the Group's dealer networks, primarily on the basis of a specific cumulative level of sales transactions during a certain period. The provision also includes sales cash incentives provided to retail customers.
- Legal proceedings and other disputes, this provision represents management's best estimate of the liability to be recognized by the Group with regard to legal proceedings arising in the ordinary course of business with dealers, customers, suppliers or regulators (such as contractual or patent disputes), legal proceedings involving claims with active and former employees and Legal proceedings involving different tax authorities.

  None of these provisions is individually significant. Each Group company recognizes a provision for legal proceedings when it is deemed probable that the proceedings will result in an outflow of resources. In determining their best estimate of the liability, each Group company evaluates their legal proceedings on a case-by-case basis to estimate the probable losses that typically arise from events of the type giving rise to the liability. Their estimate takes into account, as applicable, the views of legal counsel and other experts, the experience of the Group and others in similar situations and the Group's intentions with regard to further action in each proceeding. Group's consolidated provision combines these individual provisions established by each of the Group's companies.
- Commercial risks arising in connection with the sale of products and services such as maintenance contracts. An accrual is recorded when the expected costs to complete the services under these contracts exceed the revenues expected to be realized.
- Environmental risks, this provision represents best estimate of the Group's probable environmental obligations. Amounts included in the estimate comprise direct costs to be incurred by the Group in connection with environmental obligations associated with current or formerly owned facilities and sites. This provision also includes costs related to claims on environmental matters.
- Indemnities estimated by the Group in connection with divestitures. These liabilities primarily arise from indemnities relating to contingent liabilities in existence at the time of the sale, as well as those covering any possible breach of the representations and warranties provided in the contract and, in certain instances, environmental or tax matters. These provisions were determined estimating the amount of the expected outflow of resources, taking into consideration the relevant level of probability of occurrence.
- Other risk and charges, this provision includes, among others, the estimated product liability costs arising from personal injuries alleged to be the result of product defects. The valuation of the reserve is actuarially determined on an annual basis based on, among other factors, the number of vehicles sold and product liability claims incurred.

## 27. Debt

Breakdown of debt by category and by maturity is as follows:

| (€ million) | At 31 December 2013 due within one year | due between one and five years | due beyond five years | Total | At 31 December 2012 due within one year | due between one and five years | due beyond five years | Total |
|---|---|---|---|---|---|---|---|---|
| Asset-backed financing | 586 | 10 | - | **596** | 436 | 13 | - | **449** |
| Bonds | 2,572 | 8,317 | 3,577 | **14,466** | 1,389 | 8,295 | 3,032 | **12,716** |
| Borrowings from banks | 2,436 | 5,609 | 607 | **8,652** | 2,489 | 5,084 | 566 | **8,139** |
| Payables represented by securities | 554 | 1,374 | 2,604 | **4,532** | 516 | 1,220 | 3,137 | **4,873** |
| Other | 990 | 348 | 318 | **1,656** | 981 | 352 | 379 | **1,712** |
| Total Other debt | 6,552 | 15,648 | 7,106 | **29,306** | 5,375 | 14,951 | 7,114 | **27,440** |
| **Total Debt** | **7,138** | **15,658** | **7,106** | **29,902** | **5,811** | **14,964** | **7,114** | **27,889** |

At 31 December 2013, Debt includes €9,458 million (€10,312 million at 31 December 2012) of Chrysler debt due to third parties.

Debt increased by €2,013 million at 31 December 2013. Net of foreign exchange translation effects and scope of consolidation, the increase in Debt was €3,092 million: the Group issued new bonds for €2,866 million during the year and repaid bonds on maturity for €1,000 million; during the year, medium and long-term loans obtained by the Group amounted to €2,593 million while medium and long-term borrowings repayments amounted to €1,954 million[1].

Asset-backed financing represents the amount of financing received through factoring transactions which do not meet IAS 39 derecognition requirements and is recognized as an asset in the Statement of financial position under Current receivables and other current assets (Note 18). Asset-backed financing increased by €147 million in 2013.

*(1) These amounts exclude the proceeds and repayments of €595 million arising from the amendments to the Tranche B Term Loan made in June 2013 by Chrysler.*

The annual effective interest rates and the nominal currencies of debt at 31 December 2013 are as follows:

| (€ million) | Interest rate less than 5% | from 5% to 7.5% | from 7.5% to 10% | from 10% to 12.5% | greater than 12.5% | Total at 31 December 2013 |
|---|---|---|---|---|---|---|
| Euro | 5,043 | 7,412 | 2,253 | 90 | - | **14,798** |
| US Dollar | 2,962 | 122 | 5,744 | 12 | 169 | **9,009** |
| Brazilian Real | 1,271 | 431 | 256 | 1,190 | - | **3,148** |
| Swiss Franc | 378 | 672 | - | - | - | **1,050** |
| Canadian Dollar | 39 | 79 | 584 | - | - | **702** |
| Mexican Peso | - | - | 414 | - | - | **414** |
| Chinese Renminbi | 2 | 292 | 66 | - | - | **360** |
| Polish Zloty | 141 | 15 | - | 10 | - | **166** |
| British Pound | 116 | - | - | - | - | **116** |
| Argentine Peso | - | - | 33 | - | 64 | **97** |
| Other | 33 | 2 | 3 | - | 4 | **42** |
| **Total Debt** | **9,985** | **9,025** | **9,353** | **1,302** | **237** | **29,902** |

For further information on the management of interest rate and currency risk reference should be made to Note 35.

At 31 December 2013, debt secured by assets of the Fiat Group excluding Chrysler amounts to €416 million (€363 million at 31 December 2012), of which €370 million (€276 million at 31 December 2012) due to creditors for assets acquired under finance leases. The total carrying amount of assets acting as security for loans amounts to €401 million at 31 December 2013 (€296 million at 31 December 2012).

At 31 December 2013, debt secured by assets of Chrysler amounts to €5,180 million (€5,530 million at 31 December 2012), and includes €4,448 million (€4,665 million at 31 December 2012) relating to the *Secured Senior Notes* and the *Senior Secured Credit Facility* (the "*Tranche B Term Loan*" and the "*Revolving Credit Facility*", which at 31 December 2013 was undrawn), €165 million (€183 million at 31 December 2012) was due to creditors for assets acquired under finance leases and other debt and financial commitments for €567 million (€682 million at 31 December 2012).

In addition, at 31 December 2013 the Group's assets include current receivables to settle Asset-backed financing of €596 million (€449 million at 31 December 2012), see Note 18.

*Bonds*
The bond issues outstanding at 31 December 2013 are as follows:

| | Currency | Face value of outstanding bonds (in million) | Coupon | Maturity | Outstanding amount (€ million) |
|---|---|---|---|---|---|
| **GLOBAL MEDIUM TERM NOTES:** | | | | | |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 900 | 6.125% | 8 July 2014 | 900 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 1,250 | 7.625% | 15 September 2014 | 1,250 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 1,500 | 6.875% | 13 February 2015 | 1,500 |
| Fiat Finance and Trade Ltd S.A.[(2)] | CHF | 425 | 5.000% | 7 September 2015 | 346 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 1,000 | 6.375% | 1 April 2016 | 1,000 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 1,000 | 7.750% | 17 October 2016 | 1,000 |
| Fiat Finance and Trade Ltd S.A.[(2)] | CHF | 400 | 5.250% | 23 November 2016 | 326 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 850 | 7.000% | 23 March 2017 | 850 |
| Fiat Finance North America Inc.[(1)] | EUR | 1,000 | 5.625% | 12 June 2017 | 1,000 |
| Fiat Finance and Trade Ltd S.A.[(2)] | CHF | 450 | 4.000% | 22 November 2017 | 367 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 1,250 | 6.625% | 15 March 2018 | 1,250 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 600 | 7.375% | 9 July 2018 | 600 |
| Fiat Finance and Trade Ltd S.A.[(1)] | EUR | 1,250 | 6.750% | 14 October 2019 | 1,250 |
| Other | EUR | 7 | | | 7 |
| **TOTAL GLOBAL MEDIUM TERM NOTES** | | | | | **11,646** |
| **OTHER BONDS:** | | | | | |
| Chrysler Group LLC (*Secured Senior Notes*)[(3)] | USD | 1,500 | 8.000% | 15 June 2019 | 1,088 |
| Chrysler Group LLC (*Secured Senior Notes*)[(3)] | USD | 1,700 | 8.250% | 15 June 2021 | 1,232 |
| **TOTAL OTHER BONDS** | | | | | **2,320** |
| **HEDGING EFFECT AND AMORTISED COST VALUATION** | | | | | **500** |
| **TOTAL BONDS** | | | | | **14,466** |

(1) *Bond for which a listing on the Irish Stock Exchange was obtained.*
(2) *Bond for which a listing on the SIX Swiss Exchange was obtained.*
(3) *The Secured Senior Notes were issued at par on 24 May 2011 and initially sold in a private placement to qualified institutional buyers and non-US persons as defined by US Securities Act. On 29 December 2011, in accordance with the indenture, Chrysler commenced an offer to exchange the Original Notes outstanding for notes having substantially identical terms as those originally issued and the same principal amount but do not contain restrictions on transfer. The offer to exchange the Original Notes expired on 1 February 2012. Substantially all of the Original Notes were tendered for Secured Senior Notes.*

Changes in bonds during 2013 are mainly due to:

- the issue by Fiat Finance and Trade Ltd S.A. as part of the *Global Medium Term Notes Programme* of 6.625% notes at par having a principal of €1,250 million and due March 2018;
- the repayment on maturity of a bond having a nominal value of €1 billion issued by Fiat Finance and Trade Ltd S.A. in 2006;
- the issue by Fiat Finance and Trade Ltd S.A. as part of the *Global Medium Term Notes Programme* of 6.75% notes at par having a principal of €850 million and due October 2019;
- the re-opening of the above €850 million 6.75% notes due October 2019, with the issue by Fiat Finance and Trade Ltd S.A. of a further €400 million of notes at 101.231% of par value and a yield to maturity of 6.50%, increasing the total principal amount of the bond to €1.25 billion;
- the issue by Fiat Finance and Trade Ltd S.A. as part of the *Global Medium Term Notes Programme* of 4.00% notes at par having a principal of CHF 450 million and due November 2017.

The bonds issued by Fiat and Chrysler are subject to different terms and conditions, which vary by issuer and, in some cases, by individual issuance. The prospectuses and/or indentures relating to the principal bond issues are available on the Group's website at www.fiatspa.com under "*Investors - Debt and Credit Ratings - Bonds*" and at www.chryslergroupllc.com under "*Investor Relations - SEC filings*". These documents are unaudited.

Following the repayment on 15 February 2013 of the bond issued by Fiat Finance and Trade Ltd. S.A. having a nominal value of €1 billion, bearing fixed interest at 6.625%, all the bonds issued by the Fiat Group excluding Chrysler are currently governed by the terms and conditions of the *Global Medium Term Note Programme*. A maximum of €15 billion may be issued under this Program, of which notes of approximately €11.6 billion have been issued to 31 December 2013; the Program is guaranteed by Fiat S.p.A. The issuers taking part in the program include, amongst others, Fiat Finance and Trade Ltd. S.A. for an amount outstanding of €10.6 billion and Fiat Finance North America Inc. with a bond having a nominal value of €1 billion.

The companies in the Fiat Group may from time to time buy back bonds on the market that have been issued by the Group, also for purposes of their cancellation. Such buybacks, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

Chrysler may redeem, at any time, all or any portion of the *Secured Senior Notes* on not less than 30 and not more than 60 days' prior notice mailed to the holders of the Notes to be redeemed.

- Prior to 15 June 2015, the 2019 *Secured Senior Notes* ("2019 Notes") will be redeemable at a price equal to the principal amount of the 2019 Notes being redeemed, plus accrued and unpaid interest to the date of redemption and a "make–whole" premium calculated under the indenture. At any time prior to 15 June 2014, Chrysler may also redeem up to 35% of the aggregate principal amount of the 2019 Notes, at a redemption price equal to 108% of the principal amount of the 2019 Notes being redeemed, plus accrued and unpaid interest to the date of redemption with the net cash proceeds from certain equity offerings. On and after 15 June 2015, the 2019 Notes are redeemable at redemption prices specified in the indenture, plus accrued and unpaid interest to the date of redemption. The redemption price is initially 104% of the principal amount of the 2019 Notes being redeemed for the twelve months beginning 15 June 2015, decreasing to 102% for the year beginning 15 June 2016 and to par on and after 15 June 2017.
- Prior to 15 June 2016, the 2021 *Secured Senior Notes* ("2021 Notes") will be redeemable at a price equal to the principal amount of the 2021 Notes being redeemed, plus accrued and unpaid interest to the date of redemption and a "make–whole" premium calculated under the indenture. At any time prior to 15 June 2014, Chrysler may also redeem up to 35% of the aggregate principal amount of the 2021 Notes, at a redemption price equal to 108.25% of the principal amount of the 2021 Notes being redeemed, plus accrued and unpaid interest to the date of redemption with the net cash proceeds from certain equity offerings. On and after 15 June 2016, the 2021 Notes are redeemable at redemption prices specified in the indenture, plus accrued and unpaid interest to the date of redemption. The redemption price is initially 104.125% of the principal amount of the 2021 Notes being redeemed for the twelve months beginning 15 June 2016, decreasing to 102.75% for the year beginning 15 June 2017, to 101.375% for the year beginning 15 June 2018 and to par on and after 15 June 2019.

The bonds issued by Fiat Finance and Trade Ltd S.A. and by Fiat Finance North America Inc. impose covenants on the issuer and, in certain cases, on Fiat S.p.A. as guarantor, which is standard international practice for similar bonds issued by companies in the same industry sector as the Group. Such covenants include: (i) negative pledge clauses which require that, in case any security interest upon assets of the issuer and/or Fiat S.p.A. is granted in connection with other bonds or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding bonds; (ii) *pari passu* clauses, under which the bonds rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer and/or Fiat S.p.A.; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the bonds under certain events of default on other financial instruments issued by the Group's main entities; and, (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants can lead to the early repayment of the notes. In addition, the agreements for the bonds guaranteed by Fiat S.p.A. contain clauses which could lead to requirement to make early repayment if there is a change of the controlling shareholder of Fiat S.p.A. which leads to a resulting downgrading by the ratings agencies.

In addition, the indenture of the *Secured Senior Notes* issued by Chrysler Group LLC includes negative covenants which limited Chrysler's ability and, in certain instances, the ability of certain of its subsidiaries to, (i) pay dividends or make distributions of Chrysler's capital stock or repurchase Chrysler's capital stock; (ii) make certain payments; (iii) create certain liens to secure indebtedness; (iv) enter into sale and leaseback transactions; (v) engage in transactions with affiliates; (vi) merge or consolidate with certain companies and (vii) transfer and sell assets. The indenture provides for customary events of default, including but not limited to, (i) non-payment; (ii) breach of covenants in the indenture; (iii) payment defaults or acceleration of other indebtedness; (iv) a failure to pay certain judgments and (v) certain events of bankruptcy, insolvency and reorganization. If certain events of default occur and are continuing, the trustee or the holders of at least 25% in principal amount of the notes outstanding under one of the series may declare all of the notes of that series to be due and payable immediately, together with accrued interest, if any.

Chrysler's *Secured Senior Notes* are secured by liens junior to the *Senior Secured Credit Facilities* on substantially all of Chrysler Group LLC's assets and the assets of its U.S. subsidiary guarantors, including 100% of the equity interests in Chrysler's U.S. subsidiaries and 65% of the equity interests in its non U.S. subsidiaries held directly by Chrysler Group LLC and its U.S. subsidiary guarantors.

*Borrowing from banks*

At 31 December 2013, the item includes €2,119 million (€2,265 million at 31 December 2012) outstanding on the $3.0 billion *Tranche B Term Loan* of Chrysler, payable in equal quarterly installments of $7.5 million, with the remaining balance due at maturity in May 2017. Taking advantage of market conditions and its improved credit profile, in June 2013, Chrysler had reduced the interest rate for its $3.0 billion *Tranche B Term Loan* and its undrawn $1.3 billion *Revolving Credit Facility*, maturing in May 2016. Certain loan covenants were also amended to be consistent with those in the Chrysler's bond agreement. Subsequently, in December 2013, Chrysler further reduced the interest rate on the *Tranche B Term Loan*.

Medium/long term committed credit lines (expiring after twelve months) currently available to the treasury companies of Fiat Group excluding Chrysler amount to approximately €3.2 billion at 31 December 2013, of which €2.1 billion related to the 3-year syndicated revolving credit line due in July 2016 that was undrawn at 31 December 2013. In June 2013, Fiat S.p.A. signed a new €2 billion 3-year revolving credit line, which replaced the existing of €1.95 billion signed in July 2011. The syndication of the new line was successfully completed on 18 July 2013 with a group of 19 banks and, as a result of the positive response, the facility was increased to €2.1 billion.

Additionally, the operating entities of Fiat Group excluding Chrysler have committed credit lines available, with residual maturity after twelve months, to fund scheduled investments, of which approximately €1.8 billion was still undrawn at 31 December 2013.

The €2.1 billion syndicated credit facility of Fiat contains typical covenants for contracts of this type and size, such as financial covenants (Net Debt/EBITDA and EBITDA/Net Interest ratios related to industrial activities) and negative pledge, *pari passu*, cross default and change of control clauses. The failure to comply with these covenants, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding loans. Similar covenants are contemplated for loans granted by the European Investment Bank for a total of €1.1 billion, in order to fund the Group's investments and research and development costs. In addition, the above syndicated credit facility, currently contemplates limits to the capability to extend guarantees or loans to Chrysler.

At 31 December 2013, Chrysler has secured revolving credit facility ("*Revolving Credit Facility*") amounting to approximately €0.9 billion ($1.3 billion), fully undrawn at that date and maturing in May 2016.

Chrysler's senior credit facilities, which include the above mentioned *Tranche B Term Facility* and the *Revolving Credit Facility*, are secured by a senior priority security interest in substantially all of Chrysler Group LLC's assets and the assets of its U.S. subsidiary guarantors, subject to certain exceptions. The collateral includes 100% of the equity interests in Chrysler's U.S. subsidiaries and 65% of the equity interests in its non U.S. subsidiaries held directly by Chrysler Group LLC and its U.S. subsidiary guarantors.

The *Senior Secured Credit Agreement* includes negative covenants, including but not limited to: (i) limitations on incurrence, repayment and prepayment of indebtedness; (ii) limitations on incurrence of liens; (iii) limitations on making certain payments; (iv) limitations on transactions with affiliates, swap agreements and sale and leaseback transactions; (v) limitations on fundamental changes, including certain asset sales and (vi) restrictions on certain subsidiary distributions. In addition, the *Senior Secured Credit Agreement* requires Chrysler to maintain a minimum ratio of "borrowing base" to "covered debt" (as defined in the Facility), as well as a minimum liquidity of $3.0 billion, which includes any undrawn amounts on the *Revolving Credit Facility*.

The *Senior Secured Credit Agreement* contains a number of events of default related to: (i) failure to make payments when due; (ii) failure to comply with covenants; (iii) breaches of representations and warranties; (iv) certain changes of control; (v) cross–default with certain other debt and hedging agreements and (vi) the failure to pay certain material judgments.

*Payables represented by securities*

At 31 December 2013, the item Payables represented by securities includes the *VEBA Trust Note* of €3,575 million (€3,863 million at 31 December 2012), which represents Chrysler's financial liability to the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America ("UAW") Retiree Medical Benefits Trust ("*VEBA Trust*") having a carrying value of $4,715 million (€3,419 million). This financial liability was recognized by Chrysler in connection with the settlement of obligations related to postretirement healthcare benefits for certain UAW retirees. The *VEBA Trust Note* has an implied interest rate of 9.0% and requires annual payments of principal and interest through 15 July 2023. On 7 February 2014, Chrysler repaid the *VEBA Trust Note* through the issuance of secured senior notes for $3 billion and senior secured credit facilities for $2 billion (as described in Note 39 – *Subsequent events*) .

At 31 December 2013, Chrysler's Payables represented by securities also includes the *Canadian Health Care Trust Notes* totaling €703 million (€864 million at 31 December 2012), which represents Chrysler's financial liability to the *Canadian Health Care Trust* arising from the settlement of postretirement health care benefits for represented employees, retirees and dependants of *Chrysler Canada Inc.'s National Automobile, Aerospace, Transportation and General Workers Union of Canada* ("CAW"). These notes were issued in four tranches maturing up to 2024.

*Other*

At 31 December 2013, payables for finance leases amount to €535 million and may be analyzed as follows:

| | At 31 December 2013 | | | | At 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | due within one year | due between one and five years | due beyond five years | Total | due within one year | due between one and five years | due beyond five years | Total |
| Minimum future lease payments | 80 | 279 | 261 | **620** | 90 | 246 | 215 | **551** |
| Interest expense | (20) | (52) | (13) | **(85)** | (20) | (57) | (15) | **(92)** |
| **Present value of minimum lease payments** | **60** | **227** | **248** | **535** | **70** | **189** | **200** | **459** |

At 31 December 2013, the Fiat Group excluding Chrysler had outstanding financial lease agreements for certain Property, plant and equipment whose overall net carrying amount totals €377 million (€268 million at 31 December 2012) (Note 15). As discussed in Note 15, finance lease payables also relate to suppliers' assets recognized in the Consolidated financial statements in accordance with IFRIC 4.

*Net financial position*

In compliance with the Consob Regulation issued on 28 July 2006 and in conformity with the ESMA update of the CESR's "*Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses*", the Net financial position of the Group at 31 December 2013 is as follows

| | At 31 December 2013 | | At 31 December 2012 | |
|---|---|---|---|---|
| (€ million) | Total | of which Related parties (Note 31) | Total | of which Related parties (Note 31) |
| A. Cash and cash equivalents | 19,439 | - | 17,657 | - |
| B. Current securities | 247 | - | 256 | - |
| **C. Liquidity (C) = (A+B)** | **19,686** | **-** | **17,913** | **-** |
| **D. Receivables from financing activities (Current financial receivables)** | **3,671** | **163** | **3,727** | **201** |
| **E. Other financial assets** | **533** | **-** | **519** | **-** |
| **F. Debt** | **29,902** | **448** | **27,889** | **272** |
| **G. Other financial liabilities** | **137** | **-** | **201** | **-** |
| **H. Net financial position (H) = (C+D+E-F-G)** | **(6,149)** | **(285)** | **(5,931)** | **(71)** |

The item Receivables from financing activities includes the entire portfolio of the Consolidated financial services entities, classified as current assets as they will be realized during the normal operating cycle of these companies.

The following is reconciliation between the Net financial position as presented in the above table and Net debt as presented in the Report on Operations:

| (€ million) | At 31 December 2013<br>Total Fiat Group | At 31 December 2012<br>Total Fiat Group |
|---|---|---|
| **Consolidated net debt as presented in the Report on Operations** | **(9,793)** | **(9,600)** |
| Less: Current financial receivables, excluding those due from jointly controlled financial services companies, amounting to €27 million at 31 December 2013 (€58 million at 31 December 2012), and financial receivables for leased assets under IFRIC 4 | 3,644 | 3,669 |
| **Net financial position** | **(6,149)** | **(5,931)** |

Reference should be made to Notes 18, 19, 20 and 21 and the information provided in this Note for a further analysis of the items in the table.

## 28. Trade payables

Trade payables of €17,235 million at 31 December 2013 increased by €677 million over 31 December 2012 and entirely due within one year.

## 29. Other current liabilities

An analysis of Other current liabilities is as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Advances on buy-back agreements | 1,583 | 1,198 |
| Indirect tax payables | 1,302 | 1,233 |
| Accrued expenses and deferred income | 2,364 | 1,920 |
| Payables to personnel | 778 | 728 |
| Social security payables | 343 | 321 |
| Amounts due to customers for contract work (Note 17) | 212 | 178 |
| Other | 2,361 | 2,203 |
| **Total Other current liabilities** | **8,943** | **7,781** |

An analysis of Other current liabilities (excluding Accrued expenses and deferred income) by due date is as follows:

| | At 31 December 2013 | | | | At 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | due within one year | due between one and five years | due beyond five years | Total | due within one year | due between one and five years | due beyond five years | Total |
| **Total Other current liabilities (excluding Accrued expenses and deferred income)** | 5,717 | 840 | 22 | **6,579** | 5,124 | 703 | 34 | **5,861** |

The item Advances on buy-back agreements refers to buy-back agreements entered into by the Group and comprises the price received for the product recognized as an advance at the date of the sale, and subsequently, the repurchase price and the remaining lease installments yet to be recognized.

Indirect tax payables includes taxes on commercial transactions accrued by the Brazilian subsidiary FIASA for which the company (as well as a number of important industrial groups which operate in Brazil) is awaiting the decision by the Supreme Court regarding its claim alleging double taxation. In March 2007, FIASA received a preliminary trial court decision allowing the payment of such tax on a taxable base consistent with the company's position. Since it is a preliminary decision and the amount may be required to be paid to the tax authorities at any time, the difference between the tax payments as preliminary allowed and the full amount determined as required by the legislation still in force is recognized as a current liability due between one and five years. Timing for the Supreme Court decision is not predictable.

Deferred income includes the revenues not yet recognized in relation to separately-priced extended warranties and service contracts offered by Chrysler. These revenues will be recognized in the Income statement over the contract period in proportion to the costs expected to be incurred based on historical information. In addition, at 31 December 2013, the item also include €214 million deferred income arising from the donation of a land from the State of Pernambuco. This deferred income will be recognized in the Income statement starting from the entering in to activity of the plant (see Note 15).

## 30. Fair value measurement

IFRS 13 establishes a hierarchy that categorizes into three levels the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

Levels used in the hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets and liabilities.

*Assets and liabilities that are measured at fair value on a recurring basis*

The following table shows the fair value hierarchy for financial assets and liabilities that are measured at fair value on a recurring basis at 31 December 2013:

| (€ million) | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Assets at fair value available for sale: | | | | | |
| Investments at fair value with changes directly in Other comprehensive income/(losses) | (16) | 134 | 14 | - | **148** |
| Investments at fair value through profit or loss | (16) | 151 | - | - | **151** |
| Other non-current securities | (16) | 42 | - | 12 | **54** |
| Current securities available-for-sale | (19) | 92 | - | - | **92** |
| Financial assets at fair value held-for-trading: | | | | | |
| Current investments | | 35 | - | - | **35** |
| Current securities held for trading | (19) | 155 | - | - | **155** |
| Other financial assets | (20) | 20 | 509 | 4 | **533** |
| Cash and cash equivalents | (21) | 18,498 | 941 | - | **19,439** |
| **Total Assets** | | **19,127** | **1,464** | **16** | **20,607** |
| Other financial liabilities | (20) | - | 135 | 2 | **137** |
| **Total Liabilities** | | **-** | **135** | **2** | **137** |

In 2013, there were no transfers between Levels in the fair value hierarchy.

The fair value of Other financial assets and liabilities that are mainly composed by derivatives financial instruments is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rate and interest rates at the balance sheet date;
- the fair value of interest rate swaps and forward rate agreements is determined by taking the prevailing interest rates at the balance sheet date and using the discounted expected cash flow method;
- the fair value of combined interest rate and currency swaps is determined using the exchange and interest rates prevailing at the balance sheet date and the discounted expected cash flow method;
- the fair value of swaps and options hedging commodity price risk is determined by using suitable valuation techniques and taking market parameters at the balance sheet date (in particular, underline prices, interest rates and volatility rates);
- the fair value of equity swaps is determined using market prices at the balance sheet date.

The par value of Cash and cash equivalents usually approximates fair value due to the short maturity of these instruments, which consist primarily of bank current accounts and time deposits, certificates of deposit, commercial paper, bankers' acceptances and money market funds. Money market funds valuation is also based on available market quotations. Where appropriate, the fair value of Cash equivalents is determined with discounted expected cash flow techniques, using observable market yields (represented in level 2 above).

The following table provides a reconciliation from the opening balances to the closing balances for fair value measurements categorized in Level 3 in 2013:

| (€ million) | Other non-current securities | Other financial assets/(liabilities) |
|---|---|---|
| **At 31 December 2012** | **12** | **7** |
| (Gains)/Losses recognized in Income statement | - | 6 |
| Gains/(Losses) recognized in Other comprehensive income/losses | - | (3) |
| Issues/Settlements | - | (8) |
| **At 31 December 2013** | **12** | **2** |

The gains/losses included in the Income statement are recognized in Cost of sales for €6 million. The gains and losses recognized in Other comprehensive income/(losses) have been included in Gains/(losses) on cash flow hedging instruments for €2 million and in Exchange differences on translating foreign operations for €1 million (see Note 23).

*Assets and liabilities not measured at fair value on recurring basis*

For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not differ significantly from carrying value, we assume that carrying value is a reasonable approximation of the fair value. In particular, the carrying amount of Current receivables and Other current assets and of Trade payables and Other current liabilities approximates their fair value.

The following table represents carrying amount and fair value for the most relevant categories of financial assets and liabilities not measured at fair value on a recurring basis:

| | | At 31 December 2013 | | At 31 December 2012 | |
|---|---|---|---|---|---|
| (€ million) | Note | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Dealer financing | | 2,286 | 2,290 | 2,108 | 2,108 |
| Retail financing | | 970 | 957 | 1,115 | 1,112 |
| Finance lease | | 297 | 296 | 331 | 331 |
| Other receivables from financing activities | | 118 | 118 | 173 | 173 |
| **Receivables from financing activities** | (18) | **3,671** | **3,661** | **3,727** | **3,724** |
| Asset backed financing | | 596 | 596 | 449 | 449 |
| Bonds | | 14,466 | 15,464 | 12,716 | 13,164 |
| Other debt | | 14,840 | 14,952 | 14,724 | 14,747 |
| **Debt** | (27) | **29,902** | **31,012** | **27,889** | **28,360** |

The fair values of Receivables from financing activities, which are categorized within the Level 3 of the fair value hierarchy, have been estimated with discounted cash flows models. The most significant inputs used for this measurement are market discount rates, that reflect conditions applied in various reference markets on receivables with similar characteristics, adjusted in order to take into account the credit risk of the counterparties.

Bonds are listed in active markets, their fair value was measured with reference to year-end quoted prices and therefore they were classified within the Level 1 of the fair value hierarchy, with the exception of a residual nominal €7 million issuance maturing in 2021 classified within the Level 2 of the fair value hierarchy, whose fair value was measured by using a discounted cash flow model.

The fair value of Other debt is included in Level 2 of the fair value hierarchy and has been estimated with discounted cash flows models. The main inputs used are year-end market interest rates, adjusted for market expectations on the Group non-performance risk implied in quoted prices of traded securities issued by the Group and existing credit derivatives on Group liabilities.

## 31. Related party transactions

Pursuant to IAS 24, the related parties of the Group are entities and individuals capable of exercising control, joint control or significant influence over Fiat Group and its subsidiaries, companies belonging to the Exor group, (including the CNH Industrial group) and unconsolidated subsidiaries, associates or joint ventures of the Fiat Group. In addition, members of Fiat Group Board of Directors, Board of Statutory Auditors and executives with strategic responsibilities and their families are also considered related parties.

The Group carries out transactions with unconsolidated subsidiaries, jointly-controlled entities, associates and other related parties, on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved. Transactions carried out by the Group with unconsolidated subsidiaries, jointly-controlled entities, associates and other related parties are primarily of those a commercial nature, which have had an effect on revenues, cost of sales, and trade receivables and payables; in particular, these transactions relate to:

- the sale of motor vehicles to the jointly-controlled entities Tofas-Turk Otomobil Fabrikasi A.S. and FGA Capital group;
- the sale of engines, other components and production systems to the jointly-controlled entity Società Europea Veicoli Leggeri-Sevel S.p.A. and companies of the CNH Industrial group and, for 2012, to the jointly-controlled entity Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme;
- the provision of services, recharges of research costs and the sale of goods to the jointly-controlled entities Fiat India Automobiles Limited and GAC FIAT Automobiles Co Ltd;
- the purchase of commercial vehicles from the jointly-controlled entities Società Europea Veicoli Leggeri-Sevel S.p.A., Tofas-Turk Otomobil Fabrikasi A.S and, for 2012, Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme;
- the purchase of engines from the VM Motori group in 2012 and in the first half of 2013;
- the purchase of commercial vehicles from the CNH Industrial group.

The most significant financial transactions with related parties generated Receivables from financing activities of the Group's financial services companies due from jointly-controlled entities and Asset-backed financing relating to amounts due to FGA Capital for the sale of receivables which do not qualify for derecognition under IAS 39. At 31 December 2013 and at 31 December 2012, Receivables from financing activities due from related parties also included receivables due from CNH Industrial group companies mainly arising from customer factoring provided by the Group's financial services companies. On the other hand, Debt due to related parties included certain balances due to CNH Industrial group companies, mainly relating to factoring and dealer financing in Latin America.

In accordance with IAS 24, transactions with related parties also include compensation payable to Directors, Statutory Auditors and managers with strategic responsibilities.

The amounts of the transactions with related party recognized in the Income statement are as follows:

| (€ million) | 2013 Net Revenues | 2013 Cost of sales | 2013 Selling, general and administrative costs | 2013 Financial income/ (expenses) | 2012 Net Revenues | 2012 Cost of sales | 2012 Selling, general and administrative costs | 2012 Financial income/ (expenses) |
|---|---|---|---|---|---|---|---|---|
| Tofas-Turk Otomobil Fabrikasi A.S. | 1,145 | 1,287 | 3 | - | 1,115 | 1,227 | 4 | - |
| Società Europea Veicoli Leggeri-Sevel S.p.A. | 475 | 1,557 | 6 | - | 470 | 1,526 | - | - |
| FGA Capital group | 223 | 62 | 10 | (24) | 200 | 82 | 12 | (28) |
| Fiat India Automobiles Limited | 27 | 1 | 4 | 1 | 38 | - | 1 | - |
| GAC FIAT Automobiles Co Ltd | 137 | - | 1 | - | 147 | - | - | - |
| Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme(*) | - | - | - | - | 24 | 218 | - | - |
| VM Motori group | - | 121 | - | - | - | 215 | - | - |
| Other | 8 | 6 | - | - | 8 | 4 | - | - |
| **Total jointly-controlled entities** | **2,015** | **3,034** | **24** | **(23)** | **2,002** | **3,272** | **17** | **(28)** |
| To-dis S.r.l. | 48 | 4 | - | - | 48 | 2 | - | - |
| Arab American Vehicles Company S.A.E. | 15 | - | - | - | 24 | - | - | - |
| Other | 7 | - | 5 | - | 6 | 1 | 7 | - |
| **Total associates** | **70** | **4** | **5** | **-** | **78** | **3** | **7** | **-** |
| CNH Industrial group | 703 | 314 | - | - | 676 | 264 | 1 | - |
| Poltrona Frau group | - | 22 | 1 | - | - | 18 | - | - |
| Directors, Statutory Auditors and Key Management | - | - | 49 | - | - | - | 57 | - |
| Other | - | 2 | 12 | - | 1 | 18 | 7 | - |
| **Total other related parties and CNH Industrial group** | **703** | **338** | **62** | **-** | **677** | **300** | **65** | **-** |
| **Total unconsolidated subsidiaries** | **44** | **15** | **28** | **1** | **36** | **99** | **27** | **3** |
| **Total of which related parties** | **2,832** | **3,391** | **119** | **(22)** | **2,793** | **3,674** | **116** | **(25)** |
| **Total** | **86,816** | **74,570** | **6,689** | **(1,964)** | **83,957** | **71,701** | **6,763** | **(1,885)** |
| **Effect on Total (%)** | **3.3%** | **4.5%** | **1.8%** | | **3.3%** | **5.1%** | **1.7%** | |

(*) *At 31 December 2012, the Investment was classified as Asset held for sale, then transferred at the beginning of the 2013.*

Non-financial assets and liabilities originated by related party transactions are as follows:

| | At 31 December 2013 | | | | At 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | Trade receivables | Trade payables | Other current assets | Other current liabilities | Trade receivables | Trade payables | Other current assets | Other current liabilities |
| Tofas-Turk Otomobil Fabrikasi A.S. | 50 | 232 | - | - | 32 | 257 | - | 2 |
| Società Europea Veicoli Leggeri-Sevel S.p.A. | 21 | 406 | 4 | 9 | 23 | 396 | 3 | 5 |
| FGA Capital group | 49 | 165 | 1 | 93 | 64 | 147 | 12 | 85 |
| Fiat India Automobiles Limited | 10 | 10 | - | - | 96 | 5 | 2 | - |
| GAC FIAT Automobiles Co Ltd | 35 | 3 | - | 5 | 23 | 4 | - | - |
| Société Européenne de Véhicules Légers du Nord-Sevelnord Société Anonyme(*) | - | - | - | - | 1 | 55 | - | - |
| VM Motori group | - | - | - | - | - | 20 | - | - |
| Other | 5 | 13 | 1 | - | 7 | 17 | 1 | - |
| **Total jointly-controlled entities** | **170** | **829** | **6** | **107** | **246** | **901** | **18** | **92** |
| Arab American Vehicles Company S.A.E. | 9 | 3 | - | - | 11 | 3 | - | - |
| Other | 13 | 3 | - | 25 | 29 | 4 | - | 27 |
| **Total associates** | **22** | **6** | **-** | **25** | **40** | **7** | **-** | **27** |
| CNH Industrial group | 48 | 20 | 24 | 13 | 74 | 30 | 27 | 45 |
| Poltrona Frau group | - | 6 | - | - | - | 5 | - | - |
| Directors, Statutory Auditors and Key Management | - | - | - | 17 | - | - | - | 14 |
| Other | - | 1 | - | 1 | - | 11 | - | - |
| **Total other related parties and CNH Industrial group** | **48** | **27** | **24** | **31** | **74** | **46** | **27** | **59** |
| **Total unconsolidated subsidiaries** | **39** | **11** | **4** | **1** | **24** | **15** | **4** | **1** |
| **Total of which related parties** | **279** | **873** | **34** | **164** | **384** | **969** | **49** | **179** |
| **Total** | **2,406** | **17,235** | **2,302** | **8,943** | **2,702** | **16,558** | **2,163** | **7,781** |
| **Effect on Total (%)** | **11.6%** | **5.1%** | **1.5%** | **1.8%** | **14.2%** | **5.9%** | **2.3%** | **2.3%** |

(*) *At 31 December 2012, the Investment was classified as Asset held for sale, then transferred at the beginning of the 2013.*

Financial assets and liabilities originated by related party transactions are as follows:

| (€ million) | At 31 December 2013 Current Receivables from financing activities | Asset-backed financing | Other debt | At 31 December 2012 Current Receivables from financing activities | Asset-backed financing | Other debt |
|---|---|---|---|---|---|---|
| FGA Capital group | 54 | 85 | 270 | 88 | 56 | 96 |
| Società Europea Veicoli Leggeri-Sevel S.p.A. | 28 | - | 20 | 24 | - | 4 |
| Other | 18 | - | - | 5 | - | - |
| **Total jointly-controlled entities** | **100** | **85** | **290** | **117** | **56** | **100** |
| | | | | | | |
| Global Engine Alliance LLC | - | - | - | - | - | 4 |
| Other | 7 | - | - | - | - | - |
| **Total associates** | **7** | **-** | **-** | **-** | **-** | **4** |
| | | | | | | |
| **Total CNH Industrial group** | **18** | **-** | **53** | **18** | **5** | **87** |
| | | | | | | |
| **Total unconsolidated subsidiaries** | **38** | **-** | **20** | **66** | **-** | **20** |
| | | | | | | |
| **Total of which related parties** | **163** | **85** | **363** | **201** | **61** | **211** |
| **Total** | **3,671** | **596** | **29,306** | **3,727** | **449** | **27,440** |
| **Effect on Total (%)** | **4.4%** | **14.3%** | **1.2%** | **5.4%** | **13.6%** | **0.8%** |

*Guarantees pledged in favor of related parties*

Other guarantees pledged in favor of related parties are as follows:

| (€ million) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Total jointly-controlled entities | 7 | 5 |
| Total other related parties and CNH Industrial group | - | 7 |
| Total unconsolidated subsidiaries | 8 | 13 |
| **Total of which related parties** | **15** | **25** |

*Emoluments to Directors, Statutory Auditors and Key Management*

The fees of the Director and Statutory Auditors of Fiat S.p.A. for carrying out their respective functions, including those in other consolidated companies, are as follows:

| (in € thousands) | 2013 | 2012 |
|---|---|---|
| Directors (a) | 18,912 | 22,780 |
| Statutory auditors | 230 | 229 |
| **Total Emoluments** | **19,142** | **23,009** |

(a) *This amount includes the notional compensation cost arising from stock grants granted to the Chief Executive Officer.*

The aggregate compensation payable to executives with strategic responsibilities was approximately €30 million for 2013. This is inclusive of an amount of €3 million as the Fiat Group's contribution to State and employer defined contribution pension funds.

## 32. Explanatory notes to the Statement of cash flows

The Statement of cash flows sets out changes in Cash and cash equivalents during the year. As required by IAS 7 – *Statement of cash flows*, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item Translation exchange differences.

Cash flows from (used in) operating activities mostly derive from the Group's industrial activities.

The cash flows generated by the sale of vehicles under buy-back commitments, net of the amounts included in Profit/(loss) for the year, are included under operating activities in a single line item which includes changes in working capital arising from these transactions.

For 2013, Other non-cash items (positive for €522 million) mainly include €336 million impairment losses on tangible and intangible assets, €54 million loss related to the devaluation of the official exchange rate of the Venezuelan Bolivar (VEF) relative to the US Dollar (Note 8) and €56 million write-off of the book value of the Equity Recapture Agreement Right. For 2012, Other non-cash items (positive for €562 million) mainly included impairment losses on fixed assets and the share of the net profit and loss of investees accounted for using the equity method and the effect, for €515 million, related to the restatement of the Income statement for 2012 following the retrospective adoption of IAS 19 amendment from 1 January 2013, as if the amendment had always been applied.

Cash flows for income tax payments net of refunds amount to €429 million in 2013 (€475 million in 2012).

Interest of €1,808 million (€1,914 million in 2012) was paid and interest of €400 million (€635 million in 2012) was received in 2013. Amounts indicated are inclusive of interest rate differentials paid or received on interest rate derivatives.

## 33. Guarantees granted, commitments and contingent liabilities

*Guarantees granted*
At 31 December 2013, the Group had pledged guarantees on the debt or commitments of third parties totaling €31 million (€50 million at 31 December 2012), as well as guarantees of €15 million on related party debt (€25 million at 31 December 2012).

*SCUSA Private-Label Financing Agreement*
In February 2013, Chrysler entered into a private-label financing agreement with Santander Consumer USA Inc. ("SCUSA"), an affiliate of Banco Santander (the "SCUSA Agreement"). The new financing arrangement launched on May 1, 2013. Under the SCUSA Agreement, SCUSA provides a wide range of wholesale and retail financing services to Chrysler's dealers and consumers in accordance with its usual and customary lending standards, under the Chrysler Capital brand name. The financing services include credit lines to finance dealers' acquisition of vehicles and other products that Chrysler sell or distribute, retail loans and leases to finance consumer acquisitions of new and used vehicles at Chrysler's dealerships, financing for commercial and fleet customers, and ancillary services. In addition, SCUSA work with dealers to offer them construction loans, real estate loans, working capital loans and revolving lines of credit.

Under the new financing arrangement, SCUSA has agreed to specific transition milestones for the initial year following launch. If the transition milestones are met, or otherwise satisfactory to Chrysler, the SCUSA Agreement will have a ten-year term, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the SCUSA Agreement. In accordance with the terms of the agreement, SCUSA provided Chrysler an upfront, nonrefundable payment of €109 million ($150 million) in May 2013, which was recognized as deferred revenue and will be amortized over ten years. As of 31 December 2013 €102 million remained in deferred revenue.

From time to time, Chrysler works with certain lenders to subsidize interest rates or cash payments at the inception of a financing arrangement to incentivize customers to purchase its vehicles, a practice known as "subvention." Chrysler has provided SCUSA with limited exclusivity rights to participate in specified minimum percentages of certain of its retail financing rate subvention programs. SCUSA has committed to certain revenue sharing arrangements, as well as to consider future revenue sharing opportunities. SCUSA bears the risk of loss on loans contemplated by the SCUSA Agreement. The parties share in any residual gains and losses in respect of consumer leases, subject to specific provisions in the SCUSA Agreement, including limitations on Chrysler participation in gains and losses.

*Ally Auto Finance Operating Agreement and Repurchase Obligations*
In April 2013, the Auto Finance Operating Agreement between Chrysler Group and Ally Financial Inc. ("Ally"), referred as the "Ally Agreement", was terminated. Notwithstanding the termination of the Ally Agreement, Ally will continue to provide wholesale and retail financing to Chrysler dealers and retail customers in the U.S. in accordance with its usual and customary lending standards. Chrysler's dealers and retail customers also obtain funding from other financing sources.

In accordance with the terms of the Ally Agreement, Chrysler remains obligated to repurchase Ally-financed U.S. dealer inventory that was acquired on or before 30 April 2013, upon certain triggering events and with certain exceptions, in the event of an actual or constructive termination of a dealer's franchise agreement, including in certain circumstances when Ally forecloses on all assets of a dealer securing financing provided by Ally. These obligations exclude vehicles that have been damaged or altered, that are missing equipment or that have excessive mileage or an original invoice date that is more than one year prior to the repurchase date.

As of 31 December 2013, the maximum potential amount of future payments required to be made to Ally under this guarantee was approximately €167 million and was based on the aggregate repurchase value of eligible vehicles financed by Ally in Chrysler's U.S. dealer stock. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the extent the vehicles can be resold to another dealer. The fair value of the guarantee was less than €0.1 million at 31 December 2013, which considers both the likelihood that the triggering events will occur and the estimated payment that would be made net of the estimated value of inventory that would be reacquired upon the occurrence of such events. The estimates are based on historical experience.

On 1 February 2013, the Canadian automotive finance business of Ally was acquired by the Royal Bank of Canada ("RBC"). Dealers with financing through Ally were offered new lending agreements with RBC, as the Ally-financing arrangements did not transfer with the sale. As such, Chrysler Group no longer has an obligation to repurchase dealer inventory in Canada that was acquired prior to 1 February 2013 and was financed by Ally.

*Other Repurchase Obligations*

In accordance with the terms of other wholesale financing arrangements in Mexico, Chrysler is required to repurchase dealer inventory financed under these arrangements, upon certain triggering events and with certain exceptions, including in the event of an actual or constructive termination of a dealer's franchise agreement. These obligations exclude certain vehicles including, but not limited to, vehicles that have been damaged or altered, that are missing equipment or that have excessive mileage or an original invoice date that is more than one year prior to the repurchase date.

As of 31 December 2013, the maximum potential amount of future payments required to be made in accordance with these other wholesale financing arrangements was approximately €262 million and was based on the aggregate repurchase value of eligible vehicles financed through such arrangements in the respective dealer's stock. If vehicles are required to be repurchased through such arrangements, the total exposure would be reduced to the extent the vehicles can be resold to another dealer. The fair value of the guarantee was less than €0.1 million at 31 December 2013, which considers both the likelihood that the triggering events will occur and the estimated payment that would be made net of the estimated value of inventory that would be reacquired upon the occurrence of such events. These estimates are based on historical experience.

*Arrangements with Key Suppliers*

From time to time, in the ordinary course of our business, Chrysler enter into various arrangements with key suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services with fixed and determinable price provisions. Purchases under these arrangements from third parties were €167 million in 2013 (€340 million in 2012). Future minimum purchase obligations under these arrangements as of 31 December 2013 were as follows:

| (in €million) | |
|---|---|
| 2014 | 197 |
| 2015 | 153 |
| 2016 | 109 |
| 2017 | 62 |
| 2018 | 9 |
| 2019 and thereafter | 22 |

*Other commitments and important contractual rights*
The Group has important commitments and rights deriving from outstanding agreements, summarized below.

**Teksid**
Fiat S.p.A. is subject to a put contract with Renault in reference to the original investment of 33.5% in Teksid, now 15.2%. In particular, Renault would acquire the right to exercise a sale option to Fiat on its interest in Teksid, in the following cases:

- in the event of non-fulfillment in the application of the protocol of the agreement and admission to receivership or any other redressement procedure;
- in the event Renault's investment in Teksid falls below 15% or Teksid decides to invest in a structural manner outside the foundry sector;
- should Fiat be the object of the acquisition of control by another car manufacturer.

The exercise price of the option is established as follows:

- for the original 6.5% of the share capital of Teksid, the initial investment price as increased by a given interest rate;
- for the remaining amount of share capital of Teksid, the share of the accounting net equity at the exercise date.

**Chrysler**
At 31 December 2013 Fiat held a 58.5% membership interest in Chrysler; the remaining 41.5% was held by the VEBA Trust. As described in Note 39 - Subsequent events, on 1 January 2014, Fiat S.p.A. announced an agreement with the VEBA Trust, under which its wholly-owned subsidiary, Fiat North America LLC ("FNA"), acquired all of the VEBA Trust's equity membership interests in Chrysler, representing 41.5% interest of Chrysler. The transaction closed on 21 January 2014. In consideration for the sale of its membership interests in Chrysler, the VEBA Trust received an aggregate consideration of $3,650 million consisting of a special distribution paid by Chrysler to its members, in an aggregate amount of $1,900 million (FNA directed its portion of the special distribution to the *VEBA Trust* as part of the purchase consideration), and a payment from FNA for the remainder of $1,750 million in cash purchase consideration to the VEBA Trust. At the date of publication of this Annual report, therefore, Fiat holds a 100% interest in Chrysler and all rights (*VEBA Trust Call Option* and *Equity Recapture Agreement*) previously existing in respect to Fiat's investment in Chrysler lapsed.

**Agreement with UAW**
On 21 January 2014 Chrysler and the *International Union, United Automobile, Aerospace and Agricultural Implement Workers of America* (the "UAW") entered into a memorandum of understanding ("MoU") under the collective bargaining agreement with the UAW, in which the UAW made commitments to continue to support Chrysler industrial operations and the further implementation of the Fiat-Chrysler Alliance. In particular, the UAW has committed to use its best efforts to cooperate in the continued roll-out of our World Class Manufacturing ("WCM") programs, actively participate in benchmarking efforts associated with implementation of WCM programs across all Fiat-Chrysler manufacturing sites to ensure objective performance assessments and provide for proper application of WCM principles, and to actively assist in the achievement of the Group long-term business plan. In consideration of these commitments, Chrysler agreed to make payments to the VEBA Trust totaling $700 million to be paid in four equal annual installments. The initial payment of $175 million was made on 21 January 2014 and additional payments will be payable on each of the next three anniversaries of the initial payment.

**Sevel**

As part of the Sevel cooperation agreement with PSA, the Fiat group is party to a call agreement with PSA whereby, from 1 July 2017 to 30 September 2017, Fiat will have the right to acquire the residual interest in Sevel S.p.A. held by PSA, with effect from 31 December 2017.

*Operating lease contracts*

The Group has entered operating lease contracts for the right to use industrial buildings and equipment with an average term of 10-20 years and 3-5 years, respectively. At 31 December 2013, the total future minimum lease payments under non-cancellable lease contracts are as follows:

| | At 31 December 2013 | | | | At 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | due within one year | due between one and five years | due beyond five years | Total | due within one year | due between one and five years | due beyond five years | Total |
| Future minimum lease payments under operating lease agreements | 133 | 350 | 227 | **710** | 147 | 347 | 222 | **716** |

During 2013, the Group has recorded costs for lease payments of €199 million (€184 million in 2012).

*Contingent liabilities*

As a global group with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, environmental risks and tax matters, dealer and supplier relationships and intellectual property rights. The outcome of any proceedings cannot be predicted with certainty. These proceedings seek recovery for damage to property, personal injuries and in some cases include a claim for exemplary or punitive damage. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group's financial position and results.

At 31 December 2013, contingent liabilities estimated by the Group for which no provisions have been recognized since an outflow of resources is not considered to be probable and for which a reliable estimate can be made amount to approximately €100 million (approximately €100 million at 31 December 2012). Furthermore, contingent assets and expected reimbursement in connection with these contingent liabilities for approximately €12 million (€16 million at 31 December 2012) have been estimated but not recognized.

Instead, when it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Group recognizes specific provisions for this purpose (see Note 26).

Furthermore, in connection with significant asset divestitures carried out in prior years, the Group provided indemnities to purchasers with the maximum amount of potential liability under these contracts generally capped at a percentage of the purchase price. These liabilities refer principally to potential liabilities arising from possible breaches of representations and warranties provided in the contracts and, in certain instances, environmental or tax matters, generally for a limited period of time. At 31 December 2013, potential obligations with respect to these indemnities were approximately €240 million (approximately €430 million at 31 December 2012). Against these obligations, at 31 December 2013 provisions of €62 million (€62 million 31 December 2012) have been made which are classified as Other provisions. The Group has provided certain other indemnifications that do not limit potential payment; it is not possible to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

## 34. Segment reporting

The regions and operating segments, as defined at the beginning of this Notes (section – *Segment reporting*), reflect the components of the Group that are regularly reviewed by the Chief Executive Officer together with the Group Executive Council for making strategic decisions, allocating resources and assessing performance.

Transactions among regions generally are presented on a "where-sold" basis, which reflects the profit/(loss) on the ultimate sale to the external customer within the region. This presentation generally eliminates the effect of the legal entity transfer price within the regions. For the regions which also provide financial services activities, revenues and costs also include interest income and expense and other financial income and expense arising from those activities.

Revenues, Trading profit/(loss) and EBIT of the other operating segments are those directly generated by or attributable to the segment as the result of its usual business activities and include revenues from transactions with third parties as well as those arising from transactions with regions and other operating segments, recognized at normal market prices. For Luxury Brands segment which also provides financial services activities, revenues and costs include interest income and expense, and other financial income and expense arising from those activities.

Other activities include the results of the activities and businesses that are not an operating segment under IFRS 8, the Unallocated items and adjustments include consolidation adjustments and eliminations in addition to financial income and expense and income taxes that are not attributable to the performance of the segments and are subject to separate assessment by the Chief Executive Officer.

Operating assets are not included in the data reviewed by the Chief Executive Officer, consequently, as permitted by IFRS 8, the related information is not provided.

Details of the Income statement by segments in 2013 and 2012 are as follows:

| | Car Mass-Market brands | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (€ million) | NAFTA | LATAM | APAC | EMEA | Luxury Brands | Components | Other activities | Unallocated items & adjustments | Fiat Group | of which: Fiat Group excluding Chrysler |
| **2013** | | | | | | | | | | |
| Revenues | 45,777 | 9,973 | 4,621 | 17,420 | 3,809 | 8,080 | 929 | (3,793) | **86,816** | **35,593** |
| Revenues from transactions with regions and other operating segments | (173) | (100) | (1) | (640) | (33) | (2,395) | (451) | 3,793 | - | (1,635) |
| **Revenues from external customers** | **45,604** | **9,873** | **4,620** | **16,780** | **3,776** | **5,685** | **478** | **-** | **86,816** | **33,958** |
| **Trading profit/(loss)** | **2,220** | **619** | **358** | **(470)** | **535** | **201** | **(67)** | **(2)** | **3,394** | **246** |
| Profit/(loss) from investments | (1) | - | (39) | 145 | - | 5 | (13) | - | 97 | 103 |
| Unusual income/(expense) | 71 | (127) | (1) | (195) | (65) | (60) | (87) | (55) | (519) | (537) |
| **EBIT** | **2,290** | **492** | **318** | **(520)** | **470** | **146** | **(167)** | **(57)** | **2,972** | **(188)** |
| Financial income/(expense) | | | | | | | | | (1,964) | (989) |
| **Profit/(loss) before taxes** | | | | | | | | | **1,008** | **(1,177)** |
| Tax (income)/expenses | | | | | | | | | (943) | (736) |
| **Profit/(loss) for the period** | | | | | | | | | **1,951** | **(441)** |

| (€ million) | Car Mass-Market brands NAFTA | LATAM | APAC | EMEA | Luxury Brands | Components | Other activities | Unallocated items & adjustments | Fiat Group | of which: Fiat Group excluding Chrysler |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | | |
| Revenues | 43,521 | 11,062 | 3,128 | 17,800 | 2,898 | 8,030 | 979 | (3,461) | **83,957** | **35,566** |
| Revenues from transactions with regions and other operating segments | (27) | (89) | (2) | (543) | (11) | (2,341) | (448) | 3,461 | - | (893) |
| **Revenues from external customers** | **43,494** | **10,973** | **3,126** | **17,257** | **2,887** | **5,689** | **531** | **-** | **83,957** | 34,673 |
| **Trading profit/(loss)** | **2,443** | **1,056** | **260** | **(703)** | **392** | **174** | **(85)** | **4** | **3,541** | 338 |
| Profit/(loss) from investments | - | - | (5) | 160 | - | 2 | (52) | 2 | 107 | 110 |
| Unusual income/(expense) | 48 | (31) | - | (194) | - | (11) | (12) | (44) | (244) | (261) |
| **EBIT** | **2,491** | **1,025** | **255** | **(737)** | **392** | **165** | **(149)** | **(38)** | **3,404** | 187 |
| Financial income/(expense) | | | | | | | | | (1,885) | (817) |
| **Profit/(loss) before taxes** | | | | | | | | | **1,519** | **(630)** |
| Tax (income)/expenses | | | | | | | | | 623 | 418 |
| **Profit/(loss) for the period** | | | | | | | | | **896** | **(1,048)** |

Unallocated items, and in particular financial income/(expenses), are not attributed to the regions and operating segments as they do not fall under the scope of their operational responsibilities and are therefore assessed separately. These items arise from the management of treasury assets and liabilities by the treasuries of Fiat and Chrysler, which work independently and separately within the Group.

The Group's treasury assets and liabilities are as follows, as presented in the Report on operations:

| (€ million) | Note | At 31 December 2013 Fiat Group | Chrysler | Fiat excluding Chrysler | At 31 December 2012 Fiat Group | Chrysler | Fiat excluding Chrysler |
|---|---|---|---|---|---|---|---|
| Debt: | (27) | (29,902) | (9,544) | (20,451) | (27,889) | (10,312) | (17,586) |
| Asset-backed financing | | (596) | - | (596) | (449) | - | (449) |
| Bonds, bank loans and other debt | | (29,306) | (9,544) | (19,855) | (27,440) | (10,312) | (17,137) |
| Current financial receivables from jointly controlled financial services companies[a] | | 27 | - | 27 | 58 | - | 58 |
| Intersegment financial receivables[b] | | - | 7 | 86 | - | 9 | - |
| **Debt, net of current financial receivables from jointly controlled financial services companies and intersegment financial receivables** | | **(29,875)** | **(9,537)** | **(20,338)** | **(27,831)** | **(10,303)** | **(17,528)** |
| Other financial assets[c] | (20) | 533 | 97 | 436 | 519 | 45 | 474 |
| Other financial liabilities[c] | (20) | (137) | (21) | (116) | (201) | (42) | (159) |
| Current securities | (19) | 247 | - | 247 | 256 | - | 256 |
| Cash and cash equivalents | (21) | 19,439 | 9,676 | 9,763 | 17,657 | 8,803 | 8,854 |
| **(Net debt)/Net cash** | | **(9,793)** | **215** | **(10,008)** | **(9,600)** | **(1,497)** | **(8,103)** |
| *Industrial Activities* | | *(6,649)* | *215* | *(6,864)* | *(6,545)* | *(1,497)* | *(5,048)* |
| *Financial Services* | | *(3,144)* | - | *(3,144)* | *(3,055)* | - | *(3,055)* |
| Cash, cash equivalents and current securities | | 19,686 | 9,676 | 10,010 | 17,913 | 8,803 | 9,110 |
| Undrawn committed credit lines | | 3,043 | 943 | 2,100 | 2,935 | 985 | 1,950 |
| **Total available liquidity** | | **22,729** | **10,619** | **12,110** | **20,848** | **9,788** | **11,060** |

[a] *Includes current financial receivables from FGA Capital.*
[b] *Relates to intragroup manufacturing agreements reclassified as finance leases in accordance with IFRIC 4, in addition to receivables relating to factoring transactions between Chrysler Group companies and Fiat Group financial services companies in EMEA.*
[c] *Includes fair value of derivative financial instruments.*

### *Information about geographical area*

Total Non-current assets (excluding financial assets, deferred tax assets and post-employment benefits assets) located in Italy totaled €10,555 million at 31 December 2013 (€9,852 million at 31 December 2012). Non-current assets attributed to all foreign countries totaled €33,709 million at 31 December 2013 (€33,352 million 31 December 2012) and may be analyzed as follow: United States, Canada and Mexico €26,689 million (€26,733 million at 31 December 2012), Brazil €2,955 million (€2,306 million at 31 December 2012), Poland €1,277 million (€1,455 million at 31 December 2012) and Serbia €1,007 million (€985 million at 31 December 2012).

## 35. Qualitative and quantitative information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, arising both from its normal commercial relations with final customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- financial market risk (principally relating to exchange rates, interest rates and commodity prices), since the Group operates at an international level in different currencies and uses financial instruments which generate interests. The Group is also exposed to the risk of changes in the price of certain commodities and of certain listed shares.

These risks could significantly affect the Group's financial position and results, and for this reason the Group systematically identifies, and monitors these risks, in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments.

Financial instruments held by the funds that manage pension plan assets are not included in this analysis (see the Note 25).

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. The quantitative data reported in the following does not have any predictive value, in particular the sensitivity analysis on finance market risks does not reflect the complexity of the market or the reaction which may result from any changes that are assumed to take place.

### *Credit risk*

Credit risk is the risk of economic loss arising from the failure to collect a receivable. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

The Group's credit risk differs in relation to the activities carried out. In particular, dealer financing and operating and financial lease activities that are carried out through the Group's financial services companies are exposed both to the direct risk of default and the deterioration of the creditworthiness of the counterparty, while the sale of vehicles and spare parts is mostly exposed to the direct risk of default of the counterparty. These risks are however mitigated by the fact that collection exposure is spread across a large number of counterparties and customers.

Taken overall, however, the credit risk regarding the Group's trade receivables and receivables from financing activities is concentrated in the European Union and Latin America markets for Fiat excluding Chrysler and in the North American market for Chrysler.

In order to test for impairment, significant receivables from corporate customers and receivables for which collectability is at risk are assessed individually, while receivables from end customers or small business customers are grouped into homogeneous risk categories. A receivable is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due specified in the contractual terms. Objective evidence may be provided by the following factors: significant financial difficulties of the counterparty, the probability that the counterparty will be involved in an insolvency procedure or will default on its installment payments, the restructuring or renegotiation of open items with the counterparty, changes in the payment status of one or more debtors included in a specific risk category and other contractual breaches. The calculation of the amount of the impairment loss is based on the risk of default by the counterparty, which is determined by taking into account all the information available as to the customer's solvency, the fair value of any guarantees received for the receivable and the Group's historical experience.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2013 is represented by the carrying amounts of financial assets in the financial statements and the nominal value of the guarantees provided on liabilities and commitments to third parties as discussed in Note 31.

Dealers and final customers for which the Group provides financing are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for risks arising from credit granted. These guarantees are further strengthened where possible by reserve of title clauses on financed vehicle sales to the sales network made by Group financial service companies and on vehicles assigned under finance and operating lease agreements.

Receivables for financing activities amounting to €3,671 million at 31 December 2013 contain balances totaling €21 million (€7 million at 31 December 2012), which have been written down on an individual basis. Of the remainder, balances totaling €72 million are past due by up to one month (€107 million at 31 December 2012), while balances totaling €23 million are past due by more than one month (€62 million at 31 December 2012). In the event of installment payments, even if only one installment is overdue, the whole amount of the receivable is classified as such.

Trade receivables and Other receivables amounting to €4,266 million at 31 December 2013 contain balances totaling €19 million (€39 million at 31 December 2012) which have been written down on an individual basis. Of the remainder, balances totaling €243 million are past due by up to one month (€216 million at 31 December 2012), while balances totaling €358 million are past due by more than one month (€307 million at 31 December 2012).

Provided that Current securities and Cash and cash equivalents consist of balances spread across various primary national and international banking institutions and money market instruments that are measured at fair value, there was no exposure to sovereign debt securities at 31 December 2013 which might lead to significant repayment risk.

*Liquidity risk*

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations under economic conditions. Any actual or perceived limitations on the Group's liquidity may affect the ability of counterparties to do business with the Group or may require additional amounts of cash and cash equivalents to be allocated as collateral for outstanding obligations.

The continuation of a difficult economic situation in the markets in which the Group operates and the uncertainties that characterize the financial markets, necessitate giving special attention to the management of liquidity risk. In that sense measures taken to generate funds through operations and to maintain a conservative level of available liquidity are an important factor for ensuring operational flexibility and addressing strategic challenges over the next few years.

The two main factors that determine the Group's liquidity situation are on the one hand the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

The Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce liquidity risk as follows:

- centralizing the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining a conservative level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence in the capital markets;
- obtaining adequate credit lines;
- monitoring future liquidity on the basis of business planning.

From an operating point of view the Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds at its disposal. The operating cash flows, main funding operations and liquidity of the Fiat Group excluding Chrysler are centrally managed in the Group's treasury companies with the aim of ensuring effective and efficient management of the Group's funds. These companies obtain funds on the financial markets by means which may assume different technical forms.

Chrysler manages the cash generated by its operations and coverage of its funding requirements independently. In this respect Fiat has pledged no guarantee, commitment or similar obligation in relation to any of Chrysler's financing obligations, nor has it assumed any kind of obligation or commitment to fund Chrysler in the future.

Details of the repayment structure of the Group's financial assets and liabilities are provided in Note 18 - Current Receivables and Other current assets and in Note 27 - Debt. Details of the repayment structure of derivative financial instruments are provided in Note 20.

The Group believes that the funds currently available to the treasuries of Fiat and Chrysler, in addition to those that will be generated from operating and financing activities, will enable the Fiat Group to satisfy the requirements of its investing activities and working capital needs, fulfill its obligations to repay its debt at the natural due dates and ensure an appropriate level of operating and strategic flexibility.

*Financial market risks*

The Group is exposed to the risks from fluctuations in foreign currency exchange and interest rates and the commodity prices associated with business operations.

The Group's exposure to currency risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The Group's exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's exposure to commodity price risk arises from the risk of changes occurring in the price of certain raw materials used in production. Changes in the price of raw materials could have a significant effect on the Group's results by indirectly affecting costs and product margins.

The Group regularly assesses its exposure to finance market risk and manages those risks through the use of derivative financial instruments in accordance with its established risk management policies.

The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in exchange and interest rates as well as commodities prices connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilizes derivative financial instruments designated as fair value hedges, mainly to hedge:

- the currency risk on financial instruments denominated in foreign currency;
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly currency forward contracts, interest rate swaps and combined interest rate and currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a targeted mix of floating versus fixed rate funding structured loans;
- the price of certain commodities.

The exchange rate exposure on forecasted commercial flows is hedged by currency swaps, forward contracts and currency options. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements. Exposure to changes in the price of commodities is generally hedged by using commodity swaps.

Counterparties to these agreements are major and diverse financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 20.

**Quantitative information on currency risk**

The Group is exposed to risk resulting from changes in exchange rates, which can affect its earnings and equity. In particular:

- Where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the Operating result of that company. In 2013, the total trade flows exposed to currency risk amounted to the equivalent of 13% of the Group's turnover.
- The principal exchange rates to which the Group is exposed are the following:
  - USD/CAD, relating to sales in Canadian Dollars made by Chrysler in Canada;
  - EUR/USD, relating to sales in US Dollars made by Italian companies (in particular, companies belonging to the Luxury Brands operating segment) and to sales and purchases in Euro made by Chrysler;
  - GBP, AUD, MXN, CHF, CNY, ARS and VEF in relation to sales in the UK, Australian, Mexican, Swiss, Chinese, Argentinian and Venezuelan markets;
  - PLN and TRY, relating to manufacturing costs incurred in Poland and Turkey;
  - USD/BRL, EUR/BRL, relating to Brazilian manufacturing operations and the related import and export flows.

  Taken overall trade flows exposed to changes in these exchange rates in 2013 made up approximately 90% of the exposure to currency risk from trade transactions.
- It is the Group's policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecast trading transaction exchange risk exposure for the coming 12 months (including such risk beyond that date where it is believed to be appropriate in relation to the characteristics of the business) and to hedge completely the exposure resulting from firm commitments.
- Group companies may find themselves with trade receivables or payables denominated in a currency different from the functional currency of the company itself. In addition, in a limited number of cases, it may be convenient from an economic point of view, or it may be required under local market conditions, for companies to obtain finance or use funds in a currency different from the functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is the Group's policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the company's functional currency.

- Certain of the Group's subsidiaries are located in countries which are outside of the Eurozone, in particular the United States, Brazil, Canada, Poland, Serbia, Turkey, Mexico, Argentina, the Czech Republic, India, China and South Africa. As the Group's reference currency is the Euro, the Income statements of those entities are converted into Euros using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the result in Euro.
- The assets and liabilities of consolidated companies whose money of account is different from the Euro may acquire converted values in Euros which differ as a function of the fluctuation in exchange rates. The effects of these changes are recognized directly in the item Cumulative Translation Adjustments reserve, included in Other comprehensive income/(losses) (see Note 23).

  The Group monitors its principal exposure to conversion exchange risk, although there was no specific hedging in this respect at the balance sheet date.

There have been no substantial changes in 2013 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at 31 December 2013 resulting from a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates of the leading foreign currencies with the Euro would have been approximately €745 million (€690 million at 31 December 2012).

Receivables, payables and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

**Quantitative information on interest rate risk**

The manufacturing companies and treasuries of the Group make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, Group companies make sales of receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. factoring of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the Operating result of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, when available in the market, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on net profit/(loss).

In assessing the potential impact of changes in interest rates, the Group separates out fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (basically customer financing and financial leases) and part of debt (including subsidized loans and bonds).

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2013, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately €110 million (approximately €100 million at 31 December 2012).

Floating rate financial instruments consist principally of cash and cash equivalents, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical, unfavorable and instantaneous change of 10% in short-term interest rates at 31 December 2013, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately €13 million (€10 million at 31 December 2012).

This analysis is based on the assumption that there is a general and instantaneous change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

**Quantitative information on commodity price risk**

The Group has entered into derivative contracts for certain commodities to hedge its exposure to commodity price risk associated with buying raw materials used in its normal operations.

In connection with the commodity price derivative contracts outstanding at 31 December 2013, a hypothetical, unfavorable and instantaneous change of 10% in the price of the commodities at that date would have caused a fair value loss of €45 million (€51 million at 31 December 2012).

## 36. Non-recurring transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, the Group did not carry out any significant non-recurring operations in 2013.

## 37. Transactions resulting from unusual and/or abnormal operations

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, the Group did not carry out any unusual and/or abnormal operations in 2013 as defined in that Communication (for the definition of these see the Section – Format of the financial statements).

## 38. Other information

Pursuant to Articles 70 (8) and 71 (1-bis) of the Consob Issuer Regulations, the Board of Directors approved the opt-out from the obligation to publish an information document for significant transactions (e.g., significant mergers, spin-offs, share capital increases by means of in-kind contributions of assets, acquisitions and disposals).

## 39. Subsequent events

- On 1 January 2014, Fiat S.p.A. announced an agreement with the VEBA Trust, under which its wholly-owned subsidiary, Fiat North America LLC ("FNA"), would acquire all of the VEBA Trust's equity membership interests in Chrysler Group LLC ("Chrysler Group"), representing 41.5% of Chrysler Group. The transaction closed on 21 January 2014. In consideration for the sale of its membership interests in Chrysler Group, the VEBA Trust received an aggregate consideration of $3,650 million consisting of a special distribution paid from available cash on hand by Chrysler Group to its members, in an aggregate amount of $1,900 million (FNA directed its portion of the special distribution to the VEBA Trust as part of the purchase consideration) and a payment from FNA for the remainder of $1,750 million in cash purchase consideration to the VEBA Trust. Fiat funded the $1,750 million in cash from available cash on hand. Contemporaneously with the transactions described above, Chrysler and the UAW entered into a memorandum of understanding under the collective bargaining agreement with the UAW in which the UAW made commitments to continue to support Chrysler industrial operations and the further implementation of the Fiat-Chrysler Alliance. In particular, the UAW has committed to use its best efforts to cooperate in the continued roll-out of World Class Manufacturing, or WCM, programs, actively participate in benchmarking efforts associated with implementation of WCM programs across all Fiat-Chrysler manufacturing sites to ensure objective performance assessments and provide for proper application of WCM principles, and to actively assist in the achievement of the Group long-term business plan. In consideration of these commitments, Chrysler agreed to make payments to the VEBA Trust totaling $700 million to be paid in four equal annual installments. The initial payment of $175 million was made on 21 January 2014 and additional payments will be payable on each of the next three anniversaries of the initial payment.

- On 10 January, Standard & Poor's Ratings Services:

  - raised its ratings on Chrysler Group LLC, including the corporate credit rating, to 'BB-' from 'B+'. The outlook is stable.

  - confirmed its rating on Fiat S.p.A.'s long-term debt at 'BB-'. The short-term rating was confirmed at 'B'. The outlook remains stable.

- On 29 January, the Board of Directors of Fiat S.p.A. approved a corporate reorganization and the formation of Fiat Chrysler Automobiles ("FCA") as a fully-integrated global automaker. Following Fiat's acquisition of the minority equity interest in Chrysler Group LLC, previously held by the VEBA Trust, the Fiat Board of Directors reviewed options for the most appropriate governance and corporate structure. In order to establish a true peer to the major global automotive groups, in both scale and capital market appeal, the Board decided to establish Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent company of the Group.

  Under the proposal approved by the Fiat Board, Fiat shareholders will receive one FCA common share for each Fiat share held and the FCA common shares will be listed on the New York Stock Exchange (NYSE) with an additional listing on the *Mercato Telematico Azionario* (MTA) in Milan. It is intended that FCA will be resident for tax purposes in the United Kingdom, but this is not expected to affect the taxes payable by Group companies in the jurisdictions where their activities are carried out.

- On 7 February, Chrysler Group closed its offering of secured senior debt securities, raising approximately $3.0 billion in net proceeds; and senior secured term loan facilities, raising approximately $2.0 billion in net proceeds. Chrysler Group applied the proceeds of the debt offering to prepay all amounts outstanding, including accrued and unpaid interest, of approximately $5.0 billion under the senior unsecured note issued on 10 June 2009 to the VEBA Trust with an original face amount of $4.587 billion (the "VEBA Trust Note").

  The secured senior debt securities, issued on top of existing bonds, consist of $1.375 billion aggregate principal amount of 8% Secured Senior Notes due 2019 at an issue price of 108.25% of their aggregate principal amount plus accrued interest from 15 December 2013, and $1.380 billion aggregate principal amount of 8¼% Secured Senior Notes due 2021 at an issue price of 110.50% of their aggregate principal amount plus accrued interest from 15 December 2013. The issue prices represent a yield to maturity of 6.165% per annum for the Notes due 2019 and 6.433% per annum for the Notes due 2021.

In connection with the term loan facilities, Chrysler Group borrowed (1) an additional $250 million of term loans under its existing senior secured credit facilities maturing 24 May 2017, under which Chrysler Group borrows at 2.75% over LIBOR, subject to a LIBOR floor of 0.75%; and (2) $1.75 billion of term loans under a new senior secured term loan facility maturing 31 December 2018, at 2.50% over LIBOR, subject to a LIBOR floor of 0.75%.

The refinancing transactions are expected to result in yearly interest expense savings, for the period from 2014 to 2016, of approximately $134 million.(1)

- On 11 February, Moody's Investors Service lowered Fiat S.p.A.'s Corporate Family Rating from 'Ba3' to 'B1' and consequently, in accordance with their methodology, ratings on the notes issued by Fiat Finance & Trade Ltd. S.A. and Fiat Finance North America Inc. were also lowered from 'B1' to 'B2'.

27 February 2014

*On behalf of the Board of Directors*

/s/ John Elkann

John Elkann

CHAIRMAN

(1) *For the purposes of Chrysler Group consolidated financial statements (prepared in accordance with US GAAP) the refinancing transactions are expected to result in yearly interest expense savings, for the period from 2014 to 2016, of approximately $200 million including the elimination of the non-cash VEBA Trust Note discount amortization of approximately $65 million per annum. In addition, for the same reason, Chrysler Group expects to record a non-cash charge of approximately $500 million in connection with the repayment of the VEBA Trust Note. For the purposes of its consolidated financial statements (prepared in accordance with IFRS) Fiat Group expects to record interest expense savings lower than those recorded by Chrysler Group and to report no non-cash charges in connection with the repayment of the VEBA Trust Note, which has been carried at face value as a result of the purchase accounting related to the acquisition of control and consolidation of Chrysler Group in May 2011.*

# Appendix I
# Fiat Group Companies at 31 December 2013

In accordance with Article 126 of Consob Regulation 11971 of 14 May 1999, as subsequently amended, a complete list of Group companies and significant investments at 31 December 2013 is provided on the following pages.

Companies in the list are grouped according to type of control, method of consolidation and classification by operating segment (pursuant to IFRS 8).

For each company, the following information is provided: name, location of registered office, country and share capital stated in original currency. Additionally, the percentage consolidated and the percentage interest held directly by Fiat S.p.A. or its subsidiary is also shown.

The column on the far right shows the percentage of voting rights exercisable at an ordinary general meeting, where such percentage differs from the percentage of shares held.

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Controlling company** | | | | | | | | |
| **Parent Company** | | | | | | | | |
| **Fiat S.p.A.** | Turin | Italy | 4,477,462,227 | EUR | -- | -- | -- | -- |
| **Subsidiaries consolidated on a line-by-line basis** | | | | | | | | |
| **Business Auto: Car Mass-Market brands** | | | | | | | | |
| **NAFTA** | | | | | | | | |
| **0847574 B.C. Unlimited Liability Company** | Vancouver | Canada | 1 | CAD | 58.54 | New CarCo Acquisition Canada Ltd. | 100.000 | |
| **Auburn Hills Mezzanine LLC** | Wilmington | U.S.A. | 100 | USD | 58.54 | CHRYSLER GROUP REALTY COMPANY LLC | 100.000 | |
| **Auburn Hills Owner LLC** | Wilmington | U.S.A. | 100 | USD | 58.54 | Auburn Hills Mezzanine LLC | 100.000 | |
| **Autodie LLC** | Wilmington | U.S.A. | 10,000,000 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CG MID LLC** | Wilmington | U.S.A. | 2,700,000 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Canada Cash Services Inc.** | Toronto | Canada | 1,000 | CAD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Canada Inc.** | Windsor | Canada | 0 | CAD | 58.54 | 0847574 B.C. Unlimited Liability Company | 100.000 | |
| **Chrysler de Mexico S.A. de C.V.** | Santa Fe | Mexico | 238,621,186 | MXN | 58.54 | Chrysler Mexico Holding, S. de R.L. de C.V.<br>Chrysler Group Minority LLC | 99.996<br>0.004 | |
| **CHRYSLER GROUP AUTO TRANSPORT LLC** | Wilmington | U.S.A. | 100 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CHRYSLER GROUP DEALER CAPITAL LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CHRYSLER GROUP INTERNATIONAL LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CHRYSLER GROUP INTERNATIONAL SERVICES LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Group LLC** | Wilmington | U.S.A. | 1,632,654 | USD | 58.54 | FIAT NORTH AMERICA LLC | 58.538 | |
| **Chrysler Group Minority LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CHRYSLER GROUP REALTY COMPANY LLC** | Wilmington | U.S.A. | 168,769,528 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Group Service Contracts LLC** | Wilmington | U.S.A. | 100,000,000 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CHRYSLER GROUP TRANSPORT LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CHRYSLER GROUP VANS LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Investment Holdings LLC** | Wilmington | U.S.A. | 173,350,999 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Lease Receivables 1 Inc.** | Windsor | Canada | 100 | CAD | 58.54 | Chrysler Canada Inc. | 100.000 | |
| **Chrysler Lease Receivables 2 Inc.** | Windsor | Canada | 100 | CAD | 58.54 | Chrysler Canada Inc. | 100.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Chrysler Lease Receivables Limited Partnership** | Windsor | Canada | 0 | CAD | 58.54 | Chrysler Canada Inc.<br>Chrysler Lease Receivables 1 Inc.<br>Chrysler Lease Receivables 2 Inc. | 99.990<br>0.005<br>0.005 | |
| **Chrysler Mexico Holding, S. de R.L. de C.V.** | Santa Fe | Mexico | 3,377,922,033 | MXN | 58.54 | Chrysler Mexico Investment Holdings Cooperatie U.A.<br>CarCo Intermediate Mexico LLC | 99.900<br>0.100 | |
| **CPK Interior Products Inc.** | Windsor | Canada | 1,000 | CAD | 58.54 | Chrysler Canada Inc. | 100.000 | |
| **Extended Vehicle Protection LLC** | Wilmington | U.S.A. | 2,000,000 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Global Engine Manufacturing Alliance LLC** | Wilmington | U.S.A. | 300,000 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **New CarCo Acquisition Canada Ltd.** | Toronto | Canada | 1,000 | CAD | 58.54 | New CarCo Acquisition Holdings Canada Ltd. | 100.000 | |
| **New CarCo Acquisition Holdings Canada Ltd.** | Toronto | Canada | 1,000 | CAD | 58.54 | Chrysler Group LLC | 100.000 | |
| | | | **LATAM** | | | | | |
| **Banco Fidis S.A.** | Betim | Brazil | 473,669,238 | BRL | 100.00 | Fidis S.p.A.<br>Fiat Automoveis S.A. - FIASA | 75.000<br>25.000 | |
| **Chrysler Argentina S.R.L.** | Buenos Aires | Argentina | 29,335,170 | ARS | 58.54 | Chrysler Group LLC<br>Chrysler Group Minority LLC | 98.000<br>2.000 | |
| **Chrysler Chile Importadora Ltda** | Santiago | Chile | 41,800,000 | CLP | 58.54 | Chrysler Group LLC<br>Chrysler Group Minority LLC | 99.990<br>0.010 | |
| **Chrysler de Venezuela LLC** | Wilmington | U.S.A. | 132,474,694 | USD | 58.54 | CG Venezuela UK Holdings Limited | 100.000 | |
| **CHRYSLER GROUP DO BRASIL COMERCIO DE VEICULOS Ltda.** | São Paulo | Brazil | 31,517,999 | BRL | 58.54 | Chrysler Group LLC | 100.000 | |
| **CMP Componentes e Modulos Plasticos Industria e Comercio Ltda.** | Contagem | Brazil | 25,007,977 | BRL | 100.00 | Fiat Automoveis S.A. - FIASA | 100.000 | |
| **Fiat Auto Argentina S.A.** | Buenos Aires | Argentina | 476,464,366 | ARS | 100.00 | Fiat Automoveis S.A. - FIASA | 100.000 | |
| **Fiat Auto S.A. de Ahorro para Fines Determinados** | Buenos Aires | Argentina | 109,535,149 | ARS | 100.00 | Fiat Auto Argentina S.A. | 100.000 | |
| **Fiat Automoveis S.A. - FIASA** | Betim | Brazil | 1,069,492,850 | BRL | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Credito Compania Financiera S.A.** | Buenos Aires | Argentina | 319,798,129 | ARS | 100.00 | Fidis S.p.A. | 100.000 | |
| **FPT Powertrain Technologies do Brasil - Industria e Comércio de Motores Ltda** | Campo Largo | Brazil | 197,792,500 | BRL | 100.00 | Fiat Automoveis S.A. - FIASA | 100.000 | |
| **TCA - Tecnologia em Componentes Automotivos SA** | Jaboatao do Guararapes | Brazil | 70,840,185 | BRL | 100.00 | Fiat Automoveis S.A. - FIASA | 100.000 | |
| | | | **APAC** | | | | | |
| **Chrysler (Hong Kong) Automotive Limited** | Hong Kong | People's Rep. of China | 10,000,000 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Asia Pacific Investment Co. Ltd.** | Shanghai | People's Rep. of China | 4,500,000 | CNY | 58.54 | Chrysler (Hong Kong) Automotive Limited | 100.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consolidation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Chrysler Australia Pty. Ltd.** | Mulgrave | Australia | 143,629,774 | AUD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Group (China) Sales Co. Ltd.** | Beijing | People's Rep. of China | 10,000,000 | EUR | 58.54 | Chrysler (Hong Kong) Automotive Limited | 100.000 | |
| **Chrysler India Automotive Private Limited** | Chennai | India | 99,990 | INR | 58.54 | Chrysler Netherlands Distribution B.V. | 99.990 | |
| | | | | | | CHRYSLER GROUP DUTCH OPERATING LLC | 0.010 | |
| **Chrysler Japan Co., Ltd.** | Tokyo | Japan | 100,000,000 | JPY | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Korea, Ltd.** | Seoul | South Korea | 32,639,200,000 | KRW | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler South East Asia Pte. Ltd.** | Singapore | Singapore | 3,010,513 | SGD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Fiat Automotive Finance Co. Ltd.** | Shanghai | People's Rep. of China | 750,000,000 | CNY | 100.00 | Fidis S.p.A. | 100.000 | |
| **FIAT GROUP AUTOMOBILES INDIA Private Limited** | Mumbai | India | 937,900,000 | INR | 100.00 | Fiat Group Automobiles S.p.A. | 99.990 | |
| | | | | | | FGA Investimenti S.p.A. | 0.010 | |
| **Fiat Group Automobiles Japan K.K.** | Minatu-Ku. Tokyo | Japan | 420,000,000 | JPY | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Powertrain Technologies (Shanghai) R&D Co. Ltd.** | Shanghai | People's Rep. of China | 10,000,000 | EUR | 100.00 | Fiat Powertrain Technologies SpA | 100.000 | |
| **Mopar (Shanghai) Auto Parts Trading Co. Ltd.** | Shanghai | People's Rep. of China | 5,000,000 | USD | 58.54 | Chrysler Asia Pacific Investment Co. Ltd. | 100.000 | |
| **EMEA** | | | | | | | | |
| **Abarth & C. S.p.A.** | Turin | Italy | 1,500,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Alfa Romeo Automobiles S.p.A.** | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Alfa Romeo U.S.A. S.p.A.** | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **C.R.F. Società Consortile per Azioni** | Orbassano | Italy | 45,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 75.000 | |
| | | | | | | Fiat Partecipazioni S.p.A. | 20.000 | |
| | | | | | | Fiat Powertrain Technologies SpA | 5.000 | |
| **CG EU NSC LIMITED** | Cardiff | United Kingdom | 3 | GBP | 58.54 | Chrysler Group LLC | 100.000 | |
| **CG Venezuela UK Holdings Limited** | Slough Berkshire | United Kingdom | 100 | GBP | 58.54 | CG EU NSC LIMITED | 100.000 | |
| **Chrysler & Jeep Vertriebsgesellschaft mbH** | Berlin | Germany | 25,600 | EUR | 100.00 | Fiat Group Automobiles Germany AG | 100.000 | |
| **Chrysler Austria GmbH** | Vienna | Austria | 4,300,000 | EUR | 58.54 | Chrysler Deutschland GmbH | 100.000 | |
| **CHRYSLER BALKANS d.o.o. Beograd** | Beograd | Serbia | 500 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Belgium Luxembourg NV/SA** | Brussels | Belgium | 28,262,700 | EUR | 58.54 | Chrysler Group LLC | 99.998 | |
| | | | | | | Chrysler Group Minority LLC | 0.002 | |
| **Chrysler Czech Republic s.r.o.** | Prague | Czech Republic | 55,932,000 | EUR | 58.54 | Chrysler Group LLC | 99.964 | |
| | | | | | | Chrysler Group Minority LLC | 0.036 | |
| **Chrysler Danmark ApS** | Glostrup | Denmark | 1,000,000 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Deutschland GmbH** | Berlin | Germany | 20,426,200 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Espana S.L.** | Alcalá De Henares | Spain | 16,685,690 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler France S.A.S.** | Trappes | France | 460,000 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| **Chrysler Group Egypt Limited** | New Cairo | Egypt | 240,000 | EGP | 58.54 | Chrysler Group LLC | 99.000 | |
| | | | | | | Chrysler Group Minority LLC | 1.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| Chrysler Group Middle East FZ-LLC | Dubai | United Arab Emirates | 300,000 | AED | 58.54 | CHRYSLER GROUP INTERNATIONAL LLC | 100.000 | |
| Chrysler International GmbH | Stuttgart | Germany | 25,000 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler Italia S.r.l. | Rome | Italy | 100,000 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler Jeep International S.A. | Brussels | Belgium | 1,860,000 | EUR | 58.54 | Chrysler Group LLC<br>Chrysler Group Minority LLC | 99.998<br>0.002 | |
| Chrysler Management Austria GmbH | Gossendorf | Austria | 75,000 | EUR | 58.54 | Chrysler Austria GmbH | 100.000 | |
| Chrysler Mexico Investment Holdings Cooperatie U.A. | Amsterdam | Netherlands | 0 | EUR | 58.54 | Chrysler Investment Holdings LLC<br>Chrysler Group Minority LLC | 99.990<br>0.010 | |
| Chrysler Nederland B.V. | Utrecht | Netherlands | 19,000 | EUR | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler Netherlands Distribution B.V. | Amsterdam | Netherlands | 90,000 | EUR | 58.54 | Chrysler Netherlands Holding Cooperatie U.A. | 100.000 | |
| Chrysler Polska Sp. z o.o. | Warsaw | Poland | 30,356,000 | PLN | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler Russia SAO | Moscow | Russia | 574,665,000 | RUB | 58.54 | Chrysler Group LLC<br>Chrysler Group Minority LLC | 99.999<br>0.001 | |
| Chrysler South Africa (Pty) Limited | Centurion | South Africa | 200 | ZAR | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler Sweden AB | Kista | Sweden | 100,000 | SEK | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler Switzerland GmbH | Schlieren | Switzerland | 2,000,000 | CHF | 58.54 | Chrysler Group LLC | 100.000 | |
| Chrysler UK Limited | Slough Berkshire | United Kingdom | 46,582,132 | GBP | 58.54 | CG EU NSC LIMITED | 100.000 | |
| Customer Services Centre S.r.l. | Turin | Italy | 2,500,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Easy Drive S.r.l. | Turin | Italy | 10,400 | EUR | 100.00 | Fiat Group Automobiles S.p.A.<br>Fiat Center Italia S.p.A. | 99.000<br>1.000 | |
| Fabbrica Italia Pomigliano S.p.A. | Pomigliano d'Arco | Italy | 1,000,000 | EUR | 100.00 | FGA Real Estate Services S.p.A. | 100.000 | |
| FGA Austro Car GmbH | Vienna | Austria | 35,000 | EUR | 100.00 | Fiat Group Automobiles Austria GmbH | 100.000 | |
| FGA Investimenti S.p.A. | Turin | Italy | 2,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| FGA Real Estate Services S.p.A. | Turin | Italy | 150,679,554 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| FGA Versicherungsservice GmbH | Heilbronn | Germany | 26,000 | EUR | 100.00 | Fiat Group Automobiles Germany AG<br>Rimaco S.A. | 51.000<br>49.000 | |
| Fiat Auto Poland S.A. | Bielsko-Biala | Poland | 660,334,600 | PLN | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Fiat Auto Var S.r.l. | Turin | Italy | 7,370,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Fiat Automobil Vertriebs GmbH | Frankfurt | Germany | 8,700,000 | EUR | 100.00 | Fiat Group Automobiles Germany AG | 100.000 | |
| Fiat Automobiles S.p.A. | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| FIAT AUTOMOBILES SERBIA DOO KRAGUJEVAC | Kragujevac | Serbia | 30,707,843,314 | RSD | 66.67 | Fiat Group Automobiles S.p.A. | 66.670 | |
| Fiat Center (Suisse) S.A. | Meyrin | Switzerland | 13,000,000 | CHF | 100.00 | Fiat Group Automobiles Switzerland S.A. | 100.000 | |
| Fiat Center Italia S.p.A. | Turin | Italy | 2,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Fiat CR Spol. S.R.O. | Prague | Czech Republic | 1,000,000 | CZK | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Fiat France | Trappes | France | 235,480,520 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Fiat Group Automobiles Austria GmbH** | Vienna | Austria | 37,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A.<br>FGA Investimenti S.p.A. | 98.000<br>2.000 | |
| **Fiat Group Automobiles Belgium S.A.** | Auderghem | Belgium | 7,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A.<br>Fiat Group Automobiles Switzerland S.A. | 99.998<br>0.002 | |
| **Fiat Group Automobiles Central and Eastern Europe KFT.** | Budapest | Hungary | 150,000,000 | HUF | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Denmark A/S** | Glostrup | Denmark | 55,000,000 | DKK | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Germany AG** | Frankfurt | Germany | 82,650,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A.<br>Fiat Group Automobiles Switzerland S.A. | 99.000<br>1.000 | |
| **Fiat Group Automobiles Hellas S.A.** | Argyroupoli | Greece | 62,783,499 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Ireland Ltd.** | Dublin | Ireland | 5,078,952 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Maroc S.A.** | Casablanca | Morocco | 1,000,000 | MAD | 99.95 | Fiat Group Automobiles S.p.A. | 99.950 | |
| **Fiat Group Automobiles Netherlands B.V.** | Lijnden | Netherlands | 5,672,250 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Portugal, S.A.** | Alges | Portugal | 1,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles S.p.A.** | Turin | Italy | 800,000,000 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **Fiat Group Automobiles South Africa (Proprietary) Ltd** | Bryanston | South Africa | 640 | ZAR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Spain S.A.** | Alcalá De Henares | Spain | 8,079,280 | EUR | 100.00 | Fiat Group Automobiles S.p.A.<br>Fiat Group Automobiles Switzerland S.A. | 99.998<br>0.002 | |
| **Fiat Group Automobiles Sweden AB** | Kista | Sweden | 10,000,000 | SEK | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles Switzerland S.A.** | Schlieren | Switzerland | 21,400,000 | CHF | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Automobiles UK Ltd** | Slough Berkshire | United Kingdom | 44,600,000 | GBP | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Group Marketing & Corporate Communication S.p.A.** | Turin | Italy | 100,000,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **FIAT NORTH AMERICA LLC** | Wilmington | U.S.A. | 0 | USD | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Partecipazioni France Société par actions simplifiée** | Trappes | France | 37,000 | EUR | 100.00 | FGA Real Estate Services S.p.A. | 100.000 | |
| **Fiat Powertrain Technologies Poland Sp. z o.o.** | Bielsko-Biala | Poland | 269,037,000 | PLN | 100.00 | Fiat Powertrain Technologies SpA | 100.000 | |
| **Fiat Powertrain Technologies SpA** | Turin | Italy | 525,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Professional S.p.A.** | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Real Estate Germany GmbH** | Frankfurt | Germany | 25,000 | EUR | 100.00 | Fiat Automobil Vertriebs GmbH | 100.000 | |
| **Fiat SR Spol. SR.O.** | Bratislava | Slovack Republic | 33,194 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fidis S.p.A.** | Turin | Italy | 250,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **i-FAST Automotive Logistics S.r.l.** | Turin | Italy | 1,250,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **i-FAST Container Logistics S.p.A.** | Turin | Italy | 2,500,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **International Metropolitan Automotive Promotion (France) S.A.** | Trappes | France | 5,955,360 | EUR | 100.00 | Fiat France | 99.997 | |
| **Italian Automotive Center S.A.** | Auderghem | Belgium | 5,000,000 | EUR | 100.00 | Fiat Group Automobiles Belgium S.A.<br>Fiat Group Automobiles S.p.A. | 99.988<br>0.012 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| Italian Motor Village Ltd. | Slough Berkshire | United Kingdom | 1,500,000 | GBP | 100.00 | Fiat Group Automobiles UK Ltd | 100.000 | |
| Italian Motor Village S.A. | Alges | Portugal | 50,000 | EUR | 100.00 | Fiat Group Automobiles Portugal, S.A. | 100.000 | |
| Italian Motor Village, S.L. | Alcalá De Henares | Spain | 1,454,420 | EUR | 100.00 | Fiat Group Automobiles Spain S.A. | 100.000 | |
| Lancia Automobiles S.p.A. | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Mecaner S.A. | Urdùliz | Spain | 3,000,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Motor Village Austria GmbH | Vienna | Austria | 37,000 | EUR | 100.00 | Fiat Group Automobiles Austria GmbH | 100.000 | |
| New Business 32 S.r.l. | Turin | Italy | 50,000 | EUR | 58.54 | Chrysler Italia S.r.l. | 100.000 | |
| Officine Maserati Grugliasco S.p.A. | Turin | Italy | 500,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Sata-Società Automobilistica Tecnologie Avanzate S.p.A. | Melfi | Italy | 276,640,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Società di Commercializzazione e Distribuzione Ricambi S.p.A. in liquidation | Turin | Italy | 100,000 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| VM Motori S.p.A. | Cento | Italy | 21,008,000 | EUR | 100.00 | Fiat Powertrain Technologies SpA | 100.000 | |
| **Business Auto: Luxury and Performance Brands** | | | | | | | | |
| **Ferrari** | | | | | | | | |
| Ferrari S.p.A. | Modena | Italy | 20,260,000 | EUR | 90.00 | Fiat S.p.A. | 90.000 | |
| 410 Park Display Inc. | Englewood Cliffs | U.S.A. | 100 | USD | 90.00 | Ferrari N.America Inc. | 100.000 | |
| Ferrari Australasia Pty Limited | Lane Cove | Australia | 2,000,100 | AUD | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari Central / East Europe GmbH | Wiesbaden | Germany | 1,000,000 | EUR | 90.00 | Ferrari S.p.A. | 100.000 | |
| FERRARI FAR EAST PTE LTD | Singapore | Singapore | 1,000,000 | SGD | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari Financial Services AG | Munich | Germany | 1,777,600 | EUR | 81.00 | Ferrari Financial Services S.p.A. | 100.000 | |
| Ferrari Financial Services Japan KK | Tokyo | Japan | 199,950,000 | JPY | 81.00 | Ferrari Financial Services S.p.A. | 100.000 | |
| Ferrari Financial Services S.p.A. | Modena | Italy | 5,100,000 | EUR | 81.00 | Ferrari S.p.A. | 90.000 | |
| Ferrari Financial Services, Inc. | Wilmington | U.S.A. | 1,000 | USD | 81.00 | Ferrari Financial Services S.p.A. | 100.000 | |
| Ferrari GE.D. S.p.A. | Modena | Italy | 11,570,000 | EUR | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari Japan KK | Tokyo | Japan | 160,050,000 | JPY | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari Management Consulting (Shanghai) CO., LTD | Shanghai | People's Rep. of China | 2,100,000 | USD | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari Maserati Cars International Trading (Shanghai) Co. Ltd. | Shanghai | People's Rep. of China | 3,000,000 | USD | 53.10 | Ferrari S.p.A. | 59.000 | |
| Ferrari N.America Inc. | Englewood Cliffs | U.S.A. | 200,000 | USD | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari North Europe Limited | Slough Berkshire | United Kingdom | 50,000 | GBP | 90.00 | Ferrari S.p.A. | 100.000 | |
| Ferrari South West Europe S.A.R.L. | Levallois-Perret | France | 172,000 | EUR | 90.00 | Ferrari S.p.A. | 100.000 | |
| GSA-Gestions Sportives Automobiles S.A. | Meyrin | Switzerland | 1,000,000 | CHF | 90.00 | Ferrari S.p.A. | 100.000 | |
| Iniziativa Fiorano S.r.l. | Modena | Italy | 90,000 | EUR | 90.00 | Ferrari S.p.A. | 100.000 | |
| Mugello Circuit S.p.A. | Scarperia | Italy | 10,000,000 | EUR | 90.00 | Ferrari S.p.A. | 90.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| | | | | **Maserati** | | | | |
| **Maserati S.p.A.** | Modena | Italy | 40,000,000 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **Maserati (Suisse) S.A.** | Schlieren | Switzerland | 1,000,000 | CHF | 100.00 | Maserati S.p.A. | 100.000 | |
| **Maserati Deutschland GmbH** | Wiesbaden | Germany | 500,000 | EUR | 100.00 | Maserati S.p.A. | 100.000 | |
| **Maserati GB Limited** | Slough Berkshire | United Kingdom | 20,000 | GBP | 100.00 | Maserati S.p.A. | 100.000 | |
| **Maserati Japan KK** | Tokyo | Japan | 18,000,000 | JPY | 100.00 | Maserati S.p.A. | 100.000 | |
| **Maserati North America Inc.** | Englewood Cliffs | U.S.A. | 1,000 | USD | 100.00 | Maserati S.p.A. | 100.000 | |
| **Maserati West Europe societé par actions simplifiée** | Paris | France | 37,000 | EUR | 100.00 | Maserati S.p.A. | 100.000 | |
| | | | | **Components and Production Systems** | | | | |
| | | | | **Magneti Marelli** | | | | |
| **Magneti Marelli S.p.A.** | Corbetta | Italy | 254,325,965 | EUR | 99.99 | Fiat S.p.A. | 99.990 | 100.00 |
| **ABC Industria, Comercio, Importacao e Exportacao de Componentes Automotivos Ltda** | Nova Goiana | Brazil | 1,000 | BRL | 99.99 | Plastic Components and Modules Automotive S.p.A.<br>Magneti Marelli Cofap Autopecas Ltda | 99.900<br>0.100 | |
| **Administracion Magneti Marelli Sistemi Sospensioni Mexicana S.R.L. de C.V.** | Mexico City | Mexico | 3,000 | MXN | 51.49 | Magneti Marelli Promatcor Sistemi Sospensioni Mexicana S.R.L. de C.V.<br>Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V. | 99.000<br>1.000 | |
| **Automotive Lighting Brotterode GmbH** | Brotterode | Germany | 7,270,000 | EUR | 99.99 | Automotive Lighting Reutlingen GmbH | 100.000 | |
| **Automotive Lighting Italia S.p.A.** | Venaria Reale | Italy | 12,000,000 | EUR | 99.99 | Automotive Lighting Reutlingen GmbH | 100.000 | |
| **Automotive Lighting LLC** | Farmington Hills | U.S.A. | 25,001,000 | USD | 99.99 | Magneti Marelli Holding U.S.A. Inc. | 100.000 | |
| **Automotive Lighting o.o.o.** | Rjiasan | Russia | 36,875,663 | RUB | 99.99 | Automotive Lighting Reutlingen GmbH | 100.000 | |
| **Automotive Lighting Rear Lamps France S.a.s.** | Saint Julien du Sault | France | 5,134,480 | EUR | 99.99 | Automotive Lighting Italia S.p.A. | 100.000 | |
| **Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.** | El Marques Queretaro | Mexico | 50,000 | MXN | 99.99 | Magneti Marelli Holding U.S.A. Inc. | 100.000 | |
| **Automotive Lighting Reutlingen GmbH** | Reutlingen | Germany | 1,330,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Automotive Lighting S.R.O.** | Jihlava | Czech Republic | 927,637,000 | CZK | 99.99 | Automotive Lighting Reutlingen GmbH | 100.000 | |
| **Automotive Lighting UK Limited** | Chadwell Heath | United Kingdom | 40,387,348 | GBP | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Centro Ricerche Plast-Optica S.p.A.** | Amaro | Italy | 1,033,000 | EUR | 75.49 | Automotive Lighting Italia S.p.A. | 75.500 | |
| **CHANGCHUN MAGNETI MARELLI POWERTRAIN COMPONENTS Co.Ltd.** | Changchun | People's Rep. of China | 5,600,000 | EUR | 51.00 | Magneti Marelli S.p.A. | 51.000 | |
| **Ergom Soffiaggio S.r.l.** | Leno | Italy | 45,900 | EUR | 84.99 | Plastic Components and Modules Automotive S.p.A. | 85.000 | |
| **Fiat CIEI S.p.A. in liquidation** | Corbetta | Italy | 220,211 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| Hefei Magneti Marelli Exhaust Systems Co.Ltd. | Hefei | People's Rep. of China | 3,900,000 | EUR | 51.00 | Magneti Marelli S.p.A. | 51.000 | |
| Industrial Yorka de Mexico S.A. de C.V. | Mexico City | Mexico | 50,000 | MXN | 99.99 | Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.<br>Industrial Yorka de Tepotzotlan S.A. de C.V. | 98.000<br>2.000 | |
| Industrial Yorka de Tepotzotlan S.A. de C.V. | Mexico City | Mexico | 50,000 | MXN | 99.99 | Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.<br>Industrial Yorka de Mexico S.A. de C.V. | 99.000<br>1.000 | |
| Industrias Magneti Marelli Mexico S.A. de C.V. | Tepotzotlan | Mexico | 50,000 | MXN | 99.99 | Magneti Marelli Sistemas Electronicos Mexico S.A.<br>Servicios Administrativos Corp. IPASA S.A. | 99.998<br>0.002 | |
| Magneti Marelli (China) Co. Ltd. | Shanghai | People's Rep. of China | 17,500,000 | USD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli After Market Parts and Services S.p.A. | Corbetta | Italy | 7,000,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli Aftermarket GmbH | Heilbronn | Germany | 100,000 | EUR | 99.99 | Magneti Marelli After Market Parts and Services S.p.A. | 100.000 | |
| Magneti Marelli Aftermarket Sp. z o.o. | Katowice | Poland | 2,000,000 | PLN | 99.99 | Magneti Marelli After Market Parts and Services S.p.A. | 100.000 | |
| Magneti Marelli Argentina S.A. | Buenos Aires | Argentina | 700,000 | ARS | 99.99 | Magneti Marelli S.p.A.<br>Magneti Marelli France S.a.s. | 95.000<br>5.000 | |
| Magneti Marelli Automotive Components (Changsha) Co. Ltd | Changsha | People's Rep. of China | 5,400,000 | USD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli Automotive Components (WUHU) Co. Ltd. | Wuhu | People's Rep. of China | 32,000,000 | USD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli Automotive d.o.o. Kragujevac | Kragujevac | Serbia | 154,200,876 | RSD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli Automotive Electronics (Guangzhou) Co. Limited | Guangzhou | People's Rep. of China | 16,100,000 | USD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli Automotive Lighting (Foshan) Co. Ltd | Guangzhou | People's Rep. of China | 10,800,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli Cofap Autopecas Ltda | São Paulo | Brazil | 7,554,539 | BRL | 99.99 | Magneti Marelli After Market Parts and Services S.p.A. | 100.000 | |
| Magneti Marelli Cofap Fabricadora de Pecas Ltda | Santo Andre | Brazil | 46,284,200 | BRL | 99.99 | Magneti Marelli After Market Parts and Services S.p.A. | 100.000 | |
| Magneti Marelli Componentes Plasticos Ltda | Itauna | Brazil | 6,402,500 | BRL | 99.99 | Plastic Components and Modules Automotive S.p.A. | 100.000 | |
| Magneti Marelli Conjuntos de Escape S.A. | Buenos Aires | Argentina | 7,480,071 | ARS | 99.99 | Magneti Marelli S.p.A.<br>Magneti Marelli Argentina S.A. | 95.000<br>5.000 | |
| Magneti Marelli d.o.o. Kragujevac | Kragujevac | Serbia | 1,363,504,543 | RSD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| Magneti Marelli do Brasil Industria e Comercio SA | Hortolandia | Brazil | 40,568,427 | BRL | 99.86 | Magneti Marelli S.p.A. | 99.872 | 99.990 |
| Magneti Marelli Espana S.A. | Llinares del Valles | Spain | 781,101 | EUR | 99.99 | Magneti Marelli Iberica S.A. | 100.000 | |
| Magneti Marelli France S.a.s. | Trappes | France | 19,066,824 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Magneti Marelli GmbH** | Russelsheim | Germany | 200,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Holding U.S.A. Inc.** | Wixom | U.S.A. | 10 | USD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Iberica S.A.** | Santpedor | Spain | 389,767 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli India Private Ltd** | Haryana | India | 20,000,000 | INR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli International Trading (Shanghai) Co. LTD** | Shanghai | People's Rep. of China | 200,000 | USD | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Japan K.K.** | KohoKu-Ku-Yokohama | Japan | 60,000,000 | JPY | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi** | Bursa | Turkey | 50,005 | TRY | 99.94 | Automotive Lighting Reutlingen GmbH | 99.842 | |
| | | | | | | PLASTIFORM PLASTIK SANAY ve TICARET A.S. | 0.052 | |
| | | | | | | Sistemi Comandi Meccanici Otomotiv Sanayi Ve Ticaret A.S. | 0.052 | |
| **Magneti Marelli Motopropulsion France SAS** | Argentan | France | 37,002 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli North America Inc.** | Wilmington | U.S.A. | 7,491,705 | USD | 99.99 | Magneti Marelli Cofap Fabricadora de Pecas Ltda | 100.000 | |
| **Magneti Marelli of Tennessee LLC** | Auburn Hills | U.S.A. | 1,300,000 | USD | 99.99 | Magneti Marelli Holding U.S.A. Inc. | 100.000 | |
| **Magneti Marelli Poland Sp. z o.o.** | Sosnowiec | Poland | 83,500,000 | PLN | 99.99 | Automotive Lighting Reutlingen GmbH | 100.000 | |
| **Magneti Marelli Powertrain India Private Limited** | Haryana | India | 450,000,000 | INR | 51.00 | Magneti Marelli S.p.A. | 51.000 | |
| **Magneti Marelli Powertrain Slovakia s.r.o.** | Bratislava | Slovack Republic | 7,000,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Powertrain U.S.A. LLC** | Sanford | U.S.A. | 25,000,000 | USD | 99.99 | Magneti Marelli Holding U.S.A. Inc. | 100.000 | |
| **Magneti Marelli Promatcor Sistemi Sospensioni Mexicana S.R.L. de C.V.** | Mexico City | Mexico | 3,000 | MXN | 51.00 | Sistemi Sospensioni S.p.A. | 51.000 | |
| **Magneti Marelli Repuestos S.A.** | Buenos Aires | Argentina | 2,012,000 | ARS | 99.99 | Magneti Marelli After Market Parts and Services S.p.A. | 52.000 | |
| | | | | | | Magneti Marelli Cofap Autopecas Ltda | 48.000 | |
| **Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda** | Contagem | Brazil | 206,834,874 | BRL | 99.99 | Magneti Marelli S.p.A. | 66.111 | |
| | | | | | | Automotive Lighting Reutlingen GmbH | 33.889 | |
| **Magneti Marelli Sistemas Electronicos Mexico S.A.** | Tepotzotlan | Mexico | 50,000 | MXN | 99.99 | Magneti Marelli S.p.A. | 99.998 | |
| | | | | | | Servicios Administrativos Corp. IPASA S.A. | 0.002 | |
| **Magneti Marelli Slovakia s.r.o.** | Bratislava | Slovack Republic | 80,006,639 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli South Africa (Proprietary) Limited** | Johannesburg | South Africa | 1,950,000 | ZAR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Suspension Systems Bielsko Sp. z.o.o.** | Bielsko-Biala | Poland | 70,050,000 | PLN | 99.99 | Sistemi Sospensioni S.p.A. | 100.000 | |
| **Magneti Marelli Um Electronic Systems Private Limited** | Haryana | India | 420,000,000 | INR | 51.00 | Magneti Marelli S.p.A. | 51.000 | |
| **Malaysian Automotive Lighting SDN. BHD** | Bayan Lepas | Malaysia | 6,000,000 | MYR | 79.99 | Automotive Lighting Reutlingen GmbH | 80.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **MM I&T Sas** | Valbonne Sophia Antipolis | France | 7,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **MMH Industria e Comercio De Componentes Automotivos Ltda** | Nova Goiana | Brazil | 1,000 | BRL | 99.99 | Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda | 99.900 | |
| | | | | | | Magneti Marelli Cofap Autopecas Ltda | 0.100 | |
| **Plastic Components and Modules Automotive S.p.A.** | Grugliasco | Italy | 10,000,000 | EUR | 99.99 | Plastic Components and Modules Holding S.p.A. | 100.000 | |
| **Plastic Components and Modules Holding S.p.A.** | Grugliasco | Italy | 10,000,000 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Plastic Components and Modules Poland S.A.** | Sosnowiec | Poland | 21,000,000 | PLN | 99.99 | Plastic Components and Modules Automotive S.p.A. | 100.000 | |
| **Plastic Components Fuel Systems Poland Sp. z o.o.** | Sosnowiec | Poland | 29,281,500 | PLN | 99.99 | Plastic Components and Modules Poland S.A. | 100.000 | |
| **PLASTIFORM PLASTIK SANAY ve TICARET A.S.** | Bursa | Turkey | 715,000 | TRY | 99.94 | Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi | 100.000 | |
| **Servicios Administrativos Corp. IPASA S.A.** | Col. Chapultepec | Mexico | 1,000 | MXN | 99.99 | Magneti Marelli Sistemas Electronicos Mexico S.A. | 99.990 | |
| | | | | | | Industrias Magneti Marelli Mexico S.A. de C.V. | 0.010 | |
| **Sistemi Sospensioni S.p.A.** | Corbetta | Italy | 37,622,179 | EUR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **SNIARICERCHE S.P.A. in liquidation** | Pisticci | Italy | 880,000 | EUR | 99.99 | Plastic Components and Modules Holding S.p.A. | 95.000 | |
| | | | | | | Plastic Components and Modules Automotive S.p.A. | 5.000 | |
| **Tecnologia de Iluminacion Automotriz S.A. de C.V.** | Juarez | Mexico | 50,000 | MXN | 99.99 | Automotive Lighting LLC | 99.998 | |
| | | | | | | Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V. | 0.002 | |
| **Ufima S.A.S.** | Trappes | France | 44,940 | EUR | 99.99 | Magneti Marelli S.p.A. | 65.020 | |
| | | | | | | Fiat Partecipazioni S.p.A. | 34.980 | |
| | | | | | | **Teksid** | | |
| **Teksid S.p.A.** | Turin | Italy | 71,403,261 | EUR | 84.79 | Fiat S.p.A. | 84.791 | |
| **Compania Industrial Frontera S.A. de C.V.** | Frontera | Mexico | 50,000 | MXN | 84.79 | Teksid Hierro de Mexico S.A. de C.V. | 99.800 | |
| | | | | | | Teksid Inc. | 0.200 | |
| **(*) Fonderie du Poitou Fonte S.A.S.** | Ingrandes-sur-Vienne | France | 26,958,464 | EUR | 84.79 | Teksid S.p.A. | 100.000 | |
| **Funfrap-Fundicao Portuguesa S.A.** | Cacia | Portugal | 13,697,550 | EUR | 70.89 | Teksid S.p.A. | 83.607 | |
| **Teksid Aluminum S.r.l.** | Carmagnola | Italy | 5,000,000 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **Teksid do Brasil Ltda** | Betim | Brazil | 202,602,013 | BRL | 84.79 | Teksid S.p.A. | 100.000 | |
| **Teksid Hierro de Mexico S.A. de C.V.** | Frontera | Mexico | 716,088,300 | MXN | 84.79 | Teksid S.p.A. | 100.000 | |
| **Teksid Inc.** | Wilmington | U.S.A. | 100,000 | USD | 84.79 | Teksid S.p.A. | 100.000 | |
| **Teksid Iron Poland Sp. z o.o.** | Skoczow | Poland | 115,678,500 | PLN | 84.79 | Teksid S.p.A. | 100.000 | |

*(*) Asset held for sale.*

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Comau** | | | | | | | | |
| **Comau S.p.A.** | Grugliasco | Italy | 48,013,959 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **COMAU (KUNSHAN) Automation Co. Ltd.** | Kunshan | People's Rep. of China | 3,000,000 | USD | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau (Shanghai) Engineering Co. Ltd.** | Shanghai | People's Rep. of China | 5,000,000 | USD | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau (Shanghai) International Trading Co. Ltd.** | Shanghai | People's Rep. of China | 200,000 | USD | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Argentina S.A.** | Buenos Aires | Argentina | 500,000 | ARS | 100.00 | Comau S.p.A.<br>Comau do Brasil Industria e Comercio Ltda.<br>Fiat Argentina S.A. | 55.280<br>44.690<br>0.030 | |
| **Comau Automatizacion S.de R.L. C.V.** | Tepotzotlan | Mexico | 62,204,118 | MXN | 100.00 | Comau Mexico S.de R.L. de C.V. | 100.000 | |
| **Comau Canada Inc.** | Windsor | Canada | 100 | CAD | 100.00 | Comau Inc. | 100.000 | |
| **Comau Deutschland GmbH** | Boblingen | Germany | 1,330,000 | EUR | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau do Brasil Industria e Comercio Ltda.** | Betim | Brazil | 102,742,653 | BRL | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Estil Unl.** | Luton | United Kingdom | 107,665,056 | USD | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau France S.A.S.** | Trappes | France | 6,000,000 | EUR | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Iaisa S.de R.L. de C.V.** | Tepotzotlan | Mexico | 17,181,062 | MXN | 100.00 | Comau Mexico S.de R.L. de C.V. | 100.000 | |
| **Comau Inc.** | Southfield | U.S.A. | 100 | USD | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau India Private Limited** | Pune | India | 239,935,020 | INR | 100.00 | Comau S.p.A.<br>Comau Deutschland GmbH | 99.990<br>0.010 | |
| **Comau Mexico S.de R.L. de C.V.** | Tepotzotlan | Mexico | 99,349,172 | MXN | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Poland Sp. z o.o.** | Bielsko-Biala | Poland | 3,800,000 | PLN | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Romania S.R.L.** | Oradea | Romania | 23,673,270 | RON | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Russia OOO** | Moscow | Russia | 4,770,225 | RUB | 100.00 | Comau S.p.A.<br>Comau Deutschland GmbH | 99.000<br>1.000 | |
| **Comau Service Systems S.L.** | Madrid | Spain | 250,000 | EUR | 100.00 | Comau S.p.A. | 100.000 | |
| **Comau Trebol S.de R.L. de C.V.** | Tepotzotlan | Mexico | 16,168,211 | MXN | 100.00 | Comau Mexico S.de R.L. de C.V. | 100.000 | |
| **Comau U.K. Limited** | Rugby | United Kingdom | 2,502,500 | GBP | 100.00 | Comau S.p.A. | 100.000 | |
| **Other Activities: Holding companies and Other companies** | | | | | | | | |
| **BMI S.p.A.** | Genoa | Italy | 124,820 | EUR | 88.00 | Editrice La Stampa S.p.A. | 88.000 | |
| **Deposito Avogadro S.p.A.** | Turin | Italy | 5,100,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Editrice La Stampa S.p.A.** | Turin | Italy | 5,700,000 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **Fiat Argentina S.A.** | Buenos Aires | Argentina | 5,292,117 | ARS | 100.00 | Fiat Services S.p.A.<br>Fiat do Brasil S.A.<br>SGR-Sociedad para la Gestion de Riesgos S.A.<br>Fiat Auto Argentina S.A. | 90.961<br>9.029<br>0.009<br>0.001 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Fiat do Brasil S.A.** | Nova Lima | Brazil | 42,985,146 | BRL | 100.00 | FGA Real Estate Services S.p.A.<br>Fiat Services S.p.A. | 99.998<br>0.002 | |
| **Fiat Financas Brasil Ltda** | Nova Lima | Brazil | 2,469,701 | BRL | 100.00 | Fiat Finance S.p.A.<br>Fiat do Brasil S.A. | 99.994<br>0.006 | |
| **Fiat Finance and Trade Ltd S.A.** | Luxembourg | Luxembourg | 251,494,000 | EUR | 100.00 | Fiat Finance S.p.A.<br>Fiat S.p.A. | 60.003<br>39.997 | |
| **Fiat Finance Canada Ltd.** | Calgary | Canada | 10,099,885 | CAD | 100.00 | Fiat Finance and Trade Ltd S.A. | 100.000 | |
| **Fiat Finance et Services S.A.** | Trappes | France | 3,700,000 | EUR | 100.00 | Fiat Services S.p.A. | 99.997 | |
| **Fiat Finance North America Inc.** | Wilmington | U.S.A. | 190,090,010 | USD | 100.00 | Fiat Finance and Trade Ltd S.A. | 100.000 | |
| **Fiat Finance S.p.A.** | Turin | Italy | 224,440,000 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **Fiat GmbH** | Ulm | Germany | 200,000 | EUR | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **Fiat Group Purchasing France S.a.r.l.** | Trappes | France | 7,700 | EUR | 100.00 | Fiat Group Purchasing S.r.l. | 100.000 | |
| **Fiat Group Purchasing Poland Sp. z o.o.** | Bielsko-Biala | Poland | 300,000 | PLN | 100.00 | Fiat Group Purchasing S.r.l. | 100.000 | |
| **Fiat Group Purchasing S.r.l.** | Turin | Italy | 600,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat Iberica S.A.** | Madrid | Spain | 2,797,054 | EUR | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **Fiat Information Technology, Excellence and Methods S.p.A.** | Turin | Italy | 500,000 | EUR | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **Fiat Partecipazioni S.p.A.** | Turin | Italy | 614,071,587 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **Fiat Polska Sp. z o.o.** | Warsaw | Poland | 25,500,000 | PLN | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat Services Belgium N.V.** | Zedelgem | Belgium | 62,000 | EUR | 100.00 | Fiat Services S.p.A.<br>Servizi e Attività Doganali per l'Industria S.p.A. | 99.960<br>0.040 | |
| **Fiat Services d.o.o. Kragujevac** | Kragujevac | Serbia | 15,047,880 | RSD | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **Fiat Services Polska Sp. z o.o.** | Bielsko-Biala | Poland | 3,600,000 | PLN | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **Fiat Services S.p.A.** | Turin | Italy | 3,600,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat Servizi per l'Industria S.c.p.a.** | Turin | Italy | 1,652,669 | EUR | 90.70 | Fiat Partecipazioni S.p.A.<br>Fiat Group Automobiles S.p.A.<br>Fiat S.p.A.<br>Teksid S.p.A.<br>C.R.F. Società Consortile per Azioni<br>Comau S.p.A.<br>Editrice La Stampa S.p.A.<br>Fiat Services S.p.A.<br>Magneti Marelli S.p.A. | 51.000<br>25.500<br>5.000<br>2.000<br>1.500<br>1.500<br>1.500<br>1.500<br>1.500 | |
| **Fiat U.K. Limited** | Basildon | United Kingdom | 750,000 | GBP | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat U.S.A. Inc.** | New York | U.S.A. | 16,830,000 | USD | 100.00 | Fiat S.p.A. | 100.000 | |
| **Neptunia Assicurazioni Marittime S.A.** | Lugano | Switzerland | 10,000,000 | CHF | 100.00 | Rimaco S.A. | 100.000 | |
| **Nexta Srl** | Turin | Italy | 50,000 | EUR | 100.00 | Editrice La Stampa S.p.A. | 100.000 | |
| **Publikompass S.p.A.** | Milan | Italy | 3,068,000 | EUR | 100.00 | Editrice La Stampa S.p.A. | 100.000 | |
| **Rimaco S.A.** | Lausanne | Switzerland | 350,000 | CHF | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Risk Management S.p.A.** | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Sadi Polska-Agencja Celna Sp. z o.o.** | Bielsko-Biala | Poland | 500,000 | PLN | 100.00 | Servizi e Attività Doganali per l'Industria S.p.A. | 100.000 | |
| **Servizi e Attività Doganali per l'Industria S.p.A.** | Turin | Italy | 520,000 | EUR | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **SIRIO - Sicurezza Industriale Società consortile per azioni** | Turin | Italy | 120,000 | EUR | 86.59 | Fiat Partecipazioni S.p.A. | 58.252 | |
| | | | | | | Fiat Group Automobiles S.p.A. | 16.600 | |
| | | | | | | Magneti Marelli S.p.A. | 1.841 | |
| | | | | | | Fiat Powertrain Technologies SpA | 1.314 | |
| | | | | | | Sata-Società Automobilistica Tecnologie Avanzate S.p.A. | 0.833 | |
| | | | | | | C.R.F. Società Consortile per Azioni | 0.768 | |
| | | | | | | Fiat S.p.A. | 0.751 | |
| | | | | | | Comau S.p.A. | 0.729 | |
| | | | | | | Ferrari S.p.A. | 0.729 | |
| | | | | | | Teksid S.p.A. | 0.664 | |
| | | | | | | Fiat Services S.p.A. | 0.593 | |
| | | | | | | Sistemi Sospensioni S.p.A. | 0.551 | |
| | | | | | | Teksid Aluminum S.r.l. | 0.540 | |
| | | | | | | Fiat Servizi per l'Industria S.c.p.a. | 0.503 | |
| | | | | | | Fiat Finance S.p.A. | 0.406 | |
| | | | | | | Fidis S.p.A. | 0.325 | |
| | | | | | | Editrice La Stampa S.p.A. | 0.273 | |
| | | | | | | Automotive Lighting Italia S.p.A. | 0.255 | |
| | | | | | | FGA Real Estate Services S.p.A. | 0.103 | |
| | | | | | | Fiat Group Marketing & Corporate Communication S.p.A. | 0.103 | |
| | | | | | | Fiat Group Purchasing S.r.l. | 0.103 | |
| | | | | | | Servizi e Attività Doganali per l'Industria S.p.A. | 0.103 | |
| | | | | | | Plastic Components and Modules Automotive S.p.A. | 0.065 | |
| | | | | | | Fiat Center Italia S.p.A. | 0.045 | |
| | | | | | | Abarth & C. S.p.A. | 0.039 | |
| | | | | | | Maserati S.p.A. | 0.039 | |
| | | | | | | Orione-Società Industriale per la Sicurezza e la Vigilanza Consortile per Azioni | 0.039 | |
| | | | | | | Risk Management S.p.A. | 0.039 | |
| | | | | | | Sisport Fiat S.p.A. - Società sportiva dilettantistica | 0.039 | |
| | | | | | | Magneti Marelli After Market Parts and Services S.p.A. | 0.037 | |
| | | | | | | Customer Services Centre S.r.l. | 0.022 | |
| | | | | | | Easy Drive S.r.l. | 0.022 | |
| | | | | | | Fiat Auto Var S.r.l. | 0.022 | |
| | | | | | | Fiat Information Technology, Excellence and Methods S.p.A. | 0.022 | |
| | | | | | | i-FAST Automotive Logistics S.r.l. | 0.020 | |
| | | | | | | i-FAST Container Logistics S.p.A. | 0.020 | |

Subsidiaries consolidated on a line-by-line basis (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| Sisport Fiat S.p.A. - Società sportiva dilettantistica | Turin | Italy | 889,049 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Jointly-controlled entities accounted for using the equity method** | | | | | | | | |
| **Business Auto: Car Mass-Market brands** | | | | | | | | |
| **APAC** | | | | | | | | |
| Fiat India Automobiles Limited | Ranjangaon | India | 24,451,596,600 | INR | 50.00 | Fiat Group Automobiles S.p.A. | 50.000 | |
| GAC FIAT Automobiles Co. Ltd. | Changsha | People's Rep. of China | 2,400,000,000 | CNY | 50.00 | Fiat Group Automobiles S.p.A. | 50.000 | |
| **EMEA** | | | | | | | | |
| FGA CAPITAL S.p.A. | Turin | Italy | 700,000,000 | EUR | 50.00 | Fiat Group Automobiles S.p.A. | 50.000 | |
| FAL Fleet Services S.A.S. | Trappes | France | 3,000,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FC France S.A. | Trappes | France | 11,360,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 99.999 | |
| FGA Bank G.m.b.H. | Vienna | Austria | 5,000,000 | EUR | 50.00 | FGA CAPITAL S.p.A.<br>Fidis S.p.A. | 50.000<br>25.000 | |
| FGA Bank Germany GmbH | Heilbronn | Germany | 39,600,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CAPITAL BELGIUM S.A. | Auderghem | Belgium | 3,718,500 | EUR | 50.00 | FGA CAPITAL S.p.A. | 99.999 | |
| FGA Capital Danmark A/S | Glostrup | Denmark | 14,154,000 | DKK | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CAPITAL HELLAS S.A. | Argyroupoli | Greece | 1,200,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CAPITAL IFIC SA | Alges | Portugal | 10,000,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CAPITAL IRELAND Public Limited Company | Dublin | Ireland | 132,562 | EUR | 50.00 | FGA CAPITAL S.p.A. | 99.994 | |
| FGA Capital Netherlands B.V. | Lijnden | Netherlands | 3,085,800 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CAPITAL RE Limited | Dublin | Ireland | 1,000,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA Capital Services Spain S.A. | Alcalá De Henares | Spain | 25,145,299 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA Capital Spain E.F.C. S.A. | Alcalá De Henares | Spain | 26,671,557 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CAPITAL UK LTD. | Slough Berkshire | United Kingdom | 50,250,000 | GBP | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA CONTRACTS UK LTD. | Slough Berkshire | United Kingdom | 19,000,000 | GBP | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA Distribuidora Portugal S.A. | Alges | Portugal | 500,300 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA INSURANCE HELLAS S.A. | Argyroupoli | Greece | 60,000 | EUR | 49.99 | FGA CAPITAL HELLAS S.A. | 99.975 | |
| FGA Leasing GmbH | Vienna | Austria | 40,000 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA Leasing Polska Sp. z o.o. | Warsaw | Poland | 24,384,000 | PLN | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FGA WHOLESALE UK LTD. | Slough Berkshire | United Kingdom | 20,500,000 | GBP | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| Fiat Bank Polska S.A. | Warsaw | Poland | 125,000,000 | PLN | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| Fidis Finance (Suisse) S.A. | Schlieren | Switzerland | 24,100,000 | CHF | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| FL Auto Snc | Trappes | France | 8,954,581 | EUR | 50.00 | FC France S.A. | 99.998 | |
| FL Location SNC | Trappes | France | 76,225 | EUR | 49.99 | FC France S.A. | 99.980 | |

Jointly-controlled entities accounted for using the equity method (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consolidation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Leasys S.p.A.** | Turin | Italy | 77,979,400 | EUR | 50.00 | FGA CAPITAL S.p.A. | 100.000 | |
| **FER MAS Oto Ticaret A.S.** | Istanbul | Turkey | 5,500,000 | TRY | 37.64 | Tofas-Turk Otomobil Fabrikasi A.S. | 99.418 | |
| **Koc Fiat Kredi Tuketici Finansmani A.S.** | Istanbul | Turkey | 30,000,000 | TRY | 37.86 | Tofas-Turk Otomobil Fabrikasi A.S. | 100.000 | |
| **Società Europea Veicoli Leggeri-Sevel S.p.A.** | Atessa | Italy | 68,640,000 | EUR | 50.00 | Fiat Group Automobiles S.p.A. | 50.000 | |
| **Tofas-Turk Otomobil Fabrikasi A.S.** | Levent | Turkey | 500,000,000 | TRY | 37.86 | Fiat Group Automobiles S.p.A. | 37.856 | |
| | | | | **Components and Production Systems** | | | | |
| | | | | **Magneti Marelli** | | | | |
| **JCMM Automotive d.o.o.** | Beograd | Serbia | 1,223,910,473 | RSD | 50.00 | Plastic Components and Modules Automotive S.p.A. | 50.000 | |
| **Magneti Marelli Motherson Auto System Limited** | New Delhi | India | 1,300,000,000 | INR | 50.00 | Magneti Marelli S.p.A. | 35.385 | 0.000 |
| | | | | | | Magneti Marelli Motherson India Holding B.V. | 29.231 | 100.000 |
| **Magneti Marelli Motherson India Holding B.V.** | Lijnden | Netherlands | 2,000,000 | EUR | 50.00 | Magneti Marelli S.p.A. | 50.000 | |
| **Magneti Marelli SKH Exhaust Systems Private Limited** | New Delhi | India | 274,190,000 | INR | 50.00 | Magneti Marelli S.p.A. | 50.000 | |
| **Magneti Marelli Talbros Chassis Systems Pvt. Ltd.** | Haryana | India | 100,600,000 | INR | 50.00 | Sistemi Sospensioni S.p.A. | 50.000 | |
| **SAIC MAGNETI MARELLI Powertrain Co. Ltd** | Shanghai | People's Rep. of China | 23,000,000 | EUR | 50.00 | Magneti Marelli S.p.A. | 50.000 | |
| **SKH Magneti Marelli Exhaust Systems Private Limited** | New Delhi | India | 95,450,000 | INR | 46.62 | Magneti Marelli S.p.A. | 46.621 | 50.000 |
| **Zhejiang Wanxiang Magneti Marelli Shock Absorbers Co. Ltd.** | Zhenjiang-Jangsu | People's Rep. of China | 100,000,000 | CNY | 50.00 | Magneti Marelli S.p.A. | 50.000 | |
| | | | | **Teksid** | | | | |
| **Hua Dong Teksid Automotive Foundry Co. Ltd.** | Zhenjiang-Jangsu | People's Rep. of China | 385,363,500 | CNY | 42.40 | Teksid S.p.A. | 50.000 | |
| | | | | **Subsidiaries accounted for using the equity method** | | | | |
| | | | | **Business Auto: Car Mass-Market brands** | | | | |
| | | | | **NAFTA** | | | | |
| **Alhambra Chrysler Jeep Dodge, Inc.** | Wilmington | U.S.A. | 1,272,700 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Bessemer Chrysler Jeep Dodge, Inc.** | Wilmington | U.S.A. | 3,590,000 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CG EC1 LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **CG EC2 LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | CG EC1 LLC | 100.000 | |
| **Downriver Dodge, Inc.** | Wilmington | U.S.A. | 604,886 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| **Gwinnett Automotive Inc.** | Wilmington | U.S.A. | 3,505,019 | USD | 58.54 | Chrysler Group LLC | 100.000 | |

Subsidiaries accounted for using the equity method (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| La Brea Avenue Motors, Inc. | Wilmington | U.S.A. | 7,373,800 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| North Tampa Chrysler Jeep Dodge, Inc. | Wilmington | U.S.A. | 1,014,700 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| Superstition Springs Chrysler Jeep, Inc. | Wilmington | U.S.A. | 675,400 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| Superstition Springs MID LLC | Wilmington | U.S.A. | 3,000,000 | USD | 58.54 | CG MID LLC | 100.000 | |
| **APAC** | | | | | | | | |
| Chrysler Group Taiwan Sales Ltd. | Taipei | Taiwan | 229,500,000 | TWD | 29.85 | Chrysler Group LLC | 51.000 | |
| **EMEA** | | | | | | | | |
| AC Austro Car Handelsgesellschaft m.b.h. & Co. OHG | Vienna | Austria | 0 | EUR | 100.00 | FGA Austro Car GmbH | 100.000 | |
| Alfa Romeo Inc. | Orlando | U.S.A. | 3,000,000 | USD | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| Chrysler Jeep Ticaret A.S. | Istanbul | Turkey | 5,357,000 | TRY | 58.49 | Chrysler Group LLC | 99.920 | |
| Fabbrica Italia Mirafiori S.p.A. | Turin | Italy | 200,000 | EUR | 100.00 | FGA Real Estate Services S.p.A. | 100.000 | |
| GESTIN POLSKA Sp. z o.o. | Bielsko-Biala | Poland | 500,000 | PLN | 100.00 | Fiat Auto Poland S.A. | 100.000 | |
| Italcar SA | Casablanca | Morocco | 4,000,000 | MAD | 99.85 | Fiat Group Automobiles Maroc S.A. | 99.900 | |
| Sirio Polska Sp. z o.o. | Bielsko-Biala | Poland | 1,350,000 | PLN | 100.00 | Fiat Auto Poland S.A. | 100.000 | |
| **Components and Production Systems** | | | | | | | | |
| **Magneti Marelli** | | | | | | | | |
| Cofap Fabricadora de Pecas Ltda | Santo Andre | Brazil | 75,720,716 | BRL | 68.26 | Magneti Marelli do Brasil Industria e Comercio SA | 68.350 | |
| Magneti Marelli Shock Absorbers (India) Private Limited | Pune | India | 1,198,999,990 | INR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Other Activities: Holding companies and Other companies** | | | | | | | | |
| Fiat (China) Business Co., Ltd. | Beijing | People's Rep. of China | 3,000,000 | USD | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| Iveco Motors of China Limited in liquidation | Shanghai | People's Rep. of China | 300,000 | USD | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| SGR-Sociedad para la Gestion de Riesgos S.A. | Buenos Aires | Argentina | 150,000 | ARS | 99.96 | Rimaco S.A. | 99.960 | |
| **Subsidiaries valued at cost** | | | | | | | | |
| **Business Auto: Car Mass-Market brands** | | | | | | | | |
| **NAFTA** | | | | | | | | |
| CarCo Intermediate Mexico LLC | Wilmington | U.S.A. | 1 | USD | 58.54 | Chrysler Mexico Investment Holdings Cooperatie U.A. | 100.000 | |
| CG Co-Issuer Inc. | Wilmington | U.S.A. | 100 | USD | 58.54 | Chrysler Group LLC | 100.000 | |

Subsidiaries valued at cost (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **CHRYSLER GROUP DUTCH OPERATING LLC** | Wilmington | U.S.A. | 0 | USD | 58.54 | CNI CV | 100.000 | |
| **Chrysler Receivables 1 Inc.** | Windsor | Canada | 100 | CAD | 58.54 | Chrysler Canada Inc. | 100.000 | |
| **Chrysler Receivables 2 Inc.** | Windsor | Canada | 100 | CAD | 58.54 | Chrysler Canada Inc. | 100.000 | |
| **Chrysler Receivables Limited Partnership** | Windsor | Canada | 0 | CAD | 58.54 | Chrysler Canada Inc. | 99.990 | |
| | | | | | | Chrysler Receivables 1 Inc. | 0.005 | |
| | | | | | | Chrysler Receivables 2 Inc. | 0.005 | |
| **Fundacion Chrysler, I.A.P.** | Santa Fe | Mexico | 0 | MXN | 58.54 | Chrysler de Mexico S.A. de C.V. | 100.000 | |
| **The Chrysler Foundation** | Bingham Farms | U.S.A. | 0 | USD | 58.54 | Chrysler Group LLC | 100.000 | |
| | | | | **EMEA** | | | | |
| **Banbury Road Motors Limited** | Slough Berkshire | United Kingdom | 100 | GBP | 100.00 | Fiat Group Automobiles UK Ltd | 100.000 | |
| **Chrysler Netherlands Holding Cooperatie U.A.** | Amsterdam | Netherlands | 0 | EUR | 58.54 | CNI CV | 99.000 | |
| | | | | | | CHRYSLER GROUP DUTCH OPERATING LLC | 1.000 | |
| **Chrysler UK Pension Trustees Limited** | Slough Berkshire | United Kingdom | 1 | GBP | 58.54 | Chrysler UK Limited | 100.000 | |
| **CNI CV** | Amsterdam | Netherlands | 0 | EUR | 58.54 | Chrysler Group LLC | 99.000 | |
| | | | | | | Chrysler Group Minority LLC | 1.000 | |
| **CODEFIS Società consortile per azioni** | Turin | Italy | 120,000 | EUR | 51.00 | Fiat Group Automobiles S.p.A. | 51.000 | |
| **CONSORZIO FIAT ENERGY** | Turin | Italy | 7,000 | EUR | 54.97 | Comau S.p.A. | 14.286 | |
| | | | | | | Fiat Group Automobiles S.p.A. | 14.286 | |
| | | | | | | Plastic Components and Modules Automotive S.p.A. | 14.286 | |
| | | | | | | Teksid S.p.A. | 14.286 | |
| **Consorzio Servizi Balocco** | Turin | Italy | 10,000 | EUR | 91.37 | Fiat Group Automobiles S.p.A. | 77.800 | |
| | | | | | | Ferrari S.p.A. | 5.300 | |
| | | | | | | Fiat Powertrain Technologies SpA | 4.500 | |
| | | | | | | Maserati S.p.A. | 2.800 | |
| | | | | | | Abarth & C. S.p.A. | 1.500 | |
| **FAS FREE ZONE Ltd. Kragujevac** | Kragujevac | Serbia | 2,281,603 | RSD | 66.67 | FIAT AUTOMOBILES SERBIA DOO KRAGUJEVAC | 100.000 | |
| **FGA Russia S.r.l.** | Turin | Italy | 1,682,028 | EUR | 100.00 | Fiat Group Automobiles S.p.A. | 100.000 | |
| **Fiat Auto Espana Marketing Instituto Agrupacion de Interes Economico** | Alcalá De Henares | Spain | 30,051 | EUR | 95.00 | Fiat Group Automobiles Spain S.A. | 95.000 | |
| **Fiat Motor Sales Ltd** | Slough Berkshire | United Kingdom | 1,500,000 | GBP | 100.00 | Fiat Group Automobiles UK Ltd | 100.000 | |
| **OOO "CABEKO"** | Nizhniy Novgorod | Russia | 181,869,062 | RUB | 100.00 | FGA Russia S.r.l. | 99.591 | |
| | | | | | | Fiat Group Automobiles S.p.A. | 0.409 | |
| **VM North America Inc.** | Auburn Hills | U.S.A. | 1,000 | USD | 100.00 | VM Motori S.p.A. | 100.000 | |
| | | | | **Business Auto: Luxury and Performance Brands** | | | | |
| | | | | **Ferrari** | | | | |
| **New Business 28 S.r.l.** | Turin | Italy | 50,000 | EUR | 90.00 | Ferrari S.p.A. | 100.000 | |
| **Scuderia Ferrari Club S.c. a r.l.** | Maranello | Italy | 105,000 | EUR | 84.45 | Ferrari S.p.A. | 93.829 | |

Subsidiaries valued at cost (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Components and Production Systems** | | | | | | | | |
| **Magneti Marelli** | | | | | | | | |
| **Automotive Lighting Japan K.K.** | KohoKu-Ku-Yokohama | Japan | 10,000,000 | JPY | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Automotive Components (India) Limited in liquidation** | Pune | India | 125,000,000 | INR | 99.99 | Magneti Marelli S.p.A. | 100.000 | |
| **Magneti Marelli Comandos Mecanicos Industria e Comercio Ltda** | Itauna | Brazil | 1,000 | BRL | 99.99 | Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda<br>Fiat do Brasil S.A. | 99.900<br>0.100 | |
| **Sistemi Comandi Meccanici Otomotiv Sanayi Ve Ticaret A.S.** | Bursa | Turkey | 90,000 | TRY | 99.89 | Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi | 99.956 | |
| **Comau** | | | | | | | | |
| **Consorzio Fermag in liquidation** | Bareggio | Italy | 144,608 | EUR | 68.00 | Comau S.p.A. | 68.000 | |
| **Other Activities: Holding companies and Other companies** | | | | | | | | |
| **Fiat Common Investment Fund Limited** | London | United Kingdom | 2 | GBP | 100.00 | Fiat U.K. Limited | 100.000 | |
| **Fiat Danismanlik Ve Temsilcilik Limited Sirketi** | Istanbul | Turkey | 120,000 | TRY | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat Investimenti S.p.A.** | Turin | Italy | 120,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat Investments S.p.A.** | Turin | Italy | 120,000 | EUR | 100.00 | New Business Netherlands N.V. | 100.000 | |
| **Fiat Oriente S.A.E. in liquidation** | Cairo | Egypt | 50,000 | EGP | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **Fiat Partecipazioni India Private Limited** | New Delhi | India | 28,605,400 | INR | 100.00 | Fiat Partecipazioni S.p.A.<br>Fiat Group Purchasing S.r.l. | 99.825<br>0.175 | |
| **Fiat Services Support Mexico S.A. de C.V.** | Mexico City | Mexico | 100 | MXN | 100.00 | Fiat Services S.p.A.<br>Servizi e Attività Doganali per l'Industria S.p.A. | 99.000<br>1.000 | |
| **Fiat Services U.S.A., Inc.** | Wilmington | U.S.A. | 500,000 | USD | 100.00 | Fiat Services S.p.A. | 100.000 | |
| **Fides Corretagens de Seguros Ltda** | Belo Horizonte | Brazil | 365,525 | BRL | 100.00 | Rimaco S.A. | 99.998 | |
| **Isvor Fiat India Private Ltd. in liquidation** | New Delhi | India | 1,750,000 | INR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **New Business 29 S.c.r.l.** | Turin | Italy | 50,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A.<br>Fiat S.p.A. | 80.000<br>20.000 | |
| **New Business 30 S.r.l.** | Turin | Italy | 50,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **New Business 34 S.r.l.** | Turin | Italy | 50,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **New Business 35 s.r.l.** | Turin | Italy | 50,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **New Business 36 s.r.l.** | Turin | Italy | 50,000 | EUR | 100.00 | Fiat Partecipazioni S.p.A. | 100.000 | |
| **New Business Netherlands N.V.** | Amsterdam | Netherlands | 50,000 | EUR | 100.00 | Fiat S.p.A. | 100.000 | |
| **OOO Sadi Rus** | Moscow | Russia | 2,700,000 | RUB | 100.00 | Sadi Polska-Agencja Celna Sp. z o.o.<br>Fiat Services Polska Sp. z o.o. | 90.000<br>10.000 | |

Subsidiaries valued at cost (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Orione-Società Industriale per la Sicurezza e la Vigilanza Consortile per Azioni** | Turin | Italy | 120,000 | EUR | 97.51 | Fiat Partecipazioni S.p.A. | 76.722 | |
| | | | | | | Fiat S.p.A. | 18.003 | |
| | | | | | | Editrice La Stampa S.p.A. | 0.439 | |
| | | | | | | Fiat Group Automobiles S.p.A. | 0.439 | |
| | | | | | | Comau S.p.A. | 0.220 | |
| | | | | | | Ferrari S.p.A. | 0.220 | |
| | | | | | | Fiat Finance S.p.A. | 0.220 | |
| | | | | | | Fiat Powertrain Technologies SpA | 0.220 | |
| | | | | | | Fiat Services S.p.A. | 0.220 | |
| | | | | | | Fiat Servizi per l'Industria S.c.p.a. | 0.220 | |
| | | | | | | Magneti Marelli S.p.A. | 0.220 | |
| | | | | | | Sisport Fiat S.p.A. - Società sportiva dilettantistica | 0.220 | |
| | | | | | | Teksid S.p.A. | 0.220 | |
| **Associated companies accounted for using the equity method** | | | | | | | | |
| **Business Auto: Car Mass-Market brands** | | | | | | | | |
| **NAFTA** | | | | | | | | |
| **Global Engine Alliance LLC** | Wilmington | U.S.A. | 1,500,000 | USD | 19.51 | Chrysler Group LLC | 33.330 | |
| **United States Council for Automotive Research LLC** | Southfield | U.S.A. | 100 | USD | 19.51 | Chrysler Group LLC | 33.330 | |
| **APAC** | | | | | | | | |
| **Hangzhou IVECO Automobile Transmission Technology Co., Ltd.** | Hangzhou | People's Rep. of China | 555,999,999 | CNY | 33.33 | Fiat Partecipazioni S.p.A. | 33.333 | |
| **Haveco Automotive Transmission Co. Ltd.** | Zhajiang | People's Rep. of China | 200,010,000 | CNY | 33.33 | Fiat Partecipazioni S.p.A. | 33.330 | |
| **EMEA** | | | | | | | | |
| **Arab American Vehicles Company S.A.E.** | Cairo | Egypt | 6,000,000 | USD | 28.68 | Chrysler Group LLC | 49.000 | |
| **Components and Production Systems** | | | | | | | | |
| **Magneti Marelli** | | | | | | | | |
| **HMC MM Auto Ltd** | New Delhi | India | 30,000,000 | INR | 40.00 | Magneti Marelli S.p.A. | 40.000 | |
| **Other Activities: Holding companies and Other companies** | | | | | | | | |
| **Iveco-Motor Sich, Inc.** | Zaporozhye | Ukraine | 26,568,000 | UAH | 38.62 | Fiat Partecipazioni S.p.A. | 38.618 | |
| **Otoyol Sanayi A.S. in liquidation** | Samandira-Kartal/Istanbul | Turkey | 52,674,386 | TRY | 27.00 | Fiat Partecipazioni S.p.A. | 27.000 | |
| **RCS MediaGroup S.p.A.** | Milan | Italy | 475,134,602 | EUR | 16.41 | Fiat S.p.A. | 16.411 | 20.552 |

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **Associated companies valued at cost** | | | | | | | | |
| **Business Auto: Car Mass-Market brands** | | | | | | | | |
| **EMEA** | | | | | | | | |
| **Consorzio per la Reindustrializzazione Area di Arese S.r.l. in liquidation** | Arese | Italy | 20,000 | EUR | 30.00 | Fiat Group Automobiles S.p.A. | 30.000 | |
| **Consorzio Prode** | Naples | Italy | 51,644 | EUR | 20.00 | C.R.F. Società Consortile per Azioni | 20.000 | |
| **Innovazione Automotive e Metalmeccanica Scrl** | Santa Maria Imbaro | Italy | 115,000 | EUR | 24.52 | Fiat Group Automobiles S.p.A.<br>C.R.F. Società Consortile per Azioni<br>Sistemi Sospensioni S.p.A. | 17.391<br>6.957<br>0.174 | |
| **New Holland Fiat (India) Private Limited** | Mumbai | India | 12,485,547,400 | INR | 3.59 | Fiat Group Automobiles S.p.A. | 3.593 | 51.035 |
| **Tecnologie per il Calcolo Numerico-Centro Superiore di Formazione S.c. a r.l.** | Trento | Italy | 100,000 | EUR | 25.00 | C.R.F. Società Consortile per Azioni | 25.000 | |
| **Turin Auto Private Ltd. in liquidation** | Mumbai | India | 43,300,200 | INR | 50.00 | FGA Investimenti S.p.A. | 50.000 | |
| **Business Auto: Luxury and Performance Brands** | | | | | | | | |
| **Ferrari** | | | | | | | | |
| **Senator Software Gmbh** | Munich | Germany | 25,565 | EUR | 39.69 | Ferrari Financial Services AG | 49.000 | |
| **Components and Production Systems** | | | | | | | | |
| **Magneti Marelli** | | | | | | | | |
| **Auto Componentistica Mezzogiorno - A.C.M. Melfi Società Consortile a responsabilità limitata** | Turin | Italy | 40,000 | EUR | 24.25 | Plastic Components and Modules Automotive S.p.A.<br>Sistemi Sospensioni S.p.A. | 16.500<br>7.750 | |
| **Bari Servizi Industriali S.c.r.l.** | Modugno | Italy | 24,000 | EUR | 25.00 | Magneti Marelli S.p.A. | 25.000 | |
| **Flexider S.p.A.** | Turin | Italy | 4,080,000 | EUR | 25.00 | Magneti Marelli S.p.A. | 25.000 | |
| **L.U.C.I. SRL** | Amaro | Italy | 11,600 | EUR | 26.03 | Centro Ricerche Plast-Optica S.p.A. | 34.483 | |
| **Mars Seal Private Limited** | Mumbai | India | 400,000 | INR | 24.00 | Magneti Marelli France S.a.s. | 24.000 | |
| **Matay Otomotiv Yan Sanay Ve Ticaret A.S.** | Bursa | Turkey | 3,800,000 | TRY | 28.00 | Magneti Marelli S.p.A. | 28.000 | |
| **Other Activities: Holding companies and Other companies** | | | | | | | | |
| **ANFIA Automotive S.c.r.l.** | Turin | Italy | 20,000 | EUR | 20.00 | C.R.F. Società Consortile per Azioni<br>Fiat Group Automobiles S.p.A.<br>Fiat Powertrain Technologies SpA<br>Magneti Marelli S.p.A. | 5.000<br>5.000<br>5.000<br>5.000 | |
| **Consorzio per lo Sviluppo delle Aziende Fornitrici in liquidation** | Turin | Italy | 241,961 | EUR | 21.34 | Fiat Group Automobiles S.p.A.<br>Fiat Partecipazioni S.p.A. | 10.672<br>10.672 | |

Associated companies valued at cost (continued)

| Name | Registered Office | Country | Share capital | Currency | % of Group consoli-dation | Interest held by | % interest held | % of voting rights |
|---|---|---|---|---|---|---|---|---|
| **FMA-Consultoria e Negocios Ltda** | São Paulo | Brazil | 1 | BRL | 50.00 | Fiat do Brasil S.A. | 50.000 | |
| **Maxus MC2 S.p.A.** | Turin | Italy | 219,756 | EUR | 20.00 | Fiat Partecipazioni S.p.A. | 20.000 | |
| **Parco Industriale di Chivasso Società Consortile a responsabilità limitata** | Chivasso | Italy | 10,000 | EUR | 36.70 | Fiat Partecipazioni S.p.A.<br>Plastic Components and Modules Automotive S.p.A. | 25.800<br>10.900 | |
| **Società Editrice Mercantile - S.E.M. S.R.L.** | Genoa | Italy | 3,000,000 | EUR | 40.00 | Editrice La Stampa S.p.A. | 40.000 | |
| **To-dis S.r.l.** | Turin | Italy | 510,000 | EUR | 45.00 | Editrice La Stampa S.p.A. | 45.000 | |
| **Zastava-Kamioni D.O.O.** | Kragujevac | Serbia | 1,673,505,893 | RSD | 33.68 | Fiat Partecipazioni S.p.A. | 33.677 | |
| **Other companies** | | | | | | | | |
| **Business Auto: Car Mass-Market brands** | | | | | | | | |
| **EMEA** | | | | | | | | |
| **Centro di Eccellenza su Metodi e Sistemi per le Aziende Competitive** | Fisciano | Italy | 225,000 | EUR | 16.00 | C.R.F. Società Consortile per Azioni | 16.000 | |
| **Consorzio Calef (Consorzio per la ricerca e lo sviluppo delle applicazioni industriali laser e del fascio elettronico)** | Rotondella | Italy | 90,131 | EUR | 11.57 | C.R.F. Società Consortile per Azioni<br>Fiat Group Automobiles S.p.A. | 5.787<br>5.787 | |
| **Consorzio Technapoli** | Naples | Italy | 1,626,855 | EUR | 11.11 | C.R.F. Società Consortile per Azioni | 11.110 | |
| **Business Auto: Luxury and Performance Brands** | | | | | | | | |
| **Ferrari** | | | | | | | | |
| **Nuova Didactica S.c. a r.l.** | Modena | Italy | 112,200 | EUR | 14.73 | Ferrari S.p.A. | 16.364 | |
| **Components and Production Systems** | | | | | | | | |
| **Magneti Marelli** | | | | | | | | |
| **Editori Riuniti S.p.A. in liquidation** | Rome | Italy | 441,652 | EUR | 13.11 | Plastic Components and Modules Holding S.p.A. | 13.110 | |
| **Other Activities: Holding companies and Other companies** | | | | | | | | |
| **Consorzio Edicola Italiana** | Milan | Italy | 60,000 | EUR | 16.67 | Editrice La Stampa S.p.A. | 16.667 | |
| **Consorzio Lingotto** | Turin | Italy | 9,612 | EUR | 18.26 | Fiat Partecipazioni S.p.A.<br>Fiat S.p.A. | 12.856<br>5.400 | |
| **Distretto Meccatronico Regionale Della Puglia S.c.a r.l. "MEDIS Scarl"** | Bari | Italy | 150,000 | EUR | 13.33 | C.R.F. Società Consortile per Azioni | 6.667 | |
| **Fin. Priv. S.r.l.** | Milan | Italy | 20,000 | EUR | 14.29 | Fiat S.p.A. | 14.285 | |

# Appendix II - Information required under Article 149-*duodecies* of the “Regolamento Emittenti” issued by Consob

The following table, prepared in accordance with Article 149-*duodecies* of the “Regolamento Emittenti” issued by Consob, reports fees related to 2013 for audit and other services provided by the independent auditors and members of their network.

| (€ thousand) | Service Provider | Fiat Group Entity | | 2013 Fees |
|---|---|---|---|---|
| **Audit** | Reconta Ernst & Young S.p.A. | Parent Company – Fiat S.p.A. | | 117 |
| | Reconta Ernst & Young S.p.A. | Subsidiaries | | 3,180 |
| | Reconta Ernst & Young network | Subsidiaries | | 11,039 |
| **Attestation** | Reconta Ernst & Young S.p.A. | Parent Company – Fiat S.p.A. | (1) | 680 |
| | Reconta Ernst & Young S.p.A. | Subsidiaries | | 28 |
| | Reconta Ernst & Young network | Subsidiaries | (2) | 1,028 |
| **Other services** | Reconta Ernst & Young S.p.A. | Parent Company – Fiat S.p.A. | (3) | 318 |
| | Reconta Ernst & Young S.p.A. | Subsidiaries | | 187 |
| | Reconta Ernst & Young network | Subsidiaries | (4) | 920 |
| **Total Reconta Ernst & Young S.p.A. & network** | | | | **17,497** |

(1) Includes voluntary review of system of Internal Control over Financial Reporting (ICFR).
(2) Issuance of Comfort Letters connected with bond issues and acquisition of remaining equity interest in Chrysler Group LLC from the VEBA Trust.
(3) Analysis of various accounting activities, analysis of system of Internal Control over Financial Reporting, review activities relating to available liquidity of Group as requested by Consob.
(4) Primarily relating to fulfillment of requirements imposed by local authorities and tax related activities.

# Attestation of the Consolidated Financial Statements under Article 154-*bis* of Legislative Decree 58/98

1. The undersigned, Sergio Marchionne, in his capacity as the Chief Executive Officer of the Company, and Richard Palmer, as the executive officer responsible for the preparation of the Company's financial statements, pursuant to the provisions of Article 154-*bis*, clauses 3 and 4, of Legislative Decree no. 58 of 1998, hereby attest

   - the adequacy with respect to the Company structure,
   - and the effective application,

   of the administrative and accounting procedures applied in the preparation of the Company's consolidated financial statements at 31 December 2013.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2013 was based on a process defined by Fiat in accordance with the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission,* an internationally-accepted reference framework.

3. The undersigned moreover attest that:

   3.1 the consolidated financial statements at 31 December 2013:

   a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

   b) correspond to the amounts shown in the Company's accounts, books and records; and

   c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries as of 31 December 2013 and for the year then ended

   3.2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

27 February 2014

/s/ Sergio Marchionne

Sergio Marchionne

CHIEF EXECUTIVE OFFICER

/s/ Richard Palmer

Richard Palmer

EXECUTIVE OFFICER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS

# 4

# Fiat S.p.A. Statutory Financial Statements
## at 31 December 2013


Income Statement ........ 264

Statement of Comprehensive Income ........ 265

Statement of Financial Position ........ 266

Statement of Cash Flows ........ 267

Statements of Changes in Equity ........ 268

Income Statement pursuant to Consob Resolution 15519 of 27 July 2006 ........ 270

Statement of Financial Position pursuant to Consob Resolution 15519 of 27 July 2006 ........ 271

Statement of Cash Flows pursuant to Consob Resolution 15519 of 27 July 2006 ........ 272

Notes to the Statutory Financial Statements ........ 273

Appendix – Information required under Article 149-*duodecies* of the "Regolamento Emittenti" issued by Consob ........ 335

Attestation of the Statutory Financial Statements under Article 154-*bis* of Legislative Decree 58/98 ........ 336

# Income Statement(*)

| (figures in €) | Note | 2013 | 2012(**) |
|---|---|---|---|
| Dividends and other income from investments | (1) | 536,321,603 | 1,030,495,113 |
| Impairment (losses)/reversals on investments | (2) | (540,400,000) | (962,878,584) |
| Gains/(losses) on disposals | (3) | 971,532 | - |
| Other operating income | (4) | 82,823,765 | 77,373,928 |
| Personnel costs | (5) | (38,682,648) | (36,006,594) |
| Other operating costs | (6) | (72,194,643) | (76,259,449) |
| Financial income/(expense) | (7) | (210,087,105) | (216,079,567) |
| **PROFIT/(LOSS) BEFORE TAXES** | | **(241,247,496)** | **(183,355,153)** |
| Income taxes | (8) | 14,549,878 | 31,053,057 |
| **PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | | **(226,697,618)** | **(152,302,096)** |
| Profit/(loss) from discontinued operations | | - | - |
| **PROFIT/(LOSS)** | | **(226,697,618)** | **(152,302,096)** |

(*) *Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related-party transactions on Fiat S.p.A.'s Income Statement are presented in a specific income statement provided on the following pages and commented on in the note to the relevant line item and Note 29.*

(**) *Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, comparative figures for 2012 have been restated as required by IAS 1. That restatement resulted in a €47,902 reduction in reported loss for the year attributable to lower personnel costs. Further information is provided in "Accounting standards and amendments adopted from 1 January 2013".*

# Statement of Comprehensive Income

| (€ thousand) | 2013 | 2012(***) |
|---|---|---|
| **PROFIT/(LOSS) (A)** | **(226,698)** | **(152,302)** |
| | | |
| Items that will not be reclassified to Income Statement: | | |
| – Gains/(losses) on remeasurement of defined benefit plans | 1,184 | (666) |
| – Related tax | - | - |
| Total other comprehensive income/(loss) that will not be reclassified to Income Statement (B1) | 1,184 | (666) |
| Items that will be reclassified to Income Statement: | | |
| – Gains/(losses) recognized directly in fair value reserve (investments in other companies) | 4,406 | 26,330 |
| – Related tax | - | - |
| Total other comprehensive income/(loss) that will be reclassified to Income Statement (B2) | 4,406 | 26,330 |
| **TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B1)+(B2)=(B)** | **5,590** | **25,664** |
| | | |
| **TOTAL COMPREHENSIVE INCOME (A)+(B)** | **(221,108)** | **(126,638)** |

Fiat S.p.A. Statutory Financial Statements at 31 December 2013

(***) *Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, comparative figures for 2012 have been restated as required by IAS 1. That restatement resulted in a €618 thousand increase in other comprehensive loss for the year. Further information is provided in "Accounting standards and amendments adopted from 1 January 2013".*

# Statement of Financial Position(*)

| (figures in €) | Note | 31 December 2013 | 31 December 2012(**) | 1 January 2012(**) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | (9) | 1,605,875 | 1,645,500 | 1,744,234 |
| Property, plant and equipment | (10) | 29,778,105 | 30,303,585 | 31,179,614 |
| Investments | (11) | 13,060,064,740 | 11,765,015,021 | 12,122,918,872 |
| Other financial assets | (12) | 14,028,255 | 12,109,470 | 12,966,052 |
| Other non-current assets | (13) | 63,218 | 65,199 | 90,472 |
| Deferred tax assets | (8) | - | - | - |
| **Total non-current assets** | | **13,105,540,193** | **11,809,138,775** | **12,168,899,244** |
| **Current assets** | | | | |
| Inventory | (25) | - | - | - |
| Trade receivables | (14) | 7,214,468 | 4,756,129 | 4,862,631 |
| Current financial receivables | (15) | - | 58,280,561 | 374,805,524 |
| Other current receivables | (16) | 188,834,650 | 302,707,063 | 277,353,014 |
| Cash and cash equivalents | (17) | 1,268,006 | 554,180 | 743,896 |
| **Total current assets** | | **197,317,124** | **366,297,933** | **657,765,065** |
| **TOTAL ASSETS** | | **13,302,857,317** | **12,175,436,708** | **12,826,664,309** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | (18) | | | |
| Share capital | | 4,477,462,227 | 4,476,441,927 | 4,465,600,020 |
| Share premium reserve | | 1,073,765,422 | 1,071,402,772 | 1,082,244,680 |
| Legal reserve | | 528,577,084 | 528,577,084 | 523,618,803 |
| Other reserves and retained profit | | 3,099,306,759 | 3,235,881,664 | 3,171,055,792 |
| Own shares | | (258,957,846) | (258,957,472) | (288,883,388) |
| Profit/(loss) | | (226,697,618) | (152,302,096) | 99,165,620 |
| **Total equity** | | **8,693,456,028** | **8,901,043,879** | **9,052,801,527** |
| **Non-current liabilities** | | | | |
| Provisions for employee benefits and other non-current provisions | (19) | 142,741,416 | 141,911,588 | 137,806,991 |
| Non-current debt | (20) | 413,953,314 | 1,412,035,429 | 2,162,892,003 |
| Other non-current liabilities | (21) | 16,077,521 | 17,164,505 | 18,213,851 |
| Deferred tax liabilities | (8) | 12,195,615 | 12,195,615 | 8,144,720 |
| **Total non-current liabilities** | | **584,967,866** | **1,583,307,137** | **2,327,057,565** |
| **Current liabilities** | | | | |
| Provisions for employee benefits and other current provisions | (22) | 10,677,378 | 15,251,043 | 19,379,886 |
| Trade payables | (23) | 18,977,216 | 17,301,002 | 19,397,927 |
| Current debt | (24) | 3,780,427,507 | 1,294,073,723 | 1,075,432,074 |
| Other debt | (25) | 214,351,322 | 364,459,924 | 332,595,330 |
| **Total current liabilities** | | **4,024,433,423** | **1,691,085,692** | **1,446,805,217** |
| **TOTAL EQUITY AND LIABILITIES** | | **13,302,857,317** | **12,175,436,708** | **12,826,664,309** |

(*) *Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related-party transactions on Fiat S.p.A.'s Statement of Financial Position are presented in a specific statement of financial position provided on the following pages and commented on in the note for the relevant line item and in Note 29.*

(**) *Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, comparative figures for 2012 have been restated as required by IAS 1. That restatement resulted in a €442,583 reduction in equity at 1 January 2012 and a €1,060,187 reduction at 31 December 2012. Further information is provided in "Accounting standards and amendments adopted from 1 January 2013".*

# Statement of Cash Flows(*)

| (€ thousand) | 2013 | 2012(**) |
|---|---|---|
| **A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **554** | **744** |
| **B) CASH FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR:** | | |
| Profit/(loss) | (226,698) | (152,302) |
| Amortization and depreciation | 2,046 | 2,004 |
| Non-cash cost of stock option plans and other non-cash items | 6,005 | 8,689 |
| Impairment losses/(reversals) on investments | 540,400 | 962,878 |
| Fair value adjustment to equity swaps on Fiat and Fiat Industrial shares | - | (31,640) |
| Losses/(gains) on disposals | (971) | - |
| Change in provisions for employee benefits and other provisions | 548 | 1,499 |
| Change in deferred taxes | - | 4,051 |
| Change in working capital | (35,736) | 3,496 |
| **TOTAL** | **285,594** | **798,675** |
| **C) CASH FROM/(USED IN) INVESTING ACTIVITIES:** | | |
| Investments relating to: | | |
| Recapitalization of subsidiaries | (1,738,000) | (444,000) |
| Acquisitions and capital subscriptions | (95,132) | (130,852) |
| Reductions in investments relating to: | | |
| Proceeds from disposals | 1,716 | - |
| Other (investments)/disposals, net | (1,481) | (1,030) |
| **TOTAL** | **(1,832,897)** | **(575,882)** |
| **D) CASH FROM/(USED IN) FINANCING ACTIVITIES:** | | |
| Change in current financial assets | 58,281 | 336,478 |
| Proceeds from non-current debt | - | 400,000 |
| Repayment of non-current debt | (1,000,000) | (1,150,000) |
| Change in current debt | 2,486,354 | 230,329 |
| Increase in share capital | 3,383 | - |
| Purchases of own shares | (1) | (34) |
| Sales of own shares | - | - |
| Dividends paid | - | (39,756) |
| **TOTAL** | **1,548,017** | **(222,983)** |
| **E) NET CHANGE IN CASH AND CASH EQUIVALENTS** | **714** | **(190)** |
| **F) CASH AND CASH EQUIVALENTS AT END OF YEAR** | **1,268** | **554** |

(*) *Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related-party transactions on Fiat S.p.A.'s Statement of Cash Flows are presented in a specific statement of cash flows provided on the following pages.*
(**) *Following application of the amendment to IAS 19 (retrospectively) from 1 January 2013, comparative figures for 2012 have been restated, resulting in a €48 thousand reduction in reported loss for the year with a corresponding reduction in "Change in provisions for employee benefits and other provisions". Further information is provided in "Accounting standards and amendments adopted from 1 January 2013".*

# Statement of Changes in Equity

| (€ thousand) | Share capital | Share premium reserve | Legal reserve | Reserve available for the purchase of own shares | Reserve for own shares | Retained profit/ (loss) | Gains/ (losses) recognized directly in equity | Stock option reserve | Other reserves[(1)] | Own shares[(2)] | Profit/ (loss) for the year | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amount at 31 December 2011 (as reported)** | **4,465,600** | **1,082,245** | **523,619** | **911,117** | **288,883** | **1,873,082** | **(43,705)** | **52,291** | **89,829** | **(288,883)** | **99,166** | **9,053,244** |
| Effect of IAS 19 amendments | | | | | | 4,043 | (4,485) | | | | | (442) |
| **Amount at 1 January 2012** | **4,465,600** | **1,082,245** | **523,619** | **911,117** | **288,883** | **1,877,125** | **(48,190)** | **52,291** | **89,829** | **(288,883)** | **99,166** | **9,052,802** |
| Vesting of rights under 2009 stock grant plan for CEO and allocation of 4,000,000 Fiat S.p.A. ordinary shares to beneficiary | | | | | (29,960) | 13,209 | | (13,209) | | 29,960 | | - |
| Allocation of prior year profit: | | | | | | | | | | | | |
| to the Legal reserve | | | 4,958 | | | | | | | | (4,958) | - |
| distributions to shareholders | | | | | | | | | | | (39,756) | (39,756) |
| to retained profit | | | | | | 54,452 | | | | | (54,452) | - |
| Carryforward of reserve for the purchase of own shares | | | | 29,960 | | (29,960) | | | | | | - |
| Conversion of preference and savings shares and capital increase through transfer from share premium reserve | 10,842 | (10,842) | | | | | | | | | | - |
| Purchase of own shares relating to payment of fractions of shares resulting from conversion of preference and savings shares | | | | (34) | 34 | | | | | (34) | | (34) |
| Valuation of stock option/ stock grant plans | | | | | | 190 | | 14,480 | | | | 14,670 |
| Total comprehensive income for the period | | | | | | | 25,664 | | | | (152,302) | (126,638) |
| **Amount at 31 December 2012** | **4,476,442** | **1,071,403** | **528,577** | **941,043** | **258,957** | **1,915,016** | **(22,526)** | **53,562** | **89,829** | **(258,957)** | **(152,302)** | **8,901,044** |

*(1) Other reserves includes the reserve pursuant to Law 413/1991, the extraordinary reserve and the reserve for spin-off differences.*
*(2) At 31 December 2012, own shares consisted of 34,577,766 ordinary shares having a total par value of €123,788 thousand (at 31 December 2011, 38,568,458 ordinary shares having a total par value of €134,990 thousand).*

# Statement of Changes in Equity

| (€ thousand) | Share capital | Share premium reserve | Legal reserve | Reserve available for the purchase of own shares | Reserve for own shares | Retained profit/ (loss) | Gains/ (losses) recognized directly in equity | Stock option reserve | Other reserves[(1)] | Own shares[(2)] | Profit/ (loss) for the year | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Amount at 31 December 2012 (as reported)** | **4,476,442** | **1,071,403** | **528,577** | **941,043** | **258,957** | **1,910,973** | **(17,375)** | **53,562** | **89,829** | **(258,957)** | **(152,350)** | **8,902,104** |
| Effect of IAS 19 amendments | | | | | | 4,043 | (5,151) | | | | 48 | (1,060) |
| **Amount at 1 January 2013** | **4,476,442** | **1,071,403** | **528,577** | **941,043** | **258,957** | **1,915,016** | **(22,526)** | **53,562** | **89,829** | **(258,957)** | **(152,302)** | **8,901,044** |
| Allocation of prior year loss: | | | | | | | | | | | | |
| to retained profit/(loss) | | | | | | (152,302) | | | | | 152,302 | - |
| Effect of exercise of stock options under the November 2006 stock option plan | 1,020 | 2,363 | | | | | | | | | | 3,383 |
| Purchase of own shares relating to payment of fractions of shares resulting from conversion of preference and savings shares | | | | (1) | 1 | | | | | (1) | | (1) |
| Valuation of stock option/ stock grant plans | | | | | | 1,069 | | 9,069 | | | | 10,138 |
| Total comprehensive income for the period | | | | | | | 5,590 | | | | (226,698) | (221,108) |
| **Amount at 31 December 2013** | **4,477,462** | **1,073,766** | **528,577** | **941,042** | **258,958** | **1,763,783** | **(16,936)** | **62,631** | **89,829** | **(258,958)** | **(226,698)** | **8,693,456** |

(1) *Other reserves includes the reserve pursuant to Law 413/1991, the extraordinary reserve and the reserve for spin-off differences.*
(2) *At 31 December 2013, own shares consisted of 34,577,867 ordinary shares having a total par value of €123,789 thousand (at 31 December 2012, 34,577,766 ordinary shares having a total par value of €123,788 thousand).*

# Income Statement
## pursuant to Consob Resolution 15519 of 27 July 2006

| (€ thousand) | Note | 2013 | of which related parties (Note 29) | 2012 | of which related parties (Note 29) |
|---|---|---|---|---|---|
| Dividends and other income from investments | (1) | 536,322 | 536,181 | 1,030,495 | 1,030,355 |
| Impairment (losses)/reversals on investments | (2) | (540,400) | (540,400) | (962,879) | (962,879) |
| Gains/(losses) on disposals | (3) | 971 | 971 | - | - |
| Other operating income | (4) | 82,824 | 79,862 | 77,374 | 74,745 |
| Personnel costs | (5) | (38,683) | (10,459) | (36,006) | (9,543) |
| Other operating costs | (6) | (72,195) | (37,064) | (76,259) | (41,213) |
| Financial income/(expense) | (7) | (210,087) | (211,659) | (216,080) | (214,888) |
| **PROFIT/(LOSS) BEFORE TAXES** | | **(241,248)** | | **(183,355)** | |
| Income taxes | (8) | 14,550 | | 31,053 | |
| **PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | | **(226,698)** | | **(152,302)** | |
| Profit/(loss) from discontinued operations | | - | | - | |
| **PROFIT/(LOSS)** | | **(226,698)** | | **(152,302)** | |

# Statement of Financial Position

## pursuant to Consob Resolution 15519 of 27 July 2006

| (€ thousand) | Note | 31 December 2013 | of which related parties (Note 29) | 31 December 2012 | of which related parties (Note 29) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | (9) | 1,606 | | 1,646 | |
| Property, plant and equipment | (10) | 29,778 | | 30,304 | |
| Investments | (11) | 13,060,065 | 13,043,219 | 11,765,015 | 11,752,187 |
| Other financial assets | (12) | 14,028 | 13,953 | 12,109 | 12,035 |
| Other non-current assets | (13) | 63 | | 65 | |
| Deferred tax assets | (8) | - | | - | |
| **Total non-current assets** | | **13,105,540** | | **11,809,139** | |
| **Current assets** | | | | | |
| Inventory | (25) | - | | - | |
| Trade receivables | (14) | 7,214 | 1,099 | 4,756 | 1,985 |
| Current financial receivables | (15) | - | | 58,281 | 58,281 |
| Other current receivables | (16) | 188,835 | 119,518 | 302,707 | 136,218 |
| Cash and cash equivalents | (17) | 1,268 | | 554 | |
| **Total current assets** | | **197,317** | | **366,298** | |
| **TOTAL ASSETS** | | **13,302,857** | | **12,175,437** | |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | (18) | | | | |
| Share capital | | 4,477,462 | | 4,476,442 | |
| Share premium reserve | | 1,073,766 | | 1,071,403 | |
| Legal reserve | | 528,577 | | 528,577 | |
| Other reserves and retained profit | | 3,099,307 | | 3,235,881 | |
| Own shares | | (258,958) | | (258,957) | |
| Profit/(loss) | | (226,698) | | (152,302) | |
| **Total equity** | | **8,693,456** | | **8,901,044** | |
| **Non-current liabilities** | | | | | |
| Provisions for employee benefits and other non-current provisions | (19) | 142,741 | 127,519 | 141,911 | 126,173 |
| Non-current debt | (20) | 413,953 | 413,953 | 1,412,035 | 1,412,035 |
| Other non-current liabilities | (21) | 16,078 | | 17,165 | |
| Deferred tax liabilities | (8) | 12,196 | | 12,196 | |
| **TOTAL NON-CURRENT LIABILITIES** | | **584,968** | | **1,583,307** | |
| **Current liabilities** | | | | | |
| Provisions for employee benefits and other current provisions | (22) | 10,677 | | 15,251 | |
| Trade payables | (23) | 18,977 | 5,896 | 17,301 | 6,808 |
| Current debt | (24) | 3,780,428 | 3,755,742 | 1,294,074 | 1,266,774 |
| Other debt | (25) | 214,351 | 199,333 | 364,460 | 350,630 |
| **Total current liabilities** | | **4,024,433** | | **1,691,086** | |
| **TOTAL EQUITY AND LIABILITIES** | | **13,302,857** | | **12,175,437** | |

# Statement of Cash Flows

## pursuant to Consob Resolution 15519 of 27 July 2006

| (€ thousand) | 2013 | of which related parties | 2012 | of which related parties |
|---|---|---|---|---|
| **A) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **554** | | **744** | |
| **B) CASH FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR:** | | | | |
| Profit/(loss) | (226,698) | | (152,302) | |
| Amortization and depreciation | 2,046 | | 2,004 | |
| Non-cash cost of stock option plans and other non-cash items | 6,005 | 6,005 | 8,689 | 8,689 |
| Impairment losses/(reversals) on investments | 540,400 | 540,400 | 962,878 | 962,878 |
| Fair value adjustment to equity swaps on Fiat and Fiat Industrial shares | - | | (31,640) | (31,640) |
| Losses/(gains) on disposals | (971) | (971) | - | |
| Change in provisions for employee benefits and other provisions | 548 | 6,822 | 1,499 | 6,774 |
| Change in deferred taxes | - | | 4,051 | |
| Change in working capital | (35,736) | (134,623) | 3,496 | 62,730 |
| **TOTAL** | **285,594** | | **798,675** | |
| **C) CASH FROM/(USED IN) INVESTING ACTIVITIES:** | | | | |
| Investments relating to: | | | | |
| Recapitalization of subsidiaries | (1,738,000) | (1,738,000) | (444,000) | (444,000) |
| Acquisitions and capital subscriptions | (95,132) | (95,132) | (130,852) | (130,852) |
| Reductions in investments relating to: | | | | |
| Proceeds from disposals | 1,716 | 1,716 | - | |
| Other (investments)/disposals, net | (1,481) | | (1,030) | |
| **TOTAL** | **(1,832,897)** | | **(575,882)** | |
| **D) CASH FROM/(USED IN) FINANCING ACTIVITIES:** | | | | |
| Change in current financial assets | 58,281 | 58,281 | 336,478 | 336,478 |
| Proceeds from non-current debt | - | | 400,000 | 400,000 |
| Repayment of non-current debt | (1,000,000) | (1,000,000) | (1,150,000) | (1,150,000) |
| Change in current debt | 2,486,354 | 2,488,968 | 230,329 | 227,715 |
| Increase in share capital | 3,383 | | - | |
| Purchases of own shares | (1) | | (34) | |
| Sales of own shares | - | | - | |
| Dividends paid | - | | (39,756) | (10,800) |
| **TOTAL** | **1,548,017** | | **(222,983)** | |
| **E) NET CHANGE IN CASH AND CASH EQUIVALENTS** | **714** | | **(190)** | |
| **F) CASH AND CASH EQUIVALENTS AT END OF YEAR** | **1,268** | | **554** | |

# Notes to the Statutory Financial Statements

## Principal activities

Fiat S.p.A. (the "Company"), incorporated in the Republic of Italy, is the parent company of Fiat Group and it holds direct and indirect interests in the Group's principal operating companies.

The Company's head office is in Turin, Italy.

Fiat S.p.A.'s financial statements are prepared in euros, which is the Company's functional currency.

The Statements of Income and Financial Position are presented in euros, while the Statements of Comprehensive Income, Cash Flows and Changes in Equity and the Notes to the Financial Statements are in thousands of euros, except where otherwise stated.

As parent company for Fiat Group, Fiat S.p.A. has also prepared consolidated financial statements for the year ended 31 December 2013.

## Significant accounting policies

### Basis of preparation

The 2013 Statutory Financial Statements are the separate financial statements for Fiat S.p.A. They have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, in addition to provisions implementing Article 9 of Legislative Decree 38/2005. The designation IFRS also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

In compliance with European Regulation 1606 of 19 July 2002, beginning in 2005 the Fiat Group adopted the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), for the preparation of its consolidated financial statements. On the basis of national legislation implementing that Regulation, those accounting standards were also used to prepare the separate financial statements of the Parent Company, Fiat S.p.A., for the first time for the year ended 31 December 2006. The information required by IFRS 1 – *First-time Adoption of International Financial Reporting Standards* relating to the effects of the transition to IFRS was provided in an Appendix to the 2006 separate financial statements.

The financial statements are prepared under the historical cost convention (modified where applicable for the valuation of certain financial instruments), as well as on the going concern assumption. Fiat Group's assessment is that no material uncertainty exists (as defined in paragraph 25 of IAS 1) as to its ability to continue as a going concern. That assessment takes into consideration the ongoing integration with Chrysler and the Group's industrial and financial flexibility.

### Format of the financial statements

In consideration of the activities carried out by Fiat S.p.A., presentation of the Statutory Income Statement is based on the nature of revenues and expenses. The Consolidated Income Statement for Fiat Group is classified according to function, which is considered more representative of the format used for internal reporting and management purposes and is in line with international practice in the automotive sector. For the Statement of Financial Position, Fiat S.p.A. has elected the "current and non-current" classification for the presentation of assets and liabilities. For the Consolidated Statement of Financial Position, a mixed presentation has been elected (as permitted under IAS 1) with the current/non-current classification applied to assets only. The consolidated financial statements include both industrial companies and financial services companies. The financing portfolios of financial services companies are included under current assets, as those assets will be realized in the course of the normal operating cycle. In addition, the financial services companies only obtain a portion of their funding directly from the market. The remainder of their funding is obtained through Group treasury companies (included under industrial activities), which provide funding to both industrial companies and financial services companies within the Group, on the basis of their individual requirements. The distribution of financial services activities within the Group has no impact on the presentation of financial liabilities for Fiat S.p.A. However, for the Consolidated Statement of Financial Position, the distribution of those activities means that a classification of financial liabilities between current and non-current would not be meaningful.

The Statement of Cash Flows is presented using the indirect method.

With regard to the requirements of Consob Resolution 15519 of 27 July 2006 relating to the format of the financial statements, supplementary Statements of Income, Financial Position and Cash Flows with a breakdown of related-party transactions have been provided separately so that the overall reading of the principal statements is not compromised.

## Intangible assets

*Goodwill*

Goodwill arising from the acquisition of a company or a business unit is recognized at cost at the acquisition date. Goodwill is not amortized, but is tested for impairment annually or more frequently if specific events indicate that an impairment loss has occurred. After initial recognition, goodwill is measured at cost less any impairment losses.

*Other intangible assets*

Purchased or internally-generated intangible assets are recognized in accordance with IAS 38 – *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably.

Intangible assets are measured at purchase or manufacturing cost and, for those with a finite useful life, amortized over their estimated useful life.

## Property, plant and equipment

*Cost*

Property, plant and equipment are stated at acquisition or production cost, net of accumulated depreciation and impairment losses, and are not revalued.

Subsequent expenditures are only capitalized where they increase the future economic benefits of the asset to which they relate. All other expenditures are expensed as incurred.

The method and rates used for depreciating assets are provided below.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Costs related to operating leases are recognized on a straight-line basis over the duration of the lease.

*Depreciation*
Depreciation is calculated on a straight-line basis over the estimated useful life of an asset as follows:

| | Annual depreciation rate |
|---|---|
| Buildings | 3% |
| Plants | 10% |
| Furniture | 12% |
| Fixtures | 20% |
| Vehicles | 25% |

Land is not depreciated.

### Impairment
At least annually, the Company evaluates recoverability of the value of intangible assets, tangible assets and investments in subsidiaries and associates, in order to determine whether those assets have suffered a loss in value. If there are indications of impairment, the carrying amount of the asset is reduced to its recoverable amount.

For investments in subsidiaries and associates that have distributed a dividend, the following are also considered indicators of impairment:

- if the carrying amount of the investee in the separate financial statements exceeds the book value of equity (including any associated goodwill) as recognized in the consolidated financial statements
- if dividends exceed the comprehensive income of the investee for the period to which the dividend relates

The recoverable amount of an asset is the higher of fair value less disposal costs and its value in use.

When testing for impairment of investments whose market value (fair value less disposal costs) cannot be reliably measured, the recoverable amount is based on value in use, which – in line with the requirements of paragraph 33 of IAS 28 – is determined by estimating the present value of future cash flows and a theoretical terminal value.

Where impairment of an asset subsequently reverses, the carrying amount of that asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in the income statement.

### Financial instruments

*Presentation*
Financial instruments held by the Company are classified in the financial statements as follows:

- Non-current assets: investments, other financial assets, other non-current assets
- Current assets: trade receivables, current financial receivables, other current receivables, cash and cash equivalents
- Non-current liabilities: non-current debt, other non-current liabilities
- Current liabilities: trade payables, current debt (including asset-backed financing), other debt

Cash and cash equivalents includes bank deposits, units in liquidity funds and other money market securities that are readily convertible into cash and for which the risk of changes in value is insignificant.

Non-current debt includes liabilities related to financial guarantees. Financial guarantees are contracts where the Company undertakes to make specific payments to a counterparty for losses incurred as a result of the failure of a borrower to meet its payment obligations for a given debt instrument. The present value of any related fees receivable is recognized under other non-current financial assets.

*Measurement*

**Investments in subsidiaries and associates** are recognized at cost and adjusted for any impairment losses.

Any positive difference, arising on acquisition, between the purchase cost and fair value of net assets acquired in an investee company is included in the carrying amount of the investment.

Investments in subsidiaries and associates are tested annually for impairment, or more frequently if evidence of impairment exists. Where an impairment loss exists, it is recognized immediately through the income statement. If the Company's share of losses of the investee exceeds the carrying amount of the investment and if the Company has an obligation or intention to cover those losses, the investment is written down to zero and a liability is recognized for the Company's share of any additional losses. If an impairment loss is subsequently reversed, the increase in carrying amount (up to a maximum of purchase cost) is recognized through the income statement.

**Investments in other companies**, which consists of non-current financial assets that are not held for trading (i.e., available-for-sale financial assets), are initially measured at fair value. Any subsequent gains or losses resulting from changes in fair value determined by the market price are recognized directly in equity until the investment is sold or an impairment loss is recognized. If an investment is sold, cumulative gains or losses previously recognized in equity are recycled through profit and loss. If an impairment loss is recognized on the investment, any accumulated losses recognized in equity are recycled through profit and loss. Investments in companies for which a market price is not available are measured at cost and adjusted for any impairment losses.

Common shares of CNH Industrial (formerly Fiat Industrial) allocated to servicing the stock option and stock grant plans are linked to the liability for share-based compensation (i.e., provisions for stock options and stock grants) and are measured at fair value through profit or loss consistent with the valuation of that liability.

**Other financial assets**, which the Company intends to hold to maturity, are initially recognized on the settlement date at purchase cost (considered representative of their fair value) which, with the exception of held-for-trading financial assets, is inclusive of transaction costs. Subsequent measurement is at amortized cost using the effective interest method.

**Other non-current assets, trade receivables, current financial receivables** and **other current receivables**, excluding those based on a derivative financial instrument, as well as all other unquoted financial assets whose fair value cannot be reliably determined, are measured at amortized cost using the effective interest method, if they have a fixed term, or at cost, if they have no fixed term. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Regular assessments are made to determine whether there is objective evidence that financial assets, separately or within a group of assets, have been impaired. Where such evidence exists, an impairment loss is recognized in the income statement for the period.

**Non-current debt, other non-current liabilities, trade payables, current debt** and **other debt** are initially recognized at fair value (normally represented by the cost of the transaction from which the liability arises), in addition to any transaction costs.

With the exception of derivative instruments and liabilities arising from financial guarantees, financial liabilities are subsequently measured at amortized cost using the effective interest method. Measurement of financial liabilities hedged by derivative instruments follows the principles of hedge accounting for fair value hedges. Gains and losses arising from subsequent measurement at fair value, caused by fluctuations in interest rates, are recognized through the income statement and are offset by the effective portion of the gain or loss arising from subsequent measurement at fair value of the hedging instrument.

Liabilities arising from financial guarantees are measured at the higher of the estimate of the contingent liability (determined in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*) and the amount initially recognized less any amounts already released to profit and loss.

*Derivative financial instruments*

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which the hedge is designated.

All derivative financial instruments are measured at fair value in accordance with IAS 39.

When derivative financial instruments qualify for hedge accounting, the following treatment applies:

- **Fair value hedge** – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement
- **Cash flow hedge** – Where a derivative financial instrument is designated as a hedge against variability in future cash flows of an existing asset or liability or a transaction considered highly probable that could impact the income statement, the effective portion of the gain or loss on the hedging instrument is recognized directly in equity. Any cumulative gain or loss is reversed from equity and recognized in the income statement in the same period in which the hedged transaction is recognized. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the income statement immediately. When a hedging instrument or hedge relationship is terminated, but the hedged transaction has not yet occurred, any gain or loss previously recognized in equity is recognized through profit and loss at the time the hedged transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized in equity is immediately transferred to the income statement

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

## Inventory

Inventory consists of contract work in progress related, in particular, to long-term construction contracts between Fiat S.p.A. and Treno Alta Velocità – T.A.V. S.p.A. (merged into Rete Ferroviaria Italiana S.p.A. from 31 December 2010) under which Fiat S.p.A. as general contractor coordinates, organizes and manages the work.

Work in progress refers to activities carried out directly and is recognized through measurement of the total contract income on a percentage completion basis, with the incremental portion of the work performed to date being recognized in the period. The cost-to-cost method is used to determine the percentage of completion of a contract (by dividing the costs incurred by the total costs forecast for the whole construction).

Any losses expected to be incurred on contracts are fully recognized in the income statement and as a reduction in contract work in progress when they become known.

Any advances received from customers for services performed are presented as a reduction in inventory. If the value of advances received exceeds inventory, any excess is recognized as advances under other debt.

## Transfer of receivables

The Company derecognizes receivables when, and only when, it no longer has the contractual right to the cash flows from an asset, or the receivable is transferred. When the Company transfers a receivable:

- if it transfers substantially all the risks and rewards of ownership, it derecognizes the receivable and recognizes any rights and obligations created or retained in the transfer separately as assets or liabilities
- if it retains substantially all the risks and rewards of ownership of the receivable, it continues to recognize the receivable
- if it neither transfers nor retains substantially all the risks and rewards of ownership of the receivable, it determines whether it has retained control of the receivable. In this case:
  - if the Company has not maintained control, it derecognizes the receivable and recognizes separately as assets and liabilities any rights and obligations created or retained in the transfer
  - if the Company has retained control, it continues to recognize the receivable to the extent of its continuing involvement in the receivable

On derecognition of a receivable, the difference between the carrying amount of the receivable and the consideration received or receivable for the transfer of the receivable is recognized in profit or loss.

## Assets held for sale

This item includes non-current assets (or assets included in disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale (or disposal groups) are measured at the lower of their carrying amount and fair value less disposal costs.

## Employee benefits

*Defined contribution plans*

Contributions to defined contribution plans are recognized through profit or loss in the period in which the benefit is earned.

*Defined benefit plans*
The Company's obligation is calculated separately for each plan by estimating the present value of future benefits that employees have earned in the current and prior periods applying the projected unit credit method.

The components of defined benefit cost are recognized as follows:

- remeasurement components of the obligation, including actuarial gains and losses, are recognized immediately in other comprehensive income (OCI)
- service costs are recognized in profit or loss
- net interest on the defined benefit liability is recognized under financial expense in profit or loss

Remeasurement components recognized in OCI cannot be reclassified to profit or loss in a subsequent period.

*Other long-term employee benefits*
The Company's net obligations are determined by estimating the present value of future benefits that employees have earned in exchange for service in the current and prior periods. Remeasurement components on other long-term employee benefits are recognized in profit or loss in the period in which they occur.

*Termination benefits*
Termination benefits are expensed at the earlier of: i) when the Company can no longer withdraw the offer of those benefits, and ii) when the Company recognizes costs for a restructuring that includes payment of the termination benefits.

*Equity-based compensation*
Share-based compensation plans settled by the delivery of Fiat S.p.A. shares are measured at fair value at the grant date. That fair value is expensed over the vesting period of the benefit with a corresponding increase in equity. Periodically, the Company reviews its estimate of the benefits expected to vest through the plan and recognizes any difference in estimate in profit or loss, with a corresponding increase or decrease in equity.

Share-based compensation plans settled through delivery of CNH Industrial N.V. (formerly Fiat Industrial S.p.A.) shares are recognized as a liability and measured at fair value at the end of each reporting period until settled. Any subsequent changes in fair value are recognized in profit or loss.

The compensation component from stock option plans based on Fiat S.p.A. shares relating to employees of other Group companies is recognized as a capital contribution to the subsidiaries which employ the beneficiaries of the stock option plans, in accordance with IFRIC 11 and, as a result, is recorded as an increase in the carrying amount of the investment, with a balancing entry recognized directly in equity.

**Provisions**
The Company recognizes provisions when it has a legal or constructive obligation to third parties, when it is probable that an outflow of resources will be required to satisfy that obligation and when a reliable estimate of the amount can be made.

Changes in estimates are reflected in the income statement in the period in which they occur.

### Own shares
Own shares are recognized as a deduction from equity. The original cost of own shares, proceeds of any subsequent sale and other changes are presented as movements in equity.

### Dividends received
Dividends from investees are recognized in the income statement when the right to receive the dividend is established.

### Revenue recognition
Revenue is recognized when it is probable that economic benefits associated with a transaction will flow to the Company and the amount can be reliably measured. Revenue is presented net of any adjusting items.

Revenue from services and from construction contracts are recognized using the percentage completion method described under inventory.

### Financial income and expense
Financial income and expense are recognized in the income statement in the period in which they are earned or incurred.

Finance costs related to investments in qualifying assets that require a substantial period of time to prepare for their intended future use or sale are capitalized and amortized over the useful life of the asset.

### Income taxes
The tax charge for the period is determined on the basis of existing law. Taxes on income are recognized in profit and loss, except where they relate to items charged or credited directly to equity, in which case the tax effect is also recognized directly in equity.

For deferred tax assets and liabilities, determination is based on the temporary differences existing between the carrying amount of an asset or liability in the statement of financial position and its corresponding tax basis. Deferred tax assets resulting from unused tax losses and temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Current and deferred income taxes and liabilities are offset when there is a legal right to do so. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

Fiat S.p.A. and almost all its Italian subsidiaries elected to take part in the domestic tax consolidation program pursuant to Articles 117/129 of Presidential Decree 917/1986 for a three-year period beginning in 2004. The election was renewed in 2007 and again in 2010, on both occasions for a minimum three-year period.

Under the program, Fiat S.p.A. is the consolidating company and calculates a single taxable base for the group of companies taking part, enabling benefits from offsetting taxable income and tax losses in a combined tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. Fiat S.p.A. recognizes a receivable for companies contributing taxable income, corresponding to the amount of IRES (corporate income tax) payable on their behalf. For companies contributing a tax loss, Fiat S.p.A. recognizes a payable for the amount of the loss actually set off at group level.

### Dividends payable
Dividends payable are recognized as changes in equity in the period in which they are approved by shareholders.

## Use of estimates

The statutory financial statements are prepared in accordance with IFRS, which require the use of judgments, estimates and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and income and expense for the period.

The estimates and underlying assumptions are based on information available at the time the financial statements are prepared, historical experience and other relevant factors.

The continuing difficult economic and financial environment in many Eurozone countries, in addition to a slowdown in growth and other difficulties in several major emerging markets mean that assumptions regarding future performance are subject to significant levels of uncertainty. As a consequence, it cannot be excluded that actual results may differ from those estimates and, therefore, require adjustments to book values in future periods, which may be significant and which at present can neither be estimated nor predicted. The line item most impacted by the use of estimates is “Investments in subsidiaries and associates” (non-current assets), where estimates are used to determine impairment losses and reversals. With regard to recognition of employee benefits, taxes or provisions, no particular reliance was placed on the use of estimates and no significant issues are expected in the future, particularly given the relatively minor book values involved.

The use of estimates had a significant impact on the determination of the carrying amount of Fiat Group Automobiles S.p.A. (FGA), which accounts for a substantial portion of “Investments in subsidiaries and associates”. Measurement was based on FGA’s estimated “value in use” at 31 December 2013, which took into consideration the investee’s expected performance for 2014 together with the auto industry and economic outlook for 2015-2019, based on studies from leading research institutes (e.g., Global Insight), in addition to the announced strategic decision to leverage on the Group’s historic brands (such as Alfa Romeo) and the success of the new 500 family. The assumptions and results are also consistent with information provided in “Subsequent Events and Outlook” (Report on Operations). The earnings projections are based on prudent assumptions that reflect the continued difficult and uncertain trading environment in many key markets. Those projections also take account of the expected impact of the ongoing strategic realignment of Fiat and Chrysler’s manufacturing and commercial activities, including the benefits of the recent acquisition of full control of Chrysler. On the basis of the strategy announced on 30 October 2012 to redeploy industrial assets in EMEA for production of a renewed portfolio of products focused on the premium segment and brands with international potential, it was considered reasonable to use explicit cash flow projections up to 2019. With regard to Chrysler, given loan covenants that restrict dividend distributions, the assumed contribution for the period to 2019 is 50% of projected earnings, with the remainder being added to the terminal value.

The normalized cash flow used in the terminal value (“TV”) calculation was based on a weighted average of the expected contribution from each geographic market, which takes the cyclicality and maturity of the auto business into account. The TV calculation also assumes a long-term growth rate of zero.

As the cash flows are assumed equivalent to expected net profit, the discount rates applied are based on the estimated cost of equity. Different and increasing rates were applied over the cash flow projection period (2014-2019) to reflect the geographic distribution of earnings and the level of risk associated with achieving targets. The weighted average discount rates ranged from 10.9-16.9% for EMEA, 12.8-16.8% for LATAM, and 11.3-15.3% for Chrysler. For TV, a weighted average discount rate of 16% was used, which includes a 6% premium for EMEA and 4% for LATAM and Chrysler to reflect the execution risks associated with achieving targets.

The resulting estimate of FGA’s value in use was €8.9 billion, representing a more than €0.5 billion premium to the carrying amount of the investment at 31 December 2013. Historic and prospective P/E multiples for a panel of comparable companies used as a control further supported the valuation result.

A sensitivity analysis was also conducted with changes to the base case financial assumptions and the market assumptions in EMEA, where the greatest level of uncertainty exists. A 50 basis point change in the discount rate would impact the value in use of the investee by approximately €400 million. If demand levels in the European auto market were assumed to drop by 5% in 2015, 7.5% in 2016 and 10% for the period 2017-2019 (in line with the assumptions used in the impairment test on net assets in EMEA) and all other base case assumptions remained unchanged, the value in use would be €7.7 billion.

**Accounting standards and amendments adopted from 1 January 2013**
The following standards and amendments were adopted by the Company from 1 January 2013.

- Amendments to IAS 19 – *Employee Benefits*
- IFRS 13 – *Fair Value Measurement*
- Amendments to IAS 1 – *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
- Amendments to IFRS 7 – *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 1 – *Presentation of Financial Statements* (*Annual Improvements to IFRSs – 2009-2011 Cycle*)

The nature and effects of changes are explained below.

*Amendments to IAS 19 – Employee Benefits*
The Company adopted IAS 19 as revised for the first time in 2013. The amendments modify the requirements for recognition of defined benefit plans and termination benefits and eliminate the option of deferring actuarial gains and losses under the off balance sheet “corridor method”, requiring instead that they be recognized directly in Other comprehensive income. In addition, the amendments require immediate recognition of past service costs in profit or loss. The result of those amendments is the recognition of the entire plan deficit or surplus on balance sheet.

In application of the transitional provisions, comparative figures for prior periods have been restated on a retrospective basis. The effects of adoption of the amendments on previously reported amounts are as follows:

| | 1 January 2012 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| (€ thousand) | As reported | Effect of IAS 19 amendments | Restated | As reported | Effect of IAS 19 amendments | Restated |
| Effect on Statement of Financial Position | | | | | | |
| Other reserves and retained profit | 3,171,497 | (442) | **3,171,055** | 3,236,989 | (1,108) | **3,235,881** |
| Profit/(loss) | 99,166 | | **99,166** | (152,350) | 48 | **(152,302)** |
| **Total equity** | **9,053,244** | **(442)** | **9,052,802** | **8,902,104** | **(1,060)** | **8,901,044** |
| Provisions for employee benefits and other non-current provisions | 137,364 | 442 | **137,806** | 140,851 | 1,060 | **141,911** |
| **Total non-current liabilities** | **2,326,615** | **442** | **2,327,057** | **1,582,247** | **1,060** | **1,583,307** |

| | 2012 | | |
|---|---|---|---|
| (€ thousand) | As reported | Effect of IAS 19 amendments | Restated |
| **Effect on Income Statement** | | | |
| Personnel costs | (36,054) | 48 | **(36,006)** |
| **PROFIT/(LOSS) BEFORE TAXES** | **(183,403)** | **48** | **(183,355)** |
| **PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | **(152,350)** | **48** | **(152,302)** |
| **PROFIT/(LOSS)** | **(152,350)** | **48** | **(152,302)** |

| | 2012 | | |
|---|---|---|---|
| (€ thousand) | As reported | Effect of IAS 19 amendments | Restated |
| **Effect on Statement of Comprehensive Income** | | | |
| **PROFIT/(LOSS)** | **(152,350)** | **48** | **(152,302)** |
| Items that will not be reclassified to Income Statement: | | | |
| – Gains/(losses) on remeasurement of defined benefit plans | - | (666) | **(666)** |
| Total other comprehensive income/(loss) that will not be reclassified to Income Statement (B1) | - | (666) | **(666)** |
| **TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX (B1)+(B2)=(B)** | **26,330** | **(666)** | **25,664** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | **(126,020)** | **(618)** | **(126,638)** |

| | 2012 | | |
|---|---|---|---|
| (€ thousand) | As reported | Effect of IAS 19 amendments | Restated |
| **Effect on Statement of Cash Flows** | | | |
| B) CASH FROM/(USED IN) OPERATING ACTIVITIES DURING THE YEAR: | | | |
| – Profit/(loss) | (152,350) | 48 | **(152,302)** |
| – Change in provisions for employee benefits and other provisions | 1,547 | (48) | **1,499** |

*IFRS 13 – Fair Value Measurement*
The new standard clarifies rules for determination of fair value for reporting purposes and applies to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 also requires additional disclosure for fair value measurements. In accordance with the transitional provisions, the Company adopted the new fair value measurement guidance prospectively from 1 January 2013 without providing the additional disclosures required by the standard for the comparative figures presented. Other than the additional disclosures on fair value measurement provided in Note 28, adoption of the new standard had no material effect on the 2013 financial statements.

*Amendments to IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
The amendments introduce new terminology whose use is not mandatory and require that items within other comprehensive income ("OCI") that may be subsequently reclassified to profit and loss are grouped together. Those amendments were adopted and the presentation of items within OCI has been modified. The presentation of comparative information was also modified accordingly.

*Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
The amendments require disclosures about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The Company adopted the amendments retrospectively from 1 January 2013 and adoption had no impacts on the disclosures or amounts recognized in the financial statements.

*Amendment to IAS 1 – Presentation of Financial Statements (Annual Improvements to IFRSs – 2009-2011 Cycle)*
On 17 May 2012, the IASB issued a number of amendments to IFRSs ("*Annual Improvements to IFRSs – 2009-2011 Cycle*"). The amendment to IAS 1 – *Presentation of Financial Statements* is applicable to the Company from 2013. The amendment clarifies how comparative information is to be presented when an entity changes accounting policies or retrospectively restates or reclassifies items in its financial statements and when an entity provides comparative information that is additional to the information required by the standard. The amendments were applied for the restatement of amounts presented in the statement of financial position following application of the amendments to IAS 19 with the addition of a third statement of financial position at 1 January 2012.

**New standards and interpretations not yet effective**
In May 2011, the IASB issued three new standards: IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, and IFRS 12 – *Disclosure of Interests in Other Entities*. As a consequence, the IASB also amended IAS 27 – *Consolidated and Separate Financial Statements*, which was renamed IAS 27 – *Separate Financial Statements*. The new IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements, including the additional disclosures required. The standard confirms that investments in subsidiaries, joint ventures and associates are accounted for at either cost or fair value in accordance with IFRS 9. The same accounting treatment is to be applied for each category of investment. If an entity elects to measure investments at fair value in its consolidated financial statements, it is required to use the same method of measurement in the separate financial statements. The new standard is applicable retrospectively for annual periods beginning on or after 1 January 2013. The European Union has completed the process for endorsement of the standard and postponed the effective date to 1 January 2014 although early adoption is permitted from 1 January 2013. The Company will apply the new standard from 1 January 2014 and application is not expected to have any material effect.

On 16 December 2011, the IASB issued amendments to IAS 32 – *Financial Instruments: Presentation* which clarify application of certain criteria for offsetting financial assets and liabilities. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. No material effect is expected from first time adoption of the standard.

On 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets,* which addresses disclosures about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. The amendments are applicable retrospectively for annual periods beginning on or after 1 January 2014. Early adoption is permitted for periods where the entity has already applied IFRS 13. Application of the new standard is not expected to have any material effect.

On 27 June 2013, the IASB issued narrow-scope amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* entitled "*Novation of Derivatives and Continuation of Hedge Accounting*". The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. Similar relief will be included in IFRS 9 – *Financial Instruments*. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. No material effect is expected from first time adoption of the standard.

In addition, at the reporting date, the European Union had not yet completed the process for endorsement of the following standards and amendments:

- On 12 November 2009, the IASB issued IFRS 9 – *Financial Instruments*. The standard was reissued in October 2010 and amended in November 2013. The standard addresses classification, measurement, recognition and derecognition and hedge accounting for financial assets and liabilities and replaces parts of IAS 39. The amendments issued in November 2013 removed the mandatory effective date of 1 January 2015. The IASB announced that an effective date will be decided upon when the entire IFRS 9 project is completed.
- On 20 May 2013, the IASB issued IFRIC 21 – *Levies*, an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation provides guidance on recognition of liabilities to pay levies that are not income taxes. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. Early adoption is permitted.
- On 12 December 2013, the IASB issued the *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle*.

## Risk Management

The risks to which Fiat S.p.A. is exposed, either directly or indirectly through its subsidiaries, are the same as those of its subsidiaries. In addition to the information provided in Note 27, reference should also be made to the note on Risk Management in the Notes to the Consolidated Financial Statements.

## Composition and principal changes

### 1. Dividends and other income from investments

Following is a breakdown of dividends and other income from investments:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Dividends from Group companies and related parties: | | |
| - Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.) | 500,000 | 1,000,000 |
| - Fiat Finance S.p.A. | 23,227 | 24,025 |
| - Teksid S.p.A. | 5,257 | - |
| - Fiat Industrial S.p.A. (now CNH Industrial N.V.) | 7,697 | 6,330 |
| Total dividends from Group companies and related parties | 536,181 | 1,030,355 |
| Dividends from other companies | 140 | 140 |
| **Total Dividends and other income from investments** | **536,321** | **1,030,495** |

As for the prior year, dividends from other companies consisted of dividends from Fin. Priv. S.r.l. (€103 thousand) and Assicurazioni Generali S.p.A. (€37 thousand).

### 2. Impairment (losses)/reversals on investments

Following is a breakdown of impairment losses and reversals on investments:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Impairment losses: | | |
| - Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.) | (465,300) | (933,700) |
| - RCS MediaGroup S.p.A. | (74,000) | (35,266) |
| - Teksid Aluminum S.r.l. | (17,100) | (15,000) |
| Total Impairment losses | **(556,400)** | **(983,966)** |
| Reversal of impairment losses: | | |
| - Fiat Partecipazioni S.p.A. (now FGA Real Estate Services S.p.A.) | 16,000 | - |
| - Fiat Powertrain Technologies S.p.A. | - | 21,088 |
| Total Value of reversals | **16,000** | **21,088** |
| **Total Impairment (losses)/reversals on investments** | **(540,400)** | **(962,878)** |

An impairment charge of €465 million was recognized on the investment in Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.) to realign the carrying amount of the investment to the book value of equity in the consolidated financial statements following a distribution of reserves to Fiat S.p.A. (see Note 1).

An impairment charge of €74 million on the investment in the listed associate RCS MediaGroup S.p.A. (€35 million impairment charge recognized in 2012) was primarily attributable to the significant losses reported in the fourth quarter of 2012 and first half of 2013 (attributable in large part to restructuring measures) and the financial difficulties experienced by the company prior to its recapitalization in July 2013. Both factors also had a significant influence on the company's share price performance. The adjustment, which reduced the carrying value of the investment to €117 million (€1.34 per ordinary share), was based on a prudent valuation that took into account the earnings estimates in the 2013-2015 Development Plan presented at the beginning of 2013, as well as share price performance from the capital increase through year end. At the beginning of December 2013, the company presented the first phase of implementation of the above Development Plan to the financial community, indicating that results up to that moment had been in line with the Plan and, with regard to cost actions and debt reduction, had actually outperformed targets. For the first two months of 2014, the company's share price was above December 2013 levels.

The €17 million writedown on the investment in Teksid Aluminum S.r.l. was primarily based on the reported loss for the year. The current carrying amount is considered representative of the investee's estimated recoverable value.

For Fiat Partecipazioni S.p.A. (now FGA Real Estate Services S.p.A.), the €16 million impairment reversal reflected alignment of the carrying amount of the investment to the value of net assets transferred to Fiat Group Automobiles S.p.A. as a contribution to capital (see Note 11).

## 3. Gains/(losses) on disposals

For 2013, gains on disposals of €971 thousand related to the sale to Fiat Partecipazioni S.p.A. of a 71% interest in Fiat Revisione Interna S.c.p.A. (gain of €925 thousand) and a 3% interest in Isvor Fiat S.c.p.A. (gain of €46 thousand). Neither company is operational. No equity investments were sold in 2012.

## 4. Other operating income

Other operating income consisted of the following:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Revenues from services rendered to Group companies and other related parties | 75,667 | 70,529 |
| Changes in construction contract work in progress | 1,769 | 527 |
| Other revenues and income from Group companies and other related parties | 4,195 | 4,215 |
| Other revenues and income from third parties | 1,193 | 2,103 |
| **Total Other operating income** | **82,824** | **77,374** |

Revenues from services rendered to Group companies and other related parties relate to services rendered by Fiat S.p.A. and management personnel to the principal companies in the Group (see Note 29).

Changes in construction contract work in progress relate to the current portion of fees payable to Fiat S.p.A. for activities carried out directly by the Company (management, coordination and organization) in relation to contracts with Treno Alta Velocità – TAV S.p.A. (now Rete Ferroviaria Italiana S.p.A.) that were still in progress at the end of the year (the Florence-Bologna and Novara-Milan lines – see Note 25).

Other revenues and income from Group companies and other related parties primarily consisted of cost charge-backs, rental income on real estate and directors' fees received from Group companies in relation to Fiat S.p.A. employees serving as board members.

Other revenues and income from third parties relate to miscellaneous income, cost charge-backs and other prior year income.

## 5. Personnel costs

Personnel costs consisted of the following:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Wages and salaries | 23,829 | 20,223 |
| Defined contribution plans and social security contributions | 9,543 | 8,166 |
| Leaving entitlement and other defined benefit plans | 827 | 655 |
| Other personnel costs | 4,484 | 6,962 |
| **Total Personnel costs** | **38,683** | **36,006** |

The average number of employees increased to 236 from 219 in 2012. Headcount increased by 13 following the acquisition from Fiat Services S.p.A., on 1 January 2013, of the unit that provides corporate services to Fiat S.p.A. and Group companies. As described in Note 4, certain of the Company's managers carried out their activities at the Group's principal subsidiaries and the related costs were charged back to those companies.

The costs associated with defined contribution plans consisted of amounts paid by the Company to the Italian state social security organization (INPS) and other social security and assistance organizations for post-employment defined contribution plans (pension and healthcare) on behalf of employees in all categories. Following the introduction of Law 296/06, leaving entitlements in Italy (*trattamento di fine rapporto*) accrued from 1 January 2007 and paid in to supplementary pension funds or the fund established by INPS are recognized under "Defined contribution plans and social security contributions", while adjustments to the provision for leaving entitlement accrued before 1 January 2007 are recognized under "Leaving entitlement and other defined benefit plans" (see also Note 19).

Social security contributions represent amounts paid by the Company to social security and insurance agencies in relation to short-term benefits for situations such as illness, injury and compulsory maternity leave.

Other personnel costs related mainly to accruals for variable compensation, leaving incentives and insurance.

For 2013, compensation to executives with strategic responsibilities was €10,459 thousand (€9,252 thousand of which was charged back to the Group companies where they carried out their activities). The total cost for the year includes provisions for leaving entitlements accrued during the year, as well as company contributions to state and company defined contribution schemes and other social security contributions totaling €3,055 thousand.

## 6. Other operating costs

Following is a breakdown of other operating costs:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Costs for services rendered by Group companies and other related parties | 24,953 | 27,207 |
| Costs for services rendered by third parties | 24,047 | 26,965 |
| Compensation component from stock option and stock grant plans | 6,005 | 8,689 |
| Leases and rentals | 4,245 | 4,017 |
| Purchase of goods | 729 | 744 |
| Depreciation of property, plant and equipment | 1,894 | 1,856 |
| Amortization of intangible assets | 152 | 148 |
| Misc. operating costs | 10,170 | 6,633 |
| **Total Other operating costs** | **72,195** | **76,259** |

Costs for services rendered by Group companies primarily consisted of support and consulting services in the administrative area, as well as IT systems, public relations, payroll, security, real estate and internal audit services (see Note 29).

Costs for services rendered by third parties principally included legal, administrative, financial and IT services.

For 2013, compensation for the directors and statutory auditors of Fiat S.p.A. totaled €4,372 thousand and €239 thousand, respectively. For directors, that compensation includes fees approved by shareholders, as well as compensation set by the Board of Directors for directors with specific responsibilities.

The compensation component from stock option and stock grant plans represents the notional cost of options granted to the Chief Executive Officer (see Note 18).

Miscellaneous operating costs consist of membership fees and contributions to trade associations, indirect taxes and duties (property tax, non-deductible sales tax, etc.), prior year expenses and other minor charges.

## 7. Financial income/(expense)

Following is a breakdown of financial income/(expense):

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Financial income | 7,616 | 11,845 |
| Financial expense | (248,579) | (262,380) |
| Net gains/(losses) on derivative financial instruments | 30,876 | 34,455 |
| **Total Financial income/(expense)** | **(210,087)** | **(216,080)** |

Financial income consisted of the following:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Financial income from Group companies and other related parties: | | |
| - Interest income on current account with Fiat Finance S.p.A. | 4 | 7,080 |
| - Fee income for sureties and unsecured guarantees | 4,571 | 4,302 |
| - Other financial income | 46 | 48 |
| Total Financial income from Group companies and other related parties | **4,621** | **11,430** |
| Financial income from third parties: | | |
| - Interest income on bank and other deposits | 6 | 5 |
| - Interest income on tax credits | 2,990 | 383 |
| Total Financial income from third parties | **2,996** | **388** |
| Currency translation gains/(losses) | (1) | 27 |
| **Total Financial income** | **7,616** | **11,845** |

Financial expense consisted of the following:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Financial expense to Group companies and other related parties: | | |
| - Interest expense on current account with Fiat Finance S.p.A. | 175,641 | 1,990 |
| - Interest expense on loans from Fiat Finance S.p.A. | 61,399 | 251,310 |
| - Commissions and other charges payable to Fiat Finance S.p.A. | 4,036 | 5,598 |
| - Commissions and other charges payable to Fidis S.p.A. | 5,970 | 1,760 |
| - Interest and financial expense payable to other Group companies and other related parties | 110 | 115 |
| Total Financial expense to Group companies and other related parties | **247,156** | **260,773** |
| Financial expense payable to third parties: | | |
| - Interest expense and charges for the sale of receivables | 542 | 567 |
| - Interest costs on employee benefits | 205 | 298 |
| - Other third party interest and financial expense | 676 | 742 |
| Total Financial expense payable to third parties | **1,423** | **1,607** |
| **Total Financial expense** | **248,579** | **262,380** |

Net gains on derivative financial instruments of €30,876 thousand essentially related to the closure, in December 2013, of the equity swap contracts entered into as hedges on stock options granted to the Chief Executive Officer in 2004 and 2006 (see Note 18). The swap contracts related to 16,920,000 Fiat and Fiat Industrial (and subsequently CNH Industrial) shares and had a notional value, based on the contractual exercise price, of €153,803 thousand. For 2012, net gains of €34,455 thousand represented the gain arising from fair value measurement of those equity swaps. Although entered into as hedges, the swaps do not qualify for hedge accounting under IFRS and, accordingly, were classified as held for trading.

## 8. Income taxes

A breakdown of taxes recognized in the income statement is provided below:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Current taxes: | | |
| - IRES | (17,434) | (19,948) |
| - IRAP | - | - |
| - Other current taxes | - | 12 |
| Total current taxes | **(17,434)** | **(19,936)** |
| Deferred taxes for the period: | | |
| - IRES | - | 4,051 |
| - IRAP | - | - |
| Total deferred taxes for the period | **-** | **4,051** |
| Taxes relating to prior periods | **2,884** | **(15,168)** |
| **Total Income taxes** | **(14,550)** | **(31,053)** |

Current IRES tax for 2013 relates to compensation receivable by Fiat S.p.A. (€17,434 thousand) for tax loss carryforwards contributed to the domestic tax consolidation scheme.

Taxes relating to prior periods (expense of €2,884 thousand) mainly consisted of an adjustment relating to the prior year's domestic tax consolidation.

A reconciliation between theoretical income taxes determined on the basis of tax rates applicable in Italy and income taxes reported in the financial statements is as follows:

| (€ thousand) | 2013 | 2012 |
|---|---|---|
| Theoretical income taxes | (66,343) | (50,436) |
| Tax effect of permanent differences | 9,562 | (3,577) |
| Taxes relating to prior periods | 2,884 | (15,168) |
| Other current taxes | - | 12 |
| Deferred taxes not recognized on tax loss for the year and other deferred taxes | 39,347 | 38,116 |
| Tax loss carryforwards utilized | - | - |
| **Current and deferred income taxes recognized in the income statement, excluding IRAP** | **(14,550)** | **(31,053)** |
| IRAP (current and deferred) | - | - |
| **Total Income taxes** | **(14,550)** | **(31,053)** |

Theoretical income taxes are calculated by applying the IRES tax rate (27.5% for 2013 and 2012) to the result before taxes.

The permanent differences referred to above include, among other things, the tax effect of non-taxable income amounting to €144,514 thousand in 2013 (€275,035 thousand in 2012) and of non-deductible costs amounting to €154,076 thousand in 2013 (€271,458 thousand in 2012). In particular, for 2013 the tax effect of non-taxable income was principally attributable to dividends (€140,114 thousand vs. €269,217 thousand in 2012) and impairment reversals on investments (€4,400 thousand vs. €5,799 thousand in 2012). Non-deductible costs principally relate to impairment losses on investments whose tax effect was €153,010 thousand (€270,591 thousand in 2012).

A breakdown of deferred tax liabilities, net of deferred tax assets, is provided in the following table:

| (€ thousand) | 31 December 2012 | Recognized in income statement | Charged to equity | 31 December 2013 |
|---|---|---|---|---|
| Deferred tax assets arising from: | | | | |
| - Taxed provisions and other minor differences | 28,935 | 19,696 | - | 48,631 |
| Total deferred tax assets | **28,935** | **19,696** | **-** | **48,631** |
| Deferred tax liabilities arising from: | | | | |
| - Measurement of construction contracts by the percentage completion method | (48,319) | 170 | - | (48,149) |
| - Others | (927) | (1,920) | - | (2,847) |
| Total deferred tax liabilities | **(49,246)** | **(1,750)** | **-** | **(50,996)** |
| Theoretical tax benefit arising from tax loss carryforwards | 216,560 | 51,629 | - | 268,189 |
| Adjustments for assets whose recoverability is not probable | (208,445) | (69,575) | - | (278,020) |
| **Total deferred tax liabilities, net of deferred tax assets** | **(12,196)** | **-** | **-** | **(12,196)** |

Determination of deferred tax assets is based on an analysis of the existence of the conditions for their future realization, using updated plans and related tax aspects. As a consequence, the total theoretical future tax benefit arising from deductible temporary differences (€48,631 thousand at 31 December 2013 and €28,935 thousand at 31 December 2012) and tax loss carryforwards (€268,189 thousand at 31 December 2013 and €216,560 thousand at 31 December 2012) was reduced by €278,020 thousand at 31 December 2013 (€208,445 thousand at 31 December 2012).

Total temporary differences (deductible and taxable) and tax losses at 31 December 2013 and amounts for which deferred tax assets have not been recognized, broken down by year of expiry, are as follows:

| | | Year of expiry | | | | | |
|---|---|---|---|---|---|---|---|
| (€ thousand) | Total at 31 December 2013 | 2014 | 2015 | 2016 | 2017 | Beyond 2017 | Non-expiring/ undeterminable |
| Temporary differences and tax losses relating to IRES: | | | | | | | |
| - Deductible temporary differences | 176,837 | 176,837 | - | - | - | - | - |
| - Taxable temporary differences | (155,820) | (82,167) | (73,653) | - | - | - | - |
| - Tax losses | 975,233 | - | - | - | - | - | 975,233 |
| - Temporary differences and tax losses for which deferred tax assets have not been recognized | (1,010,981) | (94,670) | - | - | - | - | (916,311) |
| **Temporary differences and tax losses subject to national taxation** | **(14,731)** | **-** | **(73,653)** | **-** | **-** | **-** | **58,922** |
| Temporary differences relating to IRAP: | | | | | | | |
| - Deductible temporary differences | - | | - | - | - | - | - |
| - Taxable temporary differences | (146,225) | (82,823) | (63,402) | - | - | - | - |
| **Temporary differences and tax losses subject to local taxation** | **(146,225)** | **(82,823)** | **(63,402)** | **-** | **-** | **-** | **-** |

## 9. Intangible assets

All intangible assets have been purchased and, apart from goodwill, there are no intangible assets with an indefinite useful life.

At 31 December 2013, intangible assets totaled €1,606 thousand, reflecting the following changes during the year:

| (€ thousand) | 31 December 2012 | Increases | Amortization | (Decreases) and Other changes | 31 December 2013 |
|---|---|---|---|---|---|
| Goodwill | | | | | |
| - Gross carrying amount | 1,330 | 100 | - | - | 1,430 |
| - Accumulated amortization | - | - | - | - | - |
| - Net carrying amount | **1,330** | **100** | **-** | **-** | **1,430** |
| | | | | | |
| Licenses and software | | | | | |
| - Gross carrying amount | 322 | 13 | - | - | 335 |
| - Accumulated amortization | (198) | - | (112) | - | (310) |
| - Net carrying amount | **124** | **13** | **(112)** | **-** | **25** |
| | | | | | |
| Other intangible assets | | | | | |
| - Gross carrying amount | 468 | - | - | - | 468 |
| - Accumulated amortization | (277) | - | (40) | - | (317) |
| - Net carrying amount | **191** | **-** | **(40)** | **-** | **151** |
| | | | | | |
| **Total intangible assets** | | | | | |
| - Gross carrying amount | **2,120** | **113** | **-** | **-** | **2,233** |
| - Accumulated amortization | **(475)** | **-** | **(152)** | **-** | **(627)** |
| - Accumulated impairment losses | **-** | **-** | **-** | **-** | **-** |
| - Net carrying amount | **1,645** | **113** | **(152)** | **-** | **1,606** |

Goodwill consists of the consideration paid in excess of fair value to acquire, at year-end 2011, the business units that provide internal audit and financial advisory services to Fiat S.p.A. and Group companies, as well as the corporate services business acquired at the beginning of 2013, which also provides services to Fiat S.p.A. and Group companies (see Note 5).

Licenses and software represents the cost of software, both internally-developed and purchased, which is amortized over its estimated useful life (3 years) from the time fully operational.

Other intangible assets essentially consist of leasehold improvements, which are amortized over the term of the lease agreement (12 years).

Amortization on intangible assets is recognized in the income statement under other operating costs (Note 6).

In 2012, changes in intangible assets were as follows:

| (€ thousand) | 31 December 2011 | Increases | Amortization | (Decreases) and Other changes | 31 December 2012 |
|---|---|---|---|---|---|
| Goodwill | | | | | |
| - Gross carrying amount | 1,330 | - | - | - | 1,330 |
| - Accumulated amortization | - | - | - | - | - |
| - Net carrying amount | **1,330** | **-** | **-** | **-** | **1,330** |
| Licenses and software | | | | | |
| - Gross carrying amount | 273 | 49 | - | - | 322 |
| - Accumulated amortization | (91) | - | (107) | - | (198) |
| - Net carrying amount | **182** | **49** | **(107)** | **-** | **124** |
| Other intangible assets | | | | | |
| - Gross carrying amount | 468 | - | - | - | 468 |
| - Accumulated amortization | (236) | - | (41) | - | (277) |
| - Net carrying amount | **232** | **-** | **(41)** | **-** | **191** |
| **Total intangible assets** | | | | | |
| - Gross carrying amount | **2,071** | **49** | **-** | **-** | **2,120** |
| - Accumulated amortization | **(327)** | **-** | **(148)** | **-** | **(475)** |
| - Accumulated impairment losses | **-** | **-** | **-** | **-** | **-** |
| - Net carrying amount | **1,744** | **49** | **(148)** | **-** | **1,645** |

## 10. Property, plant and equipment

At 31 December 2013, property, plant and equipment totaled €29,778 thousand and was subject to the following changes during the year:

| (€ thousand) | 31 December 2012 | Increases | Depreciation | (Decreases) and Other changes | 31 December 2013 |
|---|---|---|---|---|---|
| Land and buildings | | | | | |
| - Gross carrying amount | 47,514 | 30 | - | - | 47,544 |
| - Accumulated depreciation | (21,020) | - | (1,410) | - | (22,430) |
| - Net carrying amount | **26,494** | 30 | (1,410) | - | **25,114** |
| | | | | | |
| Plant and machinery | | | | | |
| - Gross carrying amount | 12,019 | 386 | - | - | 12,405 |
| - Accumulated depreciation | (10,326) | - | (216) | - | (10,542) |
| - Net carrying amount | **1,693** | 386 | (216) | - | **1,863** |
| | | | | | |
| Other tangible assets | | | | | |
| - Gross carrying amount | 5,170 | 254 | - | (247) | 5,177 |
| - Accumulated depreciation | (3,053) | - | (268) | 228 | (3,093) |
| - Net carrying amount | **2,117** | 254 | (268) | (19) | **2,084** |
| | | | | | |
| Assets in progress and advances | **-** | 717 | - | - | **717** |
| | | | | | |
| **Total property, plant and equipment** | | | | | |
| - Gross carrying amount | **64,703** | **1,387** | **-** | **(247)** | **65,843** |
| - Accumulated depreciation | **(34,399)** | **-** | **(1,894)** | **228** | **(36,065)** |
| - Net carrying amount | **30,304** | **1,387** | **(1,894)** | **(19)** | **29,778** |

Land and buildings includes land valued at €610 thousand (unchanged over the prior year), while buildings mainly consists of the Company's headquarters at Via Nizza 250, Turin.

Plant and equipment primarily related to general fixtures and fittings for buildings.

Other tangible assets comprised cars, office furniture and fixtures.

Assets in progress and advances related to costs incurred in 2013 for refurbishments to the company premises (structure and physical plant) at Via Nizza 250 (Turin), which were not complete at the balance sheet date.

At 31 December 2013, there were no contractual commitments of a material amount for purchases of property, plant and equipment or for assets in progress.

No buildings were subject to liens, pledged as collateral or restricted in use.

Depreciation of property, plant and equipment is recognized in the income statement under other operating costs (Note 6).

During 2012, changes in Property, plant and equipment were as follows:

| (€ thousand) | 31 December 2011 | Increases | Depreciation | (Decreases) and Other changes | 31 December 2012 |
|---|---|---|---|---|---|
| Land and buildings | | | | | |
| - Gross carrying amount | 47,526 | - | - | (12) | 47,514 |
| - Accumulated depreciation | (19,610) | - | (1,410) | - | (21,020) |
| - Net carrying amount | **27,916** | **-** | **(1,410)** | **(12)** | **26,494** |
| Plant and machinery | | | | | |
| - Gross carrying amount | 11,044 | 975 | - | - | 12,019 |
| - Accumulated depreciation | (10,178) | - | (148) | - | (10,326) |
| - Net carrying amount | **866** | **975** | **(148)** | **-** | **1,693** |
| Other tangible assets | | | | | |
| - Gross carrying amount | 5,377 | 70 | - | (277) | 5,170 |
| - Accumulated depreciation | (2,979) | - | (298) | 224 | (3,053) |
| - Net carrying amount | **2,398** | **70** | **(298)** | **(53)** | **2,117** |
| **Total property, plant and equipment** | | | | | |
| - Gross carrying amount | **63,947** | **1,045** | **-** | **(289)** | **64,703** |
| - Accumulated depreciation | **(32,767)** | **-** | **(1,856)** | **224** | **(34,399)** |
| - Net carrying amount | **31,180** | **1,045** | **(1,856)** | **(65)** | **30,304** |

## 11. Investments

At 31 December 2013, investments totaled €13,060,065 thousand and underwent the following changes during the year:

| (€ thousand) | 31 December 2012 | Increases | Decreases | Reclassification and other changes | Impairment (losses)/reversals and Fair value adjustments | 31 December 2013 |
|---|---|---|---|---|---|---|
| Investments in subsidiaries | 11,373,215 | 1,738,058 | (318) | - | (466,400) | **12,644,555** |
| Investments in associates | 96,519 | 94,392 | - | - | (74,000) | **116,911** |
| Investments in other companies | 295,281 | 682 | (2,565) | - | 5,201 | **298,599** |
| **Total investments** | **11,765,015** | **1,833,132** | **(2,883)** | **-** | **(535,199)** | **13,060,065** |

Investments in subsidiaries and changes during the year were as follows:

| (€ thousand) | % interest | 31 December 2012 | Increases | Decreases | Reclassification and other changes | Impairment (losses)/ reversals | 31 December 2013 |
|---|---|---|---|---|---|---|---|
| **Fiat Group Automobiles S.p.A.** | 100.00 | **6,314,081** | 1,650,000 | | 424,890 | | **8,388,971** |
| - Gross carrying amount | | 9,279,993 | 1,650,000 | | 424,890 | | 11,354,883 |
| - Accumulated impairment losses | | (2,965,912) | | | | | (2,965,912) |
| **Ferrari S.p.A.** | 90.00 | **1,187,635** | | | | | **1,187,635** |
| - Gross carrying amount | | 1,187,635 | | | | | 1,187,635 |
| - Accumulated impairment losses | | - | | | | | - |
| **Maserati S.p.A.** | 100.00 | **353,798** | | | | | **353,798** |
| - Gross carrying amount | | 353,798 | | | | | 353,798 |
| - Accumulated impairment losses | | - | | | | | - |
| **Magneti Marelli S.p.A.** | 99.99 | **611,854** | | | | | **611,854** |
| - Gross carrying amount | | 611,854 | | | | | 611,854 |
| - Accumulated impairment losses | | - | | | | | - |
| **Teksid S.p.A.** | 84.79 | **76,084** | | | | | **76,084** |
| - Gross carrying amount | | 129,070 | | | | | 129,070 |
| - Accumulated impairment losses | | (52,986) | | | | | (52,986) |
| **Teksid Aluminum S.r.l.** | 100.00 | **31,192** | 18,000 | | | (17,100) | **32,092** |
| - Gross carrying amount | | 135,792 | 18,000 | | | | 153,792 |
| - Accumulated impairment losses | | (104,600) | | | | (17,100) | (121,700) |
| **Comau S.p.A.** | 100.00 | **97,850** | | | | | **97,850** |
| - Gross carrying amount | | 742,781 | | | | | 742,781 |
| - Accumulated impairment losses | | (644,931) | | | | | (644,931) |
| **Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.)** | 100.00 | **1,867,983** | | | 992 | (465,300) | **1,403,675** |
| - Gross carrying amount | | 2,801,683 | | | 992 | | 2,802,675 |
| - Accumulated impairment losses | | (933,700) | | | | (465,300) | (1,399,000) |
| **Fiat Partecipazioni S.p.A. (now FGA Real Estate Services S.p.A.)** | 100.00 | **409,882** | | | (425,882) | 16,000 | **-** |
| - Gross carrying amount | | 425,882 | | | (425,882) | | - |
| - Accumulated impairment losses | | (16,000) | | | | 16,000 | - |
| **Fiat Finance S.p.A.** | 100.00 | **222,263** | | | | | **222,263** |
| - Gross carrying amount | | 222,263 | | | | | 222,263 |
| - Accumulated impairment losses | | - | | | | | - |
| **Fiat Finance and Trade Ltd S.A.** | 40.00 | **115,500** | | | | | **115,500** |
| - Gross carrying amount | | 115,500 | | | | | 115,500 |
| - Accumulated impairment losses | | - | | | | | - |
| **Editrice La Stampa S.p.A.** | 100.00 | **57,424** | 70,000 | | | | **127,424** |
| - Gross carrying amount | | 57,424 | 70,000 | | | | 127,424 |
| - Accumulated impairment losses | | - | | | | | - |
| **Other subsidiaries** | | **27,669** | 58 | (318) | | | **27,409** |
| - Gross carrying amount | | 35,178 | 58 | (318) | | | 34,918 |
| - Accumulated impairment losses | | (7,509) | | | | | (7,509) |
| **Total investments in subsidiaries** | | **11,373,215** | **1,738,058** | **(318)** | **-** | **(466,400)** | **12,644,555** |
| - Gross carrying amount | | 16,098,853 | 1,738,058 | (318) | | | 17,836,593 |
| - Accumulated impairment losses | | (4,725,638) | | | | (466,400) | (5,192,038) |

Significant changes to investments in subsidiaries during the year were as follows:

- capital contributions to certain subsidiaries to strengthen their capital structure in view of operating results, including €1,650 million to Fiat Group Automobiles S.p.A., €70 million to Editrice La Stampa S.p.A. and €18 million to Teksid Aluminum S.r.l.
- the following transactions, which formed part of the continuing rationalization of the real estate services activities and assets:
  - demerger of activities and assets from Fiat Partecipazioni S.p.A. and transfer to Fiat Gestione Partecipazioni S.p.A. (subsequently renamed Fiat Partecipazioni S.p.A.)
  - transfer of the shareholding in Fiat Partecipazioni S.p.A. post demerger (subsequently renamed FGA Real Estate Services S.p.A.) to Fiat Group Automobiles S.p.A. as a contribution to capital

  Fiat Partecipazioni's real estate management and services activities, in addition to assets held on behalf of Fiat S.p.A. and the Group in general, were demerged, while the activities and assets relating to the automobiles business remained within Fiat Partecipazioni post demerger (now FGA Real Estate Services S.p.A.). As the transactions involved companies under the direct control of Fiat S.p.A., recognition was based on existing book values. Accordingly, the increase of approximately €1 million in the investment in Fiat Gestione Partecipazioni S.p.A. following the demerger and the increase of approximately €425 million in the investment in Fiat Group Automobiles S.p.A. following the contribution to capital, correspond to the respective pro rata portion of the book value of the investment in Fiat Partecipazioni S.p.A., based on the relative value of the assets and liabilities demerged in relation to the value of equity as reported in the Fiat Partecipazioni S.p.A. financial statements prepared for the purposes of the estimate of value of the capital contribution. As described in Note 2, on the basis of that value, a €16 million impairment reversal was recognized on the investment in Fiat Partecipazioni S.p.A.

  Following the reorganization, Fiat Partecipazioni S.p.A. was renamed FGA Real Estate Services S.p.A. and Fiat Gestione Partecipazioni S.p.A. was renamed Fiat Partecipazioni S.p.A.

Impairment (losses)/reversals includes impairment losses and reversals arising from application of the cost method, as described in Note 2 above.

With regard to Fiat Group Automobiles S.p.A., the estimates and assumptions used in measuring the investment for the purposes of the financial statements (see "Use of Estimates") provided reasonable support for the carrying amount recognized at 31 December 2012, increased to reflect the capital contributions and book value of the investment in Fiat Partecipazioni S.p.A. (now FGA Real Estate Services S.p.A.) transferred in 2013, as described above. The current carrying amount (€8,389 million at 31 December 2013) reflects impairment losses of €2,966 million, recognized prior to 2005 and again in 2009, that could potentially be reversed in future periods.

With regard to the investment in Editrice La Stampa (carrying value of €127 million), whose 2013 results reflected difficult trading conditions in its industry sector and restructuring charges for the subsidiary Publikompass, an assessment of recoverable value was based on the company's medium-term business plan and the nature of specific assets, in particular the newspaper *La Stampa*, as well as its position in the publishing sector in Italy. Based on the assumptions and estimates made, the carrying amount of the investment at 31 December 2013 was deemed recoverable.

For the remaining significant shareholdings – in particular, Magneti Marelli S.p.A. and Ferrari S.p.A. (recognized at historic cost) – no indications of impairment were identified. This also takes into consideration the carrying amounts of equity recognized in the consolidated statement of financial position, for which the recoverability of assets has already been adequately assessed.

A breakdown of investments in associates and changes during the year is as follows:

| (€ thousand) | % interest | 31 December 2012 | Increases | Decreases | Impairment (losses)/ reversals | 31 December 2013 |
|---|---|---|---|---|---|---|
| **RCS MediaGroup S.p.A.** | 16.41 | **96,519** | 94,392 | - | (74,000) | **116,911** |
| - Gross carrying amount | | 131,785 | 94,392 | - | - | **226,177** |
| - Accumulated impairment losses | | (35,266) | - | - | (74,000) | **(109,266)** |
| **Total investments in associates** | | **96,519** | **94,392** | **-** | **(74,000)** | **116,911** |

The €94 million increase for the year reflects the subscription to RCS MediaGroup S.p.A.'s capital increase to support its 2013-2015 development plan. As already announced, in addition to subscribing to its pro rata share of the capital increase, Fiat S.p.A. also purchased additional rights (in part from other participants in the existing shareholder agreement). Following exercise of the rights held, Fiat S.p.A.'s interest in RCS went from 10.09%, as reported at 31 December 2012, to 16.41% (or 10.50% to 20.55% for ordinary shares only).

At year end, the carrying amount of the investment in RCS MediaGroup S.p.A. was written down by €74 million. Additional information on the impairment is provided in Note 2.

Investments in other companies and changes during the year were as follows:

| (€ thousand) | % interest | 31 December 2012 | Increases | Decreases | Fair value adjustments | 31 December 2013 |
|---|---|---|---|---|---|---|
| CNH Industrial N.V. | 2.52(*) | 282,453 | 682 | (2,565) | 1,183 | **281,753** |
| Fin. Priv. S.r.l. | 14.28 | 10,249 | - | - | 3,387 | **13,636** |
| Assicurazioni Generali S.p.A. | 0.01 | 2,579 | - | - | 631 | **3,210** |
| **Total investments in other companies** | | **295,281** | **682** | **(2,565)** | **5,201** | **298,599** |

*(*) 3.72% of voting rights.*

With regard to the investment in Fiat Industrial (now CNH Industrial), following the demerger on 1 January 2011, Fiat S.p.A. received Fiat Industrial S.p.A. ordinary shares, without consideration, equivalent to the number of own shares held at the date of the demerger. In accordance with IAS 39 and related interpretations, those shares have been recognized at fair value since initial recognition. On 29 September 2013, Fiat Industrial S.p.A. and CNH Global N.V. were both merged into CNH Industrial N.V. At closing, CNH Industrial issued new common shares to Fiat Industrial and CNH Global shareholders on the basis of the exchange ratios established in the merger agreement. For Fiat Industrial shareholders, the exchange ratio was one CNH Industrial common share for every Fiat Industrial share held.

At 31 December 2013, the Company held 34,007,650 CNH Industrial common shares, representing 2.52% of common shares outstanding, having a total value of €281.8 million (at 31 December 2012, 34,216,027 Fiat Industrial ordinary shares, or 2.80% of share capital, having a total value of €282.5 million). Of those shares, 18,160,000 (valued at €150.5 million) were allocated to servicing the stock option and stock grant plans and recognized at fair value through profit or loss, while the remaining 15,847,650 shares (valued at €131.3 million) were classified as available-for-sale and recognized at fair value directly in equity. Recognition at fair value, which corresponds to the market price of the shares held at the balance sheet date, resulted in a €1.2 million increase in the value of the investment during the year, of which €0.8 million was recognized through profit and loss and entirely offset by an equivalent increase in the related liability (see Note 19, provisions for stock option and stock grant plans) and €0.4 million directly in equity (see Note 18). At 31 December 2013, the holding in CNH Industrial also included the 33,955,402 special voting shares allotted at the time of the merger of Fiat Industrial into CNH Industrial described above. Those shares cannot be directly or indirectly sold, assigned or transferred, restricted, pledged, or used as collateral or other form of guarantee. Including the special voting shares, the Company holds 3.72% of total voting rights in CNH Industrial.

Finally, other changes in the investment in CNH Industrial during 2013 included a €0.7 million increase following the purchase of 76,623 common shares following the exercise by some shareholders of withdrawal rights on Fiat Industrial shares in relation to the above merger. The €2.6 million decrease related to shares sold during 2013 following exercise of 285,000 options under the November 2006 stock option plan for managers.

The investments in Fin. Priv. S.r.l. and Assicurazioni Generali S.p.A., which are classified as non-current financial assets and not held for trading, have been recognized at fair value. For Assicurazioni Generali S.p.A., a listed company, fair value corresponds to the market price of the shares held at the balance sheet date. For Fin. Priv. S.r.l., a holding company whose assets are principally listed securities, fair value was based on the market price of the investments in its portfolio. This resulted in a €4.0 million increase in the investments in Fin. Priv. S.r.l. and Assicurazioni Generali S.p.A. for 2013, with a corresponding adjustment to equity (see Note 18).

There were no investments in other companies in relation to whose obligations Fiat S.p.A. had unlimited liability (Article 2361.2 of the Civil Code).

A full list of investments with the additional disclosures required by Consob Communication DEM/6064293 of 28 July 2006 is attached.

At 31 December 2013 and 2012, no investments held by the Company had been pledged as security for financial or contingent liabilities.

During 2012, changes in investments were as follows:

| (€ thousand) | 31 December 2011 | Increases | Decreases | Reclassification and other changes | Impairment (losses)/reversals and Fair Value adjustments | 31 December 2012 |
|---|---|---|---|---|---|---|
| Investments in subsidiaries | 11,725,979 | 574,848 | - | - | (927,612) | 11,373,215 |
| Investments in associates | 131,785 | - | - | - | (35,266) | 96,519 |
| Investments in other companies | 265,155 | 4 | (26,500) | - | 56,622 | 295,281 |
| **Total investments** | **12,122,919** | **574,852** | **(26,500)** | **-** | **(906,256)** | **11,765,015** |

## 12. Other financial assets

A breakdown of other financial assets is provided in the following table:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Fees receivable for guarantees given | 13,953 | 12,035 | 1,918 |
| Debt securities | 75 | 74 | 1 |
| **Total other financial assets** | **14,028** | **12,109** | **1,919** |

Fees receivable for guarantees given represent the present value of fees to be received in future years for guarantees issued by the Company (mainly relating to loans of Group companies).

Debt securities consist of listed Italian government securities pledged to fund scholarship grants.

A breakdown of other financial assets by maturity is as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Other financial assets** | | |
| due within one year | 4,397 | 3,789 |
| due after one year but within five years | 9,465 | 8,254 |
| due beyond five years | 166 | 66 |
| **Total** | **14,028** | **12,109** |

## 13. Other non-current assets

At 31 December 2013, other non-current assets totaled €63 thousand, a net decrease of €2 thousand over 31 December 2012, and consisted of amounts receivable from tax authorities and employees beyond 12 months.

## 14. Trade receivables

At 31 December 2013, trade receivables totaled €7,214 thousand, a net increase of €2,458 thousand over 31 December 2012, and included the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Third parties | | | |
| - Receivables | 6,271 | 2,926 | 3,345 |
| - Allowance for doubtful accounts | (156) | (156) | - |
| Total third parties | 6,115 | 2,770 | 3,345 |
| Trade receivables due from Group companies and other related parties | 1,099 | 1,986 | (887) |
| **Total trade receivables** | **7,214** | **4,756** | **2,458** |

Receivables from third parties mainly relate to amounts due from Rete Ferroviaria Italiana S.p.A. for work completed on high-speed sections of rail line. Those receivables match the amounts payable to the CAV.E.T. and CAV.TO.MI. consortia for contract work completed (see Note 23).

Trade receivables due from Group companies and other related parties include adjustments made following reassessment of amounts receivable for services provided and other items receivable.

The allowance for doubtful accounts has been calculated on the basis of an assessment of the risk on a number of minor receivables from others.

The carrying amount of trade receivables is deemed to approximate their fair value.

All trade receivables are due within one year and there are no significant amounts overdue.

## 15. Current financial receivables

At 31 December 2013, the total was zero. At 31 December 2012, current financial receivables totaled €58,281 thousand and represented the positive fair value of two equity swaps on Fiat and Fiat Industrial shares entered into by Fiat Finance S.p.A., on behalf of Fiat S.p.A., to hedge against an increase in the share price above the exercise price of the stock options granted to the Chief Executive Officer in 2004. The fair value of those equity swaps was based on market quotations at the balance sheet date. As described in Note 7, those contracts were closed in December 2013.

## 16. Other current receivables

At 31 December 2013, other current receivables totaled €188,835 thousand, a net decrease of €113,872 thousand over 31 December 2012, and consisted of the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Receivables from Group companies and other related parties for consolidated IRES tax | **119,298** | 134,652 | (15,354) |
| Other receivables from Group companies and other related parties | **220** | 1,566 | (1,346) |
| VAT receivables | **21,699** | 108,315 | (86,616) |
| IRES tax receivables | **42,226** | 50,309 | (8,083) |
| IRAP tax receivables | **131** | 131 | - |
| Other | **5,261** | 7,734 | (2,473) |
| **Total other current receivables** | **188,835** | **302,707** | **(113,872)** |

Receivables from Group companies and other related parties for consolidated IRES tax relate to tax calculated on the taxable income contributed by Italian subsidiaries participating in the domestic tax consolidation program.

Other receivables from Group companies and other related parties consist of miscellaneous amounts receivable.

VAT receivables essentially relate to the balance of VAT credits for Italian subsidiaries participating in the VAT tax consolidation, in addition to VAT refund claims from prior periods.

IRES tax receivables includes amounts receivable that Italian subsidiaries participating in the domestic tax consolidation transferred to Fiat S.p.A. in 2013 and previous years. At 31 December 2013, refund claims which had been factored amounted to €27,082 thousand (€26,622 thousand at 31 December 2012) and were recognized on balance sheet, with the corresponding liability recorded under advances on factored receivables (see Note 24), pursuant to IAS 39.

At 31 December 2013, no interest was recognized in relation to VAT receivables subject to refund (as was also the case at 31 December 2012), while interest on IRES tax receivables (100% factored) amounted to €4,082 thousand (€3,622 thousand at 31 December 2012).

The carrying amount of other current receivables is deemed to approximate their fair value.

Other current receivables are almost entirely due during the subsequent financial year.

## 17. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Cash at banks and post offices | 1,268 | 554 | 714 |
| **Total cash and cash equivalents** | **1,268** | **554** | **714** |

The above figures related to demand deposits in euros. The carrying amount of cash and cash equivalents is deemed to be in line with their fair value.

## 18. Equity

At 31 December 2013, equity totaled €8,693,456 thousand. The €207,588 thousand decrease from year-end 2012 reflected the reported loss of €226,698 thousand, which was partially compensated for by the positive effect of items recognized directly in equity (€5,590 thousand for remeasurement of defined benefit plans and fair value adjustments on investments in other companies) and the positive net difference of other changes.

*Share capital*

Share capital totaled €4,477,462 thousand (fully paid) at 31 December 2013 (€4,476,442 thousand at 31 December 2012) and consisted of 1,250,687,733 ordinary shares (1,250,402,773 ordinary shares at 31 December 2012) with a par value of €3.58 per share.

Compared with year-end 2012, there was a €1,020 thousand increase resulting from the issuance of 285,000 new shares following the exercise of 285,000 options under the November 2006 stock option plan for managers.

Following is a summary reconciliation between shares outstanding at 31 December 2011 and at 31 December 2013:

| (shares in thousands) | 31 December 2011 | Conversion of preference and savings shares into ordinary shares | Share based compensation | 31 December 2012 | Exercise of stock options | 31 December 2013 |
|---|---|---|---|---|---|---|
| **Ordinary shares issued** | **1,092,681** | **157,722** | **-** | **1,250,403** | **285** | **1,250,688** |
| Less: Own shares | (38,568) | (10) | 4,000 | (34,578) | - | **(34,578)** |
| Ordinary shares outstanding | 1,054,113 | 157,712 | - | 1,215,825 | 285 | **1,216,110** |
| | | | | | | |
| Preference shares issued | 103,292 | (103,292) | - | - | - | **-** |
| Less: Own shares | - | - | - | - | - | **-** |
| Preference shares outstanding | 103,292 | (103,292) | - | - | - | **-** |
| | | | | | | |
| Savings shares issued | 79,913 | (79,913) | - | - | - | **-** |
| Less: Own shares | - | - | - | - | - | **-** |
| Savings shares outstanding | 79,913 | (79,913) | - | - | - | **-** |
| | | | | | | |
| **Total shares issued by Fiat S.p.A.** | **1,275,886** | **(25,483)** | **-** | **1,250,403** | **285** | **1,250,688** |
| **Less: Own shares** | **(38,568)** | **(10)** | **4,000** | **(34,578)** | **-** | **(34,578)** |
| **Total Fiat S.p.A. shares outstanding** | **1,237,318** | **(25,493)** | **4,000** | **1,215,825** | **285** | **1,216,110** |

As described in Note 18 to the 2012 financial statements, following approval of a mandatory conversion by shareholders on 4 April 2012, all of the Company's outstanding preference shares (103,292,310) and savings shares (79,912,800) were converted into 157,722,163 ordinary shares. The conversion ratio was 0.850 ordinary shares per preference share and 0.875 ordinary shares per savings share. As a result, from 21 May 2012, only Fiat S.p.A. ordinary shares are traded on the Mercato Telematico Azionario in Milan.

Following the conversion, the Company's annual results are allocated as follows:

- to the legal reserve, 5% of net profit until the amount of the reserve is equal to one-fifth of share capital
- further allocations to the legal reserve, allocations to the extraordinary reserve, retained profit reserve and/or other allocations that shareholders may approve
- to each share, distribution of any remaining profit that shareholders may approve

In the event of a winding up, the Company's assets are to be distributed in an equal pro rata amount to all shares.

Pursuant to resolutions adopted by the Board of Directors on 3 November 2006, the demerger of activities to Fiat Industrial S.p.A. (now CNH Industrial N.V.), and resolutions adopted by shareholders at the Extraordinary General Meeting on 4 April 2012, share capital may be increased, through paid capital contributions, by a maximum of €33,229,112.50 through the issue of up to 9,281,875 new ordinary shares exclusively to managers employed by the Company and/or its subsidiaries in accordance with the relevant incentive plan.

*Capital management*

Italian regulations regarding share capital and reserves for a joint stock corporation establish the following:

- Share capital must be a minimum of €120,000
- All changes in share capital must be approved by shareholders, who can give the Board of Directors the authority, for a maximum period of 5 years, to increase share capital up to a pre-determined amount. Shareholders are also required to adopt appropriate measures when share capital is reduced by more than one-third as a result of recognized losses and to reduce share capital if, by the end of the following financial year, such losses have not been reduced to less than one-third of share capital. If, as a result of a loss of more than one-third, share capital falls below the legal minimum, shareholders must approve both a reduction and simultaneous increase of share capital to a level at least equivalent to the legal minimum or change the company's legal form
- A share premium reserve is established if a company issues shares at a price above their par value. This reserve is not distributable until the legal reserve has reached one-fifth of share capital
- A company may not purchase own shares for an amount exceeding distributable profits and available reserves reported in its latest approved financial statements. Purchases must be approved by shareholders and in no case may the par value of the shares acquired exceed one-fifth of share capital

In consideration of the Company's goal to maintain an appropriate level of liquidity following acquisition of the remaining minority interest in Chrysler Group LLC, the Board of Directors has recommended that no dividend be paid for 2013.

Fiat's stated objectives for capital management are to create value for shareholders, to guarantee continuity of the business and to support the development of the Group. Accordingly, the Company intends to maintain an adequate level of capital that, at the same, will enable it to achieve a satisfactory financial return for shareholders, as well as ensuring access to affordable sources of external financing (including achievement of an adequate credit rating).

Fiat constantly monitors its debt-equity mix, particularly in relation to the level of net debt and cash generated from the Group's operating activities. The Company's objective is to continuously improve the profitability of its operating activities. In addition, it has the ability to sell assets to reduce the level of debt or, alternatively, the Board of Directors could propose a capital increase or reduction to shareholders or, where permitted by law, a distribution of reserves. The Company may also repurchase its own shares, within the limits approved by shareholders, compatible with the objectives of a balanced capital structure and an improvement in credit rating.

The term capital is used to refer both to the contribution from shareholders (share capital and share premium less own shares held, for a total value of €5,292,270 thousand at 31 December 2013 and €5,288,888 thousand at 31 December 2012), and the value generated by Fiat S.p.A. in terms of results achieved (retained profit and other reserves, before allocation of profit for the year, equal in total to €3,418,122 thousand at 31 December 2013 and €3,634,682 thousand at 31 December 2012, excluding gains and losses recognized directly in equity).

*Share premium reserve*

At 31 December 2013, the share premium reserve totaled €1,073,766 thousand. The €2,363 thousand increase over 31 December 2012, reflected the premium on the new 285,000 ordinary shares issued following exercise of 285,000 options under the November 2006 stock option plan for managers.

*Legal reserve*

At 31 December 2013, the legal reserve totaled €528,577 thousand and was unchanged from 31 December 2012.

*Reserve available for the purchase of own shares*
This reserve was created through a transfer from the retained profit reserve, following shareholder approval for share repurchases.

At 31 December 2013, the reserve available for the purchase of own shares totaled €941,042 thousand, a decrease of approximately €1 thousand over 31 December 2012 resulting from a transfer to the reserve for own shares.

On 9 April 2013, shareholders renewed the authorization for the purchase and disposal of own shares, including through subsidiaries, while at the same time revoking the authorization of 4 April 2012. The renewed authorization was for the purchase of a maximum number of shares, not to exceed the legally established percentage of share capital or, in any event, a total of €1.2 billion, including the €259 million in own shares already held. As announced, the buy-back program is currently on hold and buy-backs are not obligatory under the authorization. The shareholder authorization is valid for a period of 18 months and any buy-backs must be executed in the manner established by law and at a price which is within 10% of the reference price published by Borsa Italiana on the date prior to the purchase.

On 27 February 2014, the Board of Directors voted to submit a proposal to shareholders to revoke the shareholder authorization for the purchase and disposal of own shares given on 9 April 2013, to the extent not already utilized, and renew the authorization, for a period of 18 months, to purchase a maximum number of shares not to exceed the legally-established percentage of share capital or an aggregate amount of €1.2 billion, including existing reserves of €259 million for own shares already held. Should the renewal be approved, the Company would be under no obligation to buy back shares. The authorization is being requested to ensure the Company the flexibility to pursue any strategic opportunities that may arise for all purposes permitted by law.

*Reserve for own shares*
At 31 December 2013, the reserve for own shares totaled €258,958 thousand, an increase of approximately €1 thousand over 31 December 2012. The reserve is subject to certain restrictions imposed by Article 2357-*ter* of the Civil Code and the change for the period, reflecting changes in the book value of own shares held, was attributable to the transfer from the reserve available for the purchase of own shares in relation to the purchase of residual fractions of shares following the conversion of Fiat S.p.A. preference and savings shares into ordinary shares in 2012.

*Retained profit*
At 31 December 2013, retained profit totaled €1,763,783 thousand, a decrease of €151,233 thousand over 31 December 2012 resulting from:

- allocation of the reported loss of €152,302 thousand for the prior year (net of the effects of the amendment to IAS 19), following shareholder approval on 9 April 2013, and
- the transfer of €1,069 thousand from the stock option reserve, which represented the fair value of options exercised or expiring during the year in relation to the portion of the November 2006 stock option plan for managers serviced by Fiat S.p.A. shares

*Gains/(losses) recognized directly in equity*
At 31 December 2013, the reserve had a negative balance of €16,936 thousand, representing a positive difference of €5,590 thousand over 31 December 2012.

The reserve includes actuarial gains and losses from remeasurement of defined benefit plans that will not be reclassified to the income statement, as well as gains and losses arising from fair value adjustments on investments in other companies that were recognized directly in equity, as described previously (see Note 11).

The reserve consists of the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Items that will not be reclassified to Income Statement: | | | |
| – Gains/(losses) on remeasurement of defined benefit plans | **(3,967)** | (5,151) | 1,184 |
| Items that will be reclassified to Income Statement: | | | |
| – Gains/(losses) recognized directly in fair value reserve (investments in other companies) | **(12,969)** | (17,375) | 4,406 |
| Total Other comprehensive income before tax adjustments | **(16,936)** | (22,526) | 5,590 |
| – Tax effects relating to components of other comprehensive income | **-** | - | - |
| **Total gains/(losses) recognized directly in equity** | **(16,936)** | **(22,526)** | **5,590** |

*Stock option reserve*
At 31 December 2013, the stock option reserve totaled €62,631 thousand, a net increase of €9,069 thousand over 31 December 2012. The change primarily related to existing stock option and stock grant plans serviced by Fiat S.p.A. shares.

*Other reserves*
At 31 December 2013, other reserves totaled €89,829 thousand, unchanged versus 31 December 2012, and consisted of the following:

- Reserves pursuant to Law 413/1991: a total of €22,591 thousand corresponding to the compulsory revaluation of property (net of related taxes) allocated to a specific reserve, pursuant to Law 413 of 30 December 1991
- Extraordinary reserve: a total of €28,044 thousand corresponding to the amount approved by shareholders on 11 May 2004
- Reserve for spin-off difference: a total of €39,194 thousand representing the positive difference arising from the spin-off of activities by Fiat Partecipazioni S.p.A. on 29 December 2008

*Own shares*
At 31 December 2013, the book value of own shares held was €258,958 thousand, consisting of 34,577,867 ordinary shares with an aggregate par value of €123,789 thousand.

Changes during the year were as follows:

| | Number of ordinary shares | Total carrying value (€ thousands) | Average unitary value (€) | % share capital |
|---|---|---|---|---|
| **31 December 2012** | **34,577,766** | **258,957** | **7.489** | **2.77%** |
| Purchases | 101 | 1 | - | - |
| **31 December 2013** | **34,577,867** | **258,958** | **7.489** | **2.76%** |

During the year, a total of 101 own shares were purchased from shareholders, which represented the fractions of ordinary shares resulting from the mandatory conversion of preference and savings shares into Fiat S.p.A. ordinary shares in 2012. A description of shareholder authorizations for the purchase of own shares is provided above.

Changes during 2012 were as follows:

| | Number of ordinary shares | Total carrying value (€ thousands) | Average unitary value (€) | % share capital |
|---|---|---|---|---|
| **31 December 2011** | **38,568,458** | **288,883** | **7.490** | **3.02%** |
| Assignment to Chief Executive Officer of shares vested under the 2009 stock grant plan | (4,000,000) | (29,960) | 7.490 | -0.31% |
| Purchases following conversion of preference and savings shares into ordinary shares | 9,308 | 34 | 3.725 | - |
| **31 December 2012** | **34,577,766** | **258,957** | **7.489** | **2.77%** |

*Share-based compensation*

The following share-based compensation plans for the Chief Executive Officer of Fiat S.p.A. and Group managers were in place at 31 December 2013 and 2012.

**Stock option plans linked to Fiat S.p.A. and CNH Industrial N.V. ordinary shares**

On 26 July 2004, the Board of Directors granted the Chief Executive Officer options to purchase 10,670,000 Fiat S.p.A. ordinary shares, at a price of €6.583 per share, as a part of his variable compensation. Those options are fully-vested and exercisable at any time until 1 January 2016. Following the demerger of Fiat Industrial (now CNH Industrial), each option entitles him to receive one Fiat S.p.A. ordinary share and one CNH Industrial N.V. common share, with the original strike price remaining unchanged.

At 31 December 2013, the features of the stock option plan were as follows:

| Plan | Beneficiary | Date of amendment | Expiry date | Strike price (€) | N° of options granted | Vesting date | Vested portion |
|---|---|---|---|---|---|---|---|
| Stock Options July 2004 (modified) | Chief Executive Officer | 27 March 2009 | 1 January 2016 | 6.583 | 10,670,000 | 31 December 2010 | 100% |

On 3 November 2006, the Board of Directors of Fiat S.p.A. approved (subject to ratification by shareholders on 5 April 2007) an eight-year stock option plan, which granted the Chief Executive Officer of Fiat S.p.A. and certain Group managers the right to purchase a specified number of Fiat S.p.A. ordinary shares at a fixed price of €13.37 per share. The options granted to managers (10,000,000) and the Chief Executive Officer (5,000,000) vested in equal annual portions over a period of four years, subject to the achievement of certain pre-established profitability targets (Non-Market Conditions or “NMC”), and became exercisable from the date of approval of the 2010 financial statements. An additional 5,000,000 options were granted to the Chief Executive Officer, which also vested in equal annual portions over a period of four years and became exercisable from November 2010. All options under the plan are subject to specific conditions relating to length of employment or continuation in office.

Finally, in consideration of the proposed demerger and in accordance with the rules of the respective plans, on 21 July 2010 the Board approved amendments to realign the allocation of underlying shares to the share allotment ratio applicable to the demerger, resulting in beneficiaries having the right to receive one Fiat S.p.A. ordinary share and one Fiat Industrial S.p.A. (now CNH Industrial N.V.) ordinary share for each original option, with the option exercise price remaining unchanged.

The contractual terms of the plan are as follows:

| Plan | Beneficiary | Expiry date | Strike price (€) | N° of options granted | Vesting date | Vested portion |
|---|---|---|---|---|---|---|
| Stock Option November 2006 | Chief Executive Officer | 3 November 2014 | 13.37 | 5,000,000 | November 2007 | 25% |
| | | | | | November 2008 | 25% |
| | | | | | November 2009 | 25% |
| | | | | | November 2010 | 25% |
| Stock Option November 2006 | Chief Executive Officer | 3 November 2014 | 13.37 | 5,000,000 | 1st Quarter 2008(*) | 25% x NMC |
| | | | | | 1st Quarter 2009(*) | 25% x NMC |
| | | | | | 1st Quarter 2010(*) | 25% x NMC |
| | | | | | 1st Quarter 2011(*) | 25% x NMC |
| Stock Option November 2006 | Managers | 3 November 2014 | 13.37 | 10,000,000 | 1st Quarter 2008(*) | 25% x NMC |
| | | | | | 1st Quarter 2009(*) | 25% x NMC |
| | | | | | 1st Quarter 2010(*) | 25% x NMC |
| | | | | | 1st Quarter 2011(*) | 25% x NMC |

(*) *Upon approval of the prior year's consolidated financial statements and subject to continuation of the professional relationship.*

With specific reference to the options granted under the November 2006 Stock Option Plan, for which vesting was subject to the achievement of pre-established profitability targets, only the first tranche vested as the original profitability targets for the 3-year period 2008-2010 were not met.

The stock option plans outstanding at 31 December 2013 were as follows:

| | Managers | | | Chief Executive Officer | | |
|---|---|---|---|---|---|---|
| **Exercise price (€)** | **Options outstanding at 31 December 2013** | Options outstanding at 31 December 2012 | Average remaining contractual life (years) | **Options outstanding at 31 December 2013** | Options outstanding at 31 December 2012 | Average remaining contractual life (years) |
| 6.583 | - | - | - | 10,670,000 | 10,670,000 | 2.0 |
| 13.370 | 1,240,000 | 1,576,875 | 0.8 | 6,250,000 | 6,250,000 | 0.8 |
| **Total** | **1,240,000** | **1,576,875** | | **16,920,000** | **16,920,000** | |

Changes during the year were as follows:

| | Managers | | Chief Executive Officer | |
|---|---|---|---|---|
| | Number of options | Average exercise price (€) | Number of options | Average exercise price (€) |
| **Outstanding at beginning of year** | **1,576,875** | **13.37** | **16,920,000** | **9.09** |
| Granted | - | - | - | - |
| Forfeited | - | - | - | - |
| Exercised | (285,000) | 13.37 | - | - |
| Expired | (51,875) | 13.37 | - | - |
| **Outstanding at 31 December 2013** | **1,240,000** | **13.37** | **16,920,000** | **9.09** |
| **Exercisable at 31 December 2013** | **1,240,000** | **13.37** | **16,920,000** | **9.09** |
| **Exercisable at 31 December 2012** | **1,576,875** | **13.37** | **16,920,000** | **9.09** |

As the above plans were already fully vested at 31 December 2010, no costs were incurred in relation to those plans in 2013 or 2012.

**Grants of Fiat S.p.A. ordinary shares**

On 4 April 2012, shareholders approved the adoption of a long-term incentive plan (the "Retention LTI") in the form of stock grants.

Under the plan, the Chief Executive Officer was attributed 7 million rights, representing an equivalent number of Fiat S.p.A. ordinary shares. The rights vest in equal portions over a three-year period (one-third each on 22 February 2013, 22 February 2014 and 22 February 2015) subject to the Chief Executive Officer remaining in office.

The Company intends to service the plan through treasury shares, with no new shares being issued. The Company has the right to substitute shares vested under the Plan, in whole or in part, with a cash payment based on the official price published by Borsa Italiana on the vesting date.

At 31 December 2013, the principal contractual elements of the Plan were as follows:

| Plan | Beneficiary | Number of shares | Vesting date | Vesting portion |
|---|---|---|---|---|
| *Retention LTI* | Chief Executive Officer | 7,000,000 Fiat S.p.A. shares | 22 February 2013<br>22 February 2014<br>22 February 2015 | 2,333,333<br>2,333,333<br>2,333,333 |

Changes in the Retention LTI were as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | No. of Fiat S.p.A. shares | Average fair value at grant date (€) | No. of Fiat S.p.A. shares | Average fair value at grant date (€) |
| Outstanding shares unvested at beginning of year | 7,000,000 | 4.205 | - | - |
| Granted | - | - | 7,000,000 | 4.205 |
| Forfeited | - | - | - | - |
| Vested | 2,333,333 | 4.205 | - | - |
| **Outstanding shares unvested at end of year** | **4,666,667** | **4.205** | **7,000,000** | **4.205** |

In 2013, a nominal cost of €6 million was recognized in relation to this plan.

### *Availability for use of main components of equity*

| (€ thousand) | 31 December 2013 | Possible use | Amount available |
|---|---|---|---|
| **Share capital** | 4,477,462 | - | - |
| **Reserves:** | | | |
| - Share premium reserve | 1,073,766 | A, B, C(*) | 1,073,766 |
| - Legal reserve | 528,577 | B | - |
| - Reserve available for the purchase of own shares | 941,042 | A, B, C | 941,042 |
| - Reserve for own shares | 258,958 | - | - |
| - Retained profit | 1,763,783 | A, B, C | 1,763,783 |
| - Reserve under law 413/1991 | 22,591 | A, B, C | 22,591 |
| - Extraordinary reserve | 28,044 | A, B, C | 28,044 |
| - Reserve for Spin-off difference | 39,194 | A, B, C | 39,194 |

*Key:*
*A: capital increase*
*B: coverage of losses*
*C: dividend*
(*) *Fully available to increase capital and cover losses. Any other use requires increase of the legal reserve to 20% of share capital (including through transfer from the share premium reserve). At 31 December 2013, the required increase would have been €366,915 thousand.*

## 19. Provisions for employee benefits and other non-current provisions

At 31 December 2013, this item totaled €142,741 thousand, an increase of €830 thousand over 31 December 2012, and consisted of the following:

| (€ thousand) | 31 December 2012 | Accruals | Utilizations | Other changes | 31 December 2013 |
|---|---|---|---|---|---|
| Defined benefit liability | 14,576 | 1,929 | (1,928) | 3,255 | **17,832** |
| Other long-term employee benefits | 1,640 | - | (407) | (192) | **1,041** |
| Provisions for stock option and stock grant plans | 124,947 | 796 | (2,138) | (389) | **123,216** |
| Other non-current provisions | 748 | - | (96) | - | **652** |
| **Total provisions for employee benefits and other non-current provisions** | **141,911** | **2,725** | **(4,569)** | **2,674** | **142,741** |

The Company provides employees post-employment benefits in the form of both defined contribution and defined benefit plans. In relation to defined contribution plans, the Company pays contributions to various publicly or privately-administered pension institutions on the basis of legal and contractual obligations, as well as on a voluntary basis. Once those contributions have been made, the Company has no further obligation. Liabilities for contributions due but unpaid at the balance sheet date are included under other debt (see Note 25). The cost for the period is based on actual services rendered by the employee and is recognized under personnel costs (see Note 5).

*Defined benefit plans*

Defined benefits plans primarily consist of post-employment benefits accruing to employees, former employees and the Chief Executive Officer under supplemental company or individual agreements. Those plans are unfunded.

Changes in those liabilities during the year were as follows:

| | Leaving entitlement (TFR) | | Other | | Total | |
|---|---|---|---|---|---|---|
| (€ thousand) | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| **Balance at beginning of period** | **4,548** | 4,437 | **10,028** | 9,915 | **14,576** | 14,352 |
| Included in income statement | | | | | | |
| - Current service cost | **-** | - | **1,724** | 947 | **1,724** | 947 |
| - Interest cost | **67** | 112 | **138** | 186 | **205** | 298 |
| Included in OCI | | | | | | |
| - Actuarial losses/(gains) attributable to demographic assumptions | **8** | - | **-** | - | **8** | - |
| - Actuarial losses/(gains) attributable to financial assumptions | **167** | - | **315** | - | **482** | - |
| - Other | **1,253** | 1,419 | **(355)** | (753) | **898** | 666 |
| Benefits paid | **(1,656)** | (174) | **(272)** | (230) | **(1,928)** | (404) |
| Other changes | **612** | (1,246) | **1,255** | (37) | **1,867** | (1,283) |
| **Defined benefit liability at 31 December** | **4,999** | **4,548** | **12,833** | **10,028** | **17,832** | **14,576** |

Current service costs for employees are recognized in the income statement under personnel costs (see Note 5) and for the Chief Executive Officer under other operating costs (see Note 6). The associated interest costs are recognized in the income statement under financial income/(expense) (see Note 7).

As defined benefit plan liabilities are measured on an actuarial basis, the recognized value of those liabilities is sensitive to the underlying assumptions. The principal assumptions used in calculation of *trattamento di fine rapporto* (leaving entitlement or "TFR" in Italy) are the discount rate, average rate of annual departures and maximum retirement age.

The discount rate used in measurement of the TFR liability is based on the current yield for investment grade fixed income securities of equivalent maturity and amount as the expected future payments. For 2013, the average discount rate, which reflected the estimated timing and amount of future plan payments, was 2.49%. The average duration of the TFR liability at year end was 4.39 years. The average annual rate of departures, based on the Group's prior experience, was estimated at 8.30%. The maximum retirement age was based on current legislation.

Maintaining all other assumptions unchanged, a 100 basis point increase or decrease in the discount rate would result in a €197 thousand decrease or a €233 thousand increase, respectively, in the estimated value of the TFR liability.

The Company's estimate of timing of future TFR payments is as follows: €1,213 thousand in 2014, €585 thousand in 2015, €420 thousand in 2016, €496 thousand in 2017, €364 thousand in 2018 and €1,545 thousand for 2019 through 2024.

*Other long-term employee benefits*

At 31 December 2013, this item totaled €1,041 thousand (€1,640 thousand at 31 December 2012). That amount represents benefits payable to employees who have completed a determined length of service based on a supplemental company agreement. Actuarial gains and losses on the associated liability are recognized in the income statement in the period in which they arise.

*Provisions for stock option and stock grant plans*

At 31 December 2013, this item totaled €123,216 thousand and represented the liability arising from the obligation, following the demerger of activities to Fiat Industrial S.p.A. in January 2011, to deliver Fiat Industrial S.p.A. (now CNH Industrial N.V.) common shares to service a portion of the Company's stock option and stock grant plans.

Changes in provisions for stock option and stock grant plans for the year were as follows:

| (€ thousand) | 31 December 2012 | Fair value adjustment | Utilizations | Other changes | 31 December 2013 |
|---|---|---|---|---|---|
| **Provisions for stock option and stock grant plans** | **124,947** | **796** | **(2,138)** | **(389)** | **123,216** |

In accordance with IFRS 2 and IAS 39, these liabilities were recognized at fair value upon initial recognition. In relation to the 2004 and 2006 stock option plans for the CEO and the 2006 stock option plan for managers, the calculation of fair value assumes a strike price equivalent to the par value of Fiat Industrial shares at the balance sheet date. Subsequent to initial recognition, changes in fair value are recognized through the income statement. In 2013, changes in fair value resulted in recognition, through the income statement, of a €796 thousand increase in the liability with a corresponding increase in the value of the investment in CNH Industrial (see Note 11). Finally, utilizations during the year (€2,138 thousand) related to CNH Industrial shares sold following the exercise of 285,000 options under the November 2006 stock option plan for managers.

*Other non-current provisions*

At 31 December 2013, other non-current provisions totaled €652 thousand (€748 thousand at 31 December 2012) and mainly related to future amounts to be paid to employees who left the Company in previous years under a long-term benefit program which bridges the period prior to retirement.

During 2012, changes in provisions for employee benefits and other non-current provisions were as follows:

| (€ thousand) | 1 January 2012 | Accruals | Utilizations | Other changes | 31 December 2012 |
|---|---|---|---|---|---|
| Defined benefit liability | 14,352 | 1,245 | (404) | (617) | 14,576 |
| Other long-term employee benefits | 922 | 603 | (220) | 335 | 1,640 |
| Provisions for stock option and stock grant plans | 121,604 | 30,292 | (26,500) | (449) | 124,947 |
| Other non-current provisions | 929 | - | (181) | - | 748 |
| **Total provisions for employee benefits and other non-current provisions** | **137,807** | **32,140** | **(27,305)** | **(731)** | **141,911** |

## 20. Non-current debt

At 31 December 2013, non-current debt totaled €413,953 thousand, a decrease of €998,082 thousand over 31 December 2012, and included the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Debt payable to Group companies | 400,000 | 1,400,000 | (1,000,000) |
| Financial guarantees | 13,953 | 12,035 | 1,918 |
| **Total non-current debt** | **413,953** | **1,412,035** | **(998,082)** |

Debt payable to Group companies related to euro-denominated loans received from Fiat Finance S.p.A. with original maturity over 12 months. Amounts due within 12 months are also included under non-current debt. Changes during 2013 included repayment of a €1 billion loan received on 24 May 2006 and due 25 February 2013. At 31 December 2013, there was a €400 million loan outstanding (issued on 30 March 2012 and repayable 31 March 2014) which bears interest of 6.52% per annum. The carrying amount of the loan was considered representative of its fair value at the balance sheet date.

Financial guarantees represent the fair value of the liabilities assumed in relation to guarantees issued. Following an assessment of potential risks requiring recognition of contingent liabilities and given that those liabilities essentially related to guarantees provided on loans to Group companies, the present value of fees receivable (see other financial assets in Note 12) is considered the best estimate of the fair value of those guarantees.

The breakdown by maturity is as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Financial guarantees** | | |
| due within one year | 4,396 | 3,789 |
| due after one year but within five years | 9,453 | 8,242 |
| due beyond five years | 104 | 4 |
| **Total** | **13,953** | **12,035** |

## 21. Other non-current liabilities

At 31 December 2013, other non-current liabilities totaled €16,078 thousand, representing a net decrease of €1,087 thousand over 31 December 2012.

The item consisted of the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| **Non-current post-employment benefits to be paid:** | | | |
| to a former Chief Executive Officer | 3,405 | 3,743 | (338) |
| to former employees | 12,673 | 13,422 | (749) |
| **Total other non-current liabilities** | **16,078** | **17,165** | **(1,087)** |

Non-current post-employment benefits represent the present value of future benefits (see Note 19) payable to a former CEO and management personnel that have left the Company.

A breakdown of other non-current liabilities by due date is as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Other non-current liabilities** | | |
| due within one year | 1,126 | 1,087 |
| due after one year but within five years | 4,916 | 4,748 |
| due beyond five years | 10,036 | 11,330 |
| **Total** | **16,078** | **17,165** |

## 22. Provisions for employee benefits and other current provisions

At 31 December 2013, this item totaled €10,677 thousand, a net decrease of €4,574 thousand over 31 December 2012 consisting of the following:

| (€ thousand) | 31 December 2012 | Accruals | Utilizations and Other changes | 31 December 2013 |
|---|---|---|---|---|
| Provisions for employee bonuses and similar provisions | 15,251 | 8,081 | (12,655) | 10,677 |
| **Total provisions for employee benefits and other current provisions** | **15,251** | **8,081** | **(12,655)** | **10,677** |

This item essentially reflects the best estimate for variable components of compensation.

Changes in provisions for employee benefits and other current provisions during 2012 were as follows:

| (€ thousand) | 31 December 2011 | Accruals | Utilizations and Other changes | 31 December 2012 |
|---|---|---|---|---|
| **Total provisions for employee benefits and other current provisions** | **19,380** | **7,430** | **(11,559)** | **15,251** |

## 23. Trade payables

At 31 December 2013, trade payables totaled €18,977 thousand, a net increase of €1,676 thousand over 31 December 2012, and consisted of the following:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Trade payables to third parties | 13,081 | 10,493 | 2,588 |
| Trade payables to Group companies and other related parties for goods and services | 5,896 | 6,808 | (912) |
| **Total trade payables** | **18,977** | **17,301** | **1,676** |

Trade payables to third parties primarily relate to amounts payable for services and amounts due to CAV.E.T. and CAV.TO.MI. for contract work completed (see Note 14).

All trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

## 24. Current debt

At 31 December 2013, current debt totaled €3,780,428 thousand, representing a net increase of €2,486,354 thousand over 31 December 2012, and related to:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Intercompany debt: | | | |
| - Current account with Fiat Finance S.p.A. | 739,183 | 331,403 | 407,780 |
| - Loans from Fiat Finance S.p.A. | 3,000,000 | 900,000 | 2,100,000 |
| - Liabilities arising from derivative financial instruments | - | 8,282 | (8,282) |
| - Accrued interest expense | 16,559 | 27,089 | (10,530) |
| Total intercompany debt | 3,755,742 | 1,266,774 | 2,488,968 |
| Debt payable to third parties: | | | |
| - Advances on factored receivables | 24,686 | 27,300 | (2,614) |
| Total debt payable to third parties | 24,686 | 27,300 | (2,614) |
| **Total current debt** | **3,780,428** | **1,294,074** | **2,486,354** |

The item current account with Fiat Finance S.p.A. represents the overdraft on the current account held with Fiat Finance S.p.A. as part of the Group's centralized treasury management.

Loans from Fiat Finance S.p.A. consists of euro-denominated financing due within 12 months.

At 31 December 2012, liabilities arising from derivative financial instruments represented the fair value of the two equity swaps on Fiat and Fiat Industrial shares entered into with leading financial institutions by Fiat Finance S.p.A., on behalf of Fiat S.p.A., to hedge the liability associated with stock options granted to the CEO in 2006. The fair value of those equity swaps was based on the market prices at the balance sheet date. As described in Note 7, those contracts were closed in December 2013.

Advances on factored receivables relate to advances on IRES receivable totaling €24,686 thousand (see Note 16).

Current debt is denominated in euros and the carrying amount is deemed to be in line with fair value.

*Transfer of receivables*
At 31 December 2013, the carrying amount of transferred receivables and related liabilities was as follows:

| (€ thousand) | Current taxes receivable | Total at 31 December 2013 | Total at 31 December 2012 |
|---|---|---|---|
| Carrying amount of receivables | 27,082 | **27,082** | 28,311 |
| Carrying amount of the related liabilities | 24,686 | **24,686** | 27,300 |

At 31 December 2013, the Company also had VAT receivables of €61,000 thousand that had been sold on a non-recourse basis and were therefore derecognized (€47,000 thousand at 31 December 2012).

## 25. Other debt

At 31 December 2013, other debt amounted to €214,351 thousand, a net decrease of €150,109 thousand over 31 December 2012, broken down as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Advances | **864** | 700 | 164 |
| Other debt: | | | |
| - Debt payable to Group companies and other related parties | | | |
| - Consolidated VAT | **92,098** | 211,221 | (119,123) |
| - Consolidated IRES | **106,996** | 137,891 | (30,895) |
| - Other debt payable to Group companies and other related parties | **-** | 6 | (6) |
| *- Total debt payable to Group companies and other related parties* | ***199,094*** | *349,118* | *(150,024)* |
| - Social security payables | **2,130** | 2,128 | 2 |
| - Current amounts payable to employees, directors and statutory auditors | **4,524** | 7,439 | (2,915) |
| - Dividends payable | **318** | 373 | (55) |
| - Other | **684** | 667 | 17 |
| Total other debt | **206,750** | **359,725** | **(152,975)** |
| Taxes payable: | | | |
| - VAT payable | **2,668** | 1,588 | 1,080 |
| - Taxes withheld on payments to employees and independent contractors | **1,756** | 1,972 | (216) |
| - Other | **428** | 428 | - |
| Total taxes payable | **4,852** | **3,988** | **864** |
| Accrued expenses and deferred income | **1,885** | **47** | **1,838** |
| **Total other debt** | **214,351** | **364,460** | **(150,109)** |

*Advances*
This item represents the difference between the value of work completed for Treno Alta Velocità – T.A.V. S.p.A. (merged into Rete Ferroviaria Italiana S.p.A. from 31 December 2010) and progress payments and contractual advances received, as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Contract work in progress | 246,627 | 244,858 | 1,769 |
| Less: Net advances for work completed | 247,360 | 245,426 | 1,934 |
| Gross amount due to the customer | 733 | 568 | 165 |
| Net contractual advances | 131 | 132 | (1) |
| **Total advances** | **864** | **700** | **164** |

The item relates to contracts between Fiat S.p.A. and Treno Alta Velocità – T.A.V. S.p.A. (acting on behalf of F.S. S.p.A.) for engineering and construction work on two lines forming part of the high-speed rail project in northern Italy (Bologna-Florence and Turin-Milan, consisting of the Turin-Novara and Novara-Milan sub-lines). At 31 December 2013, the contractual amounts due (including additional work, monetary adjustments and other contractual amounts) totaled €5,236 million for the Bologna-Florence line and €2,463 million for the Milan-Novara sub-line. The contract amount for the Turin-Novara sub-line (completed and accounting closed at the end of 2009) was €4,669 million.

Fiat S.p.A., as general contractor, engaged CAV.E.T. and CAV.TO.MI. for the engineering and construction activities, retaining responsibility for work coordination, organization and management activities. Contract work in progress therefore reflects the fees earned by Fiat S.p.A. as a percentage (approximately 3.5%) of the total contractual amount for activities carried out directly. Progress payments are made by the customer to Fiat S.p.A. based on the stage of completion of the works and advance payments, which Fiat S.p.A. then pays to CAV.E.T. and CAV.TO.MI., net of its contractual percentage.

These amounts may be analyzed by line as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| **Contract work in progress** | **246,627** | **244,858** | **1,769** |
| - Florence-Bologna line | 161,906 | 162,212 | (306) |
| - Novara-Milan line | 84,721 | 82,646 | 2,075 |
| **Less: Net advances for work completed** | **247,360** | **245,426** | **1,934** |
| - Florence-Bologna line | 162,629 | 162,580 | 49 |
| - Novara-Milan line | 84,731 | 82,846 | 1,885 |
| **Gross amount due to the customer** | **733** | **568** | **165** |
| - Florence-Bologna line | 723 | 368 | 355 |
| - Novara-Milan line | 10 | 200 | (190) |

Contract work in progress is measured on the basis of the stage of completion in relation to the sales price, which in this case is the consideration contractually agreed for the activities directly carried out by Fiat S.p.A. Contract costs relating to the contract revenue recognized totaled €101,034 thousand at 31 December 2013 (€98,750 thousand at 31 December 2012). Changes in contract work in progress have been recognized in the income statement under the item other operating income (see Note 4). When the lines are contractually completed, the final contractual revenues for the activities directly carried out are recognized in the income statement under other operating income, net of any decrease in inventories. At the same time, the accounts for inventories and amounts classified as advances are closed.

In 2009, the Secondary Final Test Certificate relating to the completion of residual work on the Turin-Novara line was signed, representing the final contractual document for the work on the line, and the project was closed from an accounting perspective (the Principal Final Test Certificate had already been signed in 2006, year in which the line was opened to the public).

Net advances for work completed were as follows:

| | Advances received from customers | | Advances paid to suppliers | | Net advances for work completed | |
|---|---|---|---|---|---|---|
| (€ thousand) | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Florence-Bologna line | 5,236,310 | 5,232,434 | 5,073,681 | 5,069,854 | 162,629 | 162,580 |
| Novara-Milan line | 2,456,036 | 2,277,543 | 2,371,305 | 2,194,697 | 84,731 | 82,846 |
| **Progress payments for work completed** | **7,692,346** | **7,509,977** | **7,444,986** | **7,264,551** | **247,360** | **245,426** |

Advances relates to amounts received as down payments from the customer T.A.V. S.p.A. at the commencement of the contracts, which are then recovered as the work progresses. Amounts were as follows:

| | Contractual advances received from customers | | Contractual advances paid to suppliers | | Net contractual advances | |
|---|---|---|---|---|---|---|
| (€ thousand) | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 |
| Florence-Bologna line | - | 52 | - | 51 | - | 1 |
| Novara-Milan line | 5,168 | 5,168 | 5,037 | 5,037 | 131 | 131 |
| **Contractual advances** | **5,168** | **5,220** | **5,037** | **5,088** | **131** | **132** |

At 31 December 2013, bank guarantees and sureties totaling €414 million were given by Fiat S.p.A. to T.A.V. S.p.A. against contractual advances received, performance of the work and withholding amounts on progress payments. Under agreements entered into with the consortia mentioned and the institutions issuing the guarantees, €399 million of the total represents the direct liability of the consortia towards the issuing banks and insurance companies, with no joint responsibility for Fiat S.p.A.

Specifically, €52 million in guarantees provided by Fiat S.p.A. to T.A.V. S.p.A. relate to the Bologna-Florence line, €361 million to the Novara-Milan sub-line and €1 million to the Turin-Novara sub-line (remaining guarantee for work to be carried out during the Final Test phase).

Indemnities assumed directly by the CAV.E.T. consortium totaled €50 million. For the CAV.TO.MI. consortium, indemnities totaled €348 million for the Novara-Milan sub-line and €1 million for the Turin-Novara sub-line.

Release of these guarantees is usually linked to the formal testing (Final Test Certificates) required contractually for acceptance of the work by the customer and expiry of the subsequent two-year period for the technical and functional warranties issued, unless other specific conditions have been agreed.

Finally, for those lines where work was still in progress at year end (Bologna-Florence and Novara-Milan) the lines were formally handed over to T.A.V. S.p.A. in 2009 and the high-speed line was opened to the public, following the favorable technical opinion received from the Testing Commissions. However, given that at 31 December 2013 (as also at 31 December 2012), activities to complete the ancillary work and cleanup, in addition to the contractual obligation for final approval of the work (Final Principal and/or Secondary Test Certificates) and to release the bank guarantees were still in progress, from an accounting perspective the project remained open at that date.

*Taxes payable and other debt*

The principal items were as follows:

At 31 December 2013, debt payable to Group companies and other related parties for consolidated VAT, totaling €92,098 thousand (€211,221 thousand at 31 December 2012), related to VAT credits of Italian subsidiaries transferred to Fiat S.p.A. as part of the VAT consolidation.

At 31 December 2013, debt payable to Group companies and other related parties in connection with the IRES tax consolidation amounting to €106,996 thousand (€137,891 thousand at 31 December 2012) represents the remuneration due for tax losses contributed by the Italian subsidiaries to the domestic tax consolidation for 2013, IRES tax credits of Italian subsidiaries transferred to Fiat S.p.A. as part of the tax consolidation procedure for 2013 and residual amounts payable in relation to the domestic tax consolidation for 2012.

Taxes payable and other debt are all due within one year and their carrying amount is deemed to approximate their fair value.

## 26. Guarantees granted, commitments and contingent liabilities

*Guarantees issued*

The breakdown of guarantees issued is as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Guarantees issued | | | |
| Sureties | | | |
| - on behalf of Group companies | 199,835 | 208,229 | (8,394) |
| - on behalf of third parties | 847 | 850 | (3) |
| Total sureties | 200,682 | 209,079 | (8,397) |
| Other guarantees | | | |
| - on behalf of Group companies | 14,820,878 | 12,677,284 | 2,143,594 |
| - on behalf of third parties | - | - | - |
| Total other guarantees | 14,820,878 | 12,677,284 | 2,143,594 |
| **Total guarantees issued** | **15,021,560** | **12,886,363** | **2,135,197** |

At 31 December 2013, guarantees issued totaled €15,022 million, an increase of €2,135 million over 31 December 2012, and related principally to new bonds issued by the subsidiary Fiat Finance and Trade Ltd. S.A. (representing a €1,916 million difference between guarantees on the new bonds issued and on the bonds repaid during the year).

Guarantees outstanding at 31 December 2013 were as follows:

**Sureties**
At 31 December 2013, sureties totaled €201 million, a decrease of €8 million over 31 December 2012.

This amount mostly relates to sureties provided on behalf of Group companies on Billets de Trésorerie issued (Fiat Finance and Trade Ltd. S.A. €15 million) and lease payments on property (€185 million). Sureties granted to third parties (approximately €1 million) relate to the remaining interest-bearing certificates issued by Sava and not yet redeemed.

**Other guarantees**
At 31 December 2013, other guarantees totaled €14,821 million, an increase of €2,144 million over 31 December 2012.

All guarantees were issued on behalf of Group companies and consisted of the following:

- €1,357 million for loans (Fiat Finance S.p.A. €650 million, Fiat Automoveis S.A. - FIASA €275 million, Fiat Automobiles Serbia D.o.o. €271 million, Fiat Group Automobiles S.p.A. €75 million, Fiat Finance and Trade Ltd S.A. €40 million, Maserati S.p.A. €25 million, TCA – Tecnologia em Componentes Automotivos S.A. €21 million)
- €12,046 million for bonds issued (Fiat Finance and Trade Ltd. S.A. €11,015 million and Fiat Finance North America Inc. €1,031 million)
- €518 million for credit lines (Fiat Finance S.p.A. €370 million, Fiat Finance North America Inc. €73 million, Fiat Finance et Services S.A. €50 million and Fiat Finance and Trade Ltd. S.A. €25 million)
- €900 million for VAT receivables related to the VAT consolidation, pursuant to the Ministerial Decree of 13 December 1979 (as subsequently amended)

In addition:

- In 2013, Fiat S.p.A. issued guarantees in connection with the agreement signed with a syndicate of Italian and international banks led by Citibank International for a €2 billion, 3-year revolving credit facility (subsequently increased to €2.1 billion) for Fiat Finance S.p.A. and other Group companies, which replaced the €1.95 billion 3-year revolving facility obtained in 2011. At 31 December 2013, the facility was unutilized. At year-end 2012, the previous facility was also unutilized
- in 2005, in relation to the advance received by Fiat Partecipazioni S.p.A. on the consideration for the sale of the aviation business, Fiat S.p.A. is jointly and severally liable with Fiat Partecipazioni S.p.A. to the purchaser, Avio Holding S.p.A., should Fiat Partecipazioni S.p.A. fail to honor (following either an arbitration award or an out-of-court settlement) undertakings provided in relation to the sale and purchase agreement signed in 2003. Similarly, in connection with sale of a controlling interest in its rail business, Fiat S.p.A. provided guarantees to the purchaser, Alstom N.V., for any failure of the seller (now Fiat Partecipazioni S.p.A.) to meet its contractual obligations

*Commitments*
In implementation of the resolution of the Board of Directors dated 18 February 2011 – and as part of the framework of the Partnership and Cooperation Agreement signed on 28 March 2011 by Politecnico di Torino, Fiat S.p.A., University of Windsor (Canada) and Chrysler for an International Masters in Automotive Engineering – Fiat S.p.A. and Politecnico di Torino renewed their cooperation agreement relating to courses in Automotive Engineering. The agreement covers a period of four academic years, from 1 October 2010 to 30 September 2014, under which Fiat S.p.A. will contribute €1.85 million per academic year (for a total of €7.4 million) up to 20% of which may be through contributions-in-kind (purchase of goods and services from third parties, provision of services or availability of assets, etc.). At 31 December 2013, the residual financial commitment was €1.39 million.

**Teksid**

Fiat S.p.A. is subject to a put option held by Renault (with reference to the original 33.5% investment in Teksid, now 15.2%).

In particular, Renault has the right to sell its interest in Teksid to Fiat in the event of:

- a breach in application of the protocol agreement and admission to receivership or other administrative proceeding
- Renault's investment in Teksid falling below 15% or Teksid deciding to make a significant strategic investment outside the foundry sector
- control of Fiat being acquired by another automaker

The exercise price of the option is established as follows:

- for the original 6.5% of the share capital of Teksid, the initial investment price increased by a given interest rate
- for the remaining amount of share capital of Teksid, the share of the accounting net equity at the exercise date

*Contingent liabilities*

In connection with significant asset divestitures carried out in prior years, Fiat S.p.A. directly or indirectly through its subsidiaries provided indemnities to purchasers with the maximum amount of potential liability under these contracts generally capped at a percentage of the purchase price. These liabilities primarily relate to liabilities potentially arising from a breach of representations and warranties under these contracts and, in certain instances, environmental or tax matters, generally for a limited period of time. At 31 December 2013, potential obligations relating to these indemnities were approximately €178 million (approximately €368 million at 31 December 2012), net of provisions set aside by individual companies. Certain other indemnities have been provided that do not limit potential payment and, as such, it is not possible to estimate the maximum potential future payments that could result from claims made under these indemnities.

Certain claims for damages are still pending against Fiat S.p.A. Given this fact and the specific conditions of the related proceedings, the possible outcome of this situation cannot be reasonably estimated and, therefore, the likelihood of any costs to be borne by the Company cannot be determined.

## 27. Information on financial risks

Fiat S.p.A. measures and manages financial risks in accordance with Group policy.

The major categories of risk to which the Company is exposed are set out below.

*Credit risk*

At 31 December 2013, Fiat S.p.A.'s maximum nominal credit exposure consisted of the carrying amounts of financial assets and the par value of guarantees issues (as discussed in Note 26).

Amounts receivable at the balance sheet date are essentially due from Group companies and related parties, from the tax authorities and from Rete Ferroviaria Italiana S.p.A. The risk on receivables from the latter company is limited to the margin earned by Fiat S.p.A. (of approximately 3.5%), since a condition for the settlement of payables to consortium companies is the receipt of the amounts due from Rete Ferroviaria Italiana S.p.A.

Guarantees issued were almost exclusively on behalf of Group companies.

At 31 December 2013, there were no material amounts past due.

*Liquidity risk*
Liquidity risk arises if the Company is unable to obtain, at economically viable terms, the funding needed to carry out its activities.

Fiat S.p.A. participates in the Group's centralized treasury management and, as a result, the liquidity risk to which it is exposed is strictly correlated to that which the Fiat Group is exposed to as a whole.

The two principal factors determining the Group's liquidity position are, on one side, the cash generated by or used in operating and investing activities and, on the other, the maturity and renewal profile of debt and invested liquidity and prevailing market conditions.

The Group has adopted a series of policies and procedures to optimize management of financial resources and to reduce liquidity risk by:

- centralizing management of collections and payments, where it may be economically beneficial in relation the legal and tax environment and currency conditions in countries where it is present
- maintaining an adequate level of available liquidity
- diversifying sources of funding and maintaining a continuous and active presence in the capital markets
- obtaining adequate credit lines, and
- monitoring future liquidity based on corporate planning

Management believes that the funding currently available, in addition to cash generated by operating and financing activities, will enable the Group to meet the requirements of its investing activities and working capital needs and to meet its scheduled debt repayment obligations.

*Currency risk*
At 31 December 2013, Fiat S.p.A. had no significant receivable, payable or derivative positions that were exposed to currency risk.

*Interest rate risk*
Fiat S.p.A. satisfies its financing requirements through the Group's centralized treasury management system.

In particular:

- current debt consists mainly of overdrafts on current accounts held with Fiat Finance S.p.A. and loans from Fiat Finance S.p.A., as well as liabilities related to advances on the sale of receivables to banks (see Note 24)
- non-current debt primarily consists of variable rate loans from Fiat Finance S.p.A. (see Note 20)

The cost of these positions is affected by changes in short-term interest rates. For short-term or variable rate transactions, a hypothetical, immediate and adverse change of 10% in short-term interest rates would have an impact of approximately €1 million (no material effect at 31 December 2012).

*Other risks relating to derivative financial instruments*
At 31 December 2013, Fiat S.p.A. no longer held any financial derivatives.

## 28. Fair value measurement

IFRS 7 requires financial instruments recognized at fair value in the statement of financial position to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. This hierarchical classification applies the following levels:

- Level 1 – quoted prices in active markets for the asset or liability being measured
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) on the market
- Level 3 – inputs that are not based on observable market data

The following table provides the fair value hierarchy, at 31 December 2013, of assets and liabilities measured at fair value on a recurring basis:

| (€ thousand) | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Assets at fair value: | | | | | |
| Investments in other companies (available for sale) recognized at fair value directly in equity or through profit and loss | (11) | 284,963 | 13,636 | - | 298,599 |
| **Total assets** | | **284,963** | **13,636** | **-** | **298,599** |
| **Total liabilities** | | **-** | **-** | **-** | **-** |

In 2013, there were no transfers between levels in the fair value hierarchy.

In relation to the fair value measurement of the investment in Fin. Priv. S.r.l. of €13,636 thousand, and classified as Level 2 in the hierarchy, see Note 11.

## 29. Intercompany and related-party transactions

Intercompany and related-party transactions for Fiat S.p.A. consist for the most part of transactions carried out with the Company's subsidiaries on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved.

The effects of these transactions on the single items of the 2013 and 2012 financial statements, which may also be found in the supplementary financial statements and in the explanatory Notes, is summarized in the following tables:

| Counterparty | Other operating Income | | Personnel costs | | Other operating costs | | Financial income/(expense) | |
|---|---|---|---|---|---|---|---|---|
| (€ thousand) | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Abarth & C. S.p.A. | 223 | 316 | - | - | - | - | - | 1 |
| Chrysler Group LLC | 372 | 379 | - | - | 290 | 299 | - | - |
| Comau S.p.A. | 2,690 | 2,606 | - | - | 22 | - | (4) | (5) |
| C.R.F. S.c.p.A. | - | - | - | - | 219 | 157 | - | 4 |
| Deposito Avogadro S.p.A. | 158 | 171 | - | - | - | - | (5) | (5) |
| Editrice La Stampa S.p.A. | 284 | 50 | - | - | 50 | 30 | (5) | (5) |
| Ferrari S.p.A. | 6,541 | 6,467 | - | - | 9 | 4 | 4 | 9 |
| Fiat (China) Business Co. Ltd. | - | - | - | - | 1,058 | 845 | - | - |
| Fiat do Brasil S.A. | - | - | - | - | 1,068 | 1,049 | - | - |
| Fiat Group Automobiles S.p.A. | 48,382 | 45,005 | - | - | 516 | 372 | 434 | 320 |
| Fiat Group Automobiles Belgium S.A. | - | - | - | - | 117 | 118 | - | - |
| Fiat Automoveis S.A. – FIASA | - | - | - | - | - | - | 187 | 203 |
| Fiat Finance S.p.A. | 689 | 676 | - | - | - | 117 | (209,768) | (216,802) |
| Fiat Finance and Trade Ltd. S.A. | 7 | - | - | - | 1 | - | 3,006 | 2,702 |
| Fiat Finance North America Inc. | - | - | - | - | - | - | 321 | 338 |
| Fiat France | - | - | - | - | 21 | 18 | - | - |
| Fiat North America LLC | 218 | - | - | - | - | - | - | - |
| Fiat Services S.p.A. | 885 | 1,204 | - | - | 2,085 | 2,197 | (5) | (5) |
| Fiat Services Polska Sp. z o.o. | - | - | - | - | 373 | 495 | - | - |
| Fiat Finance et Services S.A. | - | - | - | - | 274 | 527 | 31 | - |
| Fiat Group Marketing & Corporate Comm. S.p.A. | 492 | 691 | - | - | 4,554 | 4,491 | (5) | (5) |
| Fiat Group Purchasing S.r.l. | 145 | 194 | - | - | 12 | 4 | - | (5) |
| Fiat Partecipazioni S.p.A. | 647 | 740 | - | - | 3,593 | 3,631 | (4) | - |
| Fiat Servizi per l'Industria S.c.p.A. | 133 | 67 | - | - | 1,412 | 1,426 | (5) | (5) |
| Fiat I.T.E.M. S.p.A. | 379 | 368 | - | - | 3,002 | 2,546 | (5) | (5) |
| FGA Capital S.p.A. | 139 | 37 | - | - | 109 | 52 | 4 | 3 |
| Fidis S.p.A. | 374 | 304 | - | - | - | - | (5,975) | (1,765) |
| Leasys S.p.A. | - | - | - | - | 1,676 | 1,558 | - | - |
| Maserati S.p.A. | 2,813 | 1,102 | - | - | - | - | 41 | 20 |
| Magneti Marelli S.p.A. | 8,583 | 8,198 | - | - | - | - | - | - |
| Orione S.c.p.A. | 3 | 3 | - | - | 3,202 | 3,167 | (5) | (5) |
| Risk Management S.p.A. | - | 5 | - | - | 21 | 29 | (5) | (5) |
| Sirio S.c.p.A. | 171 | 173 | - | - | 1,747 | 1,714 | (5) | (5) |
| Sisport Fiat S.p.A. | 23 | 35 | - | - | 45 | 39 | - | - |
| Teksid S.p.A. | 1,431 | 1,541 | - | - | - | - | (5) | (5) |
| Other Group companies | 61 | 7 | - | - | 242 | 307 | 134 | 154 |
| **Total Group companies** | **75,843** | **70,339** | **-** | **-** | **25,718** | **25,192** | **(211,639)** | **(214,873)** |
| Other related parties | 4,019 | 4,406 | 10,459 | 9,543 | 11,346 | 16,021 | (20) | (15) |
| **Total Group companies and other related parties** | **79,862** | **74,745** | **10,459** | **9,543** | **37,064** | **41,213** | **(211,659)** | **(214,888)** |
| Total | 82,824 | 77,374 | 38,683 | 36,054 | 72,195 | 76,259 | (210,087) | (216,080) |
| **% of total line item** | **96%** | **97%** | **27%** | **26%** | **51%** | **54%** | **101%** | **99%** |

In addition to the intercompany and related-party transactions having an impact on the income statement, as reported in the previous table, there was also a €971 thousand gain on the sale of the investments in Fiat Revisione Interna S.c.p.A. and Isvor Fiat S.c.p.A. to Fiat Partecipazioni S.p.A., a wholly-owned subsidiary (see Note 3).

**31 December 2013**

| Counterparty (€ thousand) | Other fin. assets | Trade recs. | Current financial receivables | Other current recs. | Non-current employee provisions | Non-current debt | Other non-current liabilities | Trade pays. | Current debt | Other debt |
|---|---|---|---|---|---|---|---|---|---|---|
| Chrysler Group LLC | - | 372 | - | - | - | - | - | 290 | - | - |
| Fiat Group Automobiles S.p.A. | - | 33 | - | - | - | - | - | 341 | - | - |
| Fiat Finance S.p.A. | - | 23 | - | - | - | 400,000 | - | - | 3,755,742 | - |
| Fiat Group Marketing & C.C. S.p.A. | - | - | - | - | - | - | - | 792 | - | - |
| Fiat Servizi per l'Industria S.c.p.A. | - | - | - | - | - | - | - | 622 | - | - |
| Fiat Service S.p.A. | - | 4 | - | - | - | - | - | 200 | - | - |
| Fiat I.T.E.M. S.p.A. | - | - | - | - | - | - | - | 202 | - | - |
| Fiat Partecipazioni S.p.A. | - | - | - | - | - | - | - | 1,154 | - | - |
| Fiat (China) Business Co. Ltd | - | - | - | - | - | - | - | 1,058 | - | - |
| Fiat North America LLC | - | 218 | - | - | - | - | - | - | - | - |
| Leasys S.p.A. | - | - | - | - | - | - | - | 997 | - | - |
| Magneti Marelli S.p.A. | - | 21 | - | - | - | - | - | - | - | - |
| Sirio S.c.p.A. | - | - | - | - | - | - | - | 35 | - | - |
| Other Group companies | - | 108 | - | 220 | - | - | - | 204 | - | - |
| IRES tax consolidation | - | - | - | 119,298 | - | - | - | - | - | 106,996 |
| VAT consolidation | - | - | - | - | - | - | - | - | - | 92,098 |
| Financial guarantees | 13,953 | - | - | - | - | 13,953 | - | - | - | - |
| **Total Group companies** | **13,953** | **779** | **-** | **119,518** | **-** | **413,953** | **-** | **5,895** | **3,755,742** | **199,094** |
| Other related parties | - | 320 | - | - | 127,519 | - | - | 1 | - | 239 |
| **Total Group companies and other related parties** | **13,953** | **1,099** | **-** | **119,518** | **127,519** | **413,953** | **-** | **5,896** | **3,755,742** | **199,333** |
| Total | 14,028 | 7,214 | - | 188,835 | 142,741 | 413,953 | 16,078 | 18,977 | 3,780,428 | 214,351 |
| **% of total line item** | **99%** | **15%** | **-** | **63%** | **89%** | **100%** | **0%** | **31%** | **99%** | **93%** |

**31 December 2012**

| **Counterparty** (€ thousand) | **Other fin. assets** | **Trade recs.** | **Current financial receivables** | **Other current recs.** | **Non-current employee provisions** | **Non-current debt** | **Other non-current liabilities** | **Trade pays.** | **Current debt** | **Other debt** |
|---|---|---|---|---|---|---|---|---|---|---|
| Chrysler Group LLC | - | 379 | - | - | - | - | - | 1,311 | - | - |
| Ferrari S.p.A. | - | 159 | - | - | - | - | - | 5 | - | - |
| Fiat Group Automobiles S.p.A. | - | 724 | - | - | - | - | - | 180 | - | 6 |
| Fiat Finance S.p.A. | - | - | 58,281 | - | - | 1,400,000 | - | - | 1,266,774 | - |
| Fiat Group Marketing & C.C. S.p.A. | - | - | - | - | - | - | - | 1,683 | - | - |
| Fiat Servizi per l'Industria S.c.p.A. | - | - | - | - | - | - | - | 667 | - | - |
| Fiat Service S.p.A. | - | - | - | - | - | - | - | 267 | - | - |
| Fiat I.T.E.M. S.p.A. | - | - | - | - | - | - | - | 139 | - | - |
| Fiat Partecipazioni S.p.A. | - | 2 | - | - | - | - | - | 1,379 | - | - |
| Leasys S.p.A. | - | - | - | - | - | - | - | 302 | - | - |
| Maserati S.p.A. | - | 161 | - | - | - | - | - | - | - | - |
| Sirio S.c.p.A. | - | - | - | - | - | - | - | 124 | - | - |
| Other Group companies | - | 151 | - | - | - | - | - | 467 | - | - |
| IRES tax consolidation | - | - | - | 134,652 | - | - | - | - | - | 137,891 |
| VAT consolidation | - | - | - | - | - | - | - | - | | 205,989 |
| Financial guarantees | 12,035 | - | - | - | - | 12,035 | - | - | - | - |
| **Total Group companies** | **12,035** | **1,576** | **58,281** | **134,652** | **-** | **1,412,035** | **-** | **6,524** | **1,266,774** | **343,886** |
| Other related parties | - | 409 | - | 1,566 | 126,173 | - | - | 284 | - | 6,744 |
| **Total Group companies and other related parties** | **12,035** | **1,985** | **58,281** | **136,218** | **126,173** | **1,412,035** | **-** | **6,808** | **1,266,774** | **350,630** |
| Total | 12,109 | 4,756 | 58,281 | 302,707 | 140,851 | 1,412,035 | 17,165 | 17,301 | 1,294,074 | 364,460 |
| **% of total line item** | **99%** | **42%** | **100%** | **45%** | **90%** | **100%** | **0%** | **39%** | **98%** | **96%** |

Items arising from the domestic tax consolidation (see Notes 16 and 25) and the consolidated VAT settlement (see Note 25) are not reported in the above tables, as they do not represent actual commercial transactions between Group companies but relate only to the financial treatment provided under the Italian tax code for relationships between Italian Group companies and the tax authorities. Similarly, balances relating to financial guarantees (offsetting assets and liabilities) are not broken down by counterparty, as they only represent the present value of estimated fees to be earned in future years and are considered not material (see Notes 12 and 20). Details of the most significant transactions between Fiat S.p.A. and Group companies summarized in the above tables are as follows:

- services provided by Fiat S.p.A. and management personnel at various Group companies (Fiat Group Automobiles S.p.A., Magneti Marelli S.p.A., Ferrari S.p.A., Maserati S.p.A., Comau S.p.A., Teksid S.p.A., Fiat Services S.p.A. and other minor companies)
- lease of property or office space (to Fiat Finance S.p.A., Fiat Group Marketing & Corporate Communication S.p.A., Fiat Partecipazioni S.p.A., Fiat I.T.E.M. S.p.A. and other minor companies) and the recovery of directors' fees and expenses

- provision of sureties and other guarantees (see Note 26) on issues of bonds (Fiat Finance and Trade Ltd. S.A. and Fiat Finance North America Inc.), bank loans and credit facilities (Fiat Finance S.p.A., Fiat Automoveis S.A.- FIASA, Fiat Finance and Trade Ltd. S.A., Fiat Finance North America Inc. and other minor subsidiaries), property rental payments (Fiat Group Automobiles S.p.A. and its subsidiaries) and to tax authorities for Group company VAT credits
- management of current accounts, obtaining short-term and long-term loans and management of derivative financial instruments (Fiat Finance S.p.A.)
- purchases of administrative and tax consultancy services and related IT systems (Fiat Services S.p.A. and Fiat I.T.E.M. S.p.A.), public relations services (Fiat Group Marketing & Corporate Communication S.p.A.), personnel and other management services (Fiat Servizi per l'Industria S.c.p.A.), security services (Orione S.c.p.A. and Sirio S.c.p.A.), supervisory and internal audit services (Fiat China Business Co. Ltd., Fiat do Brasil S.A., Fiat Services Polska Sp. z o.o. and Fiat Finance et Service S.A.), vehicle leases (Leasys S.p.A.), management and maintenance services and office space (Fiat Partecipazioni S.p.A.) and expense recoveries

During 2013, intercompany transactions also related to management of the portfolio of investments in subsidiaries, whose effects on the Company's earnings and financial position were as described above, in particular:

- dividends received from investees (see Note 1)
- subscription to capital increases of €1,650 million for Fiat Group Automobiles S.p.A., €70 million for Editrice La Stampa S.p.A. and €18 million for Teksid Aluminum S.r.l. to strengthen their capital structure in consideration of their financial results (see Note 11)

Related-party transactions (as defined under IAS 24) not involving subsidiaries are reported above under "Other related parties". Those transactions essentially related to:

- personnel, internal audit, financial advisory and other services (to CNH Industrial Group companies)
- lease of office space (to CNH Industrial Group companies, Exor S.p.A., Fondazione Giovanni Agnelli and Giovanni Agnelli & C. S.a.p.az.) and cost charge-backs
- payment for services provided by management personnel from CNH Industrial Group companies, together with related cost charge-backs
- fees for the directors and statutory auditors of Fiat S.p.A., as well as the compensation component arising from stock option and stock grant plans for the Chief Executive Officer based on Fiat S.p.A. shares
- compensation due to Fiat S.p.A. executives with strategic responsibilities

Finally, there were also the following related party transactions described in more detail above:

- dividends received from Fiat Industrial S.p.A. (see Note 1)
- subscription to the capital increase of RCS MediaGroup S.p.A. (see Note 11)

## 30. Net financial position

Pursuant to Consob Communication of 28 July 2006 and in compliance with the CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses issued on 10 February 2005, the net financial position of Fiat S.p.A. at 31 December 2013 is as follows:

| (€ thousand) | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Cash and cash equivalents | 1,268 | 554 | 714 |
| Current financial receivables: | - | 58,281 | (58,281) |
| - from Group companies | - | 58,281 | (58,281) |
| - from third parties | - | - | - |
| Non-current debt: | (413,953) | (1,412,035) | 998,082 |
| - due to Group companies | (413,953) | (1,412,035) | 998,082 |
| - due to third parties | - | - | - |
| Current debt: | (3,780,428) | (1,294,074) | (2,486,354) |
| - due to Group companies | (3,755,742) | (1,266,774) | (2,488,968) |
| - due to third parties | (24,686) | (27,300) | 2,614 |
| **Net financial position** | **(4,193,113)** | **(2,647,274)** | **(1,545,839)** |
| - due to Group companies | (4,169,695) | (2,620,528) | (1,549,167) |
| - due to third parties | (23,418) | (26,746) | 3,328 |

## 31. Significant non-recurring transactions and unusual or abnormal transactions

During 2013, Fiat S.p.A. did not take part in any significant non-recurring transaction or unusual or abnormal transaction as defined in the Consob Communication of 28 July 2006.

## 32. Subsequent Events

- On January 1st, 2014, Fiat S.p.A. announced an agreement with the VEBA Trust, under which its wholly-owned subsidiary, Fiat North America LLC ("FNA"), would acquire all of the VEBA Trust's equity membership interests in Chrysler Group LLC ("Chrysler Group"), representing 41.5% of Chrysler Group. The transaction closed on 21 January 2014. In consideration for the sale of its membership interests in Chrysler Group, the VEBA Trust received an aggregate consideration of USD 3,650 million consisting of a special distribution paid from available cash on hand by Chrysler Group to its members, in an aggregate amount of USD 1,900 million (FNA directed its portion of the special distribution to the VEBA Trust as part of the purchase consideration) and a payment from FNA for the remainder of USD 1,750 million in cash purchase consideration to the VEBA Trust. Fiat funded the USD 1,750 million in cash from available cash on hand.

  Contemporaneously with the transactions described above, Chrysler and the UAW entered into a memorandum of understanding under the collective bargaining agreement with the UAW in which the UAW made commitments to continue to support Chrysler industrial operations and the further implementation of the Fiat-Chrysler Alliance, including to use its best efforts to cooperate in the continued roll-out of World Class Manufacturing, or WCM, programs, actively participate in benchmarking efforts associated with implementation of WCM programs across all Fiat-Chrysler manufacturing sites to ensure objective performance assessments and provide for proper application of WCM principles, and to actively assist in the achievement of the Group long-term business plan. In consideration of these commitments, Chrysler agreed to make payments to the VEBA Trust totaling USD 700 million to be paid in four equal annual installments. The initial payment of USD 175 million was made on 21 January 2014 and additional payments will be payable on each of the next three anniversaries of the initial payment.

- On January 10th, Standard & Poor's Ratings Services:
  - raised its ratings on Chrysler Group LLC, including the corporate credit rating, to 'BB-' from 'B+'. The outlook is stable.
  - confirmed its rating on Fiat S.p.A.'s long-term debt at 'BB-'. The short-term rating was confirmed at 'B'. The outlook remains stable.
- On January 29th, the Board of Directors of Fiat S.p.A. approved a corporate reorganization and the formation of Fiat Chrysler Automobiles ("FCA") as a fully-integrated global automaker. Following Fiat's acquisition of the minority equity interest in Chrysler Group LLC, previously held by the VEBA Trust, the Fiat Board of Directors reviewed options for the most appropriate governance and corporate structure. In order to establish a true peer to the major global automotive groups, in both scale and capital market appeal, the Board decided to establish Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent company of the Group.

  Under the proposal approved by the Fiat Board, Fiat shareholders will receive one FCA common share for each Fiat share held and the FCA common shares will be listed on the New York Stock Exchange (NYSE) with an additional listing on the *Mercato Telematico Azionario* (MTA) in Milan. It is intended that FCA will be resident for tax purposes in the United Kingdom, but this is not expected to affect the taxes payable by Group companies in the jurisdictions where their activities are carried out.
- On February 11th, Moody's Investors Service lowered Fiat S.p.A.'s Corporate Family Rating from 'Ba3' to 'B1' and consequently, in accordance with their methodology, ratings on the notes issued by Fiat Finance & Trade Ltd. S.A. and Fiat Finance North America Inc. were also lowered from 'B1' to 'B2'.

## List of equity investments with additional information required by Consob (Communication DEM/6064293 of 28 July 2006)

### Subsidiaries

| Company and registered office | Share Capital(*) (€) | Result for the latest financial year(*)(€) | Equity(*) (€) | % owned by Fiat S.p.A. | Number of shares | Book value (€) |
|---|---|---|---|---|---|---|
| **Fiat Group Automobiles S.p.A.** – Turin | | | | | | |
| At 31.12.12 | 770,000,000 | (1,352,333,589) | 922,349,161 | 100.00 | 770,000,000 | 6,314,081,024 |
| contribution of investment in Fiat Partecipazioni S.p.A. (now FGA Real Estate Services S.p.A.) | | | | | 30,000,000 | 424,890,031 |
| capital contribution | | | | | | 1,650,000,000 |
| **At 31.12.13** | **800,000,000** | **(1,707,121,518)** | **1,293,227,642** | **100.00** | **800,000,000** | **8,388,971,055** |
| **Ferrari S.p.A.** – Modena | | | | | | |
| At 31.12.12 | 20,260,000 | 227,030,630 | 891,966,680 | 90.00 | 7,293,600 | 1,187,634,587 |
| **At 31.12.13** | **20,260,000** | **211,659,993** | **1,103,626,673** | **90.00** | **7,293,600** | **1,187,634,587** |
| **Maserati S.p.A.** – Modena | | | | | | |
| At 31.12.12 | 40,000,000 | (55,558,032) | 226,494,668 | 100.00 | 40,000,000 | 353,798,379 |
| **At 31.12.13** | **40,000,000** | **29,666,360** | **256,161,028** | **100.00** | **40,000,000** | **353,798,379** |
| **Magneti Marelli S.p.A.** – Corbetta | | | | | | |
| At 31.12.12 | 254,325,965 | (8,701,516) | 369,993,650 | 99.99 | 254,301,607 | 611,854,217 |
| **Ordinary shares** | | | | | | |
| At 31.12.12 | | | | 100.00 | 250,500,601 | 602,696,271 |
| **At 31.12.13** | | | | **100.00** | **250,500,601** | **602,696,271** |
| **Preference shares** | | | | | | |
| At 31.12.12 | | | | 99.36 | 3,801,006 | 9,157,946 |
| **At 31.12.13** | | | | **99.36** | **3,801,006** | **9,157,946** |
| **At 31.12.13** | **254,325,965** | **10,178,998** | **380,172,648** | **99.99** | **254,301,607** | **611,854,217** |
| **Teksid S.p.A.** – Turin | | | | | | |
| At 31.12.12 | 71,403,261 | 13,141,810 | 175,279,575 | 84.79 | 60,543,388 | 76,083,758 |
| **At 31.12.13** | **71,403,261** | **(58,154,934)** | **110,924,640** | **84.79** | **60,543,388** | **76,083,758** |
| **Teksid Aluminum S.r.l.** – Carmagnola | | | | | | |
| At 31.12.12 | 5,000,000 | (14,941,773) | 10,693,089 | 100.00 | | 31,192,021 |
| capital contribution | | | | | | 18,000,000 |
| impairment | | | | | | (17,100,000) |
| **At 31.12.13** | **5,000,000** | **(14,978,006)** | **13,715,083** | **100.00** | | **32,092,021** |
| **Comau S.p.A.** – Grugliasco | | | | | | |
| At 31.12.12 | 48,013,959 | 9,418,342 | 82,133,391 | 100.00 | 48,013,959 | 97,850,496 |
| **At 31.12.13** | **48,013,959** | **7,798,093** | **89,931,484** | **100.00** | **48,013,959** | **97,850,496** |
| **Fiat Partecipazioni S.p.A.** – Turin (formerly Fiat Gestione Partecipazioni S.p.A.) | | | | | | |
| At 31.12.12 | 614,071,587 | 53,011,259 | 1,416,453,658 | 100.00 | 614,071,587 | 1,867,982,264 |
| demerger of activities from Fiat Partecipazioni S.p.A. and transfer to Fiat Gestione Partecipazioni S.p.A. | | | | | | 992,306 |
| impairment | | | | | | (465,300,000) |
| **At 31.12.13** | **614,071,587** | **17,666,618** | **935,653,254** | **100.00** | **614,071,587** | **1,403,674,570** |

(*) *Figures taken from the separate financial statements of the subsidiaries.*
***% owned by Fiat S.p.A.***
*Any indirect interest in the ordinary share capital of subsidiaries is also indicated.*

## List of equity investments (continued)

### Subsidiaries

| Company and registered office | Share Capital(*) (€) | Result for the latest financial year(*) (€) | Equity(*) (€) | % owned by Fiat S.p.A. | Number of shares | Book value (€) |
|---|---|---|---|---|---|---|
| **Fiat Finance S.p.A.** – Turin | | | | | | |
| At 31.12.12 | 224,440,000 | 24,449,968 | 269,034,782 | 100.00 | 224,440,000 | 222,262,897 |
| **At 31.12.13** | **224,440,000** | **10,514,076** | **256,053,197** | **100.00** | **224,440,000** | **222,262,897** |
| **Fiat Finance and Trade Ltd S.A.** – Luxembourg | | | | | | |
| At 31.12.12 | 251,494,000 | 1,216,507 | 288,693,442 | 40.00 | 5,366 | 115,500,000 |
| **At 31.12.13** | **251,494,000** | **1,145,705** | **289,839,146** | **40.00** | **5,366** | **115,500,000** |
| | | | | **+60.00** | **ind.** | |
| **Editrice La Stampa S.p.A.** – Turin | | | | | | |
| At 31.12.12 | 5,700,000 | (26,956,408) | 15,503,171 | 100.00 | 5,700,000 | 57,424,105 |
| capital contribution | | | | | | 70,000,000 |
| **At 31.12.13** | **5,700,000** | **(66,330,808)** | **19,172,363** | **100.00** | **5,700,000** | **127,424,105** |
| **Fiat U.S.A. Inc.** – New York (USA) | | | | | | |
| At 31.12.12 | 12,755,798 | (79,746) | 25,821,058 | 100.00 | 1,000 | 27,257,726 |
| USD | 16,830,000 | (105,217) | 34,068,305 | | | |
| **At 31.12.13** | **12,203,611** | **(99,128)** | **24,604,161** | **100.00** | **1,000** | **27,257,726** |
| **USD** | **16,830,000** | **(136,707)** | **33,931,598** | | | |
| **New Business Netherlands N.V.** – Amsterdam (The Netherlands) | | | | | | |
| capital subscription | | | | | | 50,000 |
| **At 31.12.13** | **50,000** | **(17,468)** | **32,532** | **100.00** | **5,000,000** | **50,000** |
| **New Business 29 S.c.r.l.** – Turin | | | | | | |
| purchase | | | | | | 7,839 |
| **At 31.12.13** | **50,000** | **(14,120)** | **32,507** | **20.00** | | **7,839** |
| | | | | **+80.00** | **ind.** | |
| **Fiat Servizi per l'Industria S.c.p.A.** – Turin | | | | | | |
| At 31.12.12 | 1,652,669 | 279,799 | 4,391,062 | 5.00 | 82,633 | 70,720 |
| **At 31.12.13** | **1,652,669** | **128,089** | **4,519,151** | **5.00** | **82,633** | **70,720** |
| | | | | **+86.00** | **ind.** | |
| **Orione S.c.p.A. - Società Industriale per la Sicurezza e la Vigilanza Consortile per Azioni** – Turin | | | | | | |
| At 31.12.12 | 120,000 | 196,956 | 1,009,405 | 18.00 | 21,603 | 21,108 |
| **At 31.12.13** | **120,000** | **167,276** | **1,176,681** | **18.00** | **21,603** | **21,108** |
| | | | | **+79.58** | **ind.** | |
| **SIRIO - Sicurezza Industriale Società consortile per Azioni** – Turin | | | | | | |
| At 31.12.12 | 120,000 | 1,760,933 | 6,150,714 | 0.75 | 901 | 764 |
| **At 31.12.13** | **120,000** | **198,835** | **6,349,549** | **0.75** | **901** | **764** |
| | | | | **+85.92** | **ind.** | |
| **Total subsidiaries** | | | | | | **12,644,554,242** |

(*) *Figures taken from the separate financial statements of the subsidiaries.*
***% owned by Fiat S.p.A.***
*Any indirect interest in the ordinary share capital of subsidiaries is also indicated.*

## List of equity investments with additional information required by Consob (Communication DEM/6064293 of 28 July 2006)

### Associate companies

| Company and registered office | Share Capital(*) (€) | Result for the latest financial year(*)(€) | Equity(*) (€) | % owned by Fiat S.p.A. | Number of shares | Book value (€) |
|---|---|---|---|---|---|---|
| **RCS MediaGroup S.p.A.** – Milan | | | | | | |
| At 31.12.12 | 762,019,050 | (112,771,537) | 1,051,425,837 | 10.09 | 76,907,627 | 96,519,440 |
| subscription to capital increase (including additional rights purchased) | | | | | | 94,391,801 |
| impairment | | | | | | (74,000,000) |
| **At 31.12.13** | **762,019,050** | **(494,735,467)** | **215,511,645** | **16.41** | **87,327,360** | **116,911,241** |
| **Total associate companies** | | | | | | **116,911,241** |

(*) *Based on figures reported in separate financial statements at 31 December 2011 and 2012.*

**Other companies**

| Company and registered office | % owned by Fiat S.p.A. | Number of shares | Book value (€) |
|---|---|---|---|
| **CNH Industrial N.V.** – Amsterdam (The Netherlands) (formerly Fiat Industrial S.p.A. – Turin) | | | |
| At 31.12.12 | 2.80 | 34,216,027 | 282,453,303 |
| sale of Fiat Industrial S.p.A. (now CNH Industrial N.V.) ordinary shares following exercise of stock options under the November 2006 plan for managers | | (285,000) | (2,565,000) |
| purchase | | 76,623 | 681,715 |
| fair value adjustment | | | 1,183,362 |
| **At 31.12.13 (*)** | **2.52** | **34,007,650** | **281,753,380** |
| **Assicurazioni Generali S.p.A.** – Trieste | | | |
| At 31.12.12 | 0.01 | 187,710 | 2,579,135 |
| fair value adjustment | | | 630,706 |
| **At 31.12.13** | **0.01** | **187,710** | **3,209,841** |
| **Fin. Priv. S.r.l.** – Milan | | | |
| At 31.12.12 | 14.29 | | 10,248,880 |
| fair value adjustment | | | 3,386,876 |
| **At 31.12.13** | **14.29** | | **13,635,756** |
| **Consorzio Lingotto** – Turin | | | |
| At 31.12.12 | 5.40 | | 279 |
| **At 31.12.13** | **5.40** | | **279** |
| **Total other companies** | | | **298,599,256** |

(*) *Common shares held. Percentage of voting rights held is 3.72%.*

27 February 2014

*On behalf of the Board of Directors*

/s/ John Elkann

John Elkann

CHAIRMAN

# Appendix - Information required

## under Article 149-*duodecies* of the “Regolamento Emittenti” issued by Consob

The following table, prepared in accordance with Article 149-*duodecies* of the “Regolamento Emittenti” issued by Consob, reports fees charged for 2013 for audit and other services provided by the independent auditors and entities in their network.

| (€ thousand) | Service Provider | 2013 Fees |
|---|---|---|
| **Audit** | Reconta Ernst & Young S.p.A. | 117 |
| **Attestation** | Reconta Ernst & Young S.p.A.[1] | 680 |
| **Other services** | Reconta Ernst & Young S.p.A.[2] | 318 |
| **Total** | | **1,115** |

[1] *Attestation related to review of system of Internal Control over Financial Reporting (ICFR).*
[2] *Analysis of accounting treatment for investment transactions, analysis of system of Internal Control over Financial Reporting, review activities relating to available liquidity of Group as requested by Consob.*

# Attestation of the Statutory Financial Statements under Article 154-*bis* of Legislative Decree 58/98

1. The undersigned, Sergio Marchionne, in his capacity as the Chief Executive Officer of the Company, and Richard Palmer, as the executive officer responsible for the preparation of the Company's financial statements pursuant to the provisions of Article 154-*bis* (3) and (4) of Legislative Decree 58 of 1998, hereby attest to

   - the adequacy with respect to the Company structure,
   - and the effective application,

   of the administrative and accounting procedures applied in the preparation of the Company's statutory financial statements at 31 December 2013.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2013 was based on a process defined by Fiat in accordance with the Internal Control – *Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission,* an internationally-accepted reference framework.

3. The undersigned moreover attest that:

   3.1 the statutory financial statements at 31 December 2013:

   a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Council, dated 19 July 2002;

   b) correspond to the amounts shown in the Company's accounts, books and records; and

   c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of 31 December 2013 and for the year then ended.

   3.2 The report on operations includes a reliable operating and financial review of the Company, as well as a description of the main risks and uncertainties to which it is exposed.

27 February 2014

/s/ Sergio Marchionne

Sergio Marchionne
CHIEF EXECUTIVE OFFICER

/s/ Richard Palmer

Richard Palmer
EXECUTIVE OFFICER RESPONSIBLE FOR PREPARATION OF THE COMPANY'S FINANCIAL STATEMENTS

5

# Auditors' Reports and Motions for AGM

Reports of the Independent Auditors .... 340

Reports of the Board of Statutory Auditors .... 344

Motions for AGM .... 349

# Consolidated Financial Statements at December 31, 2013 Independent Auditors’ Report

## pursuant to Articles 14 and 16 of Legislative Decree n. 39 dated January 27, 2010

**To the Shareholders of Fiat S.p.A.**

1. We have audited the consolidated financial statements of Fiat S.p.A. and its subsidiaries (the “Fiat Group”) as of and for the year ended December 31, 2013, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Fiat S.p.A.’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the comparative data related to the consolidated financial statements of the prior year and the statement of financial position at January 1, 2012, derived from the consolidated financial statements at December 31, 2011, all restated as a result of the retrospective application of the amendment to IAS 19, as described in the related explanatory notes, reference should be made, respectively, to our report issued on February 25, 2013 and to the report of other auditors issued on February 27, 2012. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purposes of issuing this opinion.

3. In our opinion, the consolidated financial statements of the Fiat Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Fiat Group for the year then ended.

4. The management of Fiat S.p.A. is responsible for the preparation of the Report on Operations and the Annual Report on Corporate Governance, published in the section "Corporate Governance" of Fiat S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance, are consistent with the consolidated financial statements of the Fiat Group as of December 31, 2013.

Turin, March 4, 2014

RECONTA ERNST & YOUNG S.P.A.

Signed by

Felice Persico

(Partner)

*This report has been translated into the English language solely for the convenience of international readers*

# Statutory Financial Statements at December 31, 2013 Independent Auditors' Report

## pursuant to Articles 14 and 16 of Legislative Decree n. 39 dated January 27, 2010

**To the Shareholders of Fiat S.p.A.**

1. We have audited the financial statements of Fiat S.p.A. as of and for the year ended December 31, 2013, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Fiat S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the comparative data related to the financial statements of the prior year and the statement of financial position at January 1, 2012, derived from the financial statements at December 31, 2011, all restated as a result of the retrospective application of the amendment to IAS 19, as described in the related explanatory notes, reference should be made, respectively, to our report issued on February 25, 2013 and to the report of other auditors issued on February 27, 2012. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purposes of issuing this opinion.

3. In our opinion, the financial statements of Fiat S.p.A. at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Fiat S.p.A. for the year then ended.

4. The management of Fiat S.p.A. is responsible for the preparation of the Report on Operations and the Annual Report on Corporate Governance, published in the section "Corporate Governance" of Fiat S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Annual Report on Corporate Governance, are consistent with the financial statements of Fiat S.p.A. as of December 31, 2013.

Turin, March 4, 2014

RECONTA ERNST & YOUNG S.P.A.

Signed by

Felice Persico

(Partner)

*This report has been translated into the English language solely for the convenience of international readers*

# Report of the Board of Statutory Auditors on the Consolidated Financial Statements

Shareholders,

The Fiat S.p.A. 2013 consolidated financial statements presented to you report a net profit of €1,951 million, of which €1,047 million is attributable to non-controlling interests. The financial statements were provided to us by the statutory deadline, together with the report on operations, and have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and Italian regulations issued pursuant to Article 9 of Legislative Decree 38/2005.

The audit conducted by Reconta Ernst & Young S.p.A., the independent auditors, led to their opinion that:

*"the consolidated financial statements of the Fiat Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Fiat Group for the year then ended."*

The audit report also stated that:

*"In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Annual Report on Corporate Governance, are consistent with the consolidated financial statements of the Fiat Group as of December 31, 2013."*

In application of Article 41 (3) of Legislative Decree 127/1991, the Board of Statutory Auditors did not review that information or the consolidated financial statements, except as specified below.

Determination of the scope of consolidation, and the methods and procedures applied for consolidation of investees conform to the requirements of IFRS. The structure of the consolidated financial statements can therefore be considered technically correct and consistent overall with those standards.

The report on operations adequately represents the operating and financial performance of the Group for 2013, as well as events occurring subsequent to year end relevant to the consolidated group. Based on the examination conducted, we found the report to be consistent with the consolidated financial statements.

Turin, 4 March 2014

**The Statutory Auditors**

| | |
|---|---|
| **Ignazio Carbone** | /s/ Ignazio Carbone |
| **Lionello Jona Celesia** | /s/ Lionello Jona Celesia |
| **Piero Locatelli** | /s/ Piero Locatelli |

# Report of the Board of Statutory Auditors to Shareholders

Shareholders,

Article 153 of Legislative Decree 58/1998 requires that the Board of Statutory Auditors report to shareholders on its activities at the General Meeting called for approval of the statutory financial statements, indicating any omissions or improper transactions that have come to its attention, and grants it the authority to submit proposals to shareholders relating to the financial statements, their approval and other matters for which it has responsibility.

This Report fulfills those requirements and the provisions of Article 2429 (2) of the Civil Code and is based on the activities carried out during the year in fulfillment of our responsibilities under Article 149 of Legislative Decree 58/1998.

We attended meetings of the Board of Directors at which we were informed on activities and transactions approved by the Board and carried out by the Company and/or its subsidiaries that had a significant impact on the financial statements.

On the basis of the information received, we ascertained that those transactions complied with the applicable provisions of law and the By-laws, were not in conflict with any resolutions adopted by shareholders and were consistent with management best practice.

The organizational structure appears to us to be adequate in relation to the size of the Company and we had extensive access to information, including meetings with heads of various central functions and representatives of the Independent Auditors, enabling us to confirm the application of management best practice.

A group-wide internal control system, which is subject to constant revision, is in place both for Fiat S.p.A. and subsidiaries.

We evaluated and monitored the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter in providing a fair presentation of operations, through: i) examination of the Compliance Officer's reports on the Internal Control System; ii) an examination of the reports from Internal Audit, in addition to information on its monitoring of the implementation of corrective measures resulting from the audit activities; iii) information from the heads of the respective functions; iv) an examination of corporate documents and results of the audit work carried out by the Independent Auditors; v) interaction with management and the statutory and independent auditors of the principal and most significant subsidiaries, pursuant to Article 151 (1) & (2) of Legislative Decree 58/1998; vi) participation in the activities of the Internal Control and Risk Committee, a Board Committee composed of three independent directors. Participation in those activities also enabled the Statutory Auditors to coordinate with the Committee in relation to their role as committee for Internal Control and Audit, pursuant to Article 19 of Legislative Decree 39/2010, entailing, in particular, oversight of:

- the financial reporting process
- the effectiveness of the systems of internal control, internal audit and risk management
- the independent audits of the annual statutory and consolidated financial statements

- aspects relative to the independence of the audit firm, with particular reference to non-audit services provided to the audited entity. Accordingly, we note that on 28 February 2014, we received a communication from Reconta Ernst & Young S.p.A. – with whom there was a regular exchange of information – stating that, in addition to the audit of the statutory and consolidated financial statements, limited audits of the half-year financial report, and agreed upon procedures for audit of the quarterly reports, Fiat had also engaged the firm to provide the following services:
  - audit of the system of internal control over Fiat Group's financial reporting ("ICFR") for the 2013 financial year – fees totaling €680,000
  - procedures relating to analysis of the system of internal control over financial reporting as it relates to the new GRC system – fees totaling €175,000
  - verification procedures relative to Available Liquidity reported at 30 September 2012 – fees totaling €100,000
  - analysis of accounting solutions under consideration by the Company in relation to intended investment transactions – fees totaling €43,000

No other work was performed or fee charged to Fiat S.p.A. by Reconta Ernst & Young S.p.A. or other entities in the Ernst & Young network.

On 4 March 2014, Reconta Ernst & Young S.p.A. presented a report pursuant to Article 19 (3) of Legislative Decree 39/2010 in which it communicated that no material issues had emerged during the audit process and no significant failings had been identified in the system of internal control over financial reporting.

On the basis of activities carried out, the Statutory Auditors found Fiat's internal control system to be adequate overall and noted, in their role as committee for Internal Control and Audit, that no issues had arisen requiring notification to shareholders.

The guidelines provided by Fiat S.p.A. to its subsidiaries pursuant to Article 114 (2) of Legislative Decree 58/1998 also appear to be adequate.

With reference to Article 36 of the Market Regulations issued by Consob, which relates to material subsidiaries incorporated in and subject to the laws of a non-EU member state, we report that at 31 December 2013 the companies to which that provision applies are included among those companies considered relevant for the purposes of Fiat's system of internal control over financial reporting, in relation to which no failings were reported.

The Board of Directors provided us with its report on operations for the first half of the year by the statutory deadline and published it in accordance with the Consob requirements. It also complied with the legal requirement for quarterly reports. With regard to Consob communications, for those matters under our responsibility, we confirm that:

- the information provided by Directors in the report on operations is comprehensive and complete
- as required by Legislative Decree 58/1998, we have been informed on a constant basis on matters under our responsibility
- no third party, related party or intercompany transactions which were atypical and/or unusual, as defined in the Consob Communication of 28 July 2006, emerged in the course of our periodic checks and audits
- with regard to intercompany transactions, in the Notes to the Financial Statements the Board of Directors reports that there were numerous transactions involving the sale of goods and services between the Company and other Group companies and related parties, and confirms that they took place at standard market terms for the nature of goods and services concerned. We confirm that from 1 January 2011 the Company implemented the "Procedures for Transactions with Related Parties", pursuant to Consob Regulation 17221 of 12 March 2010 (as amended) and the Consob Communication of 24 September 2010, whose guidelines were adopted by the Board of Directors on 21 October 2010
- no issues requiring mention arose from meetings conducted with management and the statutory and independent auditors of the principal subsidiaries

- we have reviewed and obtained information on the organizational and procedural measures implemented pursuant to and for the effects of Legislative Decree 231/2001, as amended, and on the liability of legal persons for the offenses addressed therein. No significant issues requiring mention arose from the reports of the Compliance Program Supervisory Body on activities carried out during 2013 or meetings conducted between that body and the Board of Statutory Auditors
- no significant issues arose during meetings held with the Independent Auditors pursuant to Article 150 of Legislative Decree 58/1998
- the report of the Independent Auditors Reconta Ernst & Young S.p.A, issued on 4 March 2014, contains no qualifications or emphasis paragraphs
- in compliance with Article 149 (1)(c-*bis*) of Legislative Decree 58/1998, we acknowledge the affirmation of the Directors in the Annual Report on Corporate Governance, as confirmed by the Board resolution of 22 February 2012, that:

  "Fiat Group adheres to the Corporate Governance Code for Italian Listed Companies issued in December 2011, with modifications that take into account the specific characteristics of the Group." The above is discussed in detail in the Annual Report on Corporate Governance (February 2014) prepared by the Board of Directors, which is available for your review.

During the year, the Board of Statutory Auditors actively followed the activities carried out by Reconta Ernst & Young S.p.A. in relation to monitoring the Group's liquidity.

The Board of Statutory Auditors focused on the most significant aspects of the Fiat-Chrysler agreements, including reviewing the Master Transaction Agreement with the support of Fiat's legal department. In particular, the Board of Statutory Auditors was briefed on the procedures, terms and conditions for exercise of the various call options contained within those agreements.

During the year, the Board of Statutory Auditors received several complaints from shareholder Marco Bava, which he asserts are within the scope of "Article 2408 of the Civil Code".

In particular:

- during the Annual General Meeting on 9 April 2013, generic reference was made to an alleged mis-presentation of Net Financial Position in Fiat Group's 2012 consolidated financial statements. Irrespective of whether such complaint was within its remit, the Board of Statutory Auditors examined the facts and found no censurable acts, pursuant to Article 2408 of the Civil Code, or legal or regulatory violations.
- the exclusion (removal) of Mr. Bava from events organized by subsidiary companies which were by invitation only (29 October 2012: inauguration of new offices and museum for the newspaper *La Stampa*).

  In relation to that complaint, the Statutory Auditors responded in their report to shareholders at the General Meeting called for approval of the 2012 financial statements that, irrespective of whether that complaint was within its remit, they found no existence of censurable acts (Article 2408 of the Civil Code) or legal or regulatory violations.

In conclusion, we note that during the year, the Company verified the effective independence of the independent directors, and we confirm that the principles and procedures for verification were fairly applied in accordance with Article 3.c.5 of the Corporate Governance Code. We also confirmed our own continued independence as required under Article 8.c.1 of the Corporate Governance Code.

Based on the audits we performed in the areas under our responsibility, pursuant to Article 149 of Legislative Decree 58/1998, and in consideration of the information received from the Independent Auditors, we have verified that the statutory financial statements for the year ended 31 December 2013, which report a loss of €226,697,618, have been prepared and are presented in accordance with the applicable provisions of law.

In particular, we verified that none of the exemptions permitted under Article 2423 (4) of the Civil Code were exercised.

As part of the oversight activities described above, the Board of Statutory Auditors met a total of 18 times during 2013. In addition, the Board of Statutory Auditors was present at the 6 meetings of the Board of Directors and the 8 meetings of the Internal Control and Risk Committee, at which it also participated in its role as Internal Control and Audit Committee pursuant to Article 19 of Legislative Decree 39/2010.

On the basis of the control and oversight activities carried out during the year, we find nothing that would prevent approval of the statutory financial statements for the year ended 31 December 2013 or the motions put forward by the Board of Directors.

Turin, 4 March 2014

**The Statutory Auditors**

| | |
|---|---|
| **Ignazio Carbone** | /s/ Ignazio Carbone |
| **Lionello Jona Celesia** | /s/ Lionello Jona Celesia |
| **Piero Locatelli** | /s/ Piero Locatelli |

# Motion for Approval of the Statutory Financial Statements and Allocation of 2013 Net Result

Shareholders,

We hereby submit for your approval the Statutory Financial Statements for the year ended 31 December 2013, which report a net loss of €226,697,618. We propose that the loss be allocated to the Retained Profit reserve, bringing the value of the reserve to €1,537,084,936.

27 February 2014

*On behalf of the Board of Directors*

/s/ John Elkann

John Elkann

CHAIRMAN

# 2) Compensation and Own Shares

## a) Compensation Policy pursuant to Article 123-*ter* of Legislative Decree 58/98

Shareholders,

Pursuant to Article 123-*ter* of Legislative Decree 58/98, you are hereby asked to give your non-binding vote on the compensation policy adopted by the Company for members of the Board of Directors and executives with strategic responsibilities, in addition to the procedures for adoption and implementation.

Following are the Definitions and Section I of the Compensation Report – prepared in accordance with Annex 3A, Forms 7-*bis* and 7-*ter*, Consob Regulation 11971 of 14 May 1999 – that was published in accordance with legal requirements and is available on the corporate website www.fiatspa.com.

### "Definitions

| | |
|---|---|
| **Annual Total Direct Compensation** | means the sum of: *(i)* the gross annual fixed component of the compensation, *(ii)* the annual variable component that is based on the achievement of given target objectives, *(iii)* the annualized value of the medium-long term element of the variable component that is based on the achievement of medium-long term target-based objectives and/or long term commitment to the Company, including the granting of shares occurred during the year upon satisfaction of the vesting conditions of an equity incentive plan |
| **Board of Directors** | means the board of directors of the Company |
| **Board of Statutory Auditors** | means the board of statutory auditors of the Company |
| **CEO** | means the Chief Executive Officer of the Company, namely Mr. Sergio Marchionne |
| **Chief Human Resources Officer** | means the Chief Human Resources Officer of the Group |
| **Company** | means Fiat S.p.A. |
| **Compensation Committee** | means the Compensation Committee, entirely composed of independent directors, namely, as of the date of this Compensation Report: Mr. René Carron (as Chairman), Mr. Gian Maria Gros-Pietro and Ms. Patience Wheatcroft |
| **Compensation Policy** | means the compensation policy described in Section 1 of this Compensation Report |
| **Compensation Report** | means this compensation report prepared in accordance with article 123- *ter* of the Financial Act and Annex 3A, Forms 7-*bis* and 7-*ter,* of the Issuers' Regulation |
| **Corporate Governance Code** | means the Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana, to which the Company adheres |
| **EU Recommendations** | means the EU Recommendation 2004/913 and EU Recommendation 2009/385 |
| **Executive Directors** | means the directors granted by the Board of Directors with a special office and duties and namely Mr. John Elkann and Mr. Sergio Marchionne |
| **Executives with Strategic Responsibilities** | means the members of the Group Executive Council and other key corporate executives reporting to the CEO |
| **Financial Act** | means the Legislative Decree no. 58 of February 24, 1998 |
| **Group** | means the Company together with its subsidiaries |

| | |
|---|---|
| **Group Executive Council** | means the decision-making body which supports the CEO of the Company. The Group Executive Council is responsible for reviewing the operating performance of the businesses, setting performance targets, making key strategic and investment decisions for the Group and sharing best practice, including the development and deployment of managerial resources |
| **Issuers' Regulation** | means the CONSOB Regulation no. 11971 of May 14, 1999 |
| **LTI** | means the LTI Plan based on equity instruments approved by the shareholders' meeting of the Company on April 4, 2012 and described in the Report to the shareholders issued by the Company pursuant to Article 114-bis of the Financial Act |
| **Performance and Leadership Bonus Plan** | means the Group's annual short term incentive plan that is linked to both the achievement of key financial metrics of operating performance of the Group and individual performance and leadership contribution |
| **Related Parties Regulation** | means the CONSOB Regulation no. 17221 of March 10, 2010 |

## Section I

Section 1 of this Compensation Report is aimed to outline and describe: *(i)* the policy of the Company with respect to the compensation of members of the Board of Directors, members of the Board of Statutory Auditors and Executives with Strategic Responsibilities and *(ii)* the procedures followed in relation to the adoption and implementation of said policy (the "**Compensation Policy**").

The Compensation Policy conforms to the recommendations of the Corporate Governance Code. In particular, the Compensation Policy incorporates the recommendations contained in Article 6 of the Corporate Governance Code relating to compensation for members of the Board of Directors and Executives with Strategic Responsibilities.

The Compensation Policy also fulfils the requirements of the Procedures for Transactions with Related Parties adopted by the Group on November 17, 2010.

In accordance with the Corporate Governance Code, article 123-*ter* of the Financial Act and EU Recommendations, this Compensation Policy, which illustrates the policies and practices followed by the Company, was prepared for and approved for the first time by the Board of Directors in February 2012 and then approved by the shareholders' meeting of the Company. Similarly, the Compensation Policy was approved again by the Board of Directors in February 2013, and then approved by the shareholders' meeting on April 9, 2013. On February 27, 2014 the Board of Directors, with the concurring advice of the Compensation Committee, approved this Policy, which will be submitted for approval to the shareholders' meeting called to resolve also on the 2013 financial statements.

### A. Drafting, approval and implementation of the Compensation Policy

This Compensation Policy, to be submitted to the approval of the shareholders' meeting called to approve the 2013 financial statements, was adopted by the Board of Directors on February 27, 2014.

In addition to the Board of Directors, also the following corporate bodies and persons were involved in the drafting and approval of this Compensation Policy: the Compensation Committee, that on February 22, 2012 prepared and approved the guidelines and principles of this Compensation Policy to be submitted to the Board of Directors. The Compensation Committee reviewed again the Compensation Policy in February 2013 and in the meeting held on 27 February, 2014, during which the Compensation Committee was advised by the Chief Human Resources Officer on how the Compensation Policy had been implemented by the Company in its dealings with the Executive Directors and the Executives with Strategic Responsibilities.

The corporate bodies and persons responsible for the correct implementation of the Compensation Policy are the Compensation Committee, that shall monitor the application of the Compensation Policy with regard to Executive Directors and Executives with Strategic Responsibilities, having being advised by the Chief Human Resources Officer. On a yearly basis the Chief Human Resources Officer that reports to the Compensation Committee and advises such Committee on the implementation of the Compensation Policy in the previous financial year and the proposed changes for the upcoming financial year.

The table below summarizes the main roles and responsibilities for setting and governing compensation for participants covered under the Company's Compensation Policy:

| Participants covered | Who proposes / recommends | Who advises | Who approves | Shareholders' advisory voting rights ("Say on Pay") |
|---|---|---|---|---|
| Non - Executive Directors | Compensation Committee | Chief Human Resources Officer | Shareholders | Not applicable |
| Executive Directors | Compensation Committee | Chief Human Resources Officer | Directors, absent the Executive Directors | Yes |
| Executives with Strategic Responsibilities | Chief Human Resources Officer | Compensation Committee<br>Internal and external Executive Compensation experts | CEO | Yes |

## B. Role of the Compensation Committee

### *B.1 Composition of the Compensation Committee*

In 1999, the Board of Directors established the Nominating and Compensation Committee. The roles and requirements of such committee are constantly updated to reflect current best practice in corporate governance. On 24 July 2007, as part of the continuous review of the system of corporate governance and to better align itself with best international practice as well as the recommendations of the Corporate Governance Code, the Board passed a resolution to split the Nominating and Compensation Committee into the Compensation Committee and the Nominating and Corporate Governance Committee. In implementation of the most recent recommendations of the Corporate Governance Code, on 22 February 2012 the Board of Directors approved a revised charter of the Compensation Committee, which better details its activities.

The Chief Human Resources Officer attends the Compensation Committee's meetings; the chairman may invite other individuals to attend the meetings whenever their presence may help the Compensation Committee to perform its functions. The Compensation Committee may rely on the support of external advisors at the Company's expense.

As of the date of this Compensation Policy, the members of the Compensation Committee are: Mr. René Carron (as Chairman), Mr. Gian Maria Gros-Pietro and Ms. Patience Wheatcroft, all Non-Executive Directors and independent pursuant to article 148 of the Financial Act and article 3 of the Corporate Governance Code. All the members of the Compensation Committee have an adequate knowledge and experience in compensation and financial matters.

The Charter of the Compensation Committee is available on the Company's website: www.fiatspa.com.

*B.2 Role of the Compensation Committee*

On the basis of this Charter, as amended on February 22, 2012, the Compensation Committee is entrusted with the following duties:

(a) presenting proposals to the Board in relation to compensation policies for directors and executives with strategic responsibilities;

(b) presenting proposals to the Board in relation to individual compensation plans for the Chairman, Chief Executive Officer and other directors with specific responsibilities, as well as in relation to the establishment of performance targets for their variable compensation and, on an annual basis, verifying the level of achievement

(c) examining proposals from the Chief Executive Officer concerning compensation and performance evaluations for executives with strategic responsibilities

(d) periodically evaluating the adequacy, overall coherence and concrete application of compensation policies for directors and, on the basis of information provided by the Chief Executive Officer, for executives with strategic responsibilities

(e) carrying out the functions of the committee for transactions with related parties, where related to compensation

(f) examining specific issues relating to compensation when requested by the Board and providing recommendations.

With the adoption of the Procedures for Transactions with Related Parties – pursuant to the Related Parties Regulation – the Compensation Committee was assigned, exclusively with regard to matters related to compensation, responsibility for transactions with related parties. Accordingly, the Compensation Committee is required to give an opinion on the substantial and procedural fairness of compensation-related transactions with related parties that are of particular significance, as defined in those procedures.

*B.3 Activities carried out by the Compensation Committee in relation to the Compensation Policy*

As anticipated under Paragraph (A) above, the guidelines and principles of the Compensation Policy were prepared and approved for the first time by the Compensation Committee on February 22, 2012.

In the first months of 2012, the Compensation Committee met twice to perform the preliminary activities necessary to submit to the Board of Directors the proposal of an equity incentive plan (LTI).

During 2012, the Committee was advised by the Company's management on a benchmark analysis, carried out on a European basis and taking into particular consideration the forty most traded companies on the Milan Stock Exchange (which compose the so called FTSE-MIB Index), on the compensation of non- executive directors. On the basis also of this benchmark analysis, and with the aim to align the compensation of non-Executive Directors holding special offices on the average of the sample examined, the Board of Directors, based on the Compensation Committee proposal, approved to grant, pursuant to Article 2389 of the Italian Civil Code, a fixed compensation to the Directors who are also members of the Committees established by the Board (see also paragraph D3). The committee reviewed again the Compensation Policy in February 2013.

In accordance with the Procedures for Transactions with Related Parties, the Committee held a session on February 27, 2014 to examine the proposal of variable compensation of the CEO for 2013, proposing also the confirmation of fixed remuneration as determined in 2011.

On February 27 2014 the Compensation Committee reviewed and recommended for approval to the Board of Directors this Compensation Report.

**C. Role of the independent expert (if any)**

No independent expert was involved in the drafting of this Compensation Policy.

## D. Objectives and Principles of the Compensation Policy

### *D.1 Objectives*

The objective of the Compensation Policy is to ensure that the Group is adequately competitive, in each of the business sectors and geographic areas in which it operates, to be able to attract, develop and retain highly qualified executives with strong leadership through periodically established targets that are based on objective as well as generally applicable criteria.

In addition, the Compensation Policy seeks to incentivize individuals in key positions toward the achievement of Company and Group performance targets, maintaining the interests of management continuously aligned to those of shareholders.

### *D.2 Principles*

The principles and criteria applied in setting compensation for executive members of the Board of Directors, and Executives with Strategic Responsibilities are intended to ensure the Group has the ability to attract, retain and motivate individuals who have the professional skills and experience to achieve the best results in their respective areas of responsibility and take account of the impact of their role on the achievement of the Group's financial and strategic objectives. With that intent, the Compensation Policy is defined to align the interests of the Company's management with those of the Company's shareholders through the creation of a strong link between rewards and Company and/or individual performance.

In general, the fixed compensation component adequately compensates individuals for services performed even if the variable components, where established, are not received as a result of the performance targets set by the Board of Directors not being met. This is considered fundamental in discouraging behaviour that is oriented exclusively to short-term results and inconsistent with the target level of risk established by the Group.

Executive Directors and Executives with Strategic Responsibilities may also be eligible to receive variable compensation, either immediate or deferred, subject to the achievement of pre-established economic and financial performance targets.

In particular, variable compensation that is paid immediately is intended to incentivize individuals toward the achievement of the targets established in the annual budget and to reward the level of achievement or over-achievement of those targets.

Where used, deferred components of variable compensation, which are share-based, are designed to incentivize achievement of the targets referred to above, through an annual vesting mechanism, as well as enhancing medium to long-term retention and alignment with shareholder interests, objectives typical of such instruments.

### *D.3 Changes to the previous Compensation Policy*

The compensation policy described in this Report does not materially differ from that approved in 2012.

## E. Fixed and variable Components of the Compensation

### *E.1 Members of the Board of Directors*

With reference to the policies relating to fixed and variable components of the compensation, the Company distinguishes between Executive and non-Executive Directors.

With regard to non-Executive Directors with no specific additional responsibilities (including independent directors), the compensation consists of a fixed fee set by shareholders. Non-Executive Directors holding particular offices receive also additional compensation, as indicated below.

Since the shareholders meeting held on April 4, 2012, the fixed compensation of non-Executive Directors not holding particular offices has been determined in euro 50,000.

As mentioned above, in 2012 the Board of Directors, pursuant to Article 2389 third paragraph of the Italian Civil Code, resolved to grant to the non-Executive Directors who are also members of the Committees established by the Board the following annual fixed compensation:

- Chair of the Internal Control and Risk Committee: euro 30,000
- Members of Internal Control and Risk Committee: euro 20,000
- Chair of the other Committees: euro 20,000
- Members of the other Committees: euro 15,000.

With reference to the said resolution of the Board of Directors, the Compensation Committee conducted the preliminary advisory activities mentioned in paragraph B3 above.

In addition, non-Executive Directors are also refunded for expenses incurred in for the exercise of their office.

In accordance with EU Recommendations and article 6 of the Corporate Governance Code, non-Executive Directors are not eligible for any form of compensation tied to the achievement of financial targets or participation in any share-based compensation scheme of the Company.

As per Group policy, which reflected the common practice of the Italian market, the non-Executive Directors are not granted with any variable compensation.

With reference to Executive Directors, in addition to the compensation set by shareholders, they are granted individual compensation plans. In particular, at the time of their appointment or thereafter, the Compensation Committee proposes to the Board of Directors the remuneration package for Executive Directors or for directors holding special offices. On the basis of the above, the Board of Directors establishes – pursuant to article 2389, third paragraph, of the Italian Civil Code upon proposal of the Compensation Committee and following consultation with the Board of Statutory Auditors – fixed compensation for the Chairman and the CEO, and, in the case of Directors holding special offices in subsidiaries, approves the proposal to be submitted to the board of directors of the relevant subsidiary.

The model of delegation adopted by the Board, contemplates broad operating powers to the Chairman and the Chief Executive Officer by which they are authorized, separately and individually, to perform all ordinary and extraordinary acts that are consistent with the Company’s purpose and not reserved by law for, or otherwise delegated or assumed by, the Board of Directors itself. In practice, the Chairman has the role of coordination and strategic direction for the activities of the Board of Directors, while the Chief Executive Officer is responsible for the operational management of the Group.

Consistent with the above, the individual compensation plan applicable to the Chairman does not contemplate a variable compensation, while the CEO is also granted with variable compensation, which can be both monetary and equity based.

As a general principle, the remuneration package of the CEO consists, *inter alia*, of the following elements: *(i)* a gross annual fixed component; *(ii)* an annual variable cash component that is based on the achievement of pre-set business objectives; *(iii)* a medium-long term, variable equity component.

With regard to Directors holding special offices (such as Mr. Montezemolo, Chairman of Ferrari S.p.A.) the individual compensation plan contemplates *(i)* a gross annual fixed component; *(ii)* an annual variable cash component that is based on the achievement of pre-set business objectives.

In addition, upon proposal of the Compensation Committee, the Board of Directors retains authority to grant bonuses for specific transactions that are deemed exceptional in terms of strategic importance and effects on the results of the Company and/or the Group as well as to consider special circumstances in resolving on the variable component of the remuneration. The Compensation Committee and the Board of Directors evaluate and approve in advance, respectively, any further remuneration elements awarded to Directors for any other special offices granted thereto within the Boards of Directors of the Company's subsidiaries.

Payment of short-term variable compensation is subject to the level of achievement of specific Group performance targets established annually by the Board of Directors, based on the proposal of the Compensation Committee, that are concretely measurable and consistent with the targets provided for in the Business Plan. The variable component is subject to a maximum established with reference to gross annual fixed compensation. The Compensation Committee verifies – on a yearly basis – the Group's performance achievement of the performance objectives established for the previous year and makes its consequent recommendation to the Board of Directors. On such basis, the Board of Directors, after consultation with the Board of the Statutory Auditors, resolves on the variable compensation of Executive Directors.

With regard to the weight of fixed and variable components of the compensation package, it should be noted that, on the basis of an international benchmarking, the individual compensation plan of the CEO is set on the basis of the following indicative criteria:

(a) the fixed component generally represents no more than 25-35% of the targeted Annual Total Direct Compensation;

(b) the annual incentive is determined as a percentage of the fixed salary (inclusive of remuneration received for other offices in other Group companies) depending on the level of achievement or over achievement of pre-set targets and represents generally not less than 100% of the fixed component in case of achievement of the targets. In any case, the maximum incentive cannot be 2.5 times greater than the gross annual fixed component;

(c) the medium/long term, variable, target-based annualized component generally represents at least 60% to 70% of the total variable component (targeted annual performance bonus and annualized value of LTI awards) of the targeted Annual Total Direct Compensation. Special retention awards of equity may make the annualized component even greater.

In addition in the past the Company granted to the CEO and certain Executives with Strategic Responsibilities stock options in accordance with the terms of certain share-based incentive plans approved between 2004 and 2012, which in certain cases allow shares to be purchased at a predetermined price (stock options) and in other cases provide for the granting of Fiat ordinary shares (stock grants). Details concerning such plans are available at the Company's website.

With regard to allowances in the event of resignation or termination as well as health and welfare benefits, including supplementary pension benefits, please refer to Paragraphs L and M below, respectively.

For information on the LTI Plan approved in 2012, please refer to the Report on such LTI Plan available on the Company's website, www.fiatspa.com.

### *E.2 Statutory Auditors*

Members of the Board of Statutory Auditors receive a fixed compensation, as established by shareholders. They are also entitled to reimbursement for any expenses occurred in relation to exercise of their office.

## *E.3 Executives with Strategic Responsibilites*

The same principles and criteria described above are applied to compensation for Executives with Strategic Responsibilities for the purpose of attracting, incentivizing and retaining highly-qualified personnel through compensation packages that are competitive with the market and recognize key attributes such as merit, demonstrated leadership and the impact of an individual's role on the achievement of Group financial targets.

The standard compensation structure for Executives with Strategic Responsibilities provides a fixed component as well as short and long-term variable components. As stated above, the fixed compensation component adequately compensates individuals for services performed even if the variable components are not received as a result of performance targets not being met.

The short-term variable component is subject to the achievement of financial targets established yearly and the amount determined in relation to the level of achievement or over-achievement of those targets, up to a maximum established in relation to the fixed component.

Following to the shareholders' approval of the LTI Plan on April 4, 2012, the long-term variable component consists of share-based incentive plans that link an appropriate portion of the variable component to the achievement of pre-established performance targets, that are concretely measurable and correlated to value creation for shareholders over the medium to long term. Payment of this compensation is deferred through the cliff vesting mechanism following the achievement of the established targets and satisfaction of the conditions for continued service. Another component is the Retention LTI, which is linked to the beneficiary's continuing professional relationship with the Group. The selection of the beneficiaries is attributed to the CEO. For more information on the LTI Plan, please refer to the *ad hoc* Resolution published pursuant to Article 114-bis of the Financial Act.

Given the changing organization and business environment since the approval of the LTI Plan, in 2013 the Company elected not to utilize the authorization contemplated by the LTI Plan regarding senior managers including Executives with Strategic Responsibilities and no LTI Plan awards were granted. The Group intends to propose an integrated Fiat-Chrysler long term incentive program applicable also to employees of Chrysler Group LLC and its subsidiaries, which would replace the LTI Plan (the LTI Plan is not applicable to the employees of Chrysler Group and its subsidiaries). At the appropriate time, the Company will submit such new plan for requisite approvals.

As a general principle, the remuneration package of Executives with Strategic Responsibilities consists, *inter alia*, of the following elements: *(i)* a gross annual fixed component; *(ii)* an annual variable cash component that is based on the achievement of pre-set business objectives; *(iii)* a medium-long term equity based variable component (which includes stock options mentioned in Paragraph E.1 above and the share-based incentives contemplated by the LTI Plan approved by the shareholders on April 4, 2012).

With regard to allowances in the event of resignation or termination as well as health and welfare benefits, including supplementary pension benefits, please refer to Paragraphs L and M below, respectively.

In addition, the CEO may grant discretionary bonuses to these managers for specific transactions that are deemed exceptional in terms of strategic importance and effects on the results of the Company and/or the Group.

When setting the compensation of Executives with Strategic Responsibilities, the CEO, on the basis of international benchmarking, considers the following indicative criteria:

(a) the fixed component generally represents no more than 50% of the targeted Annual Total Direct Compensation;

(b) the annual targeted incentive for Executives with Strategic Responsibilities represents not less than 40% of their fixed gross annual salary;

(c) the medium/long term, variable, target-based annualized component (Long Term Incentive Plans) generally represents at least 50% of the total variable component of the target-based Annual Total Direct Compensation.

### F. Non-monetary benefits

Executive Directors with specific functions may be granted health and welfare benefits, private use of transport means and discounts on the purchase of Group's products. For security reasons, Executive Directors must travel with means of transport owned, leased or procured by the Group. For the same reasons, the Group may also bear part of the costs related to personnel dedicated to the personal security of the Executive Directors. Executives with Strategic Responsibilities may be assigned with health and welfare benefits and company cars. Other benefits may be granted in particular circumstances.

### G. Targets for the assignment of variable Compensation

The standard compensation structure for Executive Directors and Executives with Strategic Responsibilities provides a fixed component as well as short and long-term variable components.

The short-term variable component is subject to the achievement of financial targets established yearly and the amount determined in relation to the level of achievement or over-achievement of those targets, up to a maximum established in relation to the fixed component.

With regard to the annual Performance and Leadership Bonus Plan, the relative metrics are set on the basis of annual budget. The short-term variable component of Executive Directors' compensation is determined on consolidated Group results, whereas, for Executives with Strategic Responsibilities, metrics are established on consolidated Group results and/or on each Executive's area of direct responsibility.

The Compensation Committee and Board of Directors will review any unusual items that occurred in the performance year to determine the appropriate overall measurement of achievement.

In any event the choice of metrics provides a natural balance in order to prevent short term oriented decisions not consistent with the level of risk deemed acceptable by the Group.

The intention with a the LTI Plan is to provide a long-term variable component consisting of a share-based incentive plan that links an appropriate portion of the variable component to the achievement of pre-established performance targets, that are concretely measurable and correlated to value creation for shareholders over the medium to long term. Please refer to Paragraph E above and to the Report published pursuant Article 114-bis of the Financial Act and available on the Company's website: www.fiatspa.com.

### H. Targets for the assignment of share-based incentive schemes

The LTI share-based Plan is envisaged for individuals at Group companies whose activities and leadership have a significant impact on the Group. This plan intends to incentivize individuals in key positions, including Executives with Strategic Responsibilities, toward the achievement of Company and Group performance targets through the alignment of medium to long-term incentives to value creation for shareholders.

For further information please refer to Paragraph E above, to the Report published pursuant Article 114-bis of the Financial Act and to the relevant Board's proposal to the shareholders, available on the Company's website: www.fiatspa.com.

### I. Consistency with the long-term interests of the Company and the Risk Management Policy

The long-term interests of the Company and the risk management policy of the Group are integral part of the Group's Internal Control System. The Compensation Policy has been prepared in full consistency with the Internal Control System of the Group. Please also refer to Paragraph D above.

### J. Vesting periods and deferral payment systems (if any)

Please refer to Paragraph H above.

### K. Time restrictions

The LTI Plan does not provide for any lock-up mechanism after the shares are granted to the beneficiaries. Trading of such shares is subject to the applicable laws and regulations. The rights granted under the LTI Plan will be non-transferable (except, once vested, in the event of death of the beneficiary).

### L. Cessation of office or termination of employment

The Board of Directors may also grant Executive Directors with specific functions with an allowance in the event of resignation or termination (regarding allowances granted in the previous years, please refer to Section II, Part I, (v) of this Report).

For Executives with Strategic Responsibilities post termination treatment consists in the relevant termination indemnity accruals set aside per collective bargaining agreements. Furthermore, in the case of dismissal under mutual agreement, the Group collective bargaining agreement in Italy provides pre-defined and nondiscretionary severance benefits for Executives covered by that agreement. Executives with Strategic Responsibilities whose professional relation with the Group is not governed by such collective bargaining agreement are covered by Group defined nondiscretionary severance programs.

Furthermore, the Company may enter into non-competition agreements with its members of the Board of Directors and Executives with Strategic Responsibilities and for specific and relevant professional roles of senior managers and executives, providing for payment of a fee in relation to the term and scope of the obligation resulting from the agreement itself. The obligation is referred to the industry in which the employer operates in at the time of the agreement and to its geographical scope. The scope of the obligation varies according to the individual's role at the time of execution of the agreement.

### M. Insurance, social security or pension coverage

The Board of Directors may also grant Executive Directors, with specific functions, with insurance policies covering accidental death, permanent disability and life insurance as well as with supplementary pension benefits.

### N. Other information

Please refer to Paragraph E.1 above.

### O. Reference to the compensation policy adopted by other Companies

The determination of compensation levels is based on continuous monitoring of levels for the market in general and for the sector, including benchmarking against groups of a comparable size, complexity and standing."

27 February 2014

*On behalf of the Board of Directors*

/s/ John Elkann

John Elkann

CHAIRMAN

## b) Authorization for the Purchase and Disposal of Own Shares

Shareholders,

On 9 April 2013, you renewed authorization for the purchase of shares – not to exceed the legally established percentage of share capital or an aggregate amount of €1.2 billion, inclusive of existing reserves for own shares held of €259 million. No shares were repurchased under that authorization with the exception of the 9,424 ordinary shares acquired from shareholders, which represented fractions of ordinary shares resulting from the mandatory conversion, based on the approved conversion ratios, of all preference and savings shares into ordinary shares in 2012. With the exception of those acquisitions, the most recent purchase of own shares was in June 2008, following which the Company's share buyback program was suspended.

Over the years, the Group has established stock grant and stock option plans based on the Company's own shares to incentivize the executive directors and managers having a significant influence on business results toward the achievement of Company and Group performance targets. For that purpose, on 2012 you approved a 3-year incentive plan based on the Company's shares and authorized the use of up to a maximum of 31,000,000 ordinary shares (of which 24 million of shares available for allocation to senior managers), in addition to the 16,920,000 shares necessary to service the incentive plans already existing at the time. Given the changing organization and business environment since the approval of the LTI Plan, in 2013 the Company elected not to utilize the authorization contemplated by the LTI Plan regarding senior managers including Executives with Strategic Responsibilities and no LTI Plan awards were granted. The Group intends to propose an integrated Fiat-Chrysler long term incentive program applicable also to employees of Chrysler Group LLC and its subsidiaries, which would replace the LTI Plan (the LTI Plan is not applicable to the employees of Chrysler Group and its subsidiaries). At 27 February 2014, the Company held 34,577,882 own shares, which are available to service those plans, corresponding to 2.76% of share capital, and the "Reserve for own shares" totaled €259 million. No other Group company holds Fiat S.p.A. shares.

To ensure coverage of the above share-based incentive plans established by the Company, in addition, more generally, to providing the Company a strategic investment opportunity for other purposes permitted by law, we propose that you renew the authorization for the Company to purchase and dispose of its own shares, in both cases either directly or through subsidiaries, to ensure a continuation of the necessary operating flexibility over an adequate time horizon and in consideration of the fact that the current authorization expires on 9 October 2014. Such authorization will be subject to the limits and procedures set out in the applicable provisions of the Civil Code, the provisions of Article 132 of Legislative Decree 58/1998 and Article 144-*bis* of the Consob Issuer Regulations, and other legal and regulatory provisions that apply.

Accordingly, we further propose that you revoke the previous resolution, for the part not already utilized at the date of the General Meeting, and authorize the purchase of own shares for a period of eighteen months and for an amount not to exceed the legally established percentage of share capital (at the current par value of €3.58 per share), inclusive of Fiat S.p.A. shares already owned by the Company and/or its subsidiaries.

The purchase price per share may not be more than a maximum of 10% higher or a minimum of 10% lower than the reference price reported by Borsa Italiana on the day prior to the purchase.

The Company intends to maintain reserves available for the purchase of a maximum aggregate amount of €1.2 billion, including existing reserves for own shares (totaling €259 million at 27 February 2014).

Purchases may be made on one or more occasions on regulated markets, in accordance with the terms and procedures established by Borsa Italiana and consistent with equality of treatment for all shareholders. Should the opportunity arise, purchases may also be made through a public tender offer, offer for exchange, or other permitted procedure.

We are also requesting authorization to dispose of own shares, directly or through subsidiaries, on one or more occasions, even if the total of approved purchases has not been made, without time limits or restraints and using procedures that best suit the interests of the Company, as permitted by law (including the transfer of rights related to the shares, such as, for example, stock lending). Own shares may be used to service existing incentive plans – as well as any additional plans that may be established by the Board in the future and subsequently submitted for the approval of Shareholders (based on the prices established at the time of granting) – in addition to all other purposes permitted by law.

27 February 2014

*On behalf of the Board of Directors*

/s/ John Elkann

John Elkann

CHAIRMAN

# Contacts


### Head Office

Via Nizza, 250 - 10126 Turin (Italy)
Tel. +39 011 00.61111
*website: www.fiatspa.com*

### Sustainability

Tel. +39 011 00.63908
*email: sustainability@fiatspa.com*

### Investor Relations

Tel. +39 011 00.62709
Fax +39 011 00.63796
*email: investor.relations@fiatspa.com*

### Press Office

Tel. +39 011 00.63088
Fax +39 011 00.62459
*email: mediarelations@fiatspa.com*

# Printing

This document is printed on eco-responsible CyclusPrint, a 100% recycled paper produced by Arjowiggins Graphic. The internal pages are printed on 100 gsm paper and the cover is 300 gsm.

RECYCLED
Paper made from recycled material
FSC® C007139

By using this paper, rather than a non-recycled paper, the environmental impact was reduced by:

| | | |
|---|---|---|
| 650 kg of landfill | 96 kg of $CO_2$ | 961 km travel in the average European car |
| 13,517 liters of water | 1,246 kWh of energy | 1,056 kg of wood |


**Graphic design and editorial coordination**
Sunday
Turin, Italy

**Printing**
Graf Art - Officine Grafiche Artistiche
Venaria (TO), Italy

**Printed in Italy**
March 2014

Fiat S.p.A.
Registered Office:
250 Via Nizza, Turin, ITALY
Share Capital: €4,477,645,702.34
Turin Companies Register/
Tax Code: 00469580013