

## **Creating Value for Our Shareholders**

### **Responsible Management across the Value Chain**

Fiat Chrysler Automobiles (FCA) is a leading player in the global automotive landscape with unique, world-class capabilities, and a vision built on the historic foundations and strengths inherited from Fiat and Chrysler.

Our guiding values and commitment to excellence - not only in terms of our products, but also for the integrity, transparency and the sense of responsibility with which we conduct our activities - are essential to achieving this vision.

At FCA, sustainability is a way of conducting business that relies on an interconnected and integrated approach to responsibility.

The foundation of a responsible company depends on full awareness of the nature and extent of this interconnection. It lies at the heart of our understanding of how the potential effects of our activities can be mitigated through responsible management and through the transformation of our financial, manufactured, intellectual, social and natural capitals.

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

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

To ensure tangible long-term value is created for stakeholders, the Group places particular emphasis on the following:

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

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

Sustainability contents of the 2014 Annual Report address aspects identified as being of greatest importance to the Group's internal and external stakeholders and reports on a selection of key long-term sustainability targets. Additional information relating to the Group's sustainability commitments is provided in the interactive 2014 Sustainability Report available on the corporate website.

## **Sustainability Leadership**

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

In 2014, FCA was included in the prestigious Dow Jones Sustainability Index World for the sixth time with a score of 87/100. The average for all Automobiles sector companies evaluated by RobecoSAM, the specialists in sustainability investment, was 58/100. This result places FCA firmly among the world's leading companies in terms of combined economic, environmental and social performance.

For the third consecutive year, the Group was recognized as a leader for its commitment and results in addressing climate change. On the basis of transparency in disclosure and performance, FCA was named as a leader in the CDP Italy 100 Climate Disclosure Leadership Index (CDLI) and among the top ranked companies in the Climate Performance Leadership Index (CPLI) 2014. FCA scored 98/100 for transparency in disclosure and was included in The A List: the CDP Climate Performance Leadership Index 2014, which includes companies that have demonstrated a superior approach to climate change mitigation.

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

FCA is also a member of numerous other leading indices including: ESI Excellence Europe, STOXX Global ESG Leaders, STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Governance Leaders, ECPI Euro Ethical Equity, ECPI Emu Ethical Equity, ECPI Global Developed ESG Best in Class Equity, FTSE ECPI Italia SRI Benchmark, FTSE ECPI Italia SRI Leaders, and Parks GLBT Diversity Index.

## **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**

***Our profitability depends on reaching certain minimum vehicle sales volumes. If our vehicle sales deteriorate, particularly sales of our minivans, larger utility vehicles and pick-up trucks, our results of operations and financial condition will suffer.***

Our success requires us to achieve certain minimum vehicle sales volumes. As is typical for an automotive manufacturer, we have significant fixed costs and, therefore, changes in vehicle sales volume can have a disproportionately large effect on our profitability. For example, assuming constant pricing, mix and cost of sales per vehicle, that all results of operations were attributable to vehicle shipments and that all other variables remain constant, a ten percent decrease in our 2014 vehicle shipments would reduce our Earnings Before Interest and Taxes, or EBIT, by approximately 40 percent for 2014, without accounting for actions and cost containment measures we may take in response to decreased vehicle sales.

Further, a shift in demand away from our minivans, larger utility vehicles and pick-up trucks in the U.S., Canada, Mexico and Caribbean islands, or NAFTA, region towards passenger cars, whether in response to higher fuel prices or other factors, could adversely affect our profitability in the NAFTA region. Our minivans, larger utility vehicles and pick-up trucks accounted for approximately 44 percent of our total U.S. retail vehicle sales in 2014 (not including vans and medium duty trucks) and the profitability of this portion of our portfolio is approximately 33 percent higher than that of our overall U.S. retail portfolio on a weighted average basis. A shift in demand such that U.S. industry market share for minivans, larger utility vehicles and pick-up trucks deteriorated by 10 percentage points and U.S. industry market share for cars and smaller utility vehicles increased by 10 percentage points, whether in response to higher fuel prices or other factors, holding other variables constant, including our market share of each vehicle segment, would have reduced the Group's EBIT by approximately 4 percent for 2014. This estimate does not take into account any other changes in market conditions or actions that the Group may take in response to shifting consumer preferences, including production and pricing changes.

Moreover, we tend to operate with negative working capital as we generally receive payments from vehicle sales to dealers 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 vehicle sales 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 sales. If vehicle sales do not increase, or if they were to fall short of our assumptions, due to financial crisis, renewed recessionary conditions, changes in consumer confidence, geopolitical events, inability to produce sufficient quantities of certain vehicles, limited access to financing or other factors, our financial condition and results of operations would be materially adversely affected.

***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—including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates for or availability of consumer and business credit, energy prices, the cost of commodities or other raw materials, the rate of unemployment and foreign currency exchange rates—within the various countries in which we operate.

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

In Europe, in particular, despite measures taken by several governments and monetary authorities to provide financial assistance to certain Eurozone countries and to avoid default on sovereign debt obligations, concerns persist regarding the debt burden of several countries. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, led to further pressure on economic growth and to new periods of recession. Prior to a slight improvement in 2014, European automotive industry sales declined over several years following a period in which sales were supported by government incentive schemes, particularly those designed to promote sales of more fuel efficient and low emission vehicles. Prior to the global financial crisis, industry-wide sales of passenger cars in Europe were 16 million units in 2007. In 2014, following six years of sales declines, sales in that region rose 5 percent over 2013 to 13 million passenger cars. From 2011 to 2014, our market share of the European passenger car market decreased from 7.0 percent to 5.8 percent, and we have reported losses and negative EBIT in each of the past four years in the Europe, Middle East and Africa, or EMEA, segment. See *Overview—Overview of Our Business* for a description of our reportable segments. These ongoing concerns could have a detrimental impact on the global economic recovery, as well as on the financial condition of European financial institutions, which could result in greater volatility, reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. Widespread austerity measures in many countries in which we operate could continue to adversely affect consumer confidence, purchasing power and spending, which could adversely affect our financial condition and results of operations.

A majority of our revenues have been generated in the NAFTA segment, as vehicle sales in North America have experienced significant growth from the low vehicle sales volumes in 2009-2010. However, this recovery may not be sustained or may be limited to certain classes of vehicles. Since the recovery may be partially attributable to the pent-up demand and average age of vehicles in North America following the extended economic downturn, there can be no assurances that continued improvements in general economic conditions or employment levels will lead to additional increases in vehicle sales. As a result, North America may experience limited growth or decline in vehicle sales in the future.

In addition, slower expansion or recessionary conditions are being experienced in major emerging countries, such as China, Brazil and India. In addition to weaker export business, lower domestic demand has also led to a slowing economy in these countries. These factors could adversely affect our financial condition and results of operations.

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 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 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 Strategic Business Plan, or Business Plan, will require us to make significant investments, including to expand several brands that we believe to have global appeal into new markets. Such

strategies include expanding sales of the Jeep brand globally, most notably through localized production in Asia and Latin America and reintroduction of the Alfa Romeo brand in North America and other markets throughout the world. Our plans also include a significant expansion of our Maserati brand vehicles to cover all segments of the luxury vehicle market. This will require significant investments in our production facilities and in distribution networks in these markets. 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 financial condition and results of operations.

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

We, and the U.S. automotive industry in general, have recently experienced a significant increase in recall activity to address performance, compliance or safety-related issues. The costs we incur to recall vehicles typically include the cost of replacement parts and labor to remove and replace parts, 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 and may cause consumers to question the safety or reliability of our products.

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 may result in unanticipated losses.

***Our future performance depends on our ability to expand into new markets as well as enrich our product portfolio and offer innovative products in existing markets.***

Our success depends, among other things, on our ability to maintain or increase our share in existing markets and/or to expand into new markets through the development of innovative, high-quality products that are attractive to customers and provide adequate profitability. Following our January 2014 acquisition of the approximately 41.5 percent interest in FCA US that we did not already own, we announced our Business Plan in May 2014. Our Business Plan includes a number of product initiatives designed to improve the quality of our product offerings and grow sales in existing markets and expand in new markets.

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.

***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, customer service and financial services offered, and many of our competitors are better capitalized with larger market shares.

Competition, particularly in pricing, has increased significantly in the automotive industry in recent years. Global vehicle production capacity significantly exceeds current demand, partly as a result of lower growth in demand for vehicles. This overcapacity, combined with high levels of competition and weakness of major economies, has intensified and may further intensify pricing pressures.

Our competitors may respond to these conditions by attempting to make their vehicles more attractive or less expensive to customers by adding vehicle enhancements, providing subsidized financing or leasing programs, or by reducing vehicle prices whether directly or by offering option package discounts, price rebates or other sales incentives in certain markets. These actions have had, and could continue to have, a negative impact on our vehicle pricing, market share, and results of operations.

In the automotive business, sales to end-customers are cyclical and subject to changes in the general condition of the economy, the readiness of end-customers to buy and their ability to obtain financing, as well as the possible introduction of measures by governments to stimulate demand. The automotive industry is also subject to the constant renewal of product offerings through frequent launches of new models. A negative trend in the 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 impact on our financial condition and results of operations.

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

The ability to access the capital markets or other forms of financing and the related costs depend, among other things, on our credit ratings. Following downgrades by the major rating agencies, we are currently rated below investment grade. The rating agencies review these 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 may cause a material adverse effect on our business prospects, earnings and financial position. Since the ratings agencies may separately review and rate FCA US on a stand-alone basis, it is possible that our credit ratings may not benefit from any improvements in FCA US's credit ratings or that a deterioration in FCA US's credit ratings could result in a negative rating review of us. See *Liquidity and Capital Resources* for more information on our financing arrangements.

***We may not be able to realize anticipated benefits from any acquisitions and challenges associated with strategic alliances may have an adverse impact on our results of operations.***

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

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

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

***We may not achieve the expected benefits from our integration of the Group's operations.***

The January 2014 acquisition of the approximately 41.5 percent interest in FCA US we did not already own and the related integration of the two businesses is intended to provide us with a number of long-term benefits, including allowing new vehicle platforms and powertrain technologies to be shared across a larger volume, as well as procurement benefits and global distribution opportunities, particularly the extension of brands into new markets. The integration is also intended to facilitate penetration of key brands in several international markets where we believe products would be attractive to consumers, but where we currently do not have significant market penetration.

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

***We may be exposed to shortfalls in our pension plans.***

Our defined benefit pension plans are currently underfunded. As of December 31, 2014, our defined benefit pension plans were underfunded by approximately €5.1 billion (€4.8 billion of which relates to FCA US's defined benefit pension plans). 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 rebalance 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.

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. With our ownership in FCA US now equal to 100 percent, we may become subject to certain U.S. legal requirements making us secondarily responsible for a funding shortfall in certain of FCA US's pension plans in the event these pension plans were terminated and FCA US were to become insolvent.

***We may not be able to provide adequate access to financing for our dealers and retail customers.***

Our dealers enter into wholesale financing arrangements to purchase vehicles from us to hold in inventory and facilitate retail sales, and retail customers 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 operations in the U.S. and certain key markets in Europe. 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 customers 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 customers, our lack of a controlled finance company in those markets could adversely affect our 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 customers. Finance companies are subject to various risks that could negatively affect their ability to provide financing services at competitive rates, 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 face other demands on its capital, including the need or desire to satisfy funding requirements for dealers or customers 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 customers.

To the extent that a financial services provider is unable or unwilling to provide sufficient financing at competitive rates to our dealers and retail customers, such dealers and retail customers 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 would adversely affect our financial condition and results of operations.

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

In certain regions, financing for new vehicle sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. To the extent that interest rates rise generally, market rates for new vehicle financing are expected to rise as well, which may make our vehicles less affordable to retail customers 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, our retail customers may not desire to or be able to obtain financing to purchase or lease our vehicles. Furthermore, because our customers 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, see *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 decreases in vehicle sales, 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, customers, suppliers and financial service providers, to do business with us, which may adversely affect our financial condition and results of operations.

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

We are continuing to implement a number of cost reduction and productivity improvement initiatives in our operations, for example, by increasing the number of vehicles that are based on common platforms, reducing dependence on sales incentives offered to dealers and consumers, leveraging purchasing capacity and volumes and implementing World Class Manufacturing, or WCM, principles. WCM principles are intended to eliminate waste of all types, and improve worker efficiency, productivity, safety and vehicle quality as well as worker flexibility and focus on removing capacity bottlenecks to maximize output when market demand requires without having to resort to significant capital investments. As part of our Business Plan, we plan to continue our efforts to extend our WCM programs into all of our production facilities and benchmark across all of our facilities around the world. Our future success depends upon our ability to implement these initiatives successfully throughout our operations. 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.

***Our business operations 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, environmental claims and lawsuits, governmental investigations, 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 such claims, lawsuits and other legal matters are not expected 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, 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 results of operations in any particular period. While we maintain insurance coverage with respect to certain claims, 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 Notes 26 and 33 of the Consolidated financial statements included elsewhere in this report for additional information.

***Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting, which could harm our business reputation and cause a default under certain covenants in our credit agreements and other debt.***

We continuously monitor and evaluate changes in our internal controls over financial reporting. In support of our drive toward common global systems, we are extending the current finance, procurement, and capital project and investment management systems to new areas of operations. As appropriate, we continue to modify the design and documentation of internal control processes and procedures relating to the new systems to simplify and automate many of our previous processes. Our management believes that the implementation of these systems will continue to improve and enhance internal controls over financial reporting. Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting, which could harm our business reputation.

In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a default under certain covenants in the indentures governing certain of our public indebtedness, and other credit agreements.

***A disruption in our information technology could compromise confidential and sensitive information.***

We depend on our information technology and data processing systems to operate our business, and a significant malfunction or disruption in the operation of our systems, or a security breach that compromises the confidential and sensitive information stored in those systems, could 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. We rely on these systems to make a variety of day-to-day business decisions as well as to track transactions, billings, payments and inventory. Such systems are susceptible to malfunctions and interruptions due to equipment damage, power outages, and a range of other hardware, software and network problems. Those systems are also susceptible to cybercrime, or threats of intentional disruption, which are increasing in terms of sophistication and frequency. For any of these reasons, we may experience systems malfunctions or interruptions. Although our systems are diversified, including multiple server locations and a range of software applications for different regions and functions, and we are currently undergoing an effort to assess and ameliorate risks to our 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 customers. A malfunction 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 customers 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 sales may suffer. We also collect, retain and use personal information, including data we gather from customers 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.

***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 and use could adversely affect our business, financial condition or 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 may harm our business, financial condition or results of operations.

***We are subject to risks relating to international markets and exposure to changes in local conditions.***

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. In particular, current regulations limit our ability to access and transfer liquidity out of Venezuela to meet demands in other countries and also subject us to increased risk of devaluation or other foreign exchange losses. See *Subsequent events and 2015 outlook* for more information regarding our Venezuela operations; 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 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 new strategic direction and implementation of the Business Plan. Although Mr. Marchionne has indicated his intention to remain as our Chief Executive Officer through the period of our Business Plan, if we were to lose his services or those of any of our other senior executives or key employees it could have a material adverse effect on our business prospects, earnings and financial position. We have developed succession plans that we believe are appropriate in the circumstances, 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 our business, financial condition and results of operations may suffer.

***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). Our Business Plan provides for expansion of our existing sales and manufacturing presence in our South and Central America, or LATAM, and Asia and Pacific countries, or APAC, regions. In recent years we have been the market leader in Brazil, which has provided a key contribution to our financial performance. 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 and political developments in Brazil and other emerging markets, including economic crises or political instability, 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.

Maintaining and strengthening our position in these emerging markets is a key component of our global growth strategy in our Business Plan. However, with competition from many of the largest global manufacturers as well as numerous smaller domestic manufacturers, the automotive market in these emerging markets is highly competitive. As these markets continue to grow, we anticipate that additional competitors, both international and domestic, will 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 financial condition and results of operations.

***Our reliance on joint ventures 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, we have entered into a joint venture with Guangzhou Automobile Group Co., Ltd. or GAC Group, which will localize production of three new Jeep vehicles for the Chinese market and expand the portfolio of Jeep Sport Utility Vehicles, or SUVs, currently available to Chinese consumers as imports. We have also entered into a joint venture with TATA Motors Limited for the production of certain of our vehicles, engines and transmissions in India.

Our reliance on joint ventures to enter or expand our presence in these markets may expose us to risk of conflict with our joint venture partners and the need to divert management resources to overseeing these shareholder arrangements. Further, as these arrangements require cooperation with third party partners, these joint ventures 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 an adverse effect on our financial condition and results of operations.

***Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced greenhouse gas emissions, may 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 customers. As a result, we may face limitations on the types of vehicles we produce and sell and where we can sell them, which could have a material adverse impact on our financial condition and results of operations.

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

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

Our product strategy is driven by the objective of achieving sustainable mobility by reducing the environmental impact of vehicles over their entire life cycle. We therefore intend to continue investing capital resources to develop new sustainable technology. We aim to increase the use of alternative fuels, such as natural gas, by continuing to offer a range of

dual-fuel passenger cars and commercial vehicles. Additionally, we plan to continue developing alternative propulsion systems, particularly for vehicles driven in urban areas (such as the zero-emission Fiat 500e).

In many cases, technological and cost barriers limit the mass-market potential of sustainable natural gas and electric vehicles. In certain other 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 similar or superior technologies sooner than we will or on an exclusive basis or at a significant price advantage.

***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 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 original equipment manufacturer, or 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 difficulties, including those of a financial nature, experienced by those suppliers (whether caused by internal or external factors) could have a material adverse effect on our financial condition and results of operations.

***We face risks associated with increases in costs, disruptions of supply or shortages of raw materials.***

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 sales over the short term. We seek to manage this exposure, but 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 sales objectives and profitability. Long-term interruptions in supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle sales objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, may result in a material impact on our financial condition and/or 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.

We use various forms of financing to cover funding requirements for our industrial activities and for providing financing to our dealers and customers. 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 net revenues, finance costs and margins.

We seek to manage risks associated with fluctuations in currency and interest rates through financial hedging instruments. Despite such hedges being in place, fluctuations in currency or interest rates could have a material adverse effect on our financial condition and results of operations. For example, the weakening of the Brazilian Real against the Euro in 2014 impacted the results of operations of our LATAM segment. See *Operating Results—Results of Operations*.

Our financial services activities are also subject to the risk of insolvency of dealers and retail customers, 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 customers, 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 organized 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, or U.K. Therefore, whether we are resident in the U.K. for tax purposes will depend 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, or 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.

Even if we are resident in the U.K. for tax purposes on this basis, as expected, 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 is a tie-breaker provision in that tax treaty which allocates exclusive residence to that other jurisdiction.

Our residence for Italian tax purposes is largely a question of fact based on all circumstances. A rebuttable presumption of residence in Italy may apply under Article 73(5-bis) of the Italian Consolidated Tax Act, or CTA. However, we have set up and 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.

Even if our “central management and control” is in the U.K. as expected, 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 applied for 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. The outcome of that application cannot be guaranteed and it is possible that the U.K. and Dutch competent authorities may fail to



reach an agreement. We anticipate, however, that, so long as the factors listed in the third preceding paragraph are present at all material times, the possibility that the U.K. and Dutch competent authorities will rule that we should be treated as solely resident in the Netherlands is remote. 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 therefore expect to continue to be treated as resident in the U.K. and subject to U.K. corporation tax.

Unless and until the U.K. and the Dutch competent authorities rule that we should be treated as solely resident in the U.K. for the purposes of the Netherlands-U.K. double tax treaty, the Netherlands will be allowed to levy tax on us as a Dutch-tax-resident taxpayer.

***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, or 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.

Various exemptions are available. One of these is that a CFC must be subject to tax in its territory of residence at an effective rate not less than 75 percent of the rate to which it would be subject in the U.K., after making specified adjustments. Another of the exemptions (the "excluded territories exemption") is that the CFC is resident in a jurisdiction specified by HMRC in regulations (several jurisdictions in which our group has significant operations, including Brazil, Italy and the U.S., are so specified). For this exemption to be available, the CFC must not be involved in an arrangement with a main purpose of avoiding U.K. tax and the CFC's income falling within certain categories (often referred to as the CFC's "bad income") must not exceed a set limit. In the case of the U.S. and certain other countries, the "bad income" test need not be met if the CFC does not have a permanent establishment in any other territory and the CFC or persons with an interest in it are subject to tax in its home jurisdiction on all its income (other than non-deductible distributions). We expect that our principal operating activities should fall within one or more of the exemptions from the CFC rules, in particular the excluded territories exemption.

Where the entity exemptions are not available, profits from activities other than finance or insurance will only be subject to apportionment under the CFC rules where:

- some of the CFC's assets or risks are acquired, managed or controlled to any significant extent in the U.K. (a) other than by a U.K. permanent establishment of the CFC and (b) other than under arm's length arrangements;
- the CFC could not manage the assets or risks itself; and
- the CFC is party to arrangements which increase its profits while reducing tax payable in the U.K. and the arrangements would not have been made if they were not expected to reduce tax in some jurisdiction.

Profits from finance activities (whether considered trading or non-trading profits for U.K. tax purposes) or from insurance may be subject to apportionment under the CFC rules if they meet the tests set out above or specific tests for those activities. A full or 75 percent exemption may also be available for some non-trading finance profits.

Although we do not expect the U.K.'s CFC rules to have a material 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 may have a material adverse impact on our financial position, reducing net returns to our shareholders.

***The existence of a permanent establishment in Italy for us after the Merger is a question of fact based on all the circumstances.***

Whether we have maintained a permanent establishment in Italy after the Merger, or 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, or Fiscal Unit, continues with respect to our Italian subsidiaries whose shareholdings are part of the Italian P.E.'s net worth.

According to Article 124(5) of the CTA, a mandatory ruling request should be submitted to the Italian tax authorities, in order to ensure the continuity, via the Italian P.E., of the Fiscal Unit that was previously in place between Fiat and its Italian subsidiaries. We 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, or the Ruling, confirming that the Fiscal Unit may continue via the Italian P.E. However, the Ruling is an interpretative ruling. It is not an assessment of a certain set of facts and circumstances. Therefore, even though the Ruling confirms that the Fiscal Unit may continue via the Italian P.E., this does not rule out that the Italian tax authorities may in the future verify whether we actually have a P.E. in Italy and potentially challenge the existence of such 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 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.***

The extent of our indebtedness could 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;
- we may be more financially leveraged than some of 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.

Even after the January 2014 acquisition of the approximately 41.5 percent interest in FCA US that we did not already own, FCA US continues to manage financial matters, including funding and cash management, separately. Additionally, we have not provided guarantees or security or undertaken any other similar commitment in relation to any financial obligation of FCA US, nor do we have any commitment to provide funding to FCA US in the future.

Furthermore, certain of our bonds include covenants that may be affected by FCA US's circumstances. In particular, these bonds include cross-default clauses which may accelerate the relevant issuer's obligation to repay its bonds in the event that FCA US fails to pay certain debt obligations on maturity or is otherwise subject to an acceleration in the maturity of any of those obligations. Therefore, these cross-default provisions could require early repayment of those bonds in the event FCA US's debt obligations are accelerated or are not repaid at maturity. There can be no assurance that the obligation to accelerate the repayment by FCA US of its debts will not arise or that it will be able to pay its debt obligations when due at maturity.

In addition, one of our existing revolving credit facilities, expiring in July 2016, provides some limits on our ability to provide financial support to FCA US.

***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 companies in the Group to, among other things:

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

For more information regarding our credit facilities and debt, see *Liquidity and Capital Resources*.

***Restrictions arising out of FCA US's debt instruments may hinder our ability to manage our operations on a consolidated, global basis.***

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

In particular, in January 2014 and February 2015, FCA US paid distributions of U.S.\$1.9 billion and U.S.\$1.3 billion, respectively, to its members. Further distributions will be limited to 50 percent of FCA US's cumulative consolidated net income (as defined in the agreements) from the period from January 1, 2012 until the end of the most recent fiscal quarter, less the amounts of the January 2014 and February 2015 distributions. See *Liquidity and Capital Resources*.

These restrictive covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, mergers and acquisitions, joint ventures or other corporate opportunities. In particular, the senior credit facilities contain, and future indebtedness may contain, other and more restrictive covenants. These agreements also restrict FCA US from prepaying certain of its indebtedness or imposing limitations that make prepayment impractical. The senior credit facilities 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 and the other indebtedness of FCA US or result in cross-default under certain of its or our indebtedness.

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

Compliance with certain of these covenants could also restrict FCA US's ability to take certain actions that its management believes are in FCA US's and our best long-term interests.

Should FCA US be unable to undertake strategic initiatives due to the covenants provided for by the above-referenced instruments, our business prospects, financial condition and results of operations could be impacted.

***No assurance can be given that restrictions arising out of FCA US's debt instruments will be eliminated.***

In connection with our capital planning to support the Business Plan, we have announced our intention to eliminate existing contractual terms limiting the free flow of capital among Group companies, including through the redemption of each series of FCA US's outstanding secured senior notes no later than their optional redemption dates in June 2015 and 2016, as well as the refinancing of outstanding FCA US term loans and its revolving credit facility at or before this time. No assurance can be given regarding the timing of such transactions or that such transactions will be completed.

***Substantially all of the assets of FCA US and its U.S. subsidiary guarantors are unconditionally pledged as security under its senior credit facilities and secured senior notes and could become subject to lenders' contractual rights if an event of default were to occur.***

FCA US and several of its U.S. subsidiaries are obligors or guarantors under FCA US's senior credit facilities and secured senior notes. The obligations under the senior credit facilities and secured senior notes are secured by senior and junior priority, respectively, 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, 65 percent of the equity interests in its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors, all personal property and substantially all of FCA US's U.S. real property other than its Auburn Hills, Michigan headquarters. An event of default under FCA US's senior credit facilities and/or secured senior notes could trigger its lenders' or noteholders' contractual rights to enforce their security interest in these assets.

## **Risks Relating to the Proposed Separation of Ferrari**

***No assurance can be given that the Ferrari separation will occur.***

No assurance can be given as to whether and when the separation of Ferrari will occur. We may determine to delay or abandon the separation at any time for any reason or for no reason.

***The terms of the proposed separation of Ferrari and Ferrari's stand-alone capital structure have not been determined.***

The terms of the proposed separation of Ferrari and Ferrari's stand-alone capital structure have not yet been determined. However, the final structure and terms of the separation may not coincide with the terms set forth in this report. No assurance can be given as to the terms of the prospective interest in Ferrari or the terms of how it will be distributed.

***We may be unable to achieve some or all of the benefits that we expect to achieve from our separation from Ferrari.***

We may not be able to achieve the financial and other benefits that we expect will result from the separation of Ferrari. The anticipated benefits of the separation are based on a number of assumptions, some of which may prove incorrect. For example, there can be no assurance that the separation of Ferrari will enable us to strengthen our capital base sufficiently to offset the loss of the earnings and potential earnings of Ferrari.

***Following the Ferrari separation, the price of our common shares may fluctuate significantly.***

We cannot predict the prices at which our common shares may trade after the separation, the effect of the separation on the trading prices of our common shares or whether the market value of our common shares and the common shares of Ferrari held by a shareholder after the separation will be less than, equal to or greater than the market value of our common shares held by such shareholder prior to the separation.

***We intend for the Ferrari separation to qualify as a generally tax-free distribution for our shareholders from a U.S. federal income tax perspective, and as a tax-free transaction from an Italian income tax perspective, but no assurance can be given that the separation will receive such tax-free treatment in the United States or in other jurisdictions.***

It is our intention to structure the Ferrari separation and any spin-off to our shareholders in a tax efficient manner from a U.S. federal income tax perspective, taking appropriate account of the potential impact on shareholders, but no assurance can be given that the intended tax treatment will be achieved, or that shareholders, and/or persons that receive the benefit of Ferrari shares, will not incur substantial tax liabilities in connection with the separation and distribution. In particular, the requirements for favorable treatment differ (and may conflict) from jurisdiction to jurisdiction and the relevant requirements are often complex, and no assurance can be given that any ruling (or similar guidance) from any taxing authority would be sought or, if sought, granted. Following an initial public offering of a portion of our equity interest in Ferrari, we currently intend to spin-off our remaining equity interest in Ferrari to holders of our common shares and mandatory convertible securities (which we intend to treat as our stock for U.S. federal income tax purposes), and we currently intend for such spin-off to qualify as a generally tax-free distribution for holders of our stock for U.S. federal income tax purposes. However, the structure and terms of any distribution have not been determined and there can be no assurance that a distribution of Ferrari or any other spin-off would qualify as a tax-free distribution or that holders of our shares or mandatory convertible securities would not recognize gain for U.S. federal income tax purposes in connection with any such distribution or spin-off.

In addition, no assurance can be given that the Ferrari separation will not give rise to additional taxable income in Italy in the hands of the Italian P.E. of FCA. Depending on how large this additional taxable income is, it may or may not be fully offset by the current year or carried forward losses that the Fiscal Unit may use based on the Ruling.

In addition, no assurance can be given that our shareholders subject to Italian tax will not incur substantial Italian tax liabilities in connection with the Ferrari separation.

### **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.***

Shortly following the closing of the Merger and the listing of our common shares on the New York Stock Exchange, or NYSE, we listed our common shares on the Mercato Telematico Azionario, or MTA. The dual listing of our common shares may split trading between the two markets and adversely affect the liquidity of the shares in one or both markets and the development of an active trading market for our common shares on the NYSE 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.

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

The implementation of the loyalty voting structure could reduce the liquidity of our common shares and adversely affect the trading prices of the our common shares. The loyalty voting structure was 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, 2015, Exor had a voting interest in FCA of approximately 44.31 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.

The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changes in our management.

***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, or a 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 the 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.***

Unless and until the U.K. and the Dutch competent authorities rule that we should be treated as solely resident in the U.K. for the purposes of the Netherlands-U.K. double tax treaty, dividends distributed by us will be subject to Dutch dividend withholding tax (subject to any relief which may be available under Dutch law or the terms of any applicable double tax treaty) and we will be under no obligation to pay additional amounts in respect thereof.

In addition, even if the U.K. and Dutch competent authorities rule 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 may still be required to be paid subject to Dutch dividend withholding tax and we would have no obligation to pay additional amounts in respect of such payments. We intend to seek confirmation from the Dutch tax authorities that such withholding will not be required, but no assurances can be given.

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.*



## Overview

We are an international automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems. We are the seventh largest automaker in the world based on total vehicle sales in 2014. We have operations in approximately 40 countries and sell our vehicles directly or through distributors and dealers in more than 150 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. We support our vehicle sales by after-sales services and parts worldwide using the Mopar brand for mass market vehicles. We make available retail and dealer financing, leasing and rental services through our subsidiaries, joint ventures and commercial arrangements. In addition, we design, engineer, manufacture, distribute and sell luxury vehicles under the Ferrari and Maserati brands, which we support with financial services provided to our dealers and retail customers. We also operate in the components and production systems sectors under the Magneti Marelli, Teksid and Comau brands.

Our activities are carried out through seven reportable segments: four regional mass-market vehicle segments (NAFTA, LATAM, APAC and EMEA), Ferrari and Maserati, our two global luxury brand segments, and a global Components segment (see *Overview of Our Business* for a description of these reportable segments).

On October 29, 2014 our Board of Directors announced that it had authorized the separation of Ferrari from FCA. The separation is expected to be effected through a public offering of a portion of our interest in Ferrari and a spin-off of our remaining equity interest in Ferrari to our shareholders.

In 2014, we shipped 4.6 million vehicles. For the year ended December 31, 2014, we reported net revenues of €96.1 billion, EBIT of €3.2 billion and net profit of €0.6 billion. At December 31, 2014 we had available liquidity of €26.2 billion (including €3.2 billion available under undrawn committed credit lines). At December 31, 2014 we had net industrial debt of €7.7 billion.

## History of FCA

FCA was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on April 1, 2014. 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 has 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, or Old Carco, entered into a master transaction agreement, pursuant to which FCA US LLC, formerly known as Chrysler Group LLC, or 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, or 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 from June 1, 2011. On May 24, 2011, FCA US refinanced the U.S. and Canadian government loans, and, in July 2011, Fiat acquired the ownership interests in FCA US held by the U.S. Treasury and Canadian government.

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

On October 29, 2014, FCA's Board of Directors announced that it had authorized the separation of Ferrari from FCA. The separation is expected to be effected through a public offering of a portion of FCA's interest in Ferrari and a spin-off of FCA's remaining equity interest in Ferrari shares to FCA's shareholders.

### **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, or 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") by August 20, 2014. The redemption price payable to these shareholders was €7.727 per share (the "Exit Price"), 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).

On October 7, 2014, Fiat announced that all conditions precedent to completion of the Merger were satisfied.

The Cash Exit Rights were exercised for a total of 60,002,027 Fiat shares equivalent to an aggregate amount of €464 million at the Exit Price. Pursuant to the Italian Civil Code, these shares were offered to Fiat shareholders not having exercised the Cash Exit Rights. On October 7, 2014, at the completion of the offer period Fiat shareholders elected to purchase 6,085,630 shares out of the total of 60,002,027 for a total of €47 million; as a result, concurrent with the Merger, on

October 12, 2014, a total of 53,916,397 Fiat shares were canceled in the Merger with a resulting net aggregate cash disbursement of €417 million.

As a consequence, the Merger became effective on October 12, 2014. On October 13, 2014 FCA common shares commenced trading on the NYSE and on the MTA. The Merger is recognized in FCA's annual accounts from January 1, 2014. FCA, as successor of Fiat is now therefore the parent company of the Group. There were no accounting effects as a direct result of the Merger.

### **Our Strategic Business Plan**

Following our January 2014 acquisition of the remaining 41.5 percent interest in FCA US we did not already own, in May 2014, we announced our 2014–2018 Business Plan. Our Business Plan sets forth a number of clearly defined strategic initiatives designed to capitalize on our position as a single, integrated company to become a leading global automaker, including:

- *Premium and Luxury Brand Strategy.* We intend to continue to execute on our premium and luxury brand strategy by developing the Alfa Romeo and Maserati brands to service global markets. We believe these efforts will help us address the issue of industry overcapacity in the European market, as well as our own excess production capacity in the EMEA region, by leveraging the strong heritage and historical roots of these brands to grow the reach of these brands in all of the regions in which we operate.

Recently, we have successfully expanded in the luxury end of the market through our introduction of two new Maserati vehicles. We intend to replicate this on a larger scale with Alfa Romeo by introducing several new vehicles being developed as part of an extensive product plan to address the premium market worldwide. In addition, we intend to continue our development of the Maserati brand as a larger scale luxury vehicle brand capitalizing on the recent successful launches of the next generation Quattroporte and the all new Ghibli. We also intend to introduce additional new vehicles, including an all new luxury SUV in 2015, the Levante, that will allow Maserati to cover the full range of the luxury vehicle market and position it to substantially expand volumes.

- *Building Brand Equity.* As part of our Business Plan, we intend to further develop our brands to expand sales in markets throughout the world with particular focus on our Jeep and Alfa Romeo brands, which we believe have global appeal and are best positioned to increase volumes substantially in the regions in which we operate.

In particular, our Business Plan highlights our intention to leverage the global recognition of the Jeep brand and extend the range of Jeep vehicles to meet global demand through localized production, particularly in APAC and LATAM. We are also developing a range of vehicles that are expected to re-establish the Alfa Romeo brand, particularly in NAFTA, APAC and EMEA, as a premier driver-focused automotive brand with distinctive Italian styling and performance.

In addition, we expect to take further steps to strengthen and differentiate our brand identities in order to address differing market and customer preferences in each of the regions in which we operate. We believe that we can increase sales and improve pricing by ensuring that all of our vehicles are more closely aligned with a brand identity established in the relevant regional markets. For example, we announced as part of the Business Plan that Chrysler would be our mainstream North American brand, with a wider range of models, including crossovers and our primary minivan offering. Dodge will be restored to its performance heritage, which is expected to enhance brand identity and minimize overlapping product offerings which tend to cause consumer confusion. We also intend to continue our repositioning strategy of the Fiat brand in the EMEA region, leveraging the image of the Fiat 500 family, while positioning Lancia as an Italy-focused brand. We will also

continue to develop our pick-up truck and light commercial vehicle brands leveraging our wide range of product offerings to expand further in EMEA as Fiat Professional, in LATAM as Fiat and in NAFTA as Ram. For a description of our vehicle brands, see *Mass Market Vehicle Brands* section below.

- *Global Growth.* As part of our Business Plan, we intend to expand vehicle sales in key markets throughout the world. In order to achieve this objective, we intend to continue our efforts to localize production of Fiat brand vehicles through our joint ventures in China and India, while increasing sales of Jeep vehicles in LATAM and APAC by localizing production through our new facility in Brazil and the extension of the joint venture agreement in China. Local production will enable us to expand the product portfolio we can offer in these important markets and importantly position our vehicles to better address the local market demand by offering vehicles that are competitively priced within the largest segments of these markets without the cost of transportation and import duties. We also intend to increase our vehicle sales in NAFTA, continuing to build market share in the U.S. by offering more competitive products under our distinctive brands as well as offering new products in segments we do not currently compete in. Further, we intend to leverage manufacturing capacity in EMEA to support growth in all regions in which we operate by producing vehicles for export from EMEA, including Jeep brand vehicles.
- *Continue convergence of platforms.* We intend to continue to rationalize our vehicle architectures and standardize components, where practicable, to more efficiently deliver the range of products we believe necessary to increase sales volumes and profitability in each of the regions in which we operate. We seek to optimize the number of global vehicle architectures based on the range of flexibility of each architecture while ensuring that the products at each end of the range are not negatively impacted, taking into account unique brand attributes and market requirements. We believe that continued architectural convergence within these guidelines will facilitate speed to market, quality improvement and manufacturing flexibility allowing us to maximize product functionality and differentiation and to meet diversified market and customer needs. Over the course of the period covered by our Business Plan, we intend to reduce the number of architectures in our mass market brands by approximately 25.0 percent.
- *Continue focus on cost efficiencies.* An important part of our Business Plan is our continued commitment to maintain cost efficiencies necessary to compete as a global automaker in the regions we operate. We intend to continue to leverage our increased combined annual purchasing power to drive savings. Further, our efforts on powertrain and engine research are intended to achieve the greatest cost-to-environmental impact return, with a focus on new global engine families and an increase in use of the 8 and 9-speed transmissions to drive increased efficiency and performance and refinement. We also plan to continue our efforts to extend WCM principles into all of our production facilities and benchmark our efforts across all facilities around the world, which is supported by FCA US's January 2014 legally binding memorandum of understanding, or MOU, with the UAW. We believe that the continued extension of our WCM principles will lead to further meaningful progress to eliminate waste of all types in the manufacturing process, which will improve worker efficiency, productivity, safety and vehicle quality. Finally, we intend to drive growth in our components and production systems businesses by designing and producing innovative systems and components for the automotive sector and innovative automation products, each of which will help us focus on cost efficiencies in the manufacturing of our vehicles.
- *Continue to enhance our margins and strengthen our capital structure.* Through the product and manufacturing initiatives described above, we also expect to improve our profitability. We believe our product development and repositioning of our vehicle offerings, along with increasing the number of vehicles manufactured on standardized global platforms will provide an opportunity for us to improve our margins. We are also committed to improving our capital position so we are able to continue to invest in our business throughout economic cycles. We believe we are taking material steps toward achieving investment grade metrics and that we have

substantial liquidity to undertake our operations and implement our Business Plan. The proposed capital raising actions, along with our anticipated refinancing of certain FCA US debt, which will give us the ability to more fully manage our cash resources globally, will allow us to further improve our liquidity and optimize our capital structure. Furthermore, we intend to reduce our outstanding indebtedness, which will provide us with greater financial flexibility and enhance earnings and cash flow through reducing our interest burden. Our goal is to achieve a positive net industrial cash balance by the completion of our Business Plan. In light of this, and to further strengthen and support the Group's capital structure, we completed significant capital transactions in December 2014 and we have announced our intent to and have announced our intent to execute certain transactions in connection with our plan to separate Ferrari from FCA. We believe that these improvements in our capital position will enable us to reduce substantially the liquidity we need to maintain to operate our businesses, including through any reasonably likely cyclical downturns.

## **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, or MPVs, typically have seating for up to eight passengers. Utility vehicles include SUVs, which are four-wheel drive with true off-road capabilities, and cross utility vehicles, or CUVs, which are not designed for heavy off-road use, but offer better on-road ride comfort and handling compared to SUVs.

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 pick-up 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 pick-up 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 pick-up 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 original equipment manufacturers, or 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 2014, 84 million automobiles were sold around the world. Although China is the largest single automotive sales market, with approximately 18 million vehicles 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.

The automotive industry is highly competitive, especially in our key markets, such as the U.S., Brazil and Europe. Vehicle manufacturers must continuously improve vehicle design, performance and content to meet consumer demands for quality, reliability, safety, fuel efficiency, comfort, driving experience and style. Historically, manufacturers relied heavily upon dealer, retail and fleet incentives, including cash rebates, option package discounts, guaranteed depreciation programs, and subsidized or subvented financing or leasing programs to compete for vehicle sales. Since 2009, manufacturers generally have worked to reduce reliance on pricing-related incentives as competitive tools in the North American market, while pricing pressure, under different forms, is still affecting sales in the European market since the inception of the financial crisis. However, an OEM's ability to increase or maintain vehicle prices and reduce reliance on incentives is limited by the competitive pressures resulting from the variety of available competitive vehicles in each segment of the new vehicle market as well as continued global manufacturing overcapacity in the automotive industry. At the same time, OEMs generally cannot effectively lower prices as a means to increase vehicle sales without adversely affecting profitability, since the ability to reduce costs is limited by commodity market prices, contract terms with suppliers, evolving regulatory requirements and collective bargaining agreements and other factors that limit the ability to reduce labor expenses.

OEMs generally sell vehicles to dealers and distributors, which then resell vehicles to retail and fleet customers. Retail customers purchase vehicles directly from dealers, while fleet customers purchase vehicles from dealers or directly from OEMs. Fleet sales comprise three primary channels: (i) daily rental, (ii) commercial and (iii) government. Vehicle sales in the daily rental and government channels are extremely competitive and often require significant discounts. Fleet sales are an important source of revenue and can also be an effective means for marketing vehicles. Fleet orders can also help normalize plant production as they typically involve the delivery of a large, pre-determined quantity of vehicles over several months. Fleet sales are also a source of aftermarket service parts revenue for OEMs and service revenue for dealers.

### ***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 maximizing credit protection 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. These financial products are usually distributed directly by the dealer and have a typical duration of three to five years. 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, 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 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**

We design, engineer, develop and manufacture vehicles, components and production systems worldwide through 165 manufacturing facilities around the world and 85 research and development centers.

Our activities are carried out through seven reportable segments: four regional mass-market vehicle segments, the Ferrari and Maserati luxury brand segments and a global Components segment, as discussed below.

Our four regional mass-market vehicle reportable segments deal with the design, engineering, development, manufacturing, distribution and sale of passenger cars, light commercial vehicles and related parts and services in specific geographic areas: NAFTA (U.S., Canada, Mexico and the Caribbean islands), LATAM (South and Central America), APAC (Asia and Pacific countries) and EMEA (Europe, Middle East and Africa). We also operate on a global basis in the luxury vehicle and components sectors. In the luxury vehicle sector, we have the operating segments Ferrari and Maserati, while in the components sector we have the operating segments Magneti Marelli, Teksid and Comau. The operating segments in the components sector did not meet the quantitative thresholds required in IFRS 8 – *Operating segments* for separate disclosure, consequently, based on their characteristics and similarities, they are presented as one reportable segment: “Components”. We support our mass-market vehicle sales with the sale of related service parts and accessories, as well as service contracts, under the Mopar brand name. In support of our vehicle sales efforts, we make available dealer and retail customer financing either through subsidiaries or joint ventures and through strategic commercial arrangements with third party financial institutions.

For our mass-market brands, we have centralized design, engineering, development and manufacturing operations, which allow us to efficiently operate on a global scale.

The following list sets forth our reportable segments:

- (i) **NAFTA**: our operations to support distribution and sales of mass-market vehicles in the United States, Canada, Mexico and Caribbean islands, the segment that we refer to as NAFTA, primarily through the 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, the segment that we refer to as LATAM, primarily under the Chrysler, Dodge, Fiat, Jeep and Ram brands, with the largest focus of our business in the LATAM segment 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), the segment we refer to as APAC, carried out in the region through both subsidiaries and joint ventures, primarily under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat 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, the segment we refer to as EMEA, primarily under the Abarth, Alfa Romeo, Chrysler, Fiat, Fiat Professional, Jeep and Lancia brand names.
- (v) Ferrari: the design, engineering, development, manufacturing, worldwide distribution and sale of luxury vehicles under the Ferrari brand. On October 29, 2014, we announced our intention to separate Ferrari from FCA.
- (vi) Maserati: the design, engineering, development, manufacturing, worldwide distribution and sale of luxury vehicles under the Maserati brand.
- (vii) Components: production and sale of lighting components, engine 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 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.

The following chart sets forth the vehicle brands we sell in each mass-market regional segment:

	NAFTA	LATAM	APAC	EMEA
Abarth				X
Alfa Romeo	X		X	X
Chrysler	X	X	X	X
Dodge	X	X	X	
Fiat	X	X	X	X
Fiat Professional			X	X
Jeep	X	X	X	X
Lancia				X
Ram	X	X		

*Note: Presence determined by sales in the regional segment, if material, through dealer entities of our dealer network.*

We also hold interests in companies operating in other activities and businesses that are not considered part of our seven reportable segments. 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, to our Group as well as CNHI, manage central treasury activities (excluding treasury activities for FCA US, which are handled separately) and operate in media and publishing (*La Stampa* daily newspaper).



### ***Mass-Market Vehicle Brands***

We design, engineer, develop, manufacture, distribute and sell vehicles and service parts under 11 mass-market brands and designations. We believe that we can continue to increase our vehicle sales by building the value of our mass-market brands in particular by ensuring that each of our brands has a clear identity and market focus. In connection with our multi-year effort to clearly define each of our brands' identities, we have launched several advertising campaigns that have received industry accolades. We are reinforcing our effort to build brand value by ensuring that we introduce new vehicles with individualized characteristics that remain closely aligned with the unique identity of each brand.

- **Abarth:** Abarth, named after the company founded by Carlo Abarth in 1949, specializes in performance modification for on-road sports cars since the brand's re-launch in 2007 through performance modifications on classic Fiat models such as the 500 (including the 2012 launch of the Fiat 500 Abarth) and Punto, as well as limited edition models that combine design elements from luxury brands such as the 695 Edizione Maserati and 695 Tributo Ferrari, for consumers seeking customized vehicles with steering and suspension geared towards racing.
- **Alfa Romeo:** Alfa Romeo, founded in 1910, and part of the Group since 1986, is known for a long, sporting tradition and Italian design. Vehicles currently range from the three door premium MiTo and the lightweight sports car, the 4c, to the compact car, the Giulietta. The Alfa Romeo brand is intended to appeal to drivers seeking high-level performance and handling combined with attractive 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, with a range of vehicles from mid-size sedans (Chrysler 200) to full size sedans (Chrysler 300) and minivans (Town & Country).
- **Dodge:** With a traditional focus on "muscle car" performance vehicles, the Dodge brand, which began production in 1914, offers a full line of cars, CUVs and minivans, mainly in the mid-size and large size vehicle market, that are sporty, functional and innovative, intended to offer an excellent value for families looking for high performance, dependability and functionality in everyday driving situations.
- **Fiat:** Fiat brand cars have been produced since 1899. The brand has historically been strong in Europe and the LATAM region and is currently primarily focused on the mini and small vehicle segments. Current models include the mini-segment 500 and Panda and the small-segment Punto. The brand aims to make cars that are flexible, easy to drive, affordable and energy efficient. The brand reentered the U.S. market in 2011 with the 500 model and, in 2013, the 500L model. Fiat continued expansion of the 500 family, with the introduction of the 500X crossover, which debuted at the Paris Motor Show in October 2014. Fiat also recently launched the new Uno and the new Palio in the LATAM region.
- **Fiat Professional:** Fiat Professional, launched in 2007 to replace the "Fiat Veicoli Commerciali" brand, offers light commercial vehicles and MPVs ranging from large vans (capable of carrying up to 4.2 tons) such as the Ducato, to panel vans such as the Doblò and Fiorino for commercial use by small to medium size business and public institutions. Fiat Professional vehicles are often readily fitted as ambulances, tow trucks, school buses and people carriers (especially suitable for narrow streets) and as recreational vehicles such as campers and motor homes, where Fiat Professional is the market leader.
- **Jeep:** Jeep, founded in 1941, is a globally recognized brand focused exclusively on the SUV and off-road vehicles market. The Jeep Grand Cherokee is the most awarded SUV ever. The brand's appeal builds on its heritage associated with the outdoors and adventurous lifestyles, combined with the safety and versatility

features of the brand's modern vehicles. Jeep introduced the all-new 2014 Jeep Cherokee in October 2013 and recently unveiled the Jeep Renegade, a small segment SUV designed in the U.S. and manufactured in Italy. Jeep set an all-time brand record in 2014 with over one million vehicles sold.

- **Lancia:** Lancia, founded in 1906, and part of the Fiat 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 pick-up trucks such as the Ram 1500 pick-up truck, which recently became the first truck to be named *Motor Trend's* "Truck of the Year" for two consecutive years, and cargo vans. By investing substantially in new products, infusing them with great looks, refined interiors, durable engines and features that further enhance their capabilities, we believe Ram has emerged as a market leader in full size pick-up trucks. Ram customers, from half-ton to commercial, have a demanding range of needs and require their vehicles to provide high levels of capability.

We also leverage the more than 75-year history of the Mopar brand to provide a full line of service parts and accessories for our mass-market vehicles worldwide. As of December 31, 2014, we had 50 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 2014 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 segments through 27 call centers located around the world.

### ***Vehicle Sales Overview***

We are the seventh largest automotive OEM in the world based on worldwide new vehicle sales for the year ended December 31, 2014. We compete with other large OEMs to attract vehicle sales and market share. Many of these OEMs have more significant financial or operating resources and liquidity at their disposal, which may enable them to invest more heavily on new product designs and manufacturing or in sales incentives.

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 manufactured 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 revenues, cost of sales or other measures of financial performance, as such results are primarily driven by our vehicle shipments to dealers and distributors. The following table shows our new vehicle sales by geographic market for the periods presented.

Segment	For the Years Ended December 31,		
	2014	2013	2012
	Millions of units		
NAFTA	2.5	2.1	2.0
LATAM	0.8	0.9	1.0
APAC	0.3	0.2	0.1
EMEA	1.2	1.1	1.2
<b>Total Mass-Market Brands</b>	<b>4.8</b>	<b>4.4</b>	<b>4.3</b>
Ferrari	—	—	—
Maserati	0.04	0.02	0.01
<b>Total Worldwide</b>	<b>4.8</b>	<b>4.4</b>	<b>4.3</b>

#### NAFTA

#### NAFTA Sales and Competition

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

NAFTA	For the Years Ended December 31,					
	2014 <sup>(1),(2)</sup>		2013 <sup>(1),(2)</sup>		2012 <sup>(1),(2)</sup>	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
U.S.	2,091	12.4 %	1,800	11.4 %	1,652	11.2 %
Canada	290	15.4 %	260	14.6 %	244	14.2 %
Mexico	78	6.7 %	87	7.9 %	93	9.1 %
<b>Total</b>	<b>2,459</b>	<b>12.4 %</b>	<b>2,148</b>	<b>11.5 %</b>	<b>1,989</b>	<b>11.3 %</b>

(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 Global Insight and Ward's Automotive.

The following table presents our new vehicle market share information and our principal competitors in the U.S., our largest market in the NAFTA segment (certain totals in the tables included in this document may not add due to rounding):

U.S. Automaker	For the Years Ended December 31,		
	2014	2013	2012
	Percentage of industry		
GM	17.4%	17.6%	17.6%
Ford	14.7%	15.7%	15.2%
Toyota	14.1%	14.1%	14.1%
<b>FCA</b>	<b>12.4%</b>	<b>11.4%</b>	<b>11.2%</b>
Honda	9.2%	9.6%	9.6%
Nissan	8.2%	7.9%	7.7%
Hyundai/Kia	7.8%	7.9%	8.6%
Other	16.2%	15.9%	16.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

U.S. automotive market sales have steadily improved after a sharp decline from 2007 to 2010. U.S. industry sales, including medium- and heavy-duty vehicles, increased from 10.6 million units in 2009 to 16.8 million units in 2014, an increase of approximately 58.5 percent. Both macroeconomic factors, such as growth in per capita disposable income and improved consumer confidence, and automotive specific factors, such as the increasing age of vehicles in operation, improved consumer access to affordably priced financing and higher prices of used vehicles, contributed to the strong recovery.

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, pick-up trucks and minivans under those brands, as well as vehicles in smaller segments, such as the mini-segment Fiat 500 and the small & compact MPV segment Fiat 500L. With the reintroduction of the Fiat brand in 2011 and the launch of the Dodge Dart in 2012, we now sell vehicles in all vehicle segments. 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. In recent years, we have increased our sales of mini, small and compact cars in the NAFTA segment.

#### *NAFTA Distribution*

In the NAFTA segment, our vehicles are sold primarily to dealers in our dealer network for sale to retail customers 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:

Distribution Relationships	At December 31,		
	2014	2013	2012
NAFTA	3,251	3,204	3,156

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 pick-up 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, primarily our strategic relationship with Santander Consumer USA Inc., or SCUSA, to provide financing for dealers and retail customers in the U.S. Prior to the agreement with SCUSA, we principally relied on Ally Financial Inc., or Ally, for dealer and retail financing and support. Additionally, we have arrangements with a number of financial institutions to provide a variety of dealer and retail customer financing programs in Canada. There are no formal retail financing arrangements in Mexico at this time, although CF Credit Services, S.A. de C.V. SOFOM E.R., or CF Credit, provides nearly all dealer financing and about half of all retail financing of our products in Mexico.

In February 2013, we entered into a private label financing agreement with SCUSA, or 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 financial services include credit lines to finance dealers' acquisition of vehicles and other products that we sell or distribute, retail loans and leases to finance retail customer acquisitions of new and used vehicles at dealerships, financing for commercial and fleet customers, and ancillary services. In addition, SCUSA offers dealers construction loans, real estate loans, working capital loans and revolving lines of credit.

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. In accordance with the terms of the agreement, SCUSA provided us an upfront, nonrefundable payment in May 2013 which is being amortized over ten years.

Under the SCUSA Agreement, SCUSA has certain rights, including limited exclusivity to participate in specified minimum percentages of certain retail financing rate subvention programs. 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, which was terminated in 2013. As of December 31, 2014, Ally was providing wholesale lines of credit to approximately 39 percent of our dealers in the U.S. For the year ended December 31, 2014, we estimate that approximately 82 percent of the vehicles purchased by our U.S. retail customers were financed or leased through our dealer network, of which approximately 48 percent were financed or leased through Ally and SCUSA.

## 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:

LATAM	For the Years Ended December 31,					
	2014 <sup>(1)</sup>		2013 <sup>(1)</sup>		2012 <sup>(1)</sup>	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
Brazil	706	21.2%	771	21.5%	845	23.3%
Argentina	88	13.4%	111	12.0%	85	10.6%
Other LATAM	37	3.0%	51	3.6%	51	3.7%
<b>Total</b>	<b>830</b>	<b>16.0%</b>	<b>933</b>	<b>15.8%</b>	<b>982</b>	<b>16.8%</b>

(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 Global Insight, 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	For the Years Ended December 31,		
	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2012 <sup>(1)</sup>
	Percentage of industry		
<b>Automaker</b>			
<b>FCA</b>	<b>21.2%</b>	<b>21.5%</b>	<b>23.3%</b>
Volkswagen (*)	17.7%	18.8%	21.2%
GM	17.4%	18.1%	17.7%
Ford	9.2%	9.4%	8.9%
Other	34.5%	32.2%	28.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(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 Global Insight, National Organization of Automotive Vehicles Distribution and Association of Automotive Producers.

(\*) Including Audi.

The LATAM segment automotive industry decreased 12.5 percent from 2013, to 5.2 million vehicles (cars and light commercial vehicles) in 2014. The decrease was mainly due to Brazil and Argentina with 6.9 percent and 28.7 percent decreases, respectively. Over the past four years industry sales in the LATAM segment grew by 1.4 percent, mainly due to Argentina and Other countries while Brazilian market remained substantially stable driven by economic factors such as greater development of gross domestic product, increased access to credit facilities and incentives adopted by Brazil in 2009 and 2012.

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 mini and small vehicles in our key markets in the LATAM segment. We are the

leading automaker in Brazil, due in large part to our market leadership in the mini and small segments (which represent almost 60 percent of Brazilian market vehicle sales). Fiat also leads the pickup truck market in Brazil (with the Fiat Strada, 56.2 percent of segment share), although this segment is small as a percentage of total industry and compared to other countries in the LATAM segment.

In Brazil, the automotive industry benefited from tax incentives in 2012, which helped our strong performance in that year as we were able to leverage our operational flexibility in responding to the sharp increase in market demand. However, tax incentives have limited the ability of OEMs to recover cost increases associated with inflation by increasing prices, a problem that has been exacerbated by the weakening of the Brazilian Real. Increasing competition over the past several years has further reduced our overall profitability in the region. Import restrictions in Brazil have also limited our ability to bring new vehicles to Brazil. We plan to start production in our new assembly plant in Brazil in 2015, which we believe will enhance our ability to introduce new locally-manufactured vehicles that are not subject to such restrictions.

#### *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:

Distribution Relationships	At December 31,		
	2014	2013	2012
LATAM	441	450	436

#### *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 a significant commercial partnership with Banco Itaù, a leading vehicle retail financing company in Brazil, to provide financing to retail customers purchasing Fiat brand vehicles. 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 and excludes Chrysler, Jeep, Dodge and Ram brand vehicles, which are directly financed by Banco Fidis S.A.

## APAC Vehicle Sales, Competition and Distribution

### APAC Sales and Competition

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

APAC	For the Years Ended December 31,					
	2014 <sup>(1),(2)</sup>		2013 <sup>(1),(2)</sup>		2012 <sup>(1),(2)</sup>	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
China	182	1.0%	129	0.8%	57	0.4%
India <sup>(3)</sup>	12	0.5%	10	0.4%	11	0.4%
Australia	44	4.0%	34	3.1%	23	2.1%
Japan	18	0.4%	16	0.4%	15	0.3%
South Korea	6	0.5%	5	0.4%	4	0.3%
APAC 5 major Markets	262	0.9%	194	0.7%	109	0.5%
Other APAC	5	—	6	—	6	—
<b>Total</b>	<b>267</b>	<b>—</b>	<b>199</b>	<b>—</b>	<b>115</b>	<b>—</b>

(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, and National Automobile Manufacturing Associations.

(2) Sales data include vehicles sold by certain of our joint ventures within the Chinese and, until 2012, the Indian market. Beginning in 2013, we took over the distribution from the joint venture partner and we started distributing vehicles in India through wholly-owned subsidiaries.

(3) India 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 16.3 million in 2009 to 28.2 million in 2014, a compound annual growth rate, or CAGR, of approximately 12 percent. Industry sales in the five key markets for 2013, 2012, 2011 and 2010 were 26.1 million, 23.8 million, 21.3 million and 20.3 million, respectively. China was the driving force behind the significant growth in the region. China's industry volume increased from 8.5 million passenger cars in 2009 to 18.4 million passenger cars in 2014, representing a CAGR of 17 percent. Industry volumes in China for 2013, 2012, 2011 and 2010 were 16.7 million, 14.2 million, 13.1 million and 11.5 million passenger cars, respectively. In 2014, the five key markets grew by 8 percent over 2013, primarily driven by a 10 percent increase in China.

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 demand for mid-size vehicles in China led us to begin a joint venture with Guangzhou Automobile Group Co. for the production of Fiat brand passenger cars. Currently the Fiat Ottimo and Fiat Viaggio, along with our other Fiat-branded vehicles imported from Europe and North America, are distributed through the joint venture's local dealer network in that country. In addition, in 2014, we and GAC group announced that together we will produce Jeep and Chrysler branded vehicles in China. We also work with a joint venture partner in India to manufacture Fiat branded vehicles that we distribute through our wholly-owned subsidiary. 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:

Distribution Relationships	At December 31,		
	2014	2013	2012
APAC	729	671	470

### APAC Dealer and Customer Financing

In the APAC segment, we operate a wholly-owned captive finance company, Fiat Automotive Finance Co., Ltd, which supports, on a non-exclusive basis, our sales activities in China through dealer and retail customer financing and provides similar services to dealers and customers of CNHI. Vendor programs are also in place with different financial partners in India, Japan, South Korea and Australia.

### EMEA Vehicle Sales, Competition and Distribution

#### EMEA Sales and Competition

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

EMEA Passenger Cars	For the Years Ended December 31,					
	2014 <sup>(1),(2),(3)</sup>		2013 <sup>(1),(2),(3)</sup>		2012 <sup>(1),(2),(3)</sup>	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
Italy	377	27.7%	374	28.7%	415	29.6%
Germany	84	2.8%	80	2.7%	90	2.9%
UK	80	3.2%	72	3.2%	64	3.1%
France	62	3.5%	62	3.5%	62	3.3%
Spain	36	4.3%	27	3.7%	23	3.3%
Other Europe	121	3.5%	123	3.7%	141	4.1%
Europe*	760	5.8%	738	6.0%	795	6.3%
Other EMEA**	126	—	137	—	122	—
<b>Total</b>	<b>886</b>	<b>—</b>	<b>875</b>	<b>—</b>	<b>917</b>	<b>—</b>

\* 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	For the Years Ended December 31,					
	2014 <sup>(1),(2),(3)</sup>		2013 <sup>(1),(2),(3)</sup>		2012 <sup>(1),(2),(3)</sup>	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
	Thousands of units (except percentages)					
Europe*	197	11.5%	182	11.6%	185	11.7%
Other EMEA**	68	—	68	—	72	—
<b>Total</b>	<b>265</b>	<b>—</b>	<b>250</b>	<b>—</b>	<b>257</b>	<b>—</b>

\* 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*	For the Years Ended December 31,					
	2014 <sup>(*)</sup>		2013 <sup>(*)</sup>		2012 <sup>(**)</sup>	
	Percentage of industry					
Automaker						
Volkswagen	25.5	%	25.1	%	24.8	%
PSA	10.7	%	10.9	%	11.7	%
Renault	9.5	%	8.9	%	8.4	%
GM	7.1	%	7.9	%	8.1	%
Ford	7.3	%	7.3	%	7.5	%
BMW	6.4	%	6.4	%	6.4	%
<b>FCA</b>	<b>5.9</b>	<b>%</b>	<b>6.0</b>	<b>%</b>	<b>6.4</b>	<b>%</b>
Daimler	5.4	%	5.5	%	5.2	%
Toyota	4.3	%	4.4	%	4.3	%
Other	17.9	%	17.6	%	17.2	%
<b>Total</b>	<b>100.0</b>	<b>%</b>	<b>100.0</b>	<b>%</b>	<b>100.0</b>	<b>%</b>

\* Including all 28 European Union (EU) Member States and the 4 European Free Trade Association, or EFTA member states.

\*\* Including all 27 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 Ferrari and Maserati within our Group.

In 2014, there was an improvement in passenger car industry volumes in Europe (EU28+EFTA), with unit sales increasing 5.4 percent over the prior year to a total of 13 million, although still well below the pre-crisis level of approximately 16 million units in 2007. As a result of production over-capacity, however, significant price competition among automotive OEMs continues to be a factor, particularly in the small and mid-size segments. Volumes were also higher in the light commercial vehicle, or LCV, segment, with industry sales up 9.6 percent year-over-year to about 1.72 million units, following two consecutive years with industry volumes stable at around 1.6 million units. In 2014, Fiat Professional, FCA's LCV brand in Europe, introduced the sixth generation of its highly successful Fiat Ducato, which has sold 2.7 million units since the nameplate was launched in 1981. The Ducato continued its strong performance in 2014, taking the lead in the OEM ranking in its segment in Europe for the first year ever, and registering a further increase in market share - which has grown steadily since 2008 - to an all-time record of 20.9 percent. Fiat Professional also operates in Russia through wholly-owned subsidiaries. We also operate through joint ventures and other cooperation agreements.

During the year, FCA maintained its focus on production of a select number of models as it implemented a strategic re-focus and realignment of the Fiat brand. Central to this strategy has been the expansion of the Fiat 500 family and other selected economy models. This has resulted in FCA achieving a leading position in the "mini" and "compact MPV" segments in Europe. We continued expansion of the 500 family in 2014, with the introduction of the 500X crossover, which was debuted at the Paris Motor Show in October. Building on the history of Alfa Romeo, Fiat and Lancia, we sell mini, small and compact passenger cars in the EMEA region under these brands. We are also leveraging Jeep's global brand recognition to offer Jeep brand SUVs, all of which the EMEA segment categorizes as passenger cars. In September 2014, the Group launched the Jeep Renegade, FCA's first model designed in the U.S. and produced in Italy. In addition, we sell LCV's under the Fiat Professional brand, which mainly include half-ton pick-up trucks and commercial vans.

In Europe, FCA's sales are largely weighted to passenger cars, with approximately 53 percent of our total vehicle sales in Europe in 2014 in the small car segment, reflecting demand for smaller vehicles driven by driving conditions prevalent in many European cities and stringent environmental regulations.

#### *EMEA Distribution*

In certain markets, such as 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 those 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:

Distribution Relationships	At December 31,		
	2014	2013	2012
EMEA	2,143	2,300	2,495

#### *EMEA Dealer and Customer Financing*

In the EMEA segment, dealer and retail customer financing is primarily managed by FCA Bank, our 50/50 joint venture with Crédit Agricole Consumer Finance S.A., or Crédit Agricole. FCA Bank operates in 14 European countries

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 the Crédit Agricole Group 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 brands and Maserati, as well as certain other OEMs.

Fidis S.p.A., our wholly-owned captive finance company, provides dealer and other wholesale customer financing in certain markets in the EMEA segment in which FCA Bank does not operate. 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.

## Ferrari

Ferrari, a racing and sports car manufacturer founded in 1929 by Enzo Ferrari, began producing street cars in 1947, beginning with the 125 S. Fiat acquired 50 percent of Ferrari in 1969, then expanding its stake to the current 90 percent. Scuderia Ferrari, the brand's racing team division, has achieved enormous success, winning numerous Formula One titles, including 16 constructors' championships and 15 drivers' championships. The street car division currently produces vehicles ranging from sports cars (such as the 458 Italia, the 458 Spider and the F12 Berlinetta), to the gran turismo models (such as the California and the FF), designed for long-distance, high-speed journeys. We believe that Ferrari customers are seeking the state-of-the-art in luxury sports cars, with a special focus on the very best Italian design and craftsmanship, along with unparalleled performance both on the track and on the road. Ferrari recently presented the California T, which brings turbocharging back to its street cars for the first time since 1992. We also launched the exclusive limited edition LaFerrari, which attracted orders for more than the production run before its official debut at the 2013 Geneva Motor Show. We believe LaFerrari sets a new benchmark for the sector, incorporating the latest technological innovations that Ferrari will apply to future models. On October 29, 2014, we announced our intention to separate Ferrari from FCA through a public offering of a portion of our shareholding in Ferrari from our current shareholding and a spin-off of our remaining equity interest in Ferrari to our shareholders.

The following table shows the distribution of our Ferrari sales by geographic regions as a percentage of total sales for each year ended December 31, 2014, 2013 and 2012:

	As a percentage of 2014 sales	As a percentage of 2013 sales	As a percentage of 2012 sales
Europe Top 5 countries <sup>(1)</sup>	30%	30%	34%
U.S.	30%	29%	25%
Japan	6%	5%	5%
China, Hong Kong & Taiwan	9%	10%	10%
Other countries	25%	26%	26%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Europe Top 5 Countries by sales, includes Italy, UK, Germany, France and Switzerland.

In 2014, a total of 7.2 thousand Ferrari street cars were sold to retail customers, growth driven by the performance of the limited edition LaFerrari. Ferrari experienced solid growth in North America, Ferrari's largest market, Japan and China, with European market substantially flat year over year.

Ferrari vehicles are designed to maintain exclusivity and appeal to a customer looking for such rare vehicles, and as a result, we deliberately limit the number of Ferrari vehicles produced each year in order to preserve the exclusivity of the brand. Our efforts in designing, engineering and manufacturing our luxury vehicles focus on use of state-of-the-art technology and luxury finishes to appeal to our luxury vehicle customers.

We sell our Ferrari vehicles through a worldwide distribution network of approximately 180 Ferrari dealers as of December 31, 2014, that is separate from our mass-market distribution network.

Ferrari Financial Services, a financial services company 90 percent owned by Ferrari, offers financial services for the purchase of all types of Ferrari vehicles. Ferrari Financial Services operates in Ferrari's major markets, including, Germany, U.K., France, Belgium, Switzerland, Italy, U.S. and Japan.

## Maserati

Maserati, a luxury vehicle manufacturer 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 has been re-launched by the introduction of the Quattroporte and Ghibli (luxury four door sedans), the first addressed to the flagship large sedan segment and the second 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 2014 we showcased the Ermenegildo Zegna version of the Quattroporte, which will be produced in a limited run of 100 vehicles to commemorate the brand's 100th anniversary. In addition, we expect to launch a luxury SUV in 2016. This luxury SUV has been designed on the same platform as the Quattroporte and the Ghibli and will complete the Maserati's product portfolio with full coverage of the global luxury vehicle market. Further, we recently presented a sports car concept (the Maserati Alfieri) expected to be put into production in the coming years.

The following tables show the distribution of Maserati sales by geographic regions as a percentage of total sales for each year ended December 31, 2014, 2013 and 2012:

	As a percentage of 2014 sales	As a percentage of 2013 sales	As a percentage of 2012 sales
Europe Top 4 countries <sup>(1)</sup>	13%	9%	12%
U.S.	39%	41%	43%
Japan	4%	4%	5%
China	25%	26%	15%
Other countries	19%	20%	25%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

In 2014, a total of 32.8 thousand Maserati vehicles were sold to retail customers, an increase of 183 percent compared to 2013, on the back of continued strong performance for the Quattroporte and Ghibli, resulting in an increase of approximately 170 percent in the U.S., the brand's number one market, and in China, the brand's second largest market, combined with a fourfold increase in Europe.

We sell our Maserati vehicles through a worldwide distribution network of approximately 364 Maserati dealers as of December 31, 2014, that is separate from our mass-market distribution network.

FCA Bank provides access to retail customer financing for Maserati brand vehicles in Europe. In other regions, we rely on local agreements with financial services providers for financing of Maserati brand vehicles.

## Components Segment

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 unit, 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 motorsport business, in particular electronic and electro-mechanical systems for championship motorsport 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 compared to other component manufacturers, 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, onboard comfort and powertrain technologies. With 89 production facilities (including joint ventures) and 39 research and development centers, Magneti Marelli has a presence in 19 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 partner's local relationships. Thirty-five percent of Magneti Marelli's 2014 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 is specialized in grey and nodular iron castings production. Teksid produces engine blocks, cylinder heads, engine components, transmission parts, gearboxes and suspensions. Teksid Aluminum, produces, aluminum cylinder heads. Thirty-nine percent of Teksid's 2014 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, while we provide support service and training to customers. Comau's main activities include powertrain metalcutting 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 service in Latin America. Twenty-six percent of Comau's 2014 revenue is derived from sales to the Group.

## Operating Results

### Results of Operations

The following is a discussion of the results of operations for the year ended December 31, 2014 as compared to the year ended December 31, 2013 and for the year ended December 31, 2013 as compared to the year ended December 31, 2012. The discussion of certain line items (cost of sales, selling, general and administrative costs and research and development costs) includes a presentation of such line items as a percentage of net revenues for the respective periods presented, to facilitate the year-on-year comparisons.

(€ million)	For the Years Ended December 31,		
	2014	2013	2012
Net revenues	96,090	86,624	83,765
Cost of sales	83,146	74,326	71,473
Selling, general and administrative costs	7,084	6,702	6,775
Research and development costs	2,537	2,236	1,858
Other income/(expenses)	197	77	(68)
Result from investments	131	84	87
Gains/(losses) on the disposal of investments	12	8	(91)
Restructuring costs	50	28	15
Other unusual income/(expenses)	(390)	(499)	(138)
<b>EBIT</b>	<b>3,223</b>	<b>3,002</b>	<b>3,434</b>
Net financial expenses	(2,047)	(1,987)	(1,910)
<b>Profit before taxes</b>	<b>1,176</b>	<b>1,015</b>	<b>1,524</b>
Tax expense/(income)	544	(936)	628
<b>Net profit</b>	<b>632</b>	<b>1,951</b>	<b>896</b>
<b>Net profit attributable to:</b>			
<i>Owners of the parent</i>	568	904	44
<i>Non-controlling interests</i>	64	1,047	852

### Net revenues

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
Net revenues	96,090	86,624	83,765	9,466	10.9%	2,859	3.4%

### 2014 compared to 2013

Net revenues for the year ended December 31, 2014 were €96.1 billion, an increase of €9.5 billion, or 10.9 percent (11.9 percent on a constant currency basis), from €86.6 billion for the year ended December 31, 2013.

The increase in net revenues was primarily attributable to (i) a €6.7 billion increase in NAFTA net revenues, related to an increase in shipments and improved vehicle and distribution channel mix, (ii) a €1.6 billion increase in APAC net revenues attributable to an increase in shipments and improved vehicle mix, (iii) a €1.1 billion increase in Maserati net revenues primarily attributable to an increase in shipments, (iv) a €0.7 billion increase in EMEA net revenues mainly

attributable to an increase in shipments and improved mix, and (v) an increase of €0.5 billion in Components net revenues, which were partially offset by (v) a decrease of €1.3 billion in LATAM net revenues. The decrease in LATAM net revenues was attributable to the combined effect of lower vehicle shipments and unfavorable foreign currency translation effect related to the weakening of the Brazilian Real against the Euro, only partially offset by positive pricing and vehicle mix.

#### 2013 compared to 2012

Net revenues for the year ended December 31, 2013 were €86.6 billion, an increase of €2.8 billion, or 3.4 percent (7.4 percent on a constant currency basis), from €83.8 billion for the year ended December 31, 2012.

The increase in net revenues was primarily attributable to increases of €2.3 billion in NAFTA segment net revenues and €1.5 billion in APAC segment net revenues, both of which were largely driven by increases in shipments. In addition, Maserati net revenues increased by €0.9 billion supported by an increase in shipments driven by the 2013 launches including the new Quattroporte in March and the Ghibli in October. These increases were partly offset by a decrease of €1.1 billion in LATAM segment net revenues, and a €0.4 billion decrease in EMEA segment net revenues. The decrease in LATAM segment net revenues was largely attributable to the combined effect of unfavorable foreign currency translation related to the weakening of the Brazilian Real against the Euro, and a 3.0 percent decrease in vehicle shipments. The decrease in EMEA segment net revenues was largely due to a decrease in shipments, attributable to the combined effect of the persistent weak economic conditions in Europe, which resulted in a 1.8 percent passenger car industry contraction, and in part due to a decrease in our passenger car market share, as a result of increasing competition in the industry.

See — *Segments* below for a detailed discussion of net revenues by segment.

#### Cost of sales

(€ million, except percentages)	For the Years Ended December 31,						Increase/(decrease)			
	2014	Percentage of net revenues	2013	Percentage of net revenues	2012	Percentage of net revenues	2014 vs. 2013		2013 vs. 2012	
Cost of sales	83,146	86.5 %	74,326	85.8 %	71,473	85.3 %	8,820	11.9 %	2,853	4.0 %

Cost of sales includes purchases, certain warranty and product-related costs, labor costs, depreciation, amortization and logistic costs. We purchase a variety of components (including mechanical, steel, electrical and electronic, plastic components as well as castings and tires), raw materials (steel, rubber, aluminum, resin, copper, lead, and precious metals including platinum, palladium and rhodium), supplies, utilities, logistics and other services from numerous suppliers which we use to manufacture our vehicles, parts and accessories. These purchases generally account for approximately 80 percent of total cost of sales. Fluctuations in cost of sales are primarily related to the number of our vehicles we produce and ship, along with changes in vehicle mix, as newer models of vehicles generally have more technologically advanced components and enhancements and therefore additional costs per unit. The cost of sales could also be affected, to a lesser extent, by fluctuations in certain raw material prices.

#### 2014 compared to 2013

Cost of sales for the year ended December 31, 2014 was €83.1 billion, an increase of €8.8 billion, or 11.9 percent (12.8 percent on a constant currency basis), from €74.3 billion for the year ended December 31, 2013. As a percentage of net revenues, cost of sales was 86.5 percent for the year ended December 31, 2014 compared to 85.8 percent for the year ended December 31, 2013.

The increase in cost of sales was primarily due to the combination of (i) €5.6 billion related to increased vehicle shipments, primarily in the NAFTA, APAC, Maserati and EMEA segments, partially offset by a reduction in LATAM



shipments, (ii) €2.5 billion related to vehicle and distribution channel mix primarily attributable to the NAFTA segment, and (iii) €0.5 billion arising primarily from price increases for certain raw materials in LATAM, which were partially offset by (v) favorable foreign currency translation effect of €0.7 billion.

In particular, the €2.5 billion increase in cost of sales related to vehicle and distribution channel mix was primarily driven by the higher percentage of growth in certain SUV shipments as compared to passenger car shipments, along with more retail shipments relative to fleet shipments in NAFTA.

Cost of sales for the year ended December 31, 2014 increased by approximately €800 million due to an increase of warranty expense and also included the effects of recently approved recall campaigns in the NAFTA segment.

The favorable foreign currency translation impact of €0.7 billion was primarily attributable to the LATAM segment, driven by the weakening of the Brazilian Real against the Euro.

#### *2013 compared to 2012*

Cost of sales for the year ended December 31, 2013 was €74.3 billion, an increase of €2.8 billion, or 4.0 percent (7.9 percent on a constant currency basis), from €71.5 billion for the year ended December 31, 2012. As a percentage of net revenues, cost of sales was 85.8 percent for the year ended December 31, 2013 compared to 85.3 percent for the year ended December 31, 2012.

The increase in costs of sales was due to the combination of (i) increased costs of €2.1 billion related to increased vehicle shipments, primarily in the NAFTA segment, (ii) increased costs of €1.7 billion primarily attributable to the NAFTA segment, related to shifts in vehicle and distribution channel mix, (iii) increased cost of sales of €0.9 billion relating to the new-model content enhancements, (iv) increased costs of €0.5 billion arising from price increases for certain raw materials, and (v) an increase in other costs of sales of €0.5 billion, the effects of which were partially offset by the positive impact of foreign currency translation of €2.8 billion, largely attributable to the weakening of the U.S. Dollar and the Brazilian Real against the Euro.

In particular, the increase in cost related to vehicle mix was primarily driven by a higher percentage growth in truck and certain SUV shipments as compared to passenger car shipments, while the shift in distribution channel mix was driven by the relative growth in retail shipments, which generally have additional content per vehicle as compared to fleet shipments. The €0.5 billion increase in the price of raw materials was particularly related to the LATAM segment, driven by the weakening of the Brazilian Real, which impacts foreign currency denominated purchases in that segment. The increase in other costs of sales of €0.5 billion was largely attributable to increases in depreciation relating to the investments associated with our recent product launches and an increase in labor costs in order to meet increased production requirements both of which primarily related to the NAFTA segment.

#### *Selling, general and administrative costs*

	For the Years Ended December 31,						Increase/(decrease)			
	2014	Percentage of net revenues	2013	Percentage of net revenues	2012	Percentage of net revenues	2014 vs. 2013		2013 vs. 2012	
(€ million, except percentages)										
Selling, general and administrative costs	7,084	7.4 %	6,702	7.7 %	6,775	8.1 %	382	5.7%	(73)	(1.1)%

### *2014 compared to 2013*

Selling, general and administrative costs include advertising, personnel, and other costs. Advertising costs accounted for approximately 44.0 percent and 43.0 percent of total selling, general and administrative costs for the year ended December 31, 2014 and 2013 respectively.

Selling, general and administrative costs for the year ended December 31, 2014 were €7,084 million, an increase of €382 million, or 5.7 percent, from €6,702 million for the year ended December 31, 2013. As a percentage of net revenues, selling, general and administrative costs were 7.4 percent for the year ended December 31, 2014 compared to 7.7 percent for the year ended December 31, 2013.

The increase in selling, general and administrative costs was due to the combined effects of (i) a €293 million increase in advertising expenses driven primarily by the NAFTA, APAC and EMEA segments, (ii) a €157 million increase in other selling, general and administrative costs primarily attributable to the LATAM and Maserati segments, and to a lesser extent, the APAC segment which were partially offset by (iii) a reduction in other general and administrative expenses in the NAFTA segment and (iv) the impact of favorable foreign currency translation of €68 million.

The increase in advertising expenses was largely attributable to the APAC and NAFTA segments to support the growth of the business in their respective markets. In addition, advertising expenses increased within the NAFTA segment for new product launches, including the all-new 2014 Jeep Cherokee and the all-new 2015 Chrysler 200. There were additional increases in advertising expenses for the EMEA segment related to the Jeep brand growth and new product launches, including the all-new 2014 Jeep Cherokee and Renegade. The favorable foreign currency translation impact of €68 million was primarily attributable to the LATAM segment, driven by the weakening of the Brazilian Real against the Euro.

The increase in other selling, general and administrative costs attributable to the Maserati segment has been driven by the increase in volumes. The increase in other selling, general and administrative costs attributable to the APAC segment was driven by volume growth in the region, while the increase in the LATAM segment includes the start-up costs of the Pernambuco plant.

### *2013 compared to 2012*

Selling, general and administrative costs for the year ended December 31, 2013 were €6,702 million, a decrease of €73 million, or 1.1 percent, from €6,775 million for the year ended December 31, 2012. As a percentage of net revenues, selling, general and administrative costs were 7.7 percent for the year ended December 31, 2013 compared to 8.1 percent for the year ended December 31, 2012.

The decrease in selling, general and administrative costs was due to the combined effects of the positive impact of foreign currency translation of €240 million, partially offset by a €102 million increase in personnel expenses, largely related to the NAFTA segment, and an increase in advertising expenses of €37 million. In particular, advertising expenses increased in 2013 due to the product launches in the NAFTA segment (2014 Jeep Grand Cherokee, the all-new 2014 Jeep Cherokee and the all-new Fiat 500L), in the APAC segment (Dodge Journey) and the Maserati segment (Quattroporte and Ghibli), which continued following launch to support the growth in their respective markets, which were partially offset by a decrease in advertising expenses for the EMEA segment as a result of efforts to improve the focus of advertising campaigns.

### Research and development costs

(€ million, except percentages)	For the Years Ended December 31,						Increase/(decrease)			
	2014	Percentage of net revenues	2013	Percentage of net revenues	2012	Percentage of net revenues	2014 vs. 2013		2013 vs. 2012	
Research and development costs expensed during the year	1,398	1.5 %	1,325	1.5 %	1,180	1.4 %	73	5.5 %	145	12.3 %
Amortization of capitalized development costs	1,057	1.1 %	887	1.0 %	621	0.7 %	170	19.2 %	266	42.8 %
Write-down of costs previously capitalized	82	0.1 %	24	0.0 %	57	0.1 %	58	241.7 %	(33)	(57.9)%
<b>Research and development costs</b>	<b>2,537</b>	<b>2.6 %</b>	<b>2,236</b>	<b>2.6 %</b>	<b>1,858</b>	<b>2.2 %</b>	<b>301</b>	<b>13.5 %</b>	<b>378</b>	<b>20.3 %</b>

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

#### 2014 compared to 2013

Research and development costs for the year ended December 31, 2014 were €2,537 million, an increase of €301 million, or 13.5 percent, from €2,236 million for the year ended December 31, 2013. As a percentage of net revenues, research and development costs were 2.6 percent both for years ended December 31, 2014 and 2013.

The increase in research and development costs was attributable to the combined effects of (i) an increase in the amortization of previously capitalized development costs of €170 million, (ii) an increase in research and development costs expensed during the period of €73 million and (iii) an increase in write-down of costs previously capitalized of €58 million.

Research and development costs capitalized as a percentage of total expenditures on research and development were 61.9 percent for the year ended December 31, 2014, as compared to 60.6 percent for the year ended December 31, 2013. Expenditures on research and development amounted to €3,665 million for the year ended December 31, 2014, an increase of 8.9 percent, from €3,367 million, for the year ended December 31, 2013, resulting in a 5.5 percent increase in research and development costs expensed.

The increase in amortization of capitalized development costs was attributable to the launch of new products, and in particular related to the NAFTA segment, driven by the all-new 2014 Jeep Cherokee, which began shipping to dealers in late October 2013, and the all-new 2015 Chrysler 200, which was launched in the first quarter of 2014, and began arriving in dealerships in May 2014.

#### 2013 compared to 2012

Research and development costs for the year ended December, 31 2013 were €2,236 million, an increase of €378 million, or 20.3 percent, from €1,858 million for the year ended December 31, 2012. As a percentage of net revenues, research and development costs were 2.6 percent for the year ended December 31, 2013 compared to 2.2 percent for the year ended December 31, 2012.

The increase in research and development costs was attributable to the combined effects of (i) an increase in the amortization of capitalized development costs of €266 million and (ii) an increase in research and development costs expensed during the year of €145 million, which were partly offset by €33 million lower write-down of costs previously capitalized.

The increase in amortization of capitalized development costs was largely attributable to new product launches. In particular, amortization of capitalized development in the NAFTA segment increased as a result of the 2013 launches, including the all-new 2014 Jeep Cherokee, the Jeep Grand Cherokee and the Ram 1500. The €145 million increase in research and development costs expensed during the year was largely attributable to increases in the NAFTA segment, largely driven by an increase in expenses related to personnel involved in research and development activities. In particular, at December 31, 2013 a total of 18,700 employees were dedicated to research and development activities at Group level, compared to 17,900 at December 31, 2012.

#### ***Other income/(expenses)***

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
Other income/(expenses)	197	77	(68)	120	155.8%	145	n.m.

#### ***2014 compared to 2013***

Other income/(expenses) for the year ended December 31, 2014 amounted to net income of €197 million, as compared to net income of €77 million for the year ended December 31, 2013.

For both years ended December 31, 2014 and December 31, 2013, there were no items that either individually or in aggregate are considered material.

#### ***2013 compared to 2012***

Other income/(expenses) for the year ended December 31, 2013 amounted to net other income of €77 million, an increase of €145 million, from net other expenses of €68 million for the year ended December 31, 2012.

For 2013 other income/(expenses) was comprised of other income of €291 million, which was partially offset by other expenses of €214 million. Of the total 2013 other income, €140 million related to rental, royalty and licensing income, and €151 million related to miscellaneous income, which includes insurance recoveries and other costs recovered. Other expenses mainly related to indirect tax expenses incurred.

For 2012 other income/(expenses) was comprised of other income of €242 million, which was more than offset by other expenses of €310 million. Of the total 2012 other income, €132 million related rental, royalty and licensing income, and €110 million related to miscellaneous income. In 2012, other expenses mainly related to indirect tax expenses incurred.

#### ***Result from investments***

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
Result from investments	131	84	87	47	56.0%	(3)	(3.4)%

### 2014 compared to 2013

The largest contributors to result from investments for the years ended December 31, 2014 and 2013 were FCA Bank S.p.A (“FCA Bank”) formerly known as FGA Capital S.p.A., a jointly-controlled finance company that manages activities in retail automotive financing, dealership financing, long-term car rental and fleet management in 14 European countries and Tofas-Turk Otomobil Fabrikasi A.S. a jointly-controlled Turkish automaker.

Result from investments for the year ended December 31, 2014 was €131 million, an increase of €47 million, or 56.0 percent, from €84 million for the year ended December 31, 2013. The increase in result from investments was primarily attributable to the €20 million decrease in the loss relating to the Group’s investment in RCS MediaGroup and to the €26 million increase in results from investments in the EMEA segment.

### 2013 compared to 2012

Result from investments for the year ended December, 31 2013 was €84 million, a decrease of €3 million, or 3.4 percent, from €87 million for the year ended December 31, 2012.

The decrease was largely attributable to the combined effect of a €23 million increase in the loss of a Chinese joint venture and a €12 million decrease in the profit of the Turkish joint venture, which were almost entirely offset by a €35 million decrease in the loss relating to the Group’s investment in RCS MediaGroup.

### ***Gains/(losses) on the disposal of investments***

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
Gains/(losses) on the disposal of investments	12	8	(91)	4	50.0%	99	n.m.

### 2014 compared to 2013

Gains on the disposal of investments for the year ended December 31, 2014 were €12 million, an increase of €4 million, from €8 million for the year ended December 31, 2013.

For both years ended December 31, 2014 and December 31, 2013, there were no items that either individually or in aggregate are considered material.

### 2013 compared to 2012

Gains on the disposal of investments for the year ended December 31, 2013 were €8 million, an increase of €99 million from a loss on the disposal of investments for the year ended December 31, 2012 of €91 million.

The loss on disposal of investments recognized in 2012 relates to the write-down of our investment in Sevelnord Société Anonyme, a vehicle manufacturing joint venture with PSA Peugeot Citroen following its re-measurement at fair value as a result of being classified as an asset held for sale in 2012, in accordance with IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*. In 2012, we entered into an agreement with PSA Peugeot Citroen providing for the transfer of its shareholding in Sevelnord Société Anonyme. The investment was sold in the first quarter of 2013.

### ***Restructuring costs***

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
Restructuring costs	50	28	15	22	78.6%	13	86.7%

#### *2014 compared to 2013*

Restructuring costs for the year ended December 31, 2014 were €50 million, an increase of €22 million, from €28 million for the year ended December 31, 2013.

Restructuring costs for the year ended December 31, 2014 mainly relate to the LATAM and Components segments.

Restructuring costs for the year ended December 31, 2013 mainly relate to Other activities partially offset by release of a restructuring provision previously recognized in the NAFTA segment.

#### *2013 compared to 2012*

Restructuring costs for the year ended December 31, 2013 were €28 million, an increase of €13 million, from €15 million for the year ended December 31, 2012.

Net restructuring costs for 2013 mainly relate to a €38 million restructuring provision related to activities included within other activities, partially offset by a €10 million release of a previously recognized provision related to the NAFTA segment primarily related to decreases in expected workforce reduction costs and legal claim reserves.

Net restructuring costs for 2012 include EMEA segment restructuring costs of €43 million and €20 million related to the Components segment and other activities, which were partially offset by a €48 million release of a previously recognized provision related to the NAFTA segment.

### ***Other unusual income/(expenses)***

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
Other unusual income/(expenses)	(390)	(499)	(138)	109	21.8%	(361)	(261.6)%

#### *2014 compared to 2013*

Other unusual expenses for the year ended December 31, 2014 were €390 million, a decrease of €109 million from €499 million for the year ended December 31, 2013.

For the year ended December 31, 2014, Other unusual income/(expenses) amounted to net expenses of €390 million, primarily relating to the €495 million expense recognized in the NAFTA segment in connection with the execution of the MOU with the UAW which was entered into by FCA US on January 21, 2014, which was partially offset by the non-cash and non-taxable gain of €223 million on the re-measurement to fair value of the previously exercised options on approximately 10 percent of FCA US's membership interest in connection with FCA's acquisition of the remaining 41.5 percent ownership interest in FCA US that was not previously owned. In addition, Other unusual expenses include a €98 million re-measurement charge recognized in the LATAM segment 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, based on developments in the first quarter 2014

related to the foreign exchange process in Venezuela as described in more detail in the discussion of results for LATAM below. For the year ended December 31, 2014, Other unusual expenses also included the €15 million compensation costs deriving from the resignation of the former Ferrari chairman.

#### *2013 compared to 2012*

Other unusual expenses for the year ended December 31, 2013 were €499 million, an increase of €361 million, from €138 million for the year ended December 31, 2012.

Other unusual expenses for the year ended December 31, 2013 included other unusual expenses of €686 million, and other unusual income of €187 million.

Other unusual expenses for the year ended December 31, 2013 mainly included (i) impairments of €385 million, (ii) €115 million related to voluntary safety recalls and customer satisfaction actions in the NAFTA segment, and (iii) €43 million related to the devaluation of the Venezuelan Bolivar, or VEF, against the U.S. Dollar. In particular, impairments for 2013 include €272 million related to the rationalization of architectures (the combination of systems that enables the generation of specific vehicle platforms for the different models in a certain segment), associated with the new product strategy for the Alfa Romeo, Maserati and Fiat brands, €57 million related to asset impairments for the cast iron business in Teksid and €56 million related to write-off of certain equity recapture rights resulting from the acquisition of the remaining 41.5 interest in FCA US that was not previously owned. Refer to the Consolidated financial statements included elsewhere in this report for further information on the acquisition of the remaining 41.5 percent interest in FCA US.

Other unusual income for the year ended December 31, 2013 mainly included the impacts of curtailment gains and plan amendments of €166 million related to changes made to FCA US's U.S. and Canadian defined benefit pension plans.

Other unusual expenses for the year ended December 31, 2012 primarily consisted of costs arising from disputes relating to operations terminated in prior years, costs related to the termination of the Sevelnord Société Anonyme joint venture and to the rationalization of relationships with certain suppliers.

#### **EBIT**

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
EBIT	3,223	3,002	3,434	221	7.4%	(432)	(12.6)%

#### *2014 compared to 2013*

EBIT for the year ended December 31, 2014 was €3,223 million, an increase of €221 million, or 7.4 percent (9.4 percent on a constant currency basis), from €3,002 million for the year ended December 31, 2013.

The increase in EBIT was primarily attributable to the combined effect of (i) a €397 million decrease in EMEA loss, (ii) a €202 million increase in APAC (iii) a €169 million increase in Maserati, (iv) a €114 million increase in Components and (v) the non-cash and non-taxable gain of €223 million on the re-measurement to fair value of the previously exercised options on approximately 10 percent of FCA US's membership interest in connection with the acquisition of the remaining 41.5 percent interest in FCA US that was not previously owned, which were partially offset by (vi) a €643 million decrease in NAFTA and (vi) a €315 million decrease in LATAM.

### 2013 compared to 2012

EBIT for the year ended December 31, 2013 was €3,002 million, a decrease of €432 million, or 12.6 percent (7.2 percent on a constant currency basis), from €3,434 million for the year ended December 31, 2012.

The decrease in EBIT was primarily attributable to the combined effect of (i) a €533 million decrease in LATAM segment EBIT and (ii) a €201 million decrease in NAFTA segment EBIT, which were partially offset by (iii) a €219 million decrease in EMEA segment EBIT loss, (iv) a €49 million increase in Maserati segment EBIT.

See —*Segments* for a detailed discussion of EBIT by segment.

### Net financial income/(expenses)

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012		
Net financial income/(expenses)	(2,047)	(1,987)	(1,910)	(60)	(3.0)%	(77)	(4.0)%

### 2014 compared to 2013

Net financial expenses for the year ended December 31, 2014 were €2,047, an increase of €60 million, or 3.0 percent, from €1,987 million for the year ended December 31, 2013.

Excluding the gain on the Fiat stock option-related equity swaps of €31 million recognized in the year ended December 31, 2013, net financial expenses were substantially unchanged as the benefits from the new financing transactions completed in February 2014 by FCA US were offset by higher average debt levels (refer to Note 27 to the Consolidated financial statements included elsewhere in this report for a more detailed description of the new financings of FCA US).

### 2013 compared to 2012

Net financial expenses for the year ended December 31, 2013 were €1,987 million, an increase of €77 million, or 4.0 percent, from €1,910 million for the year ended December 31, 2012. Excluding the gains on the Fiat stock option-related equity swaps (€31 million for 2013, at their expiration, compared to €34 million for 2012), net financial expense was €74 million higher, largely due to a higher average net debt level.

### Tax expense/(income)

(€ million, except percentages)	For the Years Ended December 31,			Increase/(decrease)			
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012		
Tax expense/(income)	544	(936)	628	1,480	158.1%	(1,564)	n.m

### 2014 compared to 2013

Tax expense for the year ended December 31, 2014 was €544 million, compared with tax income of €936 million for the year ended December 31, 2013. At December 31, 2013, previously unrecognized deferred tax assets of €1,500 million were recognized, principally related to tax loss carry forwards and temporary differences in the NAFTA operations.

Higher deferred tax expense in 2014 due to utilization of a portion of the deferred tax assets recognized in 2013 were largely offset by non-recurring deferred tax benefits which did not occur in the prior year.



In 2014, the Group's effective tax rate is equal to 39.5%. The difference between the theoretical and the effective income taxes is primarily due to €379 million arising from the unrecognized deferred tax assets on temporary differences and tax losses originating in the year in EMEA, which is partially offset by the recognition of non-recurring deferred tax benefits of €173 million.

#### *2013 compared to 2012*

Tax income for the year ended December 31, 2013 was €936 million, compared to tax expense of €628 million for the year ended December 31, 2012.

The increase in tax income was due to the recognition of previously unrecognized deferred tax assets related to FCA US of €1,500 million. The FCA US deferred tax assets were recognized as a result of the recoverability assessment performed at December 31, 2013, which reached the conclusion that it was probable that future taxable profit will allow the deferred tax assets to be recovered. For further details of the recoverability assessment. Excluding the effect of the previously unrecognized deferred tax assets, the effective rate of tax would have been 48.7 percent compared to 35.7 percent for 2012. See Note 10 to the Consolidated financial statements included elsewhere in this report for a reconciliation of the theoretical tax expense to the effective tax charge. The increase in the effective tax rate was mainly attributable to lower utilization of tax losses carried forward for which deferred tax assets had not been recognized in the past, partially offset by lower unrecognized deferred tax assets on temporary differences and tax losses arising in the year.

#### *Segments*

The following is a discussion of net revenues, EBIT and shipments for each segment.

(€ million, except shipments which are in thousands of units)	Net revenues for the years ended December 31,			EBIT for the years ended December 31,			Shipments <sup>(*)</sup> for the years ended December 31,		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
NAFTA	52,452	45,777	43,521	1,647	2,290	2,491	2,493	2,238	2,115
LATAM	8,629	9,973	11,062	177	492	1,025	827	950	979
APAC	6,259	4,668	3,173	537	335	274	220	163	103
EMEA	18,020	17,335	17,717	(109)	(506)	(725)	1,024	979	1,012
Ferrari	2,762	2,335	2,225	389	364	335	7	7	7
Maserati	2,767	1,659	755	275	106	57	36	15	6
Components	8,619	8,080	8,030	260	146	165	n.m.	n.m.	n.m.
Other activities	831	929	979	(114)	(167)	(149)	n.m.	n.m.	n.m.
Unallocated items & adjustments <sup>(1)</sup>	(4,249)	(4,132)	(3,697)	161	(58)	(39)	n.m.	n.m.	n.m.
<b>Total</b>	<b>96,090</b>	<b>86,624</b>	<b>83,765</b>	<b>3,223</b>	<b>3,002</b>	<b>3,434</b>	<b>4,608</b>	<b>4,352</b>	<b>4,223</b>

(1) Primarily includes intercompany transactions which are eliminated on consolidation.

## NAFTA

(€ million, except percentages and shipments which are in thousands of units)	For the Years Ended December 31,						Increase/(decrease)			
	2014	% of segment net revenues	2013	% of segment net revenues	2012	% of segment net revenues	2014 vs. 2013		2013 vs. 2012	
Net revenues	52,452	100.0%	45,777	100.0%	43,521	100.0%	6,675	14.6 %	2,256	5.2 %
EBIT	1,647	3.1 %	2,290	5.0%	2,491	5.7%	(643)	(28.1)%	(201)	(8.1)%
Shipments	2,493	n.m.	2,238	n.m.	2,115	n.m.	255	11.4 %	123	5.8 %

### Net revenues

#### 2014 compared to 2013

NAFTA net revenues for the year ended December 31, 2014 were €52.5 billion, an increase of €6.7 billion, or 14.6 percent, from €45.8 billion for the year ended December 31, 2013. The total increase of €6.7 billion was primarily attributable to (i) an increase in shipments of €4.4 billion, (ii) favorable market and vehicle mix of €1.9 billion and (iii) favorable net pricing of €0.4 billion.

The 11.4 percent increase in vehicle shipments from 2,238 thousand units for the year ended December 31, 2013, to 2,493 thousand units for the year ended December 31, 2014, was largely driven by increased demand of the Group's vehicles, including the all-new 2014 Jeep Cherokee, Ram pickups and the Jeep Grand Cherokee. These increases were partially offset by a reduction in the prior model year Chrysler 200 and Dodge Avenger shipments due to their discontinued production in the first quarter of 2014 in preparation for the launch and changeover to the all-new 2015 Chrysler 200, which began arriving in dealerships in May 2014.

Of the favorable mix impact of €1.9 billion, €1.7 billion related to vehicle mix due to higher proportion of trucks and certain SUVs as compared to passenger cars (as these larger vehicles generally have a higher selling price), and €0.2 billion related to a shift in distribution channel mix to greater retail shipments as a percentage of total shipments, which is consistent with the continuing strategy to grow U.S. retail market share while maintaining stable fleet shipments.

Favorable net pricing of €0.4 billion reflected favorable pricing and pricing for enhanced content, partially offset by incentive spending on certain vehicles in portfolio.

#### 2013 compared to 2012

NAFTA net revenues for the year ended December 31, 2013 were €45.8 billion, an increase of €2.3 billion, or 5.2 percent (8.7 percent on a constant currency basis), from €43.5 billion for the year ended December 31, 2012. The total increase of €2.3 billion was mainly attributable to the combination of (i) an increase in shipments of €1.5 billion, (ii) favorable market and vehicle mix of €1.2 billion and (iii) favorable vehicle pricing of €0.9 billion, which were partially offset by (iv) unfavorable foreign currency impact of €1.5 billion.

The 5.8 percent increase in vehicle shipments from 2,115 thousand vehicles for the year ended December 31, 2012 to 2,238 thousand vehicles for the year ended December 31, 2013, was primarily driven by increased demand for our products, as evidenced by the increase in market share, from 11.3 percent for the year ended December 31, 2012 to 11.5 percent for the year ended December 31, 2013. The increase in shipments was supported by the launch of the Ram 1500 in late 2012 and the all-new 2014 Jeep Cherokee, the effects of which were partially offset by a decrease in Jeep Liberty shipments following its discontinued production during 2012. Of the favorable mix impact of €1.2 billion, €0.9 billion was

related to the increase of shipments of trucks and certain SUVs, as compared to passenger cars (as trucks generally have a higher selling price), while a shift in the distribution channel mix towards higher priced retail shipments and away from fleet shipments resulted in an increase in net revenues of €0.3 billion. Our ability to increase sales price of current year models to reflect enhancements made resulted in an increase in net revenues of €0.9 billion. These increases were partially offset by the impact of the weakening of the U.S. Dollar against the Euro during 2013, which amounted to €1.5 billion.

## **EBIT**

### *2014 compared to 2013*

NAFTA EBIT for the year ended December 31, 2014 was €1,647 million, a decrease of €643 million, or 28.1 percent, from EBIT of €2,290 million for the year ended December 31, 2013.

The decrease in NAFTA EBIT was primarily attributable to the combination of (i) increased industrial costs of €1,577 million (ii) an increase of €575 million in other unusual expenses and (iii) a €29 million increase in selling, general and administrative costs largely attributable to higher advertising costs to support new vehicle launches, including the all-new 2014 Jeep Cherokee and the all-new 2015 Chrysler 200, partially offset by (iv) the favorable volume/mix impact of €1,129 million, driven by the previously described increase in shipments, and (v) favorable net pricing of €411 million due to favorable pricing and pricing for enhanced content, partially offset by incentive spending on certain vehicles in portfolio.

The increase in industrial costs was attributable to an increase in warranty expenses of approximately €800 million which included the effects of certain recall campaigns, an increase in base material costs of €978 million mainly related to higher base material costs associated with vehicles and components and content enhancements on new models and €262 million in higher research and development costs and depreciation and amortization.

For the year ended December 31, 2014, unusual items were negative by €504 million primarily reflecting the €495 million charge in the first quarter of 2014 connected with the UAW MOU entered into by FCA US on January 21, 2014.

For the year ended December 31, 2013, unusual items were positive by €71 million, primarily including (i) a €115 million charge related to the June 2013 voluntary safety recall for the 1993-1998 Jeep Grand Cherokee and the 2002-2007 Jeep Liberty, as well as the customer satisfaction action for the 1999-2004 Jeep Grand Cherokee, partially offset by (ii) the impacts of a curtailment gain and plan amendments of €166 million with a corresponding net reduction pension obligation in NAFTA.

### *2013 compared to 2012*

NAFTA EBIT for the year ended December 31, 2013 was €2,290 million, a decrease of €201 million, or 8.1 percent (4.9 percent on a constant currency basis), from €2,491 million for the year ended December 31, 2012.

The decrease in NAFTA EBIT was primarily attributable to the combination of (i) favorable pricing effects of €868 million, driven by our ability to increase sales price of current year models for enhancements made and (ii) favorable volume/mix impact of €588 million, driven by an increase of shipments of trucks and certain SUVs as compared to passenger cars, which were more than offset by (iii) increased industrial costs of €1,456 million (iv) an increase in selling, general and administrative costs of €90 million largely attributable to costs incurred in launching new products during 2013, (v) unfavorable foreign currency translation of €79 million, driven by the weakening of the U.S. dollar against the Euro during 2013, and (vi) a €23 million increase in other unusual income. In particular, the increase in industrial costs was attributable to an increase in cost of sales related to new-model content enhancements, an increase in depreciation and amortization, driven by the new product launches, including the all-new 2014 Jeep Cherokee, the Jeep Grand Cherokee and the Ram 1500 pick-up truck and an increase in labor costs in order to meet increased production requirements. The increase in other unusual income was attributable to the combined effects of a gain recognized from amendments to FCA US's U.S.

and Canadian defined benefit pension plans, offset by charges related to voluntary safety recalls and customer satisfaction action for certain models produced in various years from 1993 to 2007 by Old Carco.

## **LATAM**

(€ million, except percentages and shipments which are in thousands of units)	For the Years Ended December 31,						Increase/(decrease)			
	2014	% of segment net revenues	2013	% of segment net revenues	2012	% of segment net revenues	2014 vs. 2013		2013 vs. 2012	
Net revenues	8,629	100.0%	9,973	100.0%	11,062	100.0%	(1,344)	(13.5)%	(1,089)	(9.8)%
EBIT	177	2.1%	492	4.9%	1,025	9.3%	(315)	(64.0)%	(533)	(52.0)%
Shipments	827	n.m.	950	n.m.	979	n.m.	(123)	(12.9)%	(29)	(3.0)%

### **Net revenues**

#### *2014 compared to 2013*

LATAM net revenues for the year ended December 31, 2014 were €8.6 billion, a decrease of €1.3 billion, or 13.5 percent (6.9 percent on a constant currency basis), from €10.0 billion for the year ended December 31, 2013. The total decrease of €1.3 billion was attributable to (i) a decrease of €1.2 billion driven by lower shipments, and (ii) unfavorable foreign currency translation of €0.7 billion, which were partially offset by (iii) favorable net pricing and vehicle mix of €0.6 billion.

The 12.9 percent decrease in vehicle shipments from 950 thousand units for the year ended December 31, 2013, to 827 thousand units for the year ended December 31, 2014 reflected the weaker demand in the region's main markets, where Brazil continued the negative market trend started in 2012, Argentina was impacted by import restrictions and additional tax on more expensive vehicles and Venezuela suffered from weaker trading conditions. The weakening of the Brazilian Real against the Euro impacted net revenues by €0.6 billion, in particular, the average exchange rate used to translate Brazilian Real balances for the year ended December 31, 2014, was 8.9 percent lower than the average exchange rate used for the same period in 2013.

#### *2013 compared to 2012*

LATAM net revenues for the year ended December 31, 2013 were €10.0 billion, a decrease of €1.1 billion, or 9.8 percent (an increase of 0.7 percent on a constant currency basis), from €11.1 billion for the year ended December 31, 2012. The total decrease of €1.1 billion was attributable to the combination of the impact of (i) unfavorable foreign currency translation of €1.2 billion, and (ii) €0.3 billion related to a decrease in vehicle shipments, which were partially offset by (iii) favorable mix of €0.1 billion and (iv) favorable pricing impact of €0.1 billion.

LATAM net revenues were significantly impacted by the weakening of the Brazilian Real against the Euro, as the average exchange rate used to translate 2013 balances was 14.3 percent lower than the average exchange rate for 2012, impacting net revenues negatively by €1.2 billion. The 3.0 percent vehicle shipment decrease from 979 thousand units for 2012 to 950 thousand units for 2013, which impacted net revenues by €0.3 billion, was largely attributable to reductions of shipments in Brazil. In 2012 sales tax incentives were introduced to promote the sale of small vehicles, a segment in which we hold a market leading position. As such, we were well positioned to meet the increased consumer demand for small cars, recording an increase in shipments in 2012. In 2013, the gradual phase out of the tax incentives was initiated and was a contributing factor to a shift in market demand away from the small car segment and into larger vehicles, resulting in a decrease in our Brazilian market share, from 23.3 percent in 2012 to 21.5 percent in 2013.

## **EBIT**

### *2014 compared to 2013*

LATAM EBIT for the year ended December 31, 2014 was €177 million, a decrease of €315 million, or 64.0 percent (53.7 percent on a constant currency basis), from €492 million for the year ended December 31, 2013.

The decrease in LATAM EBIT was primarily attributable to the combination of (i) unfavorable volume/mix impact of €228 million attributable to a decrease in shipments, partially offset by an improvement in vehicle mix in Brazil, (ii) an increase in industrial costs of €441 million largely attributable to price increases for certain foreign currency denominated purchases, which were impacted by the weakening of the Brazilian Real, (iii) the impact of unfavorable foreign currency translation of €51 million attributable to the weakening of the Brazilian Real against the Euro, partially offset by (v) favorable pricing of €381 million driven by pricing actions in Brazil and Argentina.

In particular, LATAM net other unusual expenses amounted to €112 million for the year ended December 31, 2014, which included €98 million for the re-measurement charge on the Venezuelan subsidiary's net monetary assets, compared to €127 million for the year ended December 31, 2013 which included €75 million attributable to the streamlining of architectures and models associated to the refocused product strategy and €43 million relating to the loss recognized on translation of certain monetary liabilities from VEF into U.S. Dollar.

During the year ended December 31, 2014, the economic conditions in Venezuela declined due to high inflation, the downward trend in the price of oil which began during the fourth quarter of 2014, and continued uncertainty regarding liquidity within the country and the availability of U.S. Dollar. In addition, the Venezuelan government enacted a law in January 2014 which provided limits on costs, sales prices and profit margins (30 percent maximum above structured costs) across the Venezuelan economy. There remains uncertainty as to the application of certain aspects of this law by the Venezuelan government; therefore, we are unable to assess its impact on our vehicle, parts and accessory sales. Despite the negative economic conditions in Venezuela, we continued to obtain cash to support future operations through the SICAD I auctions and were also able to complete our workforce reduction initiative. As of December 31, 2014, we continue to control and therefore consolidate our Venezuelan operations. We will continue to assess conditions in Venezuela and if in the future, we conclude that we no longer maintain control over our operations in Venezuela, we may incur a pre-tax charge of approximately €247 million using the current exchange rate of 12.0 VEF to U.S. Dollar.

Based on first quarter 2014 developments related to the foreign exchange process in Venezuela, we changed the exchange rate used to remeasure our Venezuelan subsidiary's net monetary assets in U.S. Dollar. The official exchange rate was increasingly reserved only for purchases of those goods and services deemed "essential" by the Venezuelan government. As of March 31, 2014, we began to use the exchange rate determined by an auction process conducted by Venezuela's Supplementary Foreign Currency Administration System, referred to as the SICAD I rate.

In late March 2014, the Venezuelan government introduced an additional auction-based foreign exchange system, referred to as SICAD II rate. Prior to the new exchange system described below, the SICAD II rate had ranged from 49 to 52.1VEF to U.S. Dollar in the period since its introduction. The SICAD II rate was expected to be used primarily for imports and has been limited to amounts of VEF that could be exchanged into other currencies, such as the U.S. Dollar. As a result of the March 2014 exchange agreement between the Central Bank of Venezuela and the Venezuelan government and the limitations of the SICAD II rate, we believed at December 31, 2014, that any future remittances of dividends would be transacted at the SICAD I rate. As a result, we determined that the SICAD I rate is the most appropriate rate to use as of December 31, 2014.

As of December 31, 2014 and 2013, the net monetary assets of FCA Venezuela LLC, formerly known as Chrysler de Venezuela LLC, or FCA Venezuela, denominated in VEF were 783 million (€54 million) and 2,221 million (€255 million),

respectively, which included cash and cash equivalents denominated in VEF of 1,785 million (€123 million) and 2,347 million (€270 million), respectively. Based on our net monetary assets at December 31, 2014, a charge of approximately €5 million would result for every 10.0 percent devaluation of the VEF.

On February 10, 2015, the Venezuelan government introduced a new market-based exchange system, referred to as Marginal Currency System, or the SIMADI rate, with certain specified limitations on its usage by individuals and legal entities. On February 12, 2015, the SIMADI rate began trading at 170 VEF to U.S. Dollar and is expected to be used by individuals and legal entities in the private sector. We are currently evaluating our utilization of the SIMADI rate since this new exchange system is limited by certain government mandated restrictions. In addition, the Venezuelan government announced that the SICAD I and SICAD II auction-based exchange systems would be merged into a single exchange system, with a rate starting at 12.0 VEF to U.S. Dollar. We continue to monitor the appropriate rate to be used for remeasuring our net monetary assets. Additionally, we will continue to monitor the currency exchange regulations and other factors to assess whether our ability to control and benefit from our Venezuelan operations has been adversely affected.

#### *2013 compared to 2012*

LATAM EBIT for the year ended December 31, 2013 was €492 million, a decrease of €533 million, or 52.0 percent (44.5 percent on a constant currency basis), from €1,025 million for December 31, 2012.

The decrease in LATAM EBIT was primarily attributable to the combination of (i) an increase in industrial costs of €257 million related to increased labor costs and price increases for certain purchases, as the weakening of the Brazilian Real affected the prices of foreign currency denominated purchases, (ii) unfavorable volume/mix impact of €111 million, driven by the combination of the previously described 3.0 percent decrease in shipments, and an increase in the proportion of vehicles produced in Argentina, for which we have higher manufacturing and logistic costs than in Brazil, (iii) a €96 million increase in other unusual expenses, (iv) the impact of unfavorable foreign currency translation of €77 million related to the previously described weakening of the Brazilian Real against the Euro and (v) an increase in selling, general and administrative costs of €37 million mainly due to new advertising campaigns in Brazil, which were partially offset by favorable pricing impact of €64 million, supported by new product launches. In particular, the most significant components of other unusual expenses included €75 million attributable to the streamlining of architectures and models associated to the refocused product strategy and €43 million relating to the loss recognized on translation of certain monetary liabilities from VEF into U.S. Dollar, on the devaluation of the official exchange rate of the VEF. For further details see Notes 8 and 21 to the Consolidated financial statements included elsewhere in this report.

#### **APAC**

(€ million, except percentages and shipments which are in thousands of units)	For the Years Ended December 31,						Increase/(decrease)			
	2014	% of segment net revenues	2013	% of segment net revenues	2012	% of segment net revenues	2014 vs. 2013		2013 vs. 2012	
Net revenues	6,259	100.0%	4,668	100.0%	3,173	100.0%	1,591	34.1%	1,495	47.1%
EBIT	537	8.6%	335	7.2%	274	8.6%	202	60.3%	61	22.3%
Shipments	220	n.m.	163	n.m.	103	n.m.	57	35.0%	60	58.3%

## ***Net revenues***

### ***2014 compared to 2013***

APAC net revenues for the year ended December 31, 2014 were €6.3 billion, an increase of €1.6 billion, or 34.1 percent (34.6 percent on a constant currency basis), from €4.7 billion for the year ended December 31, 2013.

The total increase of €1.6 billion was primarily attributable to an increase in shipments and improved vehicle mix.

The 35.0 percent increase in shipments from 163 thousand units for the year ended December 31, 2013, to 220 thousand units for the year ended December 31, 2014, was largely supported by shipments to China and Australia, and in particular, driven by Jeep Grand Cherokee, Dodge Journey and the newly-launched Jeep Cherokee.

### ***2013 compared to 2012***

APAC net revenues for the year ended December 31, 2013 were €4.7 billion, an increase of €1.5 billion, or 47.1 percent (54.2 percent on a constant currency basis), from €3.2 billion for the year ended December 31, 2012.

The total increase of €1.5 billion was mainly attributable to an increase in shipments of €1.8 billion, which was partially offset by the impact of unfavorable foreign currency translation of €0.2 billion.

The 58.3 percent increase in vehicle shipments from 103 thousand units for the year ended December 31, 2012 to 163 thousand units for the year ended December 31, 2013 was primarily driven by our performance in China and Australia. In particular, our performance in China was driven by efforts to grow our dealer network, the reintroduction of the Dodge Journey and our continued strong performance of the Jeep brand, as a result of which our China market share increased from 0.4 percent in 2012 to 0.8 percent in 2013, while our growth in Australia was mainly driven by the Fiat and Alfa Romeo brands, resulting in an increase in market share from 2.1 percent for the year ended December 31, 2012 to 3.1 percent for the year ended December 31, 2013. The increase in shipments also resulted in an increase in service parts, accessories and service contracts and other revenues, supported our market share growth in APAC markets. The impact of unfavorable foreign currency translation was primarily attributable to fluctuations of the U.S. Dollar and to a lesser extent, the Japanese Yen against the Euro. In particular, the FCA US portion of APAC segment net revenues were translated from FCA US's functional currency which is the U.S. Dollar into the Euro, and not from the individual entity functional currency into Euro.

## ***EBIT***

### ***2014 compared to 2013***

APAC EBIT for the year ended December 31, 2014 was €537 million, an increase of €202 million, or 60.3 percent (unchanged on a constant currency basis) from €335 million for the year ended December 31, 2013.

The increase in APAC EBIT was primarily attributable to (i) a positive volume/mix impact of €494 million as a result of the increase in shipments described above partially offset by (ii) an increase in selling, general and administrative costs of €111 million to support the growth of the APAC operations, (iii) an increase in industrial costs of €54 million due to higher research and development costs, increased fixed manufacturing costs for new product initiatives and higher production volumes, (iv) unfavorable pricing of €142 million due to the increasingly competitive trading environment, particularly in China.

### 2013 compared to 2012

APAC EBIT for the year ended December 31, 2013 was €335 million, an increase of €61 million, or 22.3 percent (27.7 percent on a constant currency basis) from €274 million for the year ended December 31, 2012.

The increase in APAC EBIT was attributable to the combined effect of (i) the positive volume and mix impact of €423 million, driven by the efforts to grow our presence in the APAC markets and the previously described 2013 launches of new vehicles, which was partially offset by (ii) an increase in industrial costs of €106 million in higher research and development costs and fixed manufacturing costs, attributable to the growth in our business, (iii) unfavorable pricing effects of €79 million due to the increasingly competitive environment, particularly in China, (iv) an increase in selling, general and administrative costs of €72 million driven by the advertising and promotional expenses incurred in relation to the 2013 launches, including the Dodge Journey and Jeep Compass/Patriot in China and the new Fiat Punto and Fiat Panda in Australia (v) a €26 million decrease in the results of investments, and (vi) the impact of unfavorable foreign currency translation of €15 million. The decrease in result from investments was largely due to the €23 million increase in the loss recorded in the Chinese joint venture GAC FIAT Automobiles Co, attributable to the costs incurred in relation to the future launch of the Fiat Viaggio.

### EMEA

(€ million, except percentages and shipments which are in thousands of units)	For the Years Ended December 31,						Increase/(decrease)			
	% of segment net revenues		% of segment net revenues		% of segment net revenues		2014 vs. 2013		2013 vs. 2012	
	2014	2013	2014	2013	2014	2013	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013 vs. 2012
Net revenues	18,020	17,335	100.0 %	100.0 %	17,717	100.0 %	685	4.0%	(382)	(2.2)%
EBIT	(109)	(506)	(0.6)%	(2.9)%	(725)	(4.1)%	397	78.5%	219	30.2 %
Shipments	1,024	979	n.m	n.m.	1,012	n.m.	45	4.6%	(33)	(3.3)%

### Net revenues

### 2014 compared to 2013

EMEA net revenues for the year ended December 31, 2014 were €18.0 billion, an increase of €0.7 billion, or 4.0 percent, from €17.3 billion for the year ended December 31, 2013.

The €0.7 billion increase in EMEA net revenues was mainly attributable to the combination of (i) a €0.6 billion increase in vehicle shipments, (ii) a €0.3 billion favorable sales mix impact primarily driven by Jeep brand and LCV shipments, partially offset by (iii) unfavorable pricing of €0.1 billion due to the increasingly competitive trading environment particularly related to passenger cars in Europe and (iv) €0.1 billion lower components sales.

In particular, the 4.6 percent increase in vehicle shipments, from 979 thousand units for the year ended December 31, 2013, to 1,024 thousand units for the year ended December 31, 2014, was largely driven by the Fiat 500 family, the Jeep brand (the all-new Renegade and Cherokee) and the new Fiat Ducato.

### 2013 compared to 2012

EMEA net revenues for the year ended December 31, 2013 were €17.3 billion, a decrease of €0.4 billion, or 2.2 percent (1.4 percent on a constant currency basis), from €17.7 billion for the year ended December 31, 2012.

The total decrease of €0.4 billion was attributable to the combined effects of (i) a decrease in vehicle shipments of €0.4 billion, (ii) unfavorable vehicle pricing of €0.2 billion, (iii) a decrease in service parts, accessories and service contracts



and other revenues of €0.1 billion and (iv) the impact of unfavorable foreign currency translation of €0.1 billion mainly due to fluctuations of the U.S. Dollar and the British Pound Sterling which were partially offset by (v) the effects of a change in scope of consolidation, arising from obtaining control of VM Motori S.p.A. in 2013, a diesel engine manufacturing company which impacted net revenues positively by €0.2 billion and (vi) positive vehicle mix of €0.1 billion.

The 3.3 percent decrease in vehicle shipments, from 1,012 thousand units in 2012 to 979 thousand units in 2013, impacted net revenues by €0.4 billion. The decrease in vehicle shipments was in part due to the persistent weak economic conditions in Europe (EU27 + EFTA), which resulted in a 1.8 percent passenger car industry contraction, and in part due to a decrease in our passenger car market share from 6.3 percent in 2012 to 6.0 percent in 2013, while LCV market share decreased from 11.7 percent for 2012 to 11.6 percent for 2013, as a result of the increasing competition in the industry. These conditions led to a decrease in service parts, accessories and service contracts and other revenues of €0.1 billion, while the highly competitive environment and resulting price pressure impacted pricing unfavorably by €0.2 billion. In July 2013, the Group's option to acquire the remaining 50.0 percent stake in VM Motori S.p.A. became exercisable, which resulted in consolidation on a line-by-line basis. This resulted in a positive impact to net revenues of €0.2 billion. The shift in sales mix towards newly launched and content enriched vehicles, for which sales prices were adjusted, such as the Fiat 500L and the new Fiat Panda over other vehicles, such as the existing Fiat Panda resulted in a positive vehicle mix impact of €0.1 billion.

## ***EBIT***

### *2014 compared to 2013*

EMEA EBIT loss for the year ended December 31, 2014 was €109 million, an improvement of €397 million, or 78.5 percent, from an EBIT loss of €506 million for the year ended December 31, 2013.

The decrease in EMEA EBIT loss was primarily attributable to the combination of (i) a €199 million decrease in other unusual expenses, (ii) a favorable volume/mix impact of €174 million driven by the previously described increase in shipments and improved vehicle mix, (iii) a decrease in net industrial costs of €166 million mainly driven by industrial and purchasing efficiencies, which were partially offset by (iv) unfavorable pricing of €85 million as a result of the competitive trading environment and resulting price pressure and (v) an increase in selling, general and administrative costs of €67 million mainly related to advertising expenses primarily to support the growth of Jeep brand and the Jeep Renegade launch.

In 2013, other unusual expenses were €195 million which included the write-off of previously capitalized research and development related to new model development for Alfa Romeo products which were switched to a new platform considered more appropriate for the brand.

### *2013 compared to 2012*

EMEA EBIT for the year ended December 31, 2013 was a loss of €506 million, an improvement of €219 million, or 30.2 percent (31.9 percent on a constant currency basis), from a loss of €725 million for the year ended December 31, 2012.

The decrease in EMEA EBIT loss was attributable to the combined effect of (i) a decrease in selling, general and administrative costs of €199 million as a result of the cost control measures implemented in response to the European market weakness, including efforts to improve the focus of advertising initiatives, (ii) a decrease in industrial costs of €139 million attributable to industrial efficiencies driven by the WCM program and purchasing savings implemented and (iii) a positive volume and mix impact of €77 million, primarily driven by the Fiat 500 family of vehicles, the effects of which were partially offset by (iv) unfavorable net pricing effects of €172 million, attributable to increased competitive pressure, particularly in the first half of 2013, and (v) a decrease in the results of investments of €16 million.

## Ferrari

(€ million, except percentages and shipments which are in thousands of units)	For the Years Ended December 31,						Increase/(decrease)			
	% of segment net revenues		% of segment net revenues		% of segment net revenues					
	2014	2013	2014	2013	2014	2013	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013 vs. 2012
Net revenues	2,762	100.0%	2,335	100.0%	2,225	100.0%	427	18.3%	110	4.9%
EBIT	389	14.1%	364	15.6%	335	15.1%	25	6.9%	29	8.7%
Shipments	7	n.m.	7	n.m.	7	n.m.	0	0	0	0

### Net Revenues

#### 2014 compared to 2013

For the year ended December 31, 2014, Ferrari net revenues were €2.8 billion, an increase of €0.4 billion, or 18.3 percent, from €2.3 billion for the year ended December 31, 2013. The increase was primarily attributable to the increased volumes and improved vehicle mix driven by the contribution of the LaFerrari model.

#### 2013 compared to 2012

Ferrari net revenues for the year ended December 31, 2013 were €2.3 billion, an increase of €0.1 billion, or 4.9 percent, from €2.2 billion for the year ended December 31, 2012. The total increase of €0.1 billion was primarily attributable to the launch of the production and sale of engines to Maserati for use in their new vehicles in 2013.

### EBIT

#### 2014 compared to 2013

Ferrari EBIT for the year ended December 31, 2014, was €389 million, an increase of €25 million, or 6.9 percent from €364 million for the year ended December 31, 2013. For 2014 EBIT includes an unusual charge of €15 million in compensation cost related to the resignation of the former chairman. Increase in EBIT was attributable to higher volumes and improved sales mix largely driven by the contribution of the LaFerrari model.

#### 2013 compared to 2012

Ferrari EBIT for 2013 was €364 million, an increase of €29 million, or 8.7 percent, from €335 million for 2012, attributable to favorable vehicle mix and an increase in the contribution from licensing activities and revenues from the personalization of vehicles.

## Maserati

(€ million, except percentages and shipments which are in thousands of units)	For the Years Ended December 31,						Increase/(decrease)			
	% of segment net revenues		% of segment net revenues		% of segment net revenues					
	2014	2013	2014	2013	2014	2013	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013 vs. 2012
Net revenues	2,767	100.0%	1,659	100.0%	755	100.0%	1,108	66.8%	904	119.7%
EBIT	275	9.9%	106	6.4%	57	7.5%	169	159.4%	49	86.0%
Shipments	36	n.m.	15	n.m.	6	n.m.	21	140.0%	9	150.0%

### Net revenues

#### *2014 compared to 2013*

Maserati net revenues were €2.8 billion, an increase of €1.1 billion, or 66.8 percent from €1.7 billion for the year ended December 31, 2013, primarily driven by an increase in vehicle shipments from 15 thousand units for the year ended December 31, 2013, to 36 thousand units for the year ended December 31, 2014.

#### *2013 compared to 2012*

Maserati net revenues for 2013 were €1.7 billion, an increase of €0.9 billion, from €0.8 billion for 2012. The increase of €0.9 billion was largely attributable to the increase in vehicle shipments driven primarily by the 2013 launches of the new Quattroporte model in March and the new Ghibli in October.

### ***EBIT***

#### *2014 compared to 2013*

Maserati EBIT for the year ended December 31, 2014 was €275 million, an increase of €169 million, or 159.4 percent, from €106 million for the year ended December 31, 2013. The increase was primarily driven by the growth in shipments, as previously discussed. In 2013, EBIT included €65 million in unusual charges related to the write-down of previously capitalized development costs following the decision to switch a future model to a more technically advanced platform.

#### *2013 compared to 2012*

Maserati EBIT for 2013 was €106 million, an increase of €49 million, or 86.0 percent, from €57 million for 2012, attributable to the combined effect of strong volume growth driven by the previously described 2013 product launches, which was partially offset by an increase in other unusual expenses of €65 million related to the write-down of capitalized development costs related to a new model, which will be developed on a more technically advanced platform considered more appropriate for the Maserati brand.

## Components

(€ million, except percentages)	For the Years Ended December 31,						Increase/(decrease)	
	2014	% of segment net revenues	2013	% of segment net revenues	2012	% of segment net revenues	2014 vs. 2013	2013 vs. 2012
<b>Magneti Marelli</b>								
Net revenues	6,500		5,988		5,828		512	8.6 %
EBIT	204		169		131		35	20.7 %
<b>Teksid</b>								
Net revenues	639		688		780		(49)	(7.1)%
EBIT	(4)		(70)		4		66	(94.3)%
<b>Comau</b>								
Net revenues	1,550		1,463		1,482		87	5.9 %
EBIT	60		47		30		13	27.7 %
<b>Intrasegment eliminations</b>								
Net revenues	(70)		(59)		(60)		(11)	18.6 %
<b>Components</b>								
Net revenues	8,619	100.0%	8,080	100.0%	8,030	100.0%	539	6.7 %
EBIT	260	3.0%	146	1.8%	165	2.1%	114	78.1 %

## Net revenues

### 2014 compared to 2013

Components net revenues for the year ended December 31, 2014, revenues were €8.6 billion, an increase of €0.5 billion, or 6.7 percent (9.3 percent on a constant currency basis), from €8.1 billion for the year ended December 31, 2013.

### Magneti Marelli

Magneti Marelli net revenues for the year ended December 31, 2014, were €6.5 billion, an increase of €0.5 billion, or 8.6 percent, from €6.0 billion for the year ended December 31, 2013 primarily reflecting positive performance in North America, China and Europe, partially offset by performance in Brazil, which was impacted by the weakening of the Brazilian Real against the Euro.

### Teksid

Teksid net revenues for the year ended December 31, 2014 were €639 million, a decrease of €49 million, or 7.1 percent, from €688 million for the year ended December 31, 2013, primarily attributable to a 4.0 percent decrease in cast iron business volumes, which were partially offset by a 24.0 percent increase in aluminum business volumes.

### Comau

Comau net revenues for the year ended December 31, 2014 were €1.6 billion, an increase of €0.1 billion, or 5.9 percent, from €1.5 billion for the year ended December 31, 2013, mainly attributable to the body welding business.

### *2013 compared to 2012*

Components net revenues for the year ended December 31, 2013 were €8.1 billion, an increase of €0.1 billion, or 0.6 percent (4.4 percent on a constant currency basis), from €8.0 billion for the year ended December 2012.

#### *Magneti Marelli*

Magneti Marelli net revenues for 2013 were €6.0 billion, an increase of €0.2 billion, or 2.7 percent, from €5.8 billion for 2012, primarily driven by the performance of the automotive lighting and to a lesser extent, the electronics business units. See *Overview—Components Segment—Magneti Marelli* for a description of the Magneti Marelli business lines. In particular, the automotive lighting net revenues increased by 11.6 percent driven by large orders from Asian and North American OEM clients, and the effect of the full-year contribution of lighting solutions launched in the second half of 2012, while electronics net revenues increased by 7.0 percent, driven by the trend of increasingly technologically advanced vehicle components.

#### *Teksid*

Teksid net revenues for the year ended December 31, 2013 were €0.7 billion, a decrease of €0.1 billion, or 11.8 percent, from €0.8 billion for 2012, attributable to a €0.1 billion decrease in net revenues from the cast iron business, attributable to a decrease in iron prices and a decrease in cast iron volumes sold.

#### *Comau*

Comau net revenues for both years ended December 31, 2013 and December 31, 2012 were €1.5 billion, attributable to the combined effects of (i) an increase in body welding revenues supported by large orders from European and North American customers, which was offset by (ii) decreased powertrain revenues. See *Overview—Components Segment—Comau* for a description of the Comau business lines.

### **EBIT**

### *2014 compared to 2013*

Components EBIT for the year ended December 31, 2014 was €260 million, an increase of €114 million, or 78.1 percent, from €146 million for the year ended December 31, 2013.

#### *Magneti Marelli*

Magneti Marelli EBIT for the year ended December 31, 2014 EBIT was €204 million, an increase of €35 million, 20.7 percent, from €169 million for the year ended December 31, 2013. EBIT includes unusual charges of €20 million for 2014 (unusual income of €1 million for 2013). Excluding these unusual charges, EBIT increased by €56 million, mainly reflecting higher volumes and the benefit of cost containment actions and efficiencies.

#### *Teksid*

Teksid EBIT loss for the year ended December 31, 2014 was €4 million, a decrease of €66 million, from an EBIT loss of €70 million for the year ended December 31, 2013. In 2013, EBIT included unusual charges of €60 million, mainly related to impairment of assets in the Cast Iron business unit.

### *Comau*

Comau EBIT for the year ended December 31, 2014 was €60 million, an increase of €13 million, or 27.7 percent, from €47 million for the year ended December 31, 2013, primarily due to volume in body welding operations and an improved mix.

### *2013 compared to 2012*

Components EBIT for the year ended December 31, 2013 was €146 million, a decrease of €19 million, or 11.5 percent (6.7 percent on a constant currency basis), from €165 million for the year ended December 31, 2012.

### *Magneti Marelli*

Magneti Marelli EBIT for the year ended December 31, 2013 was €169 million, an increase of €38 million, or 29.0 percent, from €131 million for the year ended December 31, 2012, attributable to the previously described increase in net revenues, which was partially offset by higher costs incurred in relation to product launches in North America, and the impact of unusual charges recognized in 2012.

### *Teksid*

Teksid EBIT for the year ended December 31, 2013 was a loss of €70 million, compared to a gain of €4 million for the year ended December 31, 2012, attributable to the combined effects of volume decreases from the cast iron business, and €60 million other unusual expenses, related to asset impairments of the cast iron business.

### *Comau*

Comau EBIT for the year ended December 31, 2013 was €47 million, an increase of €17 million, or 56.7 percent, from €30 million for the year ended December 31, 2012, primarily attributable to the body welding operations.

## **Liquidity and Capital Resources**

### *Liquidity Overview*

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, and 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 2015 are expected to be approximately between €8.5 and €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 sales volumes. As is typical for an automotive manufacturer, we have significant fixed costs, and therefore, changes in our vehicle sales volume can have a significant effect on profitability and liquidity. We generally receive payment for sales of vehicles to 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 sales, there is generally a corresponding positive impact on our cash flow and liquidity. Conversely, during periods in which vehicle sales decline, there

is generally a corresponding negative impact on our cash flow and liquidity. Thus, 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 sales of vehicles, fleet sales and part sales tend to be longer due to different payment terms. Although we regularly enter into factoring transactions for such receivables in certain countries, in order to anticipate collections and transfer relevant risks to the factor, a change in volumes of such sales 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. Finally, working capital can be affected by the trend and seasonality of sales under vehicle buy-back programs.

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 and fulfilling 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, main funding operations and liquidity investment of the Group, excluding FCA US, are centrally coordinated by dedicated treasury companies 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. See *Overview—Industry Overview—Financial Services*.

FCA US continues to manage its liquidity independently from the rest of the Group. Intercompany financing from FCA US to other Group entities is not restricted other than through the application of covenants requiring that transactions with related parties be conducted at arm's length terms or be approved by a majority of the "disinterested" members of the Board of Directors of FCA US. In addition, certain of FCA US's financing agreements place restrictions on the distributions which it is permitted to make. In particular, dividend distributions, other than certain exceptions including certain permitted distributions and distributions with respect to taxes, are generally limited to an amount not to exceed 50.0 percent of cumulative consolidated net income (as defined in the agreements) from January 1, 2012.

FCA has not provided any guarantee, commitment or similar obligation in relation to any of FCA US's financial indebtedness, nor has it assumed any kind of obligation or commitment to fund FCA US. However, certain bonds issued by FCA and its subsidiaries (other than FCA US and its subsidiaries) include covenants which may be affected by circumstances related to FCA US, in particular there are cross-default clauses which may accelerate repayments in the event that FCA US fails to pay certain of its debt obligations.

At December 31, 2014 the treasury companies of the Group, excluding FCA US and its subsidiaries, had access to approximately €3.3 billion of medium/long term committed credit lines expiring beyond 12 months (€3.2 billion at December 31, 2013), of which €2.1 billion relate to the three year syndicated revolving credit line due in July 2016 which was undrawn at December 31, 2014 and December 31, 2013.

Additionally, the operating entities of the Group, excluding FCA US and its subsidiaries, have access to dedicated credit facilities in order to fund investments and working capital requirements. In particular the Brazilian companies have committed credit lines available, mainly in relation to the set-up of our new plant in the State of Pernambuco, Brazil, with residual maturities after twelve months, to fund scheduled investments, of which approximately €0.9 billion was undrawn at December 31, 2014 (approximately €1.8 billion was undrawn at December 31, 2013).

FCA US has access to a revolving credit facility of U.S. \$1.3 billion (€1.1 billion), maturing in May 2016, or the Revolving Credit Facility, which was also undrawn at December 31, 2014 and December 31, 2013. See —*Total Available Liquidity* below.

The following pages discuss in more detail the principal covenants relating to the Group's revolving credit facilities and certain other financing agreements. At December 31, 2014 and at December 31, 2013, the Group was in compliance with all covenants under its financing agreements.

Long-term liquidity requirements may involve some level of debt refinancing as outstanding debt becomes due or we are required to make amortization or other 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 our principal competitors.

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 *Risk Factors* section.

#### *Total Available Liquidity*

At December 31, 2014, our total available liquidity was €26.2 billion (€22.7 billion at December 31, 2013), including €3.2 billion available under undrawn committed credit lines, primarily related to the €2.1 billion three year syndicated revolving credit line and the U.S.\$1.3 billion (approximately €1.1 billion) Revolving Credit Facility of FCA US. The terms of the Revolving Credit Facility require FCA US to maintain a minimum liquidity of U.S.\$3.0 billion (€2.5 billion), which include any undrawn amounts under the Revolving Credit Facility. Total available liquidity includes cash and cash equivalents and current securities. Total available liquidity is subject to intra-month, foreign exchange and seasonal fluctuations resulting from business and collection-payment cycles as well as to changes in foreign exchange conversion rates.

The following table summarizes our total available liquidity:

(€ million)	As of December 31,		
	2014	2013	2012
Cash, cash equivalent and current securities <sup>(1)</sup>	23,050	19,702	17,922
Undrawn committed credit lines <sup>(2)</sup>	3,171	3,043	2,935
<b>Total available liquidity <sup>(3)</sup></b>	<b>26,221</b>	<b>22,745</b>	<b>20,857</b>

(1) Current securities comprise short term or marketable securities which represent temporary investments but which 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).

(2) Excludes the undrawn €0.9 billion medium/long-term dedicated credit lines available to fund scheduled investments as of December 31, 2014 (€1.8 billion was undrawn as of December 31, 2013 and €1.3 billion was undrawn as of December 31, 2012).

(3) The majority of our liquidity is available to our treasury operations in Europe, U.S. (subject to the previously discussed restrictions on FCA US distributions) and Brazil; however, liquidity is also available to certain subsidiaries which operate in other areas. 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 represented above.

Our liquidity is principally denominated in U.S. Dollar and in Euro. Out of the total €23.0 billion of cash, cash equivalents and current securities available at December 31, 2014 (€19.7 billion at December 31, 2013, €17.9 billion at December 31, 2012), €10.6 billion, or 46.0 percent were denominated in U.S. Dollar (€8.3 billion, or 42.1 percent, at December 31, 2013) and €6.2 billion, or 27.0 percent, were denominated in Euro (€6.1 billion, or 31.0 percent, at December 31, 2013). Liquidity available in Brazil and denominated in Brazilian Reals accounted for €1.6 billion or 7.0 percent at



December 31, 2014 (€1.5 billion, or 7.6 percent, at December 31, 2013), with the remainder being distributed in various countries and denominated in the relevant local currencies.

The increase in total available liquidity from December 31, 2013 to December 31, 2014 primarily reflects a €3,385 million increase in cash and cash equivalents. Refer to *Cash Flows*, below for additional information regarding change in cash and cash equivalents.

#### *Acquisition of the Remaining Equity Interest in FCA US*

On January 1, 2014 we announced an agreement with the VEBA Trust, under which our wholly owned subsidiary, FCA North America Holdings LLC (“FCA NA”, formerly known as Fiat North America LLC), would acquire the remaining 41.5 percent ownership interest in FCA US held by the VEBA Trust for total consideration of U.S.\$3,650 million (equivalent to €2,691 million). The transaction closed on January 21, 2014. The consideration for the acquisition consisted of:

- a special distribution paid by FCA US to its members on January 21, 2014 of U.S.\$1,900 million (equivalent to €1,404 million) wherein FCA NA directed its portion of the special distribution to the VEBA Trust as part of the purchase consideration which served to fund a portion of the transaction; and
- a cash payment by FCA NA to the VEBA Trust of U.S.\$1,750 million (equivalent to €1.3 billion) on January 21, 2014.

The distribution from FCA US was funded from FCA US’s available cash on hand. The payment by FCA NA was funded by Fiat’s available cash on hand.

#### *FCA US New Debt Issuances and Prepayment of VEBA Trust Note*

In February 2014, FCA US prepaid all amounts outstanding including accrued and unpaid interest of approximately U.S.\$5.0 billion (€3.6 billion) related to its financial liability to the VEBA Trust, or the VEBA Trust Note. Such prepayment was financed by FCA US as follows:

- proceeds from new senior credit facilities – a U.S.\$250 million (€181 million) incremental term loan under FCA US’s existing tranche B term loan facility that matures on May 24, 2017 and a new U.S.\$1,750 million (€1.3 billion) term loan, issued under a new term loan credit facility, that matures on December 31, 2018;
- proceeds from secured senior notes due 2019 – issuance of U.S.\$1,375 million (€1.0 billion) aggregate principal amount of 8.0 percent secured senior notes due June 15, 2019, at an issue price of 108.25 percent of the aggregate principal amount, which were incremental to the secured senior notes due 2019 that were issued in May 2011, (together, the 2019 Notes); and
- proceeds from secured senior notes due 2021 – issuance of U.S.\$1,380 million (€1.0 billion) aggregate principal amount of 8.25 percent secured senior notes due June 15, 2021 at an issue price of 110.5 percent of the aggregate principal amount, which were incremental to the secured senior notes due 2021 that were issued in May 2011, (together, the 2021 Notes).

The 2019 Notes and the 2021 Notes are collectively referred to as the Secured Senior Notes.

## Cash Flows

### *Year Ended December 31, 2014 compared to Years Ended December 31, 2013 and 2012*

The following table summarizes the cash flows from operating, investing and financing activities for each of the years ended December 31, 2014, 2013 and 2012. For a complete discussion of our cash flows, see our Consolidated statement of cash flows included in our Consolidated financial statements included elsewhere in this report.

(€ million)	2014	2013	2012
<b>Cash and cash equivalents at beginning of the period</b>	<b>19,455</b>	<b>17,666</b>	<b>17,526</b>
Cash flows from operating activities during the year	8,169	7,618	6,492
Cash flows used in investing activities	(8,140)	(8,054)	(7,542)
Cash flows from financing activities	2,137	3,136	1,610
Translation exchange differences	1,219	(911)	(420)
Total change in cash and cash equivalents	3,385	1,789	140
<b>Cash and cash equivalents at end of the period</b>	<b>22,840</b>	<b>19,455</b>	<b>17,666</b>

### Operating Activities — Year Ended December 31, 2014

For the year ended December 31, 2014, our net cash from operating activities was €8,169 million and was primarily the result of:

- (i) net profit of €632 million adjusted to add back (a) €4,897 million for depreciation and amortization expense and (b) other non-cash items of €352 million, which primarily include (i) €381 million related to the non-cash portion of the expense recognized in connection with the execution of the MOU Agreement entered into by the UAW and FCA US on January 21, 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 not previously owned;
- (ii) a net increase of €1,239 million in provisions, mainly related to a €1,023 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 €216 million increase in employees benefits mainly related to U.S. and Canada pension plan as lower discount rates impact was not fully offset by higher return on assets;
- (iii) positive impact of change in working capital of €965 million primarily driven by (a) €1,495 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) €123 million decrease in trade receivables in addition to (b) €21 million increase in net other current assets and liabilities, which were partially offset by (d) €674 million increase in inventory (net of vehicles sold under buy-back commitments), 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 from jointly-controlled entities.

The translation exchange differences in the period were positive for €1,219 million and mainly reflect the increase in Euro translated value of U.S. Dollar denominated cash and cash equivalent balances, due to the appreciation of the U.S. Dollar, as compared to December 31, 2013.

Operating Activities — Year Ended December 31, 2013

For the year ended December 31, 2013, our net cash from operating activities was €7,618 million and was primarily the result of:

- (i) net profit of €1,951 million adjusted to add back (a) €4,635 million for depreciation and amortization expense and (b) other non-cash items of €535 million, which primarily include €336 million of impairment losses on tangible and intangible assets, €59 million loss related to the devaluation of the official exchange rate of the VEF per U.S. Dollar, €56 million write-off of the book value of the equity recapture rights resulting from the acquisition of the remaining 41.5 interest in FCA US that was not previously owned, €105 million of write-down in financial assets from the lending portfolio of our financial services activities, partially offset by €74 million of the share of profit or loss of equity method investees;
- (ii) positive impact of change in working capital of €1,410 million primarily driven by (a) €1,328 million increase in trade payables, mainly related to increased production in NAFTA as a result of increased consumer demand for our vehicles, and increased production of Maserati, (b) €817 million in net other current assets and liabilities, mainly related to increases in accrued expenses and deferred income as well as indirect taxes payables, (c) €213 million decrease in trade receivables, principally due to the contraction of sales volumes in EMEA and LATAM which were partially offset by (d) €948 million increase in inventory (net of vehicles sold under buy-back commitments), mainly related to increased finished vehicle and work in process levels at December 31, 2013 compared to December 31, 2012, in part driven by higher production levels in late 2013 to meet anticipated consumer demand in NAFTA, APAC and Maserati segment;
- (iii) a net increase of €457 million in provisions, mainly related to accrued sales incentives due to increased dealer stock levels at December 31, 2013 compared to December 31, 2012 to support increased sales volumes; which were partially offset by a net reduction in the post-retirement benefit reserve; and
- (iv) €92 million dividends received from jointly-controlled entities.

These positive contributions were partially offset by:

- (i) €1,578 million non-cash impact of deferred taxes mainly arising from the recognition of previously unrecognized deferred tax assets relating to FCA US.

Operating Activities — Year Ended December 31, 2012

For the year ended December 31, 2012, our net cash from operating activities was €6,492 million and was primarily the result of:

- (i) net profit of €896 million, adjusted to add back (a) €4,201 million for depreciation and amortization expense, (b) other non-cash items of €582 million, which primarily include €515 million following the retrospective application of the IAS 19 - *Employee Benefits* revised from January 1, 2013, €106 million of impairment losses on tangible and intangible assets and €50 million of write-down in financial assets from the lending portfolio of our financial services activities, partially offset by €74 million of the share of profit or loss of equity method investees, and €31 million related to the non-cash gain on fair value measurement of equity swaps on Fiat and CNHI ordinary shares and (c) net losses of €105 million on disposal of property, plant and

equipment and intangible assets, and investments primarily related to the termination of the joint venture Sevelnord Societ  Anonyme for  91 million;

- (ii) change in net working capital of  689 million primarily driven by (a)  506 million increase in trade payables, mainly related to increased production in response to increased consumer demand of our vehicles especially in NAFTA and APAC, partially offset by reduced production and sales levels in EMEA, (b)  961 million in other current assets and liabilities, primarily due to increases in accrued expenses, deferred income and taxes which were partially offset by (c)  572 million increase in inventory (net of vehicles sold under buy-back commitments), primarily due to increased finished vehicle and work in process levels at December 31, 2012 versus December 31, 2011, driven by an increase in our vehicle inventory levels in order to support consumer demand in NAFTA and APAC and (d)  206 million increase in trade receivables, primarily due to an increase in receivables from third party international dealers and distributors due to increased sales at the end of 2012 as compared to 2011 due to consumer demand;
- (iii) a net increase of  63 million in provisions, mainly related to accrued sales incentives due to increased dealer stock levels at December 31, 2012 compared to December 31, 2011 to support increased sales volumes which were partially offset by a net reduction in the post-retirement benefit reserve; and
- (iv)  89 million dividends received from jointly-controlled entities.

#### Investing Activities — Year Ended December 31, 2014

For the year ended December 31, 2014, net cash used in investing activities was  8,140 million and was primarily the result of:

- (i)  8,121 million of capital expenditures, including  2,267 million of capitalized development costs, to support investments in existing and future products. Capital expenditure primarily relates to the mass-market operations in NAFTA and EMEA and the ongoing construction of the new plant at Pernambuco, Brazil, and
- (ii)  137 million of a net increase in receivables from financing activities, of which  104 million related to the increased lending portfolio of the financial services activities of the Group and  31 million related to increased financial receivables due from jointly controlled financial services companies.

#### Investing Activities — Year Ended December 31, 2013

For the year ended December 31, 2013, our net cash used in investing activities was  8,054 million, and was primarily the result of:

- (i)  7,492 million of capital expenditures, including  2,042 million of capitalized development costs, to support our investments in existing and future products. The capitalized development costs primarily include materials costs and personnel related expenses relating to engineering, design and development focused on content enhancement of existing vehicles, new models and powertrain programs in NAFTA and EMEA. The remaining capital expenditure primarily relates to the car mass-market operations in NAFTA and EMEA and the ongoing construction of the new LATAM plant at Pernambuco, Brazil;
- (ii)  166 million related to equity investments, which principally includes  94 million of additional investment in RCS MediaGroup S.p.A.,  37 million of capital injection into the 50.0 percent joint venture related to GAC Fiat Chrysler Automobiles Co.Ltd (previously known as GAC Fiat Automobiles Co. Ltd.); and

- (iii) €459 million of net increase in receivables from financing activities, primarily due to the increased lending portfolio of the financial services activities of the Group.

These cash outflows were partially offset by:

- (i) €59 million proceeds from the sale of tangible and intangible assets.

#### Investing Activities — Year Ended December 31, 2012

For the year ended December 31, 2012, our net cash used in investing activities was €7,542 million, and was primarily the result of:

- (i) €7,564 million of capital expenditures, including €2,138 million of capitalized development costs, to support our investments in existing and future products;

partially offset by:

- (ii) €118 million proceeds from the sale of tangible assets.

#### Financing Activities — Year Ended December 31, 2014

For the year ended December 31, 2014, net cash from financing activities was €2,137 million and was primarily the result of:

- (i) net proceeds from the mandatory convertible securities issuance due 2016 of €2,245 million and the net proceeds from the offering of 100 million common shares of €849 million;
- (ii) proceeds from bond issuances for a total amount of €4,629 million which includes (a) approximately €2,556 million of notes issued as part of the Global Medium Term Notes Program (“GMTN Program”) 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 repay the VEBA Trust Note;
- (iii) proceeds from new medium-term borrowings for a total of €4,876 million, which include (a) the incremental term loan entered into by FCA US of U.S.\$250 million (€181 million) under its existing 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 new medium term borrowing in Brazil; and
- (iv) a positive net contribution of €548 million from the net change in other financial payables and other financial assets/liabilities.

These positive items, were partially offset by:

- (i) 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. In particular the consideration for the acquisition consisted of a special distribution paid by FCA US to its members on January 21, 2014 of U.S.\$1,900 million (€1,404 million) (FCA NA’s portion of the special distribution was assigned to the VEBA Trust as part of the purchase consideration) which served to fund a portion of the transaction; and a cash payment by FCA NA to the VEBA Trust of U.S.\$1,750 million (€1.3 billion). The special distribution by FCA US and the cash payment by FCA NA for an aggregate amount of €2,691 million

is classified as acquisition of non-controlling interest while the tax distribution (€45 million) is classified separately in the Statement of cash flows in the Consolidated financial statements included elsewhere in this report,

- (ii) payment of medium-term borrowings for a total of €5,838 million, mainly related to the prepayment of all amounts under the VEBA Trust Note amounting to approximately U.S.\$5 billion (€3.6 billion), including accrued and unpaid interest, and repayment of medium term borrowings primarily in Brazil;
- (iii) the repayment on maturity of notes issued under the GMTN Program, for a total principal amount of €2,150 million;
- (iv) the net cash disbursement of €417 million for the exercise of cash exit rights in connection with the Merger.

#### Financing Activities —Year Ended December 31, 2013

For the year ended December 31, 2013, net cash from financing activities was €3,136 million and was primarily the result of:

- (i) proceeds from bond issuances for a total amount of €2,866 million, relating to notes issued as part of the GMTN Program
- (ii) the repayment on maturity of notes issued under the GMTN Program in 2006, for a total principal amount of €1 billion;
- (iii) proceeds from new medium-term borrowings for a total of €3,188 million, which mainly include (a) new borrowings by the Brazilian companies for €1,686 million, primarily in relation to investments in the country (b) €400 million loan granted by the European Investment Bank in order to fund our investments and research and development costs in Europe and (c) €595 million (U.S.\$790 million) related to the amendments and re-pricings in 2013 of the U.S.\$3.0 billion tranche B term loan which matures May 24, 2017 and the revolving credit facility that matures in May 2016. In particular, pursuant to such amendments and re-pricings in 2013, an amount of U.S.\$790 million of the outstanding principal balance of the U.S.\$3.0 billion tranche B term loan which matures May 24, 2017 was repaid. However, new and continuing lenders acquired the portion of such loan, therefore the principal balance outstanding did not change. Refer to —*FCA US Senior Credit Facilities*, below, for additional information regarding this transaction;
- (iv) repayment of medium-term borrowings on their maturity for a total of €2,558 million, including the €595 million (U.S.\$790 million) relating to the amendments and re-pricings of the Senior Credit Facilities described above; and
- (v) a positive net contribution of €677 million from the net change in other financial payables and other financial assets/liabilities.

#### Financing Activities —Year Ended December 31, 2012

For the year ended December 31, 2012, net cash from financing activities was €1,610 million and was primarily the result of:

- (i) proceeds from bond issuances for a total amount of €2,535 million, relating to notes issued as part of the GMTN Program;

- (ii) the repayment on maturity of notes issued as part of the GMTN Program in 2009, for a total principal amount of €1,450 million;
- (iii) proceeds from new medium-term borrowings for a total of €1,925 million, which include new borrowings by the Brazilian companies for €1,236 million, mainly in relation to investments and operations in the country;
- (iv) repayment of medium-term borrowings on their maturity for a total of €1,535 million;
- (v) a positive net contribution of €171 million from the net change in other financial payables and other financial assets/liabilities; and
- (vi) dividends paid to shareholders and minorities for a total €58 million.

### Net Industrial Debt

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 table details our Net Debt for industrial activities and financial services at December 31, 2014 and December 31, 2013.

All FCA US activities are included under industrial activities. Since FCA US's treasury activities (including funding and cash management) are managed separately from the rest of the Group we also provide the analysis of Net Industrial Debt split between FCA excluding FCA US, and FCA US.

(€ million)	December 31, 2014					December 31, 2013				
	Industrial Activities		Financial Services	Consolidated		Industrial Activities		Financial Services	Consolidated	
	Total	FCA ex FCA -US	FCA US			Total	FCA ex FCA US	FCA US		
Third Parties Debt (Principal)	(31,381)	(21,011)	(10,370)	(1,980)	(33,361)	(27,624)	(18,325)	(9,299)	(2,031)	(29,655)
Capital Market <sup>(1)</sup>	(17,378)	(12,473)	(4,905)	(351)	(17,729)	(13,981)	(11,661)	(2,320)	(239)	(14,220)
Bank Debt	(11,904)	(7,484)	(4,420)	(1,216)	(13,120)	(7,635)	(5,095)	(2,540)	(1,297)	(8,932)
Other Debt <sup>(2)</sup>	(2,099)	(1,054)	(1,045)	(413)	(2,512)	(6,008)	(1,569)	(4,439)	(495)	(6,503)
Accrued Interest and Other Adjustments <sup>(4)</sup>	(362)	(200)	(162)	(1)	(363)	(626)	(467)	(159)	(2)	(628)
<b>Debt with third Parties</b>	<b>(31,743)</b>	<b>(21,211)</b>	<b>(10,532)</b>	<b>(1,981)</b>	<b>(33,724)</b>	<b>(28,250)</b>	<b>(18,792)</b>	<b>(9,458)</b>	<b>(2,033)</b>	<b>(30,283)</b>
Intercompany Financial Receivables/Payables (net) <sup>(4)</sup>	1,453	1,515	(62)	(1,453)	—	1,336	1,415	(79)	(1,336)	—
Current financial receivables from jointly-controlled financial services companies <sup>(5)</sup>	58	58	—	—	58	27	27	—	—	27
Debt, net of intercompany and current financial receivables from jointly-controlled financial services companies	(30,232)	(19,638)	(10,594)	(3,434)	(33,666)	(26,887)	(17,350)	(9,537)	(3,369)	(30,256)
Other financial assets/(liabilities) (net) <sup>(6)</sup>	(229)	(251)	22	(4)	(233)	399	323	76	(3)	396
Current securities	180	180	—	30	210	219	219	—	28	247
Cash and cash equivalents	22,627	10,653	11,974	213	22,840	19,255	9,579	9,676	200	19,455
<b>Net Debt</b>	<b>(7,654)</b>	<b>(9,056)</b>	<b>1,402</b>	<b>(3,195)</b>	<b>(10,849)</b>	<b>(7,014)</b>	<b>(7,229)</b>	<b>215</b>	<b>(3,144)</b>	<b>(10,158)</b>

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- (1) Includes bonds (€16,980 million at December 31, 2014 and €13,966 million at December 31, 2013) and other securities issued in financial markets (€749 million, which includes the coupon related to mandatory convertible securities issuance, at December 31, 2014 and €254 million at December 31, 2013 mainly from LATAM financial services companies.
  - (2) Includes The VEBA Trust Note (€3,419 million at December 31, 2013), Canadian HCT notes (€620 million at December 31, 2014 and €664 million at December 31, 2013), asset backed financing, i.e. sales of receivables for which de-recognition is not allowed under IFRS (€469 million at December 31, 2014 and €756 million at December 31, 2013), arrangements accounted for as a lease under IFRIC 4 -Determining whether an arrangement contains a lease, and other financial payables. All amounts outstanding under the VEBA Trust Note were prepaid on February 7, 2014.
  - (3) Includes adjustments for fair value accounting on debt (€67 million at December 31, 2014 and €78 million at December 31, 2013) and (accrued)/deferred interest and other amortizing cost adjustments (€296 million at December 31, 2014 and €550 million net at December 31, 2013).
  - (4) Net amount between Industrial Activities financial receivables due from Financial Services (€1,595 million at December 31, 2014 and €1,465 million at December 31, 2013 and Industrial Activities financial payables due to Financial Services (€142 million at December 31, 2014 and €129 million at December 31, 2013).
  - (5) Financial receivables from FCA Bank (previously known as FGA Capital S.p.A, or FGAC).
  - (6) Fair value of derivative financial instruments (net negative €271 million at December 31, 2014 and net positive €376 million at December 31, 2013) and collateral deposits (€38 million at December 31, 2014 and €20 million at December 31, 2013).

### *Change in Net Industrial Debt*

The following section sets forth an explanation of the changes in our Net Industrial Debt for the historical periods.

#### *2014*

In 2014 Net Industrial Debt increased by €640 million, from €7,014 million at December 31, 2013 to €7,654 million at December 31, 2014. The movements in Net Industrial Debt were primarily driven by:

- payments for the acquisition of the remaining 41.5 percent interest in FCA US previously not owned, inclusive of approximately 10 percent of previously exercised options subject to ongoing litigation, of €2,691 million (U.S.\$3,650 million);
- investments in industrial activities of €8,119 million representing investments in property, plant and equipment and intangible assets;

The increases noted above were partially offset by the reductions in Net Industrial Debt primarily driven by:

- contribution of the mandatory convertible securities issuance due 2016 of €1,910 million (net proceeds of €2,245 million net of the liability component of €335 million) and the net proceeds from the offering of 100 million common shares of €849 million, net of the exercise of cash exit rights in connection with the Merger for a net aggregate cash disbursement of €417 million;
- cash flow from industrial operating activities of €8,017 million which represents the consolidated cash flow from operating activities of €8,169 million net of the cash flows from operating activities attributable to financial services of €152 million. For an explanation of the drivers in consolidated cash flows from operating activities see the —*Cash Flows* section above.

#### *2013*

In 2013 Net Industrial Debt increased by €64 million, from €6,950 million at December 31, 2012 to €7,014 million at December 31, 2013. The movements in Net Industrial Debt were primarily driven by:

- Cash flow from industrial operating activities of €7,534 million which represents the consolidated cash flow from operating activities of €7,618 million net of the cash flows from operating activities attributable to



financial services of €84 million. For an explanation of the drivers in consolidated cash flows from operating activities see —*Operating Activities —Year Ended December 31, 2013* above;

- Investments in industrial activities property, plant and equipment of €7,486 million, representing the majority of the Group's investments in property, plant and equipment of €7,492 million; and
- Additional investments in RCS MediaGroup S.p.A. for an amount of €94 million.

## 2012

In 2012 Net Industrial Debt increased by €1,090 million, from €5,860 million at January 1, 2012 to €6,950 million at December 31, 2012. The movements in Net Industrial Debt were primarily driven by:

- Cash flow from industrial operating activities of €6,390 million which represents the consolidated cash flow from operating activities of €6,492 million net of the cash flows from operating activities attributable to financial services of €102 million. For an explanation of the drivers in consolidated cash flows from operating activities see —*Operating Activities —Year Ended December 31, 2012*;
- Investments in industrial activities property, plant and equipment of €7,560 million, representing almost all of the Group's investments in property, plant and equipment of €7,564 million; and
- Proceeds from disposals of property, plant and equipment of €127 million representing almost all of the consolidated total of €130 million.

### *Capital Market*

At December 31, 2014 and December 31, 2013 capital market debt mainly relates to notes issued under the GMTN Program by the Group, excluding FCA US, and the Secured Senior Notes of FCA US. In addition we had €749 million (which included the coupon related to issuance of the mandatory convertible securities described in more detail in Note 23 to the Consolidated financial statements included elsewhere in this report) and €254 million short and medium-term marketable financial instruments issued by various subsidiaries, principally in LATAM at December 31, 2014 and December 31, 2013, respectively.

The following table sets forth our outstanding bonds at December 31, 2014 and 2013

	Currency	Face value of outstanding bonds (in million)	Coupon	Maturity	December 31, 2014	December 31, 2013
<b>Global Medium Term Notes:</b>						
					(€ million)	
Fiat Chrysler Finance Europe S.A.	EUR	900	6.125%	July 8, 2014	—	900
Fiat Chrysler Finance Europe S.A.	EUR	1,250	7.625%	September 15, 2014	—	1,250
Fiat Chrysler Finance Europe S.A.	EUR	1,500	6.875%	February 13, 2015	1,500	1,500
Fiat Chrysler Finance Europe S.A.	CHF	425	5.000%	September 7, 2015	353	346
Fiat Chrysler Finance Europe S.A.	EUR	1,000	6.375%	April 1, 2016	1,000	1,000
Fiat Chrysler Finance Europe S.A.	EUR	1,000	7.750%	October 17, 2016	1,000	1,000
Fiat Chrysler Finance Europe S.A.	CHF	400	5.250%	November 23, 2016	333	326
Fiat Chrysler Finance Europe S.A.	EUR	850	7.000%	March 23, 2017	850	850
Fiat Chrysler Finance North America Inc.	EUR	1,000	5.625%	June 12, 2017	1,000	1,000
Fiat Chrysler Finance Europe S.A.	CHF	450	4.000%	November 22, 2017	374	367
Fiat Chrysler Finance Europe S.A.	EUR	1,250	6.625%	March 15, 2018	1,250	1,250
Fiat Chrysler Finance Europe S.A.	EUR	600	7.375%	July 9, 2018	600	600
Fiat Chrysler Finance Europe S.A.	CHF	250	3.125%	September 30, 2019	208	—
Fiat Chrysler Finance Europe S.A.	EUR	1,250	6.750%	October 14, 2019	1,250	1,250
Fiat Chrysler Finance Europe S.A.	EUR	1,000	4.750%	March 22, 2021	1,000	—
Fiat Chrysler Finance Europe S.A.	EUR	1,350	4.750%	July 15, 2022	1,350	—
Others	EUR	7			7	7
<b>Total Global Medium Term Notes</b>					<b>12,075</b>	<b>11,646</b>
<b>Other bonds:</b>						
FCA US (Secured Senior Notes)	U.S.\$	2,875	8.000%	June 15, 2019	2,368	1,088
FCA US (Secured Senior Notes)	U.S.\$	3,080	8.250%	June 15, 2021	2,537	1,232
<b>Total other bonds</b>					<b>4,905</b>	<b>2,320</b>
<b>Hedging effect and amortized cost valuation</b>					<b>668</b>	<b>500</b>
<b>Total bonds</b>					<b>17,648</b>	<b>14,466</b>

#### *Notes Issued Under The GMTN Program*

All bonds issued by the Group, excluding FCA US, are currently governed by the terms and conditions of the GMTN Program. A maximum of €20 billion may be used under this program, of which notes of approximately €12.1 billion have been issued and are outstanding to December 31, 2014 (€11.6 billion at December 31, 2013). The GMTN Program is guaranteed by FCA. We may from time to time buy back bonds in the market that have been issued by the Group. Such buybacks, if made, depend upon market conditions, our financial situation and other factors which could affect such decisions.

The bonds issued by Fiat Chrysler Finance Europe S.A. (formerly known as Fiat Finance and Trade Ltd S.A.) and by Fiat Chrysler Finance North America Inc. (formerly known as Fiat Finance North America Inc.) impose covenants on the

issuer and, in certain cases, on FCA as guarantor, which include: (i) negative pledge clauses which require that, in case any security interest upon assets of the issuer and/or FCA is granted in connection with other bonds or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding bonds; (ii) *pari passu* clauses, under which the bonds rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer and/or FCA; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the bonds under certain events of default on other financial instruments issued by the Group's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the notes. In addition, the agreements for the bonds guaranteed by FCA contain clauses which could require early repayment if there is a change of the controlling shareholder of FCA leading to a resulting a ratings downgrade by ratings agencies.

#### *FCA US Secured Senior Notes*

FCA US may redeem, at any time, all or any portion of the Secured Senior Notes on not less than 30 and not more than 60 days' prior notice mailed to the holders of the Secured Senior Notes to be redeemed.

- Prior to June 15, 2015, the 2019 Notes will be redeemable at a price equal to the principal amount of the 2019 Notes being redeemed, plus accrued and unpaid interest to the date of redemption and a "make-whole" premium calculated under the indenture governing these notes. On and after June 15, 2015, the 2019 Notes are redeemable at redemption prices specified in the 2019 Notes, plus accrued and unpaid interest to the date of redemption. The redemption price is initially 104.0 percent of the principal amount of the 2019 Notes being redeemed for the twelve months beginning June 15, 2015, decreasing to 102.0 percent for the twelve months beginning June 15, 2016 and to par on and after June 15, 2017.
- Prior to June 15, 2016, the 2021 Notes will be redeemable at a price equal to the principal amount of the 2021 Notes being redeemed, plus accrued and unpaid interest to the date of redemption and a "make-whole" premium calculated under the indenture governing these notes. On and after June 15, 2016, the 2021 Notes are redeemable at redemption prices specified in the 2021 Notes, plus accrued and unpaid interest to the date of redemption. The redemption price is initially 104.125 percent of the principal amount of the 2021 Notes being redeemed for the twelve months beginning June 15, 2016, decreasing to 102.750 percent for the twelve months beginning June 15, 2017, to 101.375 percent for the twelve months beginning June 15, 2018 and to par on and after June 15, 2019.

The indenture governing the Secured Senior Notes issued by FCA US includes affirmative covenants, including the reporting of financial results and other developments. The indenture also includes negative covenants which limit FCA US's ability and, in certain instances, the ability of certain of its subsidiaries to, (i) pay dividends or make distributions of FCA US's capital stock or repurchase FCA US's capital stock; (ii) make restricted payments; (iii) create certain liens to secure indebtedness; (iv) enter into sale and leaseback transactions; (v) engage in transactions with affiliates; (vi) merge or consolidate with certain companies and (vii) transfer and sell assets. The indenture provides for customary events of default, including but not limited to, (i) non-payment; (ii) breach of covenants in the indenture; (iii) payment defaults or acceleration of other indebtedness; (iv) a failure to pay certain judgments and (v) certain events of bankruptcy, insolvency and reorganization. If certain events of default occur and are continuing, the trustee or the holders of at least 25.0 percent in aggregate of the principal amount of the Secured Senior Notes outstanding under one of the series may declare all of the notes of that series to be due and payable immediately, together with accrued interest, if any. As of December 31, 2014, FCA US was in compliance with all covenants.

The Secured Senior Notes are secured by security interests junior to the Senior Credit Facilities (as defined below) in substantially all of FCA US's assets and the assets of its U.S. subsidiary guarantors, subject to certain exceptions. The

collateral includes 100.0 percent of the equity interests in FCA US's U.S. subsidiaries and 65.0 percent of the equity interests in certain of its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors.

### ***Bank Debt***

Bank debt principally comprises amounts due under (i) the senior credit facilities of FCA US (€4.0 billion at December 31, 2014 and €2.1 billion at December 31, 2013), (ii) financial liabilities of the Brazilian operating entity (€4.7 billion at December 31, 2014 and €2.9 billion at December 31, 2013) relating to a number of financing arrangements, also with certain Brazilian development banks, primarily used to support capital expenditure, including in our new plant in the State of Pernambuco as well as to fund the financial services business in that country, (iii) loans provided by the European Investment Bank (€1.0 billion at December 31, 2014 and €1.1 billion at December 31, 2013) to fund our investments and research and development costs, (iv) amounts drawn down by FCA excluding FCA US treasury companies under short and medium term credit facilities (€1.4 billion at December 31, 2014 and €1.1 billion at December 31, 2013) and (v) amounts outstanding relating to financing arrangements of Chrysler de Mexico with certain Mexican development banks, amounting to €0.4 billion at December 31, 2014 and 2013.

The main terms and conditions of the principal bank facilities are described as follows.

#### *FCA US Senior Credit Facilities*

The Tranche B Term Loan due 2017 of FCA consists of the existing U.S.\$3.0 billion tranche B term loan (€2,471 million) that matures on May 24, 2017, or the Original Tranche B Term Loan, and an additional U.S.\$250 million (€206 million at December 31, 2014) term loan entered into on February 7, 2014 under the Original Tranche B Term Loan that also matures on May 24, 2017, collectively the Tranche B Term Loan due 2017. The Original Tranche B Term Loan was re-priced in June and in December 2013 and subsequently, all amounts outstanding under Tranche B Term Loan due 2017 will bear interest at FCA'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 year ended December 31, 2014, interest was accrued based on LIBOR. The outstanding principle amount of the Tranche B Term Loan due 2017 is payable in equal quarterly installments of U.S.\$8.1 million (€6.7 million) commencing on March 2014, with the remaining balance due at maturity in May 2017. The Tranche B Term Loan due 2017 was fully drawn and a total of €2,587 million (including accrued interest) was outstanding at December 31, 2014 (€2,119 million including accrued interest at December 31, 2013).

On February 7, 2014, FCA US entered into a new U.S.\$1,750 million (€1,3 billion) tranche B term loan issued under a new term loan credit facility, or the Tranche B Term Loan due 2018, that matures on December 31, 2018. The outstanding principal amount of the Tranche B Term Loan due 2018 is payable in quarterly installments of U.S.\$4.4 million (€3.6 million), commencing June 30, 2014, with the remaining balance due at maturity. The Tranche B Term Loan due 2018 bears interest, at FCA US's option, either at a base rate plus 1.50 percent per annum or at LIBOR plus 2.50 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. At December 31, 2014, a total of €1,421 million (including accrued interest) was outstanding on the Tranche B Term Loan due 2018.

FCA US may pre-pay, refinance or re-price the Tranche B Term Loan due 2017 and the Tranche B Term Loan due 2018 without premium or penalty.

In addition, FCA US had a secured revolving credit facility amounting to U.S.\$1.3 billion (€1.1 billion) which matures in May 2016 and remains undrawn at December 31, 2014. The secured revolving credit facility was also re-priced in June 2013 and as a result, all amounts outstanding under the secured revolving credit facility bear interest, at the option of FCA US, either at a base rate plus 2.25 percent per annum or at LIBOR plus 3.25 percent per annum. At December 31, 2014, the secured revolving credit facility was undrawn.

The Tranche B Term Loan due 2017, Tranche B Term Loan due 2018 and the Revolving Credit Facility, are collectively referred to as the Senior Credit Facilities. Subject to the limitations in the credit agreements governing the Senior Credit Facilities, or the Senior Credit Agreements and the indenture governing the Secured Senior Notes, FCA US has the option to increase the amount of the Revolving Credit Facility in an aggregate principal amount not to exceed U.S.\$700 million (approximately €577 million) subject to certain conditions.

The Senior Credit Facilities are secured by a senior priority security interest in substantially all of FCA US's assets and the assets of its U.S. subsidiary guarantors, subject to certain exceptions. The collateral includes 100.0 percent of the equity interests in FCA US's U.S. subsidiaries and 65.0 percent of the equity interests in its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors.

The Senior Credit Agreements include negative covenants, including but not limited to: (i) limitations on incurrence, repayment and prepayment of indebtedness; (ii) limitations on incurrence of liens; (iii) limitations on making certain payments; (iv) limitations on transactions with affiliates, swap agreements and sale and leaseback transactions; (v) limitations on fundamental changes, including certain asset sales and (vi) restrictions on certain subsidiary distributions. In addition, the Senior Credit Agreements require FCA US to maintain a minimum ratio of "borrowing base" to "covered debt" (as defined in the Senior Credit Agreements), as well as a minimum liquidity of U.S.\$3.0 billion (€2.5 billion), which includes any undrawn amounts on the Revolving Credit Facility.

The Senior Credit Agreements contain a number of events of default related to: (i) failure to make payments when due; (ii) failure to comply with covenants; (iii) breaches of representations and warranties; (iv) certain changes of control; (v) cross-default with certain other debt and hedging agreements and (vi) the failure to pay or post bond for certain material judgments. As of December 31, 2014 FCA US was in compliance with all covenants under the Senior Credit Agreements.

#### *Syndicated Credit Facility of the Group Excluding FCA US*

FCA, excluding FCA US, has a syndicated credit facility in the amount of €2.1 billion, or the Syndicated Credit Facility, which was undrawn at December 31, 2014 and December 31, 2013. The covenants of this facility include financial covenants (Net Debt/Earnings Before Interest, Taxes, Depreciation and Amortization, or EBITDA, and EBITDA/Net Interest ratios related to industrial activities) and negative pledge, *pari passu*, cross default and change of control clauses. The failure to comply with these covenants, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding loans.

The syndicated credit facility currently includes limits to FCA's ability to extend guarantees or loans to FCA US.

#### *European Investment Bank Borrowings*

We have financing agreements with the European Investment Bank, or EIB, for a total of €1.1 billion primarily to support investments and research and development projects. In particular, financing agreements include (i) two facilities of €400 million (maturing in 2018) and €250 million (maturing in 2015) for the purposes of supporting research and development programs in Italy to protect the environment by reducing emissions and improving energy efficiency and (ii) €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.

As of December 31, 2014 and December 31, 2013 these facilities had been fully drawn.

The covenants applicable to the EIB borrowings are similar to those applicable to the Syndicated Credit Facility explained above.

### *Other Debt*

At December 31, 2014, Other debt mainly relates to the unsecured Canadian Health Care Trust notes, or HCT Notes, totaling €651 million including accrued interest (€703 million at December 31, 2013) including accrued interest), which represents FCA US's 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. The HCT Notes were issued in four tranches on December 31, 2010, and have maturities up to 2024. Interest is accrued at the stated rate of 9.0 percent per annum for the HCT tranche A and B notes and 7.5 percent per annum for HCT tranche C note. The HCT tranche D note was fully repaid in 2012. The terms of each of the HCT Notes are substantially similar and provide that each note will rank *pari passu* with all existing and future unsecured and unsubordinated indebtedness for borrowed money of FCA US, and that FCA US will not incur indebtedness for borrowed money that is senior in any respect in right of payment to the HCT Notes.

Other debt at December 31, 2013 also included the VEBA Trust Note (€3,575 million including accrued interest), which represented FCA US's financial liability to the VEBA Trust having a principal amount outstanding of U.S.\$4,715 million (€3,419 million). The VEBA Trust Note was issued by FCA US in connection with the settlement of its obligations related to postretirement healthcare benefits for certain UAW retirees. The VEBA Trust Note had an implied interest rate of 9.0 percent per annum and required annual payments of principal and interest through July 15, 2023. On February 7, 2014, FCA US prepaid the VEBA Trust Note (see —*FCA US New Debt Issuances and Prepayment of VEBA Trust Note*).

The remaining components of Other debt mainly relate to amounts outstanding under finance leases, amounts due to related parties and interest bearing deposits of dealers in Brazil.

At December 31, 2014, debt secured by assets of the Group, excluding FCA US, amounts to €777 million (€432 million at December 31, 2013), of which €379 million (€386 million at December 31, 2013) is 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 amounts to €1,670 million at December 31, 2014 (€418 million at December 31, 2013).

At December 31, 2014, debt secured by assets of FCA US amounts to €9,881 million (€5,180 million at December 31, 2013), and includes €9,093 million (€4,448 million at December 31, 2013) relating to the Secured Senior Notes and the Senior Credit Facilities, €251 million (€165 million at December 31, 2013) was due to creditors for assets acquired under finance leases and other debt and financial commitments for €537 million (€567 million at December 31, 2013).

## Subsequent events and 2015 outlook

### Subsequent events

The Group has evaluated subsequent events through March 5, 2015, which is the date the financial statements were authorized for issuance. There were no subsequent events.

### 2015 Outlook

The Group indicates the following guidance for 2015:

- Worldwide shipments in 4.8 to 5.0 million unit range;
- Net revenues of ~€108 billion;
- EBIT<sup>(\*)</sup> in €4.1 to €4.5 billion range;
- Net Income<sup>(\*)</sup> in €1.0 to €1.2 billion range, with EPS<sup>(\*\*)</sup> in €0.64 to €0.77 range;
- Net Industrial Debt in €7.5 billion to €8.0 billion range.

Figures do not include any impacts for the previously announced capital transactions regarding Ferrari.

<sup>(\*)</sup> Excluding eventual unusual items

<sup>(\*\*)</sup> EPS calculated including the MCS conversion at minimum number of shares at 222 million.

March 5, 2015

#### *The Board of Directors*

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