BOARD REPORT

CERTAIN DEFINED TERMS

In this report, unless otherwise specified, the terms "we," "our," "us," the "Group," "Fiat Group," the "Company" and "FCA" refer to Fiat Chrysler Automobiles N.V., together with its subsidiaries and its predecessor prior to the completion of the merger of Fiat S.p.A. with and into Fiat Investments N.V. on October 12, 2014 (at which time Fiat Investments N.V. was renamed Fiat Chrysler Automobiles N.V., or FCA NV), the "Merger" or any one or more of them, as the context may require. References to "Fiat" refer solely to Fiat S.p.A., the predecessor of FCA NV prior to the Merger. Reference to "FCA US" refers to FCA US LLC, together with its direct and indirect subsidiaries.

SELECTED FINANCIAL DATA

The following tables set forth selected historical consolidated financial and other data of FCA and have been derived, in part, from:

- the Consolidated Financial Statements of FCA as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, included elsewhere in this report; and
- the Consolidated Financial Statements of FCA for the years ended December 31, 2013 and 2012, which are not included in this report.[1]

This data should be read in conjunction with *Risk Factors*, *Operating Results* and the Consolidated Financial Statements and related notes included elsewhere in this report.

(1) Refer to Note 2, Basis of Presentation - Reclassifications and adjustment, within the Consolidated Financial Statements included elsewhere in this report, for a discussion on the prior period adjustment affecting 2013.

Consolidated Income Statement Data

	Years ended December 31									
	2016		2015 (1)		2014 (1)		2013 (1)		2012(1)	
	(€ million, except per share amounts)									
Net revenues	€	111,018	€	110,595	€	93,640	€	84,530	€	81,665
Profit before taxes	€	3,106	€	259	€	783	€	649	€	1,190
Net profit from continuing operations (2)	€	1,814	€	93	€	359	€	2,050	€	661
Profit from discontinued operations, net of tax		—	€	284	€	273	€	243	€	235
Net profit (2)	€	1,814	€	377	€	632	€	2,293	€	896
Net profit attributable to:										
Owners of the parent (2)	*€*	*1,803*	*€*	*334*	*€*	*568*	*€*	*1,246*	*€*	*44*
Non-controlling interests	*€*	*11*	*€*	*43*	*€*	*64*	*€*	*1,047*	*€*	*852*
Earnings per share from continuing operations										
Basic earnings per share (2)	€	1.192	€	0.055	€	0.268	€	0.849	€	(0.132)
Diluted earnings per share (2)	€	1.181	€	0.055	€	0.265	€	0.840	€	(0.130)
Earnings per share from discontinued operations										
Basic earnings per share		—	€	0.166	€	0.197	€	0.176	€	0.168
Diluted earnings per share		—	€	0.166	€	0.195	€	0.174	€	0.166
Earnings per share from continuing and discontinued operations										
Basic earnings per share (2)	€	1.192	€	0.221	€	0.465	€	1.025	€	0.036
Diluted earnings per share (2)	€	1.181	€	0.221	€	0.460	€	1.014	€	0.036
Dividends paid per share(3)										
Ordinary share		—		—		—		—		—
Preference share(4)		—		—		—		—	€	0.217
Savings share(4)		—		—		—		—	€	0.217
Other Statistical Information (unaudited):										
Shipments (in thousands of units)		4,482		4,602		4,601		4,345		4,223
Number of employees at period end		234,499		238,162		232,165		229,053		218,311

(1) The operating results of FCA for the years ended December 31, 2014, 2013 and 2012 have been re-presented to exclude Ferrari following the classification of Ferrari as a discontinued operation for the year ended December 31, 2015; Ferrari operating results were excluded from the Group's continuing operations and are presented as a single line item within the Consolidated Income Statements for each of the years presented.

(2) Amounts for the year ended December 31, 2013 have been adjusted. Refer to Note 2, Basis of Preparation - Reclassifications and adjustment, within the Consolidated Financial Statements included elsewhere in this report, for a discussion of the prior period adjustment affecting these items.

(3) Dividends paid represent cash payments in the applicable year that generally relates to earnings of the previous year.

(4) *In accordance with the resolution adopted at the shareholders' meeting on April 4, 2012, Fiat's preference and savings shares were mandatorily converted into ordinary shares.*

Consolidated Statement of Financial Position Data

	At December 31,									
	2016		2015 (1)		2014		2013		2012	
	(€ million, except shares issued data)									
Cash and cash equivalents	€	17,318	€	20,662	€	22,840	€	19,455	€	17,666
Total assets (4)	€	104,343	€	105,753	€	101,149	€	87,543	€	82,633
Debt	€	24,048	€	27,786	€	33,724	€	30,283	€	28,303
Total equity (4)	€	19,353	€	16,968	€	14,377	€	12,913	€	8,369
Equity attributable to owners of the parent (4)	*€*	*19,168*	*€*	*16,805*	*€*	*14,064*	*€*	*8,655*	*€*	*6,187*
Non-controlling interests	*€*	*185*	*€*	*163*	*€*	*313*	*€*	*4,258*	*€*	*2,182*
Share capital	€	19	€	17	€	17	€	4,477	€	4,476
Shares issued (in thousands):										
Fiat S.p.A										
Ordinary		—		—		—		*1,250,688*		*1,250,403*
FCA										
Common(2)		*1,527,966*		*1,288,956*		*1,284,919*		—		—
Special Voting (3)		*408,942*		*408,942*		*408,942*		—		—

(1) The assets and liabilities of Ferrari were classified as Assets held for distribution and Liabilities held for distribution within the Consolidated Statement of Financial Position at December 31, 2015, while the assets and liabilities of Ferrari have not been classified as such within the comparative Consolidated Statements of Financial Position at December 31, 2014, 2013 and 2012.

(2) Book value per common share at December 31, 2016 was €12.06.

(3) Refer to Note 27, Equity, within our Consolidated Financial Statements included elsewhere in this report

(4) Amounts at December 31, 2015, 2014 and 2013 have been adjusted. Refer to Note 2, Basis of Preparation - Reclassifications and adjustment, for a discussion on the prior period adjustment affecting these items.

SUSTAINABLE VALUE FOR OUR SHAREHOLDERS

RESPONSIBLE MANAGEMENT ACROSS THE VALUE CHAIN

As a global group, FCA touches countless lives as it strives to chart a sustainable path for the future. Beginning with the highest level of management, every area of activity is involved in responsibly conducting operations in more than 140 countries where the Group has a presence or commercial relationship.

By managing its business responsibly, FCA can contribute to the transition to a circular economy that seeks to eliminate waste and promote product recovery and reuse. This approach takes on even greater importance in today's increasingly competitive landscape, where market conditions are challenging and customer tastes, trends and preferences are changing rapidly.

To ensure tangible long-term value is created for stakeholders, the Group targets:

- a governance model based on transparency and integrity
- safe and sustainable products
- a competitive product offering and innovative mobility solutions
- effective communication with consumers
- management and professional development of employees
- safe working conditions and respect for human rights
- mutually beneficial relationships with business partners and local communities
- responsible management of manufacturing and non-manufacturing processes to reduce impacts on the environment.

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.

SUSTAINABILITY LEADERSHIP

FCA's commitment to sustainability has received recognition at the global level from several leading organizations and indices.

In 2016, FCA was included in the prestigious Dow Jones Sustainability Index World for the eighth time and for the fifth consecutive year, was recognized by CDP as a leader for its commitment and results in addressing climate change. CDP is a not-for-profit organization that provides a global system for disclosure of environmental impacts. FCA was named to the Climate "A" List in the CDP Climate Change Program 2016. Only 9 percent of the corporations participating in this CDP program are named to the "A" List. This list has been produced at the request of 827 investors with assets of 100 trillion U.S. Dollars.

FCA is also a member of numerous other leading indices. These results place FCA firmly among the world's leading companies in terms of combined economic, environmental and social performance. Additional information is provided in the FCA 2016 Sustainability Report available on www.fcagroup.com.

RISK FACTORS

We face a variety of risks in our business. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of or that we currently believe to be immaterial, may also become important factors that affect us.

Risks Related to Our Business, Strategy and Operations

If our vehicle shipment volumes deteriorate, particularly shipments of our pickup trucks and larger sport utility vehicles in the U.S. retail market, our results of operations and financial condition will suffer.

As is typical for an automotive manufacturer, we have significant fixed costs and, therefore, changes in vehicle shipment volumes can have a disproportionately large effect on our profitability.

Further, our profitability in the U.S., Canada, Mexico and Caribbean islands ("NAFTA"), a region which contributed a majority of our profit in 2016, is particularly dependent on demand for our pickup trucks and larger sport utility vehicles. For example, our pickup truck and larger sport utility vehicles accounted for approximately 60 percent of our total U.S. retail vehicle shipments in 2016. A shift in consumer demand away from these vehicles within the NAFTA region, and towards compact and mid-size passenger cars, whether in response to higher fuel prices or other factors, could adversely affect our profitability.

Our dependence within the NAFTA region on pickup trucks and larger sport utility vehicles is increasing further as we implement our plan to shift production in that region away from compact and mid-size passenger cars. For additional information on factors affecting vehicle profitability.

Moreover, we tend to operate with negative working capital as we generally receive payment for vehicles within a few days of shipment, whereas there is a lag between the time when parts and materials are received from suppliers and when we pay for such parts and materials; therefore, if our vehicle shipments decline we will suffer a significant negative impact on cash flow and liquidity as we continue to pay suppliers during a period in which we receive reduced proceeds from vehicle shipments. If vehicle shipments decline, or if they were to fall short of our assumptions, due to recessionary conditions, changes in consumer confidence, geopolitical events, inability to produce sufficient quantities of certain vehicles, limited access to financing or other factors, such decline or shortfall could have a material adverse effect on our business, financial condition and results of operations.

Our businesses are affected by global financial markets and general economic and other conditions over which we have little or no control.

Our results of operations and financial position may be influenced by various macroeconomic factors within the various countries in which we operate 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, the rate of unemployment and foreign currency exchange rates.

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 us in any of the markets in which we operate.

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

We are subject to risks relating to international markets and exposure to changes in local conditions and trade policies, as well as economic, geopolitical or other events.

We are 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; and
- the introduction of more stringent laws and regulations.

Unfavorable developments in any one or a combination of these areas (which may vary from country to country) could have a material adverse effect on our business, financial condition and results of operations.

With the increasing interconnectedness of global economic and financial systems, a financial crisis, natural disaster, geopolitical crisis, or other significant event in one area of the world can have an immediate and devastating impact on markets around the world. For example, the financial crisis that began in the United States in 2008 quickly spread to other markets; natural disasters in Japan and Thailand during 2011 caused production interruptions and delays not just in Asia Pacific but other regions around the world; and episodes of increased geopolitical tensions or acts of terrorism have at times caused adverse reactions that may spread to economies around the globe.

For instance, in June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum, commonly referred to as “Brexit”, was advisory and the terms of any withdrawal are subject to a negotiation period that could last up to two years after the government of the United Kingdom formally initiates a withdrawal process, or longer if extended by mutual agreement. The referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, which is also subject to negotiation, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal, and in light of a recent U.K. Supreme Court decision requiring further action of the U.K. Parliament before beginning the process of leaving the European Union. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. If a country within the euro area were to default on its debt or withdraw from the euro currency, or, in a more extreme circumstance, the euro currency were to be dissolved entirely, the impact on markets around the world, and on the Company’s global business, could be immediate and significant.

In the United States, changes in policy positions by the new presidential administration may impact our business, in particular with respect to our production of vehicles outside the U.S. for import into the U.S., particularly from Canada, Mexico and Italy, and potential changes in tax laws that could adversely affect our U.S. operations. For example, we currently import heavy-duty pickup trucks into the U.S. which we assemble in Mexico. Any new policies and any steps we may take to address such new policies could have a material adverse effect on our business, financial condition and results of operations.

In addition, these developments have introduced an elevated level of economic and policy uncertainty, which could cause financial and capital markets within and outside the U.S. and Europe to constrict, thereby negatively impacting our ability to finance our business. It also could cause a substantial dip in consumer and business confidence and spending that could negatively impact sales of vehicles. Any one of these impacts could have a material adverse effect on our business, financial condition and results of operations.

We may be unsuccessful in efforts to expand the international reach of some of our brands that we believe have global appeal and reach.

The growth strategies reflected in our 2014-2018 Business Plan announced in May 2014 and updated in January 2016 (our “Business Plan”) include expanding global sales of the Jeep brand through localized production in Asia and Latin America, the launch of new large utility vehicle models in North America, the reintroduction in North America and expansion in Europe and Asia of our Alfa Romeo brand including the development of an all-new platform and new powertrains, as well as the further expansion of our Maserati brand portfolio to include the all-new Levante sport utility vehicle.

These strategies, particularly with respect to the Alfa Romeo brand, have required and will continue to require significant investments in products, powertrains, production facilities and distribution networks. If we are unable to introduce vehicles that appeal to consumers in these markets and achieve our brand expansion strategies, we may be unable to earn a sufficient return on these investments and this could have a material adverse effect on our business, financial condition and results of operations.

Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced greenhouse gas emissions, have a significant effect on how we do business and may adversely affect our results of operations.

In order to comply with government regulations related to fuel economy and emissions standards, we must devote significant financial and management resources, as well as vehicle engineering and design attention, to these legal requirements. We expect 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 consumers. For example, in December 2016, the U.S. Department of Transportation announced an increase in the penalty for noncompliance with fuel economy requirements, beginning with model year 2019 vehicles that are more than two and a half times the current penalty. This trend will have a material impact on our existing regulatory planning strategy, may affect the powertrain mix in the vehicles we produce and sell and could have a material adverse impact on our financial condition and results of operations.

Government and regulatory scrutiny of the automotive industry has also continued to intensify during the course of 2016, and is expected to remain high, particularly in light of recent regulatory actions related to diesel emissions involving a number of automakers. We have received inquiries from several regulatory authorities as they examine the on-road tailpipe emissions of several automakers' vehicles. We are, when jurisdictionally appropriate, cooperating with inquiries from several state agencies.

In particular, we have been working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union. We also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for our vehicles reported by KBA, and we discussed the KBA reported test results, our emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. The German Ministry of Transport and Digital Infrastructure ("BMVI"), which oversees the KBA then requested a mediation with the MIT under European Commission rules to resolve the differences. That mediation is ongoing. In addition, the French Ministry of Economy announced on February 7, 2017 that the French Consumer Protection Agency has requested the French public prosecutor to conduct a further investigation regarding whether the sale of our diesel vehicles violated French consumer protection laws, as it has done for other automakers' diesel vehicles. The results of these inquiries cannot be predicted at this time; however, the intervention by a number of governmental agencies and authorities has required significant management time, which may divert attention from other key aspects of our business plan, or may lead to further enforcement actions as well as obligations to modify or recall vehicles, any of which may have a material adverse effect on our business, results of operations and reputation.

On January 12, 2017, the U.S. Environmental Protection Agency ("EPA") and the California Air Resources Board ("CARB") each issued a notice of violation ("NOV") alleging that FCA US failed to disclose certain emissions control strategies in its application for certificates to permit the sale of model year 2014-2016 Jeep Grand Cherokee and Ram 1500 diesel vehicles. Approximately 104,000 of these vehicles were sold in the United States, of which approximately 14,000 were sold in California. The NOVs also state that the EPA and CARB are continuing to investigate whether any of these emissions control strategies are properly justified under the applicable regulations or constitute a "defeat device" as defined in the Clean Air Act.

Following the issuance of the NOVs, a number of civil lawsuits have been filed. We have also received various inquiries, subpoenas and requests for information from a number of governmental authorities, including the U.S. Department of Justice, the SEC and several states' attorneys general. We are investigating these matters and we intend to cooperate with all valid governmental requests.

We are currently unable to predict the outcome of any proceeding or investigation arising out of the NOVs or any related proceedings or investigation nor can we estimate a range of reasonably possible losses for the lawsuits and investigations because these matters involve significant uncertainties at these stages. Such investigations could result in the imposition of damages, fines or civil and criminal penalties. It is possible that the resolution of these matters may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles and could have a material adverse effect on our business, financial condition and results of operations.

Our success largely depends on the ability of our current management team to operate and manage effectively.

Our success largely depends on the ability of our senior executives and other members of management to effectively manage the Group and individual areas of the business. In particular, our Chief Executive Officer, Sergio Marchionne, is critical to the execution of our strategic direction and implementation of our Business Plan. Although Mr. Marchionne has indicated his intention to remain as our Chief Executive Officer through the period of our Business Plan, the loss of his services or those of any of our other senior executives or key employees could have a material adverse effect on our business prospects, earnings and financial position. We have developed succession plans that we believe are appropriate, although it is difficult to predict with any certainty that we will replace these individuals with persons of equivalent experience and capabilities. If we are unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, such inability could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to more intensive competition if other manufacturers pursue consolidations.

We have for some time advocated for consolidation in the automotive industry due to our view that our industry is characterized by significant duplication in product development costs, much of which does not drive consumer-perceived value. We believe that sharing product development costs among manufacturers, preferably through consolidation, will enable automakers to improve their return on capital employed for product development and manufacturing and enhance utilization of tooling, machinery and equipment. While we continue to implement our Business Plan, and we believe that our business will continue to grow and our operating margins will continue to improve, if our competitors are able to successfully integrate with one another and we are not successful with our own efforts to enhance collaboration or adapt effectively to increased competition, our competitors' integration could have a material adverse effect on our business, financial condition and results of operations.

Product recalls and warranty obligations may result in direct costs, and any resulting loss of vehicle sales could have material adverse effects on our business.

We, and the U.S. automotive industry in general, have experienced a significant increase in recall activity to address performance, compliance or safety-related issues. Our recent costs to recall vehicles have been significant and typically include the cost of replacement parts and labor to remove and replace parts. These costs substantially depend on the nature of the remedy and the number of vehicles affected, and may arise many years after a vehicle's sale. Product recalls may also harm our reputation, force us to halt the sale of certain vehicles and may cause consumers to question the safety or reliability of our products. Given the sustained high levels in both the cost and frequency of recall campaigns and intense regulatory activity across the automotive industry, ongoing compliance costs are expected to remain high.

Any costs incurred, or lost vehicle sales, resulting from product recalls could materially adversely affect our financial condition and results of operations. Moreover, if we face consumer complaints, or we receive information from vehicle rating services that calls into question the safety or reliability of one of our vehicles and we do not issue a recall, or if we do not do so on a timely basis, our reputation may also be harmed and we may lose future vehicle sales. We are also obligated under the terms of our warranty agreements to make repairs or replace parts in our vehicles at our expense for a specified period of time. Therefore, any failure rate that exceeds our assumptions could have a material adverse effect on our business, financial condition and results of operations.

Compliance with U.S. regulatory requirements for product recalls has also received heightened scrutiny. In connection with the failure in three specified campaigns to provide an adequate remedy, and noncompliance with various reporting requirements under the National Traffic and Motor Vehicle Safety Act of 1966 and the Transportation Recall Enhancement, Accountability and Documentation ("TREAD") Act, FCA US entered into a consent order with NHTSA in 2015 (the "Consent Order") to pay substantial civil penalties and to engage an independent monitor to review and assess FCA US's compliance with its obligations under the Consent Order. FCA US is obligated to remedy the defects in the vehicles subject to the recalls cited in the Consent Order, and in certain instances, FCA US has been required to buy back vehicles as an additional alternative to a repair remedy. Failure to comply with the terms of the Consent Order may result in additional fines and penalties much of which have been deferred pending the independent monitor's and NHTSA's ongoing assessment of FCA US's compliance with terms of the Consent Order. Further, the monitor's term will continue for the duration of the Consent Order. There can be no assurance that we will not be subject to additional regulatory inquiries and consequences in the future.

Our future performance depends on our ability to enrich our product portfolio and offer innovative products.

Our success depends, among other things, on our ability to develop innovative, high-quality products that are attractive to consumers and provide adequate profitability.

It generally takes two years or more to design and develop a new vehicle, 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 we believe will be attractive may not result in a vehicle 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 our 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 our strategy, which would have a material adverse effect on our financial condition and results of operations. Additionally, our high proportion of fixed costs, both due to our significant investment in property, plant and equipment as well as the requirements of our collective bargaining agreements, which limit our flexibility to adjust personnel costs to changes in demand for our products, may further exacerbate the risks associated with incorrectly assessing demand for our vehicles.

Further, if we determine that a safety or emissions defect, a mechanical defect or a non-compliance with regulation exists with respect to a vehicle model prior to the retail launch, the launch of such vehicle could be delayed until we remedy the defect or non-compliance. The costs associated with any protracted delay in new model launches necessary to remedy such defect, and the cost of providing a free remedy for such defects or non-compliance in vehicles that have been sold, could be substantial.

In addition, we may not be able to effectively compete with other automakers in light of emerging trends in the industry, such as electrification, vehicle connectivity and autonomous driving. In certain cases, the technologies that we plan to employ are not yet commercially practical and depend on significant future technological advances by us and by suppliers. There can be no assurance that these advances will occur in a timely or feasible manner, that the funds we have budgeted or expended for these purposes will be adequate, or that we will be able to obtain rights to use these technologies. Further, our competitors and others are pursuing similar technologies and other competing technologies, and there can be no assurance that they will not acquire and implement similar or superior technologies sooner than we will or on an exclusive basis or at a significant price advantage.

The automotive industry is highly competitive and cyclical and we may suffer from those factors more than some of our competitors.

Substantially all of our revenues are generated in the automotive industry, which is highly competitive, encompassing the production and distribution of passenger cars, light commercial vehicles and components and production systems. We face 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, consumer service and financial services offered, and many of our competitors are better capitalized with larger market shares.

In the automotive business, sales to consumers are cyclical and subject to changes in the general condition of the economy, the readiness of consumers 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 automotive industry or our inability to adapt effectively to external market conditions coupled with more limited capital than many of our principal competitors could have a material adverse effect on our business, financial condition and results of operations.

Additionally, global vehicle production capacity significantly exceeds current demand. In the event that industry shipments decrease and overcapacity intensifies, our competitors may attempt to make their vehicles more attractive or less expensive to consumers by adding vehicle enhancements, providing subsidized financing or leasing programs, or by reducing vehicle prices whether directly or by offering option package discounts, price rebates or other sales incentives in certain markets. Manufacturers in countries that have lower production costs may also choose to export lower-cost automobiles to more established markets. An increase in these actions could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to shortfalls in our pension plans.

Certain of our defined benefit pension plans are currently underfunded. As of December 31, 2016, our defined benefit pension plans were underfunded by approximately €4.7 billion. Our 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. Our 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 re-balance illiquid and long-term investments.

To determine the appropriate level of funding and contributions to our defined benefit plans, as well as the investment strategy for the plans, we are 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 generally increase the value of investments in fixed income securities and the present value of the obligations. See Note 2, *Basis of Preparation-Use of Estimates,* within the Consolidated Financial Statements included elsewhere in this report.

Any reduction in the discount rate or the value of plan assets, or any increase in the present value of obligations, may increase our pension expenses and required contributions and, as a result, could constrain liquidity and materially adversely affect our financial condition and results of operations. If we fail to make required minimum funding contributions, we could be subject to reportable event disclosure to the U.S. Pension Benefit Guaranty Corporation, as well as interest and excise taxes calculated based upon the amount of any funding deficiency.

Our lack of a captive finance company in certain key markets could place us at a competitive disadvantage to other automakers that may be able to offer consumers and dealers financing and leasing on better terms than our consumers and dealers are able to obtain.

Our dealers enter into wholesale financing arrangements to purchase vehicles from us to hold in inventory and facilitate retail sales, and retail consumers use a variety of finance and lease programs to acquire vehicles.

Unlike many of our competitors, we do not own and operate a controlled finance company dedicated solely to our mass-market vehicle operations in the U.S. and certain key markets in Europe, Asia and South America. Instead we have elected to partner with specialized financial services providers through joint ventures and commercial agreements. Our lack of a controlled finance company in these key markets may increase the risk that our dealers and retail consumers will not have access to sufficient financing on acceptable terms which may adversely affect our vehicle sales in the future. Furthermore, many of our competitors are better able to implement financing programs designed to maximize vehicle sales in a manner that optimizes profitability for them and their finance companies on an aggregate basis. Since our ability to compete depends on access to appropriate sources of financing for dealers and retail consumers, our lack of a controlled finance company in those markets could have a material adverse effect on our business, financial condition and results of operations.

In other markets, we rely on controlled finance companies, joint ventures and commercial relationships with third parties, including third party financial institutions, to provide financing to our dealers and retail consumers. The ability of a finance company to provide financing services at competitive rates is subject to various factors, including:

- the performance of loans and leases in their portfolio, which could be materially affected by delinquencies, defaults or prepayments;
- wholesale auction values of used vehicles;
- higher than expected vehicle return rates and the residual value performance of vehicles they lease; and
- fluctuations in interest rates and currency exchange rates.

Any financial services provider, including our joint ventures and controlled finance companies, will also face other demands on its capital, including the need or desire to satisfy funding requirements for dealers or consumers of our competitors as well as liquidity issues relating to other investments. Furthermore, they may be subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to our dealers and retail consumers.

To the extent that a financial services provider is unable or unwilling to provide sufficient financing at competitive rates to our dealers and retail consumers, such dealers and retail consumers may not have sufficient access to financing to purchase or lease our vehicles. As a result, our vehicle sales and market share may suffer, which could have a material adverse effect on our business, financial condition and results of operations.

Vehicle retail sales depend heavily on affordable interest rates for vehicle financing.

In certain regions, including NAFTA, 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. As interest rates rise generally, market rates for new vehicle financing are expected to rise as well, which may make our vehicles less affordable to retail consumers or steer consumers to less expensive vehicles that tend to be less profitable for us, adversely affecting our financial condition and results of operations. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, consumers may not desire to or be able to obtain financing to purchase or lease our vehicles. Furthermore, because consumers of our vehicles may be relatively more sensitive to changes in the availability and adequacy of financing and macroeconomic conditions, our vehicle sales may be disproportionately affected by changes in financing conditions relative to the vehicle sales of our competitors.

Limitations on our liquidity and access to funding may limit our ability to execute our Business Plan and improve our financial condition and results of operations.

Our future performance will depend on, among other things, our 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 access to capital markets or other sources of financing. Although we have 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 our operating activities. For a discussion of these factors, refer to the section—*Liquidity and Capital Resources*. We could, therefore, find ourselves 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 our liquidity, due to a decrease in vehicle shipments, the amount of or restrictions in our existing indebtedness, conditions in the credit markets, general economic conditions or otherwise, may adversely impact our ability to execute our Business Plan and impair our financial condition and results of operations. In addition, any actual or perceived limitations of our liquidity may limit the ability or willingness of counterparties, including dealers, consumers, suppliers, lenders and financial service providers, to do business with us, which could have a material adverse effect on our business, financial condition and results of operations.

Our current credit rating is below investment grade and any deterioration may significantly affect our funding and prospects.

Our ability to access the capital markets or other forms of financing and the related costs depend, among other things, on our credit ratings and we are currently rated below investment grade. The rating agencies review our ratings regularly and, accordingly, new ratings may be assigned to us in the future. It is not currently possible to predict the timing or outcome of any ratings review.

Any downgrade may increase our cost of capital and potentially limit our access to sources of financing, which could have a material adverse effect on our business, financial condition and results of operations. Refer to the section — *Liquidity and Capital Resources* for more information on our financing arrangements.

Our ability to achieve cost reductions and to realize production efficiencies is critical to maintaining our competitiveness and long-term profitability.

While some productivity improvements are within our 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 we may sustain larger than expected production expenses, materially affecting our 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 and government regulations.

Our business operations and reputation may be impacted by various types of claims, lawsuits, and other contingent obligations.

We are involved in various product liability, warranty, product performance, asbestos, personal injury, dealer and supplier disputes, environmental claims and lawsuits, securities law claims, labor, antitrust, intellectual property, tax and other legal proceedings including those that arise in the ordinary course of our business. We estimate such potential claims and contingent liabilities and, where appropriate, record provisions to address these contingent liabilities. The ultimate outcome of the legal matters pending against us is uncertain, and although we do not currently expect these claims, lawsuits and other legal matters individually to have a material adverse effect on our financial condition or results of operations, such matters could have, in the aggregate, a material adverse effect on our financial condition or results of operations. Furthermore, additional facts may come to light or we could, in the future, be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our business, financial condition and results of operations. While we maintain insurance coverage with respect to certain claims, not all claims or potential losses can be covered by insurance, and even if claims could be covered by insurance, we 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. See also Note 20, *Provisions*, and Note 25, *Guarantees granted, commitments and contingent liabilities*, within the Consolidated Financial Statements included elsewhere in this report for additional information. Further, publicity regarding such investigations and lawsuits, whether or not they have merit, may adversely affect our reputation and the perception of our vehicles with retail customers, which may adversely affect demand for our vehicles, and have a material adverse effect on our business, results of operations and cash flows. For additional risks regarding certain proceedings, see "*Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced greenhouse gas emissions, have a significant effect on how we do business and may adversely affect our results of operations*."

A significant malfunction, disruption or security breach compromising the electronic control systems contained in our vehicles could damage our reputation, disrupt our business and adversely impact our ability to compete.

Our vehicles, as well as vehicles manufactured by other original equipment manufacturers (or "OEMs"), contain interconnected and increasingly complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. Such internal and vehicle systems are susceptible to malfunctions and interruptions due to equipment damage, power outages, and a range of other hardware, software and network problems. These systems are also susceptible to cybercrime, or threats of intentional disruption, which are increasing in terms of sophistication and frequency. A significant malfunction, disruption or security breach compromising the electronic control systems contained in our vehicles could damage our reputation, expose us to significant liability and could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that we will be able to offset the earnings power lost as a result of the Ferrari separation.

In January 2016, we completed the previously announced separation of Ferrari N.V., which was intended to, among other things, strengthen our capital base. The separation consisted primarily of the October 2015 initial public offering of 10 percent of the common shares of Ferrari N.V. and the January 2016 transaction in which holders of our common shares and mandatory convertible securities received our remaining 80 percent interest in Ferrari N.V. The initial public offering and spin-off in the aggregate ultimately had a positive €1.5 billion impact on our Net industrial debt. However, Ferrari N.V. contributed €284 million in Net Profit in 2015, and was accounted for as a discontinued operation up until the date of its separation. If the improvement in our capital position resulting from the separation of Ferrari N.V., together with improved earnings generation from the rest of our business, is not sufficient to offset the related loss of Net profit, such insufficiency could have a material adverse effect on our business, financial condition and results of operations.

A disruption or security breach in our information technology systems could disrupt our business and adversely impact our ability to compete.

A significant malfunction, disruption or security breach compromising the operation of our information technology systems could damage our reputation, disrupt our business and adversely impact our ability to compete.

Our ability to keep our business operating effectively depends on the functional and efficient operation of our information, data processing and telecommunications systems, including our vehicle design, manufacturing, inventory tracking and billing and payment systems. A significant or large-scale malfunction or interruption of any one of our computer or data processing systems could adversely affect our ability to manage and keep our operations running efficiently, and damage our reputation if we are unable to track transactions and deliver products to our dealers and consumers. A malfunction or security breach that results in a wider or sustained disruption to our business could have a material adverse effect on our business, financial condition and results of operations.

In addition to supporting our operations, we use our systems to collect and store confidential and sensitive data, including information about our business, our consumers and our employees. As our technology continues to evolve, we anticipate that we will collect and store even more data in the future and that our systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of our value is derived from our confidential business information, including vehicle design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, we may lose our competitive advantage and our vehicle shipments may suffer. We also collect, retain and use personal information, including data we gather from consumers for product development and marketing purposes, and data we obtain from employees. In the event of a breach in security that allows third parties access to this personal information, we are subject to a variety of ever-changing laws on a global basis that require us to provide notification to the data owners, and that subject us to lawsuits, fines and other means of regulatory enforcement. Our reputation could suffer in the event of such a data breach, which could cause consumers to purchase their vehicles from our competitors. Ultimately, any significant compromise in the integrity of our data security could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights, which may harm our business.

Our success depends, in part, on our ability to protect our intellectual property rights. If we fail to protect our intellectual property rights, others may be able to compete against us using intellectual property that is the same as or similar to our own. In addition, there can be no guarantee that our intellectual property rights are sufficient to provide us with a competitive advantage against others who offer products similar to ours. Despite our efforts, we may be unable to prevent third parties from infringing our intellectual property and using our technology for their competitive advantage. Any such infringement could have a material adverse effect on our business, financial condition and results of operations.

The laws of some countries in which we operate do not offer the same protection of our intellectual property rights as do the laws of the U.S. or Europe. In addition, effective intellectual property enforcement may be unavailable or limited in certain countries, making it difficult for us to protect our intellectual property from misuse or infringement there. Our inability to protect our intellectual property rights in some countries could have a material adverse effect on our business, financial condition and results of operations.

Developments in emerging market countries may adversely affect our business.

We operate 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) and have recently taken steps to expand our manufacturing presence in our South and Central America ("LATAM") region and Asia and Pacific countries ("APAC") region. Our exposure to other emerging countries has increased in recent years, as have the number and importance of such joint ventures and cooperation agreements. Economic developments in certain LATAM markets, as well as China, have had and could have in the future material adverse effects on our financial condition and results of operations. Further, in certain markets in which we or our joint ventures operate, government approval may be required for certain activities, which may limit our ability to act quickly in making decisions on our operations in those markets.

The automotive market in these emerging markets is highly competitive, with competition from many of the largest global manufacturers as well as numerous smaller domestic manufacturers. We anticipate that additional competitors, both international and domestic, will also seek to enter these markets and that existing market participants will try to aggressively protect or increase their market share. Increased competition may result in price reductions, reduced margins and our inability to gain or hold market share, which could have a material adverse effect on our business, financial condition and results of operations.

Our reliance on joint arrangements in certain emerging markets may adversely affect the development of our business in those regions.

We intend to expand our presence in emerging markets, including China and India, through partnerships and joint ventures. For instance, GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV"), our joint venture with Guangzhou Automobile Group Co., Ltd., has commenced local production of the Jeep Cherokee, Jeep Renegade and the all-new Jeep Compass for the Chinese market, expanding the portfolio of Jeep sport utility vehicles ("SUVs") currently available to Chinese consumers. We have also entered into a joint operation with TATA Motors Limited for the production of certain of our vehicles, engines and transmissions in India.

Our reliance on joint arrangements to enter or expand our presence in these markets may expose us to risk of conflict with our joint arrangement partners and the need to divert management resources to oversee these shareholder arrangements. Further, as these arrangements require cooperation with third party partners, these joint arrangements may not be able to make decisions as quickly as we would if we were operating on our own or may take actions that are different from what we would do on a standalone basis in light of the need to consider our partners' interests. As a result, we may be less able to respond timely to changes in market dynamics, which could have a material adverse effect on our business, financial condition and results of operations.

We depend on our relationships with suppliers.

We purchase raw materials and components from a large number of suppliers and depend on services and products provided by companies outside the Group. Close collaboration between an OEM and its suppliers is common in the automotive industry, and although this offers economic benefits in terms of cost reduction, it also means that we depend on our suppliers and are exposed to the possibility that a dispute with any of these suppliers or difficulties, including those of a financial nature, experienced by our suppliers (whether caused by internal or external factors) could have a material adverse effect on our business, financial condition and results of operations.

We face risks associated with increases in costs, disruptions of supply or shortages of raw materials, parts, components and systems used in our vehicles.

We use a variety of raw materials in our 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 market conditions can affect our ability to manage our Cost of revenues over the short term. We may not be successful in managing our exposure to these risks. Substantial increases in the prices for raw materials would increase our operating costs and could reduce profitability if the increased costs cannot be offset by changes in vehicle prices or countered by productivity gains. In particular, certain raw materials are sourced from a limited number of suppliers and from a limited number of countries. We cannot guarantee that we 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 our control and the control of our suppliers. For instance, natural or man-made disasters or civil unrest may have severe and unpredictable effects on the price of certain raw materials in the future.

As with raw materials, we are also at risk for supply disruption and shortages in parts and components for use in our vehicles for many reasons including, but not limited to, tight credit markets or other financial distress, natural or man-made disasters, or production difficulties. We will continue to work with suppliers to monitor potential disruptions and shortages and to mitigate the effects of any emerging shortages on our production volumes and revenues. However, there can be no assurances that these events will not have an adverse effect on our 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 our ability to achieve our vehicle shipment 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 shipment objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, could have a material adverse effect on our business, financial condition and results of operations.

Labor laws and collective bargaining agreements with our labor unions could impact our ability to increase the efficiency of our operations.

Substantially all of our production employees are represented by trade unions, are covered by collective bargaining agreements and/or are protected by applicable labor relations regulations that may restrict our ability to modify operations and reduce costs quickly in response to changes in market conditions. These and other provisions in our collective bargaining agreements may impede our ability to restructure our business successfully to compete more effectively, especially with those automakers whose employees are not represented by trade unions or are subject to less stringent regulations, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with exchange rate fluctuations, interest rate changes, credit risk and other market risks.

We operate in numerous markets worldwide and are 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 our manufacturing activities and commercial activities, resulting in cash flows from sales being denominated in currencies different from those connected to purchases or production activities. Additionally, a significant portion of our operating cash flow is generated in U.S. Dollars and the majority of our indebtedness is denominated in Euro.

We use various forms of financing to cover funding requirements for our industrial activities and for providing financing to our dealers and consumers. Moreover, liquidity for industrial activities is also principally invested in variable-rate or short-term financial instruments. Our 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 our Net revenues, finance costs and margins.

In addition, although we manage risks associated with fluctuations in currency and interest rates through financial hedging instruments, fluctuations in currency or interest rates could have a material adverse effect on our business, financial condition and results of operations.

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

We are a Dutch public company with limited liability, and our shareholders may have rights different from those of shareholders of companies organized in the U.S.

The rights of our shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions. We are a Dutch public company with limited liability (*naamloze vennootschap*). Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of shareholders and the responsibilities of members of our board of directors may be different from the rights of shareholders and the responsibilities of members of our board of directors in companies governed by the laws of other jurisdictions including the U.S. In the performance of its duties, our board of directors is required by Dutch law to consider our interests and the interests of our shareholders, our employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a shareholder.

It may be difficult to enforce U.S. judgments against us.

We are incorporated under the laws of the Netherlands, and a substantial portion of our assets are outside of the U.S. Most of our directors and senior management and our independent auditors are resident outside the U.S., and all or a substantial portion of their respective assets may be located outside the U.S. As a result, it may be difficult for U.S. investors to effect service of process within the U.S. upon these persons. It may also be difficult for U.S. investors to enforce within the U.S. judgments predicated upon the civil liability provisions of the securities laws of the U.S. or any state thereof. In addition, there is uncertainty as to whether the courts outside the U.S. would recognize or enforce judgments of U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the securities laws of the U.S. or any state thereof. Therefore, it may be difficult to enforce U.S. judgments against us, our directors and officers and our independent auditors.

We operate so as to be treated as exclusively resident in the United Kingdom for tax purposes, but the relevant tax authorities may treat us as also being tax resident elsewhere.

We are not a company incorporated in the United Kingdom ("U.K."). Therefore, whether we are resident in the U.K. for tax purposes depends on whether our "central management and control" is located (in whole or in part) in the U.K. The test of "central management and control" is largely a question of fact and degree based on all the circumstances, rather than a question of law. Nevertheless, the decisions of the U.K. courts and the published practice of Her Majesty's Revenue & Customs ("HMRC"), suggest that we, a group holding company, are likely to be regarded as having become U.K.-resident on this basis from incorporation and remaining so if, as we intend, (i) at least half of the meetings of our Board of Directors are held in the U.K. with a majority of directors present in the U.K. for those meetings; (ii) at those meetings there are full discussions of, and decisions are made regarding, the key strategic issues affecting us and our subsidiaries; (iii) those meetings are properly minuted; (iv) at least some of our directors, together with supporting staff, are based in the U.K.; and (v) we have permanent staffed office premises in the U.K. HMRC has accepted that our "central management and control" is in the U.K.

Although it has been accepted that our "central management and control" is in the U.K., we would nevertheless not be treated as U.K.-resident if (a) we were concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) that has a double tax treaty with the U.K. and (b) there were a tie-breaker provision in that tax treaty which allocated exclusive residence to that other jurisdiction.

Our residence for Italian tax purposes is largely a question of fact based on all circumstances. We set up and we have thus far maintained, and intend to continue to maintain, our management and organizational structure in such a manner that we should be deemed resident in the U.K. from our incorporation for the purposes of the Italy-U.K. tax treaty. The result of this is that we should not be regarded as an Italian tax resident either for the purposes of the Italy-U.K. tax treaty or for Italian domestic law purposes. Because this analysis is highly factual and may depend on future changes in our management and organizational structure, there can be no assurance regarding the final determination of our tax residence. Should we be treated as an Italian tax resident, we would be subject to taxation in Italy on our worldwide income and may be required to comply with withholding tax and/or reporting obligations provided under Italian tax law, which could result in additional costs and expenses.

Although it has been accepted that our "central management and control" is in the U.K., we will be resident in the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes on the basis that we are incorporated there. Nonetheless, we will be regarded as solely resident in either the U.K. or the Netherlands under the Netherlands-U.K. tax treaty if the U.K. and Dutch competent authorities agree that this is the case. We have received a ruling from the U.K. and Dutch competent authorities that we should be treated as resident solely in the U.K. for the purposes of the treaty. If there is a change over time to the facts upon which a ruling issued by the competent authorities is based, the ruling may be withdrawn or cease to apply.

We do not expect the June 2016 referendum in which U.K. voters approved an exit from the European Union to affect our tax residency in the U.K.; however, we are unable to predict with certainty whether the discussions to implement the referendum will ultimately have any impact on this matter.

The U.K.'s controlled foreign company taxation rules may reduce net returns to shareholders.

On the assumption that we are resident for tax purposes in the U.K., we will be subject to the U.K. controlled foreign company ("CFC") rules. The CFC rules can subject U.K.-tax-resident companies (in this case, us) to U.K. tax on the profits of certain companies not resident for tax purposes in the U.K. in which they have at least a 25 percent direct or indirect interest. Interests of connected or associated persons may be aggregated with those of the U.K.-tax-resident company when applying this 25 percent threshold. For a company to be a CFC, it must be treated as directly or indirectly controlled by persons resident for tax purposes in the U.K. The definition of control is broad (it includes economic rights) and captures some joint ventures.

We expect, however, that our principal operating activities should fall within one or more exemptions from the CFC rules.

Although we do not expect the U.K.'s CFC rules to have an adverse impact on our financial position, the effect of the new CFC rules on us is not yet certain. We will continue to monitor developments in this regard and seek to mitigate any adverse U.K. tax implications which may arise. However, the possibility cannot be excluded that the CFC rules could have a material adverse effect on our business, financial condition and results of operations.

If we are deemed to not maintain a permanent establishment in Italy, we could experience a material increase in our tax liability.

Whether we have maintained a permanent establishment in Italy after the Merger (an "Italian P.E.") is largely a question of fact based on all the circumstances. We believe that, on the understanding that we should be a U.K.-resident company under the Italy-U.K. tax treaty, we are likely to be treated as maintaining an Italian P.E. because we have maintained and intend to continue to maintain sufficient employees, facilities and activities in Italy to qualify as maintaining an Italian P.E. Should this be the case (i) the embedded gains on our assets connected with the Italian P.E. cannot be taxed as a result of the Merger; (ii) our tax-deferred reserves cannot be taxed, inasmuch as they have been recorded in the Italian P.E.'s financial accounts; and (iii) the Italian fiscal unit that was headed by Fiat before the Merger (the "Fiscal Unit"), continues with respect to our Italian subsidiaries whose shareholdings are part of the Italian P.E.'s net worth.

FCA filed a ruling request with the Italian tax authorities in respect of the continuation of the Fiscal Unit via the Italian P.E. on April 16, 2014. The Italian tax authorities issued the ruling on December 10, 2014 (the "2014 Ruling"), confirming that the Fiscal Unit may continue via the Italian P.E. Moreover, in another ruling issued on October 9, 2015 (the "2015 Ruling"), the Italian tax authorities confirmed that the separation of Ferrari from the Group (including the first demerger of certain assets held through the Italian P.E.) will qualify as a tax-free, neutral transaction from an Italian income tax perspective. Lastly, in a ruling released on October 28, 2016, the Italian tax authorities confirmed that the Italian P.E. could determine its computation base for the purposes of the Italian regime on notional interest deduction (*Aiuto alla Crescita Economica*) without taking into account certain anti-avoidance provisions (the "2016 Ruling", and together with the 2014 Ruling and the 2015 Ruling, the "Rulings"). However, the Rulings are not assessments of certain sets of facts and circumstances. Therefore, even though the 2014 Ruling confirms that the Fiscal Unit may continue via the Italian P.E. and the 2015 Ruling and the 2016 Ruling assume such a P.E. to exist, this does not rule out that the Italian tax authorities may in the future verify whether FCA actually has a P.E. in Italy and potentially challenge the existence of such a P.E. Because the analysis is highly factual, there can be no assurance regarding our maintenance of an Italian P.E. after the Merger.

Risks Related to Our Existing Indebtedness

We have significant outstanding indebtedness, which may limit our ability to obtain additional funding on competitive terms and limit our financial and operating flexibility.

Although we have reduced our net indebtedness over the past several years, the extent of our indebtedness could still have important consequences on our operations and financial results, including:

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

Restrictive covenants in our debt agreements could limit our financial and operating flexibility.

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

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

For more information regarding our credit facilities and debt, refer to the section — *Liquidity and Capital Resources*.

Restrictions arising out of FCA US's Tranche B Term Loans may hinder our ability to manage our operations on a consolidated, global basis.

FCA US is party to a tranche B term loan maturing May 24, 2017 (the "Tranche B Term Loan due 2017") and a tranche B term loan maturing on December 31, 2018 (the "Tranche B Term Loan due 2018"), collectively referred to as the "Tranche B Term Loans." The credit agreements that govern the Tranche B Term Loans include covenants that restrict FCA US's ability to enter into sale and leaseback transactions, purchase or redeem capital stock, prepay other debt, incur or guarantee additional indebtedness, incur liens, transfer and sell assets or engage in certain business combinations or undertake various other business activities.

These restrictive covenants could have an adverse effect on our business by limiting our ability to take advantage of mergers and acquisitions, joint ventures or other corporate opportunities. In particular, the credit agreements that govern the Tranche B Term Loans contain, and future indebtedness may contain, other and more restrictive covenants. These credit agreements require FCA US to maintain borrowing base collateral coverage and a minimum liquidity threshold. A breach of any of these covenants or restrictions could result in an event of default on the indebtedness of FCA US and creditors may foreclose on pledged properties, and could also result in cross-default under certain of our indebtedness.

Substantially all of the assets of FCA US and its U.S. subsidiary guarantors are unconditionally pledged as security under the credit agreements that govern its Tranche B Term Loans and could become subject to lenders' contractual rights if an event of default were to occur.

FCA US is an obligor and several of its U.S. subsidiaries are guarantors of FCA US's Tranche B Term Loans. The obligations under the credit agreements governing the Tranche B Term Loans are secured by senior priority security interests in substantially all of the assets of FCA US and its U.S. subsidiary guarantors. The collateral includes 100 percent of the equity interests in FCA US's U.S. subsidiaries and 65 percent of the equity interests in certain of its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors. An event of default under the credit agreements that govern FCA US's Tranche B Term Loans could trigger its lenders' contractual rights to enforce their security interest in these assets.

Risks Related to our Common Shares

Our maintenance of two exchange listings may adversely affect liquidity in the market for our common shares and could result in pricing differentials of our common shares between the two exchanges.

Our common shares are listed and traded on both the New York Stock Exchange ("NYSE") and the Mercato Telematico Azionario ("MTA") operated by Borsa Italiana. The dual listing of our common shares may split trading between the two markets and may result in limited trading liquidity of the shares in one or both markets, which may adversely affect the development of an active trading market for our common shares on either or both exchanges and may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the two trading currencies, among other factors, may result in different trading prices for our common shares on the two exchanges, which may contribute to volatility in the trading of our shares.

The loyalty voting structure may affect the liquidity of our common shares and reduce our common share price.

Our loyalty voting structure may limit the liquidity of our common shares and adversely affect the trading prices of our common shares. The loyalty voting structure is intended to reward shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding our common shares continuously for at least three years at any time following the effectiveness of the Merger the option to elect to receive our special voting shares. Our special voting shares cannot be traded and, immediately prior to the deregistration of common shares from the FCA Loyalty Register, any corresponding special voting shares shall be transferred to us for no consideration (*om niet*). This loyalty voting structure is designed to encourage a stable shareholder base and, conversely, it may deter trading by those shareholders who are interested in gaining or retaining our special voting shares. Therefore, the loyalty voting structure may reduce liquidity in our common shares and adversely affect their trading price.

The loyalty voting structure may make it more difficult for shareholders to acquire a controlling interest, change our management or strategy or otherwise exercise influence over us, and the market price of our common shares may be lower as a result.

The provisions of our articles of association which establish the loyalty voting structure may make it more difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change of control were considered favorably by shareholders holding a majority of our common shares. As a result of the loyalty voting structure, a relatively large proportion of our voting power could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of February 27, 2017, Exor N.V., which owns 29.4 percent of FCA common shares, had a voting interest in FCA of 42.60 percent due to its participation in the loyalty voting structure and as a result will have the ability to exercise significant influence on matters involving our shareholders. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit our shareholders. The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changing our management or strategy or otherwise exerting influence over us.

There may be potential Passive Foreign Investment Company tax considerations for U.S. Shareholders.

Shares of our stock held by a U.S. holder would be stock of a passive foreign investment company ("PFIC") for U.S. federal income tax purposes with respect to a U.S. Shareholder if for any taxable year in which such U.S. Shareholder held our common shares, after the application of applicable look-through rules (i) 75 percent or more of our gross income for the taxable year consists of passive income (including dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury Regulations), or (ii) at least 50 percent of its assets for the taxable year (averaged over the year and determined based upon value) produce or are held for the production of passive income. U.S. persons who own shares of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the dividends they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

While we believe that shares of our stock are not stock of a PFIC for U.S. federal income tax purposes, this conclusion is based on a factual determination made annually and thus is subject to change. Moreover, shares of our stock may become stock of a PFIC in future taxable years if there were to be changes in our assets, income or operations.

Tax consequences of our loyalty voting structure are uncertain.

No statutory, judicial or administrative authority directly discusses how the receipt, ownership, or disposition of special voting shares should be treated for Italian, U.K. or U.S. tax purposes and as a result, the tax consequences in those jurisdictions are uncertain.

The fair market value of our special voting shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Because, among other things, the special voting shares are not transferable (other than, in very limited circumstances, together with our associated common shares) and a shareholder will receive amounts in respect of the special voting shares only if we are liquidated, we believe and intend to take the position that the fair market value of each special voting share is minimal. However, the relevant tax authorities could assert that the value of the special voting shares as determined by us is incorrect.

The tax treatment of the loyalty voting structure is unclear and shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning and disposing of special voting shares.

Tax may be required to be withheld from dividend payments.

Although the U.K. and Dutch competent authorities have ruled that we should be treated as solely resident in the U.K. for the purposes of the Netherlands-U.K. double tax treaty, under Dutch domestic law dividend payments made by us to Dutch residents are still subject to Dutch dividend withholding tax and we would have no obligation to pay additional amounts in respect of such payments.

Should Dutch or Italian withholding taxes be imposed on future dividends or distributions with respect to our common shares, whether such withholding taxes are creditable against a tax liability to which a shareholder is otherwise subject depends on the laws of such shareholder's jurisdiction and such shareholder's particular circumstances. Shareholders are urged to consult their tax advisors in respect of the consequences of the potential imposition of Dutch and/or Italian withholding taxes. See "*We operate so as to be treated as exclusively resident in the United Kingdom for tax purposes, but the relevant tax authorities may treat it as also being tax resident elsewhere.*" in the section *—Risks Related to Our Business, Strategy and Operations,* above.

OVERVIEW

We are an international automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide through 162 manufacturing facilities and 87 research and development centers. We have operations in more than 40 countries and sell our vehicles directly or through distributors and dealers in more than 140 countries. We design, engineer, manufacture, distribute and sell vehicles for the mass-market under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands and the SRT performance vehicle designation. For our mass-market vehicle brands, we have centralized design, engineering, development and manufacturing operations, which allow us to efficiently operate on a global scale. We support our vehicle shipments with the sale of related service parts and accessories, as well as service contracts, worldwide under the Mopar brand name for mass-market vehicles. In addition, we design, engineer, manufacture, distribute and sell luxury vehicles under the Maserati brand. We make available retail and dealer financing, leasing and rental services through our subsidiaries, joint ventures and commercial arrangements with third party financial institutions. In addition, we operate in the components and production systems sectors under the Magneti Marelli, Teksid and Comau brands.

In 2016, we shipped 4.5 million vehicles, had Net revenues of €111.0 billion and Net profit of €1.8 billion. At December 31, 2016, we had available liquidity of €23.8 billion (including €6.2 billion available under undrawn committed credit lines) and we had Net industrial debt of €4.6 billion (Refer to the section *—Operating and Financial Review—Non-GAAP Financial Measures—Net Debt)*.

HISTORY OF FCA

Fiat Chrysler Automobiles N.V. was originally incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on April 1, 2014 and became the parent company of the Group on October 12, 2014 through the merger described below. Its principal office is located at 25 St. James's Street, London SW1A 1HA, United Kingdom (telephone number: +44 (0) 20 7766 0311).

Fiat, the predecessor to FCA, was founded as *Fabbrica Italiana Automobili Torino*, on July 11, 1899 in Turin, Italy as an automobile manufacturer. Fiat opened its first factory in 1900 in Corso Dante in Turin with 150 workers producing 24 cars. In 1902 Giovanni Agnelli, Fiat's founder, became the Managing Director of the company.

Beginning in 2008, Fiat pursued a process of transformation in order to meet the challenges of a changing marketplace characterized by global overcapacity in automobile production and the consequences of economic recession that persisted particularly in the European markets on which it had historically depended. As part of its efforts to restructure operations, Fiat worked to expand the scope of its automotive operations, having concluded that significantly greater scale was necessary to enable it to be a competitive force in the increasingly global automotive markets.

In April 2009, Fiat and Old Carco LLC, formerly known as Chrysler LLC ("Old Carco") entered into a master transaction agreement, pursuant to which FCA US LLC, formerly known as Chrysler Group LLC, ("FCA US") agreed to purchase the principal operating assets of Old Carco and to assume certain of Old Carco's liabilities. Old Carco traced its roots to the company originally founded by Walter P. Chrysler in 1925 that, since that time, expanded through the acquisition of the Dodge and Jeep brands.

Following the closing of that transaction on June 10, 2009, Fiat held an initial 20 percent ownership interest in FCA US, with the UAW Retiree Medical Benefits Trust (the "VEBA Trust"), the U.S. Treasury and the Canadian government holding the remaining interests. FCA US's operations were funded with financing from the U.S. Treasury and Canadian government. In addition, Fiat held several options to acquire additional ownership interests in FCA US.

Over the following years, Fiat acquired additional ownership interests in FCA US, leading to majority ownership and full consolidation of FCA US's results into our financial statements. On May 24, 2011, FCA US refinanced the U.S. and Canadian government loans, which were repaid in full, and in July 2011, Fiat acquired the ownership interests in FCA US held by the U.S. Treasury and Canadian government.

On January 21, 2014, Fiat purchased all of the VEBA Trust's equity interests in FCA US, which represented the 41.5 percent of FCA US interest not then held by us, resulting in FCA US becoming an indirect 100 percent owned subsidiary of FCA.

The FCA Merger

On January 29, 2014, the Board of Directors of Fiat approved a proposed corporate reorganization resulting in the formation of FCA and decided to establish FCA, organized in the Netherlands, as the parent company of the Group with its principal executive offices in the United Kingdom.

On June 15, 2014, the Board of Directors of Fiat approved the terms of a cross-border legal merger of Fiat, the parent of the Group, into its 100 percent owned direct subsidiary, FCA, (the “Merger”). Fiat shareholders received in the Merger one (1) FCA common share for each Fiat ordinary share that they held. Moreover, under the Articles of Association of FCA, FCA shareholders received, if they so elected and were otherwise eligible to participate in the loyalty voting structure, one (1) FCA special voting share for each FCA common share received in the Merger. The loyalty voting structure is designed to provide eligible long-term FCA shareholders with two votes for each FCA common share held.

FCA was incorporated under the name Fiat Investments N.V. with issued share capital of €200,000, fully paid and divided into 20,000,000 common shares having a nominal value of €0.01 each. Capital increased to €350,000 on May 13, 2014.

Fiat shareholders voted and approved the Merger at their extraordinary general meeting held on August 1, 2014. After this approval, Fiat shareholders not voting in favor of the Merger were entitled to exercise cash exit rights (the “Cash Exit Rights”). The redemption price payable to these shareholders was €7.727 per share, equivalent to the average daily closing price published by Borsa Italiana for the six months prior to the date of the notice calling the meeting.

As a result of the exercise of the Cash Exit Rights, concurrent with the Merger, a total of 53,916,397 Fiat shares were canceled in the Merger with a resulting net aggregate cash disbursement of €417 million.

The Merger became effective on October 12, 2014 and, on October 13, 2014, FCA common shares commenced trading on the NYSE and on the MTA. The Merger is recognized in FCA’s consolidated financial statements from January 1, 2014. As a result, FCA, as successor of Fiat, is the parent company of the Group. There were no accounting effects as a direct result of the Merger.

Ferrari Spin-off

The spin-off of Ferrari N.V. was approved on December 3, 2015 at the extraordinary general meeting of FCA shareholders, and as the Ferrari segment was available for immediate distribution, it met the criteria to be classified as a disposal group held for distribution to owners as of December 31, 2015. As a result, the assets and liabilities of the Ferrari segment were classified as Assets held for distribution and Liabilities held for distribution within the Consolidated Statement of Financial Position at December 31, 2015. In addition, the Group classified the Ferrari segment as a discontinued operation for the year ended December 31, 2015. The results of Ferrari were excluded from the Group's continuing operations, the after-tax result of Ferrari's operations were shown as a single line item within the Consolidated Income Statement for the year ended December 31, 2015 and the Consolidated Income Statement for the year ended December 31, 2014 was re-presented accordingly.

The spin-off of Ferrari N.V. from the Group was completed on January 3, 2016. The assets and liabilities of the Ferrari segment were distributed to holders of FCA shares and mandatory convertible securities. Since Exor N.V., which controls and consolidates FCA, will continue to control and consolidate Ferrari N.V., the spin-off of Ferrari N.V. was accounted for at book value without any gain or loss on the distribution. FCA shareholders received one common share of Ferrari N.V. for every ten common shares of FCA and holders of the mandatory convertible securities of FCA were entitled to receive 0.77369 common shares of Ferrari N.V. for each mandatory convertible security of U.S.$100 notional amount held of record on January 5, 2016. In addition, FCA shareholders participating in the FCA loyalty voting structure received one special voting share of Ferrari N.V. for every ten special voting shares of FCA held of record on January 5, 2016. On January 13, 2016, holders of FCA common shares also received a cash payment of €0.01, less any required applicable withholding tax, for each share held of record as of January 5, 2016.

OUR BUSINESS PLAN

In May 2014, we announced our 2014-2018 Business Plan, which focused on: strengthening and differentiating our portfolio of brands, including the globalization of Jeep and Alfa Romeo; volume growth; continued platform convergence and focus on cost efficiencies, as well as enhancing margins and strengthening our capital structure.

In 2016, we continued to make significant strides toward accomplishing these objectives, including by:

- Improving our capital structure by completing the separation of Ferrari by the spin-off of our remaining interest to our shareholders, eliminating the ring-fencing of FCA US cash and reducing Net industrial debt to €4.6 billion;
- Strengthening our brand portfolio through the launch of nine all-new products, which included six additions to the Group's portfolio (Fiat Tipo, Toro, Fullback and 124 Spider, Maserati Levante and Alfa Romeo Giulia) to address vehicle segments and offerings for which we had not previously had a vehicle, as well as the Chrysler Pacifica, Jeep Compass and Fiat Mobi;
- Continuing to grow global Jeep volumes, with over 1.4 million vehicles sold worldwide in 2016; and
- Ending production of the Chrysler 200 and Dodge Dart passenger cars and beginning the process of re-purposing this installed capacity to produce higher margin Ram pickup trucks and Jeep vehicles.

Notwithstanding the market, competitive and economic changes since May 2014, particularly in the Brazilian market, we have reaffirmed our intent to deliver significant positive operating cash flows for each of the two remaining years of the Business Plan and reiterated our goal to achieve a Net industrial cash position by the end of 2018.

INDUSTRY OVERVIEW

Vehicle Segments and Descriptions

We manufacture and sell passenger cars, light trucks and light commercial vehicles covering all market segments.

Passenger cars can be divided among seven main groups, whose definition could slightly vary by region. Mini cars, known as “A segment” vehicles in Europe and often referred to as “city cars,” are between 2.7 and 3.7 meters in length and include three- and five-door hatchbacks. Small cars, known as “B segment” vehicles in Europe and “sub-compacts” in the U.S., range in length from 3.7 meters to 4.4 meters and include three- and five-door hatchbacks and sedans. Compact cars, known as “C segment” vehicles in Europe, range in length from 4.3 meters to 4.7 meters, typically have a sedan body and mostly include three- and five-door hatchback cars. Mid-size cars, known as “D segment” vehicles in Europe, range between 4.7 meters to 4.9 meters, typically have a sedan body or are station wagons. Full-size cars range in length from 4.9 meters to 5.1 meters and are typically sedan cars or, in Europe, station wagons. Minivans, also known as multi-purpose vehicles (“MPVs”) typically have seating for up to eight passengers. Utility vehicles include SUVs, which are available with four-wheel drive systems that provide true off-road capabilities, and crossover utility vehicles, (“CUVs”), which are not designed for heavy off-road use.

Light trucks may be divided between vans (also known as light commercial vehicles), which typically are used for the transportation of goods or groups of people and have a payload capability up to 4.2 tons, and pickup trucks, which are light motor vehicles with an open-top rear cargo area and which range in length from 4.8 meters to 5.2 meters (in North America, the length of pickup trucks typically ranges from 5.5 meters to 6 meters). In North America, minivans and utility vehicles are categorized within trucks. In Europe, vans and pickup trucks are categorized as light commercial vehicles.

We characterize a vehicle as “new” if its vehicle platform is significantly different from the platform used in the prior model year and/or has had a full exterior renewal. We characterize a vehicle as “significantly refreshed” if it continues its previous vehicle platform but has extensive changes or upgrades from the prior model.

Our Industry

Designing, engineering, manufacturing, distributing and selling vehicles require significant investments in product design, engineering, research and development, technology, tooling, machinery and equipment, facilities and marketing in order to meet both consumer preferences and regulatory requirements. Automotive OEMs are able to benefit from economies of scale by leveraging their investments and activities on a global basis across brands and models. The automotive industry has also historically been highly cyclical, and to a greater extent than many industries, is impacted by changes in the general economic environment. In addition to having lower leverage and greater access to capital, larger OEMs that have a more diversified revenue base across regions and products tend to be better positioned to withstand industry downturns and to benefit from industry growth.

Most automotive OEMs produce vehicles for the mass-market and some of them also produce vehicles for the luxury market. Vehicles in the mass-market are typically intended to appeal to the largest number of consumers possible. Intense competition among manufacturers of mass-market vehicles, particularly for non-premium brands, tends to compress margins, requiring significant volumes to be profitable. As a result, success is measured in part by vehicle unit sales relative to other automotive OEMs. Luxury vehicles on the other hand are designed to appeal to consumers with higher levels of disposable income, and can therefore more easily achieve much higher margins. This allows luxury vehicle OEMs to produce lower volumes, enhancing brand appeal and exclusivity, while maintaining profitability.

In 2016, 92 million automobiles were sold around the world. Although China is the largest single automotive sales market with approximately 22 million passenger cars sold, the majority of automobile sales are still in the developed markets, including North America, Western Europe and Japan. Growth in other emerging markets has also played an increasingly important part in global automotive demand in recent years.

Financial Services

Because dealers and retail customers finance the purchase of a significant percentage of the vehicles sold worldwide, the availability and cost of financing is one of the most significant factors affecting vehicle sales volumes. Most dealers use wholesale or inventory financing arrangements to purchase vehicles from OEMs in order to maintain necessary vehicle inventory levels. Financial services companies may also provide working capital and real estate loans to facilitate investment in expansion or restructuring of the dealers' premises. Financing may take various forms based on the nature of creditor protection provided under local law, but financial institutions tend to focus on minimizing credit risk on any financing originated in conjunction with a vehicle sale. Financing to retail customers takes a number of forms, including simple installment loans and finance leases. While direct online applications to financial services companies for these financial products are increasing in popularity, these financial products are usually distributed directly by the dealer. OEMs often use retail financing as a promotional tool, including through campaigns offering below market rate financing known as subvention programs. In such situations, an OEM typically compensates the financial services company up front for the difference between the financial return expected under standard market rates and the rates offered to the customer within the promotional campaign.

Many automakers rely on wholly owned or controlled finance companies to provide this financing. In other situations, OEMs have relied on joint ventures or commercial relationships with banks and other financial institutions in order to provide access to financing for dealers and retail customers. The model adopted by any particular OEM in a particular market depends upon, among other factors, its sales volumes and the availability of stable and cost-effective funding sources in that market, skilled resources and organization, as well as regulatory requirements.

Financial services companies controlled by OEMs typically receive funding from the OEM's central treasury or from industrial and commercial operations of the OEM that have excess liquidity, however, they also access other forms of funding available from the banking system and capital markets in each market, including sales or securitization of receivables either in negotiated sales or through securitization programs. Financial services companies controlled by OEMs compete primarily with banks, independent financial services companies and other financial institutions that offer financing to dealers and retail customers. The long-term profitability of finance companies also depends on the cyclical nature of the industry, interest rate volatility, and the ability to access funding on competitive terms and to manage risks with particular reference to credit risks. OEMs within their global strategy aimed to expand their business, may provide access to financial services to their dealers and retail customers for the financing of parts and accessories, as well as pre-paid service contracts.

OVERVIEW OF OUR BUSINESS

Our activities are carried out through six reportable segments: four regional mass-market vehicle segments (NAFTA, LATAM, APAC and EMEA), Maserati, our global luxury brand segment, and a global Components segment.

The following list sets forth our six reportable segments:

(i) NAFTA: our operations to support distribution and sale of mass-market vehicles in the United States, Canada, Mexico and Caribbean islands primarily under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Jeep and Ram brands.

(ii) LATAM: our operations to support the distribution and sale of mass-market vehicles in South and Central America primarily under the Dodge, Fiat, Jeep and Ram brands, with the largest focus of our business in Brazil and Argentina.

(iii) APAC: our operations to support the distribution and sale of mass-market vehicles in the Asia Pacific region (mostly in China, Japan, Australia, South Korea and India) carried out in the region through both subsidiaries and joint ventures, primarily under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional and Jeep brands.

(iv) EMEA: our operations to support the distribution and sale of mass-market vehicles in Europe (which includes the 28 members of the European Union and the members of the European Free Trade Association), the Middle East and Africa primarily under the Abarth, Alfa Romeo, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands.

(v) Maserati: the design, engineering, development, manufacturing, worldwide distribution and sale of luxury vehicles under the Maserati brand.

(vi) Components: production and sale of lighting components, body control units, suspensions, shock absorbers, electronic systems, and exhaust systems and activities in powertrain (engine and transmissions) components, engine control units, 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 and engine blocks under the Teksid brand name; and design and production of industrial automation systems and related products for the automotive industry under the Comau brand name.

We also hold interests in companies operating in other activities and businesses. These activities are grouped under "Other Activities," which primarily consists of companies that provide services, including accounting, payroll, tax, insurance, purchasing, information technology, facility management and security for the Group as well as for CNH Industrial N.V. ("CNHI") and manage central treasury activities.

Mass-Market Vehicle Brands

We design, engineer, develop, manufacture, distribute and sell vehicles and service parts under 9 mass-market vehicle brands, service parts and accessories under the Mopar brand name, as well as the SRT performance vehicle designation. We believe that we can continue to improve demand for our vehicles by building the value of our mass-market vehicle brands in particular by ensuring that each of our brands has a clear identity and market focus. Our mass-market vehicle brands are:

- **Abarth**: Abarth, named after the company founded by Carlo Abarth in 1949, specializes in performance modification for on-road sports cars.

- **Alfa Romeo**: Alfa Romeo, founded in 1910, and part of the Group since 1986, is known for a long, sporting tradition and Italian design. With the launch of all-new models, Alfa Romeo is seeking to reestablish itself as a premium car brand, appealing to drivers seeking high-level performance and handling combined with captivating and distinctive appearance.

- **Chrysler**: Chrysler, named after the company founded by Walter P. Chrysler in 1925, aims to create vehicles with distinctive design, craftsmanship, intuitive innovation and technology standing as a leader in design, engineering and value.

- **Dodge**: With a traditional focus on “muscle car” performance vehicles, the Dodge brand, which began production in 1914, offers a full line of vehicles providing an excellent value for consumers looking for high performance, dependability and functionality in everyday driving situations.

- **Fiat**: Fiat brand cars have been produced since 1899 and are currently primarily focused on the mini, small and medium vehicle segments. The brand aims to make cars that are flexible, easy to drive, affordable and energy efficient.

- **Fiat Professional**: Fiat Professional, launched in 2007 to replace the “Fiat Veicoli Commerciali” brand, offers light commercial vehicles and MPVs.

- **Jeep**: Jeep, founded in 1941, is a globally recognized brand focused exclusively on the SUV and off-road vehicles market. Jeep set an all-time brand record in 2016 with over 1.4 million worldwide shipments (including shipments from our joint ventures).

- **Lancia**: Lancia, founded in 1906, and part of the Group since 1969, covers the spectrum of small segment cars and is targeted towards the Italian market.

- **Ram**: Ram, established as a standalone brand separate from Dodge in 2009, offers a line of full-size trucks, including light and heavy-duty pickup trucks, as well as light commercial vehicles.

In addition, the Mopar brand provides a full line of service parts and accessories for our mass-market vehicles worldwide. As of December 31, 2016, we had 52 parts distribution centers throughout the world to support our customer care efforts in each of our regions. Our Mopar brand accessories allow our customers to customize their vehicles by including after-market sales of products from side steps and lift-kits, to graphics packages, such as racing stripes, and custom leather interiors. Further, through the Mopar brand, we offer vehicle service contracts to our retail customers worldwide under the “Mopar Vehicle Protection” brand, with the majority of our service contract sales in 2016 in the U.S. and Europe. Finally, our Mopar customer care initiatives support our vehicle distribution and sales efforts in each of our mass-market vehicle segments through 26 call centers located around the world.

Mass-Market Vehicle Design and Manufacturing

Our mass-market vehicle brands target different groups of consumers in different regions. Leveraging the potential of our broad portfolio of brands, a key component of our strategic plan is to offer vehicles that appeal to a wide range of consumers located in each regional market. In order to optimize the mix of products we design and manufacture, a number of factors are considered, including:

- consumer tastes, trends and preferences for certain vehicle types which vary based on geographic region, as well as regulatory requirements affecting our ability to meet consumer demands in those regions;

- demographic trends, such as age of population and rate of family formation;

- social and economic factors that affect preferences for optional features, affordability and fuel efficiency;

- competitive environment, in terms of quantity and quality of competitors’ vehicles offered within a particular segment;

- our brand portfolio, as each of our brands targets a different group of consumers, with the goal of avoiding overlapping product offerings or creating internal competition among brands and products;

- our ability to leverage synergies with existing brands, products, platforms and distribution channels;

- the impact of our products and processes on the environment;

- development of a diversified portfolio of innovative technology solutions for both conventional engine technologies and alternative fuels and propulsion systems; and

- manufacturing capacity, regulatory requirements and other factors that impact product development, including ability to minimize time-to-market for new vehicle launches.

We also consider these factors in developing a mix of vehicles within each brand, with an additional focus on ensuring that the vehicles we develop further our brand strategy.

We sell mass-market vehicles in all segments of the passenger car and truck markets. Our passenger car product portfolio includes vehicles such as the Fiat 500 (which has sold more than 1.9 million units globally since its launch in 2007), Alfa Romeo Giulia, Dodge Charger and minivans such as the Chrysler Pacifica. Our light commercial vehicles include vans such as the Fiat Professional Doblò, Fiat Professional Ducato and Ram ProMaster, and light and heavy-duty pickup trucks such as the Ram 1500 and 2500/3500. We also sell SUVs and CUVs in a number of vehicle segments, such as the Jeep Grand Cherokee, Jeep Cherokee, Jeep Renegade and the all-new Jeep Compass.

We also make use of common technology and parts in our vehicles. For example, we have produced over seven million Pentastar V-6 engines since 2010, for use in the Jeep Grand Cherokee, the Ram 1500 and 12 other vehicles. Because we designed this engine with flexible architecture, we can use it in a range of models, potentially with a variety of advanced technologies, such as direct injection or turbocharging.

Our efforts to respond to customer demand have led to a number of important initiatives, including localized production of Jeep vehicles in China and in Brazil to be sold in those countries, which leverages the Jeep brand's name recognition in those markets.

Throughout our manufacturing operations, we have deployed World Class Manufacturing ("WCM") principles. WCM principles were developed by the WCM Association, a non-profit organization dedicated to developing superior manufacturing standards. We are the only OEM that is a member of the WCM Association. WCM fosters a manufacturing culture that targets improved safety, quality and efficiency, as well as the elimination of all types of waste. Unlike some other advanced manufacturing programs, WCM is designed to prioritize issues, focus on those initiatives believed likely to yield the most significant savings and improvements, and direct resources to those initiatives. Concurrently with our January 2014 acquisition of the remaining 41.5 percent of FCA US owned by the VEBA Trust, FCA US entered into a memorandum of understanding to supplement the existing collective bargaining agreement with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW"), and provide for a specific commitment to support the implementation of our WCM principles throughout FCA US's manufacturing facilities, to facilitate benchmarking across all of our manufacturing plants and actively assist in the achievement of FCA US's long-term business plan. We also offer several types of WCM programs to our suppliers whereby they can learn and incorporate WCM principles into their own operations. Refer to the section - *Sustainability Governance and Commitment to Stakeholders* below.

Vehicle Sales Overview

Our new vehicle sales represent sales of vehicles primarily through dealers and distributors, or in some cases, directly by us, to retail customers and fleet customers. Our sales include mass-market and luxury vehicles manufactured at our plants, as well as vehicles manufactured by our joint ventures and third party contract manufacturers. Our sales figures exclude sales of vehicles that we contract manufacture for other OEMs. While our vehicle sales are illustrative of our competitive position and the demand for our vehicles, sales are not directly correlated to our Net revenues, Cost of revenues or other measures of financial performance, as such results are primarily driven by our vehicle shipments to dealers and distributors.

	Years ended December 31		
	2016	2015	2014
	(millions of units)		
NAFTA	2.6	2.6	2.5
LATAM	0.5	0.6	0.8
APAC	0.2	0.2	0.3
EMEA	1.4	1.3	1.2
Total Mass-Market Vehicle Brands	**4.7**	**4.7**	**4.8**
Maserati	0.04	0.04	0.04
Total Worldwide	**4.7**	**4.7**	**4.8**

NAFTA

NAFTA Sales and Competition

The following table presents our mass-market vehicle sales and estimated market share in the NAFTA segment for the periods presented:

	Years ended December 31					
	2016[(1),(2)]		2015[(1),(2),(3)]		2014[(1),(2),(3)]	
NAFTA	**Group Sales**	**Market Share**	**Group Sales**	**Market Share**	**Group Sales**	**Market Share**
	Thousands of units (except percentages)					
U.S.	2,244	12.6 %	2,253	12.6 %	2,106	12.5 %
Canada	279	14.2 %	291	15.1 %	289	15.3 %
Mexico and Other	88	5.3 %	87	6.3 %	77	6.6 %
Total	**2,611**	**12.2 %**	**2,631**	**12.4 %**	**2,472**	**12.4 %**

____

(1) Certain fleet sales that are accounted for as operating leases are included in vehicle sales.
(2) Our estimated market share data presented are based on management's estimates of industry sales data, which use certain data provided by third-party sources, including IHS Markit and Ward's Automotive.
(3) Sales information has been restated to be consistent with reporting methodology disclosed in the FCA US press release issued July 26, 2016.

The following table presents estimated new vehicle market share information for us and our principal competitors in the U.S., our largest market in the NAFTA segment:

	Years ended December 31		
U.S.	**2016**	**2015**	**2014**
Automaker	**Percentage of industry**		
GM	17.0 %	17.3 %	17.4 %
Ford	14.6 %	14.7 %	14.7 %
Toyota	13.7 %	14.0 %	14.1 %
FCA	**12.6 %**	**12.6 %**	**12.4 %**
Honda	9.2 %	8.9 %	9.2 %
Nissan	8.8 %	8.3 %	8.2 %
Hyundai/Kia	8.0 %	7.8 %	7.8 %
Other	16.1 %	16.4 %	16.2 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

After a sharp decline from 2007 to 2010, the U.S. automotive market sales steadily improved through 2015 and have remained stable in 2016. U.S. industry sales, including medium and heavy-duty vehicles, increased from 10.6 million units in 2009 to 17.9 million units in 2016. The strong recovery in automotive sector in 2015 was supported by robust macroeconomic and automotive specific factors, such as growth in per capita disposable income, improved consumer confidence, the increasing age of vehicles in operation, improved consumer access to affordably priced financing and higher prices of used vehicles. While these contributing factors remain relatively strong, some of them have begun to moderate in 2016, which has resulted in a plateauing of auto sales, albeit at high levels on a historic basis.

Our vehicle line-up in the NAFTA segment leverages the brand recognition of the Chrysler, Dodge, Jeep and Ram brands to offer cars, utility vehicles, pickup trucks and minivans under those brands, as well as vehicles in smaller segments, such as the Fiat 500 in the micro/small-segment and the Fiat 500X and Jeep Renegade in the small SUV/crossover segment. Our vehicle sales and profitability in the NAFTA segment are generally weighted towards larger vehicles such as utility vehicles, trucks and vans, while overall industry sales in the NAFTA segment generally are more evenly weighted between smaller and larger vehicles.

During 2016, production began for the all-new Chrysler Pacifica Hybrid, which represented the industry's first electrified minivan and in December 2016, Google's Self-Driving Car Project, Waymo, and FCA announced the completion of the production of 100 Chrysler Pacifica Hybrid minivans, which were uniquely built to enable fully self-driving operation. The all-new Alfa Romeo Giulia was launched in NAFTA, with sales starting in December 2016. In addition, the all-new Alfa Romeo Stelvio, which is the first ever Alfa Romeo SUV, was revealed at the Los Angeles Auto Show in November 2016.

In connection with the NAFTA capacity realignment plan, production of the Dodge Dart and Chrysler 200 was discontinued in 2016 to allow realignment of the capacity to our manufacturing of utility vehicles and trucks.

NAFTA Distribution

In the NAFTA segment, our vehicles are sold primarily to dealers in our dealer network for sale to retail consumers and fleet customers. The following table sets forth the number of independent entities in our dealer and distributor network in the NAFTA segment. The table counts each independent dealer entity, regardless of the number of contracts or points of sale the dealer operates. Where we have a relationship with a general distributor, this table reflects that general distributor as one distribution relationship:

	At December 31		
	2016	**2015**	**2014**
NAFTA	3,273	3,261	3,251

In the NAFTA segment, fleet sales in the commercial channel are typically more profitable than sales in the government and daily rental channels since they more often involve customized vehicles with more optional features and accessories; however, vehicle orders in the commercial channel are usually smaller in size than the orders made in the daily rental channel. Fleet sales in the government channel are generally more profitable than fleet sales in the daily rental channel primarily due to the mix of products included in each respective channel. Rental car companies, for instance, place larger orders of small and mid-sized cars and minivans with minimal options, while sales in the government channel often involve a higher mix of relatively more profitable vehicles such as pickup trucks, minivans and large cars with more options.

NAFTA Segment Mass-Market Dealer and Customer Financing

In the NAFTA segment, we do not have a captive finance company or joint venture and instead rely upon independent financial service providers, including Santander Consumer USA Inc. (or "SCUSA") to provide financing for dealers and retail customers in the U.S. In February 2013, we entered into a private label financing agreement with SCUSA (the "SCUSA Agreement"), under which SCUSA provides a wide range of wholesale and retail financial services to our dealers and retail customers in the U.S., under the Chrysler Capital brand name.

The SCUSA Agreement has a ten year term from February 2013, 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. Under the SCUSA Agreement, SCUSA has certain rights, including limited exclusivity to participate in specified minimum percentages of certain retail financing rate subvention programs, provided SCUSA maintains certain performance standards as set out in the SCUSA Agreement. SCUSA's exclusivity rights are subject to SCUSA maintaining price competitiveness based on market benchmark rates to be determined through a steering committee process as well as minimum approval rates.

The SCUSA Agreement replaced an auto finance relationship with Ally Financial Inc. (or "Ally"), which was terminated in 2013. As of December 31, 2016, Ally was providing wholesale lines of credit to approximately 36 percent of our dealers in the U.S. For the year ended December 31, 2016, we estimate that approximately 85 percent of the vehicles purchased by our U.S. retail customers were financed or leased of which approximately 45 percent were financed or leased through Ally and SCUSA. Additionally, we have arrangements with a number of financial institutions to provide a variety of dealer and retail customer financing programs in Canada.

In December 2015, FCA Mexico entered into a ten year private label financing agreement with FC Financial, S.A De C.V., Sofom, E.R., Grupo Financiaro Inbursa ("FC Financial"), a wholly owned subsidiary of Banco Inbursa, under which FC Financial provides a wide range of wholesale and retail financial services to our dealers and retail customers under the FCA Financial Mexico brand name. The wholesale repurchase obligation under the agreement is limited to wholesale purchases in case of actual or constructive termination of a dealer's franchise agreement.

LATAM

LATAM Sales and Competition

The following table presents our mass-market vehicle sales and market share in the LATAM segment for the periods presented:

	Years ended December 31					
	2016[1]		2015[1]		2014[1]	
LATAM	**Group Sales**	**Market Share**	**Group Sales**	**Market Share**	**Group Sales**	**Market Share**
	Thousands of units (except percentages)					
Brazil	365	18.4 %	483	19.5 %	706	21.2 %
Argentina	79	11.6 %	74	11.9 %	88	13.4 %
Other LATAM	29	2.9 %	27	2.7 %	37	3.0 %
Total	**473**	**12.9 %**	**584**	**14.2 %**	**830**	**16.0 %**

____

(1) *Our estimated market share data presented are based on management's estimates of industry sales data, which use certain data provided by third-party sources, including IHS Markit, National Organization of Automotive Vehicles Distribution and Association of Automotive Producers.*

The following table presents our mass-market vehicle market share information and our principal competitors in Brazil, our largest market in the LATAM segment:

Brazil	**Years ended December 31**		
	2016[1]	**2015[1]**	**2014[1]**
Automaker	**Percentage of industry**		
FCA	**18.4 %**	**19.5 %**	**21.2 %**
GM	17.4 %	15.6 %	17.4 %
Volkswagen (*)	12.1 %	15.2 %	17.7 %
Ford	9.1 %	10.2 %	9.2 %
Other	43.0 %	39.5 %	34.5 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

____

(1) *Our estimated market share data presented are based on management's estimates of industry sales data, which use certain data provided by third-party sources, including IHS Markit, National Organization of Automotive Vehicles Distribution and Association of Automotive Producers.*
(*) *Including Audi.*

The automotive industry within which the LATAM segment operates decreased 11 percent from 2015, to 3.7 million vehicles (cars and light commercial vehicles) in 2016, which was primarily driven by a 20 percent decrease in Brazil's industry vehicle sales reflecting continued macroeconomic weakness that was partially offset by an increase of 9 percent in Argentina's industry vehicle sales.

Although Group sales in LATAM decreased 19 percent from 2015, the Group remained the market leader in Brazil, albeit reducing its lead over its nearest competitor to 100 basis points with market share at 18.4 percent, which decreased 110 basis points due to strong competition and pricing actions taken to protect margins. In Argentina, overall market share declined to 11.6 percent from 11.9 percent in 2015.

Our vehicle sales in the LATAM segment leverage the name recognition of Fiat and the relatively urban population of countries like Brazil to offer Fiat brand Segment A and B vehicles in our key markets in the LATAM segment. We are the leading automaker in Brazil, due in large part to Fiat's leadership in the A segment (which represents more than 25 percent of Brazilian market vehicle sales). In Brazil, Fiat also leads the small and medium pickup truck market with the Fiat Strada and all-new Fiat Toro at 55 percent and 74.3 percent of specific segment share respectively, while Jeep is continuing its momentum in the small and medium SUV segments with the Jeep Renegade consolidating segment share at 17.5 percent and with the commercial launch of the all-new Jeep Compass. The all-new Jeep Compass, which is a global compact SUV, is produced in the Pernambuco plant in Brazil.

LATAM Distribution

The following table presents the number of independent entities in our dealer and distributor network. In the LATAM segment, we generally enter into multiple dealer agreements with a single dealer, covering one or more points of sale. Outside Brazil and Argentina, our major markets, we distribute our vehicles mainly through general distributors and their dealer networks. This table counts each independent dealer entity, regardless of the number of contracts or points of sale the dealer operates. Where we have relationships with a general distributor in a particular market, this table reflects that general distributor as one distribution relationship:

	At December 31		
	2016	**2015**	**2014**
LATAM	430	442	441

LATAM Dealer and Customer Financing

In the LATAM segment, we provide access to dealer and retail customer financing through both wholly owned captive finance companies and through strategic relationships with financial institutions.

We have two wholly owned captive finance companies in the LATAM segment: Banco Fidis S.A. in Brazil and Fiat Credito Compañia Financiera S.A. in Argentina. These captive finance companies offer dealer and retail customer financing. In addition, in Brazil we have two significant commercial partnerships with Banco Itaù and Bradesco to provide financing to retail customers purchasing Fiat brand vehicles. Banco Itaù is a leading vehicle retail financing company in Brazil. This partnership was renewed in August 2013 for a ten-year term ending in 2023. Under this agreement, Banco Itaù has exclusivity on our promotional campaigns and preferential rights on non-promotional financing. We receive commissions in connection with each vehicle financing above a certain threshold. This agreement applies only to our retail customers purchasing Fiat branded vehicles. In July 2015, FCA Fiat Chrysler Automoveis Brasil ("FCA Brasil") and Banco Fidis signed a ten-year partnership contract with Bradesco, through its affiliate Bradesco Financiamentos, whereby Bradesco Financiamentos will finance retail sales of Jeep, Chrysler, Dodge and Ram vehicles in Brazil. Banco Fidis will be in charge of the commercial management of this partnership, intermediating the relationship between FCA Brasil clients and dealers with Bradesco Financiamentos regarding the offer of financial products. Under this agreement, Bradesco has exclusivity on promotional campaigns and FCA Brasil will promote Bradesco as its official financial partner. We receive commissions for this partnership agreement and for acting as banking agent based on profitability and penetration reached by the partnership.

APAC

APAC Sales and Competition

The following table presents our vehicle sales in the APAC segment for the periods presented:

	Years ended December 31					
	2016[(1),(4)]		2015[(1),(4)]		2014[(1),(4)]	
APAC	**Group Sales**	**Market Share**	**Group Sales**	**Market Share**	**Group Sales**	**Market Share**
	Thousands of units (except percentages)					
China[(2)]	176	0.8 %	139	0.8 %	171	1.0 %
Japan	20	0.5 %	17	0.4 %	18	0.4 %
Australia	18	1.6 %	35	3.1 %	44	4.0 %
India[(3)]	7	0.2 %	9	0.3 %	12	0.5 %
South Korea	7	0.4 %	7	0.4 %	6	0.5 %
APAC 5 major Markets	228	0.7 %	207	0.7 %	251	0.9 %
Other APAC	5	—	8	—	6	—
Total	**233**	—	**215**	—	**257**	—

(1) Our estimated market share data presented are based on management's estimates of industry sales data, which use certain data provided by third-party sources, including R.L. Polk Data, IHS Markit and National Automobile Manufacturing Associations.
(2) Sales data include vehicles sold by our joint ventures in China.
(3) India market share is based on wholesale volumes.
(4) Group sales reflect retail deliveries. APAC industry reflects aggregate for major markets where the Group competes (China, Australia, Japan, South Korea, and India). Market share is based on retail registrations except, as noted above, in India where market share is based on wholesale volumes.

The automotive industry in the APAC segment has shown strong year-over-year growth. Industry sales in the five key markets (China, India, Japan, Australia and South Korea) where we compete increased from 16.1 million in 2009 to 32.2 million in 2016, a compound annual growth rate ("CAGR") of approximately 10 percent. Industry demand increased 11 percent with growth in China (+15 percent), India (+7 percent) and Australia (+2 percent) and South Korea flat, offsetting a 2 percent decline in Japan.

We sell a range of vehicles in the APAC segment, including small and compact cars and utility vehicles. Although our smallest mass-market segment by vehicle sales, we believe the APAC segment represents a significant growth opportunity and we have invested in building relationships with key joint venture partners in China and India in order to increase our presence in the region. In 2010, the GAC FCA JV was formed for the production of Fiat brand passenger cars due to the demand for mid-size vehicles in China. In 2015, we expanded local production by the GAC FCA JV with the production of the Jeep Cherokee and in 2016, we continued the transition to local SUV production in China with the production of the Jeep Renegade (in April) and the all-new Jeep Compass (in November) at the Guangzhou plant of the GAC FCA JV. In 2016, the Jeep brand made its return to India, with the launches of the imported Jeep Wrangler and Jeep Grand Cherokee; preparation also continues for the local production of the all-new Jeep Compass planned in the Ranjangaon, India plant for sale in India and other right-hand drive countries in 2017. We also work with a joint venture partner in India to manufacture Fiat branded vehicles that we distribute through wholly owned subsidiaries. In other parts of the APAC segment, we distribute vehicles that we manufacture in the U.S. and Europe through our dealers and distributors.

APAC Distribution

In the key markets in the APAC segment (China, Australia, India, Japan and South Korea), we sell our vehicles through a wholly owned subsidiary or through our joint ventures to local independent dealers. In other markets where we do not have a substantial presence, we have agreements with general distributors for the distribution of our vehicles through their networks. The following table presents the number of independent entities in our dealer and distributor network. The table counts each independent dealer entity, regardless of the number of contracts or points of sale the dealer operates. Where we have relationships with a general distributor in a particular market, this table reflects that general distributor as one distribution relationship:

	At December 31		
	2016	2015	2014
APAC	663	681	729

APAC Dealer and Customer Financing

In the APAC segment, we operate a wholly owned captive finance company, FCA Automotive Finance Co., Ltd, which supports, on a non-exclusive basis, our sales activities in China through dealer and retail customer financing. Cooperation agreements are also in place with third party financial institutions to provide dealer network and retail customer financing in India, South Korea, Australia and Japan.

EMEA

EMEA Sales and Competition

The following table presents our passenger car and light commercial vehicle sales in the EMEA segment for the periods presented:

	Years ended December 31					
	2016(1),(2),(3)		2015(1),(2),(3)		2014(1),(2),(3)	
EMEA Passenger Cars	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
Italy	528	28.9 %	446	28.3 %	377	27.7 %
Germany	97	2.9 %	90	2.8 %	84	2.8 %
UK	84	3.1 %	83	3.2 %	80	3.2 %
France	80	4.0 %	71	3.7 %	62	3.5 %
Spain	60	5.2 %	47	4.5 %	36	4.3 %
Other Europe	136	3.3 %	127	3.3 %	121	3.5 %
Europe*	985	6.5 %	864	6.1 %	760	5.8 %
Other EMEA**	113	—	124	—	126	—
Total	**1,098**	—	**988**	—	**886**	—

____

** 28 members of the European Union and members of the European Free Trade Association (other than Italy, Germany, UK, France, and Spain).*
*** Market share not included in Other EMEA because our presence is less than one percent.*

(1) Certain fleet sales accounted for as operating leases are included in vehicle sales.
(2) Our estimated market share data is presented based on the European Automobile Manufacturers Association (ACEA) Registration Databases and national Registration Offices databases.
(3) Sale data includes vehicle sales by our joint venture in Turkey.

EMEA Light Commercial Vehicles	Years ended December 31					
	2016[(1),(2),(3)]		2015[(1),(2),(3)]		2014[(1),(2),(3)]	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
Europe*	250	11.6 %	217	11.3 %	197	11.5 %
Other EMEA**	69	—	77	—	68	—
Total	**319**	—	**294**	—	**265**	—

** 28 members of the European Union and members of the European Free Trade Association.*
*** Market share not included in Other EMEA because our presence is less than one percent.*
(1) Certain fleet sales accounted for as operating leases are included in vehicle sales.
(2) Our estimated market share data is presented based on the national Registration Offices databases on products categorized under light commercial vehicles.
(3) Sale data includes vehicle sales by our joint venture in Turkey.

The following table summarizes our new vehicle market share information and our principal competitors in Europe, our largest market in the EMEA segment:

Europe-Passenger Cars	Years ended December 31		
	2016[(*)]	2015[(*)]	2014[(*)]
Automaker	Percentage of industry		
Volkswagen	24.1 %	24.8 %	25.5 %
Renault	10.1 %	9.6 %	9.5 %
PSA	9.7 %	10.4 %	10.7 %
Ford	6.9 %	7.2 %	7.3 %
BMW	6.8 %	6.6 %	6.4 %
GM	6.6 %	6.7 %	7.1 %
FCA [(1)]	**6.6 %**	**6.1 %**	**5.9 %**
Daimler	6.2 %	5.9 %	5.4 %
Toyota	4.3 %	4.3 %	4.3 %
Other	18.7 %	18.4 %	17.9 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

** Including all 28 European Union (EU) Member States and the 4 European Free Trade Association, or EFTA member states.*
(1)) Market share data is presented based on the European Automobile Manufacturers Association, or ACEA Registration Databases, which also includes Maserati within our Group for all periods presented; includes Ferrari within our Group for 2014 and 2015.

In 2016, the Fiat brand continued its leadership in the minicar segment with a market share of 29.4 percent in EU 28+EFTA where it steadily controls the first two positions: Panda (market share of 14.9 percent), followed by the Fiat 500 (market share of 14.5 percent). In Italy, the Fiat 500X led its segment with a market share of 20.6 percent.

The Jeep brand in EMEA continued its growth selling 128,000 units, up 9 percent over the prior year. Volumes were also higher in the light commercial vehicle segment, with industry sales up 12 percent over the prior year to about 2.2 million units. The Ducato continued its strong performance in 2016, leading its segment in Europe with a growth of 13 percent.

The all-new Fiat Tipo family, which is sold in approximately 40 countries across EMEA, completed its lineup in September 2016 with the introduction of the Fiat Tipo station wagon, which complemented the Fiat Tipo hatchback that was launched in June 2016 and the Fiat Tipo four-door compact sedan that was launched in December 2015, marking Fiat's comeback to the medium-compact and compact sedan segments.

The commercial launch of the all-new Alfa Romeo Giulia in major European markets took place in the second quarter of 2016, marking the return of Alfa Romeo to the premium sedan segment in EMEA.

In Europe, FCA's sales are largely weighted to passenger cars, with approximately 42 percent of our total vehicle sales in the small car segment for 2016, reflecting demand for smaller vehicles due to driving conditions prevalent in many European cities and stringent environmental regulations.

EMEA Distribution

In Europe, our relationship with individual dealer entities can be represented by a number of contracts (typically, we enter into one agreement per brand of vehicles to be sold), and the dealer can sell those vehicles through one or more points of sale. In many markets, points of sale tend to be physically small and carry limited inventory.

In Europe, we sell our vehicles directly to independent and our own dealer entities located in most European markets. In other markets in the EMEA segment in which we do not have a substantial presence, we have agreements with general distributors for the distribution of our vehicles through their existing distribution networks.

The following table summarizes the number of independent entities in our dealer and distributor network. The table counts each independent dealer entity, regardless of the number of contracts or points of sale the dealer operates. Where we have relationships with a general distributor in a particular market, this table reflects that general distributor as one distribution relationship:

	At December 31		
	2016	**2015**	**2014**
EMEA	2,071	2,090	2,143

EMEA Dealer and Customer Financing

In the EMEA segment, dealer and retail customer financing is primarily managed by FCA Bank, our joint venture with Crédit Agricole Consumer Finance S.A. (or "Crédit Agricole"). FCA Bank operates in Europe including Italy, France, Germany, the U.K. and Spain. We began this joint venture in 2007, and in July 2013, we reached an agreement with Crédit Agricole to extend its term through December 31, 2021. Under the agreement, FCA Bank will continue to benefit from the financial support of Crédit Agricole while continuing to strengthen its position as an active player in the securitization and debt markets. FCA Bank provides retail and dealer financing to support our mass-market vehicle brands and Maserati vehicles, as well as certain other OEMs.

Fidis S.p.A., our wholly owned captive finance company, supports selected dealers in Italy, upon the OEM request by providing financing, as well as factoring services to the Group's subsidiaries when they acquire receivables originated in different regions. We also operate a joint venture providing financial services to retail customers in Turkey, and operate vendor programs with bank partners in other markets to provide access to financing in those markets.

Maserati

Maserati, a luxury vehicle brand founded in 1914, became part of our business in 1993. We believe that Maserati customers typically seek a combination of style, both in high quality interiors and external design, performance, sports handling and comfort that come with a top of the line luxury vehicle. In 2013, the Maserati brand was re-launched by the introduction of the next generation Quattroporte and the introduction of the all-new Ghibli (luxury four door sedans), the first addressed the flagship large sedan segment and the second was designed to address the luxury full-size sedan vehicle segment. Maserati's current vehicles also include the GranTurismo, the brand's first modern two door, four seat coupe, also available in a convertible version. In 2016, the all-new Maserati Levante was launched, which was the first SUV in Maserati's history and which completed the Maserati product portfolio.

The following table shows the distribution of Maserati sales by geographic regions as a percentage of total sales for each year ended December 31, 2016, 2015 and 2014:

	As a percentage of 2016 sales	As a percentage of 2015 sales	As a percentage of 2014 sales
U.S.	31 %	37 %	39 %
China	30 %	22 %	25 %
Europe Top 4 countries[(1)]	15 %	14 %	13 %
Japan	3 %	5 %	4 %
Other countries	21 %	22 %	19 %
Total	**100%**	**100%**	**100%**

(1) Europe Top 4 Countries by sales, includes Italy, UK, Germany and Switzerland.

In 2016, a total of 40 thousand Maserati vehicles were sold to retail consumers, an increase of 27 percent compared to 2015, with increased sales in all major regions and China sales almost doubling over prior year, primarily due to the all-new Maserati Levante.

We sell our Maserati vehicles through a worldwide distribution network of approximately 420 Maserati dealers as of December 31, 2016, that is separate from our mass-market vehicle distribution network.

FCA Bank provides access to retail customer financing for Maserati brand vehicles in Europe and subsidiaries of Fidis S.p.A. provide retail and dealer financings on a non-exclusive basis in China. In other regions, we rely on local agreements with financial services providers for financing of Maserati brand vehicles.

Components

We sell components and production systems under the following brands:

Magneti Marelli. Founded in 1919 as a joint venture between Fiat and Ercole Marelli, Magneti Marelli is an international leader in the design and production of state-of-the-art automotive systems and components. Through Magneti Marelli, we design and manufacture automotive lighting systems, powertrain (engines and transmissions) components and engine control units, electronic systems, suspension systems and exhaust systems, and plastic components and modules. The Automotive Lighting business line, headquartered in Reutlingen, Germany, is dedicated to the development, production and sale of automotive exterior lighting products for all major OEMs worldwide. The Powertrain business line is dedicated to the production of engine and transmission components for automobiles, motorbikes and light commercial vehicles and has a global presence due to its own research and development centers, applied research centers and production plants. The Electronic Systems business line provides know-how in the development and production of hardware and software in mechatronics, instrument clusters, telematics and satellite navigation. We also provide aftermarket parts and services and operate in the motor-sport business, in particular electronic and electro-mechanical systems for championship motor-sport racing, under the Magneti Marelli brand. We believe the Magneti Marelli brand is characterized by key technologies available to its final customers at a competitive price, with high quality and competitive offerings, technology and flexibility.

Magneti Marelli provides wide-ranging expertise in electronics through a process of ongoing innovation and environmental sustainability in order to develop intelligent systems for active and passive vehicle safety, on-board comfort and powertrain technologies. Magneti Marelli products that are intended to improve energy efficiency (including hybrid systems, Xenon and LED lights, gasoline direct injection systems and automated manual transmissions) contributed €2.3 billion in revenues for 2016. With 86 production facilities and 45 research and development centers (including joint ventures), Magneti Marelli has a presence in 18 countries and supplies all the major OEMs across the globe. In several countries, Magneti Marelli's activities are carried out through a number of joint ventures with local partners with the goal of entering more easily into new markets by leveraging the partners' local relationships. Thirty-one percent of Magneti Marelli's 2016 revenue is derived from sales to the Group.

Teksid. Originating from Fiat's 1917 acquisition of Ferriere Piemontesi, the Teksid brand was established in 1978 and today specializes in grey and nodular iron castings production. Teksid produces iron engine blocks, cylinder heads, engine components, transmission parts, gearboxes and suspensions. Teksid Aluminum produces aluminum engine blocks and cylinder heads. Fifty percent of Teksid's 2016 revenue is derived from sales to the Group.

Comau. Founded in 1973, Comau, which originally derived its name from the acronyms of COnsorzio MAcchine Utensili (*consortium of machine tools)*, produces advanced manufacturing systems through an international network. Comau operates primarily in the field of integrated automation technology, delivering advanced turnkey systems to its customers. Through Comau, we develop and sell a wide range of industrial applications, including robotics, and provide support service and training to customers. Comau's main activities include powertrain metal-cutting systems, mechanical assembly systems and testing, innovative and high performance body welding and assembly systems and robotics. Comau's automation technology is used in a variety of industries, including automotive and aerospace. Comau also provides maintenance services in Latin America. Twenty-eight percent of Comau's 2016 revenue is derived from sales to the Group.

OPERATING RESULTS

NON-GAAP FINANCIAL MEASURES

We monitor our operations through the use of several non-generally accepted accounting principles ("non-GAAP") financial measures: Net debt, Net industrial debt, Adjusted Earnings Before Interest and Taxes ("Adjusted EBIT"), Adjusted net profit and certain information provided on a constant exchange rate basis. We believe that these non-GAAP financial measures provide useful and relevant information regarding our operating results and enhance the overall ability to assess our financial performance and financial position. They provide us with comparable measures which facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. These and similar measures are widely used in the industry in which we operate, however, these financial measures may not be comparable to other similarly titled measures of other companies and are not intended to be substitutes for measures of financial performance and financial position as prepared in accordance with IFRS as adopted by the European Union.

Net Debt and Net Industrial Debt

We believe Net debt is useful in providing a measure of the Group's total indebtedness after consideration of cash and cash equivalents and current securities.

Due to different sources of cash flows used for the repayment of the financial debt between industrial activities and financial services (by cash from operations for industrial activities and by collection of financial receivables for financial services) and the different business structure and leverage implications, we provide a separate analysis of Net debt between industrial activities and financial services.

The division between industrial activities and financial services represents a sub-consolidation based on the core business activities (industrial or financial services) of each Group company. The sub-consolidation for industrial activities also includes companies that perform centralized treasury activities, such as raising funding in the market and financing Group companies, but do not, however, provide financing to third parties. Financial services includes companies that provide retail and dealer finance as well as leasing and rental services in support of the mass-market vehicle brands in certain geographical segments and for the Maserati luxury brand. In addition, activities of financial services include providing factoring services to industrial activities, as an alternative to factoring from third parties. Operating results of such financial services activities are included within the respective region or sector in which they operate.

Net industrial debt (i.e., Net debt of industrial activities) is management's primary measure for analyzing our financial leverage and capital structure and is one of the key targets used to measure our performance, however it should not be considered as a substitute for cash flow or other methods of analyzing our results as reported under IFRS. Net industrial debt is computed as: debt plus derivative financial liabilities related to industrial activities less (i) cash and cash equivalents, (ii) current available-for-sale and held-for-trading securities, (iii) current financial receivables from Group or jointly controlled financial services entities and (iv) derivative financial assets and collateral deposits; therefore, debt, cash and other financial assets/liabilities pertaining to financial services entities are excluded from the computation of Net industrial debt.

Refer to the section *—Liquidity and Capital Markets - Net Debt* below for further information and the reconciliation of these non-GAAP measures to Debt, which is the most directly comparable measure included in our Consolidated Statement of Financial Position.

Adjusted EBIT

Adjusted EBIT excludes certain adjustments from Net profit from continuing operations including gains/(losses) on the disposal of investments, restructuring, impairments, asset write-offs and unusual income/(expenses) that are considered rare or discrete events that are infrequent in nature, and also excludes Net financial expenses and Tax expense/(benefit). Adjusted EBIT is used for internal reporting to assess performance and as part of the Group's forecasting, budgeting and decision making processes as it provides additional transparency of the Group's core operations. We believe this non-GAAP measure is useful because it excludes items that we do not believe are indicative of the Group's ongoing operating performance and allows management to view operating trends, perform analytical comparisons and benchmark performance between periods and among our segments. We also believe that Adjusted EBIT is useful for analysts and investors to understand how management assesses the Group’s ongoing operating performance on a consistent basis. In addition, Adjusted EBIT is one of the metrics used in the determination of the annual performance bonus for the Chief Executive Officer of the Group and other eligible employees, including members of the Group Executive Council.

Refer to the section —*Group Results* below for further discussion and for a reconciliation of this non-GAAP measure to Net profit from continuing operations, which is the most directly comparable measure included in our Consolidated Income Statement. Adjusted EBIT should not be considered as a substitute for Net profit from continuing operations, cash flow or other methods of analyzing our results as reported under IFRS.

Adjusted Net Profit

Adjusted net profit is calculated as Net profit from continuing operations excluding post-tax impacts of the same items excluded from Adjusted EBIT, as well as financial income/(expenses) and tax income/(expenses) considered rare or discrete events that are infrequent in nature. We believe this non-GAAP measure is useful because it also excludes items that we do not believe are indicative of the Group’s ongoing operating performance and provides investors with a more meaningful comparison of the Group's ongoing operating performance. In addition, Adjusted net profit is one of the metrics used in the determination of the annual performance bonus and the achievement of certain performance objectives established under the terms of the equity incentive plan for the Chief Executive Officer of the Group and other eligible employees, including members of the Group Executive Council.

Refer to the section —*Group Results* below for further discussion and for a reconciliation of this non-GAAP measure to Net profit from continuing operations, which is the most directly comparable measure included in our Consolidated Income Statement. Adjusted net profit should not be considered as a substitute for Net profit from continuing operations, cash flow or other methods of analyzing our results as reported under IFRS.

Constant Currency Information

The discussion within *—Results of Operations* below includes information about our results at constant exchange rates (“CER”), which is calculated by applying the prior year average exchange rates to current financial data expressed in local currency in which the relevant financial statements are denominated (see Note 2, *Basis of Preparation*, within the Consolidated Financial Statements included elsewhere in this report for the exchange rates applied). Although we do not believe that this non-GAAP measure is a substitute for GAAP measures, management’s evaluation of operating performance excludes the effects of currency fluctuations and in addition, we believe that results excluding the effect of currency fluctuations provide additional useful information to investors regarding the operating performance and trends in our business on a local currency basis.

RESULTS OF OPERATIONS

Shipment Information

As discussed in *—Overview of Our Business,* our activities are carried out through six reportable segments: four regional mass-market vehicle segments (NAFTA, LATAM, APAC and EMEA), the Maserati global luxury brand segment and a global Components segment. The following table sets forth our vehicle shipment information by segment (excluding the Components segment). Vehicle shipments are generally aligned with current period production which is driven by our plans to meet consumer demand. Revenue is recognized when the risks and rewards of ownership of a vehicle have been transferred to our customers, which generally corresponds to the date when the vehicles are made available to dealers or distributors, or when the vehicles are released to the carrier responsible for transporting vehicles to dealers or distributors. Revenues related to new vehicle sales with a buy-back commitment, or through the 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. For a description of our dealers and distributors refer to the section *—Mass-Market Vehicle Brands* above. Accordingly, the number of vehicles sold does not necessarily correspond to the number of vehicles shipped for which revenues are recorded in any given period.

	Years ended December 31		
(thousands of units)	**2016**	**2015**	**2014**
NAFTA	2,587	2,726	2,493
LATAM	456	553	827
APAC	91	149	220
EMEA	1,306	1,142	1,024
Maserati	42	32	36
Total Consolidated shipments	**4,482**	**4,602**	**4,601** (1)
Joint venture shipments	238	136	142
Total Combined shipments	**4,720**	**4,738**	**4,743**

(1) Total does not add due to rounding

For a detailed discussion of shipments for NAFTA, LATAM, APAC, EMEA and Maserati for 2016 as compared to 2015 and for 2015 as compared to 2014, see *—Results by Segment* below.

Group Results – 2016 compared to 2015 and 2015 compared to 2014

The following is a discussion of the Group's results of operations for the year ended December 31, 2016 as compared to the year ended December 31, 2015 and for the year ended December 31, 2015 as compared to the year ended December 31, 2014. The discussion of certain line items includes a presentation of certain amounts as a percentage of Net revenues for the respective periods presented to facilitate year-on-year comparisons.

	Years ended December 31		
(€ million)	2016	2015	2014
Net revenues	€ 111,018	€ 110,595	€ 93,640
Cost of revenues	95,295	97,620	81,592
Selling, general and other costs	7,568	7,576	6,973
Research and development costs	3,274	2,864	2,334
Result from investments	316	143	131
Gains on disposal of investments	13	—	12
Restructuring costs	88	53	50
Net financial expenses	2,016	2,366	2,051
Profit before taxes	**3,106**	**259**	**783**
Tax expense	1,292	166	424
Net profit from continuing operations	**1,814**	**93**	**359**
Profit from discontinued operations, net of tax	0	284	273
Net profit	**€ 1,814**	**€ 377**	**€ 632**
Net profit attributable to:			
Owners of the parent	€ 1,803	€ 334	€ 568
Non-controlling interests	€ 11	€ 43	€ 64

Net revenues

				Increase/(Decrease)			
	Years ended December 31			2016 vs. 2015		2015 vs. 2014	
(€ million)	2016	2015	2014	%	CER	%	CER
Net revenues	€ 111,018	€ 110,595	€ 93,640	0.4%	1.2%	18.1%	5.9%

For a detailed discussion of Net revenues for each of our six reportable segments (NAFTA, LATAM, APAC, EMEA, Maserati and Components) for 2016 as compared to 2015 and for 2015 as compared to 2014, refer to the section *—Results by Segment* below.

Cost of revenues

				Increase/(Decrease)			
	Years ended December 31			2016 vs. 2015		2015 vs. 2014	
(€ million)	2016	2015	2014	%	CER	%	CER
Cost of revenues	€ 95,295	€ 97,620	€ 81,592	(2.4)%	(1.6)%	19.6%	7.3%
Cost of revenues as % of Net revenues	85.8%	88.3%	87.1%				

Cost of revenues includes purchases (including commodity costs), labor costs, depreciation, amortization, logistic, product warranty and recall campaign costs.

The decrease in Cost of revenues in 2016 compared to 2015 was primarily related to (i) lower volumes, (ii) purchasing and manufacturing efficiencies, net of higher product costs for content enhancements and (iii) lower warranty costs, which were partially offset by (iv) vehicle mix. The decrease in Cost of revenues was primarily attributable to decreases in NAFTA and APAC, which were partially offset by increases in EMEA and Maserati.

The decrease in Cost of revenues in NAFTA in 2016 compared to 2015 was primarily due to the decrease in volumes, purchasing savings, lower warranty costs and the change in estimate for the campaign accrual for the U.S. and Canada of €761 million that was recognized in 2015, which were partially offset by vehicle mix, higher product costs for content enhancements and higher manufacturing costs.

The decrease in Cost of revenues in APAC in 2016 compared to 2015 was mainly due to decreased volumes attributable to lower imported volumes in China replaced by localized production through the GAC FCA JV, which is accounted for using the equity method of accounting, as well as lower volumes in Australia, which were partially offset by vehicle mix.

The increase in Cost of revenues in EMEA and Maserati in 2016 compared to 2015 was mainly due to the increase in volumes.

The increase in Cost of revenues in 2015 compared to 2014 was primarily due to (i) a total €4.0 billion increase related to vehicle mix as well as increased volumes in NAFTA, EMEA and Components, partially offset by a reduction in volumes in LATAM, APAC and Maserati and (ii) foreign currency translation effects of €10.1 billion primarily related to the strengthening of the U.S. Dollar.

Selling, general and other costs

									Increase/(Decrease)			
	Years ended December 31								2016 vs. 2015		2015 vs. 2014	
(€ million)		2016		2015		2014			%	CER	%	CER
Selling, general and other costs	€	7,568	€	7,576	€	6,973			(0.1)%	0.9%	8.6%	1.9%
Selling, general and other costs as% of Net revenues		6.8%		6.9%		7.4%						

Selling, general and other costs includes advertising, personnel and administrative costs. Advertising costs amounted to approximately 47 percent, 47 percent and 45 percent of total Selling, general and other costs for the years ended December 31, 2016, 2015 and 2014, respectively.

Selling, general and other costs in 2016 was consistent with 2015 and primarily reflected (i) higher advertising costs in NAFTA to support product launches, mainly related to the all-new Chrysler Pacifica, (ii) higher advertising costs in EMEA, mainly for new product launches, particularly the Alfa Romeo brand, and (iii) an increase in Maserati for commercial launch activities, which were offset by (iv) lower marketing costs in APAC, which are now incurred by the GAC FCA JV as a result of the shift to localized production in China, and (v) lower costs in LATAM primarily driven by continued cost reduction initiatives to right-size to market volume.

The increase in Selling, general and other costs in 2015 compared to 2014 was due to the combined effects of (i) foreign currency translation primarily resulting from the strengthening of the U.S. Dollar against the Euro of approximately €650 million, (ii) commercial launch costs related to the all-new 2015 Jeep Renegade and start-up costs for the Pernambuco plant in the LATAM segment totaling €104 million and (iii) an increase of €42 million in advertising expenses for the EMEA segment for the all-new 2015 Jeep Renegade and Fiat 500X, which were partially offset by (iv) lower marketing expenses in APAC.

Research and development costs

(€ million)	Years ended December 31 2016	2015	2014	Increase/(Decrease) 2016 vs. 2015 %	CER	2015 vs. 2014 %	CER
Research and development expenditures expensed	€ 1,661	€ 1,449	€ 1,320	14.6 %	15.0 %	9.8 %	(3.4)%
Amortization of capitalized development expenditures	1,492	1,194	932	25.0 %	25.5 %	28.1 %	20.6 %
Impairment and write-off of capitalized development expenditures	121	221	82	(45.2)%	(45.2)%	n.m.	n.m.
Total Research and development costs	**€ 3,274**	**€ 2,864**	**€ 2,334**	**14.3 %**	**14.8 %**	**22.7%**	**11.1 %**

n.m. - number is not meaningful

	Years ended December 31 2016	2015	2014
Research and development expenditures expensed as % of Net revenues	1.5 %	1.3 %	1.4 %
Amortization of capitalized development expenditures as % of Net revenues	1.3 %	1.1 %	1.0 %
Impairment and write-off of capitalized development expenditures as % of Net revenues	0.1 %	0.2 %	0.1 %
Total Research and development costs as % of Net revenues	**2.9%**	**2.6%**	**2.5%**

The following table summarizes our research and development expenditures for the years ended December 31, 2016, 2015 and 2014:

(€ million)	Years ended December 31 2016	2015	2014	Increase/(Decrease) 2016 vs. 2015 %	2015 vs. 2014 %
Capitalized development expenditures	€ 2,558	€ 2,504	€ 2,132	2.2%	17.4%
Research and development expenditures expensed	1,661	1,449	1,320	14.6%	9.8%
Total Research and development expenditures	**€ 4,219**	**€ 3,953**	**€ 3,452**	6.7%	14.5%
Capitalized development expenditures as % of Total Research and development expenditures	60.6 %	63.3 %	61.8 %		
Total Research and development expenditures as % of Net revenues	**3.8%**	**3.6%**	**3.7%**		

We conduct research and development for new vehicles and technology to improve the performance, safety, fuel efficiency, reliability, consumer perception and environmental impact of our vehicles. Research and development costs consist primarily of material costs, services and personnel related expenses that support the development of new and existing vehicles with powertrain technologies.

The increase in amortization of capitalized development expenditures in 2016 compared to 2015 was mainly attributable to the all-new Chrysler Pacifica and the Jeep Renegade in NAFTA, the all-new Alfa Romeo Giulia in EMEA and the all-new Maserati Levante.

The impairment and write-off of capitalized development expenditures during the year ended December 31, 2016 mainly related to the Group's capacity realignment to SUV production in China, which resulted in an impairment expense of €90 million for the locally produced Fiat Viaggio and Ottimo vehicles.

The increase in amortization of capitalized development expenditures in 2015 compared to 2014 was mainly attributable to the launch of new products primarily related to NAFTA driven by the all-new 2015 Jeep Renegade, the Jeep Cherokee and the Dodge Challenger, as well as the EMEA segment driven by the all-new 2015 Fiat 500X.

The impairment and write-off of capitalized development expenditures during the year ended December 31, 2015 mainly related to the Group's plan to realign a portion of its capacity in NAFTA to better meet market demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure, which resulted in an impairment charge of €176 million for capitalized development expenditures that had no future economic benefit.

Result from investments

	Years ended December 31			Increase/(Decrease)	
				2016 vs. 2015	2015 vs. 2014
(€ million)	2016	2015	2014	%	%
Result from investments	€ 316	€ 143	€ 131	121.0%	9.2%

The increase in Result from investments in 2016 compared to 2015 was primarily attributable to (i) improved results from the GAC FCA JV, which is within APAC, due to the shift to localized production in China, as well as (ii) improved results from the joint venture with FCA Bank, a jointly-controlled finance company within EMEA that manages activities in retail automotive financing, dealership financing, long-term car rental and fleet management in Europe.

The increase in Result from investments in 2015 compared to 2014 was primarily attributable to improved results of FCA Bank and Tofas-Turk Otomobil Fabrikasi A.S. (“Tofas”), a jointly-controlled Turkish automaker, which is also within EMEA.

Net financial expenses

	Years ended December 31			Increase/(Decrease)	
				2016 vs. 2015	2015 vs. 2014
(€ million)	2016	2015	2014	%	%
Net financial expenses	€ 2,016	€ 2,366	€ 2,051	(14.8)%	15.4%

The decrease in Net financial expenses in 2016 compared to 2015 was primarily due to the reduction in gross debt.

The increase in Net financial expenses in 2015 compared to 2014 was primarily due to higher debt levels and interest rates in Brazil, the net loss of €168 million recognized in connection with the prepayments of the FCA US secured senior notes due in 2019 and in 2021, which included the call premiums, net of the remaining unamortized debt premiums, as well as unfavorable foreign currency translation. The increase was partially offset by interest cost savings resulting from the refinancing and reduction in overall gross debt in 2015.

Tax expense

	Years ended December 31			Increase/(Decrease)	
				2016 vs. 2015	2015 vs. 2014
(€ million)	2016	2015	2014	%	%
Tax expense	€ 1,292	€ 166	€ 424	n.m.	(60.8)%

n.m. = Number is not meaningful.

The increase in Tax expense in 2016 compared to 2015 was primarily attributable to higher profits in NAFTA.

The decrease in the effective tax rate to 40.2 percent in 2016 from 54.4 percent in 2015 was mainly due to the decreased impact of deferred tax assets not recognized.

The decrease in Tax expense in 2015 compared to 2014 was primarily related to lower Profit before taxes and a higher amount of non-taxable incentives, which was partially offset by a decrease in certain one-time discrete items as Profit before taxes for the year ended December 31, 2014 included the non-taxable gain related to the fair value re-measurement of the previously exercised options in connection with the acquisition of the remaining equity interest of FCA US previously not owned.

The increase in the effective tax rate from 46.4 percent in 2014 to 54.4 percent in 2015 was primarily attributable to the decrease in Profit before taxes and the relative increased impact of losses before tax in jurisdictions in which a tax benefit is not recorded on tax losses.

Profit from discontinued operations, net of tax

	Years ended December 31			Increase/(Decrease)	
				2016 vs. 2015	2015 vs. 2014
(€ million)	2016	2015	2014	%	%
Profit from discontinued operations, net of tax	€ —	€ 284	€ 273	n.m.	4.0%

n.m. = Number is not meaningful

The spin-off of Ferrari was approved on December 3, 2015 and our Ferrari operating segment was presented as a discontinued operation in the Consolidated Financial Statements for the years ended December 31, 2015 and 2014. The spin-off of Ferrari N.V. from the Group was completed on January 3, 2016. For more information, refer to Note 3*, Scope of consolidation,* within our Consolidated Financial Statements included elsewhere in this report.

Net profit from continuing operations

	Years ended December 31			Increase/(Decrease)	
				2016 vs. 2015	2015 vs. 2014
(€ million)	2016	2015	2014	%	%
Net profit from continuing operations	€ 1,814	€ 93	€ 359	n.m.	(74.1)%

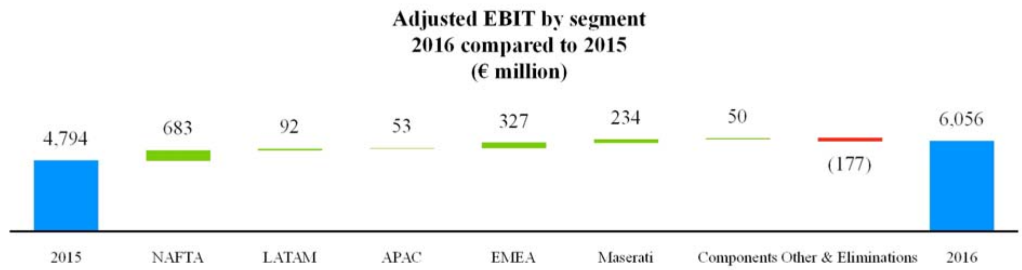
n.m. = Number is not meaningful

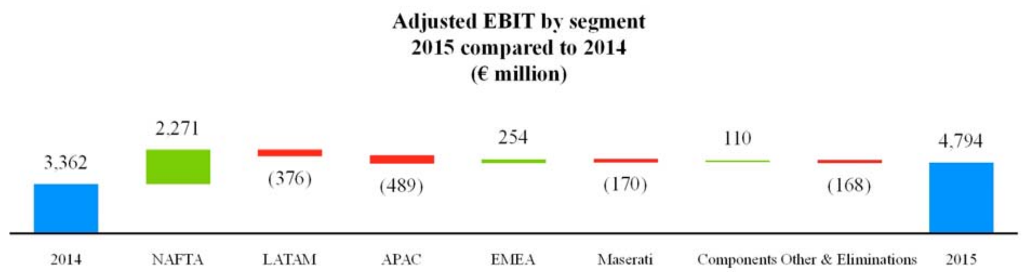
The increase in Net profit from continuing operations in 2016 compared to 2015 was mainly driven by improved performance in 2016 as well as lower asset write-offs and infrequent unusual expenses than in 2015.

Adjusted EBIT

	Years ended December 31			Increase/(Decrease)			
				2016 vs. 2015		2015 vs. 2014	
(€ million)	2016	2015	2014	%	CER	%	CER
Adjusted EBIT	€ 6,056	€ 4,794	€ 3,362	26.3%	27.4%	42.6%	19.4%
Adjusted EBIT margin (%)	5.5%	4.3%	3.6%	+120 bps	—	+70 bps	—

The following graphs present our Adjusted EBIT walk by segment for 2016 as compared to 2015 and for 2015 as compared to 2014.





For a discussion of Adjusted EBIT for each of our six reportable segments (NAFTA, LATAM, APAC, EMEA, Maserati and Components) in 2016 as compared to 2015 and for 2015 as compared to 2014, refer to the section *—Results by Segment* below.

The following table summarizes the reconciliation of Net profit from continuing operations to Adjusted EBIT:

	Years ended December 31		
(€ million)	2016	2015	2014
Net profit from continuing operations	**€ 1,814**	**€ 93**	**€ 359**
Tax expense	1,292	166	424
Net financial expenses	2,016	2,366	2,051
Adjustments:			
Recall campaigns - airbag inflators	414	—	—
Costs for recall, net of supplier recoveries - contested with supplier	132	—	—
NAFTA capacity realignment	156	834	—
Change in estimate for future recall campaign costs	—	761	—
Tianjin (China) port explosions, net of insurance recoveries	(55)	142	—
Currency devaluations	19	163	98
NHTSA Consent Order and amendment	—	144	—
Restructuring costs	88	53	50
Impairment expense	225	118	115
Gains on disposal of investments	(13)	—	(12)
Other	(32)	(46)	277
Total Adjustments	934	2,169	528
Adjusted EBIT	**€ 6,056**	**€ 4,794**	**€ 3,362**

Adjusted net profit

	Years ended December 31			Increase/(Decrease)	
				2016 vs. 2015	2015 vs. 2014
(€ million)	2016	2015	2014	%	%
Adjusted net profit	€ 2,516	€ 1,708	€ 772	47.3%	121.2%

The increase in Adjusted net profit in 2016 compared to 2015 was driven by improved operating performance and the reduction in Net financial expenses, which were partially offset by the increase in Tax expense.

The following table summarizes the reconciliation of Net profit from continuing operations to Adjusted net profit:

	Years ended December 31		
(€ million)	2016	2015	2014
Net profit from continuing operations	**€ 1,814**	**€ 93**	**€ 359**
Adjustments [(1)]	934	2,169	528
Tax impact on adjustments	(232)	(554)	(115)
Total adjustments, net of taxes	702	1,615	413
Adjusted net profit	**€ 2,516**	**€ 1,708**	**€ 772**

(1) Adjustments are the same items excluded from Adjusted EBIT

RESULTS BY SEGMENT – 2016 compared to 2015 and 2015 compared to 2014

(€ million, except shipments which are in thousands of units)	Net revenues			Adjusted EBIT			Shipments		
	Years ended December 31								
	2016	2015	2014	2016	2015	2014	2016	2015	2014
NAFTA	€ 69,094	€ 69,992	€ 52,452	€ 5,133	€ 4,450	€ 2,179	2,587	2,726	2,493
LATAM	6,197	6,431	8,629	5	(87)	289	456	553	827
APAC	3,662	4,885	6,259	105	52	541	91	149	220
EMEA	21,860	20,350	18,020	540	213	(41)	1,306	1,142	1,024
Maserati	3,479	2,411	2,767	339	105	275	42	32	36
Components	9,659	9,770	8,619	445	395	285	—	—	—
Other activities	779	844	831	(244)	(150)	(116)	—	—	—
Unallocated items & eliminations (1)	(3,712)	(4,088)	(3,937)	(267)	(184)	(50)	—	—	—
Total	**€ 111,018**	**€ 110,595**	**€ 93,640**	**€ 6,056**	**€ 4,794**	**€ 3,362**	**4,482**	**4,602**	**4,601(2)**

(1) Primarily includes intercompany transactions which are eliminated in consolidation; also includes costs related to the launch of the Alfa Romeo Giulia platform, which were not allocated to the mass-market vehicle segments due to the limited number of shipments
(2) Total does not add due to rounding

The following is a discussion of Net revenues, Adjusted EBIT and shipments for each segment for the year ended December 31, 2016 as compared to the year ended December 31, 2015, and for the year ended December 31, 2015 as compared to the year ended December 31, 2014. We review changes in our results of operations with the following operational drivers:

- **Volume**: reflects changes in vehicles shipped to our third party customers, primarily dealers and fleet customers. Change in volumes is driven by industry volume, market share and changes in dealer stock levels. Vehicles manufactured and distributed by our unconsolidated subsidiaries are not included within volume;
- **Mix**: generally reflects the changes in product mix, including mix among vehicle brands and models, as well as changes in regional market and distribution channel mix;
- **Net price**: primarily reflects changes in prices to dealers and third party customers including higher pricing related to content enhancement, net of discounts, price rebates and other sales incentive programs, as well as related foreign currency transaction effects;
- **Industrial costs**: primarily include cost changes to manufacturing and purchasing of materials that are associated with content and enhancement of vehicle features, as well as industrial efficiencies and inefficiencies, recall campaign and warranty costs, research and development costs and related foreign currency transaction effects;
- **Selling, general and administrative costs ("SG&A")**: primarily include costs for advertising and promotional activities, purchased services, information technology costs and other costs not directly related to the development and manufacturing of our products; and
- **Other**: includes other items not mentioned above, such as foreign exchange translation and results from joint ventures and associates.

NAFTA

	Years ended December 31			Increase/(Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	%	CER	%	CER
Shipments (thousands of units)	2,587	2,726	2,493	(5.1)%	—	9.3%	—
Net revenues (€ million)	€ 69,094	€ 69,992	€ 52,452	(1.3)%	(1.2)%	33.4%	13.1%
Adjusted EBIT (€ million)	€ 5,133	€ 4,450	€ 2,179	15.3 %	15.1 %	104.2%	71.3%
Adjusted EBIT margin (%)	7.4%	6.4%	4.2%	+100 bps	—	+220 bps	—

Shipments

- The decrease in vehicle shipments in 2016 compared to 2015 was driven by the planned phase-out of the Chrysler 200 and Dodge Dart in connection with the NAFTA capacity realignment plan to better meet market demand for pickup trucks and utility vehicles. Shipments reflected decreases in (i) the U.S. of 106 thousand units (-5 percent), (ii) Canada of 29 thousand units (-10 percent) and (iii) Mexico of 4 thousand units (-4 percent).

- The increase in vehicle shipments in 2015 compared to 2014 was driven by increased demand for the Jeep and Ram brands, led by the all-new 2015 Jeep Renegade and the Jeep Cherokee.

Net revenues

The decrease in NAFTA Net revenues in 2016 compared to 2015 was primarily attributable to:

- €1.0 billion net decrease resulting from lower shipments (as described above), net of favorable vehicle mix, which was partially offset by

- an increase in net pricing of €0.1 billion, which was partially offset by negative foreign currency transaction effects from the Canadian Dollar and Mexican Peso.

The increase in NAFTA Net revenues in 2015 compared to 2014 was primarily attributable to:

- the increase in volumes of €5.0 billion;

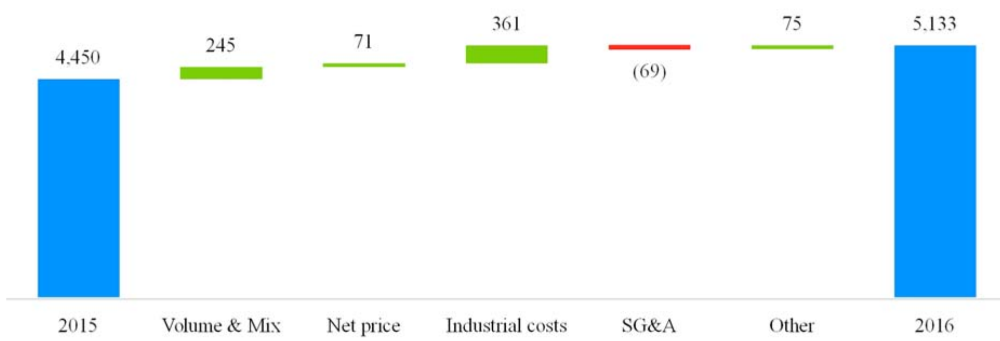
- positive net pricing of €0.7 billion, which reflected positive pricing and dealer discount reductions that were partially offset by incentives and foreign currency transaction effects; and

- favorable foreign currency translation effects of €10.7 billion.

Adjusted EBIT

The following charts reflect the change in NAFTA Adjusted EBIT by operational driver for 2016 as compared to 2015 and for 2015 as compared to 2014.

Adjusted EBIT by operational driver
2016 compared to 2015
(€ million)



The increase in NAFTA Adjusted EBIT in 2016 compared to 2015 was primarily attributable to:

- improved vehicle mix, net of lower shipments, as described above;
- positive net price, as described above;
- decrease in industrial costs primarily related to purchasing savings, lower warranty costs, and positive foreign currency transaction effects, net of higher product costs for content enhancements and higher manufacturing costs.

These were partially offset by:

- higher SG&A primarily due to increased advertising costs.

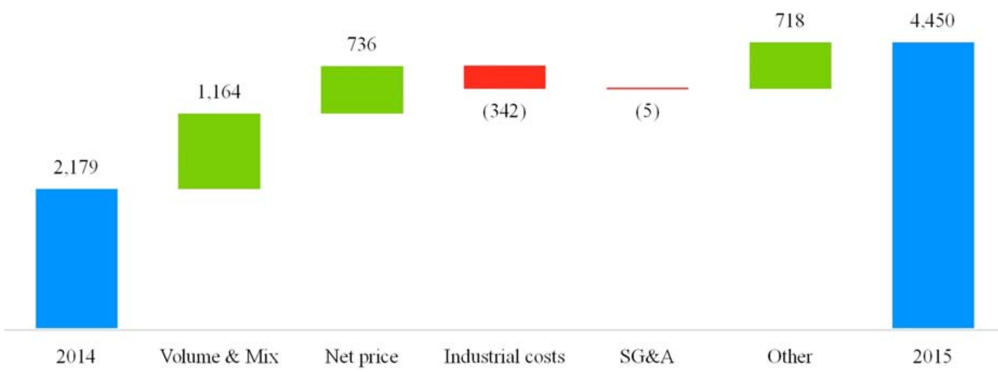
NAFTA Adjusted EBIT for the year ended December 31, 2016 excluded total net charges of €667 million primarily relating to:

- €414 million for the estimated costs of recall campaigns related to Takata airbag inflators. These charges, which were recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016, were recognized to adjust the warranty provision for estimated costs associated with the recall campaigns related to Takata airbag inflators mainly due to an expansion in May 2016 of the population recalled. As the charges for the warranty adjustment were due to an industry wide recall resulting from parts manufactured by Takata, and due to the financial uncertainty of Takata, we believe these charges were unusual in nature, and as such, these charges were excluded from Adjusted EBIT (refer to Note 25, *Guarantees granted, commitments and contingent liabiliti*es, within our Consolidated Financial Statements included elsewhere in this report for additional information);
- €132 million of net charges, which were recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016, related to estimated costs associated with a recall for which costs are being contested with a supplier. Although FCA believes the supplier has responsibility for the recall, only a partial recovery of the estimated costs has been recognized pursuant to a cost sharing agreement;

- €156 million, which was recognized within Cost of revenues in the Consolidated Income Statement during the first half of the year ended December 31, 2016, related to net incremental costs from the implementation of the Group's plan to realign its existing capacity in NAFTA to better meet market demand for pickup trucks and utility vehicles; and

- €29 million gain related to pension settlements in December 2016.

Adjusted EBIT by operational driver
2015 compared to 2014
(€ million)



The increase in NAFTA Adjusted EBIT in 2015 compared to 2014 was mainly attributable to:

- the increase in volumes, as described above;

- positive net pricing; and

- positive foreign currency translation effects.

These were partially offset by:

- an increase in industrial costs which included increased recall and warranty costs, as described below, as well as product costs for vehicle enhancements, net of purchasing efficiencies.

NAFTA Adjusted EBIT for the year ended December 31, 2015 excluded total net charges of €1,631 million, which primarily consisted of items discussed below.

As part of the plan to improve margins in NAFTA, the Group decided to realign a portion of its manufacturing capacity in the region to better meet market demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure. As a result, a total of €834 million, of which €422 million related to tangible asset impairments, €236 million related to the payment of supplemental unemployment benefits due to planned extended downtime at certain plants associated with the implementation of the new manufacturing plan and €176 million related to the impairment of capitalized development expenditures with no future economic benefit, was recorded during the fourth quarter of 2015 and was excluded from Adjusted EBIT for the year ended December 31, 2015.

As a result of increases in both the cost and frequency of recall campaigns and increased regulatory activity across the industry in the U.S. and Canada, an additional actuarial analysis that gave greater weight to the more recent calendar year trends in recall campaign experience was added to the adequacy assessment to estimate future recall costs. This reassessment in the third quarter of 2015 resulted in a change in estimate for the campaign accrual of €761 million for the U.S. and Canada for estimated future recall campaign costs for vehicles sold in periods prior to the third quarter of 2015, which was excluded from Adjusted EBIT for the year ended December 31, 2015. In the second half of 2015, in connection with this reassessment, we incurred additional warranty costs related to the increase in the accrual rate per vehicle, which were included in Adjusted EBIT.

On July 24, 2015, FCA US entered into the Consent Order with NHTSA, which resolved the issues raised by NHTSA with respect to FCA US's execution of 23 recall campaigns in NHTSA's Special Order issued to FCA US on May 22, 2015 and further addressed at a NHTSA public hearing held on July 2, 2015. Pursuant to the Consent Order, FCA US made a U.S.$70 million (€63 million) cash payment to NHTSA in September 2015 and will spend U.S.$20 million (€18 million) on industry and consumer outreach activities and incentives to enhance certain recall and service campaign completion rates. For the year ended December 31, 2015, the total €81 million charge was excluded from Adjusted EBIT. An additional U.S.$15 million (€14 million) payment will be payable by FCA US if it fails to comply with certain terms of the Consent Order. FCA US's compliance with the Consent Order is monitored by an independent monitor that reports to NHTSA on a periodic basis. In addition, the Consent Order requires FCA US to meet monthly with NHTSA to discuss certain communications and open investigations. Although the Consent Order required these monthly meetings for a one year term, NHTSA exercised its option, pursuant to the terms of the Consent Order, to extend such meetings for an additional year.

Following admission of deficiencies in FCA US's reporting to NHTSA pursuant to the TREAD Act, an amendment to the Consent Order was issued in December 2015, whereby a penalty of U.S.$70 million (€63 million) was imposed. The penalty, which was excluded from Adjusted EBIT for the year ended December 31, 2015, was paid on January 6, 2016.

In addition, a total of €104 million of income related to the favorable settlements of legal matters to which we were the plaintiff was excluded from Adjusted EBIT for the year ended December 31, 2015.

LATAM

	Years ended December 31			Increase/(Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	%	CER	%	CER
Shipments (thousands of units)	456	553	827	(17.5)%	—	(33.1)%	—
Net revenues (€ million)	€ 6,197	€ 6,431	€ 8,629	(3.6)%	0.7%	(25.5)%	(17.8)%
Adjusted EBIT (€ million)	€ 5	€ (87)	€ 289	n.m.	n.m.	n.m.	n.m.
Adjusted EBIT margin (%)	0.1%	(1.4)%	3.3%	+150 bps	—	-470 bps	—

n.m. = Number is not meaningful.

Shipments

- The decrease in vehicle shipments in 2016 compared to 2015 was primarily attributable to (i) 106 thousand fewer units (-23 percent) in Brazil, which reflected the poor trading conditions in Brazil due to the continued macroeconomic weakness, partially offset by (ii) an increase of 10 thousand units (+12 percent) in Argentina.

- The decrease in vehicle shipments in 2015 compared to 2014 reflected the continued macroeconomic weakness in the region resulting in poor trading conditions in Brazil and Argentina. The decrease in shipments also was due to continued import restrictions in Argentina.

Net revenues

The decrease in LATAM Net revenues in 2016 compared to 2015 was primarily attributable to:

- €0.1 billion net increase resulting from volume & mix, with lower volumes, net of favorable vehicle mix that was mainly driven by the locally produced all-new Fiat Toro and all-new Jeep Compass, which was partially offset by

- €0.3 billion from unfavorable foreign currency effects.

The decrease in LATAM Net revenues in 2015 compared to 2014 was primarily attributable to:

- a decrease of €1.8 billion driven by lower shipments, net of favorable product mix impact driven by the all-new 2015 Jeep Renegade; and

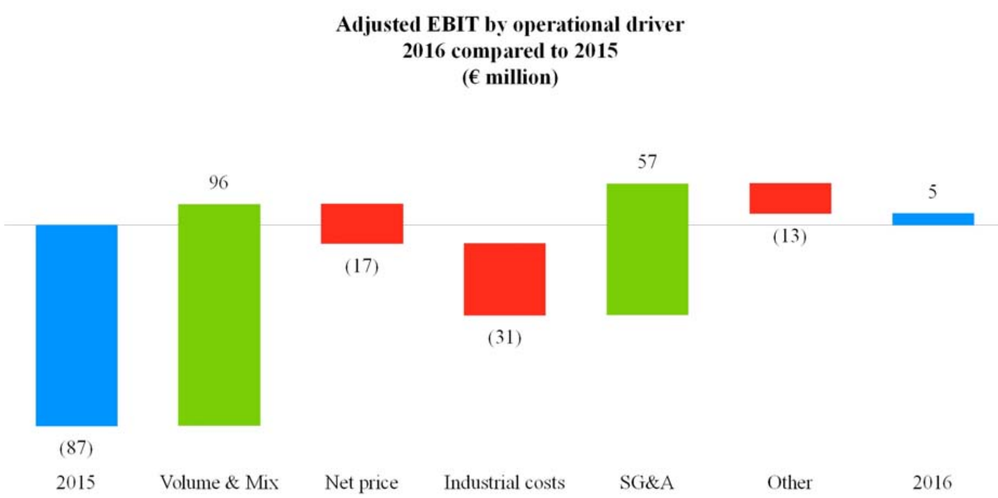
- unfavorable foreign currency translation of €0.7 billion.

These were partially offset by:

- positive pricing actions of €0.3 billion.

Adjusted EBIT

The following charts reflect the change in LATAM Adjusted EBIT by operational driver for 2016 as compared to 2015 and 2015 as compared to 2014.



The increase in LATAM Adjusted EBIT in 2016 compared to 2015 was primarily attributable to:

- favorable volume & mix, as described above, and

- a decrease in SG&A driven by continued cost reduction initiatives to right-size to market volume.

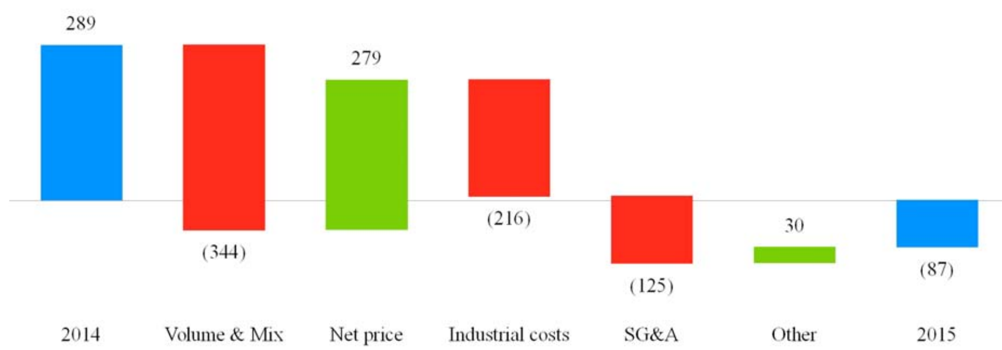
These were partially offset by:

- lower net price resulting from strong competition in Brazil and

- higher industrial costs due to higher product costs driven by inflation and depreciation/amortization related to new products.

Adjusted EBIT for the year ended December 31, 2016 excluded total charges of €142 million primarily relating to restructuring costs of €68 million to adjust the workforce reflecting current market conditions, asset impairments of €52 million and €19 million related to the adoption of the new floating exchange rate and the related re-measurement of the Group's net monetary assets in Venezuela that was recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016 (refer to Note 26, *Venezuela currency regulations and devaluation,* within the Consolidated Financial Statements included elsewhere in this report).

Adjusted EBIT by operational driver
2015 compared to 2014
(€ million)



The decrease in LATAM Adjusted EBIT in 2015 compared to 2014 was primarily attributable to:

- the negative impact from lower shipments in Brazil and Argentina, which was partially offset by favorable product mix driven by the all-new 2015 Jeep Renegade;

- an increase in industrial costs primarily relating to start-up costs for the Pernambuco plant and higher product cost due to inflation; and

- an increase in SG&A primarily for the commercial launch of the all-new 2015 Jeep Renegade.

These were partially offset by:

- favorable net pricing.

Adjusted EBIT for the year ended December 31, 2015 excluded total charges of €219 million, of which €83 million related to the devaluation of the Argentinian Peso resulting from changes in monetary policy and €80 million related to the adoption of the Marginal Currency System (the "SIMADI") exchange rate at June 30, 2015 and the write-down of inventory in Venezuela to the lower of cost or net realizable value as described in Note 26, *Venezuela Currency Regulations and Devaluation*, within the Consolidated Financial Statements included elsewhere in this report.

APAC

	Years ended December 31						Increase/(Decrease)			
							2016 vs. 2015		2015 vs. 2014	
		2016		2015		2014	%	CER	%	CER
Shipments (thousands of units)		91		149		220	(38.9)%	—	(32.3)%	—
Net revenues (€ million)	€	3,662	€	4,885	€	6,259	(25.0)%	(23.9)%	(22.0)%	(30.8)%
Adjusted EBIT (€ million)	€	105	€	52	€	541	101.9 %	114.1 %	(90.4)%	(94.8)%
Adjusted EBIT margin (%)		2.9%		1.1%		8.6%	+180 bps	—	-750 bps	—

The production of the Jeep Cherokee in 2015 and the Jeep Renegade and the all-new Jeep Compass in 2016 in the Guangzhou plant of our GAC FCA JV represented the continued transition to local SUV production in China. As a result of the increased local production by the GAC FCA JV, the Group is importing fewer vehicles into China. As the GAC FCA JV is accounted for using the equity method of accounting, the results of the joint venture are recognized in the line item Result from investments within the Consolidated Income Statement, rather than being consolidated on a line by line basis. This shift to localized production in China has the effect of decreasing Net revenues and other lines of the Consolidated Income Statement due to fewer shipments through our consolidated operations in China. As this trend continues, the results from the GAC FCA JV and Adjusted EBIT become increasingly important to understanding our results from operations in APAC.

Shipments

- The decrease in shipments in 2016 compared to 2015 was primarily attributable to the transition to local Jeep production in China, as well as lower volumes in Australia due to pricing actions to offset the weakened Australian Dollar.

- The decrease in shipments in 2015 compared to 2014 was due to the interruption in supply from the Tianjin (China) port explosions as described below, strong competition from local producers and the transition to local production in China. In addition, pricing actions to offset the weakness of the Australian Dollar had a negative impact on volumes in Australia.

Net revenues

The decrease in APAC Net revenues in 2016 compared to 2015 was primarily due to:

- lower shipments, as described above, which was partially offset by favorable vehicle mix from imported vehicles and increased sales of components.

The decrease in APAC Net revenues in 2015 compared to 2014 was primarily due to:

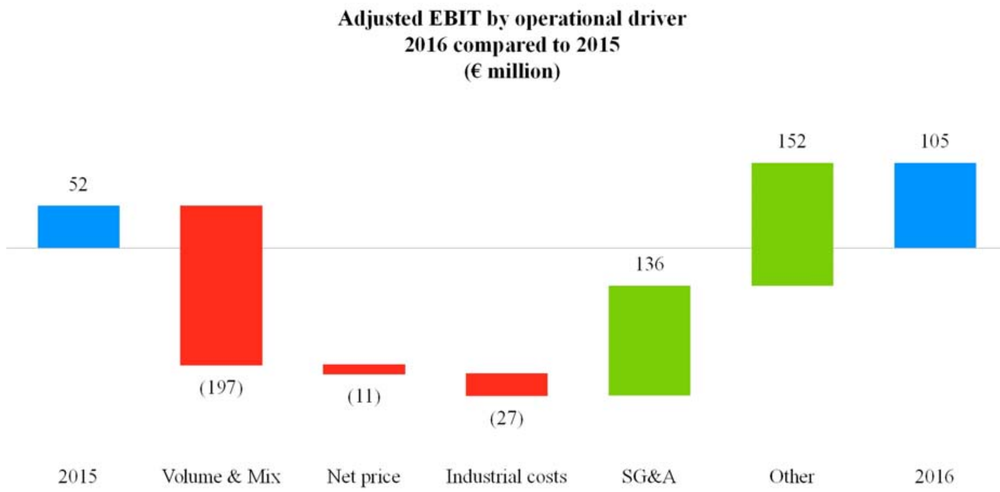
- lower shipments, as described above; and

- negative net pricing, which was mainly due to increased incentives in China and foreign currency effects.

On August 12, 2015, a series of explosions which occurred at a container storage station at the Port of Tianjin, China, impacted several storage areas containing approximately 25,000 FCA branded vehicles, of which approximately 13,300 are owned by FCA and approximately 11,400 vehicles were previously sold to our distributor. As a result of the explosions, nearly all of the vehicles at the Port of Tianjin were affected and some were destroyed. During the year ended December 31, 2015, €89 million was recorded as a reduction to Net revenues that related to incremental incentives for vehicles affected by the explosions.

Adjusted EBIT

The following charts reflect the change in APAC Adjusted EBIT by operational driver for 2016 as compared to 2015 and for 2015 as compared to 2014.



The increase in APAC Adjusted EBIT in 2016 compared to 2015 was primarily attributable to:

- a decrease in SG&A mainly due to marketing costs, which are now incurred by the GAC FCA JV;
- improved results from the GAC FCA JV driven by the local production of Jeep in China and favorable foreign currency effects (reflected within “Other”).

These were partially offset by:

- negative effect from volume & mix with lower imported volumes, net of favorable vehicle mix, as described above;
- lower net price due to incentives to complete the sell-out of discontinued and other imported vehicles; and
- higher industrial costs due to unfavorable foreign currency transaction effects.

APAC Adjusted EBIT for the year ended December 31, 2016 excluded total charges of €44 million primarily relating to asset impairments of €109 million mainly for the locally produced Fiat Ottimo and Viaggio (in connection with the Group's capacity realignment to SUV production in China) and a net gain of €55 million reflecting costs and initial insurance recoveries related to the explosions at the Port of Tianjin in August 2015.

Insurance recoveries related to losses incurred in connection with the explosions at the Port of Tianjin are excluded from Adjusted EBIT to the extent the insured loss to which the recovery relates was excluded from Adjusted EBIT. Insurance recoveries are included in Adjusted EBIT to the extent they relate to costs, increased incentives or business interruption losses that were were included in Adjusted EBIT. Through December 31, 2016, no significant insurance recoveries related to Tianjin have been recognized in Adjusted EBIT.

Adjusted EBIT by operational driver
2015 compared to 2014
(€ million)

The decrease in APAC Adjusted EBIT in 2015 compared to 2014 was primarily attributable to:

- the decrease in volumes, as described above; and
- unfavorable net pricing.

These were partially offset by:

- lower SG&A mainly as a result of reduced advertising expense.

APAC Adjusted EBIT for the year ended December 31, 2015 excluded total charges of €205 million, of which €142 million related to the write-down of inventory (€53 million) and incremental incentives (€89 million) for vehicles affected by the explosions at the Port of Tianjin in August 2015.

EMEA

	Years ended December 31			Increase/(Decrease) 2016 vs. 2015		Increase/(Decrease) 2015 vs. 2014	
	2016	2015	2014	%	CER	%	CER
Shipments (thousands of units)	1,306	1,142	1,024	14.4%	—	11.5%	—
Net revenues (€ million)	€ 21,860	€ 20,350	€ 18,020	7.4%	8.7%	12.9%	10.9%
Adjusted EBIT (€ million)	€ 540	€ 213	€ (41)	153.5%	n.m.	n.m.	n.m.
Adjusted EBIT margin (%)	2.5%	1.0%	(0.2)%	+150 bps	—	+120 bps	—

n.m. = Number is not meaningful.

Shipments

- The increase in vehicle shipments in 2016 compared to 2015 was primarily attributable to (i) an increase in passenger car shipments to 1,018 thousand units (+13 percent) and (ii) an increase in shipments of light commercial vehicles ("LCVs") to 288 thousand units (+19 percent).

- The increase in vehicle shipments in 2015 compared to 2014 was largely driven by the Fiat 500 family and the Jeep brand, specifically the all-new Fiat 500X and the all-new 2015 Jeep Renegade.

Net revenues

The increase in EMEA Net revenues in 2016 compared to 2015 was primarily attributable to:

- a total positive effect of €2.3 billion related to the increase in volumes and favorable vehicle mix mainly driven by the all-new Tipo family, Jeep Renegade and all-new Alfa Romeo Giulia, which was partially offset by

- unfavorable foreign currency effects of €0.3 billion.

The increase in EMEA Net revenues in 2015 compared to 2014 was primarily attributable to:

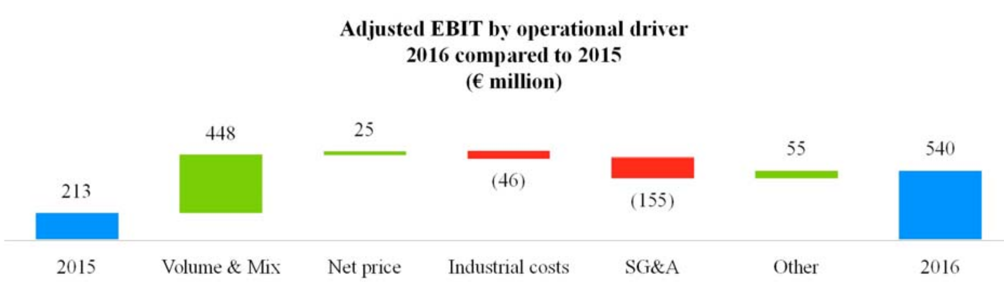
- a total positive effect of €1.9 billion related to higher volumes and favorable vehicle mix;

- positive net pricing of €0.1 billion, which was mainly driven by pricing actions in non-European Union markets; and

- favorable foreign currency effects of €0.4 billion.

Adjusted EBIT

The following charts reflect the change in EMEA Adjusted EBIT by operational driver for 2016 as compared to 2015 and for 2015 as compared to 2014.



The increase in EMEA Adjusted EBIT in 2016 compared to 2015 was primarily attributable to:

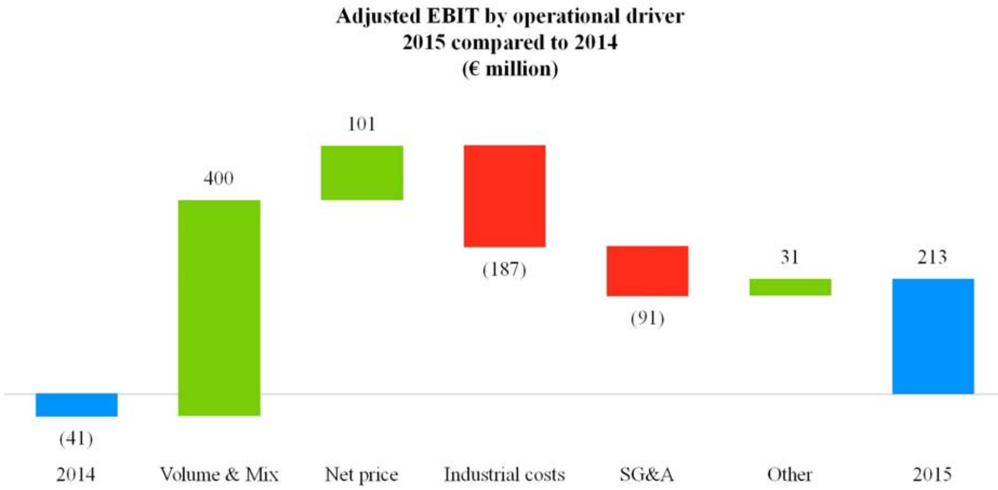
- higher volumes and vehicle mix improvement, as described above, and

- improved results from the joint ventures with FCA Bank and Tofas.

These were partially offset by:

- an increase in industrial costs mainly due to higher research and development costs, net of purchasing and manufacturing efficiencies and

- an increase in SG&A mainly due to higher advertising costs to support new product launches, particularly for the Alfa Romeo brand.



The improvement in EMEA Adjusted EBIT in 2015 compared to an Adjusted EBIT loss in 2014 was primarily attributable to:

- increased volumes and favorable mix reflecting the continued success of the Fiat 500 family and Jeep brand and

- positive net pricing.

These were partially offset by:

- an increase in SG&A primarily relating to marketing spending to support the all-new Fiat 500X and Jeep Renegade and

- an increase in industrial costs, reflecting higher costs for U.S. imported vehicles due to a stronger U.S. Dollar, partially offset by cost efficiencies.

Adjusted EBIT for the year ended December 31, 2015 excluded total charges of €47 million which primarily related to asset impairments.

Maserati

	Years ended December 31			Increase/(Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	%	CER	%	CER
Shipments (units)	42,100	32,474	36,448	29.6%	—	(10.9)%	—
Net revenues (€ million)	€ 3,479	€ 2,411	€ 2,767	44.3%	47.0%	(12.9)%	(22.4)%
Adjusted EBIT (€ million)	€ 339	€ 105	€ 275	222.9%	228.9%	(61.8)%	(65.5)%
Adjusted EBIT margin (%)	9.7%	4.4%	9.9%	+530 bps	—	-550 bps	—

n.m. = Number is not meaningful

Shipments

The increase in Maserati shipments in 2016 compared to 2015 was primarily attributable to:

- the launch of the all-new Maserati Levante, which drove significantly higher shipments in China (+91 percent), Europe (+37 percent) and North America (+14 percent).

Net revenues

- The increase in Maserati Net revenues in 2016 compared to 2015 was primarily driven by higher shipments and favorable vehicle and market mix.

- The decrease in Maserati Net revenues in 2015 compared to 2014 was primarily driven by a decrease in Quattroporte volumes in 2015 that resulted from weaker segment demand in the U.S. and China.

Adjusted EBIT

The increase in Maserati Adjusted EBIT in 2016 compared to 2015 was primarily due to:

- positive effect from volume & mix, as described above, which was partially offset by

- an increase in industrial costs and commercial launch activities.

The decrease in Maserati Adjusted EBIT in 2015 compared to 2014 was primarily due to lower volumes and unfavorable mix.

Components

	Years ended December 31			Increase/(Decrease)			
				2016 vs. 2015		2015 vs. 2014	
	2016	2015	2014	%	CER	%	CER
Net revenues (€ million)	€ 9,659	€ 9,770	€ 8,619	(1.1)%	1.1%	13.4%	11.3%
Adjusted EBIT (€ million)	€ 445	€ 395	€ 285	12.7 %	15.9%	38.6%	28.0%
Adjusted EBIT margin (%)	4.6%	4.0%	3.3%	+60 bps	—	+70 bps	—

Net revenues

- Net revenues were slightly down in 2016 compared to 2015 primarily due to lower volumes at Comau and unfavorable foreign currency transaction effects, which were largely offset by volume increases at Magneti Marelli mainly from the lighting business line.

- The increase in Net revenues in 2015 compared to 2014 was primarily as a result of positive performance in the lighting and electronic systems businesses of Magneti Marelli and the body assembly, powertrain and robotics businesses of Comau, which were partially offset by the decrease in Teksid Net revenues (10 percent decrease in cast iron business volumes, partially offset by a 21 percent increase in aluminum business volumes).

Adjusted EBIT

The increase in Adjusted EBIT in 2016 compared to 2015 was primarily related to:

- positive effect from volume & mix, which was partially offset by

- higher industrial costs mainly due to inflation and unfavorable foreign currency effects, net of purchasing and industrial efficiencies.

For the year ended December 31, 2016, Adjusted EBIT excluded total net charges of €66 million which primarily related to asset impairments of €49 million and restructuring costs of €25 million.

The increase in Adjusted EBIT in 2015 compared to 2014 was primarily related to the positive effect from volume & mix.

LIQUIDITY AND CAPITAL RESOURCES

We require significant liquidity in order to meet our obligations and fund our business. Short-term liquidity is required to purchase raw materials, parts and components for vehicle production, as well as to fund selling, administrative, research and development, and other expenses. In addition to our general working capital and operational needs, we expect to use significant amounts of cash for the following purposes: (i) capital expenditures to support our existing and future products, (ii) principal and interest payments under our financial obligations and (iii) pension and employee benefit payments. We make capital investments in the regions in which we operate primarily related to initiatives to introduce new products, enhance manufacturing efficiency, improve capacity and for maintenance and environmental compliance. Our capital expenditures in 2017 are expected to be in line with 2016 capital expenditures and within the range of €8.5 to €9.0 billion, which we plan to fund primarily with cash generated from our operating activities, as well as with credit lines provided to certain of our Group entities.

Our business and results of operations depend on our ability to achieve certain minimum vehicle shipment volumes. As is typical for an automotive manufacturer, we have significant fixed costs and therefore, changes in our vehicle shipment volumes can have a significant effect on profitability and liquidity. We generally receive payment from dealers and distributors shortly after shipment, whereas there is a lag between the time we receive parts and materials from our suppliers and the time we are required to pay for them. Therefore, during periods of increasing vehicle shipments, there is generally a corresponding positive impact on our cash flow and liquidity. Conversely, during periods in which vehicle shipments decline, there is generally a corresponding negative impact on our cash flow and liquidity. Delays in shipments of vehicles, including delays in shipments in order to address quality issues, tend to negatively affect our cash flow and liquidity. In addition, the timing of our collections of receivables for export shipments of vehicles, fleet sales as well as sales of powertrain systems and pre-assembled parts of vehicles tend to be longer due to different payment terms. Although we regularly enter into factoring transactions for such receivables in order to accelerate collections and transfer relevant risks to the factor, a change in vehicle shipment volumes may cause fluctuations in our working capital. The increased internationalization of our product portfolio may also affect our working capital requirements as there may be an increased requirement to ship vehicles to countries different from where they are produced. In addition, working capital can be affected by the trend and seasonality of shipments of vehicles with a buy-back commitment.

Management believes that the funds currently available, in addition to those funds that will be generated from operating and financing activities, will enable the Group to meet its obligations and fund its businesses including funding planned investments, working capital needs as well as fulfill its obligations to repay its debts in the ordinary course of business.

Liquidity needs are met primarily through cash generated from operations, including the sale of vehicles, service and parts to dealers, distributors and other consumers worldwide.

The operating cash management and liquidity investment of the Group are centrally coordinated with the objective of ensuring effective and efficient management of the Group's funds. The companies raise capital in the financial markets through various funding sources.

In March 2016, FCA US entered into amendments to the credit agreements that govern its Tranche B Term Loans, to, among other items, eliminate covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group, to enable a unified financing platform and to provide free flow of capital within the Group (refer to the section *—Capital Market and Other Financing Transactions - FCA US Tranche B Term Loans* below). As a result, FCA US's cash management activities are no longer managed separately from the rest of the Group.

Certain notes issued by FCA and its treasury subsidiaries include covenants which may be affected by circumstances related to certain subsidiaries (including FCA Italy and FCA US); in particular, there are cross-default clauses which may accelerate repayments in the event that such subsidiaries fail to pay certain of their debt obligations.

Long-term liquidity requirements may involve some level of debt refinancing as outstanding debt becomes due or we are required to make principal payments. Although we believe that our current level of total available liquidity is sufficient to meet our short-term and long-term liquidity requirements, we regularly evaluate opportunities to improve our liquidity position in order to enhance financial flexibility and to achieve and maintain a liquidity and capital position consistent with that of other companies in our industry. With the elimination of the restrictions on the free flow of capital within FCA in March 2016, as well as a more efficient capital structure, we plan on reducing our available liquidity from its current level to approximately €20 billion and we plan on repaying maturing capital market debt with cash on hand.

However, any actual or perceived limitations of our liquidity may limit the ability or willingness of counterparties, including dealers, consumers, suppliers, lenders and financial service providers, to do business with us, or require us to restrict additional amounts of cash to provide collateral security for our obligations. Our liquidity levels are subject to a number of risks and uncertainties, including those described in the section *—Risk Factors* above.

Available Liquidity

The following table summarizes our available liquidity:

	At December 31		
(€ million)	2016	2015 [1]	2014
Cash, cash equivalents and current securities [2]	€ 17,559	€ 21,144	€ 23,050
Undrawn committed credit lines [3]	6,242	3,413	3,171
Total Available liquidity [4]	**€ 23,801**	**€ 24,557**	**€ 26,221**

(1) The assets of the Ferrari segment were classified as Assets held for distribution within the Consolidated Statement of Financial Position at December 31, 2015. These assets, as well as, the undrawn revolving credit facility of €500 million of Ferrari at December 31, 2015, are not included in the figures presented.
(2) Current securities comprise of short-term or marketable securities which represent temporary investments but do not satisfy all the requirements to be classified as cash equivalents as they may not be able to be readily converted into cash, or they are subject to significant risk of change in value (even if they are short-term in nature or marketable).
(3) Excludes the undrawn €0.3 billion long-term dedicated credit lines available to fund scheduled investments at December 31, 2016 (€0.3 billion was undrawn at December 31, 2015 and €0.9 billion was undrawn at December 31, 2014). At December 31, 2015, the amount also excluded the undisbursed €0.4 billion on the non-revolving loan agreement of FCA Mexico, S.A. de C.V.
(4) The majority of our liquidity is available to our treasury operations in Europe and U.S.; however, liquidity is also available to certain subsidiaries which operate in other countries. Cash held in such countries may be subject to restrictions on transfer depending on the foreign jurisdictions in which these subsidiaries operate. Based on our review of such transfer restrictions in the countries in which we operate and maintain material cash balances, we do not believe such transfer restrictions have an adverse impact on the Group's ability to meet its liquidity requirements at the dates presented above.

Our liquidity is principally denominated in U.S. Dollar and in Euro. Out of the total €17.6 billion of cash, cash equivalents and current securities available at December 31, 2016 (€21.1 billion at December 31, 2015, €23.0 billion at December 31, 2014), €9.8 billion, or 55.7 percent were denominated in U.S. Dollar (€12.6 billion, or 59.7 percent, at December 31, 2015 and €10.6 billion, or 46.0 percent, at December 31, 2014) and €3.3 billion, or 18.8 percent, were denominated in Euro (€3.4 billion, or 16.1 percent, at December 31, 2015 and €6.2 billion, or 27.0 percent, at December 31, 2014).

In June 2015, FCA entered into a new €5.0 billion syndicated revolving credit facility ("RCF"). The RCF, which is for general corporate purposes and working capital needs of the Group, replaced and expanded the €2.1 billion three-year revolving credit facility entered into by FCA on June 21, 2013 and replaced the U.S.$1.3 billion five-year revolving credit facility of FCA US that was scheduled to expire on May 24, 2016. On November 25, 2015, FCA US terminated its undrawn FCA US revolving credit facility. At December 31, 2015, the first tranche of the RCF of €2.5 billion (originally expiring in July 2018) was available and was undrawn. In March 2016, the second €2.5 billion tranche (expiring in June 2020) of the RCF was made available to the Group in conjunction with the amendments to the credit agreements that govern FCA US's Tranche B Term Loans. In June 2016, the maturity date of the first €2.5 billion tranche was extended to July 2019. The first tranche of €2.5 billion has one further extension option (11-months) which is exercisable on the second anniversary of signing. At December 31, 2016, the total €5.0 billion RCF was undrawn.

Effective June 24, 2016, the Group terminated early the disbursement term for the undrawn portion of the non-revolving loan agreement of FCA Mexico, S.A. de C.V. ("FCA Mexico"), (the "Mexico Bank Loan"), entered into on March 20, 2015. As a result, the undisbursed U.S.$0.4 billion (€0.4 billion) is no longer available.

At December 31, 2016, undrawn committed credit lines totaling €6.2 billion included the €5.0 billion RCF and approximately €1.2 billion of other revolving credit facilities. At December 31, 2015, undrawn committed credit lines totaling €3.4 billion included the first tranche of €2.5 billion tranche of the €5.0 billion RCF and approximately €0.9 billion of other revolving credit facilities.

The €756 million decrease in total available liquidity from December 31, 2015 to December 31, 2016 primarily reflects the reduction in gross debt, which was partially offset by cash generated by operations, net of investing activities, and the increase in available undrawn committed credit lines of €2.8 billion, which primarily related to the second €2.5 billion tranche of the RCF, as described above. Refer to the section *—Cash Flows* below for additional information.

Cash Flows

Year Ended December 31, 2016 compared to the *Years Ended December 31, 2015 and 2014*

The following table summarizes the cash flows from operating, investing and financing activities for each of the years ended December 31, 2016, 2015 and 2014. Also, refer to our Consolidated Statement of Cash Flows and Note 30, *Explanatory notes to the Consolidated Statement of Cash Flows*, within our Consolidated Financial Statements included elsewhere in this report for additional information.

(€ million)	Years ended December 31 2016	2015 (1)	2014 (1)
Cash flows from operating activities - continuing operations	€ 10,594	€ 9,224	€ 7,346
Cash flows from operating activities - discontinued operations	—	527	823
Cash flows used in investing activities - continuing operations	(9,039)	(8,874)	(7,608)
Cash flows used in investing activities - discontinued operations	—	(426)	(532)
Cash flows used in financing activities - continuing operations	(5,127)	(5,195)	2,101
Cash flows from financing activities - discontinued operations	—	2,067	36
Translation exchange differences	228	681	1,219
Total change in cash and cash equivalents	(3,344)	(1,996)	3,385
Cash and cash equivalents at beginning of the period	20,662	22,840	19,455
Cash and cash equivalents at end of the period - included within Assets held for distribution	—	182	—
Cash and cash equivalents at end of the period	**€ 17,318**	**€ 20,662**	**€ 22,840**

(1) Ferrari operating results and cash flows were excluded from the Group's continuing operations and are presented as a single line item within the Consolidated Income Statements and Statements of Cash Flows for the years ended December 31, 2015 and 2014 following the classification of Ferrari as a discontinued operation for the year ended December 31, 2015. The assets and liabilities of Ferrari were classified as Assets held for distribution and Liabilities held for distribution within the Consolidated Statement of Financial Position at December 31, 2015.

Operating Activities — Year Ended December 31, 2016

For the year ended December 31, 2016, net cash from operating activities of €10,594 million was primarily the result of (i) net profit from continuing operations of €1,814 million adjusted to add back €5,956 million for depreciation and amortization expense and other non-cash items of €111 million, (ii) a net increase of €1,519 million in provisions mainly due to the increase in the warranty provision of €414 million in NAFTA for recall campaigns related to an industry wide recall for airbag inflators resulting from parts manufactured by Takata, estimated net costs of €132 million associated with a recall for which costs are being contested with a supplier, and an increase in accrued sales incentives primarily related to NAFTA and EMEA; (iii) €123 million dividends received mainly from our equity method investments and (iv) the positive effect of the change in working capital of €777 million that was primarily driven by (a) decrease in trade receivables of €177 million, (b) increase in trade payables of €776 million mainly related to increased production levels in EMEA, that was partially offset by reduced activity in LATAM and the effect of localized Jeep production in China, (c) €295 million increase in other payables and receivables primarily related to the net payment of taxes and deferred expenses, which were partially offset by (d) €471 million increase in inventories mainly related to the increased production of new vehicle models in EMEA.

Operating Activities — Year Ended December 31, 2015

For the year ended December 31, 2015, net cash from operating activities of €9,751 million was primarily the result of (i) net profit from continuing operations of €93 million adjusted to add back €5,414 million for depreciation and amortization expense and other non-cash items of €812 million which included (a) total €713 million non-cash charges for asset impairments that mainly related to asset impairments in connection with the realignment of the Group's manufacturing capacity in NAFTA to better meet market demand for pickup trucks and utility vehicles and (b) €80 million charge recognized as a result of the adoption of the SIMADI exchange rate to remeasure our Venezuelan subsidiary’s net monetary assets in U.S. Dollar (reported, for the effect on cash and cash equivalents, within “Translation exchange differences”); (ii) a net increase of €3,206 million in provisions mainly related to an increase in the warranty provision, which included the change in estimate for future recall campaign costs in NAFTA, and higher accrued sales incentives primarily related to increased sales volumes in NAFTA; (iii) €112 million dividends received mainly from our equity method investments; and (iv) €527 million of cash flows from discontinued operations, which were partially offset by (v) the negative effect of the change in working capital of €158 million primarily driven by (a) €958 million increase in inventories, which reflects the increased consumer demand for our vehicles and inventory buildup in NAFTA due to production changeovers, (b) €191 million increase in trade receivables, (c) €580 million decrease in changes in other payables and receivables primarily related to the net payment of taxes and deferred expenses, which were partially offset by (d) €1,571 million increase in trade payables, mainly related to increased production levels in EMEA.

Operating Activities — Year Ended December 31, 2014

For the year ended December 31, 2014, net cash from operating activities of €8,169 million was primarily the result of (i) net profit from continuing operations of €359 million adjusted to add back (a) €4,607 million for depreciation and amortization expense and (b) other non-cash items of €348 million, which primarily included (i) €381 million related to the non-cash portion of the expense recognized in connection with the execution of the agreement entered into by the UAW and FCA US in January 2014, (ii) €98 million re-measurement charge recognized as a result of the Group’s change in the exchange rate used to re-measure its Venezuelan subsidiary’s net monetary assets in U.S. Dollar (reported, for the effect on cash and cash equivalents, in the “Translation exchange differences”), which were partially offset by (iii) the non-taxable gain of €223 million on the re-measurement at fair value of the previously exercised options on approximately 10 percent of FCA US’s membership interests in connection with the acquisition of the remaining 41.5 percent interest in FCA US previously not owned; (ii) a net increase of €1,169 million in provisions, mainly related to a €959 million increase in Other provisions following net adjustments to warranties for NAFTA and higher accrued sales incentives, primarily due to an increase in retail incentives as well as an increase in dealer stock levels to support increased sales volumes in NAFTA, and a €210 million increase in employees benefits mainly related to U.S. and Canada pension plans as the impact of lower discount rates was not fully offset by the higher return on assets; (iii) positive effect of the change in working capital of €779 million primarily driven by (a) €1,470 million increase in trade payables, mainly related to increased production in EMEA and NAFTA as a result of increased consumer demand for our vehicles, (b) €106 million decrease in trade receivables and (c) €24 million of changes in other payables and receivables, which were partially offset by (d) €821 million increase in inventory mainly related to increased finished vehicle and work in process levels at December 31, 2014 compared to December 31, 2013, in part driven by higher production levels in late 2014 to meet anticipated consumer demand in NAFTA, EMEA and Maserati; (iv) €87 million dividends received mainly from our equity method investments; and (v) €823 million of cash flows from discontinued operations.

Investing Activities — Year Ended December 31, 2016

For the year ended December 31, 2016, net cash used in investing activities of €9,039 million was primarily the result of (i) €8,815 million of capital expenditures, including €2,558 million of capitalized development expenditures that supported investments in existing and future products, which primarily related to the mass-market vehicle operations in NAFTA and EMEA as well as the investment in the Alfa Romeo brand, (ii) a total of €116 million for investments in joint ventures, associates and unconsolidated subsidiaries that primarily related to an additional investment in the GAC FCA JV and (iii) €483 million of a net increase in receivables from financing activities that primarily related to the increase in lending portfolio of the financial services activities of the Group in China and Europe.

Investing Activities — Year Ended December 31, 2015

For the year ended December 31, 2015, net cash used in investing activities of €9,300 million was primarily the result of (i) €8,819 million of capital expenditures, including €2,504 million of capitalized development expenditures, that supported investments in existing and future products. Capital expenditures primarily related to the mass-market vehicle operations in NAFTA and EMEA, investment in the Alfa Romeo brand and the completion of the plant in Pernambuco, Brazil; (ii) a total of €266 million for investments in joint ventures, associates and unconsolidated subsidiaries, of which €171 million was for the GAC FCA JV; and (iii) €426 million of cash flows used by discontinued operations, which were partially offset by €410 million of a net decrease in receivables from financing activities which primarily related to the decreased lending portfolio of the financial services activities of the Group in Brazil and China.

Investing Activities — Year Ended December 31, 2014

For the year ended December 31, 2014, net cash used in investing activities of €8,140 million was primarily the result of (i) €7,804 million of capital expenditures, including €2,132 million of capitalized development expenditures, to support investments in existing and future products primarily related to the mass-market vehicle operations in NAFTA and EMEA as well as the construction of the plant at Pernambuco, Brazil; (ii) €78 million of a net decrease in receivables from financing activities which primarily related to the decreased lending portfolio of the financial services activities of the Group; and (iii) €532 million of cash flows used by discontinued operations.

Financing Activities —Year Ended December 31, 2016

For the year ended December 31, 2016, net cash used in financing activities of €5,127 million was primarily the result of (i) the repayment at maturity of three notes issued under the Global Medium Term Note ("GMTN") Programme, two of which were for an aggregate principal amount of €2,000 million and one for a principal amount of CHF 400 million (€373 million) and (ii) the repayment of other long-term debt for a total of €4,618 million, which included the (a) €1,800 million (U.S.$2.0 billion) of cash used for the voluntary prepayments of principal of FCA US's Tranche B Term Loans (refer to the section —*Capital Market and Other Financing Transactions* below), (b) the payment of the financial liability related to the mandatory convertible securities of €213 million upon their conversion to FCA shares and (c) repayments at maturity of other long-term debt of €2,605 million primarily in Brazil, which were partially offset by (iii) the issuance of a new note under the GMTN Programme for a principal amount of €1,250 million (refer to the section —*Capital Market and Other Financing Transactions* below) and (iv) proceeds from other long-term debt for a total of €1,342 million, which included the proceeds from the €250 million loan entered into with the European Investment Bank ("EIB") in December 2016 (refer to the section —*Capital Market and Other Financing Transactions* below).

Financing Activities —Year Ended December 31, 2015

For the year ended December 31, 2015, net cash used in financing activities of €3,128 million was primarily the result of (i) the prepayment of FCA US's secured senior notes due June 15, 2019 for an aggregate principal amount of €2,518 million and the prepayment of FCA US's secured senior notes due June 15, 2021 for an aggregate principal amount of €2,833 million; (ii) the repayment at maturity of two notes that had been issued under the GMTN Programme, one for a principal amount of €1,500 million and another for a principal amount of CHF 425 million (€390 million); and (iii) the repayment of other long-term debt for a total of €4,412 million, which included (a) the repayment of the EIB loan of €250 million at maturity, the prepayment of our Mexican development banks credit facilities of €414 million as part of FCA Mexico's refinancing transaction completed in March 2015, (b) total payments of €244 million on the Canada HCT Notes, and (c) other repayments of borrowings, primarily in Brazil and FCA treasury companies, which were partially offset by (iv) proceeds from FCA's issuance of U.S.$3,000 million (€2,840 million) total principal amount of unsecured senior notes due in 2020 and

2023 (refer to the section *—Capital Market and Other Financing Transactions* below); (v) proceeds from other long-term debt for a total of €3,061 million, which included (a) the disbursement received of €0.4 billion under the Mexico Bank Loan of €0.8 billion (U.S.$0.9 billion) as part of FCA Mexico's refinancing transaction completed in March 2015, (b) proceeds from the €600 million loan granted by the EIB and SACE (refer to the section *—Capital Market and Other Financing Transactions* below) and (c) other financing transactions, primarily in Brazil; (vi) net proceeds from the Ferrari initial public offering in October 2015; and (vii) net proceeds of €2.0 billion from the draw-down of the syndicated loan facilities entered into by Ferrari N.V. in November 2015, included within *Cash flows from financing activities - discontinued operations*.

Financing Activities —Year Ended December 31, 2014

For the year ended December 31, 2014, net cash from financing activities of €2,137 million was primarily the result of (i) net proceeds of €2,245 million from the issuance of mandatory convertible securities due 2016 and net proceeds of €849 million from the offering of 100 million common shares; (ii) proceeds from issuances of notes for a total amount of €4,629 million which included (a) approximately €2,556 million of notes issued under the GMTN Programme and (b) €2,073 million (for a total face value of U.S.$2,755 million) of secured senior notes issued by FCA US used to prepay the balance of FCA US's financial liability to the VEBA Trust (the "VEBA Trust Note") that had been issued by FCA US in connection with the settlement of its obligations related to postretirement healthcare benefits for certain UAW retirees; (iii) proceeds from new other long-term debt for a total of €4,873 million, which included (a) the incremental term loan entered into by FCA US of U.S.$250 million (€181 million) under its original tranche B term loan facility and (b) the new U.S.$1,750 million (€1.3 billion) tranche B term loan, issued under a new term loan credit facility entered into by FCA US to facilitate the prepayment of the VEBA Trust Note, and (c) new long-term debt in Brazil; and (iv) a positive net contribution of €496 million from the net change in short-term debt and other financial assets/liabilities, which were partially offset by (v) the cash payment to the VEBA Trust for the acquisition of the remaining 41.5 percent ownership interest in FCA US held by the VEBA Trust equal to U.S.$3,650 million (€2,691 million) and U.S.$60 million (€45 million) of tax distribution by FCA US to cover the VEBA Trust's tax obligation; (vi) repayment of other long-term debt for a total of €5,834 million, mainly related to the prepayment of all amounts under the VEBA Trust Note amounting to approximately U.S.$5.0 billion (€3.6 billion), including accrued and unpaid interest, and repayment of other long-term debt primarily in Brazil; (vii) the repayment at maturity of notes that had been issued under the GMTN Programme for a total principal amount of €2,150 million; and (viii) the net cash disbursement of €417 million for the exercise of the Cash Exit Rights in connection with the Merger.

The positive translation exchange differences for the years ended December 31, 2016, 2015 and 2014 of €228 million, €681 million and €1,219 million, respectively, primarily reflected the change in the Euro-translated value of cash and cash equivalents denominated in U.S. Dollar.

Net Debt

The following table details our Net debt at December 31, 2016 and 2015 and provides a reconciliation of this non-GAAP measure to Debt, which is the most directly comparable measure included in our Consolidated Statement of Financial Position. In conjunction with the amendments to the credit agreements that govern FCA US's Tranche B Term Loans entered into in March 2016, FCA US's cash management activities are no longer managed separately from the rest of the Group. As a result, the Group no longer provides the analysis of Net industrial debt split between FCA US and the remainder of the Group.

	At December 31					
	2016			2015 (1)		
(€ million)	*Industrial Activities*	*Financial Services*	*Consolidated*	*Industrial Activities*	*Financial Services*	*Consolidated*
Third parties debt (principal)	€ (22,499)	€ (1,535)	€ (24,034)	€ (26,555)	€ (1,105)	€ (27,660)
Capital market(2)	*(12,055)*	*(417)*	*(12,472)*	*(13,382)*	*(264)*	*(13,646)*
Bank debt	*(9,026)*	*(733)*	*(9,759)*	*(11,602)*	*(653)*	*(12,255)*
Other debt (3)	*(1,418)*	*(385)*	*(1,803)*	*(1,571)*	*(188)*	*(1,759)*
Accrued interest and other adjustments(4)	(11)	(3)	(14)	(127)	1	(126)
Debt with third parties	**(22,510)**	**(1,538)**	**(24,048)**	**(26,682)**	**(1,104)**	**(27,786)**
Intercompany, net (5)	627	(627)	—	529	(568)	(39)
Current financial receivables from jointly-controlled financial services companies (6)	80	—	80	16	—	16
Debt, net of intercompany and current financial receivables from jointly-controlled financial services companies	(21,803)	(2,165)	(23,968)	(26,137)	(1,672)	(27,809)
Derivative financial assets/(liabilities), net and collateral deposits (7)	(144)	(6)	(150)	103	14	117
Current Available-for-sale and Held-for-trading securities	204	37	241	457	25	482
Cash and cash equivalents	17,167	151	17,318	20,528	134	20,662
Debt classified as held for sale	(9)	—	(9)	—	—	—
Total Net debt	**€ (4,585)**	**€ (1,983)**	**€ (6,568)**	**€ (5,049)**	**€ (1,499)**	**€ (6,548)**

(1) The assets of the Ferrari segment were classified as Assets held for distribution within the Consolidated Statement of Financial Position at December 31, 2015. These assets as well as the undrawn revolving credit facility of €500 million of Ferrari are not included in the figures presented at December 31, 2015.
(2) Includes notes issued under the GMTN Programme and other notes (€12,055 million at December 31, 2016 and €13,078 million at December 31, 2015), other debt instruments (€417 million at December 31, 2016 and €359 million at December 31, 2015) issued in financial markets, mainly from LATAM financial services companies. At December 31, 2015, the amount also included the financial liability component of the mandatory convertible securities of €209 million, which were converted into FCA common shares in December 2016.
(3) Includes the Canada HCT notes (€261 million December 31, 2016 and €354 million at December 31, 2015), asset-backed financing, i.e. sales of receivables for which de-recognition is not allowed under IFRS (€411 million December 31, 2016 and €206 million at December 31, 2015) and arrangements accounted for as a lease under IFRIC 4 - Determining whether an arrangement contains a lease, and other debt.
(4) Includes adjustments for fair value accounting on debt and net (accrued)/deferred interest and other amortizing cost adjustments.
(5) Net amount between industrial activities entities' financial receivables due from financial services entities (€755 million at December 31, 2016 and €664 million at December 31, 2015) and industrial activities entities' financial payables due to financial services entities (€128 million at December 31, 2016 and €96 million at December 31, 2015). At December 31, 2015, it also included financial receivables due from discontinued operations of €98 million and financial payables due to discontinued operations of €137 million.
(6) Financial receivables due from FCA Bank.
(7) Fair value of derivative financial instruments (net negative €218 million at December 31, 2016 and net positive €77 million at December 31, 2015) and collateral deposits (€68 million at December 31, 2016 and €40 million at December 31, 2015).

As of December 31,2016, Net debt was €6,568 million and was consistent with Net debt of €6,548 million as of December 31, 2015. Excluding negative foreign currency translation effects, Net debt decreased by over €1.0 billion, with net debt from industrial activities decreasing by €1.3 billion (refer to *—Change in Net Industrial Debt*, below), which was partially offset by an increase of €0.3 billion in net debt from financial services that was used to support the increase in financing activities in China and Europe.

Change in Net Industrial Debt

As described in the section —*Non GAAP Financial Measures* above, Net industrial debt is management's primary measure for analyzing our financial leverage and capital structure and is one of the key targets used to measure our performance. The following section sets forth an explanation of the changes in our Net industrial debt during 2016 and 2015.

At December 31, 2016, Net industrial debt of €4,585 million decreased by €464 million from €5,049 million at December 31, 2015 primarily as a result of (i) cash flow from industrial operating activities of €10,563 million, which represents the majority of the consolidated cash flow from operating activities of €10,594 million (refer to the section —*Cash Flows* above), which was partially offset by (ii) investments in industrial activities of €8,812 million representing investments in property, plant and equipment and intangible assets and (iii) negative foreign currency translation effects of €859 million primarily due to the strengthening of the Brazilian Real.

In 2015, Net industrial debt decreased by €2,605 million from €7,654 million at December 31, 2014, which included Ferrari's Net industrial debt, to €5,049 million at December 31, 2015, which excluded Ferrari's Net industrial debt of €963 million. The reduction in Net industrial debt during the year was primarily driven by (i) cash flow from industrial operating activities of €9,703 million which represents the majority of the consolidated cash flow from operating activities of €9,751 million (refer to the section —*Cash Flows* above), (ii) net cash proceeds from the Ferrari initial public offering of €866 million, (iii) the payment to non-controlling interests for €280 million in connection with the Ferrari initial public offering and in preparation for the spin-off of the remaining common shares of Ferrari N.V. owned by FCA and (iv) positive translation exchange differences of €734 million, primarily reflecting the effect of the devaluation of Brazilian Real when converting the Brazilian companies' net industrial debt to Euro, which were partially offset by (v) investments in industrial activities of €8,816 million representing investments in property, plant and equipment and intangible assets, acquisition and capital increases in joint ventures, associates and unconsolidated subsidiaries of €268 million and cash used in industrial investing activities of discontinued operations of €372 million.

Capital Market and Other Financing Transactions

Notes Issued Under The GMTN Programme

Certain notes issued by the Group are governed by the terms and conditions of the GMTN Programme. A maximum of €20 billion may be used under this program, of which notes of approximately €9.2 billion were outstanding at December 31, 2016 (€10.3 billion at December 31, 2015). The GMTN Programme is guaranteed by FCA, which may from time to time buy back notes in the market that have been issued. Such buybacks, if made, depend upon market conditions, the Group's financial situation and other factors which could affect such decisions.

Changes in notes issued under the GMTN Programme during 2016 were due to the:

- issuance of a 3.75 percent note at par in March 2016 with a principal amount of €1,250 million due in March 2024. The note is listed on the Irish Stock Exchange;
- repayment at maturity of a note in April 2016 with a principal amount of €1,000 million;
- repayment at maturity of a note in October 2016 with a principal amount of €1,000 million; and
- repayment at maturity of a note in November 2016 with a principal amount of CHF 400 million (€373 million).

Changes in notes issued under the GMTN Programme during 2015 were due to the:

- repayment at maturity of two notes, one with a principal amount of €1,500 million and one with a principal amount of CHF 425 million (€390 million).

As of December 31, 2016, FCA was in compliance with the covenants of the notes issued under the GMTN Programme (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the outstanding notes at December 31, 2016 and 2015 under the GMTN Programme and the related covenants).

Other Notes

In April 2015, FCA issued U.S.$1.5 billion (€1.4 billion) principal amount of 4.5 percent unsecured senior debt securities due April 15, 2020 (the "Initial 2020 Notes") and U.S.$1.5 billion (€1.4 billion) principal amount of 5.25 percent unsecured senior debt securities due April 15, 2023 (the "Initial 2023 Notes") at an issue price of 100 percent of their principal amount. The Initial 2020 Notes and the Initial 2023 Notes, collectively referred to as "the Initial Notes", rank *pari passu* in right of payment with respect to all of FCA's existing and future senior unsecured indebtedness and senior in right of payment to any of FCA's future subordinated indebtedness and existing indebtedness, which is by its terms subordinated in right of payment to the Initial Notes.

On June 17, 2015, subject to the terms and conditions set forth in our prospectus, we commenced an offer to exchange up to U.S.$1.5 billion (€1.4 billion) aggregate principal amount of new 4.5 percent unsecured senior debt securities due 2020 ("2020 Notes"), for any and all of our outstanding Initial 2020 Notes issued on April 14, 2015, and up to U.S.$1.5 billion (€1.4 billion) aggregate principal amount of new 5.25 percent unsecured senior debt securities due 2023 ("2023 Notes"), for any and all of our outstanding Initial 2023 Notes issued on April 14, 2015. The 2020 Notes and the 2023 Notes, collectively referred to as "the Notes", were identical in all material respects to the Initial Notes, except that the Notes did not contain restrictions on transfer. The exchange offer expired on July 23, 2015. Substantially all of the Initial Notes were tendered for the Notes. FCA used the net proceeds from the offering of the Notes for general corporate purposes and the refinancing of a portion of the outstanding secured senior notes of FCA US, as described below. As of December 31, 2016, FCA was in compliance with the covenants of the Notes (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the covenants).

FCA US Secured Senior Notes

On May 14, 2015, FCA US prepaid its secured senior notes due in 2019 with an aggregate principal outstanding amount of U.S.$2,875 million (€2,518 million) at a price equal to the principal amount of the notes redeemed, plus accrued and unpaid interest to the date of redemption and a "make-whole" premium calculated in accordance with the terms of the indenture. The redemption payment of U.S.$3.1 billion (€2.7 billion) was made with cash on hand at FCA US.

On December 21, 2015, FCA US prepaid its secured senior notes due in 2021 with an aggregate principal outstanding amount of U.S.$3,080 million (€2,833 million) at a price equal to the principal amount of the notes redeemed, plus accrued and unpaid interest to the date of redemption and a "make-whole" premium calculated in accordance with the terms of the indenture. The redemption payment of U.S.$3.3 billion (€3.0 billion) was made with cash on hand at FCA US.

The secured senior notes due in 2019 and the secured senior notes due in 2021 of FCA US are collectively referred to as the "Secured Senior Notes."

Bank Debt

Bank debt was primarily comprised of amounts due under (i) FCA US's Tranche B Term Loans of €2.7 billion at December 31, 2016 and €4.4 billion at December 31, 2015, (ii) financial liabilities of the Brazilian operating entity (€4.0 billion at December 31, 2016 and €4.1 billion at December 31, 2015) including a number of financing arrangements with certain Brazilian development banks, as well as to fund the financial services business in that country (refer to the section — *Brazil*, below), (iii) loans provided by the EIB (€1.3 billion at December 31, 2016 and €1.2 billion at December 31, 2015) to fund our investments and research and development costs, (iv) amounts drawn down by FCA treasury companies under short and long-term credit facilities (€0.1 billion at December 31, 2016 and €0.6 billion at December 31, 2015) and (v) amounts outstanding relating to financing arrangements of FCA Mexico amounting to €0.5 billion at December 31, 2016 and 2015.

FCA US Tranche B Term Loans

At December 31, 2016, €1,730 million (€2,863 million at December 31, 2015), which included accrued interest, was outstanding under FCA US's Tranche B Term Loan due 2017. The Tranche B Term Loan due 2017 bears interest, at FCA US's option, at either a base rate plus 1.75 percent per annum or at LIBOR plus 2.75 percent per annum, subject to a base rate floor of 1.75 percent per annum or a LIBOR floor of 0.75 percent per annum. For the years ended December 31, 2016 and 2015, interest was accrued based on LIBOR.

At December 31, 2016, €948 million (€1,574 million at December 31, 2015), which included accrued interest, was outstanding under FCA US's Tranche B Term Loan due 2018. The Tranche B Term Loan due 2018 bears interest, at FCA US's option, at either a base rate plus 1.5 percent per annum or at LIBOR plus 2.5 percent per annum, subject to a base rate floor of 1.75 percent per annum or a LIBOR floor of 0.75 percent per annum. For the years ended December 31, 2016 and 2015, interest was accrued based on LIBOR.

FCA US may pre-pay, refinance or re-price the Tranche B Term Loans without premium or penalty.

On March 15, 2016, FCA US entered into amendments to the credit agreements that govern the Tranche B Term Loans, to, among other items, eliminate covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group, to enable a unified financing platform and to provide free flow of capital within the Group. In conjunction with these amendments, FCA US made a U.S.$2.0 billion (€1.8 billion) voluntary prepayment of principal at par with cash on hand, of which U.S.$1,288 million (€1,159 million) was applied to the Tranche B Term Loan due 2017 and U.S.$712 million (€641 million) was applied to the Tranche B Term Loan due 2018. Accrued interest related to the portion of principal prepaid of the Tranche B Term Loans and related transaction fees were also paid.

The prepayments of principal were accounted for as debt extinguishments, and as a result, a non-cash charge of €10 million was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2016, which consisted of the write-off of the remaining unamortized debt issuance costs. The amendments to the remaining principal balance were analyzed on a lender-by-lender basis and accounted for as debt modifications in accordance with IAS 39 - *Financial Instruments: Recognition and Measurement.* As such, the debt issuance costs for each of the amendments were capitalized and will be amortized over the respective remaining terms of the Tranche B Term Loans.

For each of the Tranche B Term Loans, FCA US prepaid the scheduled quarterly principal payments, with the remaining balance applied to the principal balance due at maturity. Accordingly, FCA US is now scheduled to pay the remaining outstanding principal balances at the respective maturity dates. Periodic interest payments, however, continue to be required.

As of December 31, 2016, FCA US was in compliance with the covenants of the credit agreements that govern the Tranche B Term Loans (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the covenants).

European Investment Bank Borrowings

We have financing agreements with the EIB for a total of €1.3 billion outstanding at December 31, 2016 (€1.2 billion outstanding at December 31, 2015), which included (i) a new loan for €250 million entered into in December 2016 described below (ii) the €600 million facility with the EIB and SACE described below, (iii) a facility of €400 million (maturing in 2018) for supporting certain investments and research and development programs in Italy to protect the environment through the reduction of emissions and improved energy efficiency and (iv) a €500 million facility (maturing in 2021) for an investment program relating to the modernization and expansion of production capacity of an automotive plant in Serbia.

On December 2, 2016, the Group entered into a new €250 million loan with the EIB for research and development projects implemented by FCA. The three-year loan will support the Group's three-year (2017-2019) investment plan in research and development centers in Italy, which includes a number of key objectives such as greater efficiency, a reduction in CO_2 emissions by petrol and alternative fuel engines and the study of new hybrid architectures, as well as certain capital expenditures for facilities located in southern Italy.

On June 29, 2015, FCA, the EIB and SACE finalized a €600 million loan earmarked to support the Group's automotive research, development and production plans for 2015 to 2017 which includes studies for efficient vehicle technologies for vehicle safety and new vehicle architectures. The three-year loan due July 2018 provided by the EIB, which is also 50 percent guaranteed by SACE, relates to FCA's production and research and development sites in both northern and southern Italy.

Brazil

Our Brazilian subsidiaries have access to various local bank facilities in order to fund investments and operations. Total debt outstanding under those facilities amounted to €4.0 billion at December 31, 2016 (€4.1 billion at December 31, 2015), of which €3.3 billion (€3.6 billion at December 31, 2015) are loans with an average residual maturity of 1 to 2 years, while €0.7 billion (€0.5 billion at December 31, 2015) are short-term credit facilities. The loans primarily include subsidized loans granted by such public financing institutions as Banco Nacional do Desenvolvimento (“BNDES”), with the aim to support industrial projects in certain areas. This provided the Group the opportunity to fund large investments in Brazil with loans of sizeable amounts at low rates. At December 31, 2016, outstanding subsidized loans amounted to €2.6 billion (€1.9 billion at December 31, 2015), of which €1.6 billion (€1.2 billion at December 31, 2015), related to the construction of the plant in Pernambuco (Brazil), which has been supported by subsidized credit lines totaling Brazilian Real (“BRL”) 6.5 billion (€1.9 billion). Approximately €0.3 billion (€0.3 billion at December 31, 2015), of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2016. The average residual maturity of the subsidized loans was approximately 3 years.

Mexico Bank Loan

On March 20, 2015, FCA Mexico, our principal operating subsidiary in Mexico, entered into the Mexico Bank Loan, a U.S.$0.9 billion (€0.8 billion) non-revolving loan agreement maturing on March 20, 2022, and received a disbursement of U.S.$0.5 billion (€0.5 billion at December 31, 2016), which bears interest at one-month LIBOR plus 3.35 percent per annum. The proceeds were used to prepay all amounts outstanding under the Mexican development bank credit facilities amounting to approximately €414 million. Effective June 24, 2016, the Group terminated early the disbursement term for the undrawn portion of the non-revolving loan agreement of FCA Mexico. As a result, the undisbursed U.S.$0.4 billion (€0.4 billion) is no longer available to the Group. As of December 31, 2016, we may prepay all or any portion of the loan without premium or penalty. As of December 31, 2016, FCA Mexico was in compliance with all covenants under the Mexico Bank Loan (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the covenants).

Other Debt

At December 31, 2016, Other debt included the principal balance of the unsecured Canada HCT Notes, totaling €261 million (€354 million at December 31, 2015), which represents FCA US's principal Canadian subsidiary's remaining financial liability to the Canadian Health Care Trust arising from the settlement of its obligations for postretirement health care benefits for National Automobile, Aerospace, Transportation and General Workers Union of Canada, or CAW (now part of Unifor), which represented employees, retirees and dependents. During the year ended December 31, 2016, FCA US's Canadian subsidiary prepaid the remaining scheduled payments due on the Canada HCT Tranche C Note and during the year ended December 31, 2015, FCA US's Canadian subsidiary prepaid the remaining scheduled payments on the Canada HCT Tranche A Note (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report).

At December 31, 2016, debt secured by assets of the Group (excluding FCA US) amounted to €914 million (€747 million at December 31, 2015), of which €433 million (€373 million at December 31, 2015) was due to creditors for assets acquired under finance leases and the remaining amount mainly related to subsidized financing in Latin America. The total carrying amount of assets acting as security for loans for the Group (excluding FCA US) amounted to €1,940 million at December 31, 2016 (€1,400 million at December 31, 2015).

At December 31, 2016, debt secured by assets of FCA US of €3,446 million included €2,678 million relating to the Tranche B Term Loans, €207 million due to creditors for assets acquired under finance leases and €561 million for other debt and financial commitments. At December 31, 2015, debt secured by assets of FCA US of €5,254 million and included €4,437 million relating to the Tranche B Term Loans, €243 million due to creditors for assets acquired under finance leases and €574 million for other debt and financial commitments.

SUBSEQUENT EVENTS AND 2017 GUIDANCE

Subsequent Events

The Group has evaluated subsequent events through February 28, 2017, which is the date the financial statements were authorized for issuance.

In January 2017, as a result of the distribution of the Company's 16.7 percent ownership interest in RCS to holders of its common shares on May 1, 2016, the Compensation Committee of FCA approved a conversion factor of 1.005865 that was applied to outstanding awards that had been granted in 2015 to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

On February 24, 2017, FCA US prepaid the outstanding principal and accrued interest for its Tranche B Term Loan due 2017. The prepayment of U.S.$1,826 million (€1,721 million) was made with cash on hand. The prepayment did not result in a material loss on extinguishment.

2017 Guidance

Net revenues	€115 - €120 billion
Adjusted EBIT	> €7.0 billion
Adjusted net profit	> €3.0 billion
Net industrial debt	< €2.5 billion

February 28, 2017

The Board of Directors

John Elkann
Sergio Marchionne
Andrea Agnelli
Tiberto Brandolini d'Adda
Glenn Earle
Valerie A. Mars
Ruth J. Simmons
Ronald L. Thompson
Patience Wheatcroft
Stephen M. Wolf
Ermenegildo Zegna

MAJOR SHAREHOLDERS

Exor N.V. is the largest shareholder of FCA through its 29.41 percent shareholding interest in our issued common shares (as of February 27, 2017). On December 16, 2016, Exor N.V. received 73,606,222 of FCA common shares in connection with the mandatory conversion of the mandatory convertible securities due 2016 (see Note 27, *Equity*, within the Consolidated Financial Statements included elsewhere in this report). As a result of the loyalty voting mechanism, Exor N.V.'s voting power is 42.60 percent.

Consequently, Exor N.V. could strongly influence all matters submitted to a vote of FCA shareholders, including approval of annual dividends, election and removal of directors and approval of extraordinary business combinations.

Exor N.V. is controlled by Giovanni Agnelli BV ("GA"), which holds 52.99 percent of its share capital. GA is a private limited liability company under Dutch law with its capital divided in shares and currently held by members of the Agnelli and Nasi families, descendants of Giovanni Agnelli, founder of Fiat. Its present principal business activity is to purchase, administer and dispose of equity interests in public and private entities and, in particular, to ensure the cohesion and continuity of the administration of its controlling equity interests. The directors of GA are John Elkann, Tiberto Brandolini d'Adda, Alessandro Nasi, Andrea Agnelli, Eduardo Teodorani-Fabbri, Luca Ferrero de' Gubernatis Ventimiglia, Jeroen Preller and Florence Hinnen.

Based on the information in FCA's shareholder register, regulatory filings with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") and the SEC and other sources available to FCA, the following persons owned, directly or indirectly, in excess of three percent of the common shares of FCA as of February 27, 2017:

FCA Shareholders	Number of Issued Common Shares	Percentage Owned
Exor N.V.(1)	449,410,092	29.41
Harris Associates L.P. (2)	56,573,440	3.70
Baillie Gifford & Co. (3)	54,383,269	3.56
Tiger Global Management LLC (4)	52,740,079	3.45

(1) In addition, Exor N.V. holds 375,803,870 special voting shares; Exor'N.V.'s beneficial ownership in FCA is 42.60 percent, calculated as the ratio of (i) the aggregate number of common and special voting shares owned by Exor N.V. and (ii) the aggregate number of outstanding common shares and issued special voting shares.

(2) Harris Associates L.P. beneficially owns 56,573,440 common shares (2.92 percent of the issued shares).

(3) Baillie Gifford & Co., as an investment adviser in accordance with rule 240.13d-1(b), beneficially owns 85,370,632 common shares with sole dispositive power (4.41 percent of the issued shares), of which 54,383,269 common shares are held with sole voting power (2.81 percent of the issued shares).

(4) Tiger Global Management LLC beneficially owns 52,740,079 common shares (2.72 percent of the issued shares).

Based on the information in FCA's shareholder register and other sources available to us, as of January 31, 2017, approximately 440 million FCA common shares, or 29 percent of the FCA common shares, were held in the United States. As of the same date, approximately 1,040 record holders had registered addresses in the United States.