MANAGEMENT REPORT

COVID-19 update

During the first half of 2020, the COVID-19 virus spread worldwide and was declared a pandemic by the World Health Organization on March 11, 2020. In response, many governments in affected jurisdictions imposed travel bans, quarantines and other emergency public safety measures. For example, governments imposed restrictions on travel and the movement and gathering of people, as well as restrictions on economic activity. At March 4, 2021, many of these measures are still in place as certain regions have experienced secondary waves of the pandemic, with increased cases in recent months.

As the severity of the COVID-19 pandemic became apparent, FCA leadership took actions to protect its employees and communities, as well as strengthen FCA's financial position and limit the impact on FCA's financial performance.

FCA implemented a temporary suspension of production across its facilities: in APAC starting with China on January 23, 2020; in EMEA, starting with Italy from March 11, 2020; in Maserati beginning March 12, 2020; in North America starting progressively from March 18, 2020; and in LATAM on March 23, 2020. The FCA Group also implemented remote working arrangements, where feasible, across all regions at various stages during the first quarter, and has restricted both domestic and international business travel since late February 2020. These arrangements were structured to ensure continuation of critical activities, including, but not limited to, appropriate functioning of FCA's internal controls and financial reporting systems and processes.

FCA worked closely with all relevant stakeholders, including unions and dealer representatives, to develop and implement plans to restart production and vehicle sales once governments in various jurisdictions permitted, including the development of enhanced sanitizing and health and safety procedures. On February 19 and February 24, 2020, production restarted at the GAC Fiat Chrysler Automobiles Co. joint venture plants in Guangzhou and Changsha, China, respectively. Production restarted in all North American plants by June 1, 2020; in India on May 18, 2020; Latin America by May 20, 2020; on April 27, 2020 production restarted at the Sevel joint operation in Atessa, Italy, increasing progressively at other plants in the EMEA region and achieving pre-COVID shift patterns during the third quarter. Return to work procedures for offices and other facilities were also phased in with continued widespread use of remote working practices.

During 2020, FCA management took several key actions to secure its liquidity and financial position, including drawing on existing bilateral lines of credit totaling €1.5 billion and securing an additional incremental bridge credit facility of €3.5 billion, structured as a bridge to capital markets, which was available to be drawn beginning in April and then replaced as noted below. In addition, measures were taken to reduce cash outflows, including: a temporary suspension of a significant number of capital expenditure programs, with no programs cancelled; delaying non-essential spending; temporary lay-offs, salary cuts and deferrals; and significant reductions to marketing and other discretionary spend. On April 21, 2020, the FCA Group drew down its €6.25 billion syndicated revolving credit facility, which was then subsequently repaid by December 31, 2020. On June 24, 2020, the FCA Group announced that FCA Italy S.p.A., a wholly owned subsidiary of Fiat Chrysler Automobiles N.V., and other Italian companies in the FCA Group had signed a 3-year, €6.3 billion credit facility with Intesa Sanpaolo, Italy's largest banking group. On July 1, 2020, the FCA Group confirmed pricing of an offering of €3.5 billion of notes under the Medium Term Note Programme, with settlement on July 7, 2020. The offering comprised (i) €1.25 billion in principal amount of 3.375% notes due July 2023, (ii) € 1.25 billion in principal amount of 3.875% notes due January 2026, and (iii) €1.0 billion in principal amount of 4.500% notes due July 2028, each at an issue price of 100% of the applicable principal amount. The issuance replaced in full the €3.5 billion bridge credit facility above, which was fully cancelled on July 7, 2020, in connection with the settlement of the notes offering. Additionally, on September 18, 2020, FCA announced that it entered into an agreement for a €485 million five-year loan with the European Investment Bank ("EIB") to support production of plug-in hybrid electric ("PHEV") vehicles, which is in addition to the €300 million facility entered into in March 2020 before the COVID-19 pandemic.

The FCA Group also took actions to support the wider community in the countries in which it operates, including: producing protective masks for healthcare workers and first responders, with over one million shipped worldwide during the first quarter and one hundred million produced in Italy by September; in North America and EMEA working with medical equipment manufacturers to support production of ventilators, other medical equipment and personal protective equipment, such as Siare Engineering International Group (Bologna, Italy); in APAC the FCA Group donated personal protective equipment and vehicles; Maserati provided funding scholarships at medical schools; in LATAM, FCA worked on the creation of two makeshift field hospitals close to our plants in Brazil, with a further 100-bed facility constructed in Argentina, as well as the production of face shields, vehicle fleet support and engineering, and production assistance for the manufacturing and servicing of ventilators.

On March 18, 2020, due to the continued uncertainty of market conditions and regional operating restrictions related to the evolving COVID-19 pandemic, FCA withdrew its FY 2020 Guidance. On April 3, 2020, FCA announced that the Annual General Meeting of the Company's shareholders ("AGM") scheduled for April 16, 2020 would be postponed to late June 2020, including the postponement of the resolution on the proposed 2019 €1.1 billion ordinary dividend. Further to the planned 50/50 merger of their businesses announced in December 2019, on May 13, 2020, the board of directors of Fiat Chrysler Automobiles N.V. and the managing board of Peugeot S.A. announced the decision by each company to not distribute an ordinary dividend in 2020 related to financial year 2019, in light of the impact from the COVID-19 crisis. The postponed AGM was held on June 26, 2020.

Amendment to the FCA PSA combination agreement

On September 14, 2020, FCA and PSA announced an amendment to the combination agreement entered into in December 2019 in order to address the liquidity impact on the automotive industry of the COVID-19 pandemic while preserving the economic value and fundamental balance of the original agreement. Specifically, the special dividend to be paid to FCA's shareholders was set at €2.9 billion (previously €5.5 billion) with PSA's 46% stake in Faurecia to be distributed to all Stellantis shareholders promptly after closing following approval by the Stellantis Board and shareholders. As announced on October 28, 2020, FCA and PSA agreed to permit PSA to dispose of, prior to closing, a portion of its interest in Faurecia not to exceed 7 percent of Faurecia's outstanding share capital with the proceeds of this disposal, along with the remainder of PSA's current 46% stake in Faurecia, to be distributed to all Stellantis shareholders. The amendment was unanimously approved by the Boards of both companies with the strong support of their reference shareholders.

Additionally, it was also agreed that the Boards of both PSA and FCA would consider a potential distribution of €500 million to the shareholders of each company before closing or, alternatively, a distribution of €1 billion to be paid following the closing to all Stellantis shareholders. Refer to Note 26, *Equity* within the Consolidated Financial Statements included elsewhere in this report for additional detail on the proposed special cash distribution to holders of Stellantis common shares.

Refer to the following sections for discussion of the related impacts on the results of FCA and mitigating actions taken to protect its workforce, support FCA's communities and manage liquidity:

- *MANAGEMENT DISCUSSION AND ANALYSIS - FCA Group Results*
- *MANAGEMENT DISCUSSION AND ANALYSIS - Results by Segment*
- *MANAGEMENT DISCUSSION AND ANALYSIS - Liquidity and Capital Resources*
- *Risk Factors*
- *Consolidated Financial Statements*

FCA SELECTED FINANCIAL DATA

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

- the Consolidated Financial Statements of FCA as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, included elsewhere in this report; and
- the Consolidated Financial Statements of FCA as of December 31, 2018, 2017 and 2016, for the years ended December 31, 2017 and 2016, except for the classification of Magneti Marelli as a discontinued operation as noted below, which are not included in this report.

This data should be read in conjunction with *Presentation of Financial and Other Data*, *Risk Factors*, the *FINANCIAL OVERVIEW* section and the Consolidated Financial Statements and related notes included elsewhere in this report.

Consolidated Income Statement Data

	Years ended December 31,				
	2020	**2019[(1)]**	**2018[(1)]**	**2017[(1)]**	**2016[(1)]**
	(€ million, except per share amounts)				
Net revenues	€ 86,676	€ 108,187	€ 110,412	€ 105,730	€ 105,798
Profit before taxes	€ 1,356	€ 4,021	€ 4,108	€ 5,879	€ 2,950
Net profit from continuing operations	€ 24	€ 2,700	€ 3,330	€ 3,291	€ 1,713
Profit from discontinued operations, net of tax	€ —	€ 3,930	€ 302	€ 219	€ 101
Net profit	€ 24	€ 6,630	€ 3,632	€ 3,510	€ 1,814
Net profit/(loss) attributable to:					
Owners of the parent	*€ 29*	*€ 6,622*	*€ 3,608*	*€ 3,491*	*€ 1,803*
Non-controlling interests	*€ (5)*	*€ 8*	*€ 24*	*€ 19*	*€ 11*
Earnings per share from continuing operations					
Basic earnings per share	€ 0.02	€ 1.72	€ 2.15	€ 2.14	€ 1.13
Diluted earnings per share	€ 0.02	€ 1.71	€ 2.12	€ 2.11	€ 1.12
Earnings per share from discontinued operations					
Basic earnings per share	€ —	€ 2.51	€ 0.18	€ 0.14	€ 0.06
Diluted earnings per share	€ —	€ 2.50	€ 0.18	€ 0.13	€ 0.06
Earnings per share from continuing and discontinued operations					
Basic earnings per share	€ 0.02	€ 4.23	€ 2.33	€ 2.27	€ 1.19
Diluted earnings per share	€ 0.02	€ 4.22	€ 2.30	€ 2.24	€ 1.18
Other Statistical Information (unaudited):					
Combined shipments (in thousands of units)[(2)]	3,435	4,418	4,842	4,740	4,720
Consolidated shipments (in thousands of units)[(3)]	3,254	4,272	4,655	4,423	4,482

(1) The operating results of FCA for the years ended December 31, 2019, 2018, 2017 and 2016 exclude Magneti Marelli following the classification of Magneti Marelli as a discontinued operation for the year ended December 31, 2018, and until its deconsolidation on completion of the sale transaction on May 2, 2019; Magneti Marelli operating results were excluded from the FCA Group's continuing operations and are presented as a single line within the Consolidated Income Statement data for the years ended December 31, 2019, 2018, 2017 and 2016 presented above, and until its deconsolidation on completion of the sale transaction on May 2, 2019.

(2) Combined shipments include shipments by the FCA Group's consolidated subsidiaries and unconsolidated joint ventures.

(3) Consolidated shipments only include shipments by the FCA Group's consolidated subsidiaries.

Consolidated Statement of Financial Position Data

	At December 31,									
	2020[1]		2019[1,2]		2018[1,2]		2017[1,2]		2016[1,2]	
	(€ million, except shares issued data)									
Cash and cash equivalents	€	23,846	€	15,014	€	12,450	€	12,638	€	17,318
Total assets	€	99,730	€	98,044	€	96,873	€	96,299	€	104,343
Debt	€	21,117	€	12,901	€	14,528	€	17,971	€	24,048
Total equity	€	25,861	€	28,675	€	24,903	€	20,987	€	19,353
Equity attributable to owners of the parent	*€*	*25,737*	*€*	*28,537*	*€*	*24,702*	*€*	*20,819*	*€*	*19,168*
Non-controlling interests	*€*	*124*	*€*	*138*	*€*	*201*	*€*	*168*	*€*	*185*
Share capital	€	20	€	20	€	19	€	19	€	19
Shares issued (in thousands)										
Common[3]		1,574,714		1,567,519		1,550,618		1,540,090		1,527,966
Special Voting[3]		449,619		408,942		408,942		408,942		408,942
Dividends paid, per share[4]										
Ordinary dividends paid, per share	€	—	€	0.65	€	—	€	—	€	—
Extraordinary dividends paid, per share	€	—	€	1.30	€	—	€	—	€	—

(1) The assets and liabilities of the cast iron automotive components business of Teksid were classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2020 and at December 31, 2019, while the assets and liabilities of the cast iron automotive components business of Teksid have not been classified as such within the comparative Consolidated Statements of Financial Position at December 31, 2018, 2017 and 2016. Refer to Note 3, Scope of consolidation within the Consolidated Financial Statements included elsewhere in this report.

(2) The assets and liabilities of Magneti Marelli were classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2018, while the assets and liabilities of Magneti Marelli have not been classified as such within the comparative Consolidated Statements of Financial Position at December 31, 2017 and 2016.

(3) Refer to Note 26, Equity, within the Consolidated Financial Statements included elsewhere in this report.

(4) On March 2, 2021, the Board of Directors resolved to propose to the Annual General Meeting the approval of a special cash distribution of €0.32 per common share (approximately US$0.39, based on the closing spot rate at December 31, 2020) corresponding to a total distribution of approximately €1 billion. Refer to Note 26, Equity within the Consolidated Financial Statements included elsewhere in this report for additional detail.

In accordance with the combination agreement, on January 4, 2021 FCA declared a conditional special cash distribution of €1.84 per common share (approximately US$2.26 based on the closing spot rate at December 31, 2020) corresponding to a total distribution of approximately €2.9 billion, payable to holders of FCA common shares of record as of the close of business on Friday, January 15, 2021. The cash distribution was paid on January 29, 2021.

The FCA Board of Directors intended to recommend to the 2020 Annual General Meeting of Shareholders an annual ordinary dividend distribution to holders of FCA common shares of €0.70 (approximately US$0.79, based on the closing spot rate at December 31, 2019) per common share. On May 13, 2020, the board of directors of Fiat Chrysler Automobiles N.V. announced the decision to not distribute an ordinary dividend in 2020 related to financial year 2019, in light of the impact from the COVID-19 crisis.

GROUP OVERVIEW

Prior to the completion of the merger, FCA was a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide through over a hundred manufacturing facilities and over forty research and development centers. At December 31, 2020, FCA had operations in forty countries and sold its vehicles directly or through distributors and dealers in more than a hundred and thirty countries. FCA designed, engineered, manufactured, distributed and sold vehicles for the mass-market under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands and the SRT performance vehicle designation. For its mass-market vehicle brands, FCA centralized design, engineering, development and manufacturing operations, to allow it to efficiently operate on a global scale. FCA historically supported its vehicle shipments with the sale of related service parts and accessories, as well as service contracts, worldwide under the Mopar brand name for mass-market vehicles. In addition, it designed, engineered, manufactured, distributed and sold luxury vehicles under the Maserati brand. FCA made available retail and dealer financing, leasing and rental services through its subsidiaries, joint ventures and commercial arrangements with third party financial institutions. In addition, FCA historically operated in the components and production systems sectors under the Teksid and Comau brands. Refer to Note 3, *Scope of consolidation* in the Consolidated Financial Statements included elsewhere in this report for detail on the expected sale of Teksid's cast iron automotive components business. As announced in December 2019, Stellantis will continue work on the separation of its holding in Comau.

In 2020, FCA shipped 3.4 million vehicles (including the FCA Group's unconsolidated joint ventures), resulting in Net revenues of €86.7 billion and Net profit of €24 million, and generated €0.6 billion of Industrial free cash flows (See *Non-GAAP Financial Measures*). At December 31, 2020, FCA's available liquidity was €31.4 billion (including €7.3 billion available under undrawn committed credit lines).

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

In 2020, PSA was the second largest car manufacturer in Europe based on the volume of sold vehicles and operated 18 production sites across the world. PSA sold 2.5 million vehicles and generated revenue of €60.7 billion and operating income of €3.1 billion in the fiscal year ended December 31, 2020. PSA designed, engineered, manufactured, distributed and sold vehicles for the mass-market under the Peugeot, Citroën, DS Automobiles, Opel and Vauxhall brands.

History of FCA

Fiat Chrysler Automobiles N.V. was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on April 1, 2014 and became the parent company of the FCA Group on October 12, 2014.

Fiat S.p.A., the predecessor to FCA, was founded as *Fabbrica Italiana Automobili Torino* on July 11, 1899 in Turin, Italy as an automobile manufacturer. In 1902, Giovanni Agnelli, Fiat S.p.A.'s founder, became the Managing Director of the company.

FCA US LLC, then known as Chrysler Group LLC, ("FCA US") acquired the principal operating assets of the former Chrysler LLC in 2009 as part of a government-sponsored restructuring of the North American automotive industry. Between 2009 and 2014, Fiat S.p.A. expanded its initial 20 percent ownership interest to 100 percent of the ownership of FCA US and on October 12, 2014, Fiat S.p.A. completed a corporate reorganization resulting in the establishment of FCA NV as the parent company of the FCA Group, with its principal executive offices in the United Kingdom. FCA common shares commenced trading on the Milan Mercato Telematico Azionario ("MTA") and the New York Stock Exchange ("NYSE") on October 13, 2014. As a result, FCA NV, as successor of Fiat S.p.A., became the parent company of the FCA Group.

In January 2011, the separation of Fiat S.p.A.'s non-automotive capital goods business was completed with the creation of Fiat Industrial, now known as CNH Industrial N.V.

The spin-off of Ferrari N.V. from the FCA Group was completed in January 2016. The assets and liabilities of the Ferrari segment were distributed to holders of FCA shares and mandatory convertible securities.

Magneti Marelli Sale

On October 22, 2018, FCA announced a definitive agreement to sell its Magneti Marelli business to CK Holdings Co., Ltd, completing the sale on May 2, 2019. Refer to Note 3, *Scope of consolidation* within the Consolidated Financial Statements included elsewhere within this report for additional information.

FCA-PSA Merger

On December 17, 2019, FCA and PSA entered into a combination agreement providing for a merger of their businesses.

On January 16, 2021, PSA merged with and into FCA. By virtue of the merger, FCA issued 1.742 FCA common shares for each outstanding PSA ordinary share and each PSA ordinary share ceased to exist. Each issued and outstanding common share of FCA remained unchanged as one common share in FCA. The surviving entity changed its name to Stellantis N.V. on January 17, 2021, which was the accounting acquisition date for the business combination. Refer to the section "*About this report"* included elsewhere in this report and Note 31, *Subsequent events* included within the Consolidated Financial Statements for additional information on the legal and accounting impacts arising from the merger.

Stellantis has sales in more than 130 countries, industrial operations in nearly 30 countries, a strong R&D global footprint and leading market positions in North America, Europe and Latin America.

The principal office of Stellantis is located at Singaporestraat 92-100, Lijnden P7 1175 RA, The Netherlands (telephone number: +31 20 3421 707). Its agent for U.S. federal securities law purposes is Christopher J. Pardi, c/o FCA US LLC, 1000 Chrysler Drive, Auburn Hills, Michigan 48326.

Faurecia Distribution

On January 25, 2021, an extraordinary general meeting of the shareholders was convened in order to approve the distribution by Stellantis to the holders of its common shares of up to 54,297,006 ordinary shares of Faurecia (an automotive equipment supplier) and up to €308 million, which are the proceeds received by Peugeot S.A. from the sale of certain ordinary shares of Faurecia in October 2020. The distribution represents the legacy PSA ownership in Faurecia and approximately 39 percent of the share capital of Faurecia. The extraordinary general meeting of shareholders to approve the distribution will be held on March 8, 2021.

Major Shareholders

As of March 3, 2021, the largest shareholders of Stellantis were Exor N.V. (“Exor”) (holding 14.40 percent of the outstanding common shares), Établissements Peugeot Frères (“EPF”) (holding 7.19 percent of the outstanding common shares), Bpifrance Participations S.A. via Lion Participations SAS (“BPI”) (holding 6.18 percent of the outstanding common shares) and Dongfeng Motor Group Company Ltd. and Dongfeng Motor (Hong-Kong) International Co Ltd. (“Dongfeng”) (holding 5.62 percent of the outstanding common shares). As of March 3, 2021, none of these shareholders held any special voting shares of Stellantis.

Upon the effectiveness of the merger, on January 16, 2021, PSA shareholders received 1.742 FCA common shares for each PSA ordinary share held immediately prior to the merger as consideration in connection with the merger, which represented 1,545,220,196 shares. In addition, all special voting shares of FCA held by Exor were repurchased by FCA for no consideration. Therefore, none of our major shareholders held any special voting shares immediately following the merger. Refer to Note 31, *Subsequent events* included within the Consolidated Financial Statements included elsewhere in this report for additional detail on the merger.

As of March 3, 2021 the share capital of the Company consists of the following: 3,119,934,695 common shares and 208,622 special voting shares are issued and outstanding.

Based on the information in Stellantis’s shareholder register, regulatory filings with the AFM and the SEC and other sources available to Stellantis, the following persons owned, directly or indirectly, in excess of three percent of Stellantis’s capital and/or voting interest as of March 3, 2021:

Stellantis Shareholders	Number of Issued Common Shares(1)	Percentage of Issued Common Shares
Exor(2)	449,410,092	14.40
EPF(3)	224,228,121	7.19
BPI(4)	192,703,907	6.18
Dongfeng(5)	175,283,907	5.62

(1) Issued shares includes common shares as well as 449,618,714 special voting shares of which 208,622 are owned by shareholders and 449,410,092 are held in treasury by Stellantis N.V. Refer also to Corporate Governance - Articles of Association and Information on Stellantis Shares - Share Capital for additional information.
(2) Exor owns 449,410,092 common shares (12.59 percent of the issued shares).
(3) EPF, through FFP and its subsidiary Maillot I, owns 224,228,121 common shares (6.28 percent of the issued shares)
(4) BPI owns 192,703,907 common shares (5.40 percent of the issued shares). BPI is a joint venture of EPIC Bpifrance (Bpi Groupe) and Caisse des Dépots et Consignations (both holding a 49.3% interest in Bpifrance SA). Caisse des Dépots et Consignations also (directly and indirectly) holds an additional 9.338.752 Stellantis Common Shares, representing an additional 0.30% of the common shares and 0.26% of the issued share capital and voting rights of Stellantis
(5) Dongfeng owns 175,283,907 common shares (4.91 percent of the issued shares). Refer to “Risk Factors - Resales of Stellantis common shares following the merger may cause the market value of Stellantis common shares to decline.” included elsewhere in this report for additional information on the requirement for Dongfeng to sell part of its shareholding.

Based on the information in FCA’s shareholder register and other sources available to us, as of January 4, 2021, approximately 450 million FCA common shares, or approximately 29% percent of the FCA common shares, were held in the United States. As of the same date, approximately 740 record holders of FCA common shares had registered addresses in the United States. In addition, based on the information in PSA’s shareholders register and other sources available to PSA, as of December 31, 2020, approximately 167 million PSA ordinary shares, or approximately 18.6 percent of the PSA ordinary shares, were held in the United States. Information on the portion of Stellantis common shares held in the United States or the number of record holders in the United States as of a date following the merger is not yet available.

Until the date that is three years after closing of the merger, Exor, BPI and EPF are subject to a lock-up in respect of their shareholdings in Stellantis, except that BPI is permitted to reduce its shareholdings by a stake no greater than 2.5 percent of Stellantis common shares. We have agreed to release each such shareholder from its respective lock-up obligation in the event the Board of Directors recommends a transaction in which a person or group would acquire 50 percent or more of the Stellantis common shares (including a merger of Stellantis with or into another entity unless the shareholders of Stellantis immediately prior to the merger are entitled to receive more than the majority of the share capital and voting rights in the surviving entity of the merger).

Expected Merger Synergies

As a result of the merger, we expect that we will achieve significant synergies from the integration of the legacy FCA and PSA businesses, in particular in the following four areas:

- *Technology, Platforms and Products*. The sharing and convergence of PSA's and FCA's respective platforms, modules and systems, along with the optimization of R&D investments, with manufacturing processes and tooling, is expected to create significant efficiencies, in particular, as investments will be amortized over the combined Group production;

- *Purchasing*. Procurement savings are expected to result from leveraging the Group's enlarged scale, leading to lower product costs (in particular in respect to electric or high tech components), improved price alignment and broader access to new suppliers;

- *Selling, General and Administrative Expenses ("SG&A")*. Savings are expected from the integration of functions such as sales and marketing, and the optimization of costs in regions where both FCA and PSA had a well-established presence (*i.e.*, Europe and Latin America); and

- *All Other Functions*. Synergies are expected from the optimization of other functions, including logistics, where savings are expected from the optimization of logistics for new cars and the effect of the procurement volume increase on FCA's and PSA's combined expenditures, as well as supply chain, quality and after-market operations.

We expect that annual industrial synergies at steady state will be more than €5 billion, with approximately 80 percent of synergies expected to be achieved by the end of 2024. Approximately 75 percent of synergies are expected to arise from technology, platform and product convergences and procurement savings, and the remaining approximately 25% of synergies from SG&A and all other functions. Synergy savings are expected to exceed implementation costs within the first year, and the total one-time costs to achieve these synergies is currently estimated at approximately €4 billion.

Overview of Our Business

FCA's activities during the year ended December 31, 2020, were carried out through the following five reportable segments:

(i) North America: FCA's operations to support the distribution and sale of mass-market vehicles in the United States, Canada, Mexico and Caribbean islands, primarily under the Jeep, Ram, Dodge, Chrysler, Fiat, Alfa Romeo and Abarth brands;

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

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

(iv) EMEA: FCA's operations to support the distribution and sale of mass-market vehicles in Europe (which includes the 27 members of the European Union, the UK and the members of the European Free Trade Association), the Middle East and Africa, primarily under the Fiat, Fiat Professional, Jeep, Alfa Romeo, Lancia, Abarth, Ram and Dodge brands; and

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

FCA also owned or held interests in companies operating in other activities and businesses. These activities were grouped under "Other Activities", which primarily consisted of FCA's industrial automation systems design and production business, under the Comau brand name, and its cast iron and aluminum business, which produced cast iron components for engines, gearboxes, transmissions and suspension systems, and aluminum cylinder heads and engine blocks, under the Teksid brand name, as well as companies that provided services, including accounting, payroll, tax, insurance, purchasing, information technology, facility management and security for the FCA Group, and managed central treasury activities. Refer to Note 3, *Scope of consolidation* in the Consolidated Financial Statements included elsewhere in this report for detail on the announced sale of Teksid's cast iron automotive components business.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

During the year ended December 31, 2020, PSA's business was organized into three main divisions:

- the automotive division, covered the design, manufacture and sale of passenger vehicles and light commercial vehicles under the Peugeot, Citroën and DS brands (collectively, "PCD"), and Opel and Vauxhall brands (collectively, "OV"), as well as after-sales, maintenance, repair and spare parts operations;

- the automotive equipment division, which corresponded to the operations of the Faurecia group and comprised four business groups which included interiors (covering instrument panels, door panels and complete cockpits), seating, clean mobility (covering exhaust systems technology) and Clarion Electronics (covering cockpit electronics and low-speed advanced driver assistance systems); and

- the finance division, corresponded to Banque PSA Finance ("BPF"). BPF which operated in 17 countries and provided retail financing to customers of the Peugeot, Citroën, DS, Opel and Vauxhall brands, as well as wholesale financing to the brands' dealer networks. BPF primarily operated through two major partnerships in Europe, with Group Santander Consumer Finance ("Santander") for the Peugeot, Citroën and DS brands, and with BNP Paribas Personal Finance ("BNP") for the Opel and Vauxhall brands. BPF is a regulated credit institution overseen by European and French banking regulators, including the European Central Bank and the French Autorité de Contrôle Prudentiel et de Résolution.

PSA's other activities were reported under "Other Businesses", which mainly included the activities of PSA's holding company, Peugeot S.A., PSA's 25 percent interest in the GEFCO Group, an automotive logistics and supply chain management company and its Free2Move brand, which combines PSA's connected car and mobility service offerings.

Definitions and abbreviations

Passenger cars include sedans, station wagons and three- and five-door hatchbacks, that may range in size from "micro" or "A-segment" vehicles of less than 3.7 meters in length to "large" or "F-segment" cars that are greater than 5.1 meters in length.

Utility vehicles ("UVs") include sport utility vehicles ("SUVs"), which are available with four-wheel drive systems that provide true off-road capabilities, and crossover utility vehicles, ("CUVs"), which are not designed for heavy off-road use. UVs can be divided among six main groups, ranging from "micro" or "A-segment", defined as UVs that are less than 3.9 meters in length, to "large" or "F-segment", defined as UVs that are greater than 5.2 meters in length.

Light trucks may be divided between vans (also known as light commercial vehicles, or "LCVs"), which typically are used for the transportation of goods or groups of people, and pickup trucks, which are light motor vehicles with an open-top rear cargo area. Minivans, also known as multi-purpose vehicles ("MPVs") typically have seating for up to eight passengers.

A vehicle is characterized as "all-new" if its vehicle platform is significantly different from the platform used in the prior model year and/or it has had a full exterior renewal.

A vehicle is characterized as "significantly refreshed" if it continues its previous vehicle platform but has extensive changes or upgrades from the prior model year.

Design and Manufacturing

FCA has historically sold mass-market vehicles in the SUV, passenger car, truck and LCV markets. FCA's SUV and CUV portfolio includes the Jeep Gladiator, Grand Cherokee, Cherokee, Wrangler, Renegade, Compass, Maserati Levante, Dodge Durango, Journey and Alfa Romeo Stelvio. The passenger car product portfolio includes vehicles such as the Fiat 500, Alfa Romeo Giulia, Maserati Quattroporte, Dodge Challenger and Charger, Chrysler 300 and Lancia Ypsilon and minivans such as the Chrysler Pacifica. FCA sold light duty and heavy duty pickup trucks such as the Ram 1500, Ram 2500/3500, the Fiat Toro and Fiat Strada, and chassis cabs such as the all-new Ram 3500/4500/5500. FCA's LCVs include vans such as the Fiat Professional Doblò, Fiat Professional Ducato and Ram ProMaster. In addition, full electric versions of the Fiat 500 and Fiat Ducato, and PHEV versions of the Chrysler Pacifica, Jeep Commander, Jeep Wrangler, Jeep Compass and Jeep Renegade are also offered.

FCA deployed World Class Manufacturing ("WCM") principles throughout its manufacturing operations. WCM principles were developed by the WCM Association, a non-profit organization dedicated to developing superior manufacturing standards. FCA was the only Original Equipment Manufacturer ("OEM") that is a member of the WCM Association. WCM fosters a manufacturing culture that targets improved safety, quality and efficiency, as well as the elimination of all types of waste. Unlike some other advanced manufacturing programs, WCM is designed to prioritize issues, focus on those initiatives believed likely to yield the most significant savings and improvements, and direct resources to those initiatives. FCA also offered several types of WCM programs to its suppliers whereby they can learn and incorporate WCM principles into their own operations.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

PSA historically sold mass-market vehicles in the passenger car and LCV markets. PSA's passenger car product portfolio included vehicles such as Peugeot 108, 208, 308, 2008, 3008, 5008, 508 and Citroën C1, C3, C3 Aircross, C4, C4 Cactus, C4 Spacetourer, C5 Aircross, DS 3 Crossback, DS 7 Crossback and Opel Vauxhall Corsa, Astra, Crossland, Grandland, Mokka, Insignia. PSA's LCVs included vans such as Peugeot Partner, Expert, Boxer, Rifter and Traveller as well as Citroën Berlingo, Jumpy, Jumper and Spacetourer and Opel Vauxhall Combo, Vivaro, Movano and Zafira Life.

Research and Development

FCA historically engaged in research and development activities aimed at improving the design, performance, safety, energy efficiency, reliability, consumer perception and sustainability of its products and services. As of December 31, 2020, FCA operated 44 research and development centers worldwide with a combined headcount of approximately 18 thousand employees supporting its research and development efforts.

With respect to product development, FCA's recent research initiatives were mainly concentrated in the areas of mobility electrification, automated driving, and connectivity technologies. Significant activity also continued to reduce overall vehicle energy demand, fuel consumption and emissions based on traditional technologies. In particular, fuel consumption and emissions reduction activities were primarily focused on powertrain technologies, including engines, transmissions, axles and drivelines, hybrid and electric propulsion and alternative fuels.

Vehicle Energy Demand

Vehicle energy demand-focused research and development recently concentrated on reducing weight, aerodynamic drag, tire rolling resistance, brake drag torque, driveline parasitic losses, heating and air conditioning, and electrical loads. FCA also continued to refine technical solutions and systems aimed at improving energy use according to operating conditions, such as active grille shutters, active front air dams, adjustable height suspension, variable speed fuel pumps, variable displacement air conditioning compressors and high efficiency brushless electric motors for cooling fans.

Powertrain Technologies

Electrified Vehicles Technology

FCA's suite of electrification technologies included 12 volt engine stop/start, 48 volt mild hybrid, high voltage plug-in hybrid, and full battery electric vehicles. These developments occurred at FCA's technical centers primarily in Auburn Hills (Michigan, USA), Modena and Turin (Italy). Substantial work was also performed with suppliers and universities located around the globe.

In addition, a fully electric variant of the Fiat 500, the Fiat 500e, launched in October 2020 and is manufactured for the European market at the Mirafiori plant in Turin, Italy. The Fiat 500e is offered in electric ranges of 320 km and 180 km. The Fiat Ducato Electric was also unveiled in 2019 and is expected to be launched in early 2021 in Europe.

In 2020, a new 12-volt BSG 3 cylinder 1.0L naturally-aspirated engine was launched in the Fiat Panda, Fiat 500 and Lancia Ypsilon in Europe. The new Maserati Ghibli mild hybrid launched in September 2020 equipped with a 2.0L turbo with ebooster and 48-volt BSG, the first step in Maserati's electrification path.

The Chrysler Pacifica plug-in hybrid achieves an efficiency rating of 82 miles per gallon equivalent ("MPGe"), based on U.S. Environmental Protection Agency testing standards and has an approximately 72 percent reduction in CO_2 compared to the non-hybrid Chrysler Pacifica. Power to the wheels is supplied via a 16 kWh battery through the hybrid electric drive system, which is comprised of a specially adapted version of the award winning Pentastar 3.6L V-6 engine and the eFlite hybrid transmission.

At the 2019 Geneva International Motor Show, FCA presented plug-in hybrid variants of the Jeep Renegade and Jeep Compass. The electric units are integrated into the new 1.3L turbo gasoline engine to increase efficiency and overall power with the simultaneous action of the internal combustion engine and the electric motor delivering up to 240 hp. The Jeep Renegade and Compass 4xe launched in mid-2020 for the European market, with the ability to travel 0-100 km/h in almost 7.5 seconds and drive up to 50 km on full electric propulsion at zero emission. The Jeep hybrid lineup is expected to be further expanded in early 2021 with the launch of the Jeep Wrangler 4xe for North America, Europe and China markets.

In 2018, FCA launched three applications of mild hybrids using belt starter generator ("BSG") technology. BSG technology offers improvements in fuel economy and a reduction in CO_2 emissions. The 48 volt mild hybrid technology is marketed as "eTorque" in the Jeep Wrangler equipped with the 3.6L V-6 engine, and the Ram 1500 5.7L V-8 and 3.6L V-6 applications. The system offers faster and smoother stop/start functionality, a real-time powertrain efficiency optimization manager which balances motor and engine torque, enhanced and extended fuel shut-off during certain maneuvers, and regenerative braking to recharge the 48 volt battery. The system also delivers significant gains in fuel economy.

The development of a Battery Hub at the Mirafiori plant in Turin, Italy, has begun and is expected to be dedicated to battery assembly and also host prototyping. Furthermore, in the Mirafiori plant area and close to the Battery Hub, a Battery Lab with state-of-the-art equipment for battery testing will be set up and be operational in early 2022.

FCA's internal research and development activities have also been supplemented via collaboration with academic partners. One such example is a project in partnership with McMaster University (Canada), focused on developing next-generation, energy efficient, high performance, cost effective electrified powertrain components and control systems suitable for a range of vehicle applications. In Italy, a partnership with Polytechnic of Turin is in place, mainly focused on resources training and development of new electrified powertrain components.

Engines

In 2020, FCA continued development of the global small and global medium displacement gasoline engine families to improve fuel economy and emissions, adding new versions to better suit market needs. The global small engine ("GSE") family includes three and four cylinder naturally aspirated and turbocharged versions. Each engine family features a modular approach using a shared cylinder design, allowing for different engine configurations, displacements, efficiency and power outputs. These engine families have been fully deployed to cover a large range of vehicle applications including features and technologies such as direct fuel injection, downsizing, integrated exhaust manifold, MultiAir variable valve lift, turbocharging, and cooled exhaust gas recirculation. All of these features enable the engine families to be competitive with respect to fuel consumption, performance, weight, noise, vibration and harshness behavior.

In 2020, FCA also developed a new 3.0L V-6 gasoline engine adding turbulent jet ignition (TJI) technology, dramatically increasing power output. A 1.0L GSE three cylinder engine mild hybrid was launched in EMEA in 2020, while a high output supercharged version of the global medium engine T4 was developed to support the Maserati lineup.

Transmissions, Axles and Driveline

In support of global fuel consumption and CO_2 requirements, FCA introduced two hybridized transmission systems. The 2020 Jeep Renegade 4xe and Compass 4xe feature two electric motors (engine mounted and replacing the rear axle) and a 6-speed automatic transmission to facilitate seamless transitions between conventional and EV driving modes. In the 2021 Jeep Wrangler 4xe, FCA introduced an 8-speed plug-in hybrid transmission with a compact electric motor with output up to 100 kilowatts and 245 Newton-meters of torque. These products join the dedicated hybrid transmission (the eFlite) used in the Chrysler Pacifica plug-in hybrid and Jeep Commander plug-in hybrid produced by GAC Fiat Chrysler Automobiles Co., FCA's joint venture with Guangzhou Automobiles Group Co., Ltd in China.

Additionally, FCA continued to investigate technologies to improve the efficiency of its 8 and 9-speed transmissions with lower viscosity automatic transmission fluid, auxiliary electric oil pumps and advanced torque converter designs.

The 6-speed manual transmission for rear-wheel drive applications, introduced on the Jeep Wrangler and Jeep Gladiator, offers optimized ratio spread to allow the engine to operate more efficiently. Industrialization began in 2019 for enhanced and updated variants of FCA's small and midsize front-wheel drive manual transmissions and high efficiency bearings have been incorporated in updates to midsize front-wheel drive manual transmissions.

The 2021 Ram 1500 TRX introduces a new, larger center section rear axle with electronic locking differential and an upgraded front axle for increased performance and off-road capability. Additionally, upgraded axles and drivelines were provided to support increased power and torque ratings on the Maserati Levante, Ghibli and Quattroporte.

The 2021 Jeep Gladiator introduces an Off-Road Plus software feature to enhance traction performance, allowing the rear axle to lock in 4HI mode and at higher speeds. The 2021 Jeep Wrangler 4xe with hybrid transmission offers a transfer case for improved noise, vibration and harshness. The 2021 Ram Heavy Duty Max Tow offers an upgraded rear axle to support increased torque and payload capability. The 2021 Alfa Romeo Giulia and Stelvio offer new front and rear axle ratios that contribute to reduced CO_2. Additionally, the 2021 Chrysler Pacifica also offers an all-wheel drive option for improved all-weather performance.

Compressed Natural Gas

FCA was historically among the EU-market leaders in compressed natural gas ("CNG") propulsion. From 1997 to 2020, FCA's output of CNG-powered vehicles in Europe exceeded 780,000 vehicles.

Automated Driving Technology

In July 2020, FCA announced a second phase of its collaboration with Waymo (formerly the Google self-driving car project). The first phase integrated Waymo's self-driving technology into the Chrysler Pacifica Hybrid as a development platform for the fully automated fleets that Waymo is operating in several cities around the United States. The second phase is expected to focus on LCVs to explore the potential of Level 4 automation for goods distribution.

FCA has launched "partial automation" vehicle technology with SAE Level 2 capability on the all-new full electric Fiat 500 and Maserati Quattroporte models and includes Mobileye vision technology. Previous versions of this technology had been limited to designated highways, but these vehicles allow the technology to be used on a wider variety of road types. Expanded Level 2 capability is expected to be released on additional vehicles in 2021.

Started with Aptiv in 2018, FCA's development of an SAE Level 2+ (hands-off the wheel) automated driving system is now testing a fleet of vehicles with this capability with a planned launch in 2021.

A team of FCA engineers has been integrated in an autonomous vehicle development team with BMW in Munich, Germany to work on development of an SAE Level 3 (hands-off the wheel, eyes-off the road) capable automated driving platform. Beginning in 2020, FCA had prototype vehicles running early versions of this system on public roads in Italy and the U.S.

Connectivity

FCA launched cloud-based global connectivity in EMEA and China in 2019 and in North America in 2020. The roll-out is expected to be extended to Latin America in early 2021. This connectivity platform allows software updates to key systems in the vehicle and the addition of new or upgraded features via over-the-air services. The connectivity services leverage a new infotainment system based on the Android operating system. The unit, launched in the all-new full electric Fiat 500 in 2020 in EMEA, supports new connected features in the e-Mobility platform. The Dynamic Range Mapping app determines the maximum distance that can be driven based on the state of the charge and other factors, then overlays an area that can be driven onto the display map. The app also allows viewing of the charging points located nearby and displays a graphic indication of those that can be reached based on current battery charge level.

Maps are kept up to date using over-the-air updates. The My Car service can also check the battery charge of the all-new full electric Fiat 500 remotely. The My Remote app enables customers to schedule vehicle charging for the most convenient time slots, locate the nearest public charging stations, pay directly from their smartphone providing access to a network of 200,000 charging points throughout Europe, find the car's exact location, lock and unlock the doors, turn the lights on and off, and program the air conditioning system. The same e-Mobility features are expected to be progressively made available for all legacy FCA PHEV and BEV vehicles.

Compliance-focused Initiatives by Region

The regulatory environment outlook across FCA's four major regions showed continued CO_2 reductions, ranging from 25-30 percent between 2019 and 2024. This anticipated regulatory stringency balanced with customer preferences guided research and development for future products and is highlighted below by region and key product segment.

North America

The U.S. policy is complex with three separate CO_2 regulations, but it also contains a flexible array of new technology incentives to encourage industry movement toward an electrified future. For instance, U.S. regulation includes a tax credit to purchasers of up to U.S.$7,500 to incentivize demand and help to offset relatively low fuel prices and increasing consumer preference for SUVs and pickup trucks. This incentive is available on the first 200,000 qualifying electrified vehicles sold by each OEM and then begins to phase-out.

U.S. consumers tend to have long commutes and ready access to charging capability at home. FCA planned, by 2022, for more than 5 percent of its overall fleet (including commercial vehicles) to be high voltage electrified powertrain versions, with a focus on plug-in systems, more than 15 percent of the fleet to be equipped with mild hybrid systems and less than 80 percent to retain conventional internal combustion engines. The compliance strategy for the combined company is currently being assessed by Stellantis management.

Canadian CO_2 policy largely mirrors U.S. requirements without the separate Corporate Average Fuel Economy (“CAFE”) rules. FCA’s technology plan and mix rates in Canada were consistent with its U.S. plans. Within Canada, British Columbia and Quebec have separate zero emission vehicle (“ZEV”) mandates which FCA expected to meet with a combination of ZEV vehicle sales and purchased credits.

LATAM

With its ability to grow sugar cane in high volume, Brazil is able to address CO_2 reduction with a different approach. Today about 30 percent of vehicle fuel usage in Brazil consists of sugar cane produced ethanol. Sugar cane ethanol is 80 percent renewable from “well” (or field) to wheels and provides approximately 12.5 percent CO_2 reduction on an equivalent 30/70 fuel mix E100/E22 basis. The Brazilian government recently launched a plan (RenovaBio) to improve quality and productiveness of ethanol, targeting an increase of share on Ethanol E100 in the fuel matrix from the current 30 percent to 40 percent in 2022 and to 55 percent in 2030. In addition, the Brazilian government and we are working very closely on research and development opportunities to further reduce CO_2 emissions through improvements to ethanol-fueled engines.

Brazilian consumers already widely use ethanol fuel, readily available in the current retail fuel market. FCA expected that Brazilian CO_2 fleet reduction targets would be met through 2025 with increased usage and efficiency of its ethanol based engines and without any high voltage electrification. The compliance strategy for the combined company is currently being assessed by Stellantis management.

APAC

China is leading the rapid change in this region. The Chinese government has stated intentions to become the global leader in electrification, connectivity and autonomous driving in the next decade. The regulatory policies include requirements on corporate fuel economy and new energy vehicle credit and incentives for new energy vehicles which are defined as battery electric, plug-in hybrid, or fuel cell vehicles.

Some large cities provide consumers with license plate incentives for new energy vehicles. Given these incentives can be as high as €12,500 per vehicle, we believe they will be successful in driving the market toward electrification.

From a consumer perspective, China has the highest number of first time car buyers in the world. Since much of the vehicle consumer demographic resides in urban areas, access to public charging is expected to be a critical element to achieving China’s electrified objectives.

FCA’s plan was, by 2022, for more than 18 percent of its overall fleet (including commercial vehicles) to use high voltage electrification, 10 percent of the fleet to be equipped with a mild hybrid system and approximately 72 percent of the fleet to retain conventional internal combustion engines. The compliance strategy for the combined company is currently being assessed by Stellantis management.

In contrast to China, India continues to be a cost sensitive market with a developing infrastructure. As a result, increased regulatory requirements were expected to be met through application of shared conventional technologies while the industry continues to investigate electrification options.

EMEA

Europe represents the most challenging combination of regulatory stringency and consumer price sensitivity. The EU drove a significant reduction in CO_2 in 2020, and metropolitan areas are implementing low emission zones in an attempt to improve air quality in city centers. Conventional internal combustion engine applications will likely be restricted, especially with aging vehicles. The CO_2 financial penalty structure is very significant.

Many consumers in Europe need reduced cost of vehicle ownership given high fuel prices and pressure on disposable income. As the demand for diesels continues to decrease, we intend to use mild hybrids as a replacement. The region will need to address the development of charging infrastructure so that zero emission vehicles are more convenient for consumers.

As previously announced, FCA introduced electrification technology on several models in 2020 including plug-in hybrid versions of the Jeep Renegade and Jeep Compass, an all-new full battery electric Fiat 500, as well as the inclusion of mild hybrid technology on the Fiat 500, Fiat Panda and Lancia Ypsilon. Maserati also launched a mild hybrid on the Ghibli in 2020. Leasys, a rental services subsidiary of FCA's joint venture with Crédit Agricole Consumer Finance S.A., is expected to play a meaningful role in supporting these technologies to the market by leveraging its suite of mobility services. The compliance strategy for the combined company is currently being assessed by Stellantis management.

PSA

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

PSA historically focused on innovation and research and development in order to address the challenges faced by the automotive industry, including environmental and safety regulations, emerging mobility trends, networking needs and autonomous driving. PSA aimed to address customers' expectations, limit the environmental impact of its vehicles by reducing their CO_2 and other pollutant emissions and offer additional services, such as connectivity and autonomous driving.

Key areas of focus were clean technologies, optimization of internal combustion engines, new electric powertrains, vehicle optimization, connected cars and self-driving.

During the year ended December 31, 2020, PSA's global research and development function was structured around five hubs, with around 15 thousand R&D employees.

During the same period, the R&D hub in Europe was comprised of:

- a R&D center in France that served as the main research and development site of PSA and was focused on the design and engineering of vehicles and sub-assemblies, as well as PSA's core technology strategy, which sought to develop environmentally-friendly vehicles that support the energy transition, and intelligent, connected and autonomous cars to assist drivers.

- a R&D center in Germany that was tasked with developing all new Opel and Vauxhall cars, light commercial vehicles for all of PSA's brands, fuel-cell vehicle innovations and the next four-cylinder petrol engine generation of PSA.

The R&D hub in Morocco supported R&D projects (such as Citroën AMI) and technologies and contributed to PSA's growth in the Middle East and Africa region.

The R&D hub in China was responsible for the development of vehicles for sale in the Asian market and contributed to core technologies development, engine adaptation, local integration and industrialization.

The R&D hub in Latin America was dedicated to flex fuel engines, derivative body styles, local integration and manufacturing.

The R&D hub in India focused on developing PSA's "smart car" program.

Intellectual Property

FCA historically owned a significant number of patents, trade secrets, licenses, trademarks and service marks, including, in particular, the marks of its vehicle and component and production systems brands, which related to its products and services. We expect the number to grow as we continue to pursue technological innovations. We file patent applications in Europe, the U.S. and around the world to protect technology and improvements considered important to our business. No single legacy FCA patent is material to our business as a whole.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

PSA historically developed a portfolio of valuable innovations protected by intellectual property rights. While we consider all of the legacy PSA intellectual property to be important, we do not believe that the expiration or termination of any specific subset of such patents, trademarks, design patents or utility model registrations would materially affect our business as a whole.

Property, Plant and Equipment

As of December 31, 2020, FCA operated 109 manufacturing facilities (including vehicle and light commercial vehicle assembly, powertrain and components plants, and excluding joint ventures), of which 28 were located in Italy, 11 in the rest of Europe, 28 in the U.S., 11 in Mexico, 9 in Canada, 13 in Brazil, 2 in Argentina, 3 in China with the remaining plants in various other countries. FCA companies have also historically owned other significant properties including parts distribution centers, research laboratories, test tracks, warehouses and office buildings. The total carrying value of FCA's property, plant and equipment as of December 31, 2020 was €27.6 billion.

A number of FCA's manufacturing facilities and equipment, including land and industrial buildings, plant and machinery and other assets, were and are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. As of December 31, 2020, property, plant and equipment reported as pledged as collateral for loans amounted to approximately €1.1 billion, excluding Right-of-use assets (refer to Note 11, *Property, plant and equipment).*

FCA was not aware of any environmental issues that would materially affect the utilization of FCA's fixed assets. See *Industrial Environmental Control*.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

As of December 31, 2020, PSA operated 34 manufacturing facilities, of which 15 were located in France, 15 in the rest of Europe, two in Brazil, one in Argentina and one in Morocco. PSA also owned significant properties, including distribution centers, research laboratories, test tracks, warehouses and office buildings.

In addition, PSA operated several joint ventures for the production of vehicles and for the production of powertrains.

Supply of Raw Materials, Parts and Components

FCA historically purchased a variety of components (including mechanical, steel, electrical and electronic, plastic components as well as castings and tires), raw materials, supplies, utilities, logistics and other services from numerous suppliers. The purchase of raw materials, parts and components historically typically accounted for 70-80 percent of total Cost of revenues. Of these purchases, 10-15 percent historically related to the cost of raw materials, including steel, rubber, aluminum, resin, copper, lead, and precious metals (including platinum, palladium and rhodium).

FCA’s historical focus on quality improvement, cost reduction, product innovation and production flexibility required the company to rely upon suppliers with a focus on quality and the ability to provide cost reductions. FCA had value relationships with suppliers, and in recent years, worked to establish closer ties with a significantly reduced number of suppliers by selecting those that enjoy a leading position in the relevant markets. In addition, FCA sourced some of the parts and components for vehicles internally from Teksid. Subsequent to the announced sale of Teksid's cast iron business, Stellantis expects to enter into a long-term supply agreement with the acquirer, Tupy S.A. FCA previously agreed to a multi-year supply agreement with Magneti Marelli in connection with the sale of that business. FCA did not experience any major loss of production as a result of material or parts shortages in recent years, although, like most of its competitors, FCA regularly sourced some of its systems, components, parts, equipment and tooling from a single provider or limited number of providers. However, we are at risk of production delays and lost production should any supplier fail to deliver goods and services on time. For example, a global semiconductor shortage impacted our production volumes in early 2021. See also “*Risk Factors - We face risks associated with increases in costs, disruption of supply or shortages of raw materials, parts, components and systems used in our vehicles.*” and “*Risk Factors - Business interruptions resulting from the coronavirus (COVID-19) pandemic could continue to cause disruption to the manufacture and sale of our products and the provision of our services and adversely impact our business.*”

Supply of raw materials, parts and components can also be disrupted or interrupted by natural disasters. In such circumstances, FCA historically worked proactively with suppliers to identify material and part shortages and take steps to mitigate their impact by deploying additional personnel, accessing alternative sources of supply and managing its production schedules. FCA also continued to refine processes to identify emerging capacity constraints in the supplier tiers given the ramp up in manufacturing volumes to meet volume targets. Furthermore, FCA continuously monitored supplier performance according to key metrics such as part quality, delivery, performance, financial solvency and sustainability.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

PSA’s automotive division purchases historically included:

- direct material parts: purchases of vehicle parts, mechanical subassemblies and raw materials;
- purchases of spare parts and accessories; and
- indirect machinery and equipment: selling, general and administrative expenses attributable to the automotive division’s purchases and costs related to services, commercial facilities, motorsport, information technology and telecommunications.

Employees

At December 31, 2020, FCA had a total of 189,512 employees (excluding employees of joint arrangements, associates and unconsolidated subsidiaries), a 1.2 percent decrease from December 31, 2019 and a 4.5 percent decrease over December 31, 2018. The following table provides a breakdown of these employees as of December 31, 2020, 2019 and 2018, indicated by type of contract and region.

	Hourly			Salaried			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Europe	36,162	37,609	40,446	22,315	23,027	24,170	58,477	60,636	64,616
North America[1]	72,773	72,667	74,703	22,335	22,954	22,326	95,108	95,621	97,029
Latin America	25,188	24,525	26,004	7,020	7,088	7,062	32,208	31,613	33,066
Asia	204	230	253	3,284	3,413	3,313	3,488	3,643	3,566
Rest of the world	44	46	46	187	193	222	231	239	268
Total	**134,371**	**135,077**	**141,452**	**55,141**	**56,675**	**57,093**	**189,512**	**191,752**	**198,545**

(1) Refers to the geographical area and not FCA's North America reporting segment.

FCA maintained dialogue with trade unions and employee representatives to achieve consensus-based solutions for responding to different market conditions in each geographic area. We have had no significant instances of labor unrest overall, and no significant local labor actions in the past three years.

In Europe, FCA established a European Works Council (the "EWC") in 1997 to ensure workers the right to information and consultation as required by European Union regulations applicable to community-scale undertakings. The EWC was established on the basis of an agreement initially signed in 1996 and subsequently revised and amended with a further amendment executed in July 2016. The amendment increased the number of total seats from 20 to 24 so that additional employees from new countries within the scope of the EWC are represented.

The exit of Magneti Marelli from the FCA Group required the composition of the European Works Council (EWC), to be redefined, which was not completed during 2020. At the request of the Trade Unions, an extraordinary meeting was granted on December 18, 2020, in order to guarantee the continuity of information and consultation, especially in view of the merger project between FCA and PSA.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

At December 31, 2020, PSA employed approximately 204,000 employees, out of which approximately 110,000 were employed in the Automotive Division, approximately 3,000 in the Finance Division and approximately 91,000 in the Automotive Equipment Division, under permanent or fixed term contracts, including apprenticeships. Approximately 73 percent of PSA's employees were based in Europe.

Trade Unions and Collective Bargaining

FCA employees were historically free to join any trade union provided they do so in accordance with local law and the rules of the related trade union. The FCA Group historically recognized and respected the right of its employees to be represented by trade unions or other representatives in accordance with local applicable legislation and practice.

During the year ended December 31, 2020, a large portion of FCA's workers in Italy, the U.S., Canada and Mexico were represented by trade unions. In addition to the rights granted to all Italian trade unions and workers concerning freedom of association, in the Italian collective labor agreement FCA agreed an additional service by paying the trade union dues on behalf of the employees.

Collective bargaining at various levels resulted in major agreements being reached with trade unions on both wage and employment conditions in several countries. Based on an average figure that includes the Sevel plant (Italy), 87 percent of FCA's employees worldwide are covered by collective bargaining agreements.

In Italy, substantially all of FCA's employees were covered by collective bargaining agreements. FCA continued to apply the terms of the company-specific collective labor agreement (CCSL), which was renewed on March 11, 2019 until December 2022 with the Trade Unions FIM-CISL, UILM-UIL, FISMIC, UGLM and AQCFR. The Agreement covered about 52,300 employees and includes:

- the increase in the basic contractual salary of 2 percent per year;
- the strengthening (+1.5 percent) of the annual bonus calculated on the basis of production efficiencies achieved and the plant's WCM audit status;
- the increase (+0.5 percent) of the contribution paid by the company to supplementary pension fund;
- several further initiatives aimed at increasing the flexibility of working time and new ways of working linked to the technological and organizational evolution of work; and
- a new classification of workers, capable of interpreting the continuous evolution of professional skills.

During the year, also in consideration of the COVID-19 pandemic, new regulations on agile work, introduced by the CCSL renewal, were widely implemented. In April 2020, a Protocol, containing the guidelines for dealing with the health emergency and operating safely in the workplace, was signed with all the Trade Unions. This Protocol was updated several times during the year, in line with the evolution of the pandemic risk.

In December 2019, the UAW-represented workforce ratified a new four-year collective bargaining agreement that builds on the company's commitment to grow its U.S. manufacturing operations by providing for total investments of U.S.$9 billion and the creation of 7,900 new or secured jobs. The provisions of the agreement continued certain opportunities for success-based compensation upon meeting certain quality and financial performance metrics. The agreement, which covers about 49,200 employees, included a ratification bonus of U.S.$9,000 for "Traditional" and "In-progression" employees and U.S.$3,500 for temporary employees, as well as lump-sum payments, both of which are in lieu of further wage increases, totaling U.S.$499 million (€446 million) that were paid to UAW members on December 27, 2019. Lump sum payments made in lieu of future wage increases are being amortized over the contract period.

In September 2020, the four-year collective bargaining agreement that was entered into in September 2016 with Unifor in Canada expired. FCA entered into a three-year labor agreement with Unifor in Canada that was ratified on October 19, 2020. The terms of this agreement provides a $7,250 Canadian dollars ("CAD$") lump sum payment for all active employees, CAD$500 for all eligible temporary part-time employees, up-front lump sum payments of CAD$7,250 to all employees on indefinite layoff and lump sum retirement allowance of CAD$3,625 for employees who retired during 2020. The total ratification bonus of approximately CAD$59 million (€38 million) was paid on November 20, 2020. The agreement covers more than 9,200 employees and expires in October 2023. The lump sum payments, which were made in lieu of future wage increases, are being amortized ratably over three-year contract period.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

PSA historically actively supported employee freedom of association and representation and respected the independence and pluralism of unions at all its facilities. As of December 31, 2020, 98 percent of PSA's Automotive Division employees were represented by unions or by employee representatives.

As of December 31, 2020, 93 percent of PSA's Automotive Division employees worldwide were covered by a collective bargaining agreement.

The Global Works Council of PSA was the body bringing together employee representatives of PSA at the global level.

PSA also established a Union-Management Strategy Committee, an international body designed to allow more and earlier involvement of the employee representatives in PSA's strategy.

Sales Overview

New vehicle sales represented sales of FCA vehicles primarily by dealers and distributors, or, directly by FCA in some cases, to retail customers and fleet customers. Sales included mass-market and luxury vehicles manufactured at FCA plants, as well as vehicles manufactured by joint ventures and third party contract manufacturers and distributed under FCA brands. Sales figures excluded sales of vehicles that FCA contract manufactured for other OEMs. While vehicle sales were illustrative of FCA's competitive position and the demand for its vehicles, sales were not directly correlated to Net revenues, Cost of revenues or other measures of financial performance in any given period, as such results were primarily driven by vehicle shipments to dealers and distributors. For a discussion of FCA's shipments, see *FINANCIAL OVERVIEW—FCA Shipment Information*. The following table shows FCA new vehicle sales by geographic market for the periods presented.

	Years ended December 31,		
	2020	**2019**	**2018**
		(millions of units)	
North America	2.0	2.5	2.5
LATAM	0.5	0.6	0.6
APAC	0.1	0.2	0.2
EMEA	1.1	1.3	1.4
Total Mass-Market Vehicle Brands	**3.7**	**4.6**	**4.7**
Maserati	0.02	0.03	0.04
Total Worldwide	**3.8**	**4.6**	**4.8**

North America

North America Sales and Competition

The following table presents FCA mass-market vehicle sales and estimated market share in the North America segment for the periods presented:

	Years ended December 31,					
	2020(1),(2)		**2019**(1),(2)		**2018**(1),(2)	
North America	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
U.S.	1,821	12.2%	2,204	12.6%	2,235	12.6%
Canada	179	11.6%	223	11.6%	225	11.3%
Mexico and Other	48	5.0%	63	4.7%	74	5.1%
Total	**2,048**	**11.8%**	**2,490**	**12.0%**	**2,534**	**12.0%**

(1) Certain fleet sales that were accounted for as operating leases are included in vehicle sales.
(2) Estimated market share data presented were based on management's estimates of industry sales data, which used certain data provided by third-party sources, including IHS Markit and Ward's Automotive.

The following table presents estimated new vehicle market share information for FCA and FCA's principal competitors in the U.S., historically FCA's largest market in the North America segment:

	Years ended December 31,		
U.S.	**2020**	**2019**	**2018**
Automaker	**Percentage of industry**		
GM	17.1%	16.5%	16.7%
Ford	13.7%	13.8%	14.1%
Toyota	14.2%	13.6%	13.7%
FCA	**12.2%**	**12.6%**	**12.6%**
Honda	9.0%	9.2%	9.1%
Hyundai/Kia	8.2%	7.6%	7.2%
Nissan	6.0%	7.7%	8.4%
Other	19.6%	19.0%	18.2%
Total	**100.0%**	**100.0%**	**100.0%**

U.S. industry sales, including medium and heavy-duty vehicles, increased from 10.6 million units in 2009 to 14.9 million units in 2020. The strong recovery in the automotive sector, from 2009 through 2019, was supported by robust macroeconomic and automotive specific factors, such as growth in per capita disposable income, improved consumer confidence, the increasing age of vehicles in operation, improved consumer access to affordably priced financing and higher prices of used vehicles. The decrease in the 2020 U.S. industry sales was significantly driven by the impacts of COVID-19 on the U.S. automotive industry.

FCA's vehicle line-up in the North America segment primarily leveraged the brand recognition of the Jeep, Ram, Dodge and Chrysler brands to offer utility vehicles, pickup trucks, cars and minivans under those brands. Vehicle sales and profitability in the North America segment were generally weighted towards larger vehicles such as utility vehicles, trucks and vans, consistent with overall industry sales trends in the North America segment, which have become increasingly weighted towards utility vehicles and trucks in recent years.

The decrease in 2020 sales compared to 2019, resulted primarily from COVID-19 related suspension of production during the first half of 2020, partially offset by the positive performance of the Jeep Gladiator, which was launched during 2019, which despite the impact of COVID-19 saw strong sales for the full year 2020.

North America Distribution

In the North America segment, FCA's vehicles were sold primarily to dealers in its dealer network for sale to retail consumers and to fleet customers. Fleet sales in the commercial channel were 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 were usually smaller in size than the orders made in the daily rental channel. Fleet sales in the government channel were generally more profitable than fleet sales in the daily rental channel primarily due to the mix of products included in each respective channel.

North America Dealer and Customer Financing

In the North America segment, FCA did not have a captive finance company or joint venture and instead relied upon independent financial service providers, including Santander Consumer USA Inc. ("SCUSA") to provide financing for dealers and retail customers in the U.S. In February 2013, FCA entered into a private label financing agreement with SCUSA (the "SCUSA Agreement"), under which SCUSA will continue to provide a wide range of wholesale and retail financial services to dealers and retail customers in the U.S., under the Chrysler Capital brand name and covering the Chrysler, Jeep, Dodge, Ram, Fiat and Alfa Romeo brands.

The SCUSA Agreement has a ten year term expiring in April 2023, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the agreement. Under the SCUSA Agreement, SCUSA has certain rights, including limited exclusivity to participate in specified minimum percentages of certain retail financing rate subvention programs. SCUSA's exclusivity rights which will continue to be subject to SCUSA maintaining certain performance standards and price competitiveness based on minimum approval rates and market benchmark rates to be determined through a steering committee process as set out in the SCUSA Agreement.

On June 28, 2019, FCA US entered into an amendment (the "Amendment") to the SCUSA Agreement. The Amendment modified certain terms of the agreement, with the remaining term unchanged through to April 2023, and in connection with its execution, SCUSA made a one-time, nonrefundable, non-contingent, cash payment of U.S.$60 million (€53 million) to FCA US as part of a negotiated resolution of open matters. Refer to Note 25, *Guarantees granted, commitments and contingent liabilities*, within FCA's Consolidated Financial Statements included elsewhere in this report.

As of December 31, 2020, SCUSA provided wholesale lines of credit to approximately 8 percent of FCA's dealers in the U.S., while Ally Financial Inc. ("Ally") was at 32 percent. For the year ended December 31, 2020, approximately 88 percent of the vehicles purchased by FCA's U.S. retail customers were financed or leased, of which approximately 53 percent financed or leased through SCUSA (39 percent) and Ally (14 percent). Alfa Romeo brand development within the U.S. was also supported by dealer and retail customer financing with primary financial institutions. Additionally, FCA had arrangements with a number of financial institutions to provide a variety of dealer and retail customer financing programs in Canada and a private label agreement with Inbursa Group in Mexico.

LATAM

LATAM Sales and Competition

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

	Years ended December 31,					
	2020[(1)]		2019[(1)]		2018[(1)]	
LATAM	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
Brazil	434	22.2%	497	18.7%	434	17.5%
Argentina	49	15.2%	54	12.4%	99	12.8%
Other LATAM	19	2.5%	29	2.7%	33	2.9%
Total	**502**	**16.5%**	**580**	**13.9%**	**566**	**12.8%**

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

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

Brazil	Years ended December 31,		
	2020[(1)]	**2019[(1)]**	**2018[(1)]**
Automaker	Percentage of industry		
FCA	**22.2%**	**18.7%**	**17.5%**
GM	17.3%	17.9%	17.6%
Volkswagen	17.0%	15.6%	14.8%
Ford	7.1%	8.2%	9.2%
Other	36.4%	39.6%	40.9%
Total	**100.0%**	**100.0%**	**100.0%**

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

Automotive industry volumes within the countries in which the LATAM segment historically operated decreased 27.3 percent from 2019 to 3.0 million vehicles (cars and light commercial vehicles) in 2020, which was primarily driven by the impact of COVID-19 on the LATAM automotive industry. Overall there was a 26.7 percent decrease in vehicle sales in Brazil, reflecting COVID-19 related impacts partially offset by continued improvement in market conditions during the second half of 2020, and a 26.5 percent decline in vehicle sales in Argentina, reflecting the impact of COVID-19 and the continued economic challenges in Argentina.

The FCA Group's market share in LATAM increased 260 basis points from 13.9 percent to 16.5 percent, primarily reflecting market share growth in Brazil. In Brazil, overall market share increased 350 basis points to 22.2 percent from 18.7 percent while, in Argentina, overall market share increased 280 basis points to 15.2 percent from 12.4 percent in 2019.

FCA's vehicle line-up in LATAM historically leveraged the brand recognition of Fiat, as well as the relatively urban population of countries like Brazil, and offered vehicles in smaller segments, such as the all-new Fiat Uno as well as the Fiat Mobi, Argo and Cronos. Fiat also led the pickup truck market in Brazil, with the Fiat Strada and all-new Fiat Strada (27.9 percent market share) and the Fiat Toro (18.8 percent market share). Jeep led the SUV segment in Brazil with 20.8 percent market share based on the performance of the Jeep Renegade and the Jeep Compass.

LATAM Distribution

In the LATAM segment, FCA historically entered into multiple dealer agreements with individual dealerships. Outside the major markets of Brazil and Argentina, FCA mainly distributed its vehicles through general distributors.

LATAM Dealer and Customer Financing

In the LATAM segment, FCA provided access to dealer and retail customer financing both through 100 percent owned captive finance companies and also through strategic relationships with financial institutions.

FCA will continue to have two 100 percent owned captive finance companies in the LATAM segment that offered dealer and retail customer financing: Banco Fidis S.A. ("Banco Fidis") in Brazil and FCA Compañia Financiera S.A. in Argentina. In addition, in Brazil FCA will continue to have two significant commercial partnerships with Banco Itaù and Bradesco to provide financing to retail customers purchasing FCA branded vehicles. Banco Itaù is a leading vehicle retail financing company in Brazil and FCA's partnership was renewed in August 2013 for a ten-year term ending in 2023. Under this agreement, which applied only to FCA's retail customers purchasing Fiat branded vehicles, Banco Itaù will continue to have exclusivity on FCA's promotional campaigns and preferential rights on non-promotional financing. FCA will continue to receive commissions in connection with each vehicle financing above a certain threshold. In July 2015, FCA Fiat Chrysler Automoveis Brasil ("FCA Brasil") and Banco Fidis signed a ten-year partnership contract with Bradesco, one of the leading Brazilian banks, through its affiliate Bradesco Financiamentos, whereby Bradesco Financiamentos finances retail sales of Jeep, Chrysler, Dodge and Ram vehicles in Brazil. Under this agreement, Bradesco will continue to have exclusivity on promotional campaigns and FCA Brasil promotes Bradesco as FCA Brasil's official financial partner. Banco Fidis will continue to be in charge of the commercial management of this partnership and received commissions for this partnership agreement and for acting as banking agent, based on profitability and penetration.

APAC

APAC Sales and Competition

The following table presents FCA vehicle sales and market share in the APAC segment:

	Years ended December 31,					
	2020[(1),(4)]		2019[(1),(4)]		2018[(1),(4)]	
APAC	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
China[(2)]	56	0.3%	92	0.4%	163	0.8%
Japan	24	0.6%	24	0.6%	22	0.5%
India[(3)]	6	0.2%	12	0.4%	19	0.6%
Australia	8	0.9%	9	0.8%	11	1.0%
South Korea	9	0.5%	10	0.7%	8	0.5%
APAC 5 major Markets	103	0.4%	147	0.5%	223	0.7%
Other APAC	5	—	5	—	5	—
Total	**108**		**152**	—	**228**	—

(1) Estimated market share data presented were based on management's estimates of industry sales data, which use certain data provided by third-party sources, including IHS Markit and China Association of Automobile Manufacturers. Effective January 2019, industry data sourced from China Passenger Car Association.
(2) Sales data include vehicles shipped by FCA's joint venture in China.
(3) India market share is based on wholesale volumes.
(4) Sales reflect retail deliveries. APAC industry reflects aggregate for major markets where the FCA Group competes (China, Australia, Japan, South Korea, and India). Market share is based on retail registrations except, as noted above, in India where market share is based on wholesale volumes.

The automotive industry in the APAC segment has shown a year-over-year decline, with industry sales in the five key markets (China, India, Japan, Australia and South Korea) decreasing by 7.8 percent to 28.8 million. The 2020 decline in the market was primarily due to the impacts of COVID-19 on the automotive industry. Overall for the ten year period in the five key markets in which FCA competes, industry sales have historically increased from 16.1 million in 2009 to 28.8 million in 2020, a compound annual growth rate ("CAGR") of approximately 5 percent. Industry demand decreased from 2019 to 2020 with decreases in China (6.4 percent), Australia (13.9 percent), India (18.0 percent), and Japan (11.4 percent) partially offset by increases in industry demand in South Korea (6.8 percent).

FCA sold a range of vehicles in the APAC segment, including small and compact cars and utility vehicles. Although FCA's smallest mass-market segment by vehicle sales, FCA believed the APAC segment represents a significant growth opportunity and invested in building relationships with key joint venture partners in China and India in order to increase FCA's presence in the region. In 2010, GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV"), FCA's joint venture with Guangzhou Automobiles Group Co., Ltd., was formed. In 2015, local production was expanded with the production of the Jeep Cherokee and in 2016 the Jeep Renegade and the Jeep Compass. In 2016, the Jeep brand also made its return to India, with the launches of the imported Jeep Wrangler and Jeep Grand Cherokee. In 2017, FCA launched the imported Alfa Romeo Giulia and Alfa Romeo Stelvio in China and local production of the Jeep Compass was launched in the Ranjangaon, India plant. In 2018, FCA launched the Grand Commander in China, a premium seven-seater SUV produced at the GAC FCA JV plant in Changsha, China, with the Jeep Commander PHEV, a 5-passenger plug-in hybrid SUV developed for China, following in 2019. In other parts of the APAC segment, FCA distributed vehicles that were manufactured in the U.S., Europe and India through FCA's dealers and distributors.

APAC Distribution

In the key markets in the APAC segment (China, Australia, India, Japan and South Korea), FCA sold its vehicles through 100 percent owned subsidiaries or through FCA's joint venture to local independent dealers. In other markets where FCA did not have a substantial presence, FCA had agreements with general distributors.

APAC Dealer and Customer Financing

In the APAC segment, FCA operated a 100 percent owned captive finance company, FCA Automotive Finance Co., Ltd, which supports FCA sales activities in China on a non-exclusive basis through dealer and retail customer financing. Cooperation agreements are also in place with third-party financial institutions to provide dealer network and retail customer financing in India, South Korea, Australia and Japan.

EMEA

EMEA Sales and Competition

The following table presents FCA vehicle sales and market share in the EMEA segment for the periods presented:

	Years ended December 31,					
	2020[(1),(2),(3)]		2019[(1),(2),(3)]		2018[(1),(2),(3)]	
EMEA	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
Italy	380	24.7%	521	24.8%	571	27.3%
Germany	127	4.0%	130	3.3%	155	4.0%
France	85	4.2%	127	4.7%	139	5.3%
Spain	54	5.3%	87	5.9%	97	6.4%
UK	38	1.9%	53	2.0%	62	2.3%
Other Europe	184	4.5%	244	4.7%	252	4.9%
Europe*	868	6.3%	1,162	6.4%	1,276	7.1%
Other EMEA**	216	—	165	—	152	—
Total	**1,084**	**—**	**1,327**	**—**	**1,428**	**—**

** 27 members of the European Union, and the UK for the periods presented, and members of the European Free Trade Association (other than Italy, Germany, UK, France, and Spain).*
*** Market share not included in Other EMEA because FCA presence was less than one percent.*
(1) Certain fleet sales accounted for as operating leases were included in vehicle sales.
(2) Estimated market share data were presented based on the European Automobile Manufacturers Association (ACEA) Registration Databases and national Registration Offices databases.
(3) Sale data includes vehicle sales by FCA's joint venture in Turkey.

The following table summarizes new passenger vehicle market share information and FCA's principal competitors in Europe, historically FCA's largest market in the EMEA segment:

	Years ended December 31,		
Europe-Passenger Cars	**2020[(1)]**	**2019[(1)]**	**2018[(1)]**
Automaker	Percentage of industry		
Volkswagen	25.4%	24.6%	23.9%
PSA	14.4%	15.6%	16.0%
Renault	10.3%	10.5%	10.5%
BMW	7.1%	6.6%	6.6%
Hyundai/Kia	7.0%	6.7%	6.7%
Daimler	6.4%	6.4%	6.2%
FCA[(2)]	**5.9%**	**6.0%**	**6.5%**
Toyota	5.8%	5.1%	4.9%
Ford	5.5%	6.1%	6.4%
Other	12.2%	12.4%	12.3%
Total	**100.0%**	**100.0%**	**100.0%**

(1) Including all 27 European Union (EU) Member States (and the UK for the periods presented) and the 4 European Free Trade Association member states, or EFTA member states.
(2) Market share data were presented based on the European Automobile Manufacturers Association, or ACEA Registration Databases, which also includes Maserati within FCA Group for all periods presented.

In 2020, the automotive industry in EU 27+EFTA+UK declined 24.3 percent, with all major markets recording double digit decreases, primarily reflecting the impacts of COVID-19. Despite the decline in the industry demand, the Fiat brand continued its leadership in the European A minicar segment with Fiat 500 and Fiat Panda accounting for 36.0 percent of market share in the segment (up 694 basis points from 2019) with the Fiat 500 remaining segment leader. The Jeep Brand posted sales of more than 125 thousand vehicles, with sales of the Alfa Romeo Brand decreasing in comparison to 2019.

In Europe, FCA’s sales were historically largely weighted to passenger cars, with 39 percent of total vehicle sales in the small car segment for 2020, reflecting demand for smaller vehicles due to driving conditions prevalent in many European cities and stringent environmental regulations.

EMEA Distribution

In Europe, FCA’s relationship with individual dealer entities may have been 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 Europe, FCA sold its vehicles directly to independent and FCA owned dealer entities located in most European markets, as well as to fleet customers (including government and rental). In other markets in the EMEA segment in which FCA did not have a substantial presence, FCA had agreements with general distributors.

EMEA Dealer and Customer Financing

In the EMEA segment, dealer and retail customer financing was primarily managed by FCA Bank, FCA’s joint venture with Crédit Agricole Consumer Finance S.A. (“CACF”). FCA Bank operated in Europe, including the five major markets of Italy, France, Germany, Spain and the UK, and provided dealer and retail financing and, within selected countries, also rentals to support the mass-market vehicle brands. FCA Bank provided its services to the Maserati luxury brand, as well as certain other OEMs, including Ferrari. FCA began this joint venture in 2007 and have agreed with Crédit Agricole to extend its term through December 31, 2024, which may be automatically renewed unless notice of non-renewal is provided no later than three years before end of the term.

FCA also operated a joint venture, Koç Fiat Kredi, providing financial services mainly to retail customers in Turkey, and operate vendor programs with bank partners in other markets to provide access to dealer and retail customer financing in those markets.

Maserati

Maserati, a luxury vehicle brand founded in 1914, became part of the FCA Group in 1993. In 2013, the Maserati brand was re-launched by the introduction of the next generation Quattroporte and the introduction of the Ghibli (both luxury four-door sedans), the first in the flagship large sedan segment and the second in the luxury full-size sedan vehicle segment. Maserati’s vehicles also include the GranTurismo, the brand’s first modern two-door, four-seat coupe, also available in a convertible version and the Maserati Levante, the first SUV in Maserati's history.

In July 2020, Maserati debuted the new Ghibli Hybrid. In addition, the brand started production in 2020 of the refreshed versions of the Ghibli, Quattroporte and Levante. On September 9, 2020 and September 10, 2020, Maserati hosted the “MMXX: Time to be Audacious” event in Modena, Italy, to reaffirm its commitment to invest in and elevate the iconic brand. The event started with the world premiere of the all-new Maserati MC20 super sport car, equipped with the new Maserati-built Nettuno engine. A fully electric version of the MC20 will also be available in 2022.

The following table shows the distribution of Maserati sales by geographic regions as a percentage of total sales for each of the years ended December 31, 2020, 2019 and 2018:

	As a percentage of 2020 sales	As a percentage of 2019 sales	As a percentage of 2018 sales
U.S.	30 %	31 %	32 %
China	26 %	24 %	24 %
Europe Top 4 countries[1]	15 %	17 %	17 %
Japan	5 %	5 %	4 %
Other countries	24 %	23 %	23 %
Total	**100 %**	**100 %**	**100 %**

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

In 2020, a total of 17 thousand Maserati vehicles were sold to retail consumers, a decrease of 35 percent compared to 2019 as a result of reduced sales in China, the U.S., EMEA and other key markets, partially due to lower industry volumes in Maserati relevant segments as a result of COVID-19.

FCA Bank historically provided access to dealer and retail customer financing for Maserati brand vehicles in Europe and FCA's 100 percent owned captive finance company, FCA Automotive Finance Co. Ltd, provided dealer and retail financing on a non-exclusive basis in China. In other regions, FCA relied on local agreements with financial services providers for the financing of Maserati brand vehicles to dealers and end customers.

PSA

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

The following tables presents PSA vehicle sales in the geographic areas indicated for the periods presented:

Region	2020 volume[1]	%	2019 volume[1]	%	2018 volume[1]	%	2020 vs. 2019 % change	2019 vs. 2018 % change
Europe	1,545,975	61.53	2,083,408	59.88	2,101,963	54.21	(25.80)	(0.88)
Middle East and Africa	144,711	5.76	129,074	3.71	260,009	6.71	12.11	(50.36)
China	45,965	1.83	108,649	3.12	251,701	6.49	(57.69)	(56.83)
Latin America	94,301	3.75	134,645	3.87	174,147	4.49	(29.96)	(22.68)
India and Asia Pacific	32,370	1.29	34,826	1.00	36,780	0.95	(7.05)	(5.31)
Eurasia	16,466	0.66	15,063	0.43	15,108	0.39	9.31	(0.30)
PCD Total	**1,879,788**	**74.82**	**2,505,665**	**72.01**	**2,839,708**	**73.23**	**(24.98)**	**(11.76)**
PSA Total	**2,512,475**	**100**	**3,479,096**	**100**	**3,877,765[2]**	**100**	**(27.78)**	**(10.28)**

(1) Including CKD kits.
(2) Including approximately 144,000 vehicles sold in 2018 in Iran by Iran Khodro and IKAP, of which 141,000 were sold under a Peugeot license.

Region	2020 volume(1)	%	2019 volume(1)	%	2018 volume(1)	%	2020 vs. 2019 % change	2019 vs. 2018 % change
Europe	577,518	22.99	936,321	26.91	1,004,197	25.90	(38.32)	(6.76)
Middle East and Africa	52,408	2.09	35,192	1.01	31,989	0.82	48.92	10.01
China	—	—	—	—	—	—	—	—
Latin America	1,056	0.04	1,094	0.03	1,110	0.03	(3.47)	(1.44)
India and Asia Pacific	382	0.02	248	0.01	581	0.01	54.03	(57.31)
Eurasia	1,323	0.05	576	0.02	180	—	129.69	220
OV Total	**632,687**	**25.18**	**973,431**	**27.98**	**1,038,057**	**26.77**	**(35.00)**	**(6.23)**
PSA Total	**2,512,475**	**100**	**3,479,096**	**100**	**3,877,765**	**100**	**(27.78)**	**(10.28)**

(1) Including CKD kits.

Cyclical Nature of the Business

As is typical in the automotive industry, FCA's vehicle sales were highly sensitive to general economic conditions, availability of low interest rate vehicle financing for dealers and retail customers and other external factors, including fuel prices, and as a result could vary substantially from quarter to quarter and year to year. Retail consumers historically tended to delay the purchase of a new vehicle when disposable income and consumer confidence were low. In addition, FCA's vehicle production volumes and related revenues could vary from month to month, sometimes due to plant shutdowns, which could occur for several reasons including production changes from one model year to the next and actions to balance vehicle supply and demand fluctuations and also to adjust dealer stock levels appropriately. Plant shutdowns, whether associated with model year changeovers or other factors such as temporary supplier interruptions, could have a negative impact on FCA's revenues and working capital as FCA continued to pay suppliers under established terms while FCA did not receive proceeds from vehicle sales. Refer to *Liquidity and Capital Resources—FCA Liquidity Overview* for additional information, including discussion of the impact of the COVID-19 pandemic and the actions taken by FCA in response.

Legal Proceedings

Various legal proceedings, claims and governmental investigations are pending against the Group on a wide range of topics including vehicle safety, emissions and fuel economy, competition, tax and securities matters, alleged violations of law, labor, dealer, supplier and other contractual relationships, intellectual property rights, product warranties and environmental matters. Some of these proceedings allege defects in specific component parts or systems (including airbags, seats, seat belts, brakes, ball joints, transmissions, engines and fuel systems), in various vehicle models or allege general design defects relating to vehicle handling and stability, sudden unintended movement or crashworthiness. These proceedings seek recovery for damage to property, personal injuries or wrongful death and in some cases include a claim for exemplary or punitive damages. For a further discussion of legal proceedings which may have, or have had in the recent past, significant effects on our financial position or profitability, refer to the description below and to Note 25, *Guarantees granted, commitments and contingent liabilities* within the Consolidated Financial Statements included elsewhere in this report.

FCA

Takata airbag inflators

Putative class action lawsuits were filed in March 2018 against FCA US in the U.S. District Courts for the Southern District of Florida and the Eastern District of Michigan, asserting claims under federal and state laws alleging economic loss due to Takata airbag inflators installed in certain of our vehicles.

Emissions Matters

On January 10, 2019, FCA announced that FCA US had reached final settlements on civil environmental and consumer claims with the U.S. Environmental Protection Agency ("EPA"), the Civil Division of the U.S. Department of Justice ("DoJ"), the California Air Resources Board, the State of California, 49 other States and U.S. Customs and Border Protection, for which FCA accrued €748 million during the year ended December 31, 2018. Approximately €350 million of the accrual was related to civil penalties to resolve differences over diesel emissions requirements. A portion of the accrual was attributable to settlement of a putative class action on behalf of consumers in connection with which FCA US agreed to pay an average of $2,800 per vehicle to eligible customers affected by the recall. That settlement received final court approval on May 3, 2019. Nevertheless, we continue to defend individual claims from approximately 3,200 consumers that have exercised their right to opt out of the class action settlement and pursue their own individual claims against us (the "Opt-Out Litigation"). FCA US has engaged in further discovery in the Opt-Out Litigation and participated in court-sponsored settlement conferences, but have reached settlement agreements with less than 100 of these remaining plaintiffs. As of December 31, 2020, FCA's best estimate of a probable loss was reflected in the amount previously accrued.

In the U.S., FCA US remains subject to a diesel emissions-related investigation by the DoJ, Criminal Division. In September 2019, the DoJ filed criminal charges against an employee of FCA US for, among other things, fraud, conspiracy, false statements and violations of the Clean Air Act primarily in connection with efforts to obtain regulatory approval of the vehicles that were the subject of the civil settlements described above. FCA has continued discussions with the DoJ, Criminal Division to determine whether it can reach an appropriate resolution of their investigation as it relates to FCA US, which may involve the payment of penalties and other non-financial sanctions. While the outcome of these discussions is uncertain and we cannot predict whether or when any settlement may be reached with the DoJ, Criminal Division, or the ultimate outcome of its investigation, FCA accrued approximately €200 million during the three months ended September 30, 2020 as its best estimate of probable loss with regard to matters under discussion. We also remain subject to a number of related private lawsuits (the "Non Opt-Out Litigation"). In September 2020, FCA settled the diesel emissions-related investigation with the U.S. Securities and Exchange Commission (the "SEC") for an amount that is not material to the FCA Group and which had been accrued during the three months ended June 30, 2020.

FCA also received inquiries from other regulatory authorities in a number of jurisdictions as they examine the on-road tailpipe emissions of several automakers' vehicles and, when jurisdictionally appropriate, we continue to cooperate with these governmental agencies and authorities.

In Europe, we are working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union, and the UK Driver and Vehicle Standards Agency in connection with their review of several of our vehicles.

FCA also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for its vehicles, and discussed the KBA reported test results, its emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its exclusive jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. Thereafter, mediations were held under European Commission ("EC") rules, between the MIT and the German Ministry of Transport and Digital Infrastructure, which oversees the KBA, in an effort to resolve their differences. The mediation was concluded with no action being taken with respect to FCA. In May 2017, the EC announced its intention to open an infringement procedure against Italy regarding Italy's alleged failure to respond to EC's concerns regarding certain FCA emission control calibrations. The MIT has responded to the EC's allegations by confirming that the vehicles' approval process was properly performed.

In December 2019, the MIT notified us that the Dutch Ministry of Infrastructure and Water Management ("I&W") had been communicating with the MIT regarding certain irregularities allegedly found by the RDW and the Dutch Center of Research TNO in the emission levels of certain Jeep Grand Cherokee Euro 5 models and a vehicle model of another OEM that contains a Euro 6 diesel engine supplied by us. In January 2020, the Dutch Parliament published a letter from the I&W summarizing the conclusions of the RDW regarding those vehicles and engines and indicating an intention to order a recall and report their findings to the Public Prosecutor, the EC and other Member States. FCA engaged with the RDW to present its positions and cooperate to reach an appropriate resolution of this matter. FCA proposed certain updates to the relevant vehicles that have been tested and approved by the RDW and are now being implemented. Nevertheless, this matter is still pending. In addition, at the request of the French Consumer Protection Agency, the Juge d'Instruction du Tribunal de Grande Instance of Paris is investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

In July 2020, unannounced inspections took place at several of FCA's sites in Germany, Italy and the UK at the initiative of the Public Prosecutors of Frankfurt am Main and of Turin, as part of their investigations of potential violations of diesel emissions regulations and consumer protection laws. We are cooperating with the investigations. Several FCA companies and its Dutch dealers were recently served with a purported class action filed in the Netherlands by a Dutch foundation seeking monetary damages and vehicle buybacks in connection with alleged emissions non-compliance of certain FCA E5 and E6 diesel vehicles. A similar claim has been announced in the UK but not yet served on the Company. We are also defending a number of individual consumer claims alleging emissions non-compliance of certain of our vehicles in Germany.

In December 2018, the Korean Ministry of Environment ("MOE") announced its determination that approximately 2,400 FCA vehicles imported into Korea during 2015, 2016 and 2017 were not emissions compliant and that the vehicles with a subsequent update of the emission control calibrations voluntarily performed by FCA, although compliant, would have required re-homologation of the vehicles concerned. In May 2019, the MOE revoked certification of the above-referenced vehicles and announced an administrative fine for an amount not material to the Group. FCA appealed the MOE's decision. Our subsidiary in Seoul, Korea is also cooperating with local criminal authorities in connection with their review of this matter, with the Korean Fair Trade Commission regarding a purported breach of the Act on Fair Labeling and Advertisement in connection with the subject vehicles and with the MOE in connection with their review of other legacy FCA vehicles.

U.S. Sales Reporting Investigations

On September 27, 2019, the SEC announced the resolution of its investigation into FCA's reporting of vehicle sales to end customers in the U.S. which included its agreement to pay an amount that was not material to the FCA Group. FCA also cooperated with a DoJ investigation into the same issues, the outcome of which remains uncertain. Any resolution of that matter may involve the payment of penalties and other sanctions.

As previously reported, two putative securities class action lawsuits were filed against FCA in the U.S. District Court for the Eastern District of Michigan making allegations with regard to its reporting of vehicle unit sales to end consumers in the U.S. These lawsuits were consolidated into a single action and on October 4, 2018, FCA entered into an agreement in principle to settle the consolidated litigation, subject to court approval, for an amount that was not material to the FCA Group. On June 5, 2019, the Court granted final approval to this settlement.

National Training Center

On January 27, 2021, FCA US announced that it reached an agreement with the U.S. Attorney's Office for the Eastern District of Michigan to resolve its investigation into past misconduct of certain former FCA US employees involving the UAW-Chrysler National Training Center ("NTC"). Pursuant to the agreement, which remains subject to court approval, FCA US agreed to plead guilty to a single count of conspiracy to violate the Labor Management Relations Act and the payment of a fine in an amount that is not material to the financial statements and which had previously been accrued during the quarter ended September 30, 2020. FCA US also agreed to implement an independent compliance monitor for three years with respect to the dissolution of the NTC and internal controls as they relate to the trusts being implemented to replace the NTC.

Several putative class action lawsuits have been filed against FCA US in U.S. federal court alleging harm to UAW workers as a result of these acts. Those actions have been dismissed both at the trial court stage and on appeal. Three plaintiffs in these lawsuits also filed charges alleging unfair labor practices with the U.S. National Labor Relations Board (the "Board"). The Board issued a complaint regarding these allegations and is seeking a cease and desist order as well as the posting of a notification with respect to the alleged practices.

On July 20, 2020, a group of employees in our Toledo, Ohio Jeep plant filed a lawsuit in U.S. District Court for the Northern District of Ohio against FCA US, the UAW and certain individuals claiming violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act and civil conspiracy. On October 20, 2020, FCA US filed a motion to dismiss and the plaintiffs filed a motion for leave to file a second amended complaint on December 13, 2020. On October 16, 2020, a group of current and former employees in FCA's Trenton Engine Complex filed a lawsuit in U.S. District Court for the Eastern District of Michigan, making similar claims.

General Motors Litigation

On November 20, 2019, General Motors LLC and General Motors Company (collectively, "GM") filed a lawsuit in the U.S. District Court for the Eastern District of Michigan against FCA US, FCA NV and certain individuals, claiming violations of the RICO Act, unfair competition and civil conspiracy in connection with allegations that FCA US paid bribes to UAW officials that corrupted the bargaining process with the UAW and as a result FCA US enjoyed unfair labor costs and operational advantages that caused harm to GM. GM also claimed that FCA US had made concessions to the UAW in collective bargaining that the UAW was then able to extract from GM through pattern bargaining which increased costs to GM and that this was done by FCA US in an effort to force a merger between GM and FCA NV.

On July 8, 2020, the court dismissed GM's lawsuit with prejudice. On August 3, 2020, GM filed a motion requesting that the court amend or alter its judgement, which the court denied. GM has appealed the dismissal to the U.S. Court of Appeals for the Sixth Circuit and oral argument on that appeal is scheduled for March 4, 2021. Following dismissal of its Federal court case, GM also filed an action against FCA US and FCA NV in Michigan state court, making substantially the same claims as it made in the federal litigation. On November 24, 2020, FCA US and FCA NV filed a motion for summary disposition in the state court case and GM filed a motion to compel discovery on December 16, 2020. Oral arguments on FCA's motion for summary disposition and GM's motion for expedited discovery were held on February 26, 2021 and were adjourned to be continued on March 5, 2021.

Tigershark Engine

Putative class action lawsuits have been filed against FCA US and consolidated into a single action in U.S. District court in Michigan asserting claims under federal and state laws claiming manufacturing and design defects in certain vehicles equipped with the 2.4L Tigershark engine, which has been installed in approximately 1.6 million vehicles sold in the U.S. The claims allege excessive oil consumption and related excess emissions.

PSA

Anticompetitive Practices in the Automotive Equipment Market

The European Commission and the United States Department of Justice (on March 25, 2014), the Competition Commission of South Africa (on November 27, 2014) and the Brazilian competition authority (CADE) (on May 19, 2017) initiated an inquiry covering certain suppliers of emission control systems, including Faurecia, on the basis of allegations of anticompetitive practices in this market involving the exchange of commercially sensitive information between competitors. These investigations have been closed or resolved with respect to Faurecia: the European Commission terminated the investigation on April 28, 2017; an agreement was reached with the CADE on September 5, 2018; in December 2018, the United States Department of Justice informed Faurecia that it was no longer subject to an inquiry; and on May 18, 2020 an agreement was reached with the Competition Commission of South Africa, involving the payment of a non-material settlement amount by Faurecia.

Faurecia has reached agreements, for non-material amounts, with plaintiffs in all three class actions that were filed in the United States District Court for the Eastern District of Michigan against several suppliers of emissions control systems, including Faurecia, alleging anticompetitive practices with respect to exhaust systems. The settlement agreements have been validated by the court.

In Canada, two class actions for similar allegations have been filed. They have been subject to agreements for non-material amounts. These agreements are under validation by the court. All the inquiries that have been initiated are now closed.

Finance

Following an investigation conducted in May 2017 against various financial captives located in Italy, including Banca PSA Italia S.p.A. (and extended to BPF in its capacity as parent company) and Opel Finance S.p.A, aiming for possible exchanges of sensitive information between these captives, notably through professional associations, the Italian competition authority, in early 2019, sentenced all captives, as well as their parent companies, and professional associations for a cumulative amount exceeding €678 million.

BPF, Banca PSA Italia S.p.A. and Opel Finance S.p.A., which were fined approximately €38.5 million, €6 million and €10 million respectively (it being specified that Opel Finance S.p.A. was jointly and severally convicted with General Motors, which was, at the beginning of the proceedings, its parent company), had appealed against this decision.

On November 24, 2020, the court (TAR Lazio in Rome) overturned the Italian competition authority's decision in its entirety. At the end of December 2020, the Italian competition authority decided to appeal this decision before the Council of State.

Diesel Emissions Investigation and Recalls

In April 2016, the French Directorate General for Competition, Consumer Affairs and Fraud Control ("DGCCRF") initiated an investigation regarding emissions from diesel engines, including engines used in PSA vehicles. In February 2017, the French Ministry of Economy issued a press release announcing that the DGCCRF referred the case to the prosecutor's office of Versailles. None of PSA or its employees have been charged with any criminal offence. PSA continues to cooperate with the relevant French judicial authorities and present PSA's position on any concerns raised during this investigation.

PSA's subsidiary Opel Automobile GmbH is performing recalls of 95,781 Opel vehicles built by Adam Opel GmbH between 2013 and 2016 to update the emissions control system software to improve real driving emissions. After Opel Automobile GmbH initiated voluntary field campaigns on these vehicles, as agreed with the KBA, the KBA ordered in 2018 that these campaigns be changed into mandatory recalls to update all outstanding vehicles. As of December 31, 2020, more than 78 percent of the vehicles have so far received the software update, and specifically in Germany, more than 96 percent. Opel Automobile GmbH also faces a number of related private lawsuits (not class actions).

Environmental and Other Regulatory Matters

As Stellantis, we engineer, manufacture and sell our products and offer our services around the world, subject to requirements applicable to our products that relate to vehicle emissions, fuel economy, emission control software calibration and on-board diagnostics, as well as those applicable to our manufacturing facilities that relate to stack emissions, the treatment of waste, water and hazardous materials, prohibitions on soil contamination, and worker health and safety. Our vehicles and the engines that power them must also comply with extensive regional, national and local laws and regulations and industry self-regulations (including those that regulate end-of-life vehicles ("ELVs") and the chemical content of our parts). In addition, vehicle safety regulations are becoming increasingly strict.

We believe we are substantially in compliance with the relevant global regulatory requirements affecting our facilities and products taken as a whole, although we may from time to time fail to meet a particular regulatory requirement. We consistently monitor the relevant global regulatory requirements affecting our facilities and products and adjust our operations and processes as we seek to remain in compliance. Compliance with these requirements involves significant costs and risks. See *"Risk Factors-Risks Related to the Legal and Regulatory Environment in which We Operate-Current and more stringent future or incremental laws, regulations and governmental policies, including those regarding increased fuel efficiency requirements and reduced greenhouse gas and tailpipe emissions, have a significant effect on how we do business and may increase our cost of compliance, result in additional liabilities and negatively affect our operations and results. "* and *"Risk Factors-Risks Related to the Legal and Regulatory Environment in which We Operate-We remain subject to ongoing diesel emissions investigations by several governmental agencies and to a number of related private lawsuits, which may lead to further claims, lawsuits and enforcement actions, and result in additional penalties, settlements or damage awards and may also adversely affect our reputation with consumers."*

Automotive Tailpipe Emissions

Numerous laws and regulations place limits on vehicle emissions, including standards on tailpipe exhaust emissions standards and evaporative emissions. These standards govern a category of emissions called "criteria emissions" that does not include greenhouse gases ("GHGs"). Related laws impose requirements on how vehicles' emission control software is designed to ensure emissions are controlled in all driving conditions, as well as requirements to employ diagnostic software to identify and diagnose problems with emission control components, which if undiagnosed could lead to higher emissions. This diagnostic software is called an on-board diagnostic system ("OBD").

All global jurisdictions require manufacturers to conduct pre- and post-production vehicle testing to demonstrate compliance with these emissions limits for the useful life of a vehicle as a prerequisite to obtaining emission compliance certification before any vehicle can be sold.

These requirements become more challenging each year, especially in light of increased global scrutiny of diesel emission control software calibration and we expect these emissions and certification requirements will continue to become even more rigorous worldwide.

North America Region

The U.S. Environmental Protection Agency ("EPA") has established federal Tier 3 emissions standards, and federal law allows the California Air Resource Board ("CARB") to also establish its Low Emission Vehicle ("LEV") III emission standards. The stringencies of these parallel federal and state emissions standards are generally aligned.

EPA and CARB both review manufacturers' emission control software design as part of their emission certification evaluation, whereas EPA has delegated to CARB to administer OBD software requirements.

In addition to its LEV III emissions standards, CARB regulations also require that a specified percentage of cars and certain light-duty trucks sold in California qualify as zero emission vehicles, such as electric vehicles, hybrid electric vehicles or hydrogen fuel cell vehicles. Per the EPA's and NHTSA's September 2019 ("SAFE 1 Rule") and April 2020 ("SAFE 2 Rule") greenhouse gas and fuel economy rulemaking, the SAFE 1 Rule provides that NHTSA's corporate average fuel economy constitutionally preempts California's zero emission vehicle ("ZEV") program. California and other stakeholders have challenged the SAFE 1 and SAFE 2 Rules in federal court.

Federal law further allows other states to adopt CARB's LEV III criteria emission, GHG and ZEV standards. Thirteen other states currently enforce California's LEV III standards in lieu of the federal EPA standards, and ten states, as well as the Canadian Provinces of Quebec and British Columbia, have also adopted California's ZEV requirements.

Manufacturers must comply with EPA's and CARB's criteria emission standards at a vehicle-level as well as a sales-weighted fleet level, whereas CARB's ZEV requirements, to the extent enforceable, are fleet-only standards. For purposes of reporting fleet compliance, both EPA and CARB require that the Group's U.S. fleet include FCA Italy-produced and Maserati-branded vehicles sold in the U.S.

For a discussion of inquiries into our compliance with certain regulations in the U.S., see Note 25, *Guarantees granted, commitments and contingent liabilities* within the Consolidated Financial Statements included elsewhere in this report. See also "*Risk Factors-Risks Related to the Legal and Regulatory Environment in which we Operate-Current and future more stringent or incremental laws, regulations and governmental policies, including those regarding increased fuel efficiency requirements and reduced greenhouse gas and tailpipe emissions, have a significant effect on how we do business and may increase our cost of compliance and negatively affect our operations and results.*"

LATAM Region

Certain countries in South America follow U.S. procedures, standards and OBD requirements, while others follow the European procedures, standards and onboard diagnostic requirements described below under —EMEA Region. In Brazil, vehicle emission standards are regulated by the Ministry of the Environment and have been in place since 1988 for passenger cars and light commercial vehicles. The next phase of regulations (PROCONVE L7) is expected to be aligned with fuel efficiency and safety standards in January 2022 and a second step (PROCONVE L8) will come into effect in January 2025 with fleet target limits (US BIN methodology) and real driving emission limits. Argentina has implemented regulations that mirror the European Commission Euro 5 standards for all new vehicles. In Chile, implementation of Euro 6 standards is set for 2022.

APAC Region

China 6 standards were released in 2016 and are required nationwide beginning in January 2021 with China 6a thresholds and by July 2023 with China 6b thresholds. China 6a and 6b have more stringent tailpipe emissions thresholds than Euro 6, implement OBD requirements similar to U.S. OBD and evaporative emission control requirements, and add real driving emissions ("RDE") and U.S. onboard refueling vapor recovery requirements. Some regions within China implemented China 6b in 2019 such as Shanghai, Guangzhou, Shenzhen, Yangtze River Delta, Pearl River Delta, Chengdu, Chongqing and Tianjin. Beijing implemented China 6b at the beginning of 2020.

South Korea implemented regulations that are similar to California's LEV III regulations beginning in 2016 and became fully required in 2019 for all gasoline vehicles. Diesel vehicles are required to meet Euro 6 EU emissions requirements. Japan adopted the Worldwide Harmonized Light Vehicle Testing Procedures ("WLTP") without Extra High phase in 2018 for new models and for all models beginning January 2021. WLTP is a global harmonized standard for regulating greenhouse gas ("GHG") emissions, non-GHG pollutants, and fuel or energy consumption for light-duty vehicles and electric range for battery electric vehicles or hybrids. India implemented nationwide Bharat Stage VI ("BSVI") Emission norms (equivalent to Euro 6) beginning April 2020. Stage 2 of BSVI norms (with more stringent OBD limits, RDE and an in-use performance ratio) will be implemented beginning April 2023. In addition, Australia is developing a revised Regulatory Impact Statement to introduce mandatory Euro 6 standards beginning in 2027 while Euro 5 standards are expected to remain in force until that time.

EMEA Region

In Europe, emissions are regulated by the European Commission ("EC") and the United Nations Economic Commission for Europe ("UNECE"). The EC imposes standardized emission control requirements on vehicles sold in all 27 EU member states, while non-EU countries bound by the "1958 UN Agreement" (an agreement concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts which can be fitted or used on wheeled vehicles and the conditions for reciprocal recognition of approvals granted on the basis of these prescriptions) apply regulations under the UNECE framework. EU Member States can provide tax incentives for the purchase of vehicles that meet emission standards earlier than the compliance date. As a result, vehicles must meet emission requirements and receive specific approval from an appropriate Member State authority before they can be sold in any EU Member State. These regulatory requirements include random testing of newly assembled vehicles and a manufacturer in-use surveillance program.

Euro 6 emission levels are in effect for all passenger cars and light commercial vehicles and require additional technologies and further increase the cost of diesel engines compared to prior Euro 5 standards. These new technologies have put additional cost pressures on the already challenging European market for small and mid-size diesel-powered vehicles. Further requirements of Euro 6 have been developed by the EC and are effective for all new passenger cars and light commercial vehicles. In addition to WLTP, the new RDE test procedure to directly assess the regulated emissions of light duty vehicles under real driving conditions is effective. More stringent test requirements related to RDE, as well as requirements relating to On-board Fuel and/or Energy Consumption Monitoring Device for Fuel Consumption Monitoring, is effective for all new passenger cars registered after January 1, 2021 and will become effective for new light commercial vehicles registered after January 1, 2022. For a discussion of inquiries from relevant governmental agencies in the European Union, see Note 25, *Guarantees granted, commitments and contingent liabilities* within the Consolidated Financial Statements included elsewhere in this report. See also *"Risk Factors-Risks Related to the Legal and Regulatory Environment in which we Operate-We remain subject to diesel emissions investigations by several governmental agencies and to a number of related private lawsuits, as well as other claims and lawsuits which may lead to further enforcement actions, penalties or damage awards and may also adversely affect our reputation with consumers"*

Automotive Fuel Economy and Greenhouse Gas Emissions

FCA historically pursued compliance with fuel economy and greenhouse gas regulations in the markets where it operated through the most cost effective combination of developing, manufacturing and selling vehicles with better fuel economy and lower GHG emissions, purchasing compliance credits, and, as allowed by the U.S. federal Corporate Average Fuel Economy ("CAFE") program, paying regulatory penalties. The cost of each of these components of FCA's strategy has increased and is expected to continue to increase in the future. The compliance strategy for the combined company is currently being assessed by Stellantis management.

North America Region

In the U.S., since the enactment of the 1975 Energy Policy and Conservation Act, the National Highway Traffic Safety Administration ("NHTSA") has enforced minimum CAFE for fleets of new passenger cars and light-duty trucks sold in the U.S. for each model year. CAFE standards apply to all domestic and imported passenger car and light-duty truck fleets and currently require year-over-year increases in fuel economy through 2025. The requirement is scaled based on vehicle footprint size. The CAFE standards require that passenger cars imported into the U.S. from outside of North America are averaged separately from those manufactured within North America, and domestic cars and light duty trucks are also considered separately.

In 2012, EPA promulgated its GHG rule under the federal Clean Air Act, which required manufacturers to comply with a similar footprint-based GHG standard, the stringency of which also increases year-over-year through 2025. The GHG rule does not require separate domestic passenger car compliance reporting but, like the CAFE program, light trucks are reported separately from passenger cars. Various flexibilities exist to comply with the two standards, including utilizing advanced technology components and more environmentally friendly refrigerants. A civil fine cannot be paid to achieve compliance with GHG standards. The U.S. issued EPA's GHG standards and NHTSA's CAFE fuel economy standards as a joint rule, and in so doing, allowed CARB to enforce its own GHG rule, so long as CARB did not apply a different standard of stringency to EPA's GHG rule. The CAFE statute specifically preempts states from enforcing a fuel economy rule.

In 2018 EPA and NHTSA were required to conduct a "mid-term review" to evaluate the appropriateness of model year 2022-2025 CAFE/GHG standards (the stringency of which had been established in 2016) as well as the original market- and technology cost consumer tolerance-based assumptions the agencies made as a basis for those standards. This review concluded that those standards were inappropriate, which required the U.S. government to adopt a new Joint Rule with new GHG and CAFE standards. In late 2018, California withdrew its commitment to the federal government that California would enforce its GHG rule to the identical stringency of the prevailing federal rule.

In September 2019, EPA and NHTSA issued the first two parts of a new rule, which the agencies called the Safer Affordable Fuel Efficient Vehicle Rule (the "SAFE Rule"). SAFE Rule Part 1 establishes that due to the significant similarity of the determination of any vehicle's fuel economy and associated GHG emissions, the CAFE statute preempts California's GHG and ZEV programs. In a parallel determination, EPA withdrew its permission for CARB to enforce its own GHG and ZEV programs. California and other stakeholders challenged SAFE Part 1 in federal court. FCA and other OEMs formed a coalition, which intervened in this litigation supporting EPA and NHTSA's position. The coalition subsequently withdrew from the litigation.

In April 2020, EPA and NHTSA issued SAFE Part 2, which established new and much less stringent GHG and CAFE standards. Again, California and other stakeholders challenged SAFE Part 2 in federal court; in this case, FCA and several members of its automotive trade association, the Alliance for Automotive Innovation (the "AAI"), intervened supporting EPA and NHTSA's position.

On August 31, 2020, the U.S. Court of Appeals for the Second Circuit vacated a final rule published by NHTSA in July 2019 that had reversed NHTSA's 2016 increase to the base rate of the CAFE penalty from $5.50 to $14.00. The base rate applies to each tenth of a mile per gallon ("MPG") that a manufacturer's fleet-wide average MPG is below the CAFE standard, and is multiplied by the number of vehicles in the manufacturer's fleet to arrive at an aggregate penalty. On January 14, 2021, NHTSA published an interim final rule with immediate effect, the result of which would be to apply the increased fine rate that resulted from the Second Circuit's ruling to future model years. In particular, NHTSA's new rule imposes a CAFE penalty base rate of $5.50 through 2021 Model Year and increases the CAFE penalty base rate to $14.00 prospectively from the 2022 Model Year. Several non-governmental organizations and state attorneys general have initiated litigation to overturn NHTSA's interim final rule.

For heavy duty vehicles (>8,500 pound gross vehicle weight rating), the GHG and fuel consumption standard is utility based (payload and towing) and is increasing in stringency through 2027. Similar to passenger cars GHG standards, flexibilities exist to meet the regulation. A civil fine cannot be paid to achieve compliance with heavy duty vehicle GHG standards.

The Canadian and Mexican markets have adopted GHG standards derived from the U.S. government's footprint-based structure and generally align with its technology-adoption compliance approach.

In 2012, Mexico adopted a fleet average target of 155.1-199.5 grams of CO_2 per kilometer. The annual target is based on the footprint of each vehicle and since 2012 the stringency of the annual target has increased annually and will do so until 2025, when it will reach 85-116.7 grams of CO_2 per kilometer. The Mexican government has also made available CO_2 credits for the use of efficient technologies, including electric vehicles, off-cycle technologies and efficient air conditioning systems.

LATAM Region

In July 2018, the first regulations related to the Rota 2030 Program were enacted in Brazil. Rota 2030 is a long-term program (three cycles of five years each) that replaced the Inovar Auto Program and establishes mandatory requirements for vehicle commercialization in Brazil: (a) adhesion to Vehicle Labeling Program; (b) commitment to achieve a minimum level of energy efficiency; and (c) commitment to achieve a minimum level of structural performance and driver assistance technologies. The regulation for the next phase of Energy Efficiency (CO_2/fuel efficiency) beginning in 2022 incorporates three fleets split into passenger, large SUV and light commercial vehicle categories. Among other things, the rule rewards the improvement of sugar cane ethanol combustion efficiency and also recognizes and provides credit flexibilities for technologies that provide benefits in conditions that are not seen on the standardized government test cycles.

In Argentina, although there is no current mandatory greenhouse gas requirement, the government is in the process of a CO_2 standard revision which is expected to be finalized by year end 2021.

APAC Region

In China, Phase IV of the Corporate Average Fuel Consumption ("CAFC") is currently in place and provides an industry target of 5.0 liters per 100 kilometers by 2020. Each OEM must meet a specific fleet average fuel consumption target related to vehicle weight. The phase-in of this fleet-average requirement began in 2016, with increasing stringency each year through 2020. Additional provisions for Phase IV include meeting a quota for New Energy Vehicles ("NEVs") credit beginning in 2019. NEVs consist of plug-in electric hybrids, battery electric vehicles, and fuel cell vehicles. Currently, no off-cycle credit flexibilities exist in the China regulation, although credit multipliers are granted for NEVs.

In September 2017, China's Ministry of Industry and Information Technology released administrative rules regarding CAFC and NEV credits that became effective in April 2018. Non-compliance with the CAFC target in these administrative rules can be offset through carry-forward CAFC credits, transfer of CAFC credits within affiliates, the OEMs use of its own NEV credits, or the purchase of NEV credits. Non-compliance with the NEV target can only be offset by the purchase of NEV credits. The homologation of new products that exceed CAFC targets will be suspended for OEMs that are unable to offset CAFC and/or NEV deficits until the deficits are offset.

Beginning in 2021, China will adopt WLTP for conventional and plug-in hybrid electric vehicles and a unique Chinese test cycle will be applicable to battery electric vehicles in the same year. The 2021-2023 Phase V CAFC and NEV Credit rules have been released by the Chinese government with increasing stringency reaching a target of 4.6 liters per 100 kilometers by 2025. The final management rules for 2024-2025 CAFC and NEV Credits are expected to be issued at a later date.

Additional markets within the APAC region have enacted fuel consumption and GHG targets. For example, India began enforcing phase I CAFC targets (CO_2~130gm/km @ 1037 kg) starting in April 2017 with more stringent phase II CAFC targets (CO_2~113gm/km @ 1145 kg) beginning in April 2022. South Korea implemented a phase II of CAFE/CO_2 standards beginning in 2016. Phase III, with more stringent targets, became effective January 1, 2021. Japan implemented a new fuel economy standard in 2020 that switches from vehicle weight class average to corporate average fuel economy. In Australia, although there is no mandatory GHG standard, the Federal Chamber of Automotive Industries ("FCAI") member companies implemented a voluntary CO_2 target for light vehicles starting in 2020.

EMEA Region

Each automobile manufacturer must meet a specific sales-weighted fleet average target for CO_2 emissions as related to vehicle weight. This regulation sets an industry fleet average target of 95 grams of CO_2 per kilometer starting in 2020 for passenger cars (130g/km until 2019). In order to promote the sale of ultra-efficient vehicles, automobile manufacturers that sell vehicles emitting less than 50 grams of CO_2 per kilometer earn additional CO_2 credits from 2020 to 2022. Furthermore, automobile manufacturers that make use of innovative technologies, or eco-innovations, which improve real-world fuel economy but may not show in the test cycles, such as solar panels or LED lighting, may gain an average credit for the manufacturer's fleet of up to seven grams of CO_2 per kilometer.

The EU has also adopted standards for regulating CO_2 emissions from light commercial vehicles ("LCVs"). This regulation requires that new LCVs meet a fleet average CO_2 target of 147 grams of CO_2 per kilometer in 2020 (175g/km until 2019).

In April 2019, the Regulation (EU) 2019/631 which sets new CO_2 emissions targets starting from 2025 and 2030 was adopted and requires a 15 percent reduction from 2021 levels in 2025 (both passenger cars and LCV), a 37.5 percent reduction for passenger cars and a 31 percent reduction for LCV in 2030 from 2021 levels.

WLTP entered into force in September 2018 for all registered passenger cars and in September 2019 for all registered LCVs. WLTP is expected to provide CO_2 emissions and fuel consumption values that are more representative of real driving conditions.

The quantity of CO_2 emissions in 2021 will be affected not only by market evolution (such as the expected reduction of diesel market share), but also by the commercialization of low-emission and electrified vehicles. Finally, according to applicable EU regulations, current pooling arrangements for emissions compliance for passenger cars entered into by FCA are expected to apply in 2021. In 2020, FCA entered into a pooling arrangement for emissions compliance for LCVs with another OEM.

Other countries in the EMEA region outside of the EU perimeter, such as Switzerland and Saudi Arabia, have introduced specific regulations aimed to reduce vehicle CO_2 emissions or fuel consumption. The United Kingdom is expected to continue following the EU GHG policy post-Brexit.

Management of end-of-life products

In European markets, pursuant to the EU End-of-Life Vehicle Directive (2000/53/EC) (the "EU ELV Directive"), all vehicle manufacturers are required to collect and recycle their own branded vehicles from the vehicles' last owners or holders, when such cars have reached the end of their lives. The EU has decided to review the EU ELV Directive. The European Automobile Manufacturers Association (*Association des Constructeurs Européens d'Automobiles*) is currently focusing on defining country-specific best-practice processes for the treatment of ELVs in order to ensure better environmental results.

Vehicle Safety

North America Region

Under U.S. federal law, all vehicles sold in the U.S. must comply with Federal Motor Vehicle Safety Standards ("FMVSS") promulgated by NHTSA, and must be certified by their manufacturer as being in compliance with all such standards at the time of the first purchase of the vehicle. In addition, if a vehicle contains a defect that is related to motor vehicle safety or does not comply with an applicable FMVSS, the manufacturer must notify NHTSA and vehicle owners and provide a remedy at no cost. Moreover, the TREAD Act authorized NHTSA to promulgate regulations requiring Early Warning Reporting ("EWR"). EWR requires manufacturers to provide NHTSA several categories of information, including all claims which involve one or more fatalities or injuries; all incidents of which the manufacturer receives actual notice which involve fatalities or injuries alleged or proven to have been caused by a possible defect in such manufacturer's motor vehicle or motor vehicle equipment in the U.S.; and all claims involving one or more fatalities in a foreign country when the possible defect is in a motor vehicle or motor vehicle equipment that is identical or substantially similar to a motor vehicle or motor vehicle equipment offered for sale in the U.S., as well as aggregate data on property damage claims from alleged defects in a motor vehicle or in motor vehicle equipment; warranty claims; consumer complaints and field reports about alleged or possible defects. The rules also require reporting of customer satisfaction campaigns, consumer advisories, recalls, or other activity involving the repair or replacement of motor vehicles or items of motor vehicle equipment, even if not safety related.

NHTSA has secured a voluntary commitment from manufacturers, including FCA, to equip future vehicles with automatic electronic braking systems. The commitment will make these braking systems standard on virtually all light-duty cars and trucks with a gross vehicle weight of 8,500 pounds or less beginning no later than September 1, 2022 and on virtually all trucks with a gross vehicle weight between 8,501 pounds and 10,000 pounds beginning no later than September 1, 2025.

In September 2019, the Alliance of Automobile Manufacturers, Inc. and the Association of Global Automakers, Inc. announced a voluntary commitment from auto manufacturers, including FCA, to introduce technology including a combination of auditory and visual alerts to remind parents and caregivers to check the back seat upon leaving a vehicle to help address the risk of pediatric heatstroke in children left in cars. The commitment is to install such technology in essentially all new cars and trucks by the 2025 model year or sooner.

At times, organizations like NHTSA or the U.S. Insurance Institute of Highway Safety ("IIHS") issue or reissue safety ratings applicable to vehicles. In October 2019, NHTSA announced a plan to propose significant updates and upgrades to its New Car Assessment Program, also known as the Five-star Safety Ratings Program. The details are not known at this time, but are expected to include new test dummies, changes to the mandatory label, new test procedures and evaluation of new technologies. Depending on the content of the final changes, this set of changes could impact the market competitiveness of the affected vehicles.

In 2016, NHTSA issued a Notice of Proposed Rulemaking ("NPRM") designed to enable vehicle-to-vehicle communication technology. Rulemaking in this area has been inactive since then, and any additional costs that would have been associated with the NPRM are deferred for the foreseeable future. However, NHTSA has engaged with industry to confirm continued interest in facilitating the growth of this technology.

Furthermore, NHTSA has issued non-binding guidelines for addressing cybersecurity issues in the design and manufacture of new motor vehicles, as well as guidance for the investigation and validation of cybersecurity measures.

In November 2020, voters in the State of Massachusetts passed a ballot initiative appearing to conflict with NHTSA cybersecurity guidelines and may require manufacturers to disable or compromise some of the cybersecurity measures they have put in place. The complete effects of this new law are still under review. In the meantime, the AAI, an association to which FCA belongs, has filed a lawsuit seeking to enjoin enforcement of the new law and the litigation is pending.

A new Federal Motor Vehicle Safety Standard requiring artificial sound in electric and hybrid electric vehicles will take effect for new motor vehicles built on or after March 1, 2021. The artificial sound is intended to provide audible notice of the presence of the electric or hybrid electric vehicle to persons with impaired vision.

In January 2018, Mexico issued an amendment to the Consumers' Protection Law ("CPL") regarding safety regulations based on U.S. standards. The CPL, among other things, includes a deadline for vehicle manufacturers to provide to the Federal Consumer Protection Agency (i) the launch date and a detailed description of every safety campaign applicable to vehicles sold in Mexico, (ii) mandatory recall campaigns, based on international agencies' investigations and guidelines, (iii) mandatory repurchase, repair or replacement (with a new vehicle model having the same characteristics) of vehicles that risk the consumer's safety, health or life or threatens the consumer's personal financial condition, and (iv) mandatory product withdrawal, when the Federal Consumer Protection Agency determines that the vehicle could risk the consumer's safety, health or life or affect the consumer's personal financial condition. The rules of the CPL became effective as of December 20, 2019 and in addition to the rules mentioned above, the consumer may also be eligible for compensation related to a recall.

LATAM Region

Vehicles sold in the LATAM region are subject to different vehicle safety regulations according to each country, generally based on European and United Nations standards. Brazil published a draft of its 10 year safety regulatory roadmap in 2017. This roadmap provides a staged approach to implementation of new testing requirements and active safety technology. The more costly active safety technologies would be scheduled for implementation after 2024. In July 2018, the first regulation related to Rota 2030 was enacted. Rota 2030 is a long-term program (three cycles of five years each) which includes principles related to mandatory safety for all vehicles sold in Brazil. These regulations were approved by the Brazilian Congress and sanctioned by the Brazilian President in December 2018 as well as ordinary regulations to address certain minimum requirements and other metrics.

APAC Region

Many countries in the Asia Pacific region, including Australia, China, India, Japan and South Korea have adopted their own new car assessment program and vehicle safety regulations. As UN ECE1958 agreement countries, Australia, Japan and South Korea accept UN ECE safety requirements and are harmonizing their regulations with UN ECE. The U.S.-Korea Free Trade Agreement allows for the sale in Korea of U.S. vehicles that are manufactured in the U.S.

Most of the Chinese vehicle safety regulations are equivalent to UN ECE, but China has unique electric vehicle safety regulations and has developed a roadmap of the autonomous driving and connectivity regulations. China published the Regulation for Administration of Recall of Defective Vehicles effective in 2013 and the Implementation Provisions on the Regulation for Administration of Recall of Defective Vehicles effective in 2016. In 2019, State Administration for Market Supervision and Regulation in China issued a notice requiring close supervision of defects reporting and recall of new energy vehicles.

India has implemented vehicle crash regulations effective in 2019 for all models and pedestrian protection regulations effective in 2020 for all models. The draft rules for vehicle recalls was published by the Indian Government for public objection or suggestion and the final rules will be published in the near future. Also, brake and electronic stability control system regulations will be aligned to EU regulations beginning in 2022 for all models.

In South Korea, amendments to provisions relating to vehicle accidents, fire incidents, defect reporting and recall procedures have been proposed that may considerably increase the liabilities and penalties of vehicle manufacturers.

EMEA Region

Vehicles sold in Europe are subject to vehicle safety regulations established by the EU or, in very limited cases and aspects, by individual Member States. In 2009, the EU established a uniform legal framework for vehicle safety, repealing more than 50 then-existing directives and replacing them with a single regulation known as the "General Safety Regulation" ("GSR") aimed at incorporating relevant United Nations standards. The incorporation of United Nations standards commenced in 2012. In 2014, discussions began in Europe for a comprehensive upgrade to the GSR; implementation of the upgraded GSR for new vehicles and vehicle types will begin in 2022. The updated GSR will lead to the implementation of a variable suite of passive and active safety technologies, depending on vehicle type and classification. The significant items for the most common vehicles include advanced emergency braking, intelligent speed assistance, emergency lane keeping, driver drowsiness and attention warning, advanced driver distraction warning, reversing detection, event data recorder, protection of pedestrians, cyclists and other vulnerable road users, and an expanded scope of front and side crash testing. Also included are the introduction of automated vehicle provisions, such as a driver availability monitoring system or vehicle platooning. Effective as of September 1, 2020, Regulation (EU) 2018/858 improved the current legal framework for EU type-approval and, in particular, has introduced new provisions on market surveillance. This new regime on market surveillance specifies the obligations of the economic operators in the automotive supply chain (manufacturers, manufacturer's representatives, importers and distributors), the responsibilities of the enforcement authorities in the Member States, and the measures to be taken when vehicles and related components on the market appear to be affected by serious safety or environmental risks. In addition, in-vehicle emergency call systems became mandatory for new type-approved vehicles in the EU, Israel and Turkey markets in 2018. In Russia, a similar in-vehicle emergency call system became mandatory in 2015 and there are currently draft regulations for these systems in some countries in the Middle East region.

Industrial Environmental Control

Our operations are subject to a wide range of environmental protection laws including those laws regulating air emissions, water discharges, waste management and environmental clean-up. Certain environmental statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal, or ownership of a disposal site. Under certain circumstances, these laws impose liability for related damages to natural resources. FCA's Environmental Management System ("EMS") formalized its commitment to responsible management of methodologies and processes designed to prevent or reduce the environmental impact of our manufacturing activities. ISO 14001 is an internationally agreed standard that sets out the requirements for an EMS. At December 31, 2020, the majority of FCA's manufacturing plants had an ISO 14001 certified EMS in place.

Workplace Health and Safety

FCA's goal of achieving zero accidents was formalized in the targets set by FCA, as well as through global adoption of an Occupational Health and Safety Management System certified to the then-applicable Occupational Health and Safety Assessment Series ("OHSAS") 18001 governing standard. The International Organization for Standardization later adopted the OHSAS 18001 standard as ISO 45001. At December 31, 2020, the vast majority of FCA's manufacturing plants were ISO 45001 certified.

PSA's global health and safety policy was revised in September 2019 and aimed at eliminating avoidable workplace injuries and illnesses for every individual working for PSA, including temporary employees and contractors. PSA's workplace health and safety management system was based on the health and safety recommendations of the International Labour Organization (ILO-OSH 2001).

Applicability of Banking Law and Regulation to Financial Services

Several of FCA's legacy finance companies are regulated as financial institutions in the jurisdictions in which they operate. In Italy, FCA Bank S.p.A. is subject to European Central Bank ("ECB") and Bank of Italy supervision. Within FCA Bank Group, two subsidiaries (the Austrian FCA Bank G.m.b.H. and the Portuguese FCA Capital Portugal I.F.I.C., S.A.), are subject to the supervision of the ECB and of the local central banks, whereas certain other subsidiaries are subject to the supervision of the local Supervisory Financial or Banking Authority. Banco Fidis S.A. is subject to Brazilian Central Bank supervision. FCA Compañia Financiera S.A., incorporated in Argentina, is subject to Argentinian Central Bank supervision. FCA Automotive Finance Co., Ltd, is subject to the supervision of the Chinese Banking and Insurance Regulatory Commission and People's Bank of China.

PSA's legacy finance companies are also regulated as financial institutions. In France, Compagnie pour la location de véhicules (CLV), Crédipar, Opel Bank SA and PSA Banque France are subject to the supervision of ECB and the French local supervisory banking authority. In Germany, PSA Bank Deutschland GmbH is subject to the supervision of the ECB and the German local supervisory banking authority. In Italy, Banca PSA Italia S.p.A. is subject to ECB and Bank of Italy supervision. In Spain, PSA Financial Services Spain EFC SA is subject to the supervision of the Bank of Spain. Banco Fidis S.A. and Banco PSA Finance Brasil S.A. are subject to Brazilian Central Bank supervision. Dongfeng Peugeot Citroën Auto Finance Company Ltd and Dongfeng Peugeot Citroën Financial Leasing are subject to the supervision of the Chinese Banking and Insurance Regulatory Commission and People's Bank of China.

As a result of the regulation described above, these companies are subject to regulation in a wide range of areas including solvency, capital requirements, reporting, customer protection and account administration, among other matters.

FINANCIAL OVERVIEW

Management's Discussion and Analysis of the Financial Condition and Results of Operations

The following discussion of FCA's financial condition and results of operations should be read together with the information included under "GROUP OVERVIEW", "FCA SELECTED FINANCIAL DATA" and the FCA Consolidated Financial Statements included elsewhere in this report. This discussion includes forward-looking statements and involves numerous risks and uncertainties relating to Stellantis, including, but not limited to, those described under "Cautionary Statements Concerning Forward Looking Statements" and "Risk Factors". Actual results may differ materially from those contained in any forward looking statements.

Management's Discussion and Analysis of the Financial Condition and Results of Operations of the FCA Group for the year ended December 31, 2018 was previously included in the section "FINANCIAL OVERVIEW" in the 2019 Annual Report and Form 20-F, as filed with the SEC on February 25, 2020, and has not been included in this report.

Trends, Uncertainties and Opportunities

The trends, uncertainties and opportunities facing Stellantis are summarized below:

Impact of the COVID-19 pandemic. Our operations have been, and continue to be, affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020. In response to the pandemic, many governments in affected jurisdictions have imposed travel bans, quarantines, lockdowns and other emergency public safety measures including closures of businesses.

In the first half of 2020, both FCA and PSA temporarily suspended production across their facilities for extended periods of time. Both companies restarted production and vehicle sales once governments in various jurisdictions permitted, in accordance with applicable health and safety protocols. New restrictions were imposed by the governments of several jurisdictions in which we operate during the last quarter of 2020, as a result of the "second wave" of the outbreak.

The COVID-19 crisis has resulted in disruptions in our manufacturing operations and our supply chain, lower capacity utilization, shutdowns at our facilities as well as unfavorable working capital movements (for example because under our supply terms, during periods when our facilities were shutdown, we were required to pay suppliers for components purchased in an earlier high volume environment), with an adverse impact on FCA and PSA's results.

The COVID-19 pandemic also resulted in significant decline in the demand for our products. In 2020 compared to 2019, FCA's Net revenues decreased by 20 percent and consolidated shipments fell by 24 percent. PSA's business was similarly impacted by the COVID-19 pandemic during the course of 2020, as PSA's revenues decreased by 19 percent and total world sales fell by 28 percent. The COVID-19 pandemic continues to have a severe and negative impact on the global economy.

During 2020, FCA took several key actions to secure its liquidity and financial position, including drawing on existing bilateral lines of credit, securing additional credit facilities and issuing notes under its Medium Term Note Programme. In addition, measures were taken to reduce cash outflows, including a temporary suspension of a significant number of capital expenditure programs, delaying non-essential spending, temporary lay-offs, salary cuts and deferrals, and significant reductions to marketing and other discretionary spend. PSA also took several actions in order to secure its liquidity and financial position. In April 2020, PSA signed a new €3 billion syndicated line of credit and in May 2020, it issued €1 billion of 2.75 percent notes due 2026 under its European Medium-Term Notes program.

While the second half of 2020 signaled a steady recovery for FCA's and PSA's operations, given the dynamic nature of the outbreak, the extent to which COVID-19 will in the future impact our business, results of operations and financial condition remains highly uncertain and cannot be accurately predicted at this time.

Shipments and Sales. Vehicle shipments are generally driven by expectations of consumer demand for vehicles, which is affected by economic conditions, availability and cost of dealer and customer financing and incentives offered to retail customers, as discussed further below.

In FCA's historical financial information presented in this report, transfer of control, and therefore revenue recognition, generally corresponds to vehicle shipment to dealers or distributors. This generally occurs upon the release of the vehicle to the carrier responsible for transporting the vehicle to the dealer or distributor, or when the vehicle is made available to the dealer or distributor. Shipments and revenue recognition are not necessarily directly correlated with retail sales by dealers, which may be affected by other factors including dealer decisions as to appropriate inventory levels.

PSA historically recognized revenue at the same time as the transfer of risks and rewards of the ownership of goods sold. For new vehicles, this transfer generally corresponded to the date when the vehicles were made available to independent dealers or, in the case of direct sales to end-customers through owned dealers, the delivery date of the vehicle to end-customers.

Product Development and Technology. A key driver of consumer demand, and therefore our performance, has been the continued refresh, renewal and evolution of our vehicle portfolio, and we have committed significant capital and resources toward the introduction of new vehicles on new platforms, with additions of new powertrains and other new technologies. In order to realize a return on the significant investments we have made to sustain market share and to achieve competitive operating margins, we will have to continue significant investment in new vehicle launches. We believe efforts in developing common vehicle platforms and powertrains have accelerated the time-to-market for many of FCA's vehicle launches and over time resulted in cost savings. We expect this positive trend to be further supported by the combination with PSA, as a result of the ongoing integration. However, achieving the benefits of integration and particularly the convergence of platforms will require significant investments over the medium term.

The costs associated with product development, vehicle improvements and launches can impact our Net profit. In addition, our ability to continue to make the necessary investments in product development, and recover the related costs, depends in large part on the market acceptance and success of the new or significantly refreshed vehicles we introduce. New launches are supported by marketing and profitability studies carried out several years prior to their actual launch, which increases the risk of not meeting customer preference, resulting in lower volumes than forecasted or selling at lower prices and impacting profitability.

Costs FCA incurred in the initial research phase for new projects (which may relate to vehicle models, vehicle platforms, powertrains or technology) were historically expensed as incurred and reported as Research and development costs. Costs FCA incurred for product development were historically capitalized and recognized as intangible assets if and when the following two conditions were both satisfied: (i) development expenditures can be measured reliably and (ii) the technical feasibility of the project, and the anticipated volumes and pricing indicate it is probable that the development expenditures will generate future economic benefits. Capitalized development expenditures included all costs that may be directly attributed to the development process. Such capitalized development expenditures were amortized on a straight-line basis commencing from start of production over the expected economic useful life of the product developed and based on an end date that FCA estimated to correspond to the end of the useful life of such product, FCA recognized and reported such amortization as Research and development costs in its Consolidated Income Statement. Any changes in the expected end date of vehicle production (extensions, accelerations or terminations) resulted in a prospective change in the period over which the asset was amortized.

PSA's research and development expenses historically included the cost of scientific and technical activities, intellectual property rights, and the education and training necessary for the development, production or implementation and marketing of new or substantially improved materials, methods, products, processes, systems or services. Development expenditures were historically recognized as an intangible asset if PSA could demonstrate (i) its intention to complete the intangible asset as well as the availability of technical, financial and other resources for this purpose; (ii) that it was probable that the future economic benefits attributable to the development expenditure will flow to the entity; and (iii) that the cost of the asset could be measured reliably. Capitalized development costs included related borrowing costs.

Future developments in our product portfolio could lead to significant capitalization of development assets. Time to market for FCA and PSA was historically at least 24 months, but varied depending on our product, from the date the design is signed-off for tooling and production, after which the project goes into production, resulting in an increase in amortization. Therefore, our operating results are impacted by the cyclicality of our research and development expenditures based on our product portfolio strategies and our product plans.

In order to meet expected changes in consumer demand and regulatory requirements, we intend to invest significant resources in product development and research and development. New markets for alternative fuel source vehicles and autonomous vehicles are also continuing to emerge and we expect both to invest resources in these areas and to optimize our R&D investments as a result of the progressive integration with the PSA business. In addition, global demand continues to shift from passenger cars to utility vehicles and away from diesel-powered vehicles.

Profitability. Our results of operations reflect the profitability of the vehicles we sell, which tends to vary based upon a number of factors, including vehicle size and model, the content of those vehicles, brand positioning, and the mix of internal-combustion, electric and hybrid engines. Vehicle profitability also depends on sales prices to dealers and fleet customers, net of sales incentives, costs of materials and components, as well as transportation and warranty costs.

FCA's and PSA's larger vehicles, such as UVs and pickup trucks, have historically been more profitable on a per vehicle basis than smaller vehicles. In recent years, consumer preferences for certain larger vehicles, such as SUVs, have increased; however, there is no guarantee this trend will continue.

Newly introduced internal-combustion models are generally more profitable than older models, and vehicles equipped with additional options are generally more profitable than those with fewer options. As a result, our ability to offer attractive vehicle options and upgrades is critical to our ability to increase our profitability on these vehicles. In addition, in the U.S. and Europe, our vehicle sales to dealers for sale to their retail consumers are normally more profitable than our fleet sales, in part because the retail consumers are more likely to prefer additional optional features while fleet customers increasingly tend to concentrate purchases on smaller, more fuel-efficient vehicles with fewer optional features, which have historically had a lower profitability per unit.

Vehicles sold under certain brand and model names are generally more profitable when there is strong brand recognition of those vehicles. In some cases this is tied to a long history of the brands and models, and in other cases to customers identifying these vehicles as being more modern and responsive to customer needs.

In addition, against a backdrop of significant technological development, changing consumer patterns and new competitive forces, the cost of complying with tightening regulatory requirements could negatively impact our profitability. Vehicle models that are equipped with electric or PHEV engines tend to be less profitable than those equipped with internal-combustion engines, with the significant costs of batteries largely accounting for this differential. Although battery prices are expected to gradually decline in the coming years and are partially offset in some cases by governmental subsidies and tax exemptions, we expect that in the near term the profitability of vehicles equipped with electric or PHEV engines will continue to lag behind those equipped with internal-combustion engines.

In addition, competition among manufacturers for market share in the growing electric vehicle and PHEV market has led to a race to reduce prices, which adversely impacts profitability. We expect that this trend will continue in the near term.

Pricing. Our profitability depends in part on our ability to maintain or improve pricing on the sale of our vehicles to dealers and fleet customers and will also be significantly impacted by our ability to pass along the increased costs of the technology needed to meet increased regulatory compliance requirements as well as emerging trends in the automotive industry, such as electrification, autonomous driving, mobility and connected cars.

Import duties and tariffs affecting raw materials or component pricing may in some instances increase the price charged to our customers, where the market can accept such price increases in that particular market, or otherwise decrease our profitability if we are unable to increase prices to our customers.

In addition, the automotive industry continues to experience intense price competition resulting from the variety of available competitive vehicles and excess global manufacturing capacity. Historically, manufacturers have promoted products by offering dealer, retail and fleet incentives, including cash rebates, option package discounts, and subsidized financing or leasing programs, leading to increased price pressure and sharpened competition within the industry. The amount and types of incentives are dependent on numerous factors, including market competition level, consumer demand, economic conditions, marketing strategy, model age and time of year, due to industry seasonality. We plan to continue to use such incentives to price vehicles competitively and to manage demand and support inventory management profitability.

Production costs. Production costs include purchases (including costs related to the purchase of components and raw materials), labor costs, depreciation, amortization, logistic and product warranty and recall campaign costs. We purchase a variety of components, raw materials, supplies, utilities, logistics and other services from numerous suppliers. Fluctuations in production costs are primarily related to the number of vehicles we produce and sell along with shifts in vehicle mix, as newer models of vehicles generally have more technologically advanced components and enhancements and therefore higher costs per unit.

Production costs may also be affected by fluctuations in raw material prices. For example, some of the batteries integrated in our electric and hybrid models integrate rare raw materials, which are exposed to heightened shortage risks and potentially rising procurement costs. The cost of raw materials has historically comprised 10-15 percent of FCA's total purchases described above, while the remaining portion of purchases is made of components, conversion of raw materials and overhead costs. In 2020, PSA's purchases of raw materials amounted to around 23 percent of its total purchasing budget (including raw materials used in the manufacturing of components and systems purchased from suppliers) in Europe for its automotive division.

We typically seek to manage these costs and minimize their volatility by using fixed price purchase contracts, commercial negotiations and technical efficiencies. PSA has also traditionally used commodity hedging instruments.

Despite our efforts, our production costs related to raw materials and components have increased as a result of tariffs introduced in recent years; uncertainty related to tariffs and trade policy in our larger markets including the U.S., the European Union and China has made it more difficult to predict our raw material and components costs. Our production costs have also increased as we have significantly enhanced the content of our vehicles as we renew and refresh our product offerings. Over time, technological advancements and improved material sourcing may reduce the cost to us of the additional enhancements. In addition, we seek to recover higher costs through pricing actions, but even when market conditions permit this, there may be a time lag between the increase in our costs and our ability to realize improved pricing. Accordingly, our results are typically adversely affected, at least in the short term, until price increases are accepted in the market.

Further, in many markets where our vehicles are sold, we are required to pay import duties on those vehicles, which are included in production costs. We reflect these costs in the price charged to our customers to the extent market conditions permit. However, for many of our vehicles, particularly in the mass-market vehicle segments, we cannot always pass along increases in those duties to our dealers and distributors and remain competitive. Our ability to price our vehicles to recover those increased costs has affected, and will continue to affect, our profitability.

Economic Conditions. Demand for new vehicles tends to reflect economic conditions in the various markets in which we operate because retail sales depend on individual purchasing decisions, which in turn are affected by many factors including employment levels, consumer confidence and levels of disposable income. Fleet sales and sales of light commercial vehicles are also influenced by economic conditions, which drive vehicle utilization and investment activity. Further, demand for light commercial vehicles and pickup trucks is driven, in part, by construction and infrastructure projects. Therefore, our performance is affected by the macroeconomic trends in the markets in which we operate.

Regulation. We are subject to a complex set of regulatory regimes throughout the world in which vehicle safety, emissions and fuel economy regulations have become increasingly stringent and the related enforcement regimes increasingly active. These developments may affect our vehicle sales as well as our profitability and reputation. We are subject to applicable national and local regulations with which we must comply in order to continue operations in every market, including a number of markets in which we derive substantial revenue. Developing, engineering and manufacturing vehicles that meet these requirements and therefore may be sold in those markets requires a significant expenditure of management time and financial resources.

FCA historically pursued compliance with fuel economy and greenhouse gas regulations in the markets where it operated through the most cost effective combination of developing, manufacturing and selling vehicles with better fuel economy and lower emissions, purchasing regulatory emissions credits and paying regulatory penalties. However, we expect that, as a result of the integration of the FCA and PSA business following the merger, we will be able to deploy electrification technologies and CO_2 abating technologies across our range of brands in a shorter timeframe and react more quickly to changes in regulation, with potential savings in the compliance effort. However, these costs and the costs incurred to meet other regulatory requirements may be difficult to pass through to customers, so the increased costs may affect our results of operations and profitability.

Further, developments in regulatory requirements in China, the largest single market in the world in 2020, limit in some respects, the product offerings we can pursue as we expand the scope of our operations in that country. Refer to "*Risk Factors-Risks Related to the Legal and Regulatory Environment in which We Operate- Current and more stringent future or incremental laws, regulations and governmental policies, including those regarding increased fuel efficiency requirements and reduced greenhouse gas and tailpipe emissions, have a significant effect on how we do business and may increase our cost of compliance, result in additional liabilities and negatively affect our operations and results.* " for more information. In addition, a U.S. federal regulation prohibits U.S. states such as California from imposing their own environmental greenhouse gas regulatory requirements on the vehicles that we sell, which has resulted in litigation and uncertainty regarding the applicability of those state regulations. The U.S. federal government is also undertaking a review of federal environmental regulations applicable to our vehicles, as well as the stringency of nationwide fuel economy standards.

Merger integration. The combination of FCA and PSA was completed on January 16, 2021. The merger was implemented by way of a legal cross-border merger of PSA with and into FCA. The merger has been accounted for using the acquisition method of accounting in accordance with IFRS 3, Business Combinations, with PSA being identified as the acquirer for accounting purposes. The merger is not reflected in the historical financial statements of FCA presented in this report.

We expect that the integration of the FCA and PSA businesses will foster our innovation capability and further drive development in new energy vehicles, sustainable mobility, autonomous driving and connectivity. The integration process started immediately after the merger, and we expect that it will allow us to achieve savings, gains and synergies in several areas, including technology, platforms and products, procurement, selling, general and administrative expenses, logistics and other functions, and that such synergies will result in improved profitability. The integration process involves inherent costs which will impact our results in the near term, although we expect that those costs will be more than offset by the positive effects of the integration. Challenges in the integration process may arise and the anticipated benefits of the integration may take longer than expected to be realized or not be realized at all.

Tariffs and Trade Policy. There has been a recent and significant increase in activity and speculation regarding tariffs and duties between governments in various regions, in particular the United States and its trading partners, China and the European Union, as well as between the European Union and the United Kingdom. Tariffs or duties may reduce consumer demand and/or make our products less profitable. In addition, the availability and price at which we are able to source components and raw materials globally may be adversely affected.

Dealer and Customer Financing. Given that a large percentage of the vehicles we sell to dealers and retail customers worldwide are financed, the availability and cost of financing is a significant factor affecting our vehicle shipment volumes and Net revenues. Availability of customer financing could affect the vehicle mix, as customers who have access to greater financing are able to purchase higher priced vehicles, whereas when customer financing is constrained, vehicle mix could shift towards less expensive vehicles. The low interest rate environment in recent years has had the effect of reducing the effective cost of vehicle ownership. While interest rates in the U.S. and Europe have been at historically low levels, the availability and terms of financing will likely continue to change over time, impacting our results.

Effects of Foreign Exchange Rates. We are affected by fluctuations in foreign exchange rates (i) through translation of foreign currency financial statements into Euro for consolidation, which we refer to as the translation impact, and (ii) through transactions by entities in the Group in currencies other than their own functional currencies, which we refer to as the transaction impact. Given our presence in numerous countries outside the Eurozone, a strengthening of foreign currencies (in particular of the U.S. Dollar, given the size of our U.S. operations) against the Euro generally would have a positive effect on our financial results, which are reported in Euro, and on our operations in relation to sales in those countries of vehicles and components produced in Europe. Foreign exchange rates, including the U.S. Dollar/Euro exchange rate, have fluctuated significantly in 2020, and may continue to do so in the future. Additionally, a significant portion of our operating cash flow is expected to be generated in U.S. Dollars and, although a portion of our debt is denominated in U.S. Dollars, the majority of our indebtedness is denominated in Euro. Given the mix of our debt and liquidity, strengthening of the U.S. dollar against the Euro generally would have a positive impact on our net cash position.

In order to reduce the impacts of foreign exchange rates, FCA historically hedged a percentage of certain exposures. Refer to Note 30*, Qualitative and quantitative information on financial risks* within the Consolidated Financial Statements included elsewhere in this report for additional information.

FCA Shipment Information

As discussed in *GROUP OVERVIEW—Overview of Our Business*, FCA's activities were carried out through five reportable segments: four regional mass-market vehicle segments (North America, LATAM, APAC and EMEA) and the Maserati global luxury brand segment. The following table sets forth vehicle shipment information by segment. Vehicle shipments are generally aligned with current period production which is driven by plans to meet consumer demand. Revenue was recognized when control of FCA's vehicles, services or parts had been transferred and the FCA Group's performance obligations to customers had been satisfied. FCA historically determined that its customers from the sale of vehicles and service parts were generally dealers, distributors or fleet customers. Transfer of control, and therefore revenue recognition, generally corresponded to the date when the vehicles or service parts were made available to the customer, or when the vehicles or service parts were released to the carrier responsible for transporting them to the customer. New vehicle sales through the Guaranteed Depreciation Program ("GDP") were recognized as revenue when control of the vehicle transferred to the fleet customer, except in situations where the FCA Group issued a put option for which there was a significant economic incentive to exercise. Refer to Note 2, *Basis of preparation*, within the Consolidated Financial Statements included elsewhere in this report for further details on FCA's revenue recognition policy.

For a description of FCA's dealers and distributors see *GROUP OVERVIEW—Sales Overview*. Accordingly, the number of vehicles sold does not necessarily correspond to the number of vehicles shipped for which revenues were recorded in any given period.

	Years ended December 31,	
(thousands of units)	**2020**	**2019**
North America	1,842	2,401
LATAM	475	577
APAC	62	76
EMEA	858	1,199
Maserati	17	19
Total Consolidated shipments	**3,254**	**4,272**
Joint venture shipments	181	146
Total Combined shipments	**3,435**	**4,418**

For discussion of shipments for North America, LATAM, APAC, EMEA and Maserati for 2020 as compared to 2019, refer to *—Results by Segment* below.

Non-GAAP Financial Measures

During the financial years presented within this report, FCA monitored its operations through the use of several non-generally accepted accounting principles ("non-GAAP") financial measures: Adjusted Earnings Before Interest and Taxes ("Adjusted EBIT"), Adjusted net profit, Adjusted diluted earnings per share ("Adjusted diluted EPS"), Industrial free cash flows and certain information provided on a constant exchange rate ("CER") basis. We believe that these non-GAAP financial measures provided useful and relevant information regarding FCA's operating results and enhanced the overall ability to assess FCA's financial performance. They provided comparable measures which facilitated FCA management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. These and similar measures are widely used in the industry in which FCA operated, however, these financial measures may not be comparable to other similarly titled measures of other companies and are not intended to be substitutes for measures of financial performance as prepared in accordance with IFRS as issued by the IASB as well as IFRS adopted by the European Union. The purpose of the non-IFRS financial measures outlined below is primarily to provide investors with relevant and useful information on FCA's financial performance.

These non-GAAP measures should not be considered indicative of the non-GAAP measures that will be used by Stellantis going forward, which may include alternative measures in addition to, or in place of, these measures. Where Stellantis will use the same or a similar measure going forward, these may be defined differently to the measures presented below.

Adjusted EBIT: excludes certain adjustments from Net profit from continuing operations including gains/(losses) on the disposal of investments, restructuring, impairments, asset write-offs and unusual income/(expenses) that are considered rare or discrete events that are infrequent in nature, and also excludes Net financial expenses and Tax expense/(benefit).

Adjusted EBIT was used for internal reporting to assess performance and as part of the FCA Group's forecasting, budgeting and decision making processes as it provides additional transparency to the FCA Group's core operations. We believe this non-GAAP measure was useful because it excludes items that are not believed to be indicative of the FCA's ongoing operating performance and allowed management to view operating trends, perform analytical comparisons and benchmark performance between periods and among FCA's segments. We also believe that Adjusted EBIT was useful for analysts and investors to understand how management assessed the FCA Group's ongoing operating performance on a consistent basis. In addition, Adjusted EBIT was one of the metrics used in the determination of the annual performance bonus and the achievement of certain performance objectives established under the terms of the 2019-2021 and the 2020-2022 equity incentive plans for the FCA Chief Executive Officer and other eligible employees, including members of the FCA Group Executive Council ("GEC").

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

Adjusted net profit: is calculated as Net profit from continuing operations excluding post-tax impacts of the same items excluded from Adjusted EBIT, as well as financial income/(expenses) and tax income/(expenses) considered rare or discrete events that are infrequent in nature.

We believe this non-GAAP measure was useful because it also excludes items that we do not believe are indicative of FCA's ongoing operating performance and provides investors with a more meaningful comparison of FCA's ongoing operating performance. We also believe that Adjusted net profit was useful for analysts and investors to understand how management assessed its ongoing operating performance on a consistent basis. In addition, Adjusted net profit was one of the metrics used in the determination of the annual performance bonus for the FCA Chief Executive Officer and other eligible employees, including members of the FCA Group Executive Council.

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

Adjusted diluted EPS: is calculated by adjusting Diluted earnings per share from continuing operations for the impact per share of the same items excluded from Adjusted net profit.

We believe this non-GAAP measure was useful because it also excludes items that FCA did not believe were indicative of its ongoing operating performance and provided investors with a more meaningful comparison of FCA's ongoing quality of earnings. Its purpose was to provide investors relevant and useful information in this respect.

Refer to the section *FCA Group Results* below for a reconciliation of this non-GAAP measure to Diluted earnings per share from continuing operations, which is the most directly comparable measure included in the Consolidated Financial Statements. Adjusted diluted EPS should not be considered as a substitute for Basic earnings per share, Diluted earnings per share from continuing operations or other methods of analyzing quality of earnings as reported under IFRS.

Industrial free cash flows: was FCA's key cash flow metric, and is calculated as Cash flows from operating activities less: cash flows from operating activities from discontinued operations; cash flows from operating activities related to financial services, net of eliminations; investments in property, plant and equipment and intangible assets for industrial activities; adjusted for net intercompany payments between continuing operations and discontinued operations; and adjusted for discretionary pension contributions in excess of those required by the pension plans, net of tax. The timing of Industrial free cash flows may be affected by the timing of monetization of receivables and the payment of accounts payable, as well as changes in other components of working capital, which can vary from period to period due to, among other things, cash management initiatives and other factors, some of which may be outside of the FCA Group's control.

We believe this non-GAAP measure was useful because it provides investors with relevant information on how management assessed and measured its cash flows from ongoing operating activities and as such was FCA's key cash flow metric. Its purpose was to provide both management and investors relevant and useful information about FCA's cash generation capacity and performance.

Refer to *Liquidity and Capital Resources—Industrial free cash flows* for further information and the reconciliation of this non-GAAP measure to Cash flows from operating activities, which is the most directly comparable measure included in the Consolidated Statement of Cash Flows. Industrial free cash flows should not be considered as a substitute for Net profit from continuing operations, cash flow or other methods of analyzing results as reported under IFRS.

Constant Currency Information: the discussion within the section *FCA Group Results* includes information about FCA's results at CER, which is calculated by applying the prior year average exchange rates to translate current financial data expressed in local currency in which the relevant financial statements are denominated (see Note 2, *Basis of preparation*, within the Consolidated Financial Statements included elsewhere in this report for the exchange rates applied). Although FCA management did not believe that this non-GAAP measure is a substitute for GAAP measures, they believe that results excluding the effect of currency fluctuations provided additional useful information to investors regarding the operating performance and trends in FCA's business on a local currency basis. The purpose of this non-GAAP measure is to provide such useful information to investors.

Results of Operations

FCA Group Results – 2020 compared to 2019

The following is a discussion of FCA's results of operations for the year ended December 31, 2020 as compared to the year ended December 31, 2019.

(€ million)	Years ended December 31, 2020		2019	
Net revenues	€	86,676	€	108,187
Cost of revenues		75,962		93,164
Selling, general and other costs		5,501		6,455
Research and development costs		2,979		3,612
Result from investments		179		209
Gains on disposal of investments		4		15
Restructuring costs		73		154
Net financial expenses		988		1,005
Profit before taxes		**1,356**		**4,021**
Tax expense		1,332		1,321
Net profit from continuing operations		**24**		**2,700**
Profit from discontinued operations, net of tax		—		3,930
Net profit	**€**	**24**	**€**	**6,630**
Net profit/(loss) attributable to:				
Owners of the parent	€	29	€	6,622
Non-controlling interests	€	(5)	€	8
Net profit/(loss) from continuing operations attributable to:				
Owners of the parent	€	29	€	2,694
Non-controlling interests	€	(5)	€	6
Net profit from discontinued operations attributable to:				
Owners of the parent	€	—	€	3,928
Non-controlling interests	€	—	€	2

COVID-19 impacts

The COVID-19 pandemic had significant negative impacts on FCA's results for the year ended December 31, 2020. The contraction of global demand, temporary suspensions of production in all regions and closure of a majority of dealerships during the first quarter significantly contributed to reduced combined shipments. This trend continued into the second quarter, with further market and production disruption before recovering significantly during the third and fourth quarter. As a result, combined shipments were down 22.2% for the year ended December 31, 2020, as compared to the same period in 2019. There were related reductions in both *Net revenues* (of 19.9%) and *Cost of revenues* (of 18.5%) for the year ended December 31, 2020, as compared to the same period in 2019. *Selling, general and other costs* were down 14.8% for the year ended December 31, 2020, as compared to the same period in 2019, primarily due to mitigating actions taken in response to the pandemic, including reductions in marketing and advertising expenses. Adjusted EBIT decreased 43.9% for the year ended December 31, 2020, as compared to the same period in 2019, primarily due to reduced volumes despite strong North America results. Industrial free cash flows of €0.6 billion for the year ended December 31, 2020, primarily reflected strong cash generation during the second half of the year more than offsetting significant pandemic-related cash absorption during the first half.

Net revenues

(€ million)	Years ended December 31, 2020	2019	Increase/(Decrease) 2020 vs. 2019 % Actual	% CER
Net revenues	€ 86,676	€ 108,187	(19.9)%	(17.1)%

For a discussion of Net revenues for each of the five FCA reportable segments (North America, LATAM, APAC, EMEA and Maserati) for 2020 as compared to 2019 see *Results by Segment* below.

Cost of revenues

(€ million)	Years ended December 31, 2020	2019	Increase/(Decrease) 2020 vs. 2019 % Actual	% CER
Cost of revenues	€ 75,962	€ 93,164	(18.5)%	(15.6)%
Cost of revenues as % of Net revenues	87.6 %	86.1%		

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

The decrease in Cost of revenues in 2020 compared to 2019 was primarily related to lower volumes across all segments, mainly due to the temporary suspension of production during the first half of the year and demand disruptions as a result of COVID-19, as well as foreign exchange translation impacts, partially offset by improved mix in North America and EMEA.

- During the year ended December 31, 2020, impairment losses and supplier obligations of €927 million were recognized. Of this, €13 million of supplier obligations were recognized within *Cost of revenues* in the Consolidated income statement and impairments totaling €914 million were recognized, primarily in relation to:

    - For the three months ended March 31, 2020, the FCA Group reviewed its business and operations to take into consideration the estimated impacts and effects of the COVID-19 pandemic, including the estimated impact on the macroeconomic environment, the market outlook and the FCA Group's operations. Using the updated information, FCA performed an assessment of the recoverability of certain of its assets as of March 31, 2020. Specifically, FCA reviewed FCA's cash generating units ("CGUs") and goodwill and intangible assets with indefinite useful lives for indicators of impairment. Certain CGUs, primarily those that were expected to be more sensitive to the current market outlook, in North America, EMEA, LATAM and Maserati segments, as well as goodwill allocated to EMEA and LATAM segments, were found to have indicators of impairment, and were therefore subject to impairment testing. As a result of this impairment testing, impairment charges totaling €450 million, primarily as a result of reduced volume expectations, were recognized on CGUs within the EMEA, LATAM and Maserati segments composed of €247 million of Property, plant and equipment recognized within *Cost of revenues* and €203 million of previously capitalized development costs recognized within *Research and development costs*. Of these charges, €178 million relates to the EMEA segment, €161 million relates to the LATAM segment, and €111 million relates to the Maserati segment, which is incremental to the impairment recognized in the Maserati segment discussed below.

    - In addition to the impairments discussed above, during the three months ended March 31, 2020, certain assets within the Maserati segment were impaired in connection with decisions that were made regarding the planned utilization of certain assembly assets to more efficiently utilize the FCA Group's manufacturing capacity as part of the implementation of the previously announced Maserati product renewal activities. As a result of these decisions, impairment charges were recognized totaling €177 million, composed of €85 million of Property, plant and equipment recognized within *Cost of revenues* and €92 million of previously capitalized development expenditures recognized within *Research and development costs*. Impairment expense of €16 million was also recognized in North America for property, plant and equipment relating to idled assets.

- During the three months ended September 30, 2020, the FCA Group changed FCA's strategy for the future B-Segment platform in EMEA, which was under development. As a result of the change in strategy, assets totaling €74 million were impaired within the EMEA segment, composed of €4 million of Property, plant and equipment and €70 million of previously capitalized research and development expenditures, which were recognized within *Cost of revenues* and *Research and development costs*, respectively, as well as €13 million of supplier obligations.

- During the three months ended December 31, 2020, impairment losses totaling €197 million were recognized, of which €120 million related to vehicle platform impairments in the North America segment as a result of the increase in the CAFE fine rate applicable starting with model year 2022 vehicles, composed of €37 million of Property, plant and equipment recognized within *Cost of revenues* and €83 million of previously capitalized development expenditures recognized within *Research and development costs*. In addition, impairment expense of €56 million was recognized in relation to capitalized development costs which were no longer planned to be used by the FCA Group. Of these, €44 million was not allocated to a specific region as the impaired assets were used to produce vehicles sold in several of FCA's regions, while €9 million relates to the Maserati segment and €3 million relates to the EMEA segment. Furthermore, impairment expense of €18 million was also recognized in North America for property, plant and equipment for idled assets.

Included within Cost of revenues for 2020 were amounts of €706 million (€425 million in 2019), which represent primarily the accrual of regulatory expenses and the utilization of regulatory credits, mainly in North America and EMEA.

Cost of revenues also included significant costs that contribute to regulatory compliance but which are not separately quantifiable as they are elements within broader initiatives, such as technology deployment in terms of powertrain upgrades and alternative powertrains, along with actions to improve vehicle demand energy. For further detail, refer to *Environmental and Other Regulatory Matters* included elsewhere in this report.

Selling, general and other costs

	Years ended December 31,		Increase/(Decrease) 2020 vs. 2019	
(€ million)	2020	2019	% Actual	% CER
Selling, general and other costs	€ 5,501	€ 6,455	(14.8)%	(11.9)%
Selling, general and other costs as % of Net revenues	6.3%	6.0%		

The decrease in Selling, general and other costs in 2020 as compared with 2019 was primarily driven by lower advertising expenses, due to lower market demand as a result of COVID-19, as well as cost containment actions taken in response to COVID-19, partially offset by a provision of €222 million recognized in 2020 for estimated probable loss to settle matters under investigation by the U.S. Department of Justice primarily related to criminal investigations associated with U.S. diesel emissions matters (refer to Note 25, - *Guarantees granted, commitments and contingent liabilities* in the Consolidated Financial Statements included elsewhere in this report for further information).

Selling, general and other costs included advertising, personnel and administrative costs. Advertising costs amounted to 39 percent and 47 percent of total Selling, general and other costs for the years ended December 31, 2020 and 2019 respectively.

Research and development costs

(€ million)	Years ended December 31, 2020	2019	Increase/(Decrease) 2020 vs. 2019 % Actual	% CER
Research and development expenditures expensed	€ 1,226	€ 1,305	(6.1) %	(4.7) %
Amortization of capitalized development expenditures	1,250	1,358	(8.0) %	(4.9) %
Impairment and write-off of capitalized development expenditures	503	949	(47.0) %	(45.2) %
Total Research and development costs	**€ 2,979**	**€ 3,612**	**(17.5)%**	**(15.4)%**

	Years ended December 31, 2020	2019
Research and development expenditures expensed as % of Net revenues	1.4 %	1.2 %
Amortization of capitalized development expenditures as % of Net revenues	1.4 %	1.3 %
Impairment and write-off of capitalized development expenditures as % of Net revenues	0.6 %	0.9 %
Total Research and development costs as % of Net revenues	**3.4 %**	**3.3 %**

The following table summarizes FCA's research and development expenditures for the years ended December 31, 2020 and 2019:

(€ million)	Years ended December 31, 2020	2019	Increase/(Decrease) 2020 vs. 2019
Capitalized development expenditures	€ 2,640	€ 2,889	(8.6)%
Research and development expenditures expensed	1,226	1,305	(6.1)%
Total Research and development expenditures	**€ 3,866**	**€ 4,194**	(7.8)%
Capitalized development expenditures as % of Total Research and development expenditures	68.3 %	68.9 %	
Total Research and development expenditures as % of Net revenues	**4.5 %**	**3.9 %**	

FCA historically conducted research and development for new vehicles and technology to improve the performance, safety, fuel efficiency, reliability, consumer perception and environmental impact of its vehicles. Research and development costs consisted primarily of material costs, services and personnel related expenses that support the development of new and existing vehicles with powertrain technologies. For further details of research and development costs, see *Trends, Uncertainties and Opportunities—Product Development and Technology* and *Overview of Our Business - Research and Development*.

The decrease in Research and development expenditures expensed in 2020 compared to 2019 was primarily due to the temporary suspension of a significant number of programs in response to the COVID-19 pandemic.

The decrease in the Amortization of capitalized development costs in 2020 compared to 2019 was primarily the result of previously recognized impairments in LATAM, Maserati and EMEA, partially offset by increases in North America.

The decrease in Impairment and write-off of capitalized development expenditures during the year ended December 31, 2020 was primarily due to higher level of impairments during 2019 arising from the rationalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo, resulted in the recognition of asset impairment charges for certain platforms. Refer to *Cost of Revenues* above for additional detail on impairments recognized during the year ended December 31, 2020.

The decrease in total Research and development expenditures in 2020 compared to 2019 reflects the temporary suspension of a significant number of capital expenditure programs in response to the COVID-19 pandemic, foreign exchange translation impacts due to the devaluation of the U.S. Dollar and Brazilian Real against the Euro, as well as lower impairment and write-off of capitalized development costs.

Result from investments

	Years ended December 31,				Increase/(Decrease)
(€ million)	2020		2019		2020 vs. 2019
Result from investments	€	179	€	209	(14.4)%

The decrease in Result from investments in 2020 compared to 2019 was primarily attributable to lower GAC FCA JV results.

Net financial expenses

	Years ended December 31,				Increase/(Decrease)
(€ million)	2020		2019		2020 vs. 2019
Net financial expenses	€	988	€	1,005	(1.7)%

The decrease in Net financial expenses in 2020 compared to 2019 was primarily due to lower interest expense on pension liabilities, increases in capitalized interest and favorable foreign exchange translation impacts from the weakening of the Brazilian Real, partially offset by costs relating to the new credit facilities entered into during 2020 and the drawdown of revolving credit facilities for part of the year prior to being repaid by December 2020, which were actions taken in order to strengthen the liquidity position of the FCA Group in the context of the COVID-19 pandemic.

Tax expense

	Years ended December 31,				Increase/(Decrease)
(€ million)	2020		2019		2020 vs. 2019
Tax expense	€	1,332	€	1,321	0.8 %
Effective tax rate		97.0 %		32.7 %	+6,430 bps

The increase in the effective tax rate to 97 percent in 2020 from 33 percent in 2019 was primarily related to (i) tax expense related to the write-down of Deferred tax assets in Italy and Brazil for the three months ended March 31, 2020, as described below; and (ii) a decrease in North America profit before tax, which significantly impacted the unfavorable effective tax rate impact of current year unrecognized Deferred tax assets, primarily in Italy and Brazil.

For the three months ended March 31, 2020, the FCA Group reviewed its business and operations to take into consideration the estimated impacts and effects of the COVID-19 pandemic, including the estimated impact on the macroeconomic environment, the market outlook and the FCA Group’s operations. As such, the FCA Group assessed its ability to generate sufficient taxable income in the future that would allow realization of net deferred tax assets in Italy and Brazil, primarily in relation to tax loss carry-forwards in each respective country. As a result of this assessment, a write-down of €549 million of deferred tax assets was recorded for the year ended December 31, 2020. Of this write-down, €446 million primarily related to Italian tax loss carry-forwards and €103 million related to Brazilian tax loss carry-forwards.

Net profit from continuing operations

	Years ended December 31,				Increase/(Decrease)
(€ million)	2020		2019		2020 vs. 2019
Net profit from continuing operations	€	24	€	2,700	(99.1)%

The decrease in Net profit from continuing operations in 2020 compared to 2019 was primarily due to lower operating results across all segments relating to the COVID-19 pandemic and the impact of writedowns of deferred tax assets in Italy and Brazil, referred to above, partially offset by lower total impairments recognized during the year ended December 31, 2020.

Profit from discontinued operations, net of tax

(€ million)	Years ended December 31, 2020		2019		Increase/(Decrease) 2020 vs. 2019
Profit from discontinued operations, net of tax	€	—	€	3,930	n.m.

n.m. = number not meaningful

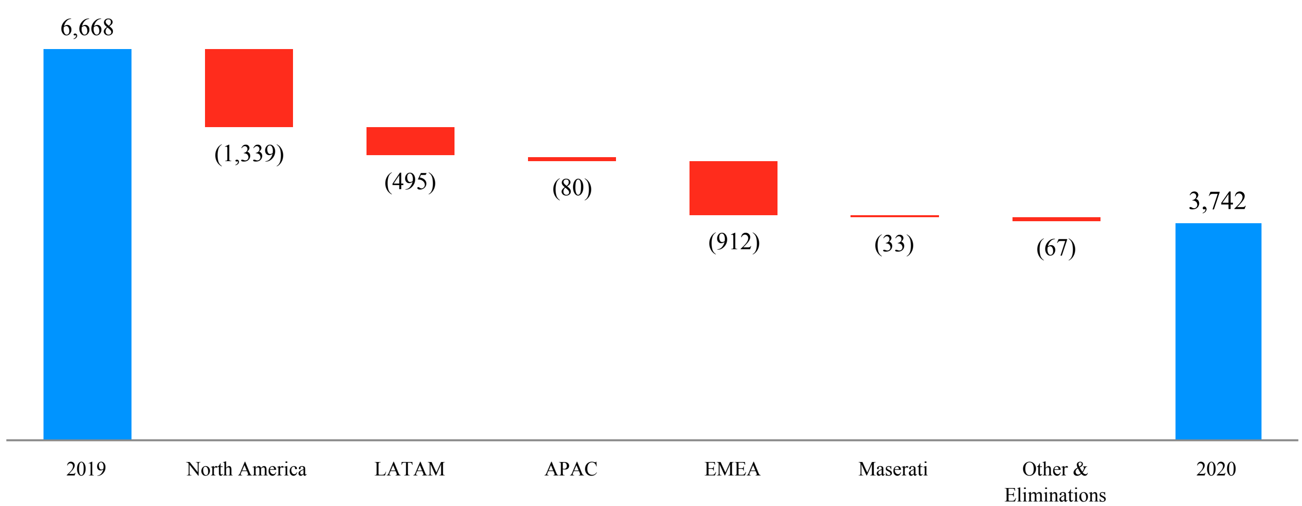
Magneti Marelli, including the gain on sale of €3,771 million and related tax expense of €2 million, was presented as a discontinued operation in the Consolidated Financial Statements for the years ended December 31, 2019, until May 2, 2019 when the sale was completed. For more information, refer to Note 3*, Scope of consolidation*, within the Consolidated Financial Statements included elsewhere in this report.

Adjusted EBIT

	Years ended December 31,				Increase/(Decrease) 2020 vs. 2019	
(€ million)	2020		2019		% Actual	% CER
Adjusted EBIT	€	3,742	€	6,668	(43.9)%	(42.0)%
Adjusted EBIT margin (%)		4.3 %		6.2 %	-190 bps	—

The following charts present FCA's Adjusted EBIT walk by segment for 2020 as compared to 2019:

Adjusted EBIT by segment
2020 compared to 2019
(€ million)



For the year ended December 31, 2019, the Adjusted EBIT related to Magneti Marelli that was excluded from the FCA Group's Adjusted EBIT result was €218 million, net of intercompany eliminations. For more information, refer to Note 3*, Scope of consolidation*, within the Consolidated Financial Statements included elsewhere in this report.

For a discussion of Adjusted EBIT for each of FCA's five reportable segments (North America, LATAM, APAC, EMEA and Maserati) in 2020 as compared to 2019 see *Results by Segment* below.

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

	Years ended December 31,	
(€ million)	2020	2019
Net profit from continuing operations	**€ 24**	**€ 2,700**
Tax expense	1,332	1,321
Net financial expenses	988	1,005
Adjustments:		
Impairment expense and supplier obligations	927	1,542
Provision of U.S. investigation matters	222	—
Restructuring costs, net of reversals	73	154
Gains on disposal of investments	(4)	(15)
Brazilian indirect tax - reversal of liability/recognition of credits	—	(164)
Other	180	125
Total Adjustments	1,398	1,642
Adjusted EBIT	**€ 3,742**	**€ 6,668**

During the year ended December 31, 2020 Adjusted EBIT excluded adjustments primarily related to:

- €927 million of impairment expense and supplier obligations, primarily of which €450 million related to impairments of CGUs in EMEA, LATAM and Maserati, €87 million related to impairments of certain B-Segment assets and supplier obligations in EMEA, €177 million related to impairments of certain assets in Maserati, €120 million related to impairments in North America as a result of the change in the CAFE fine rate, €56 million of impairments related to previously capitalized development costs which are no longer planned to be used by the FCA Group, and €34 million of idle assets in North America, as described in *Cost of revenues* and *Research and development costs* above;

- €222 million provision recognized for estimated probable loss to settle matters under investigation by the U.S. Department of Justice primarily related to criminal investigations associated with U.S. diesel emissions matters (refer to Note 25 - *Guarantees granted, commitments and contingent liabilities* in the Consolidated Financial Statements included elsewhere in this report); and

- €180 million of Other costs, primarily including costs incurred for the FCA-PSA merger and for litigation proceedings (refer to Note 25, *Guarantees granted, commitments and contingent liabilities*, in the Consolidated Financial Statements included elsewhere in this report for further details).

During the year ended December 31, 2019 Adjusted EBIT excluded adjustments primarily related to:

- €1,542 million relating to the impairment expense of €1,376 million recognized in relation to the rationalization of product portfolio plans, as well as impairment expense of €98 million in North America, €62 million in Maserati, and supplier obligations of €6 million in EMEA;

- €154 million of restructuring costs, mainly related to LATAM, EMEA and North America, primarily includes €76 million of write-down of Property, plant and equipment and €118 million related to the recognition of provisions for restructuring, partially offset by the reversal of previously recorded provisions, primarily €46 million in EMEA;

- €164 million of gains in relation to the recognition of credits for amounts paid in prior years in relation to indirect taxes in Brazil (refer to Note 15, *Trade and other receivables* in the Consolidated Financial Statements included elsewhere in this report); and

- €125 million of Other costs, primarily relating to litigation proceedings (refer to Note 25, *Guarantees granted, commitments and contingent liabilities* in the Consolidated Financial Statements included elsewhere in this report for further details).

Adjusted net profit

(€ million)	Years ended December 31, 2020	Years ended December 31, 2019	Increase/(Decrease) 2020 vs. 2019
Adjusted net profit	€ 1,863	€ 4,297	(56.6)%

The decrease in Adjusted net profit in the year ended December 31, 2020 compared to 2019 was primarily driven by lower Net profit from continuing operations partially offset by the impact of writedowns of deferred tax assets in Italy and Brazil, referred to above.

The following table summarizes the reconciliation of Net profit from continuing operations, which is the most directly comparable measure included in the Consolidated Income Statement, to Adjusted net profit:

(€ million)	Years ended December 31, 2020	2019
Net profit from continuing operations	**€ 24**	**€ 2,700**
Adjustments (as above)	1,398	1,642
Tax impact on adjustments	(108)	(122)
Net derecognition of deferred tax assets and other tax adjustments	549	77
Total adjustments, net of taxes	1,839	1,597
Adjusted net profit	**€ 1,863**	**€ 4,297**

During the year ended December 31, 2020, Adjusted net profit excluded adjustments related to:

- €108 million benefit reflecting the tax impact on the items excluded from Adjusted EBIT above; and
- €549 million loss from write-down of deferred tax assets in Italy and Brazil as the FCA Group reviewed its business and operations to take into consideration the potential impacts and effects of the COVID-19 pandemic, including the estimated impact on economic and market outlook.

During the year ended December 31, 2019 Adjusted net profit excluded adjustments related to:

- €122 million benefit reflecting the tax impact on the items excluded from Adjusted EBIT above; and
- €77 million charge reflecting net derecognition of deferred tax assets and other tax adjustments.

Adjusted diluted EPS

	Years ended December 31,		Increase/(Decrease)
(€ per share)	2020	2019	2020 vs. 2019
Adjusted diluted EPS	€ 1.19	€ 2.73	(56.4)%

The following table summarizes the reconciliation of Diluted earnings per share from continuing operations, which is the most directly comparable measure included in the Consolidated Financial Statements, to Adjusted diluted earnings per share:

	Years ended December 31,	
(€ per share except otherwise noted)	2020	2019
Diluted earnings per share from continuing operations	**€ 0.02**	**€ 1.71**
Impact of adjustments above, net of taxes, on Diluted earnings per share from continuing operations	1.17	1.02
Adjusted diluted earnings per share	**€ 1.19**	**€ 2.73**
Weighted average number of shares outstanding for Diluted earnings per share from continuing operations (thousand)	1,577,313	1,570,850

Results by Segment – 2020 compared to 2019

(€ million, except shipments which are in thousands of units)	Net revenues		Adjusted EBIT		Shipments	
	Years ended December 31,					
	2020	2019	2020	2019	2020	2019
North America	€ 60,322	€ 73,357	€ 5,351	€ 6,690	1,842	2,401
LATAM	5,305	8,461	6	501	475	577
APAC	2,381	2,814	(116)	(36)	62	76
EMEA	16,284	20,571	(918)	(6)	858	1,199
Maserati	1,384	1,603	(232)	(199)	17	19
Other activities	2,188	3,009	(283)	(173)	—	—
Unallocated items & eliminations(1)	(1,188)	(1,628)	(66)	(109)	—	—
Total	**€ 86,676**	**€ 108,187**	**€ 3,742**	**€ 6,668**	**3,254**	**4,272**

(1) Includes intercompany transactions which are eliminated in consolidation and certain costs related to Alfa Romeo that are not allocated to the regional mass-market vehicle segments.

The following is a discussion of Net revenues, Adjusted EBIT and shipments for each segment for the year ended December 31, 2020 as compared to the year ended December 31, 2019. FCA historically reviewed changes in its results of operations with the following operational drivers:

- **Volume**: reflects changes in products sold to customers, primarily dealers and fleet customers. Change in volumes was driven by industry volume, market share and changes in dealer stock levels. Vehicles manufactured and distributed by unconsolidated subsidiaries are not included within volume;

- **Mix**: generally reflects the changes in product mix, including mix among vehicle brands and models, as well as changes in regional market and distribution channel mix, including mix between retail and fleet customers;

- **Net price**: primarily reflects changes in prices to FCA’s customers including higher pricing related to content enhancement, net of discounts, price rebates and other sales incentive programs, as well as related foreign currency transaction effects;

- **Industrial costs**: primarily include cost changes to manufacturing and purchasing of materials that are associated with content, technology and enhancement of vehicle features, as well as industrial efficiencies and inefficiencies, recall campaign and warranty costs, research and development costs and related foreign currency transaction effects;

- **Selling, general and administrative costs (“SG&A”)**: primarily include costs for advertising and promotional activities, purchased services, information technology costs and other costs not directly related to the development and manufacturing of FCA’s products; and

- **Other**: includes other items not mentioned above, such as foreign currency exchange translation and results from joint ventures and associates.

North America

		Years ended December 31,			Increase/(Decrease) 2020 vs. 2019	
		2020		2019	% Actual	% CER
Shipments (thousands of units)		1,842		2,401	(23.3)%	—
Net revenues (€ million)	€	60,322	€	73,357	(17.8)%	(16.0)%
Adjusted EBIT (€ million)	€	5,351	€	6,690	(20.0)%	(18.4)%
Adjusted EBIT margin (%)		8.9 %		9.1 %	-20 bps	—

Shipments

The decrease in North America shipments in 2020 compared to 2019 was primarily due to COVID-19 production and market impacts, with reductions in overall Dodge brand, primarily due to discontinuance of the Grand Caravan, as well as lower Jeep Grand Cherokee, Jeep Cherokee and Ram 1500 volumes. Ram 1500 volumes were down primarily as a result of re-tooling in the third quarter of 2020.

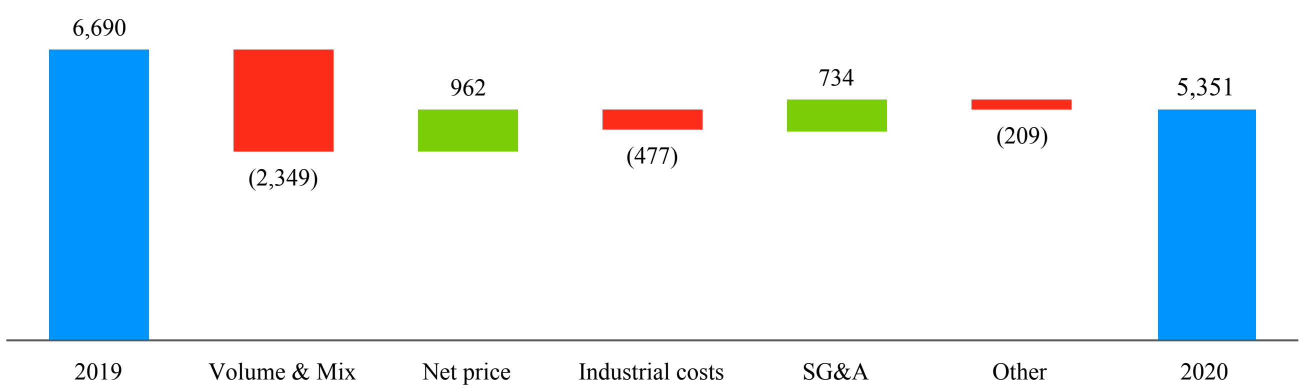
Net revenues

The decrease in North America Net revenues in 2020 compared to 2019 was primarily due to lower shipments and negative foreign exchange translation impacts, partially offset by positive model and channel mix, as well as favorable net pricing.

Adjusted EBIT

The following chart reflects the change in North America Adjusted EBIT by operational driver for 2020 as compared to 2019:

Adjusted EBIT by operational driver
2020 compared to 2019
(€ million)



The decrease in North America Adjusted EBIT in 2020 compared to 2019 was primarily attributable to:

- lower volumes;
- recall campaign costs as well as higher compliance costs driven by non-repeat of prior year benefit due to the CAFE fine rate reduction in the U.S. on MY2019 vehicles sold in prior periods, partially offset by purchasing savings, included within *Industrial costs;* and
- negative foreign exchange translation impacts.

These were partially offset by:

- positive net pricing;
- favorable model and channel mix; and
- reduced advertising expense and cost efficiency actions.

LATAM

	Years ended December 31,		Increase/(Decrease) 2020 vs. 2019	
	2020	2019	% Actual	% CER
Shipments (thousands of units)	475	577	(17.7)%	—
Net revenues (€ million)	€ 5,305	€ 8,461	(37.3)%	(18.6)%
Adjusted EBIT (€ million)	€ 6	€ 501	(98.8)%	(98.7)%
Adjusted EBIT margin (%)	0.1 %	5.9 %	-580 bps	—

Shipments

The decrease in LATAM shipments in 2020 compared to 2019 was primarily due to COVID-19 related market disruption and production suspension in Brazil and Argentina, with lower volumes across most models partially offset by higher all-new Fiat Strada volumes.

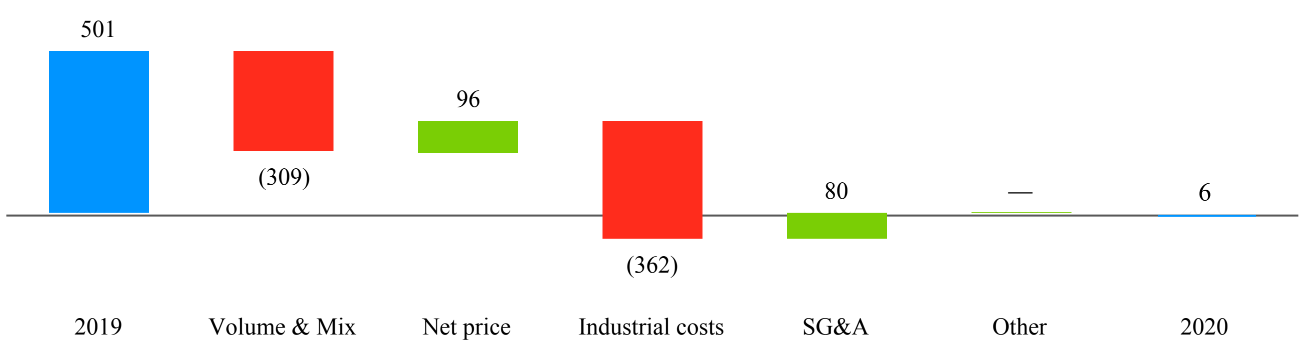
Net revenues

The decrease in LATAM Net revenues in 2020 compared to 2019 was primarily due to lower shipments and negative foreign exchange translation effects from the weakening of the Brazilian Real, as well as unfavorable mix and non-repeat of prior year one-off recognition of credits related to indirect taxes.

Adjusted EBIT

The following chart reflects the change in LATAM Adjusted EBIT by operational driver for 2020 as compared to 2019:

Adjusted EBIT by operational driver
2020 compared to 2019
(€ million)



The decrease in LATAM Adjusted EBIT in 2020 compared to 2019 was primarily attributable to:

- lower volumes; and
- product cost inflation and negative foreign exchange transaction effects, included within *Industrial costs* above.

These were partially offset by:

- reduced advertising and general and administrative costs.

APAC

	Years ended December 31,		Increase/(Decrease) 2020 vs. 2019	
	2020	2019	% Actual	% CER
Combined shipments (thousands of units)	102	149	(31.5)%	—
Consolidated shipments (thousands of units)	62	76	(18.4)%	—
Net revenues (€ million)	€ 2,381	€ 2,814	(15.4)%	(13.0)%
Adjusted EBIT (€ million)	€ (116)	€ (36)	(222.2)%	(213.2)%
Adjusted EBIT margin (%)	(4.9)%	(1.3)%	-360 bps	—

The FCA Group locally produced and distributed the Jeep Cherokee, Renegade, Compass, Grand Commander and Commander PHEV through the 50% owned GAC FCA JV. The results of the GAC FCA JV were accounted for using the equity method, with recognition of FCA's share of the net income of the joint venture in the line item *Result from investments* within the Consolidated Income Statement. FCA also produced the Jeep Compass through its joint operation with Fiat India Automobiles Private Limited ("FIAPL") and recognized its related interest in the joint operation on a line by line basis.

Shipments of FCA's consolidated subsidiaries, which includes vehicles produced by FIAPL, were reported in both consolidated and combined shipments. Shipments of the GAC FCA JV were not included in consolidated shipments and were only included in combined shipments.

Shipments

The decrease in combined and consolidated shipments in 2020 compared to 2019 was due to COVID-19 related market disruption throughout the region.

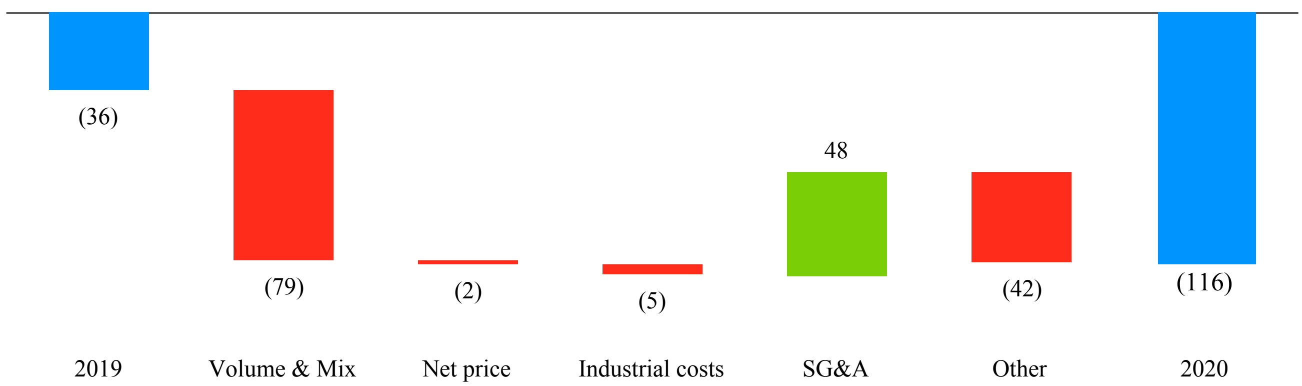
Net revenues

The decrease in APAC Net revenues in 2020 compared to 2019 was primarily due to lower shipments, lower component sales to the GAC FCA JV and negative foreign exchange translation effects.

Adjusted EBIT

The following chart reflects the change in APAC Adjusted EBIT by operational driver for 2020 as compared to 2019;

Adjusted EBIT by operational driver
2020 compared to 2019
(€ million)



The decrease in APAC Adjusted EBIT in 2020 compared to 2019 was primarily attributable to:

- lower Net revenues, and
- lower GAC FCA JV results, included within *Other*.

These were partially offset by:

- reduced marketing expense and general and administrative costs

EMEA

	Years ended December 31,		Increase/(Decrease) 2020 vs. 2019	
	2020	2019	% Actual	% CER
Combined shipments (thousands of units)	999	1,272	(21.5)%	—
Consolidated shipments (thousands of units)	858	1,199	(28.4)%	—
Net revenues (€ million)	€ 16,284	€ 20,571	(20.8)%	(20.5)%
Adjusted EBIT (€ million)	€ (918)	€ (6)	n.m.	n.m.
Adjusted EBIT margin (%)	(5.6)%	— %	-560 bps	—

n.m. = number not meaningful

Shipments

The decrease in EMEA combined and consolidated shipments in 2020 compared to 2019 was primarily attributable to COVID-19 market disruption and production suspension impacts, with overall lower Fiat brand volumes, primarily due to lower Fiat 500, 500X and Panda models, partially offset by higher Jeep Renegade and Compass volumes.

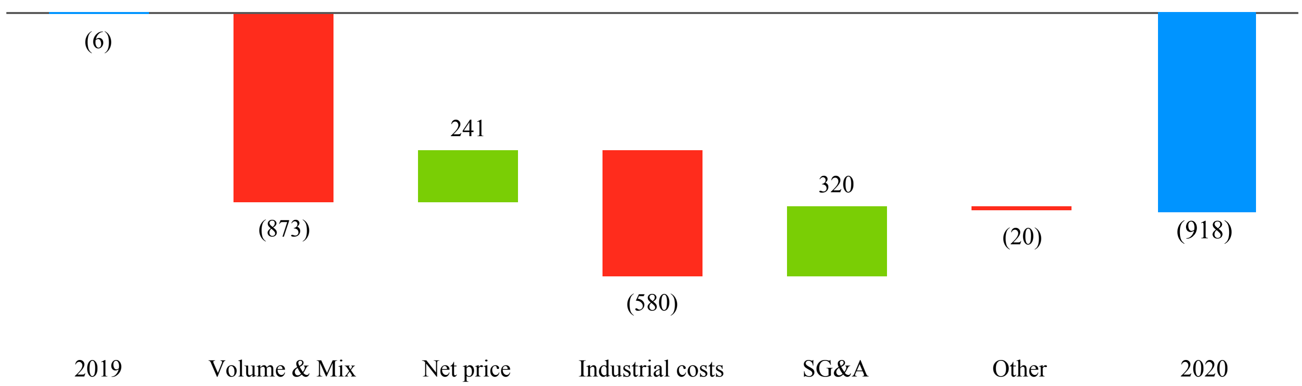
Net revenues

The decrease in EMEA Net revenues in 2020 compared to 2019 was primarily attributable to lower volumes of vehicles and spare parts, partially offset by favorable model mix and positive net pricing.

Adjusted EBIT

The following chart reflects the change in EMEA Adjusted EBIT by operational driver for 2020 as compared to 2019:

Adjusted EBIT by operational driver
2020 compared to 2019
(€ million)



The decrease in EMEA Adjusted EBIT in 2020 compared to 2019 was primarily attributable to:

- lower volumes;
- less favorable overall mix; and
- higher compliance and product electrification costs, included within *Industrial costs* above.

These were partially offset by:

- positive net pricing, primarily related to newly-launched electrified vehicles;
- lower fixed costs from cost containment and restructuring actions implemented in prior periods; and
- reduced marketing costs.

Maserati

	Years ended December 31,		Increase/(Decrease) 2020 vs. 2019	
	2020	2019	% Actual	% CER
Shipments (thousands of units)	16.9	19.3	(12.4)%	—
Net revenues (€ million)	€ 1,384	€ 1,603	(13.7)%	(12.8)%
Adjusted EBIT (€ million)	€ (232)	€ (199)	(16.6)%	(16.0)%
Adjusted EBIT margin (%)	(16.8)%	(12.4)%	-440 bps	—

Shipments

The decrease in Maserati shipments in 2020 compared to 2019 was primarily due to COVID-19 market and production impacts, with lower volumes mainly in North America, EMEA and China.

Net revenues

The decrease in Maserati Net revenues in 2020 compared to 2019 was primarily due to lower shipments.

Adjusted EBIT

The decrease in Maserati Adjusted EBIT in 2020 compared to 2019 was primarily due to lower volumes and higher marketing costs to support the new brand strategy partially offset by lower depreciation and amortization.

Liquidity and Capital Resources

COVID-19 Liquidity actions

During 2020, FCA management took several key actions to secure its liquidity and financial position, including drawing on existing bilateral lines of credit totaling €1.5 billion and securing an additional incremental bridge credit facility of €3.5 billion, structured as a bridge to capital markets, which was available to be drawn beginning in April and then replaced as noted below. In addition, measures were taken to reduce cash outflows, including: a temporary suspension of a significant number of capital expenditure programs, with no programs cancelled; delaying non-essential spending; temporary lay-offs, salary cuts and deferrals; and significant reductions to marketing and other discretionary spend. On April 21, 2020, the FCA Group drew down its €6.25 billion syndicated revolving credit facility, which was then subsequently repaid by December 31, 2020. On June 24, 2020, the FCA Group announced that FCA Italy S.p.A., a wholly owned subsidiary of Fiat Chrysler Automobiles N.V., and other Italian companies in the FCA Group had signed a 3-year, €6.3 billion credit facility with Intesa Sanpaolo, Italy's largest banking group. On July 1, 2020, the FCA Group confirmed pricing of an offering of €3.5 billion of notes under the Medium Term Note Programme, with settlement on July 7, 2020. The offering comprised (i) €1.25 billion in principal amount of 3.375% notes due July 2023, (ii) € 1.25 billion in principal amount of 3.875% notes due January 2026, and (iii) €1.0 billion in principal amount of 4.500% notes due July 2028, each at an issue price of 100% of the applicable principal amount. The issuance replaced in full the €3.5 billion bridge credit facility above, which was fully cancelled on July 7, 2020, in connection with the settlement of the notes offering. Additionally, on September 18, 2020, FCA announced that it entered into an agreement for a €485 million five-year loan with the European Investment Bank ("EIB") to support production of plug-in hybrid electric ("PHEV") vehicles, which is in addition to the €300 million facility entered into in March 2020 before the COVID-19 pandemic.

FCA Liquidity Overview

FCA historically required significant liquidity in order to meet its obligations and fund the business. Short-term liquidity was required to purchase raw materials, parts and components for vehicle production, as well as to fund selling, administrative, research and development, and other expenses. In addition to FCA's general working capital and operational needs, FCA expected to use significant amounts of cash for the following purposes: (i) capital expenditures to support FCA's existing and future products, (ii) principal and interest payments under FCA's financial obligations and (iii) pension and employee benefit payments. FCA made capital investments in the regions in which FCA operates primarily related to initiatives to introduce new products, including for electrification and autonomous driving, enhance manufacturing efficiency, improve capacity and for maintenance, and for regulatory and environmental compliance.

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

Fidis S.p.A., FCA's 100 percent owned captive finance company, supported working capital needs in all regions at a FCA Group level (including the Maserati segment), as well as selected suppliers, through the offering of receivable and payable financing activity (also known as factoring). In addition, Fidis S.p.A. provided financing to selected dealers in Italy.

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

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

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

Long-term liquidity requirements could involve some level of debt refinancing as outstanding debt becomes due or FCA was required to make principal payments. FCA regularly evaluated opportunities to improve its liquidity position in order to enhance financial flexibility and to achieve and maintain a liquidity and capital position consistent with that of other companies in FCA's industry.

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

For additional information on distribution of profits, refer to *ADDITIONAL INFORMATION FOR NETHERLANDS CORPORATE GOVERNANCE - Dividends,* for additional information on Stellantis's distribution of profits, and Note 26, *Equity* within the Consolidated Financial Statements included elsewhere in this report, for additional information in relation to the FCA Group's distribution of profits.

Available liquidity

The following table summarizes FCA's Available liquidity:

	At December 31,	
(€ million)	2020	2019
Cash, cash equivalents and current securities[1]	€ 24,084	€ 15,494
Undrawn committed credit lines	7,338	7,575
Cash, cash equivalents and current securities - included with Assets held for sale	27	17
Total Available liquidity[2]	**€ 31,449**	**€ 23,086**

(1) Current securities are comprised of short-term or marketable securities which represent temporary investments but do not satisfy all the requirements to be classified as cash equivalents as they may not be able to 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) Historically, the majority of FCA's liquidity was available to its treasury operations in Europe and U.S.; however, liquidity was also available to certain subsidiaries which operate in other countries. Cash held in such countries may be subject to restrictions on transfer depending on the foreign jurisdictions in which these subsidiaries operate. Based on a review of such transfer restrictions in the countries in which FCA operated and maintained material cash balances, FCA did not believe such transfer restrictions had an adverse impact on the FCA Group's ability to meet its liquidity requirements at the dates presented above.

The following table summarizes FCA's drawn and undrawn committed credit lines:

	At December 31, 2020			At December 31, 2019		
	Facility	Drawn	Available	Facility	Drawn	Available
	(€ million)					
Revolving Credit Facilities	€ 6,250	€ —	€ 6,250	€ 6,250	€ —	€ 6,250
Other revolving lines of credit	1,088	—	1,088	1,325	—	1,325
Total committed credit lines at the end of period	**€ 7,338**	**€ —**	**€ 7,338**	**€ 7,575**	**€ —**	**€ 7,575**

Available liquidity at December 31, 2020 increased €8.4 billion from December 31, 2019 primarily as a result of increased credit facilities and issuance of notes and free cash flow, partially offset by the repayment of borrowings during the period and negative foreign exchange translations.

FCA’s Available liquidity was historically subject to intra-month and seasonal fluctuations resulting from business and collection payment cycles as well as to changes in foreign exchange conversion rates. Refer to the section — *Cash Flows* below for additional information regarding the change in cash and cash equivalents and refer to Note 29, *Explanatory notes to the Consolidated Statement of Cash Flows*, within the Consolidated Financial Statements included elsewhere in this report for additional information.

FCA’s liquidity was principally denominated in U.S. Dollar and Euro. Out of the total €24.1 billion of cash, cash equivalents and current securities available at December 31, 2020 (€15.5 billion at December 31, 2019), €12.5 billion or 51.9 percent were denominated in U.S. Dollar (€9.3 billion, or 60.0 percent, at December 31, 2019) and €6.0 billion, or 24.9 percent, were denominated in Euro (€2.0 billion, or 12.9 percent, at December 31, 2019).

European Investment Bank Borrowings

On March 18, 2020, FCA announced that it entered into an agreement for a €300 million five-year loan with the European Investment Bank (“EIB”) to support specific investments to be implemented by FCA through 2021. The investments are primarily to support the manufacturing deployment of the advanced vehicle powertrain electrification technologies and, in particular, the setup of production lines for the manufacturing of PHEV vehicles at FCA’s production plant in Melfi (Italy) and the manufacturing of battery electric vehicles (“BEV”) at the production plant in Mirafiori (Italy). The loan was fully drawn on March 26, 2020.

On September 18, 2020, FCA announced that it entered into an agreement for a €485 million five-year loan with the EIB to support production of PHEVs at the Pomigliano plant in Campania (Italy). The additional borrowings also support research, development and innovation for electrification, connectivity and self-driving technologies mainly conducted at FCA's laboratories in Turin (Italy). The loan was fully drawn on September 30, 2020.

Incremental Bridge Credit Facility

On March 26, 2020, FCA announced that it had entered into a new €3.5 billion credit facility (the “Bridge Credit Facility”). The Bridge Credit Facility, initially entered into with two banks and then successfully syndicated to thirteen banks, including the two original underwriting banks, was available for general corporate purposes and for working capital needs of the group and was structured as a bridge facility to capital markets. On July 7, 2020, the Bridge Credit Facility was cancelled. Refer to *Notes* below for further information.

Revolving Credit Facilities

On March 26, 2020, the tenor of the three-year Tranche A of FCA’s €6.25 billion revolving credit facility (as amended, the “RCF”), for €3.125 billion, was extended by one year to April 27, 2023, with the Tranche B maturity unchanged at March 2024. On April 21, 2020, FCA announced that, in light of the continuing uncertainty relating to the impacts of COVID-19, it had drawn down its €6.25 billion revolving credit facility originally signed in June 2015 and last amended in March 2019. The €6.25 billion draw down was subsequently repaid by December 31, 2020, with the RCF being fully available as of December 31, 2020.

Intesa Sanpaolo Credit Facility

On June 24, 2020, FCA Italy S.p.A., a wholly-owned subsidiary of Fiat Chrysler Automobiles N.V., and other Italian companies in the FCA Group entered into a facility agreement with Intesa Sanpaolo for borrowings of up to €6.3 billion to finance FCA’s activities in Italy. The facility is unsecured and guaranteed by FCA N.V., subsequently Stellantis N.V., and will mature in March 2023, amortizing in five equal quarterly installments with the first such installment due on March 31, 2022. SACE (Italy’s export credit agency) will guarantee 80 percent of the borrowings under that facility pursuant to the recently enacted Italian Liquidity Decree. The facility and borrowings under the facility are at interest rates within a range that could be obtained in the market.

The covenants of the credit facility include financial covenants which apply under certain conditions, as well as negative pledge, pari passu, cross-default and change of control clauses. Failure to comply with these covenants, and in certain cases if not suitably remedied, can lead to the requirement of early repayment of any outstanding amounts.

In connection with SACE's guarantee, the FCA Group provided the following industrial commitments applicable while any loans are outstanding under the facility: (i) to continue to carry out certain Italian investment projects currently underway and previously announced; (ii) not to delocalize outside Italy production of vehicles under such investment projects; and (iii) to pursue the goal of reducing temporary layoffs for employees engaged under such investment projects in Italy to nil by the end of 2023, each with agreed milestones for implementation. If the industrial commitments previously described are not implemented by the agreed milestones, the FCA Group, subsequently the Stellantis Group, may at its option: (i) implement those industrial commitments within an additional six-month period following the milestones; (ii) negotiate and agree alternative milestones and/or commitments with the Italian government; or (iii) repay the loan at any time within 18 months (including a 6 months negotiation period) from the point of non-compliance.

In addition, while loans under the facility are outstanding, FCA N.V. has committed not to approve or pay dividends or other shareholder distributions in the 2020 calendar year (except dividends related to the merger with Peugeot S.A.), and the Italian subsidiaries of the FCA Group have committed not to distribute dividends or to make other shareholder distributions until May 26, 2021.

During the year ended December 31, 2020, €6.3 billion of the facility was drawn down.

Notes

On April 15, 2020, the FCA NV repaid in full at maturity U.S.$1.5 billion of 4.5 percent unsecured notes issued in April 2015.

On July 1, 2020, FCA confirmed pricing of an offering of €3.5 billion of notes under the Medium Term Note Programme, with settlement on July 7, 2020. The offering comprised (i) €1.25 billion in principal amount of 3.375% notes due July 2023, (ii) €1.25 billion in principal amount of 3.875% notes due January 2026, and (iii) €1.0 billion in principal amount of 4.500% notes due July 2028, each at an issue price of 100% of the applicable principal amount. The issuance replaced in full the €3.5 billion Bridge Credit Facility, which was previously fully undrawn and was fully cancelled on July 7, 2020, in connection with the settlement of the notes offering.

Refer to Note 21, *Debt* in the Consolidated Financial Statements included elsewhere in this report for further information regarding FCA's undrawn committed credit lines.

Cash Flows

Year ended December 31, 2020 compared to the year ended December 31, 2019

The following table summarizes FCA's cash flows from operating, investing and financing activities for each of the years ended December 31, 2020 and 2019.

	Years ended December 31,	
(€ million)	2020	2019[(1)]
Cash flows from operating activities - continuing operations	€ 9,183	€ 10,770
Cash flows used in operating activities - discontinued operations	—	(308)
Cash flows used in investing activities - continuing operations	(7,915)	(8,178)
Cash flows from investing activities - net cash proceeds, disposal of discontinued operations[(2)]	—	5,348
Cash flows used in investing activities - discontinued operations	—	(155)
Cash flows from/(used in) financing activities - continuing operations	9,087	(6,152)
Cash flows from financing activities - discontinued operations	—	325
Translation exchange differences	(1,513)	212
Total change in cash and cash equivalents	8,842	1,862
Cash and cash equivalents at beginning of the period	15,014	12,450
Add: Cash and cash equivalents at beginning of the period included within Assets held for sale	17	719
Total change in cash and cash equivalents	8,842	1,862
Less: Cash and cash equivalents at end of the period included within Assets held for sale[(3)]	27	17
Cash and cash equivalents at end of the period	**€ 23,846**	**€ 15,014**

(1) Magneti Marelli operating results and cash flows for the four months prior to the completion of the disposal on May 2, 2019, were excluded from the FCA Group's continuing operations and are presented as a single line item within the Consolidated Income Statements and Consolidated Statement of Cash Flows for the year ended December 31, 2019 following the classification of Magneti Marelli as a discontinued operation. All amounts presented above exclude net intercompany amounts (received by)/paid by Magneti Marelli to/from the FCA Group totaling €(200) million for the year ended December 31, 2019 within operating activities, €(41) million for the year ended December 31, 2019 within investing activities; and €405 million for the year ended December 31, 2019 within financing activities.

(2) Included within Cash flows from investing activities - net cash proceeds, disposal of discontinued operations for the year ended December 31, 2019, is €5,348 million reflecting the aggregate cash flows arising from the disposal of Magneti Marelli through the completion of the sale transaction on May 2, 2019, consisting of €5,774 million cash consideration net of €426 million cash balances transferred.

(3) The assets and liabilities of the cast iron automotive components business of Teksid were classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2020 and at December 31, 2019. Refer to Note 3, Scope of consolidation within FCA's Consolidated Financial Statements included elsewhere in this report.

Also, refer to the Consolidated Statement of Cash Flows and Note 29, *Explanatory notes to the Consolidated Statement of Cash Flows*, within FCA's Consolidated Financial Statements included elsewhere in this report for additional information.

Industrial free cash flows

As described in *Non-GAAP Financial Measures*, Industrial free cash flows was FCA management's key cash flow metric. The following table provides a reconciliation of Cash flows from operating activities, the most directly comparable measure included in the Consolidated Statement of Cash Flows, to Industrial free cash flows for the years ended December 31, 2020 and 2019. Except as otherwise noted, all amounts presented below exclude Magneti Marelli.

	Years ended December 31,	
(€ million)	2020	2019
Cash flows from operating activities (including discontinued operations)	**€ 9,183**	**€ 10,462**
Less: Cash flows from operating activities - discontinued operations	—	(308)
Cash flows from operating activities - continuing operations	**9,183**	**10,770**
Less: Operating activities not attributable to industrial activities	29	74
Less: Capital expenditures for industrial activities	8,598	8,383
Add: Net intercompany payments between continuing and discontinued operations	—	(200)
Add back: Discretionary pension contribution, net of tax	68	—
Industrial free cash flows	**€ 624**	**€ 2,113**

Industrial free cash flows for the year ended December 31, 2020 decreased €1.5 billion as compared to 2019, primarily reflecting significant pandemic-related cash absorption during the first half of the year and lower overall full year performance, partially offset by strong cash generation during the second half of the year.

Rating Agency updates

FCA N.V.

On May 28, 2020, Moody’s Investors Service confirmed the “Ba1” Corporate Family Rating on FCA N.V. and the “Ba2” ratings on the senior unsecured instruments issued or guaranteed by FCA N.V., with the outlook on all ratings developing. This rating action concluded a review with direction uncertain that began on March 25, 2020.

On August 18, 2020, DBRS confirmed the Issuer Rating and Senior Unsecured Debt rating of FCA N.V. at BBB (low), removing the rating from Under Review with Negative Implications, placed on March 27, 2020 as a result of the global escalation of the COVID-19 pandemic, and changing the outlook from Stable to Negative.

On January 8, 2021, S&P Global Ratings confirmed that it had upgraded the long term corporate credit rating of FCA N.V. from “BB+” to “BBB-”, with Outlook Stable. The short-term credit rating was upgraded from “B” to “A-3”.

On January 11, 2021, Moody’s Investors Service confirmed that it had upgraded the Issuer Rating of FCA N.V. from “Ba1” to “Baa3”, and the rating on the bonds issued or guaranteed by FCA N.V. from “Ba2” to “Baa3”. The short-term rating was upgraded from “(P) NP” to “(P) P-3”. The outlook on all ratings is stable.

Refer to Note 21, *Debt* for further information regarding the FCA Group's Capital Resources. Refer to Note 30, *Qualitative and quantitative information on financial risks* for further information regarding the FCA Groups’s qualitative and quantitative information on financial risks. Refer to *Contractual Obligations*, included elsewhere in this report, for further information on the FCA Group’s significant contractual commitments as at December 31, 2020.

Stellantis N.V.

On January 18, 2021, Fitch confirmed the Long-term Issuer Default Rating of Stellantis N.V. at BBB- with Outlook stable.

On January 27, 2021, DBRS confirmed the Issuer rating and Senior Unsecured Debt rating of Stellantis N.V. from “BBB (low)” to “BBB”, with the trend on all ratings stable.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

PSA Liquidity Overview

PSA historically relied on a diversified financing strategy and a conservative liquidity policy in order to meet its general financing needs. PSA's liquidity requirements historically arose primarily from the need to fund general working capital and operational requirements, service its debt, make dividend payments and fund capital expenditure related to new product and services development, manufacturing efficiency, improved capacity and compliance with regulatory and environmental requirements. PSA's liquidity sources were historically cash holdings, cash generated from operations, proceeds from bonds issuances, bank borrowings, sales of receivables, available borrowings under confirmed lines of credit and, if necessary, issuances of convertible bonds or other debt instruments.

PSA historically used multiple sources of short-term financing and overdraft facilities including short-term loans, bank overdrafts, payments issued but not yet debited from bank accounts, and factoring liabilities on assets that have not been derecognized. The PCD, OV and automotive equipment segments met part of their funding needs by selling receivables to financial institutions.

As of December 31, 2020, PSA's cash and cash equivalents, which mainly included money mutual funds, bank deposits, money market notes and commercial paper, totaled €22,893 million and PSA had €7,339 million available in undrawn lines of credit. As of December 31, 2020, cash and cash equivalents were primarily held in euro.

PSA's available liquidity was subject to intra-month and seasonal fluctuations resulting from business and collection payment cycles as well as to changes in foreign exchange conversion rates. PSA's liquidity resources were also subject to change based on the evolution of market and general economic conditions. Decreases in liquidity could result from lower than expected cash flows from operations, including decreases caused by weaker demand or lower selling prices for PSA's products, or higher production costs. PSA's liquidity could also be impacted by any limitations on the availability of its existing debt as a result of financing covenants and its ability to refinance existing debt or raise additional debt as well as the terms of such debt.

PSA Bonds and Other Borrowings

Total borrowings of the manufacturing and sales companies of PSA and Faurecia as of December 31, 2020 was €9,791 million, primarily consisting of bond issuances of €7,865 million, with contractual maturities ranging from the first quarter of 2023 and the third quarter of 2033, and other borrowings of €1,926 million, with contractual maturities ranging from 2021 to the fourth quarter of 2026.

PSA Covenants

Certain debt issued by the manufacturing and sales companies of PSA, other than Faurecia, contained customary covenants and events of default, which were common for debt of companies in the automotive industry. These included "negative pledge" clauses whereby the borrower undertook, subject to certain exceptions, not to grant any collateral to any third parties, "material adverse changes" clauses, which applied in the event of a major negative change in the results of operations or financial condition of PSA, "*pari passu*" clauses, which ensured that lenders enjoy the same treatment as other creditors, "cross-default" clauses, whereby if one loan went into default other loans became repayable immediately, clauses whereby the borrower undertook to provide regular information to the lenders, clauses whereby the borrower undertook to comply with applicable legislation and change of control clauses. Other than Faurecia, none of the manufacturing and sales companies' borrowings were subject to specific acceleration clauses based on minimum credit ratings.

PSA Contractual Obligations and Contingencies

The following tables summarizes PSA's contractual obligations as of December 31, 2020. It shows undiscounted cash flows from financial liabilities and derivative instruments. The amounts presented reflect principal amounts and exclude the related interest expense that will be paid when due, discounts, premia and debt issuance costs. Foreign currency cash flows and variable indexed cash flows were determined based on market data as of December 31, 2020.

(€ million)	Payments due by period as of December 31, 2020				
	Within one year	Between one and three years	Between three and five years	After five years	Total
Bonds—principal repayments					
Manufacturing and sales companies—excluding Faurecia	€ (112)	€ (886)	€ (1,513)	€ (2,839)	€ **(5,350)**
Faurecia	—	—	(1,000)	(2,150)	**(3,150)**
Other long-term debt—principal repayments					
Manufacturing and sales companies—excluding Faurecia	(109)	(338)	(348)	—	**(795)**
Faurecia	(47)	(592)	(503)	(10)	**(1,152)**
Total bonds and other borrowings					
Manufacturing and sales companies—excluding Faurecia	(221)	(1,224)	(1,861)	(2,839)	**(6,145)**
Faurecia	(47)	(592)	(1,503)	(2,160)	**(4,302)**
Lease liabilities					
Manufacturing and sales companies—excluding Faurecia	(156)	(271)	(162)	(235)	**(824)**
Faurecia	(182)	(288)	(202)	(304)	**(976)**
Total derivative instruments	—	—	—	—	**—**
Non-cancellable lease commitments	(22)	(18)	(17)	(91)	**(148)**
Capital commitments for the acquisition of non-current assets and other	(1,016)	(233)	(35)	(95)	**(1,379)**
Pensions	(4)	—	—	—	**(4)**
Liabilities related to vehicles sold with a buyback commitment	(2,026)	(1,299)	(255)	(1)	**(3,581)**
Total	**€ (3,674)**	**€ (3,925)**	**€ (4,035)**	**€ (5,725)**	**€ (17,359)**

PSA Off-Balance Sheet Arrangements

(€ million)	Year ended December 31, 2020
Capital commitments for the acquisition of non-current assets	€ 1,379
Non-cancellable lease commitments	149
Guarantees given	1,308
Pledged or mortgaged assets	170
Total	**€ 3,006**

PSA Contingent Liabilities

Automotive

The customs agreement governing the automotive industry between Brazil and Argentina provided for the payment of penalties by the Argentinian automotive industry if the average ratio of imports to exports vis-à-vis Brazil exceeded a certain threshold over the 2015–2029 period. Penalties could be payable by PSA if the automotive industry as a whole and PSA do not hit the required ratio. No provision had been made by PSA with respect to this matter due to the uncertainties surrounding developments in the automotive markets in Argentina and Brazil and the steps that PSA could take between now and 2029.

In addition, as part of its partnership with Toyota Motor Europe, PSA has agreed to cover costs arising from commercial disputes relating to commercial vehicles marketed under the Toyota brand, up to a maximum amount of €205 million over the course of 20.5 years.

Commitment related to the GEFCO Group

In 2012, JSC Russian Railways (RZD) acquired from PSA a 75 percent stake in the GEFCO group. Following this acquisition, PSA entered into certain logistics and transportation service agreements with the GEFCO group pursuant to which PSA gave guarantees regarding the satisfactory performance of the logistics contracts, and an exclusivity clause. At December 31, 2020, PSA had not identified any material risks associated with these guarantees.

PSA Quantitative and Qualitative Disclosures about Market Risk

In the course of its business, PSA was historically exposed to liquidity risks, as well as interest rate, counterparty, currency and other market risks, which arose in the normal course of business from PSA's operations and its source of finance. PSA's historical overall risk management program focused on the unpredictability of financial markets and commodity prices and sought to minimize potential adverse effects on its performance. PSA International S.A. ("PSAI") was primarily responsible for the central management of currency, interest rate and commodity risks under the supervision of the PSA Managing Board. With the exception of certain proprietary transactions involving currency instruments that were subject to very strict exposure limits and had very limited impact on consolidated profit, PSA used derivative instruments only for purposes of hedging exposures to currency, interest rate and commodity risks.

Stellantis Liquidity and Capital resources considerations

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

RISK MANAGEMENT

Risk Management

Stellantis will evaluate the adoption of a group-wide risk management system with the intention of continuing the assurance of the achievement of the Group's objectives.

This will include suitable procedures and processes for the identification, assessment, monitoring and mitigation of the Group's risks.

Until the adoption of a group-wide risk management system for Stellantis, the legacy companies of the FCA and PSA groups will continue to rely on the separate risk management approaches as applied during the year ended December 31, 2020, and outlined below. Information relating to the risk management policies for PSA has been included for context only. Refer to "*About this report"* included elsewhere in this report.

FCA's Approach

Risk management was historically an important business driver and integral to the achievement of FCA's long-term business plan. FCA took an integrated approach to risk management, where risk and opportunity assessment were at the core of the leadership team agenda. FCA's success as an organization depended on its ability to identify and capitalize on the opportunities generated by the business and the markets in which it has competed. By managing the associated risks, FCA sought to achieve a balance between its goals of growth and return and the related risks.

Risk Management Framework

FCA's risk management framework (the "Framework") was based on the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission Report - Enterprise Risk Management model) and the principles of the Dutch Corporate Governance Code. The Framework consisted of a set of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the principal risks to which FCA was exposed. The Framework was integrated within FCA's organization and corporate governance and supported the protection of corporate assets, the efficiency and effectiveness of business processes, the reliability of financial information and compliance with laws and regulations.

The Framework consisted of the following three levels of oversight:

Level 1	Operating areas, which identify and assess risks as well as establish specific actions for the management of risks
Level 2	Specific individuals identified as risk owners, which define methodologies and tools for both monitoring and managing risks
Level 3	Enterprise risk management ("ERM") function, which supports the assessment and monitoring of our risks and facilitates discussions of our risks at Group level

In addition to the three levels of oversight, the results of the ERM risk assessment process were part of the risk assessment of FCA Group Audit & Compliance function in defining its audit plan and accordingly, with specific audits planned for global enterprise risk management ("ERM") significant risks..

Appetite for Significant Risk

FCA aligned its risk appetite to its business plan. Risk boundaries were set through FCA's strategy, Code of Conduct, budgets and policies. FCA established risk management committees responsible for supporting risk governance in their respective region/sector. A Global Risk Management Committee ("GRMC") was established to promote a culture of proactive risk monitoring and management by the relevant risk owners throughout the FCA Group. The GRMC was chaired by the FCA Group CFO and other members are representatives from the legal, risk management, internal audit functions and from business operations. The mission of the GRMC was to provide broad process oversight and to facilitate our integrated risk assessment process. Responsibilities included:

- Providing guidance to the ERM program
- Reviewing the results of the annual Enterprise Risk Assessment ("ERA").
- Identifying risks to be discussed at FCA Group level (GEC, Group Product Committee or other relevant governance function).
- Assisting in the development of the Company's risk appetite and risk tolerance, which support disclosures required in FCA's Annual Report.
- Reviewing risk management disclosure in the Annual Report.
- Reviewing the design of the FCA Group's Enterprise Risk Management function, including reporting lines of authority, communications and control functions to ensure they are appropriate.

In addition, FCA utilized the operational focus of its Product (Group and Regional) and Commercial Committees, both of which included senior management, to support risk governance. The Product Committees oversaw capital investment, engineering and product development, while the Commercial Committee oversaw matters related to sales and marketing. Through an integrated approach FCA's various committees supported the FCA Group Executive Council ("GEC"), CFO, CEO and Board of Directors (through the Audit Committee) with risk oversight. FCA's risk appetite differed by risk category as shown below.

Risk category	Category description	Risk appetite
Strategic	Risk that may arise from the pursuit of FCA's business plan, from strategic changes in the business environment, and/or from adverse strategic business decisions.	We are prepared to take risks in a responsible way that takes our stakeholders' interests into account and are consistent with our business plan.
Operational	Risk relating to internal processes, people and systems or external events (including legal and reputational risks).	We look to mitigate operational risks to the maximum extent based on cost/benefit considerations.
Financial	Risk relating to uncertainty of return and the potential for financial loss due to financial performance.	We seek capital market and other transactions to strengthen our financial position while allowing us to finance our operations on a consolidated global basis.
Compliance	Risk of non-compliance with relevant regulations and laws, internal policies and procedures.	We hold ourselves, as well as our employees, responsible for acting with honesty, integrity and respect, including complying with our Code of Conduct, applicable laws and regulations everywhere we do business.

For further information on credit, liquidity and financial market risk refer to Note 30, *Qualitative and quantitative information on financial risks*, within the Consolidated Financial Statements included elsewhere in this report.

Significant risks identified and control measures taken

An enterprise risk assessment was performed on an annual basis. Risks identified to have high or medium-high residual risk rating within the FCA Group were considered significant risks. Results of the assessment were consolidated into an FCA Group report for review and validation with the GRMC. In addition, the most significant risks to the FCA Group were discussed with the GEC and FCA Group CEO to support the monitoring of these risks along with the respective mitigation efforts. Once validated, results were discussed with the Audit Committee, assisting the Board of Directors in their responsibility for strategic oversight of risk management activities.

Each key global focus risk was classified by risk categories and control measures and mitigating actions were subsequently defined for each identified risk. The risks, control measures and mitigating actions presented below are not all-inclusive. The sequence in which these risks and mitigating actions are presented does not reflect any order of importance, likelihood or materiality.

Risk Category	Key Global Risk Description	Control / Mitigating Actions
Compliance	**Regulatory Compliance** FCA's ability to achieve regulatory compliance targets with vehicle fuel economy ("FE"), greenhouse gas ("GHG") and zero emission vehicle ("ZEV") requirements, that could have also impact our reputation	Group Product Committee ("GPC") managed approval for investments in FE/ GHG/ZEV related compliance ensured governance of program timing and monitored compliance impact relating to changes in the short and long range plan. Continued reduction of CO_2 emissions was achieved through a combination of technologies aligned to the vehicle mix, consumer needs and regulatory framework in each market. Central coordination and oversight of internal checks and conformity activities under senior management to promote consistency in approach and process across FCA operations. The FCA Code of Conduct clearly and affirmatively required employees to report issues of non-compliance, in addition, the "Leave No Doubt" program encouraged employees, contractors, suppliers and dealers to report any issue which may concern vehicle safety, emissions or regulatory compliance. FCA continuously worked to improve on emission compliance tools and implemented these tools throughout the organization as appropriate.
Operational	**Customer Satisfaction** FCA's ability to produce vehicles to meet product quality standards, gain market acceptance and satisfy customer expectations.	Quality and Customer satisfaction was managed on a global basis, targeting 1st Quartile performance in each region. Quality and Customer satisfaction performance was reviewed in the monthly GEC, against an annual plan that was sanctioned at GPC, and driven through regional Product committees and monthly warranty and customer tables. World Class Manufacturing ("WCM") principles deployed throughout our manufacturing operations, fostered a manufacturing culture that targets improved safety, quality and efficiency. Quality considerations ranged from customer expectations to functional requirements are analyzed from the earliest stages of design. A cross-functional initiative within FCA focused on managing risks and implementing solutions for new vehicles. The program helped identify and avoid potential issues earlier in the vehicle development process and made implementing solutions more cost effective.
Operational	**Company Cybersecurity and ICT[(1)] Recovery** FCA's ability to protect our systems globally against a security incident or system failure, ensuring the proper recovery plan management, that may lead to a significant business disruption, loss of confidential information, or breach of data privacy resulting in financial and/ or reputational damage. [(1)] Information and communications technology	Multilayered cybersecurity controls were in place in FCA; a cybersecurity program was continuously developed for identifying and mitigating emerging risks according to the changing threat scenario. Furthermore FCA's dedicated cyber risk insurance coverage was designed on the basis of a comprehensive and thorough analysis of: • the threats of exposure of vital company assets, including the information that must be protected and at which level • policies and procedures in place to reduce the risk of attack in the event of a security breach • plans and procedures in place to neutralize threats and remedy security issues.
Operational	**Interruption of Critical Supplies and risk of scarcity of raw materials** FCA's ability to manage our critical supplies to prevent interruption resulting in production blockages, and ability to face shortage and increased cost of raw materials.	Active monitoring of the financial health of suppliers to mitigate disruption due to financial distress of companies in our supply chain. Monitoring political, environmental and economic events, globally, to anticipate or identify events that could lead to supply chain disruption so that mitigating action can be taken.

Risk Category	Key Global Risk Description	Control / Mitigating Actions
Operational / Strategic	**Talent Management - Attraction, Development & Retention of Critical Resources** FCA's ability to globally manage all aspects of Talent Management - including attraction, development and retention in order to meet current and future needs along with our business strategies.	Convergence of key HR talent management processes, metrics, and reporting, along with adding global HR process oversight and governance, was initiated in 2019 and included: • Globally consistent Talent Management programs designed to attract, develop, assess and retain talent worldwide. • Consolidation of standardized retention/attrition metrics and reporting, including global views by function with internal and external benchmarks. • Monitoring of specific KPIs for key position succession planning and talent development. • Global Diversity Council chaired by the CEO and GEC leadership to drive company values and goals to promote Diversity & Inclusion across the company. • Administered and leveraged new global learning management system (available anytime and anywhere) to facilitate competences development delivering technical, compliance and managerial training contents
Strategic	**Technology Development and Product Launch** FCA's ability to efficiently develop and launch products with new technologies (e.g., electrification and propulsion, autonomous driving and connected vehicles) to meet regulatory requirements, customer expectations and profitability targets.	Additional headcount approved to consolidate the Technology Development organization in the critical areas (Software, Electrification and Controls). Staffing in execution (internal talent transfer, external talent acquisition). In addition the team explored Partnerships with suppliers and potential acquisition targets to cover urgent needs and ensure timely delivery. Collaborative efforts with strategic partnerships allowed leveraging of capabilities and resources to achieve synergies and economies of scale needed to advance technology applications. GEC and Product Committees' reviewed product plans and commercialization strategies in order to define investment needs in the near and long-term. Regular monitoring at the GEC enforced the review of new technologies; their applications in line with the product launch status and cadence, as well as what is required to successfully execute the programs.
Strategic	**Product Portfolio & Technology Strategies** FCA's ability to create a product portfolio that supports achievement of strategic objectives, including completeness of product range and technological content.	GEC and Product Committees' reviewed and approved product plans and actions in order to define investment needs in the near and long-term. Partnerships with major technology players to share resources, including data for validation and reliability testing, as well as underlying investments.
Strategic	**Commercial Policies (Pricing)** FCA's ability to manage volume, price and market mix to ensure competitive pricing consistent with competitors' achievements and internal targets.	Sales and marketing (including pricing) monitored by the Commercial Committees.

Control measures and comprehensive mitigation actions listed above for key global risks were monitored throughout the year by FCA Senior Management in the regions and business sectors to ensure that these were relevant and sufficient, under the oversight of the related Global Leaders. As needed, control measures and mitigation actions were enhanced to ensure risks are appropriately addressed. We believe this approach allowed FCA to address risk on a timely basis and ensure effectiveness of the control measures taken.

In addition to the above risk considerations, FCA identified risk factors that affected or could significantly impact in the near future its business related to merger with PSA and the ongoing COVID-19 pandemic.

In particular, with reference to the merger, the overall risk is related to the achievement of the anticipated benefits of the merger which is subject to a number of uncertainties, including general competitive factors in the marketplace. Consequently, the potential risk is that the anticipated benefits of the merger will not be realized in full or in part, including the risk that expected synergies will not be achieved or not be achieved in the expected timeframe.

With reference to the COVID-19 pandemic, business interruptions resulting from it could cause further disruption to the manufacture and sale of FCA's, now Stellantis's, products and the provision of its services and could adversely impact its business.

This aspect was also part of the FCA assessment of the significant risk "Interruption of critical supplies" and mitigated with the proper internal procedures and controls.

Current or planned improvements in the overall FCA risk management system

As FCA, we continued to engage the business in key risk areas, benchmark our processes with peer companies and explore opportunities for improvement, in order to strengthen and improve ERM Governance, monitor risks in a more predictive way and evaluate remediation plans.

In an effort to escalate risk awareness, we engaged in risk discussions throughout the FCA Group in 2020, including deployment of a risk management training module, in order to reduce FCA's company risk exposure and enhance risk response and elevate awareness.

Continued integration in the risk discussion was pursued with the inclusion of sustainability-related topics, such as climate change related risks and vehicle fuel economy aspects.

As Stellantis, we will continue engaging the business in reviewing our management and monitoring activities for key risks throughout the Group in the upcoming year. As we continue to evolve our Group ERM program, we will strive to identify best practices and refine our processes to identify and escalate risk developments.

Further information regarding the risks we face, and the potential impact on results or financial position, are described in *Risk Factors* below.

Refer to "About this Report" included elsewhere in this report for further detail on the PSA information presented below:

Groupe PSA Protection, Audit and Risk Management Department ("DPAR")

At PSA, DPAR was in charge of the Risk Management Approach and ensured the appropriate application of the Risk Management System which was deployed Group-wide. DPAR, which reported to the Head of HR Department, was responsible for defining and coordinating on a global basis all actions intended to protect the employees and tangible and intangible assets of the Group against the risks arising from malicious acts of all kinds.

At a Groupe PSA level, DPAR identified the major risks "Group Top-Risks" (from the "Top Management Risks" and each department's ones) once a year at interviews conducted with a representative range of the Group's executive officers and managers. The mapping of the "Group Top-Risks" was reviewed every year by the Global Executive Committee (GEC) and presented to the Supervisory Board's Finance and Audit Committee.

The GEC validated the action plans for dealing with the "Group Top-Risks".

At department level, the major risks were reported on an annual basis (year-end) called "METRIC Review". Each department was responsible for identifying and checking its own risks to which it was exposed and implementing the necessary action plans to mitigate them.

The METRIC review was conducted by each representative of the Group's Protection network (ICRCs) within the executive committee to which it belonged. This review assessed the past year in terms of risk management and compliance and validated action plans for the coming year.

Specific risk management and control procedures cover particular risks.

Groupe PSA's Code of Ethics was directly available to all Group employees, who were required formally to accept the terms of the Code. An Ethics & Compliance Committee chaired by the General Secretary met on a quarterly basis.

Anti-fraud measures were the responsibility of the Group Ethics & Compliance Committee, which delegated their implementation, investigation, records management and reporting to DPAR.

The Legal Affairs Department, which reported to the General Secretary, produced or checked the Group's contractual commitments. It was also in charge of organising the Group's defence in the event of disputes with third parties. It thus helped limit and manage the legal risks to which the Group was exposed.

The Management Control Department, which reported to the CFO, was responsible for overseeing the Group's business and financial performance and proposed annual and medium-term targets for growth, operating margin and return on capital employed to executive management.

DPAR checked that the risk management procedures are correctly applied.

DPAR verified compliance with rules via audits. The annual audit plan, which was defined independently, was based on the "Group Top-Risks" and was subsequently submitted to executive management for approval and presented to the Supervisory Board's Finance and Audit Committee. DPAR was also responsible for assessing the degree of maturity of the risk management system and making recommendations for improving its effectiveness.

The Finance and Audit Committee of the Supervisory Board ensured that the risk management and internal control system operated effectively. The General Secretary reported to the Supervisory Board on the systems in place and their degree of maturity, as well as the "Group Top-Risks" map, with particular emphasis on risks which could have an impact on the Company's financial and accounting information.

Risk Factors

As Stellantis, 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 the Merger

We may fail to realize some or all of the anticipated benefits of the merger, which could adversely affect the value of our shares.

Before the closing of the merger on January 16, 2021, FCA and PSA operated independently as separate companies. The success of the merger will depend, in part, on our ability to realize the anticipated cost savings, synergies, growth opportunities and other benefits from combining the businesses. The achievement of the anticipated benefits of the merger is subject to a number of uncertainties, including general competitive factors in the marketplace and whether we are able to integrate the businesses of FCA and PSA in an efficient and effective manner and establish and implement effective operational principles and procedures. Failure to achieve these anticipated benefits could result in increased costs, decreases in our revenues and diversion of management's time and energy, and could materially impact our business, cash flows, financial condition or results of operations. If we are not able to successfully achieve these objectives, the anticipated cost savings, synergies, growth opportunities and other benefits that we expect to achieve as a result of the merger may not be realized fully, or at all, or may take longer than expected to realize.

We have to devote significant management attention and resources to integrating the business practices and operations of FCA and PSA. Potential difficulties that we may encounter as part of the integration process include complexities associated with managing our business, such as difficulty integrating manufacturing processes, systems and technology, in a seamless manner, as well as integration of the FCA and PSA workforces. We have also incurred significant costs associated with the transaction and expect to incur significant costs in the future, including relating to the migration of our headquarters to the Netherlands. In addition, the integration of FCA's and PSA's businesses may result in additional and unforeseen expenses, capital investments and financial risks, such as the incurrence of unexpected write-offs, the possible effect of adverse tax treatments and unanticipated or unknown liabilities relating to FCA, PSA or the merger. All of these factors could decrease or delay the expected accretive effect of the merger.

It is possible that the integration process could take longer or be more costly than anticipated or could result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with suppliers, customers and employees, achieve the anticipated benefits of the merger or maintain quality standards. An inability to realize the full extent of, or any of, the anticipated benefits of the merger, as well as any delays encountered in the integration process, could have an adverse effect on our business, cash flows, financial condition or results of operations, which may affect the value of our common shares.

Uncertainties associated with the merger integration may cause a loss of management personnel or other key legacy employees of FCA or PSA which could adversely affect our future business and operations.

We depend on the experience and industry knowledge of our management personnel and other key employees to execute on our business objectives. Our success also depends, in part, upon our ability to attract and retain management personnel and other key employees. Current employees may experience uncertainty about their roles within Stellantis, which may have an adverse effect on our ability to retain management and other key personnel.

FCA's consolidated financial statements and the selected financial information included in this annual report may not be indicative of, and may differ materially from, our future results of operations following the merger.

FCA's consolidated financial statements and the selected financial information included in this report have been prepared on the basis of FCA's historical accounts and represent FCA's historical operations prior to the merger. In the future, the financial statements of Stellantis will be based on PSA's accounts, where the historical assets and liabilities of FCA will be recorded based on the acquisition method of accounting. As a result, FCA's historical financial information incorporated in this report is not indicative of the future operating results, cash flows or financial position of Stellantis upon consummation of the merger on January 16, 2021. Under IFRS 3, Business Combinations, January 17, 2021 is the acquisition date for the business combination. FCA's consolidated financial statements do not include the impact of the merger, nor future events that may occur, including the costs of integrating the legacy FCA and PSA businesses as well as any future nonrecurring charges resulting from the merger, and do not consider potential impacts of current market conditions on revenues or cost efficiencies nor the effects of the purchase method of accounting of the merger in accordance with IFRS 3, Business Combinations.

There can be no assurance that the Faurecia Distribution will occur promptly, or at all.

On January 25, 2021, the Board of Directors resolved to convene an extraordinary shareholders meeting, to be held on March 8, 2021, in order to approve the proposed distribution to the Stellantis shareholders, through a reduction of the share capital of Stellantis, of (i) our Faurecia ordinary shares, representing approximately 39 percent of the share capital of Faurecia, and (ii) cash equal to approximately 308 million euro (corresponding to the proceeds of the sale by PSA, prior to the merger, of approximately seven percent of the Faurecia ordinary shares) (the "Faurecia Distribution"). The approval of Stellantis shareholders is required for the Faurecia Distribution, and it may not be obtained. Therefore, there can be no assurance that the Faurecia Distribution will occur promptly or at all.

Risks Related to the Ownership of Our Shares

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

Our common shares are currently traded on the NYSE, MTA and Euronext Paris. The tripartite listing of our common shares may adversely affect the liquidity of the shares in one or several markets. In addition, the tripartite listing of our common shares may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the trading currencies, among other factors, may result in different trading prices for our common shares on the three exchanges.

Our loyalty voting structure may concentrate voting power in a small number of our shareholders and such concentration may increase over time.

Shareholders who hold our common shares for an uninterrupted period of at least three years may elect to receive one special voting share in addition to each common share held, provided that such shares have been registered in the Loyalty Register upon application by the relevant holder. If our shareholders holding a significant number of common shares for an uninterrupted period of at least three years elect to receive special voting shares, a relatively large proportion of voting power could be concentrated in a relatively small number of shareholders who would have significant influence over Stellantis. As a result, the ability of other shareholders to influence decisions would be reduced.

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

Our loyalty voting structure could reduce the liquidity of our common shares and adversely affect the trading prices of our common shares. The loyalty voting structure is intended to reward our shareholders for maintaining long-term share ownership by granting persons holding shares continuously for at least three years the option to elect to receive special voting shares. Special voting shares cannot be traded and, immediately prior to the transfer of our common shares from the Loyalty Register, any corresponding special voting shares will 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 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 prevent or frustrate attempts by our shareholders to change our management and hinder efforts to acquire a controlling interest in us, and the market price of our common shares may be lower as a result.

Our loyalty voting structure may make it more difficult for a third party to acquire, or attempt to acquire, control of us, 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 voting power could be concentrated in a relatively small number of shareholders, which may make it more difficult for third parties to seek to acquire control of us by purchasing shares that do not benefit from the additional voting power of the special voting shares. The possibility or expectation of a change of control transaction typically leads to higher trading prices and conversely, if that possibility is low, trading prices may be lower. The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changing our management.

Resales of Stellantis common shares following the merger may cause the market value of Stellantis common shares to decline.

Several reference shareholders of Stellantis are subject to restrictions on share sales for a three-year period following the merger, but will be free to sell once those restrictions expire. Furthermore, Dongfeng is required to sell approximately 36 million Stellantis common shares to third parties by December 31, 2022; in addition, Dongfeng is not subject to any resale restriction relating to its other Stellantis common shares. All other shareholders, which own the majority of our common shares, are not subject to any resale restrictions. The resale of such shares in the public market from time to time, particularly on the part of Dongfeng, or on the part of any Reference Shareholder following expiration of the lock-up, or the perception that such resales may occur could have the effect of depressing the market value for Stellantis common shares.

Risks Related to Our Business, Strategy and Operations

Business interruptions resulting from the coronavirus (COVID-19) pandemic could continue to cause disruption to the manufacture and sale of our products and the provision of our services and adversely impact our business.

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization ("WHO"), leading to government-imposed quarantines, travel restrictions, "stay-at-home" orders and similar mandates for many individuals to substantially restrict daily activities and for businesses to curtail or cease normal operations. The impact of COVID-19, including changes in consumer behavior, pandemic fears and market downturns, as well as restrictions on business and individual activities, has led to a global economic slowdown and a significant decrease in demand in the global automotive market, which may persist even after certain restrictions related to the COVID-19 outbreak are lifted.

FCA and PSA took a number of steps as a result of the pandemic, in line with advice provided by the WHO and the public health measures imposed in the countries in which they operated. For example, in the first half of 2020, FCA and PSA implemented a temporary suspension of production across all of their facilities, which lasted, depending on the region, several weeks or months.

As a result of the restrictions described above, and consumer reaction to the COVID-19 outbreak in general, showroom traffic at our dealers has dropped significantly and many dealers have temporarily ceased operations, thereby reducing the demand for our products and leading to dealers purchasing fewer vehicles, parts and accessories. In addition, the COVID-19 outbreak has caused significant disruptions of our supply chain and may cause additional disruptions in the future. These disruptions may negatively impact the availability and price at which we are able to source components and raw materials globally, which could reduce the number of vehicles we will be able to manufacture and sell. We may not be able to pass on increases in the price of components and raw materials to our customers, which may adversely impact our results of operations. Furthermore, the COVID-19 pandemic may lead to financial distress for our suppliers or dealers, as a result of which they may have to permanently discontinue or substantially reduce their operations. The pandemic may also lead to downward pressure on vehicle prices and contribute to an already challenging pricing environment in the automotive industry. In addition, the COVID-19 outbreak has led to higher working capital needs and reduced liquidity or limitations in the supply of credit, which may lead to higher costs of capital for us. Lastly, COVID-19 has resulted in a sharp increase in unemployment rates compared to pre-COVID-19 levels. We expect that the economic uncertainty and higher unemployment may result in higher defaults in our consumer financing portfolio and prolonged unemployment may negatively impact demand for both new and used vehicles. These and other factors arising from the COVID-19 pandemic have had, and could continue to have, a material adverse impact on our business, financial condition and results of operations.

Our automotive operations generally realize minimal revenue while their respective plants are shut down, but they continue to incur expenses. The negative cash impact is exacerbated by the fact that, despite not producing vehicles, we have to continue to pay suppliers for components purchased earlier in a high volume environment. In addition, FCA and PSA deferred a significant number of capital expenditure programs, delayed or eliminated non-essential spending, and significantly reduced marketing expenses. These measures could have a material adverse effect on our ability to maintain full production levels.

Further, even during times when restrictions on movement and business operations are eased, we may still elect to shut down some, or all, of our production sites and other facilities, either in the event of an outbreak of COVID-19 among our employees, or as a preventive measure to contain the spread of the virus and protect the health of our workforce and their respective communities. Such restrictions on movement and business operations may be reimposed by governments in response to future recurrences or "waves" of the outbreak.

In addition, future government-sponsored liquidity or stimulus programs in response to the COVID-19 pandemic may not be available to our customers, suppliers, dealers, or the combined group, and if available, the terms may be unattractive or may be insufficient to address the impact of COVID-19.

The extent to which the COVID-19 pandemic will impact our results will depend on the scale, duration, severity and geographic reach of future developments, which are highly uncertain and cannot be predicted. Following relaxation of restrictions in the late spring and summer of 2020, further waves of the pandemic have led to renewed restrictive measures including new regional or national lockdowns in several countries in which we operate. Although vaccination programs are being rolled out in many jurisdictions, the pace of vaccination is unclear and the efficacy on large populations is untested. The ultimate impact of the COVID-19 outbreak will depend on the length and severity of restrictions on business and individuals, the pandemic's impact on customers, dealers, and suppliers, how quickly normal economic conditions, operations and demand for vehicles resume, the severity of the current economic downturn, any permanent behavioral changes that the pandemic may cause and any additional actions to contain the spread or mitigate the impact of the outbreak, whether government-mandated or elected by us. The future impact of COVID-19 developments will be greater if the regions and markets that are most profitable for us are particularly affected. See "*If our vehicle shipment volumes deteriorate, particularly shipments of pickup trucks and larger sport utility vehicles in the U.S. market, and shipments of vehicles in the European market, our results of operations and financial condition will suffer*". These disruptions could have a material adverse effect on our business, financial condition and results of operations. In addition, the COVID-19 pandemic may exacerbate many of the other risks described in this report, including, but not limited to, the general economic conditions in which we operate, increases in the cost of raw materials and components and disruptions to our supply chain and liquidity.

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

As is typical for automotive manufacturers, we have significant fixed costs primarily due to our substantial investment in product development, property, plant and equipment and the requirements of collective bargaining agreements and other applicable labor relations regulations. As a result, changes in certain vehicle shipment volumes could have a disproportionately large effect on our profitability. In particular, our profitability would be impacted in the event of lower volumes of pickup trucks and larger SUVs in North America, and in the event of overall lower volumes in Europe.

Our profitability in North America, a region which contributed a majority of FCA's profit in each of the last three years, is particularly dependent on demand for pickup trucks and larger SUVs. FCA's pickup trucks and larger SUVs have historically been more profitable than other FCA vehicles and accounted for approximately 72 percent of FCA's total U.S. retail vehicle shipments in 2020. A shift in consumer demand away from these vehicles within the North America region, and towards compact and mid-size passenger cars, whether in response to higher fuel prices or other factors, could adversely affect our profitability. Dependence on pickup trucks and larger SUVs in North America is expected to continue.

Historically, PSA's operating results have reflected a dependence on European markets, which increased with the purchase of the Opel and Vauxhall brands in August 2017. PSA generated a substantial majority of its profits and approximately 79 and 77 percent of its revenue in the European markets in the fiscal years 2019 and 2020, respectively. Therefore, we are significantly exposed to a slowdown or downturn in economic conditions in Europe, as well as enhanced competition in, or a deterioration of, the European vehicle market, that would trigger a decline in vehicle shipments in that market.

In addition, our larger vehicles, such as SUVs, tend to be priced higher and be more profitable on a per vehicle basis than smaller vehicles, both across and within vehicle lines. In recent years, the profitability of these models has been supported by strong consumer preference for SUVs, but there is no guarantee that this trend will continue in the future. For additional information on factors affecting our vehicle profitability, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends, Uncertainties and Opportunities – Vehicle Profitability*".

Moreover, we operate with negative working capital as we generally receive payment for vehicles within a few days of shipment, whereas there is a lag between the time when parts and materials are received from suppliers and when we pay for such parts and materials. Accordingly, in periods in which vehicle shipments decline materially, we may suffer a significant negative impact on cash flow and liquidity as we continue to pay suppliers for components purchased in a high-volume environment during a period in which we receive lower proceeds from vehicle shipments. If vehicle shipments decline, or if they were to fall short of our assumptions, due to downturn in economic conditions, changes in consumer confidence, geopolitical events, inability to produce sufficient quantities of certain vehicles, enhanced competition in certain markets, loss of market share, limited access to financing or other factors, such decline or shortfall could have a material adverse effect on our business, financial condition and results of operations.

Our business may be adversely affected by global financial markets, general economic conditions, enforcement of government incentive programs, and geopolitical volatility as well as other macro developments over which we have little or no control.

With operations worldwide, our business, financial condition and results of operations may be influenced by macroeconomic factors within the various countries in which we operate, including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates for, or availability of, consumer and business credit, the rate of unemployment, foreign currency controls and changes in exchange rates, as well as geopolitical risks, such as government instability, social unrest, the rise of nationalism and populism and disputes between sovereign states.

We are subject to other risks, such as increases in energy and fuel prices and fluctuations in prices of raw materials, including as a result of tariffs or other protectionist measures, changes to vehicle purchase incentive programs, and contractions in infrastructure spending in the jurisdictions in which we operate. In addition, these factors may also have an adverse effect on our ability to fully utilize our industrial capacity in some of the jurisdictions in which we operate. Unfavorable developments in any one or a combination of these risks (which may vary from country to country) could have a material adverse effect on our business, financial condition and results of operations and on our ability to execute planned strategies. For further discussion of risks related to the automotive industry, see "*Risk Factors—Risks Related to the Industry in which We Operate*".

We have operations in a number of emerging markets, including Turkey, China, Brazil, Argentina, India and Russia and are particularly susceptible to risks relating to local political conditions, import and/or export restrictions (including the imposition of tariffs on raw materials and components we procure and on the vehicles we sell), and compliance with local laws and regulations in these markets. For example, in Brazil, FCA has historically received certain tax benefits and other government grants, that favorably affected FCA's results of operations which, if not further extended, would expire at the end of 2025. Expiration of these tax benefits and government grants without their renewal or any change in the amount of such tax benefits or government grants could have a material adverse effect on our business, financial condition and results of operations.

We are also subject to other risks inherent to operating globally. For a discussion of certain tax-related risks related to our operating globally, see "*Risk Factors—Risks Related to Taxation—We and our subsidiaries are subject to tax laws and treaties of numerous jurisdictions. Future changes to such laws or treaties could adversely affect us and our subsidiaries and our shareholders and holders of special voting shares. In addition, the interpretation of these laws and treaties is subject to challenge by the relevant governmental authorities*". European developments in data and digital taxation may also negatively affect some of our automated driving and infotainment connected services. Unfavorable developments in any one or a combination of these risk areas (which may vary from country to country) could have a material adverse effect on our business, financial condition and results of operations and on our ability to execute planned strategies.

On June 23, 2016, a majority of voters in a national referendum in the United Kingdom voted in favor of Brexit. The United Kingdom left the European Union on January 31, 2020. On December 24, 2020, the European Union and the United Kingdom announced that they had reached a new bilateral trade and cooperation deal governing the future relationship between the European Union and the United Kingdom (the "EU-UK Trade and Cooperation Agreement") which was formally approved by the European Council, acting by the unanimity of all 27 EU member states, on December 29, 2020 and by the UK parliament on December 30, 2020. The EU-UK Trade and Cooperation Agreement became effective on a provisional basis from January 1, 2021, subject to ratification by the EU following consent by the European Parliament. The potential consequences are unclear if the European Parliament were to fail to approve the EU-UK Trade and Cooperation Agreement.

Under the terms of the EU-UK Trade and Cooperation Agreement, exports of motor vehicles and parts between the European Union and the United Kingdom are exempt from tariffs, to the extent the goods comply with certain "rules of origin" (i.e. if the goods contain a sufficient quantity of EU or UK inputs). We are currently assessing the full impact of the EU-UK Trade and Cooperation Agreement on our operations and on our supply chain. The application of the rules of origin may result in increased costs for us or for our suppliers (which, in turn, they would seek to pass on to us), and difficulties in the procurement of parts. In addition, the new customs procedures set forth in the EU-UK Trade and Cooperation Agreement result in increased complexity.

While the EU-UK Trade and Cooperation Agreement provides clarity with respect to the intended relationship between the European Union and the United Kingdom going forward, significant uncertainty remains around the details of such relationship, which will continue to be defined, and the full extent of the consequences of Brexit. The foregoing could have a material adverse effect on our business, financial condition and results of operations. Furthermore, Brexit could lead to fluctuations in the exchange rate between the pound sterling and the euro, which could adversely impact the sale of vehicles we import into, or export from, the United Kingdom. In 2020, PSA sold approximately 264,000 vehicles in the United Kingdom, which represented approximately 10 percent of total vehicles sold by PSA during that period. During the same period, FCA sold approximately 38,000 vehicles in the United Kingdom, approximately 1 percent of the total vehicles sold by FCA in 2020.

In recent years, there has been a significant increase in activity and speculation regarding tariffs and other barriers to trade imposed between governments in various regions, in particular the U.S. and its trading partners, China and the European Union. For example, we manufacture a significant number of our vehicles outside the U.S. (particularly in Canada, Mexico and Italy) for import into the U.S. We also manufacture vehicles in the U.S. that are exported to China. Tariffs or duties that impact our products could reduce consumer demand, make our products less profitable or the cost of required raw materials more expensive or delay or limit our access to these raw materials, each of which could have a material adverse effect on our business, financial condition and results of operations. In addition, a continued escalation in tariff or duty activity between the U.S. and its major trading partners could negatively impact global economic activity, which could in turn reduce demand for our products.

We may be unsuccessful in efforts to increase the growth of some of our brands that we believe have global appeal and reach, which could have material adverse effects on our business.

We intend to focus on volume growth and margin expansion strategies, which include the renewal of key products, the launch of white-space products, the implementation of various electrified powertrain applications and partnerships relating to the development of autonomous driving technologies. Historically, FCA experienced challenges in expanding the product range and global sales of certain brands, in particular, Alfa Romeo. As a result, FCA rationalized its product plans, which resulted in the recognition of impairment charges in the third quarter of 2019. PSA experienced challenges with respect to the visibility of its brands in China and Russia, which led to reduced sales for PSA's products in those markets. In addition, we may not be successful in positioning our DS brand as a premium brand in light of competition from established premium brands that benefit from favorable reputations and significant marketing budgets.

Our strategies continue to require significant investments in products, powertrains, production facilities, marketing and distribution networks. If we are unable to achieve our volume growth and margin expansion goals, we may be unable to earn a sufficient return on these investments, which could have a material adverse effect on our business, financial condition and results of operations. Our growth and investment strategy may also be adversely impacted by future potential developments of the COVID-19 pandemic. See "*Business interruptions resulting from the coronavirus (COVID-19) pandemic could continue to cause disruption to the manufacture and sale of our products and the provision of our services and adversely impact our business*".

Our future performance depends on our ability to offer innovative, attractive and fuel efficient products.

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

We may not be able to effectively compete with other automakers with regard to electrification, autonomous driving, mobility, artificial intelligence and other emerging trends in the industry. In addition, we may fail to sufficiently adapt our business model to new forms of mobility, such as car-sharing, car-pooling and connected services. Such changes to mobility may also lead to a decrease in sales, as new forms of mobility gain market acceptance as alternatives to outright vehicle ownership by end users.

In certain cases, the technologies that we plan to employ are not yet commercially practical and depend on significant future technological advances by us, our partners and suppliers. These advances may not occur in a timely or feasible manner, we may not obtain rights to use these technologies and the funds that we have budgeted or expended for these purposes may not be adequate. Further, our competitors and others are pursuing similar and other competing technologies, and they may acquire and implement similar or superior technologies sooner than we will or on an exclusive basis or at a significant cost advantage. Even where we are able to develop competitive technologies, we may not be able to profit from such developments as anticipated. For example, the advent of electric and plug-in hybrid vehicles has fueled highly competitive pricing among automakers in order to win market share, which may significantly and adversely affect profits with respect to the sale of such vehicles. Furthermore, technological capabilities acquired through costly investment may prove short-lived, for example, if hybrid cars were replaced by fully electric cars sooner than expected. In addition, vehicle electrification may negatively affect after-sales revenues as electric vehicles are expected to require fewer repairs.

Further, as a result of the extended product development cycle and inherent difficulty in predicting consumer acceptance, a vehicle that is expected to be attractive may not generate sales in sufficient quantities and at high enough prices to be profitable. It can take several years to design and develop a new vehicle, and a number of factors may lengthen that schedule. For example, if we determine that a safety or emissions defect, mechanical defect or non-compliance with regulation exists with respect to a vehicle model prior to retail launch, the launch of such vehicle could be delayed until we remedy the defect or non-compliance. Various elements may also contribute to consumers' acceptance of new vehicle designs, including competitors' product introductions, fuel prices, general economic conditions and changes in consumer preferences. In addition, vehicles we develop in order to comply with government regulations, particularly those related to fuel efficiency, greenhouse gas and tailpipe emissions standards, may not be attractive to consumers or may not generate sales in sufficient quantities and at high enough prices to be profitable.

If we fail to develop products that contain desirable technologies and are attractive to and accepted by consumers, the residual value of our vehicles could be negatively impacted. In addition, the increasing pace of inclusion of new innovations and technologies in our and our competitors' vehicles could also negatively impact the residual value of our vehicles. A deterioration in residual value could increase the cost that consumers pay to lease our vehicles or increase the amount of subvention payments that we make to support our leasing programs.

The failure to develop and offer innovative, attractive and relevant products on a timely basis could have a material adverse effect on our business, financial condition and results of operations.

Our success largely depends on the ability of our management team to operate and manage effectively and our ability to attract and retain experienced management and employees.

Our success largely depends on the ability of our senior executives and other members of management to effectively manage the company and individual areas of the business. Our management team is critical to the execution of our direction and the implementation of our strategies. We may not be able to replace these individuals with persons of equivalent experience and capabilities. Attracting and retaining qualified and experienced personnel in each of our regions is critical to our competitive position in the automotive industry. If we are unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, such inability could have a material adverse effect on our business, financial condition and results of operations.

Labor laws and collective bargaining agreements with our labor unions could impact our ability to increase the efficiency of our operations, and we may be subject to work stoppages in the event we are unable to agree on collective bargaining agreement terms or have other disagreements.

Substantially all of our production employees are represented by trade unions, covered by collective bargaining agreements or protected by applicable labor relations regulations that may restrict our ability to modify operations and reduce personnel costs quickly in response to changes in market conditions and demand for our products. As of December 31, 2020, approximately 87 percent of FCA's employees and 93 percent of PSA's Automotive Division employees were covered by collective bargaining agreements. See the section "*—Trade Unions and Collective Bargaining*" of this report for a description of these arrangements with regard to each of PSA and FCA. These and other provisions in our collective bargaining agreements may impede our ability to restructure our business successfully in order to compete more effectively, especially with automakers whose employees are not represented by trade unions or are subject to less stringent regulations, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we may be subject to work stoppages in the event that we and our labor unions are unable to agree on collective bargaining agreement terms or have other disagreements. Any such work stoppage could have a material adverse effect on our business, financial condition and results of operations.

If we fail to accurately forecast demand for our vehicles, our profitability may be affected.

We take steps to improve efficiency in our manufacturing, supply chain and logistics processes. This includes planning production based on sales forecasts, and in particular producing certain vehicle models with specified features based on forecasted dealer and end customer orders, which is expected to allow us to more efficiently and cost effectively manage our supply chain. This practice may result in higher finished goods inventory in certain periods when we anticipate increased dealer and end customer orders. Further, while it is expected that our analytical tools should enable us to align production with dealer and end customer orders, if such orders do not meet our forecasts, our profitability on these vehicles may be affected.

Our reliance on partnerships in order to offer consumers and dealers financing and leasing services exposes us to risks, including that our competitors may be able to offer consumers and dealers financing and leasing services on better terms than our consumers and dealers are able to obtain.

Our dealers enter into wholesale financing arrangements to purchase vehicles from us to hold in inventory and facilitate retail sales, and retail consumers use a variety of finance and lease programs to acquire vehicles. Unlike many of our competitors, we do not own and operate a wholly-owned finance company dedicated solely to our mass-market vehicle operations in the U.S. and the majority of key markets in Europe, Asia and South America. We instead partner with specialized financial services providers through joint ventures and commercial agreements with third parties, including third party financial institutions, in order to provide financing to our dealers and retail consumers including in the U.S. and key markets in Europe, Asia and South America. Our reliance on partnerships in these key markets may increase the risk that our dealers and retail consumers will not have access to sufficient financing on acceptable terms, which may adversely affect our vehicle sales in the future.

Furthermore, many of our competitors are better able to implement financing programs designed to maximize vehicle sales in a manner that optimizes profitability for them and their finance companies on an aggregate basis. Since our ability to compete depends on access to appropriate sources of financing for dealers and retail consumers, our reliance on partnerships in those markets could have a material adverse effect on our business, financial condition and results of operations.

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

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

We face risks related to changes in product distribution methods.

We are exposed to risks inherent in certain new methods of distribution, including the digitalization of points of sale and, more broadly, the transformation of our sales network in order to respond to developing trends in the automotive industry such as consumers' shift towards online sales. Delays in the digital transformation of distribution methods, both at points of sale and in sales networks, as well as increased costs, whether as a result of the transformation of our sales network or new distribution methods, could impact our ability to effectively compete with other automakers. In addition, our employees may lack the necessary skills or training to implement or utilize such new distribution methods. If there is a delay or failure to implement new distribution methods or such transitions are not successful, there may be a material adverse effect on our business, financial condition and results of operations.

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

Our vehicles, as well as vehicles manufactured by other original equipment manufacturers ("OEMs"), contain complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. These electronic control systems, which are increasingly connected to external cloud-based systems, are susceptible to cybercrime, including threats of intentional disruptions, loss of control over the vehicle, loss of functionality or services and theft of personal information. These disruptions are likely to increase in terms of sophistication and frequency as the level of connectivity and autonomy in our vehicles increases. In addition, we may rely on third parties for connectivity and automation technology and services, including for the collection of our customers' data. These third parties could unlawfully resell or otherwise misuse such information, or suffer data breaches. A significant malfunction, disruption or security breach compromising the electronic control systems contained in our vehicles could damage our reputation, expose us to significant liability and could have a material adverse effect on our business, financial condition and results of operations.

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

Our ability to keep our business operating effectively depends on the functional and efficient operation of our information, data processing and telecommunications systems, including our vehicle design, manufacturing, inventory tracking and billing and payment systems, as well as other central information systems and applications, employee workstations and other IT equipment. In addition, our vehicles are increasingly connected to external cloud-based systems while our industrial facilities have become more computerized. Our systems, and in particular those of our financing activities and joint venture partners following the digitalization of their operations, are susceptible to cybercrime and are regularly the target of threats from third parties, which could result in data theft, loss of control of data processed in an external cloud, compromised IT networks and stoppages in operations. A significant or large-scale malfunction or interruption of any one of our computer or data processing systems, including through the exploitation of a weakness in our systems or the systems of our suppliers or service providers, could have a material adverse effect on our ability to manage and keep our manufacturing and other operations running effectively, and may damage our reputation. A malfunction or security breach that results in a wide 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, our systems collect and store confidential and sensitive data, including information about our business, consumers and employees. As technology continues to evolve, it is expected that we will collect and store even more data in the future and that our systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of our value is derived from our confidential business information, including vehicle design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, we may lose our competitive advantage and our vehicle shipments may suffer. We also collect, retain and use personal information, including data gathered from consumers for product development and marketing purposes, and data obtained from employees. In the event of a breach in security that allows third parties access to this personal information, we will be subject to a variety of laws on a global basis that could require us to provide notification to the data owners and subject us to lawsuits, fines and other means of regulatory enforcement.

For example, the General Data Protection Regulation (Regulation (EU) 2016/679) (the “GDPR”) has increased the stringency of European Union data protection requirements and related penalties. Non-compliance with the GDPR can result in fines of the higher of €20 million or four percent of annual worldwide revenue. GDPR has required changes to FCA’s and PSA’s existing business practices and systems in order to ensure compliance and address concerns of customers and business partners. In addition, the California Consumer Privacy Act of 2018 became effective on January 1, 2020 and provides California residents with new data privacy rights. Several other U.S. states are also considering adopting laws and regulations imposing obligations regarding the handling of personal data. Complying with any new data protection-related regulatory requirements could force us to incur substantial expenses or require us to change our business practices in a manner that has a material adverse effect on our business, financial condition and results of operations.

Our reputation could also suffer in the event of a data breach, which could cause consumers to purchase their vehicles from our competitors. Ultimately, any significant compromise in the integrity of our data security could have a material adverse effect on our business, financial condition and results of operations.

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

We operate, or expect to expand our presence, in emerging markets, such as China and India, through partnerships and joint ventures. For instance, we operate the GAC FCA joint venture with Guangzhou Automobiles Group Co., Ltd., which locally produces the Jeep Cherokee, Jeep Renegade, Jeep Compass, Jeep Grand Commander and Jeep Commander PHEV (plug-in hybrid electric vehicle) primarily for the Chinese market, expanding the portfolio of Jeep SUVs currently available to Chinese consumers. Similarly, we operate a joint venture in China with Dongfeng Motor Group, namely Dongfeng Peugeot Citroën Automobile (“DPCA”), which manufactures vehicles under the Dongfeng Peugeot and Dongfeng Citroën brands in China, and Dongfeng Peugeot Citroën Automobile Sales Co (“DPCS”), which markets the vehicles produced by DPCA in China. In India, we have a joint operation with TATA Motors Limited for the production of certain of our vehicles, engines and transmissions and joint ventures with CK Birla Group for the manufacture of vehicles and powertrains.

Although our sales in the markets where these arrangements exist are currently limited, our ability to grow in these markets is important to our strategy and any issues with these arrangements may adversely affect those growth prospects. Our reliance on joint arrangements to enter or expand our presence in emerging markets may expose us to the risk of disagreement with our joint arrangement partners and the need to divert management resources to oversee these arrangements. Further, as these arrangements require cooperation with third party partners, these joint arrangements may not be able to make decisions as quickly as we would if we were operating on our own or may take actions that are different from what we would do on a standalone basis in light of the need to consider our partners’ interests. As a result, we may be less able to respond timely to changes in market dynamics, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Industry in which We Operate

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 and cyclical, encompassing the production and distribution of passenger cars, light commercial vehicles and components and 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, the Middle East, Africa and the Asia Pacific region. These markets are all highly competitive in terms of product quality, innovation, the introduction of new technologies, response to new regulatory requirements, pricing, fuel economy, reliability, safety, consumer service and financial services offered. Some of our competitors are also better capitalized than we are and command larger market shares, which may enable them to compete more effectively in these markets. In addition, we are exposed to the risk of new entrants in the automotive market, which may have technological, marketing and other capabilities, or financial resources, that are superior to ours and of other traditional automobile manufacturers and may disrupt the industry in a way that is detrimental to us.

If our competitors are able to successfully integrate with one another or enter into significant partnerships with non-OEM technology companies, and we are not able to adapt effectively to increased competition, our competitors’ integration could have a material adverse effect on our business, financial condition and results of operations.

In the automotive business, sales to consumers and fleet customers are cyclical and subject to changes in the general condition of the economy, the readiness of consumers and fleet customers to buy and their ability to obtain financing, as well as the possible introduction of measures by governments to stimulate demand, particularly related to new technologies (for example, technologies related to compliance with evolving emissions regulations). The automotive industry is characterized by the constant renewal of product offerings through frequent launches of new models and the incorporation of new technologies in those models. A negative trend in the automotive industry or our inability to adapt effectively to external market conditions, coupled with more limited capital than our principal competitors, could have a material adverse effect on our business, financial condition and results of operations.

Intense competition, excess global manufacturing capacity and the proliferation of new products being introduced in key segments is expected to continue to put downward pressure on inflation-adjusted vehicle prices and contribute to a challenging pricing environment in the automotive industry for the foreseeable future. In the event that industry shipments decrease and overcapacity intensifies, our competitors may attempt to make their vehicles more attractive or less expensive to consumers by adding vehicle enhancements, providing subsidized financing or leasing programs, or by reducing vehicle prices whether directly or by offering option package discounts, price rebates or other sales incentives in certain markets. Manufacturers in countries that have lower production costs may also choose to export lower-cost automobiles to more established markets. In addition, our profitability depends in part on our ability to adjust pricing to reflect increasing technological costs (see "—*Our future performance depends on our ability to offer innovative, attractive and fuel efficient products*"). An increase in any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Vehicle retail sales depend heavily on affordable interest rates and availability of credit for vehicle financing and a substantial increase in interest rates could adversely affect our business.

In certain regions, including Europe and North America, 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. If interest rates rise, market rates for new vehicle financing will generally be expected to rise as well, which may make our vehicles less affordable to retail consumers or steer consumers to less expensive vehicles that would be less profitable for us, adversely affecting our financial condition and results of operations. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, consumers may not desire or be able to obtain financing to purchase or lease our vehicles. Furthermore, because purchasers of our vehicles may be relatively more sensitive to changes in the availability and adequacy of financing and macroeconomic conditions, our vehicle sales may be disproportionately affected by changes in financing conditions relative to the vehicle sales of our competitors. As a result, a substantial increase in consumer interest rates or tightening of lending standards could have a material adverse effect on our business, financial condition and results of operations.

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

We use a variety of raw materials in our business, including steel, aluminum, lead, polymers, elastomers, resin and copper, and precious metals such as platinum, palladium and rhodium, as well as electricity and natural gas. Also, as we begin to implement various electrified powertrain applications throughout our portfolio, we will also depend on a significant supply of lithium, nickel and cobalt, which are used in lithium-ion batteries. The prices for these raw materials fluctuate, and market conditions can affect our ability to manage our costs. Increased market power of raw material suppliers may contribute to such prices increasing. Additionally, as production of electric vehicles increases, we may face shortages of raw materials and lithium cells and be forced to pay higher prices to obtain them. 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 higher vehicle prices or productivity gains. In particular, certain raw materials are sourced from a limited number of suppliers and from a limited number of countries, particularly those needed in catalytic converters and lithium-ion batteries. From time to time these may be susceptible to supply shortages or disruptions. In addition, our industrial efficiency will depend in part on the optimization of the raw materials and components used in the manufacturing processes. If we fail to optimize these processes, we may face increased production costs.

We are also exposed to the risk of price fluctuations and supply disruptions and shortages, including due to supplier disputes, particularly with regard to warranty recovery claims, supplier financial distress, tight credit markets, trade restrictions, tariffs, natural or man-made disasters, epidemics or pandemics of diseases, or production difficulties. For example, a global semiconductor shortage impacted our production volumes in early 2021. It is not possible to guarantee that we will be able to maintain arrangements with suppliers that assure access to these raw materials at reasonable prices. Fluctuations in the price of parts and components can adversely affect our costs and profitability, and any such effect may be material. Further, trade restrictions and tariffs may be imposed, leading to increases in the cost of raw materials and delayed or limited access to purchases of raw materials, each of which could have a material adverse effect on our business, financial condition and results of operations.

Any interruption in the supply or any increase in the cost of raw materials, parts, components and systems could negatively impact our ability to achieve our vehicle shipment objectives and profitability and delay commercial launches. The potential impact of an interruption is particularly high in instances where a part or component is sourced exclusively from a single supplier. Long-term interruptions in the supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle shipment objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, could have a material adverse effect on our business, financial condition and results of operations. This risk can increase during periods of economic uncertainty such as the crisis resulting from the outbreak of COVID-19, or as a result of regional economic disruptions such as that experienced in LATAM due to the deterioration in Argentina's economic condition in recent years. With respect to the impact of the outbreak of COVID-19 on the supply chain of FCA and PSA, see "*—Business interruptions resulting from the coronavirus (COVID-19) pandemic could continue to cause disruption to the manufacture and sale of our products and the provision of our services and adversely impact our business*".

We are subject to risks related to natural and industrial disasters, terrorist attacks and climatic or other catastrophic events.

Our production facilities are subject to risks related to natural disasters, such as earthquakes, fires, floods, hurricanes, other climatic phenomena, environmental disasters and other events beyond our control, such as power loss and uncertainties arising out of armed conflicts or terrorist attacks.

Any catastrophic loss or significant damage to any of our facilities would likely disrupt our operations, delay production, and adversely affect our product development schedules, shipments and revenue. For example, in 2011, the earthquake off the coast of Fukushima in Japan disrupted part of PSA's diesel engine production due to a supply shortage at one of its Japanese suppliers.

The occurrence of a major incident at a single manufacturing site could compromise the production and sale of several hundred thousand vehicles. In addition, any such catastrophic loss or significant damage could result in significant expense to repair or replace the facility and could significantly curtail our research and development efforts in the affected area, which could have a material adverse consequence on our business, financial condition and results of operations.

Measures taken, particularly in Europe, to protect against climate change, such as implementing an energy management plan, which sets out steps to reuse lost heat from industrial processes, making plants more compact and reducing logistics-related CO_2 emissions, as well as using renewable energy, may also lead to increased capital expenditures.

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

We operate in numerous markets worldwide and are exposed to risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to differences in the geographic distribution of our manufacturing and commercial activities, resulting in cash flows from sales being denominated in currencies different from those of purchases or production activities. Additionally, a significant portion of our operating cash flow is generated in U.S. Dollars and, although a portion of our debt is denominated in U.S. Dollars, the majority of our indebtedness is denominated in Euro.

We use various forms of financing to cover funding requirements for our activities. Moreover, liquidity for industrial activities is principally invested in variable and fixed rate or short-term financial instruments. FCA's legacy 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. Banque PSA Finance also operates a matching policy by using appropriate financial instruments to match interest rates on its loans and related liabilities. Nevertheless, changes in interest rates can affect our net revenues, finance costs and margins.

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

Our financial services activities are also subject to the risk of insolvency of dealers and retail consumers. Despite our efforts to mitigate such risks through the credit approval policies applied to dealers and retail consumers, we may not be able to successfully mitigate such risks.

Risks Related to the Legal and Regulatory Environment in which We Operate

Current and more stringent future or incremental laws, regulations and governmental policies, including those regarding increased fuel efficiency requirements and reduced greenhouse gas and tailpipe emissions, have a significant effect on how we do business and may increase our cost of compliance, result in additional liabilities and negatively affect our operations and results.

As we seek to comply with government regulations, particularly those related to fuel efficiency, vehicle safety and greenhouse gas and tailpipe emissions standards, we must devote significant financial and management resources, as well as vehicle engineering and design attention, to these legal requirements. Greenhouse gas emissions standards also apply to our production facilities in several jurisdictions in which we operate, which may require investments to upgrade facilities and increase operating costs. In addition, a failure to decrease the energy consumption of plants may lead to penalties, each of which may adversely affect our profitability. In addition, the European Union's Green Deal could result in changes to laws and regulations, including requiring, or incentivizing, financial institutions to reduce lending to industries responsible for significant greenhouse gas emissions, which could result in an increase in the cost of our European financings.

Our production facilities are also be subject to a broad range of additional requirements governing environmental, health and safety matters, including those relating to registration, use, storage and disposal of hazardous materials and discharges to water and air (including emissions of sulphur oxide, nitrogen oxide, volatile organic compounds and other pollutants). A failure to comply with such requirements, or additional requirements imposed in the future, may result in substantial penalties, claims and liabilities which could have a material adverse effect on our business, financial condition and results of operations. We may also incur substantial cleanup costs and third-party claims as a result of environmental impacts that may be associated with our current or former properties or operations.

Regulatory requirements in relation to CO_2 emissions from vehicles, such as the Corporate Average Fuel Efficiency (CAFE) standards in the U.S., are increasingly stringent. On August 31, 2020, the U.S. Court of Appeals for the Second Circuit vacated a final rule published by the National Highway Traffic Safety Administration ("NHTSA") in July 2019 that had reversed NHTSA's 2016 increase to the base rate of the CAFE penalty from $5.50 to $14.00. The base rate applies to each tenth of a mile per gallon ("MPG") that a manufacturer's fleet-wide average MPG is below the CAFE standard, and is multiplied by the number of vehicles in the manufacturer's fleet to arrive at an aggregate penalty. On January 14, 2021, NHTSA published an interim final rule with immediate effect, the result of which would be to apply the increased fine rate that resulted from the Second Circuit's ruling to future model years. In particular, NHTSA's new rule imposes a CAFE penalty base rate of $5.50 through 2021 Model Year and increases the CAFE penalty base rate to $14.00 prospectively from the 2022 Model Year. Several non-governmental organizations and state attorneys general have initiated litigation to overturn NHTSA's interim final rule.

An increasing number of cities globally have also introduced restricted traffic zones, which do not permit entry to vehicles unless they meet strict emissions standards. As a result, consumer demand may shift towards vehicles that are able to meet these standards, which in turn could lead to higher research and development costs and production costs for us. A failure to comply with applicable emissions standards may lead to significant fines, vehicle recalls, the suspension of sales and third-party claims and may adversely affect our reputation. We are particularly exposed to the risk of such penalties, given our sale of light vehicles in markets where regulations on fuel consumption are very stringent, particularly in Europe. In addition, the harmful effects of atmospheric pollutants, including greenhouse gases, on ecosystems and human health have become an area of major public concern and media attention. As a result, we may suffer significant adverse reputational consequences, in addition to penalties, in the event of non-compliance with applicable regulations.

The number and scope of regulatory requirements, along with the costs associated with compliance, are expected to increase significantly in the future, particularly with respect to vehicle emissions. These costs could be difficult to pass through to consumers, particularly if consumers are not prepared to pay more for lower-emission vehicles. For a further discussion of the regulations applicable to us, see the section "*Group Overview—Environmental and Other Regulatory Matters*" in this report. For example, EU regulations governing passenger car and LCV fleet average CO_2 emissions became significantly more stringent in 2020, imposing material penalties if targets are exceeded. The increased cost of producing lower-emitting vehicles may lead to lower margins and/or lower volumes of vehicles sold. Given the significant portion of our sales in Europe, our vehicles will be particularly exposed to such regulatory changes, as well as other European regulatory developments (including surcharges), which may have a serious impact on the number of cars we sell in this region and therefore on our profitability.

A U.S. federal regulation prohibits U.S. states such as California from imposing their own environmental greenhouse gas regulatory requirements on the vehicles that we sell, which has resulted in litigation and uncertainty regarding the applicability of those state regulations. The U.S. federal government is also undertaking a review of federal environmental regulations applicable to our vehicles, as well as the stringency of nationwide fuel economy standards. Uncertainty regarding these regulations, and the outcome of these proceedings, may increase our costs of compliance. Furthermore, some of our competitors may be capable of responding more swiftly to increased regulatory requirements, or may bear lower compliance costs, thereby strengthening their competitive position compared to ours. See "*The automotive industry is highly competitive and cyclical, and we may suffer from those factors more than some of our competitors*".

Most of our suppliers face similar environmental requirements and constraints. A failure by our suppliers to meet applicable environmental laws or regulations may lead to a disruption of our supply chain or an increase in the cost of raw materials and components used in production and could have a material adverse effect on our business, financial condition and results of operations.

We remain subject to ongoing diesel emissions investigations by several governmental agencies and to a number of related private lawsuits, which may lead to further claims, lawsuits and enforcement actions, and result in additional penalties, settlements or damage awards and may also adversely affect our reputation with consumers.

On January 10, 2019, FCA announced that FCA US had reached final settlements on civil environmental and consumer claims with the U.S. Environmental Protection Agency ("EPA"), the Civil Division of the U.S. Department of Justice ("DoJ"), the California Air Resources Board, the State of California, 49 other States and U.S. Customs and Border Protection, for which we accrued €748 million during the year ended December 31, 2018. Approximately €350 million of the accrual was related to civil penalties to resolve differences over diesel emissions requirements. A portion of the accrual was attributable to settlement of a putative class action on behalf of consumers in connection with which FCA US agreed to pay an average of $2,800 per vehicle to eligible customers affected by the recall. That settlement received final court approval on May 3, 2019. Nevertheless, FCA US continues to defend individual claims from approximately 3,200 consumers that have exercised their right to opt out of the class action settlement and pursue their own individual claims against us (the "Opt-Out Litigation"). FCA US has engaged in further discovery in the Opt-Out Litigation and participated in court-sponsored settlement conferences, but has reached settlement agreements with less than 100 of these remaining plaintiffs.

In the U.S., FCA US remains subject to a diesel emissions-related investigation by the DoJ, Criminal Division. In September 2019, the DoJ filed criminal charges against an employee of FCA US for, among other things, fraud, conspiracy, false statements and violations of the Clean Air Act primarily in connection with efforts to obtain regulatory approval of the vehicles that were the subject of the civil settlements described above. FCA US has continued discussions with the DoJ, Criminal Division to determine whether it can reach an appropriate resolution of their investigation as it relates to FCA US, which may involve the payment of penalties and other non-financial sanctions. We also remain subject to a number of related private lawsuits (the "Non Opt-Out Litigation").

FCA also received inquiries from other regulatory authorities in a number of jurisdictions as they examine the on-road tailpipe emissions of several automakers' vehicles and, when jurisdictionally appropriate, we continue to cooperate with these governmental agencies and authorities.

In Europe, we are working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union, and the UK Driver and Vehicle Standards Agency in connection with their review of several of our vehicles.

FCA also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for our vehicles, and we discussed the KBA reported test results, our emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its exclusive jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. Thereafter, mediations have been held under European Commission ("EC") rules, between the MIT and the German Ministry of Transport and Digital Infrastructure, which oversees the KBA, in an effort to resolve their differences. The mediation was concluded with no action being taken with respect to FCA. In May 2017, the EC announced its intention to open an infringement procedure against Italy regarding Italy's alleged failure to respond to EC's concerns regarding certain FCA emission control calibrations. The MIT has responded to the EC's allegations by confirming that the vehicles' approval process was properly performed.

In December 2019, the MIT notified FCA that the Dutch Ministry of Infrastructure and Water Management ("I&W") had been communicating with the MIT regarding certain irregularities allegedly found by the RDW and the Dutch Center of Research TNO in the emission levels of certain Jeep Grand Cherokee Euro 5 models and a vehicle model of another OEM that contains a Euro 6 diesel engine supplied by us. In January 2020, the Dutch Parliament published a letter from the I&W summarizing the conclusions of the RDW regarding those vehicles and engines and indicating an intention to order a recall and report their findings to the Public Prosecutor, the EC and other Member States. FCA engaged with the RDW to present our positions and cooperate to reach an appropriate resolution of this matter. FCA proposed certain updates to the relevant vehicles that have been tested and approved by the RDW and are now being implemented. Nevertheless, this matter is still pending. In addition, at the request of the French Consumer Protection Agency, the Juge d'Instruction du Tribunal de Grande Instance of Paris is investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

In July 2020, unannounced inspections took place at several of our sites in Germany, Italy and the UK at the initiative of the Public Prosecutors of Frankfurt am Main and of Turin, as part of their investigations of potential violations of diesel emissions regulations and consumer protection laws. We are cooperating with the investigations. Several FCA companies and our Dutch dealers were recently served with a purported class action filed in the Netherlands by a Dutch foundation seeking monetary damages and vehicle buybacks in connection with alleged emissions non-compliance of certain FCA E5 and E6 diesel vehicles. A similar claim has been announced in the UK but not yet served on the Company. We are also defending a number of individual consumer claims alleging emissions non-compliance of certain of our vehicles in Germany.

In December 2018, the Korean Ministry of Environment ("MOE") announced its determination that approximately 2,400 FCA vehicles imported into Korea during 2015, 2016 and 2017 were not emissions compliant and that the vehicles with a subsequent update of the emission control calibrations voluntarily performed by FCA, although compliant, would have required re-homologation of the vehicles concerned. In May 2019, the MOE revoked certification of the above-referenced vehicles and announced an administrative fine for an amount not material to the Group. We have appealed the MOE's decision. Our subsidiary in Seoul, Korea is also cooperating with local criminal authorities in connection with their review of this matter, with the Korean Fair Trade Commission regarding a purported breach of the Act on Fair Labeling and Advertisement in connection with the subject vehicles and with the MOE in connection with their review of other FCA vehicles.

In April 2016, the French Directorate General for Competition, Consumer Affairs and Fraud Control ("DGCCRF") initiated an investigation regarding emissions from diesel engines, including engines used in PSA vehicles. In February 2017, the French Ministry of Economy issued a press release announcing that the DGCCRF referred the case to the prosecutor's office of Versailles. None of PSA or its employees have been charged with any criminal offense. We continue to cooperate with the relevant French judicial authorities and present our position on any concerns raised during this investigation.

Our subsidiary, Opel Automobile GmbH, is performing recalls of 95,781 Opel vehicles built by Adam Opel GmbH between 2013 and 2016 to update the emissions control system software. After Opel Automobile GmbH initiated voluntary field campaigns on these vehicles, as agreed with the KBA, the KBA ordered in 2018 that these campaigns be changed into mandatory recalls to update all outstanding vehicles. As of December 31, 2020, more than 78 percent of the vehicles had received the software update, and specifically in Germany, more than 96 percent. Opel Automobile GmbH also faces a number of related private lawsuits (not class actions). .

The results of the unresolved governmental inquiries and private litigation cannot be predicted at this time and these inquiries and litigation may lead to further enforcement actions, penalties or damage awards, any of which may have a material adverse effect on our business, financial condition and results of operations. It is also possible that these matters and their ultimate resolution may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles and consequently could have a material adverse effect on our business, financial condition and results of operations.

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

We are involved in various disputes, claims, lawsuits, investigations and other legal proceedings relating to several matters, including product liability, warranty, vehicle safety, emissions and fuel economy, product performance, asbestos, personal injury, dealers, suppliers and other contractual relationships, alleged violations of law, environment, securities, labor, antitrust, intellectual property, tax and other matters. We estimate such potential claims and contingent liabilities and, where appropriate, record provisions to address these contingent liabilities. The ultimate outcome of the legal proceedings pending against us is uncertain, and such proceedings could have a material adverse effect on our financial condition or results of operations. Furthermore, additional facts may come to light or we could, in the future, be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our business, financial condition and results of operations. While we maintain insurance coverage with respect to certain claims, not all claims or potential losses can be covered by insurance, and even if claims could be covered by insurance, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims. Further, publicity regarding such investigations and lawsuits, whether or not they have merit, may adversely affect our reputation and the perception of our vehicles with retail customers, which may adversely affect demand for our vehicles, and have a material adverse effect on our business, financial condition and results of operations.

For example, in November 2019, General Motors LLC and General Motors Company (collectively, "GM") filed a lawsuit in the U.S. District Court for the Eastern District of Michigan against FCA US, FCA NV and certain individuals, claiming violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act, unfair competition and civil conspiracy in connection with allegations that FCA US paid bribes to UAW officials that corrupted the bargaining process with the UAW and as a result FCA US enjoyed unfair labor costs and operational advantages that caused harm to GM. GM also claimed that FCA US had made concessions to the UAW in collective bargaining that the UAW was then able to extract from GM through pattern bargaining which increased costs to GM in an effort to force a merger between GM and FCA NV. The court dismissed the lawsuit with prejudice on July 8, 2020 on the basis that the alleged conduct did not constitute a violation of RICO. On August 3, 2020, GM filed a motion requesting that the court amend or alter its judgment, which the court denied. On August 17, 2020, GM provided notice of appeal to the U.S. Court of Appeals for the Sixth Circuit. GM has also filed an action against FCA in Michigan state court, making substantially the same claims as it made in the federal litigation. In that case, FCA US and FCA NV filed a motion for summary disposition on November 24, 2020, and GM filed a motion to compel discovery on December 16, 2020. Oral arguments on FCA's motion for summary disposition and GM's motion for expedited discovery were held on February 26, 2021 and were adjourned to be continued on March 5, 2021.

In addition, FCA and other Brazilian taxpayers have had significant disputes with the Brazilian tax authorities regarding the application of Brazilian tax law. We believe that it is more likely than not that there will be no significant impact from these disputes. However, given the current economic conditions and uncertainty in Brazil, new tax laws or more significant changes such as tax reform may be introduced and enacted. Changes to the application of existing tax laws may also occur or the realization of accumulated tax benefits may be limited, delayed or denied. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

For additional risks regarding certain proceedings, see "*We remain subject to ongoing diesel emissions investigations by several governmental agencies and to a number of related private lawsuits, which may lead to further claims, lawsuits and enforcement actions, and result in additional penalties, settlements or damage awards and may also adversely affect our reputation with consumers*".

We face risks related to quality and vehicle safety issues, which could lead to product recalls and warranty obligations that may result in direct costs, and any resulting loss of vehicle sales could have material adverse effects on our business.

Our performance is, in part, dependent on complying with quality and safety standards, meeting customer expectations and maintaining our reputation for designing, building and selling safe, high-quality vehicles. Given the global nature of our business, these standards and expectations may vary according to the markets in which we operate. For example, vehicle safety standards imposed by regulations are increasingly stringent. In addition, consumers' focus on vehicle safety may increase further with the advent of autonomous and connected cars. If we fail to meet or adhere to required vehicle safety standards, we may face penalties, become subject to other claims or liabilities or be required to recall vehicles.

The automotive industry in general has experienced a sustained increase in recall activity to address performance, compliance or safety-related issues. For example, in November 2019, FCA voluntarily recalled more than 700,000 SUVs worldwide due to problems with an electrical connection that could result in a vehicle stall. FCA's costs related to vehicle recalls have been significant and typically include the cost of replacement parts and labor to remove and replace parts. Our costs related to vehicle recalls could increase in the future.

Recall costs substantially depend on the nature of the remedy and the number of vehicles affected and may arise many years after a vehicle's sale. Product recalls may also harm our reputation, force us to halt the sale of certain vehicles and cause consumers to question the safety or reliability of our products. Given the intense regulatory activity across the automotive industry, ongoing compliance costs are expected to remain high. Any costs incurred, or lost vehicle sales, resulting from product recalls could materially adversely affect our financial condition and results of operations. Moreover, if we face consumer complaints, or 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. These factors, including any failure rate that exceeds our assumptions, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to laws and regulations relating to corruption and bribery, as well as stakeholder expectations relating to human rights in the supply chain and a failure to meet these legislative and stakeholder standards could lead to enforcement actions, penalties or damage awards and may also adversely affect our reputation with consumers.

We are subject to laws and regulations relating to corruption and bribery, including those of the U.S., the United Kingdom and France, which have an international reach and which cover the entirety of our value chain in all countries in which we operate. We also have significant interactions with governments and governmental agencies in the areas of licensing, permits, regulatory, compliance and environmental matters among others. A failure to comply with laws and regulations relating to corruption and bribery may lead to significant penalties and enforcement actions and could also have a long-term impact on our presence in one, or more, of the markets in which such compliance failures have occurred.

In addition, our customers may have expectations relating to the production conditions and origin of the products they purchase. Therefore, it is important for us to seek to demonstrate transparency across the entire supply chain, which may result in additional costs being incurred. A failure by us, or any of our suppliers or subcontractors, to comply with employment or other production standards and expectations may result in adverse consequences to our reputation, disruptions to our supply chain and increased costs as a result of remedial measures needing to be undertaken to meet stakeholder expectations, which could have a material adverse effect on our business, financial condition and results of operations.

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

Our success depends, in part, on our ability to protect our intellectual property rights. If we fail to protect our intellectual property rights, others may be able to compete against us using intellectual property that is the same as or similar to our own. In addition, there can be no guarantee that our intellectual property rights will be sufficient to provide us with a competitive advantage against others who offer products similar to our products. For example, another OEM has produced a vehicle closely resembling one of FCA's Jeep models for sale in the U.S. FCA brought proceedings to stop these practices and rulings have been in FCA's favor. In response, the OEM has attempted to gain approval for a redesigned model. We are seeking to enjoin this practice as well, but cannot be certain of the final outcome. More generally, despite our efforts, we may be unable to prevent third parties from infringing our intellectual property and using our technology for their competitive advantage. Any such infringement could have a material adverse effect on our business, financial condition and results of operations.

The laws of some countries in which we operate do not offer the same protection of 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 to protect our intellectual property from misuse or infringement there. Our inability to protect our intellectual property rights in some countries could have a material adverse effect on our business, financial condition and results of operations.

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

We are incorporated under the laws of the Netherlands, and a substantial portion of our assets is 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.

As an employer with a large workforce, we face risks related to the health and safety of our employees, as well as reputational risk related to diversity, inclusion and equal opportunity.

We employ a significant number of people who are exposed to health and safety risks as a result of their employment. Working conditions can cause stress or discomfort that can impact employees' health and may result in adverse consequences for our productivity. In addition, as an automotive manufacturer, a significant number of our employees are shift workers in production facilities, involving physical demands which may lead to occupational injury or illness. The use or presence of certain chemicals in production processes may adversely affect the health of our employees or create a safety risk. As a result, we could be exposed to liability from claims brought by current or former employees and our reputation, productivity, business, financial condition and results of operations may be affected.

Our stakeholders are expected to place increased emphasis on the importance of diversity, inclusion and equal opportunity in the workplace, against a backdrop of developing legal requirements in these areas. We may suffer adverse effects on our reputation if we fail to meet our stakeholders' expectations, which could result in an adverse effect on our business, financial condition and results of operations.

Risks Related to Our Liquidity and Existing Indebtedness

Limitations on our liquidity and access to funding, as well as our significant outstanding indebtedness, may restrict our financial and operating flexibility and our ability to execute our business strategies, obtain additional funding on competitive terms and improve our financial condition and results of operations.

Our performance depends 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. Our indebtedness may have important consequences on our operations and financial results, including:

- we may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;

- we may need to use a portion of our projected future cash flow from operations to pay principal and interest on our indebtedness, which may reduce the amount of funds available to us for other purposes, including product development; 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.

The COVID-19 pandemic put significant pressure on FCA's and PSA's liquidity, leading to an increase in the level of net indebtedness, which could increase the aforementioned risks. During the year ended December 31, 2020, FCA took several actions to secure its liquidity and financial position, including drawing on existing bilateral lines of credit totaling €1.5 billion, completing an offering of €3.5 billion of notes under its Medium Term Note Programme, and entering into a new €6.3 billion credit facility with Intesa Sanpaolo, Italy's largest banking group. FCA also drew its €6.25 billion syndicated revolving credit facility, which has since been repaid. PSA also took several actions during the year ended December 31, 2020 in order to secure its liquidity and financial position. In April 2020, PSA signed a new €3 billion syndicated line of credit, which was undrawn as of the date of this report, and in May 2020, PSA issued €1 billion of 2.75 percent notes due 2026 under its European Medium-Term Notes program. Our liquidity could also be adversely affected if our vehicle shipments decline materially, whether as a result of COVID-19 or otherwise. In addition, while our credit ratings are investment grade, any deterioration of our credit ratings may significantly affect our funding and prospects.

We could, therefore, find ourselves in the position of having to seek additional financing or having to refinance existing debt, including in unfavorable market conditions, with limited availability of funding and a general increase in funding costs. Any limitations on our liquidity, due to a decrease in vehicle shipments, the amount of, or restrictions in, our existing indebtedness, conditions in the credit markets, our perceived creditworthiness, general economic conditions or otherwise, may adversely impact our ability to execute our business strategies and impair our financial condition and results of operations. In addition, any actual or perceived limitations of our liquidity may limit the ability or willingness of counterparties, including dealers, consumers, suppliers, lenders and financial service providers, to do business with us, which could have a material adverse effect on our business, financial condition and results of operations.

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

Certain of our defined benefit pension plans are currently underfunded. For example, as of December 31, 2020, FCA's defined benefit pension plans were underfunded by approximately €4.1 billion and may be subject to significant minimum contributions in future years. 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 the effects of significant changes in investment policy, insufficient market capacity to complete a particular investment strategy and an inherent divergence in objectives between the ability to manage risk in the short term and the ability to quickly re-balance illiquid and long-term investments.

To determine the appropriate level of funding and contributions to our defined benefit plans, as well as the investment strategy for the plans, we are required to make various assumptions, including an expected rate of return on plan assets and a discount rate used to measure the obligations under defined benefit pension plans. Interest rate increases generally will result in a decline in the value of investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases will generally increase the value of investments in fixed income securities and the present value of the obligations. See Note *2, Basis of preparation-Significant accounting policies—Employee benefits* within the FCA Consolidated Financial Statements included elsewhere in this report.

Any reduction in the discount rate or the value of plan assets, or any increase in the present value of obligations, may increase our pension expenses and required contributions and, as a result, could constrain liquidity and materially adversely affect our financial condition and results of operations. If we fail to make required minimum funding contributions to our U.S. pension plans, it 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.

Risks Related to Taxation

The French tax authorities may deny, revoke or disregard in whole or in part the rulings confirming the neutral tax treatment of the merger for former PSA and the transfer of tax losses carried forward by the legacy PSA French tax consolidated group.

Several tax ruling requests have been granted by the French tax authorities regarding certain tax consequences of the merger.

In particular, the French tax authorities have confirmed (i) that the merger will fulfill the conditions to benefit from the favorable corporate income tax regime set forth in Article 210 A of the French Tax Code (which mainly provides for a deferral of taxation of the capital gains realized by PSA as a result of the transfer of all its assets and liabilities pursuant to the merger).

Such tax regimes and tax rulings are subject to certain conditions being met and are based on certain declarations, representations and undertakings given by us to the French tax authorities. If the French tax authorities consider that the relevant declarations, representations, conditions or undertakings were not correct or are not complied with, they could revoke or disregard the rulings that have been granted in respect of the merger.

In addition, as required by law, a tax ruling request has also been filed with the French tax authorities in order to allow for the transfer of a large majority of the French tax losses carried forward of the former PSA French tax consolidated group to our French permanent establishment and for the carry-forward of French tax losses transferred to our French permanent establishment against future profits of our French permanent establishment and certain companies of the former PSA French tax consolidated group pursuant to Articles 223 I-6 and 1649 *nonies* of the French Tax Code. As of the date of this report, this ruling has not yet been granted by the French tax authorities.

If the French tax authorities consider that the applicable conditions to allow for the transfer of French tax losses carried forward of the former PSA French tax consolidation are not fulfilled, the French tax authorities could deny the benefit of such transfer and therefore refuse to grant the requested ruling or agree on a partial transfer only. If this ruling is granted, the French tax authorities could also revoke or disregard this ruling on the basis that the relevant declarations, representations and undertakings are not correct or complied with or if the conditions provided under French tax law are not met.

A decision by the French tax authorities to deny, revoke or disregard the tax rulings in the future would likely result in significant adverse tax consequences to us that could have a significant effect on our results of operations or financial position. If the requested tax rulings are denied or revoked, the main adverse tax consequences for us would be that (i) all unrealized capital gains at the level of former PSA at the time of the merger would be taxed; and (ii) the tax losses carried forward at the level of former PSA would not be transferred to our French permanent establishment or would be forfeited.

We operate so as to be treated exclusively as a resident of the Netherlands for tax purposes after the transfer of our tax residency to the Netherlands, but the tax authorities of other jurisdictions may treat us as also being a resident of another jurisdiction for tax purposes.

Since we are incorporated under Dutch law, we are considered to be resident in the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes. In addition, with effect from January 17, 2021 and taking into account the sanitary restrictions and limitations applicable under the current COVID-19 crisis, we intend to maintain our management and organizational structure in such a manner that we (i) should be regarded to have our residence for tax purposes (including, for the avoidance of doubt, withholding tax and tax treaty eligibility purposes) exclusively in the Netherlands, (ii) should not be regarded as a tax resident of any other jurisdiction (and in particular of France or Italy) either for domestic law purposes or for the purposes of any applicable tax treaty (notably any applicable tax treaty with the Netherlands) and (iii) should be deemed resident only in the Netherlands, including for the purposes of the France-Netherlands and Italy-Netherlands tax treaties. We also hold permanent establishments in France and Italy.

However, the determination of our tax residency primarily depends upon our place of effective management, which is a question of fact based on all circumstances. Because the determination of our residency is highly fact sensitive, no assurance can be given regarding the final determination of our tax residency.

If we were concurrently resident in the Netherlands and in another jurisdiction (applying the tax residency rules of that jurisdiction), we may be treated as being tax resident in both jurisdictions, unless such other jurisdiction has a double tax treaty with the Netherlands that includes either (i) a tie-breaker provision which allocates exclusive residence to one jurisdiction only or (ii) a rule providing that the residency needs to be determined based on a mutual agreement procedure and the jurisdictions involved agree (or, as the case may be, are compelled to agree through arbitration) that we are resident in one jurisdiction exclusively for treaty purposes. In the latter case, if no agreement is reached in respect of the determination of the residency, the treaty may not apply and we could be treated as being tax resident in both jurisdictions.

A failure to achieve or maintain exclusive tax residency in the Netherlands could result in significant adverse tax consequences to us, our subsidiaries and our shareholders and could result in tax consequences for our shareholders that differ from those described in the section entitled "*Taxation*". The impact of this risk would differ based on the views taken by each relevant tax authority and, in respect of the taxation of Stellantis shareholders and holders of special voting shares, on the specific situation of each Stellantis shareholder or each holder of special voting shares.

We may not qualify for benefits under the tax treaties entered into between the Netherlands and other countries.

With effect from January 17, 2021, and taking into account the sanitary restrictions and limitations applicable under the current COVID-19 crisis, we operate in a manner such that we will be eligible for benefits under the tax treaties entered into between the Netherlands and other countries, notably France, Italy and the U.S. However, our ability to qualify for such benefits depends upon (i) our being treated as a Dutch tax resident for purposes of the relevant tax treaty, (ii) the fulfillment of the requirements contained in each applicable treaty as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (including, but not limited to, any principal purpose test clause) and applicable domestic laws, (iii) the facts and circumstances surrounding our operations and management and (iv) the interpretation of the relevant tax authorities and courts.

Our failure to qualify for benefits under the tax treaties entered into between the Netherlands and other countries could result in significant adverse tax consequences to us, our subsidiaries and our shareholders and could result in tax consequences for our shareholders that differ from those described in the section entitled "*Taxation*".

The 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 French, Italian, U.K., or U.S. tax purposes, and as a result, the tax consequences in those jurisdictions are uncertain.

In addition, the fair market value of the 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 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 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, which could result in significant adverse tax consequences to shareholders holding special voting shares.

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. See "*Taxation*" for further discussion.

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

We would be a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes with respect to a U.S. shareholder (as defined in "*Taxation—Material U.S. Federal Income Tax Consequences*") 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% 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% of our 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.

In particular, if we were treated as a PFIC for U.S. federal income tax purposes for any taxable year during which a U.S. shareholder owned our common shares, then any gain realized by the U.S. shareholder on the sale or other disposition of our common shares would in general not be treated as capital gain. Instead, a U.S. shareholder would be treated as if it had realized such gain ratably over its holding period for our common shares. Amounts allocated to the year of disposition and to years before we became a PFIC would be taxed as ordinary income and amounts allocated to each other taxable year would be taxed at the highest tax rate applicable to individuals or corporations, as appropriate, in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. Similar treatment may apply to certain "excess distributions" as defined in the Code.

While we believe our common shares are not stock of a PFIC for U.S. federal income tax purposes, this conclusion is a factual determination made annually and thus may be subject to change. Moreover, we may become a PFIC in future taxable years if there were to be changes in our assets, income or operations. In addition, because the determination of whether a foreign corporation is a PFIC is primarily factual and because there is little administrative or judicial authority on which to rely to make a determination, the IRS may take the position that we are a PFIC. See "*Taxation"* for a further discussion.

The IRS may not agree with the determination that we should not be treated as a domestic corporation for U.S. federal income tax purposes, and adverse tax consequences could result to us and our shareholders if the IRS were to successfully challenge such determination.

Section 7874 of the Code provides that, under certain circumstances, a non-U.S. corporation will be treated as a U.S. "domestic" corporation for U.S. federal income tax purposes. In particular, certain mergers of foreign corporations with U.S. subsidiaries can, in certain circumstances, implicate these rules.

We do not believe we should be treated as a U.S. "domestic" corporation for U.S. federal income tax purposes. However, the relevant law is not entirely clear, is subject to detailed but relatively new regulations (the application of which is uncertain in various respects, and whose interaction with general principles of U.S. tax law remains untested) and is subject to various other uncertainties. Therefore, the IRS could assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes pursuant to Code Section 7874. In addition, changes to Section 7874 of the Code or the U.S. Treasury Regulations promulgated thereunder, or interpretations thereof, could affect our status as a foreign corporation. Such changes could potentially have retroactive effect. If the IRS successfully challenged our status as a foreign corporation, significant adverse tax consequences would result for us and for certain of our shareholders. For example, if we were treated as a domestic corporation in the U.S., we would be subject to U.S. federal income tax on our worldwide income as if we were a U.S. domestic corporation, and dividends we pay to non-U.S. shareholders would generally be subject to U.S. federal withholding tax, among other adverse tax consequences. If we were treated as a U.S. domestic corporation, such treatment could materially increase our U.S. federal income tax liability.

The closing of the merger was not conditioned on our not being treated as a domestic corporation for U.S. federal income tax purposes or upon a receipt of an opinion of counsel to that effect. In addition, neither former FCA nor former PSA requested a ruling from the IRS regarding the U.S. federal income tax consequences of the merger. Accordingly, while we do not believe we will be treated as a domestic corporation, no assurance can be given that the IRS will agree, or that if it challenges such treatment, it will not succeed.

The existence of a permanent establishment in France for us is a question of fact based on all the circumstances.

We maintain a permanent establishment in France to which the assets and liabilities of former PSA were allocated upon the merger for French tax purposes. However, no assurance can be given regarding the existence of a permanent establishment in France and the allocation of each asset and liability to such permanent establishment because such determination is highly fact sensitive and may vary in case of future changes in our management and organizational structure.

If we were to fail to maintain a permanent establishment in France, the main adverse tax consequences would be that (i) all unrealized capital gains at the level of the permanent establishment at that time would be taxed and (ii) the tax losses carried forward that may still be available at that time would be forfeited. In addition, if, in the future, any of former PSA's assets and liabilities cease to be allocated to such establishment, this may result in (i) Stellantis being taxed in France on unrealized capital gains or profits with respect to the assets and liabilities deemed transferred outside of France and (ii) a portion of the tax losses carried forward that may still be available at that time being forfeited.

We and our subsidiaries are subject to tax laws and treaties of numerous jurisdictions. Future changes to such laws or treaties could adversely affect us and our subsidiaries and our shareholders and holders of special voting shares. In addition, the interpretation of these laws and treaties is subject to challenge by the relevant governmental authorities.

We and our subsidiaries are subject to tax laws, regulations and treaties in the Netherlands, France, Italy, the U.S. and the numerous other jurisdictions in which we and our affiliates operate. These laws, regulations and treaties could change on a prospective or retroactive basis, and any such change could adversely affect us and our subsidiaries and our shareholders and holders of special voting shares.

Furthermore, these laws, regulations and treaties are inherently complex and we and our subsidiaries will be obligated to make judgments and interpretations about the application of these laws, regulations and treaties to us and our subsidiaries and our operations and businesses. The interpretation and application of these laws, regulations and treaties could differ from that of the relevant governmental authority, which could result in administrative or judicial procedures, actions or sanctions, which could be material.