



FCA

FIAT CHRYSLER AUTOMOBILES

2017 ANNUAL REPORT



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2017 ANNUAL REPORT

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Board of Directors and Auditor

BOARD OF DIRECTORS

Chairman

John Elkann⁽³⁾

Chief Executive Officer

Sergio Marchionne

Directors

Andrea Agnelli

Tiberto Brandolini d'Adda

Glenn Earle⁽¹⁾

Valerie A. Mars^{(1),(2)}

Ruth J. Simmons⁽³⁾

Ronald L. Thompson⁽¹⁾

Michelangelo A. Volpi⁽²⁾

Patience Wheatcroft^{(1),(3)}

Ermenegildo Zegna⁽²⁾

INDEPENDENT AUDITOR

Ernst & Young Accountants LLP

⁽¹⁾ Member of the Audit Committee.

⁽²⁾ Member of the Compensation Committee.

⁽³⁾ Member of the Governance and Sustainability Committee.

Letter from the Chairman and the CEO

FCA posted another record performance in 2017, achieving ambitious financial targets and providing further evidence that we deliver on our promises. We have now reached or exceeded all key financial goals for the first four years of the current five-year plan while also adhering to the principles of sustainability that will help ensure a vibrant and responsible future for our Group.

We improved Adjusted EBIT by 16 percent to €7.1 billion, with Group margin increasing to 6.4 percent from 5.5 percent in 2016. Every one of our segments was profitable and showed improvement over the prior year. Adjusted net profit climbed 50 percent to €3.8 billion and Net profit nearly doubled to €3.5 billion. We also generated €1.6 billion in cash flows from industrial operating activities which contributed to Net industrial debt being reduced by almost half, to €2.4 billion at year-end.

Worldwide combined shipments came in at 4.7 million units and net revenues were €111 billion, both in line with 2016.

Looking at our mass-market operations by region, NAFTA continued its margin improvement, reaching 7.9 percent up from 7.4 percent the prior year. Adjusted EBIT was up 2 percent to €5.2 billion. These results were achieved despite a 7 percent decrease in shipments primarily attributable to a planned reduction in Jeep fleet sales and the impact of discontinued vehicles. We are implementing a significant realignment of our manufacturing footprint in response to a continued shift in demand towards trucks and SUVs.

LATAM posted robust growth driven by new products and improving conditions in the key Brazilian market. Shipments in the region increased by 14 percent, revenues by 29 percent and Adjusted EBIT reached €151 million up from €5 million the previous year.

In APAC, the continued ramp-up of Jeep production through our Chinese joint venture, along with the launch of the Alfa Romeo Giulia and Stelvio as well as the start of production of the all-new Jeep Compass in India, helped drive a 24 percent increase in combined shipments. Adjusted EBIT increased 64 percent to €172 million due to the final insurance recoveries from the 2015 Tianjin port explosions in China.

In EMEA, the positive earnings trend continued with Adjusted EBIT up 36 percent to €735 million and margin increasing by 70 basis points to 3.2 percent. This reflected higher volumes primarily attributable to the all-new Jeep Compass and Alfa Romeo Stelvio, as well as the Fiat Tipo family, and continued cost efficiencies.

Maserati's Adjusted EBIT climbed 65 percent to €560 million and margin grew to 13.8 percent, up from 9.7 percent the year before. Shipments grew by 22 percent, primarily driven by an increase in global sales of the Levante which were partially offset by lower volumes for the Ghibli and Quattroporte.

Magneti Marelli, Comau and Teksid all increased net revenues, reflecting higher volumes across all three businesses. The Components segment achieved a 20 percent increase in Adjusted EBIT to €536 million and continued its margin improvement, reaching 5.3 percent compared with 4.6 percent in 2016.

On the product side, we increased our competitiveness with several key vehicle launches.

Alfa Romeo launched the Stelvio, its first-ever SUV, and completed the introduction of the Giulia in all major global premium markets. Both models represent a significant step in establishing a global presence for the brand. Alfa Romeo also announced its return to Formula 1 for the 2018 championship season, after a more than 30 years absence from the sport.

In India, we launched the all-new Jeep Compass, which is produced locally at our Ranjangaon joint-venture plant. The Compass is now built in North America, Brazil, China and India reflecting the global expansion of the Jeep brand.

We also began production of the all-new 2018 Jeep Wrangler, updating this iconic model with a host of innovative technologies which will include an all-new advanced 2.0L turbo engine with our new eTorque mild hybrid system and a new 8-speed automatic transmission.

The Cordoba Plant in Argentina began producing the all-new Fiat Cronos sedan, for distribution in markets across Latin America, which completes the renewal of our Fiat passenger car line-up in the region.

We began 2018 with the reveal of the all-new Ram 1500 truck and new Jeep Cherokee at the North American International Auto Show in Detroit.

FCA continues to look to the future and the emerging breakthrough technologies that will help reshape personal transportation. We further strengthened our partnership with Waymo, Google's self-driving car company, and in early 2018 we announced an agreement to supply thousands more Chrysler Pacifica Hybrid minivans to Waymo to support the launch of the world's first driverless ride-hailing service. In 2017, we also signed a memorandum of understanding with BMW Group, Intel and Mobileye to develop a world leading, state-of-the-art autonomous driving platform. These partnerships are vital to leveraging each other's capabilities and resources and achieving the synergies and economies of scale needed to advance autonomous driving technologies.

We continue to make significant progress since the unveiling of our five-year strategic plan in 2014, and in our guidance for 2018 we have confirmed all key targets for the fifth and final year of the Plan. These targets include Adjusted EBIT in excess of €8.7 billion, Adjusted net profit of approximately €5 billion, with Net revenues at around €125 billion.

Over the last four years we have followed a disciplined and rigorous strategy to reduce our Net industrial debt. Our goal is by the end of 2018 to have a Net industrial cash position of around €4.0 billion. This significant accomplishment will further reinforce FCA's rightful position as a leader in the global automotive business.

As we pursue this profitable growth, we remain dedicated to a culture of sustainability aimed at balancing our social and environmental responsibilities with our financial objectives. This fundamental value guides the way we conduct our business and recognizes our responsibility to the greater community around us.

We are fully aware that, throughout the value chain, our activities can have a direct or indirect impact on our stakeholders. We also know that the need to transition to a more sustainable future is one of the major challenges facing the world today. That is why FCA is committed to operating responsibly, including making its contribution by supporting the United Nations Sustainable Development Goals.

Our Group adheres to the internationally-recognized principles for the respect and support of fundamental human rights in every geographic area where FCA operates, and expects its suppliers, contractors and other business partners to adhere to the same standards.

Among our 2017 sustainability initiatives, we implemented about 5,000 environmental projects at our plants around the world, reducing our carbon footprint and leading to about €68 million in savings. More than 2 billion m³ of water was saved at FCA plants, with a recycling index that reached almost 100 percent. Globally, our plants also reduced CO₂ emissions by 2.2 percent during the year.

Through continuous improvements over the years, FCA automotive plants in Italy and Brazil purchase 100 percent renewable energy. Along with zero waste-to-landfill and water recycling at 99 percent, the Jeep plant in Pernambuco, Brazil, has also achieved carbon neutral status through the use of renewable energy, cleaner fuels, and initiatives to compensate residual CO₂ emissions.

Our transmission plant in Verrone, Italy, earned the prestigious international "Lean & Green Management Award" based on its optimum integration of environmental and energy issues and innovative manufacturing solutions, guided by our World Class Manufacturing system.

Our employees worldwide continued to contribute to their communities, volunteering thousands of hours to support a wide range of social projects.

An integral part of our long-term business plan is a commitment to improve fuel economy and reduce emissions. FCA was a pioneer in natural gas vehicles in Europe and has been in a leading position in the field for more than 20 years. Following the introduction of the industry's first electrified minivan, the Chrysler Pacifica Hybrid, the recently revealed all-new Jeep Wrangler and all-new Ram 1500 will both be available with our eTorque mild hybrid system and other advanced fuel-saving technologies as well as weighing significantly less than their predecessor generation models.

We also strive to offer our employees a diverse and inclusive work environment and we are proud that several third-party organizations have recognized our efforts in this area.

The culture within our global organization is based on a firm belief that profitability and sustainability are not mutually exclusive. For us, success extends beyond the bottom line to include the needs of local communities and all stakeholders inside and outside the Group. Through values that balance both business and environmental aspects, we are constantly working to ensure that our activities, and the results we achieve, can deliver long-term value.

Something that distinguishes us as a Group is our refusal to accept mediocrity. This also means embracing the responsibility of building a secure future, not only for our enterprise but also for society as a whole.

We want to thank everyone in the FCA organization for their contribution to meeting the challenges and leveraging the opportunities that are a constant part of our business. We have dared to dream big, and our success to date is a tribute to the purpose and passion they bring to work every day.

We also wish to extend our deepest thank you to all of our shareholders and stakeholders for your support as we continue on our global venture together. Whether you have been with us for many years or just a few months, your trust is fundamental, and it will enable FCA to continue to pursue its founding commitment: to deliver with determination, integrity and accountability.

February 20, 2018

/s/ John Elkann

John Elkann
CHAIRMAN

/s/ Sergio Marchionne

Sergio Marchionne
CHIEF EXECUTIVE OFFICER

Board Report

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Certain Defined Terms

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

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 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. 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.

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 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.

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, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, included elsewhere in this report; and
- the Consolidated Financial Statements of FCA for the years ended December 31, 2014 and 2013, which are not included in this report.

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

CONSOLIDATED INCOME STATEMENT DATA

	Years ended December 31				
	2017	2016	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾
	(€ million, except per share amounts)				
Net revenues	€ 110,934	€ 111,018	€ 110,595	€ 93,640	€ 84,530
Profit before taxes	€ 6,161	€ 3,106	€ 259	€ 783	€ 649
Net profit from continuing operations	€ 3,510	€ 1,814	€ 93	€ 359	€ 2,050
Profit from discontinued operations, net of tax	€ —	€ —	€ 284	€ 273	€ 243
Net profit	€ 3,510	€ 1,814	€ 377	€ 632	€ 2,293
Net profit attributable to:					
Owners of the parent	€ 3,491	€ 1,803	€ 334	€ 568	€ 1,246
Non-controlling interests	€ 19	€ 11	€ 43	€ 64	€ 1,047
Earnings per share from continuing operations					
Basic earnings per share	€ 2.27	€ 1.19	€ 0.05	€ 0.27	€ 0.85
Diluted earnings per share	€ 2.24	€ 1.18	€ 0.05	€ 0.27	€ 0.84
Earnings per share from discontinued operations					
Basic earnings per share	€ —	€ —	€ 0.17	€ 0.20	€ 0.18
Diluted earnings per share	€ —	€ —	€ 0.17	€ 0.20	€ 0.17
Earnings per share from continuing and discontinued operations					
Basic earnings per share	€ 2.27	€ 1.19	€ 0.22	€ 0.47	€ 1.03
Diluted earnings per share	€ 2.24	€ 1.18	€ 0.22	€ 0.46	€ 1.01

Other Statistical Information (unaudited):

Shipments (in thousands of units)	4,423	4,482	4,602	4,601	4,345
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⁽¹⁾ The operating results of FCA for the years ended December 31, 2015, 2014 and 2013 exclude Ferrari following the classification of Ferrari as a discontinued operation for the year ended December 31, 2015; Ferrari operating results were excluded from the Group's continuing operations and are presented as a single line item within the Consolidated Income Statements for each of the years ended December 31, 2015, 2014 and 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	At December 31				
	2017	2016	2015 ⁽¹⁾	2014	2013
	(€ million, except shares issued data)				
Cash and cash equivalents	€ 12,638	€ 17,318	€ 20,662	€ 22,840	€ 19,455
Total assets	€ 96,299	€ 104,343	€ 105,753	€ 101,149	€ 87,543
Debt	€ 17,971	€ 24,048	€ 27,786	€ 33,724	€ 30,283
Total equity	€ 20,987	€ 19,353	€ 16,968	€ 14,377	€ 12,913
Equity attributable to owners of the parent	€ 20,819	€ 19,168	€ 16,805	€ 14,064	€ 8,655
Non-controlling interests	€ 168	€ 185	€ 163	€ 313	€ 4,258
Share capital	€ 19	€ 19	€ 17	€ 17	€ 4,477
Shares issued (in thousands):					
Fiat S.p.A					
Ordinary	—	—	—	—	1,250,688
FCA					
Common ⁽²⁾	1,540,090	1,527,966	1,288,956	1,284,919	—
Special Voting ⁽³⁾	408,942	408,942	408,942	408,942	—

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

⁽²⁾ Book value per common share at December 31, 2017 was €13.52.

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

Risk Factors

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

Risks Related to Our Business, Strategy and Operations

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

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

Further, our profitability in the U.S., Canada, Mexico and Caribbean islands ("NAFTA"), a region which contributed a majority of our profit in each of the last three years, is particularly dependent on demand for our pickup trucks and larger SUVs. For example, our pickup trucks and larger SUVs have historically been more profitable than other vehicles and accounted for approximately 62 percent of our total U.S. retail vehicle shipments in 2017. A shift in consumer demand away from these vehicles within the NAFTA region, and towards compact and mid-size passenger cars, whether in response to higher fuel prices or other factors, could adversely affect our profitability.

Our dependence within the NAFTA region on pickup trucks and larger SUVs remained high in 2017 as we continued implementation of our plan to reallocate more production capacity to these vehicle types after we ceased production in the region of compact and mid-size passenger cars in 2016. For additional information on factors affecting vehicle profitability, see *Operating Results*.

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

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

Our results of operations and financial position may be influenced by various macroeconomic factors within the various countries in which we operate including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates for or availability of consumer and business credit, the rate of unemployment and foreign currency exchange rates.

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

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

We are also subject to risks inherent to operating globally, including those related to:

- exposure to local political conditions;
- import and/or export restrictions;
- multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries;
- compliance with applicable anti-corruption laws;
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds; and
- the introduction of more stringent laws and regulations.

We are particularly susceptible to these risks in the emerging markets where we operate, including Turkey, China, Brazil, India and Russia. 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.

For instance, in June 2016, a majority of voters in the United Kingdom voted in favor of withdrawing from the European Union in a national referendum. The terms of a UK withdrawal, commonly referred to as “Brexit”, are subject to a negotiation period that could last up to two years from March 2017 when the government of the United Kingdom formally initiated the withdrawal process, or longer if extended by mutual agreement. During this time, the government of the United Kingdom may also revoke its notification to leave the European Union. The referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, which is also subject to negotiation, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. Additionally, in recent years, certain member countries of the European Union have implemented austerity measures to avoid defaulting on debt repayments. If a country within the euro area were to default on its debt or withdraw from the euro currency, or, in a more extreme circumstance, the euro currency were to be dissolved entirely, the impact on markets around the world, and on the Company’s global business, could be immediate and significant.

In the United States, changes in policy positions by the current presidential administration may impact our business, in particular with respect to our production of vehicles outside the U.S. for import into the U.S., particularly from Canada, Mexico and Italy. For example, although we recently announced our intent to move production to the U.S. in 2020, our heavy-duty pickup trucks are currently assembled in Mexico and imported into the U.S. Any new policies and any steps we may take to address such new policies could have a material adverse effect on our business, financial condition and results of operations.

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

In addition, in July 2017 the Brazilian tax authorities issued an instruction that could affect our ability to apply federal tax credits generated in certain operations to offset federal taxes arising from other operations. In December 2017, we obtained a preliminary court ruling allowing us to immediately resume application of the impacted federal tax credits. While we believe that it is more likely than not that there will be no significant impact from the Brazilian tax authorities’ instruction, given the current economic conditions in Brazil, new tax laws may be introduced or changes to the application of existing tax laws may occur that could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our future performance depends on our ability to offer innovative, attractive 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 and other emerging trends in the industry. 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 by suppliers. There can be no assurance that these advances will occur in a timely or feasible manner, that the funds we have budgeted or expended for these purposes will be adequate, or that we will be able to obtain rights to use these technologies. Further, our competitors and others are pursuing similar technologies and other competing technologies, and there can be no assurance that they will not acquire and implement similar or superior technologies sooner than we will or on an exclusive basis or at a significant cost advantage.

In addition, as a result of the extended product development cycle and inherent difficulty in predicting consumer acceptance, a vehicle that we believe will be attractive may not generate sales in sufficient quantities and at high enough prices to be profitable. It generally takes two years or more 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, a mechanical defect or a 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 styling preferences.

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. While we may not be impacted as significantly by declines in the residual value of our vehicles as compared to our competitors that own and operate controlled finance companies, 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 that compare favorably to those of our principal competitors could have a material adverse effect on our business, financial condition and results of operations. Our high proportion of fixed costs, both due to our significant investment in property, plant and equipment as well as the requirements of our collective bargaining agreements and other applicable labor relations regulations, which limit our flexibility to adjust personnel costs to changes in demand for our products, may further exacerbate this risk.

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.

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. We expect the number and scope of these regulatory requirements, along with the costs associated with compliance, to increase significantly in the future, and these costs could be difficult to pass through to consumers.

In addition, fuel efficiency regulations have increased in several markets. For example, in September 2017, China's Ministry of Industry and Information Technology released administrative rules regarding corporate average fuel consumption ("CAFC") and new energy vehicle ("NEV") credits that will become effective on April 1, 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. However, the market availability and pricing of CAFC and NEV credits is unclear at this time. If we are unable to comply with the applicable targets and fail to offset a negative balance of credits, our sales or production of new passenger vehicles that fail to meet CAFC targets could be suspended. Although we continue to evaluate their specific impact, these regulations could materially adversely affect our business, financial condition and results of operations.

We are currently cooperating with diesel emissions investigations by several governmental agencies and are subject to a number of related private lawsuits.

We have received inquiries from several regulatory authorities as they examine the on-road tailpipe emissions of several automakers' vehicles. We are, when jurisdictionally appropriate, cooperating with a number of governmental agencies and authorities.

In particular, in Europe, we have been working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union, and the UK Driver and Vehicle Standards Agency ("DVSA"). We also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for our vehicles reported by KBA, and we discussed the KBA reported test results, our emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its 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 ("BMVI"), 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 correctly performed, which was borne out in material Italy provided during the mediation process.

In addition, at the request of the French Consumer Protection Agency, the French public prosecutor has been investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

The results of these inquiries cannot be predicted at this time; however, the intervention by a number of governmental agencies and authorities has required significant management time, which may divert attention from other key aspects of our business plan, or may lead to further enforcement actions as well as penalties or obligations to modify or recall vehicles, any of which may have a material adverse effect on our business, results of operations and reputation.

On January 12, 2017, the U.S. Environmental Protection Agency (“EPA”) and the California Air Resource Board issued Notices of Violation related to certain software-based features in the emissions control systems in approximately 100,000 2014-2016 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles. On May 23, 2017, the Environmental and Natural Resources Division of the U.S. Department of Justice (“DOJ-ENRD”) filed a civil lawsuit against us in connection with the concerns raised by the EPA. The complaint alleges that software-based features were not disclosed to the EPA as required during the vehicle emissions certification process, resulting in violations of the Clean Air Act. The complaint also alleges that certain of the software features bypass, defeat or render inoperative the vehicles’ emission control systems, causing the vehicles to emit higher levels of oxides of nitrogen (NOx) during certain normal real world driving conditions than during federal emissions tests. A number of private lawsuits relating to the vehicles have been filed in U.S. state and federal courts principally on behalf of consumers asserting fraud, violation of consumer protection laws, and other civil claims, including a putative class action that is proceeding in U.S. federal court in the Northern District of California, and a number of other governmental agencies and authorities including the U.S. Department of Justice, the U.S. Securities and Exchange Commission and various states Attorneys General have commenced related investigations.

We are unable to predict the outcome of these investigations and litigation at this stage and due to the range of possible outcomes, we are unable to reliably estimate a range of probable losses. It is possible that the resolution of these matters may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles and could have a material adverse effect on our business, financial condition and results of operations.

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

Our success largely depends on the ability of our senior executives and other members of management to effectively manage the Group and individual areas of the business. In particular, our Chief Executive Officer, Sergio Marchionne, is critical to the execution of our strategic direction and implementation of our Business Plan. Although Mr. Marchionne has indicated his intention to remain as our Chief Executive Officer through the period of our Business Plan, he has communicated that he plans to retire in the first half of 2019.

We have developed succession plans that we believe are appropriate, although it is difficult to predict with any certainty that we will be able to replace these individuals with persons of equivalent experience and capabilities. If we are unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, such inability could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We, and the U.S. automotive industry in general, have experienced a sustained increase in recall activity to address performance, compliance or safety-related issues. Our costs to recall vehicles have been significant and typically include the cost of replacement parts and labor to remove and replace parts. These costs substantially depend on the nature of the remedy and the number of vehicles affected, and may arise many years after a vehicle's sale. Product recalls may also harm our reputation, force us to halt the sale of certain vehicles and 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 we receive information from vehicle rating services that calls into question the safety or reliability of one of our vehicles and we do not issue a recall, or if we do not do so on a timely basis, our reputation may also be harmed and we may lose future vehicle sales. We are also obligated under the terms of our warranty agreements to make repairs or replace parts in our vehicles at our expense for a specified period of time. Therefore, any failure rate that exceeds our assumptions could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

In certain regions, including NAFTA, financing for new vehicle sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. As interest rates rise generally, market rates for new vehicle financing are expected to rise as well, which may make our vehicles less affordable to retail consumers or steer consumers to less expensive vehicles that tend to be less profitable for us, adversely affecting our financial condition and results of operations. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, consumers may not desire to or be able to obtain financing to purchase or lease our vehicles. Furthermore, because 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.

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

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, environment, securities law, 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. See also Note 20, *Provisions*, and Note 25, *Guarantees granted, commitments and contingent liabilities*, within the Consolidated Financial Statements included elsewhere in this report for additional information. Further, publicity regarding such investigations and lawsuits, whether or not they have merit, may adversely affect our reputation and the perception of our vehicles with retail customers, which may adversely affect demand for our vehicles, and have a material adverse effect on our business, financial condition and results of operations. For additional risks regarding certain proceedings, see “*We are currently cooperating with diesel emissions investigations by several governmental agencies and are subject to a number of related private lawsuits.*”

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 (or “OEMs”), contain interconnected and increasingly complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. These systems are susceptible to cybercrime, including threats of intentional disruption and theft of personal information, which are increasing in terms of sophistication and frequency. A significant malfunction, disruption or security breach compromising the electronic control systems contained in our vehicles could damage our reputation, expose us to significant liability and could have a material adverse effect on our business, financial condition and results of operations.

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. These systems are regularly the target of threats from third parties. 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 vendors, could have a material adverse effect on our ability to manage and keep our manufacturing and other operations running effectively, and 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, we use our systems to collect and store confidential and sensitive data, including information about our business, our consumers and our employees. As our technology continues to evolve, we anticipate that we will collect and store even more data in the future and that our systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of our value is derived from our confidential business information, including vehicle design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, we may lose our competitive advantage and our vehicle shipments may suffer. We also collect, retain and use personal information, including data we gather from consumers for product development and marketing purposes, and data we obtain from employees. In the event of a breach in security that allows third parties access to this personal information, we are subject to a variety of ever-changing laws on a global basis that require us to provide notification to the data owners, and that subject us to lawsuits, fines and other means of regulatory enforcement. For example, the General Data Protection Regulation (Regulation (EU) 2016/679), which will go into effect in the European Union in May 2018, allows for the assessment of fines of up to 4% of annual worldwide revenue in the event of certain types of data breaches.

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.

There can be no assurance that we will be able to offset the earnings power lost in the event we choose to separate a portion of our Components segment from the Group.

In 2017, we announced that we are considering the separation of a portion of our Components segment from the Group, with a final decision likely to be announced in the first half of 2018. Any such separation may not result in an improvement in our financial condition and could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

We use a variety of raw materials in our business including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium, as well as energy. The prices for these raw materials fluctuate, and market conditions can affect our ability to manage our Cost of revenues over the short term. We may not be successful in managing our exposure to these risks. Substantial increases in the prices for raw materials would increase our operating costs and could reduce profitability if the increased costs cannot be offset by changes in vehicle prices or countered by productivity gains. In particular, certain raw materials are sourced from a limited number of suppliers and from a limited number of countries. We cannot guarantee that we will be able to maintain

arrangements with these suppliers that assure access to these raw materials, and in some cases this access may be affected by factors outside of our control and the control of our suppliers. For instance, natural or man-made disasters or civil unrest may have severe and unpredictable effects on the price of certain raw materials in the future.

As with raw materials, we are also at risk for supply disruption and shortages in parts and components for use in our vehicles for many reasons including, but not limited to, supplier disputes, particularly with regard to warranty recovery claims, supplier financial distress, tight credit markets, natural or man-made disasters, or production difficulties. We will continue to work with suppliers to monitor potential disruptions and shortages and to mitigate the effects of any emerging shortages on our production volumes and revenues. However, there can be no assurances that these events will not have an adverse effect on our production in the future, and any such effect may be material.

Any interruption in the supply or any increase in the cost of raw materials, parts, components and systems could negatively impact our ability to achieve our vehicle shipment objectives and profitability. 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 supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle shipment objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We do not expect a UK exit from the European Union resulting from the referendum held in June 2016 to affect our tax residency in the UK; however, we are unable to predict with certainty whether the discussions to implement the UK's exit from the European Union will ultimately have any impact on this matter.

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

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

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

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

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

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

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

Risks Related to Our Liquidity and Existing Indebtedness

Limitations on our liquidity and access to funding may limit our ability to execute our business strategies 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. Although we have measures in place that are designed to ensure that adequate levels of working capital and liquidity are maintained, declines in sales volumes could have a negative impact on the cash-generating capacity of our operating activities. For a discussion of these factors, see *Operating Results—Liquidity and Capital Resources*. In addition, our current credit rating is below investment grade and any deterioration may significantly affect our funding and prospects.

We could, therefore, find ourselves in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions, with limited availability of funding and a general increase in funding costs. Any limitations on our liquidity, due to a decrease in vehicle shipments, the amount of or restrictions in our existing indebtedness, conditions in the credit markets, general economic conditions or otherwise, may adversely impact our ability to execute our business 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 have significant outstanding indebtedness, which may limit our ability to obtain additional funding on competitive terms and limit our financial and operating flexibility.

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

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

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

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

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

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

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

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

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

These restrictive covenants could have an adverse effect on our business by limiting our ability to take advantage of mergers and acquisitions, joint ventures or other corporate opportunities. Additionally, the credit agreement requires FCA US to maintain borrowing base collateral coverage and a minimum liquidity threshold. Future indebtedness may also contain other and more restrictive covenants. A breach of any of the covenants or restrictions in the credit agreement that governs the Tranche B Term Loan could represent an event of default on the indebtedness of FCA US, which could result in foreclosure on pledged properties and trigger a cross-default under certain of our indebtedness.

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

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

We may be exposed to shortfalls in our pension plans.

Certain of our defined benefit pension plans are currently underfunded. As of December 31, 2017, our defined benefit pension plans were underfunded by approximately €4.3 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.

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

Risks Related to our Common Shares

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

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

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

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

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

The provisions of our articles of association which establish the loyalty voting structure may make it more difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change of control were considered favorably by shareholders holding a majority of our common shares. As a result of the loyalty voting structure, a relatively large proportion of our voting power could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of February 15, 2018, Exor N.V., which controls FCA, owns 29.18 percent of the FCA common shares, had a voting interest in FCA of 42.34 percent due to its participation in the loyalty voting structure and as a result will have the ability to exercise significant influence on matters involving our shareholders. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit our shareholders. The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changing our management or strategy or otherwise exerting influence over us.

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

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

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

Tax consequences of our loyalty voting structure are uncertain.

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

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

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

Tax may be required to be withheld from dividend payments.

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

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

Overview

We are a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide through 159 manufacturing facilities and 87 research and development centers. We have operations in more than 40 countries and sell our vehicles directly or through distributors and dealers in more than 140 countries. We design, engineer, manufacture, distribute and sell vehicles for the mass-market under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands and the SRT performance vehicle designation. For our mass-market vehicle brands, we have centralized design, engineering, development and manufacturing operations, which allow us to efficiently operate on a global scale. We support our vehicle shipments with the sale of related service parts and accessories, as well as service contracts, worldwide under the Mopar brand name for mass-market vehicles. In addition, we design, engineer, manufacture, distribute and sell luxury vehicles under the Maserati brand. We make available retail and dealer financing, leasing and rental services through our subsidiaries, joint ventures and commercial arrangements with third party financial institutions. In addition, we operate in the components and production systems sectors under the Magneti Marelli, Teksid and Comau brands.

In 2017, we shipped 4.4 million vehicles, had Net revenues of €110.9 billion and Net profit of €3.5 billion. At December 31, 2017, we had available liquidity of €20.4 billion (including €7.6 billion available under undrawn committed credit lines) and we had Net industrial debt of €2.4 billion (See *Operating Results—Non-GAAP Financial Measures—Net Debt*).

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 Group on October 12, 2014. Its principal office is located at 25 St. James's Street, London SW1A 1HA, United Kingdom (telephone number: +44 (0) 20 7766 0311).

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

Beginning in 2008, Fiat worked to expand the scope of its automotive operations, having concluded that significantly greater scale was necessary to enable it to compete effectively in the increasingly competitive global automotive market.

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

Following the closing of that transaction in June 2009, Fiat held an initial 20 percent ownership interest in FCA US. Over the following years, Fiat acquired additional ownership interests in FCA US and in January 2014, Fiat purchased all of the equity interests in FCA US that it did not then hold, resulting in FCA US becoming an indirect 100 percent owned subsidiary.

In January 2011, the separation of Fiat's non-automotive capital goods businesses was completed with the creation of Fiat Industrial, now known as CNH Industrial N.V. ("CNHI").

Corporate Reorganization

On October 12, 2014, Fiat completed a corporate reorganization resulting in the establishment of FCA NV, organized in the Netherlands, as the parent company of the Group with its principal executive offices in the United Kingdom.

On October 13, 2014, FCA common shares commenced trading on the NYSE and on the MTA. As a result, FCA NV, as successor of Fiat S.p.A., is the parent company of the Group.

Ferrari Spin-off

The spin-off of Ferrari N.V. was approved on December 3, 2015 at the extraordinary general meeting of FCA shareholders. The Group classified the Ferrari segment as a discontinued operation for the year ended December 31, 2015 and, consequently, the results of Ferrari were excluded from the Group's continuing operations, with the after-tax result of Ferrari's operations shown as a single line item within the Consolidated Income Statement for the year ended December 31, 2015.

The spin-off of Ferrari N.V. from the Group was completed on January 3, 2016. The assets and liabilities of the Ferrari segment were distributed to holders of FCA shares and mandatory convertible securities. Since Exor N.V., which controls and consolidates FCA, continued to control and consolidate Ferrari N.V., the spin-off of Ferrari N.V. was accounted for at book value without any gain or loss on the distribution.

Our Business Plan

In May 2014, we announced our 2014-2018 Business Plan, which focused on: strengthening and differentiating our portfolio of brands, including the globalization of Jeep and Alfa Romeo; volume growth; continued platform convergence and focus on cost efficiencies, as well as enhancing margins and strengthening our capital structure. In January 2016, we updated the plan primarily to respond to changes in customer trends, certain regional political and economic uncertainties, as well as to account for the separation of Ferrari from the Group.

In 2017, we continued to make significant strides toward accomplishing these objectives, by:

- Completing the globalization of Jeep production with the addition of localized production in India;
- Continuing to grow global Jeep volumes in markets outside NAFTA, as we focused on reducing Jeep fleet volumes in the U.S.;
- Continued execution of the NAFTA capacity realignment plan with the relocation of Jeep Cherokee assembly in May 2017, production launch of the all-new Jeep Wrangler in December 2017 and preparation for the launch of the all-new Ram 1500 in January 2018;
- Achieving strong results at Maserati with an Adjusted EBIT margin of 13.8% for the year from 9.7% in 2016;
- Further globalizing the Alfa Romeo brand with worldwide launches of the all-new Alfa Romeo Giulia and Stelvio;
- Improving our Group Adjusted EBIT margins 90 basis points from 2016 to 6.4%; and
- Further reducing Net industrial debt to €2.4 billion from €4.6 billion at December 31, 2016.

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

Overview of Our Business

Our activities are carried out through the following six reportable segments:

- (i) NAFTA: our operations to support distribution and sale of mass-market vehicles in the United States, Canada, Mexico and Caribbean islands, primarily under the Jeep, Ram, Dodge, Chrysler, Fiat, Alfa Romeo and Abarth brands.
- (ii) LATAM: our 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 our business in Brazil and Argentina.
- (iii) APAC: our operations to support the distribution and sale of mass-market vehicles in the Asia Pacific region (mostly in China, Japan, Australia, South Korea and India) carried out in the region through both subsidiaries and joint ventures, primarily under the Jeep, Fiat, Alfa Romeo, Abarth, Fiat Professional, Dodge and Chrysler brands.
- (iv) EMEA: our operations to support the distribution and sale of mass-market vehicles in Europe (which includes the 28 members of the European Union and the members of the European Free Trade Association), the Middle East and Africa, primarily under the Fiat, Fiat Professional, Jeep, Alfa Romeo, Lancia, Abarth, Ram and Dodge brands.
- (v) Maserati: the design, engineering, development, manufacturing, worldwide distribution and sale of luxury vehicles under the Maserati brand.
- (vi) Components: production and sale of lighting components, body control units, suspensions, shock absorbers, electronic systems, and exhaust systems and activities in powertrain (engine and transmissions) components, engine control units, plastic molding components and in the after-market carried out under the Magneti Marelli brand name; cast iron components for engines, gearboxes, transmissions and suspension systems, and aluminum cylinder heads and engine blocks under the Teksid brand name; and design and production of industrial automation systems and related products for the automotive industry under the Comau brand name.

We also hold interests in companies operating in other activities and businesses. These activities are grouped under “Other Activities”, which primarily consists of companies that provide services, including accounting, payroll, tax, insurance, purchasing, information technology, facility management and security for the Group, and manage central treasury activities.

Design and Manufacturing

We sell mass-market vehicles in the SUV, passenger car, truck and light commercial vehicle markets. Our SUV and CUV portfolio includes the Jeep Grand Cherokee, Jeep Cherokee, Jeep Renegade, the all-new Jeep Compass and the all-new Alfa Romeo Stelvio. Our passenger car product portfolio includes vehicles such as the Fiat 500, Alfa Romeo Giulia, Dodge Challenger and Charger and minivans such as the Chrysler Pacifica. We sell light and heavy-duty pickup trucks such as the Ram 1500 and 2500/3500 or the Fiat Toro and our light commercial vehicles include vans such as the Fiat Professional Doblò, Fiat Professional Ducato and Ram ProMaster.

Our efforts to respond to customer demand have led to a number of important initiatives, including localized production of Jeep vehicles in Italy, China, India and Brazil.

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

Sales Overview

New vehicle sales represent sales of FCA vehicles primarily by dealers and distributors, or, in some cases, directly by us, to retail customers and fleet customers. Sales include mass-market and luxury vehicles manufactured at our plants, as well as vehicles manufactured by our joint ventures and third party contract manufacturers and distributed under our brands and through our network. Sales figures exclude sales of vehicles that we contract manufacture for other OEMs. While vehicle sales are illustrative of our competitive position and the demand for our vehicles, sales are not directly correlated to our Net revenues, Cost of revenues or other measures of financial performance, as such results are primarily driven by our vehicle shipments to dealers and distributors. For a discussion of our shipments, see *Operating Results—Shipment Information*. The following table shows new vehicle sales by geographic market for the periods presented.

	Years ended December 31		
	2017	2016	2015
	(millions of units)		
NAFTA	2.4	2.6	2.6
LATAM	0.5	0.5	0.6
APAC	0.3	0.2	0.2
EMEA	1.5	1.4	1.3
Total Mass-Market Vehicle Brands	4.7	4.7	4.7
Maserati	0.05	0.04	0.04
Total Worldwide	4.8	4.7	4.7

NAFTA

NAFTA Sales and Competition

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

NAFTA	Years ended December 31					
	2017 ^{(1),(2)}		2016 ^{(1),(2)}		2015 ^{(1),(2),(3)}	
	Sales	Market Share	Sales	Market Share	Sales	Market Share
	Thousands of units (except percentages)					
U.S.	2,059	11.7%	2,244	12.6%	2,253	12.6%
Canada	267	13.0%	279	14.2%	291	15.1%
Mexico and Other	86	5.5%	88	5.3%	87	6.3%
Total	2,412	11.4%	2,611	12.2%	2,631	12.4%

⁽¹⁾ Certain fleet sales that are accounted for as operating leases are included in vehicle sales.

⁽²⁾ Estimated market share data presented are based on management's estimates of industry sales data, which use certain data provided by third-party sources, including IHS Markit and Ward's Automotive.

⁽³⁾ Sales information has been restated to be consistent with reporting methodology disclosed in the FCA US press release issued July 26, 2016.

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

U.S. Automaker	Years ended December 31		
	2017	2016	2015
	Percentage of industry		
GM	17.1%	17.0%	17.3%
Ford	14.7%	14.6%	14.7%
Toyota	13.9%	13.7%	14.0%
FCA	11.7%	12.6%	12.6%
Honda	9.3%	9.2%	8.9%
Nissan	9.1%	8.8%	8.3%
Hyundai/Kia	7.3%	8.0%	7.8%
Other	16.9%	16.1%	16.4%
Total	100.0%	100.0%	100.0%

After a sharp decline from 2007 to 2010, the U.S. automotive market sales steadily improved through 2015, remained stable in 2016 and slightly declined in 2017. U.S. industry sales, including medium and heavy-duty vehicles, increased from 10.6 million units in 2009 to 17.9 million units in 2016, before slightly decreasing to 17.6 million units in 2017. The strong recovery in the automotive sector in 2015 was supported by robust macroeconomic and automotive specific factors, such as growth in per capita disposable income, improved consumer confidence, the increasing age of vehicles in operation, improved consumer access to affordably priced financing and higher prices of used vehicles. While these contributing factors remain relatively strong, some of them have begun to moderate in 2016 and 2017, which has resulted in a plateauing of auto sales, albeit at high levels on a historic basis.

Our vehicle line-up in the NAFTA segment leverages the brand recognition of the Jeep, Ram, Dodge and Chrysler brands to offer utility vehicles, pickup trucks, cars and minivans under those brands, as well as vehicles in smaller segments, such as the Fiat 500 in the micro/small-segment and the Fiat 500X and Jeep Renegade in the small SUV/crossover segment. Our vehicle sales and profitability in the NAFTA segment are generally weighted towards larger vehicles such as utility vehicles, trucks and vans, while overall industry sales in the NAFTA segment generally are more evenly weighted between smaller and larger vehicles. In 2017 we began to distribute the all-new Alfa Romeo Giulia and Stelvio in the NAFTA region.

NAFTA Distribution

In the NAFTA segment, our vehicles are sold primarily to dealers in our dealer network for sale to retail consumers and fleet customers. Fleet sales in the commercial channel are typically more profitable than sales in the government and daily rental channels since they more often involve customized vehicles with more optional features and accessories; however, vehicle orders in the commercial channel are usually smaller in size than the orders made in the daily rental channel. Fleet sales in the government channel are generally more profitable than fleet sales in the daily rental channel primarily due to the mix of products included in each respective channel.

NAFTA Dealer and Customer Financing

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

The SCUSA Agreement has a ten year term from February 2013, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the 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 are 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.

As of December 31, 2017, SCUSA was providing wholesale lines of credit to approximately 9 percent of our dealers in the U.S., while Ally Financial Inc. ("Ally") was at 35 percent. For the year ended December 31, 2017, we estimate that approximately 85 percent of the vehicles purchased by our U.S. retail customers were financed or leased of which approximately 44 percent financed or leased through SCUSA (26 percent) and Ally (18 percent). Alfa Romeo brand development within the U.S. is also supported by dealer and retail customer financing with primary financial institutions. Additionally, we have 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 mass-market vehicle sales and market share in the LATAM segment for the periods presented:

LATAM	Years ended December 31					
	2017 ⁽¹⁾		2016 ⁽¹⁾		2015 ⁽¹⁾	
	Sales	Market Share	Sales	Market Share	Sales	Market Share
Thousands of units (except percentages)						
Brazil	380	17.5%	365	18.4%	483	19.5%
Argentina	105	12.2%	79	11.6%	74	11.9%
Other LATAM	28	2.5%	29	2.9%	27	2.7%
Total	513	12.4%	473	12.9%	584	14.2%

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

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

Brazil	Years ended December 31		
	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
Automaker	Percentage of industry		
GM	18.1%	17.4%	15.6%
FCA	17.5%	18.4%	19.5%
Volkswagen	12.5%	12.1%	15.2%
Ford	9.5%	9.1%	10.2%
Other	42.4%	43.0%	39.5%
Total	100.0%	100.0%	100.0%

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

The automotive industry within which the LATAM segment operates increased 13 percent from 2016, to 4.1 million vehicles (cars and light commercial vehicles) in 2017, which was primarily driven by a 9 percent increase in Brazil's industry vehicle sales reflecting improving market conditions, combined with an increase of 26 percent in Argentina's industry vehicle sales.

Although Group revenues in LATAM increased 29 percent from 2016, the Group's market share decreased 50 basis points from 12.9 percent to 12.4 percent due to strong competition. In Brazil, overall market share decreased from 18.4 percent to 17.5 percent while in Argentina, overall market share increased to 12.2 percent from 11.6 percent in 2016.

Vehicle sales in the LATAM segment leverage the name recognition of Fiat and the relatively urban population of countries like Brazil to offer Fiat brand Segment A and B vehicles in our key markets in the LATAM segment. In Brazil, Fiat also leads the pickup truck market with the Fiat Strada and all-new Fiat Toro at 19.4 percent and 17.9 percent respectively, while Jeep is continuing its momentum in the small and medium SUV segments with the all-new Jeep Compass increasing market share to 12.2 percent and the Jeep Renegade having a segment share of 9.5 percent.

LATAM Distribution

In the LATAM segment, we generally enter into multiple dealer agreements with a single dealer, covering one or more points of sale. Outside Brazil and Argentina, our major markets, we distribute our vehicles mainly through general distributors and their dealer networks.

LATAM Dealer and Customer Financing

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

We have two 100 percent owned captive finance companies in the LATAM segment: Banco Fidis S.A. ("Banco Fidis") in Brazil and FCA Compañía Financiera S.A. in Argentina. These captive finance companies offer dealer and retail customer financing. In addition, in Brazil we have two significant commercial partnerships with Banco Itaú and Bradesco to provide financing to retail customers purchasing FCA branded vehicles. Banco Itaú is a leading vehicle retail financing company in Brazil. This partnership was renewed in August 2013 for a ten-year term ending in 2023. Under this agreement, Banco Itaú has exclusivity on our promotional campaigns and preferential rights on non-promotional financing. We receive commissions in connection with each vehicle financing above a certain threshold. This agreement applies only to our retail customers purchasing Fiat branded vehicles. In July 2015, FCA Fiat Chrysler Automoveis Brasil ("FCA Brasil") and Banco Fidis signed a ten-year partnership contract with Bradesco, 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 has exclusivity on promotional campaigns and FCA Brasil promotes Bradesco as its official financial partner. Banco Fidis is in charge of the commercial management of this partnership and receives 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 vehicle sales in the APAC segment for the periods presented:

APAC	Years ended December 31					
	2017 ^{(1),(4)}		2016 ^{(1),(4)}		2015 ^{(1),(4)}	
	Sales	Market Share	Sales	Market Share	Sales	Market Share
Thousands of units (except percentages)						
China ⁽²⁾	215	0.9%	176	0.8%	139	0.8%
Japan	21	0.5%	20	0.5%	17	0.4%
India ⁽³⁾	15	0.5%	7	0.2%	9	0.3%
Australia	13	1.1%	18	1.6%	35	3.1%
South Korea	8	0.5%	7	0.4%	7	0.4%
APAC 5 major Markets	272	0.8%	228	0.7%	207	0.7%
Other APAC	5	—	5	—	8	—
Total	277	—	233	—	215	—

⁽¹⁾ Estimated market share data presented are based on management's estimates of industry sales data, which use certain data provided by third-party sources, including IHS Markit and National Automobile Manufacturing Associations.

⁽²⁾ Sales data include vehicles sold by our joint ventures in China.

⁽³⁾ India market share is based on wholesale volumes.

⁽⁴⁾ Sales reflect retail deliveries. APAC industry reflects aggregate for major markets where the Group competes (China, Australia, Japan, South Korea, and India). Market share is based on retail registrations except, as noted above, in India where market share is based on wholesale volumes.

The automotive industry in the APAC segment has shown a year-over-year growth. Industry sales in the five key markets (China, India, Japan, Australia and South Korea) where we compete increased from 16.1 million in 2009 to 33.5 million in 2017, a compound annual growth rate ("CAGR") of approximately 10 percent. Industry demand increased across the region in 2017 with growth in India (+9 percent) and Japan (+6 percent), with China and Australia flat, offsetting a 3 percent decrease in South Korea.

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

APAC Distribution

In the key markets in the APAC segment (China, Australia, India, Japan and South Korea), we sell our vehicles through 100 percent owned subsidiaries or through our joint venture to local independent dealers. In other markets where we do not have a substantial presence, we have agreements with general distributors for the distribution of our vehicles through their networks.

APAC Dealer and Customer Financing

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

EMEA

EMEA Sales and Competition

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

	Years ended December 31					
	2017 ^{(1),(2),(3)}		2016 ^{(1),(2),(3)}		2015 ^{(1),(2),(3)}	
EMEA	Sales	Market Share	Sales	Market Share	Sales	Market Share
Passenger Cars	Thousands of units (except percentages)					
Italy	558	28.3%	528	28.9%	446	28.3%
Germany	104	3.0%	97	2.9%	90	2.8%
France	88	4.2%	80	4.0%	71	3.7%
Spain	67	5.4%	60	5.2%	47	4.5%
UK	60	2.4%	84	3.1%	83	3.2%
Other Europe	158	3.6%	136	3.3%	127	3.3%
Europe*	1,035	6.6%	985	6.5%	864	6.1%
Other EMEA**	116	—	113	—	124	—
Total	1,151	—	1,098	—	988	—

* 28 members of the European Union and members of the European Free Trade Association (other than Italy, Germany, UK, France, and Spain).

** Market share not included in Other EMEA because our presence is less than one percent.

⁽¹⁾ Certain fleet sales accounted for as operating leases are included in vehicle sales.

⁽²⁾ Estimated market share data is presented based on the European Automobile Manufacturers Association (ACEA) Registration Databases and national Registration Offices databases.

⁽³⁾ Sale data includes vehicle sales by our joint venture in Turkey.

EMEA	Years ended December 31					
	2017 ^{(1),(2),(3)}		2016 ^{(1),(2),(3)}		2015 ^{(1),(2),(3)}	
	Group Sales	Market Share	Group Sales	Market Share	Group Sales	Market Share
Light Commercial Vehicles	Thousands of units (except percentages)					
Europe*	260	11.4%	250	11.6%	217	11.3%
Other EMEA**	75	—	69	—	77	—
Total	335	—	319	—	294	—

* 28 members of the European Union and members of the European Free Trade Association.

** Market share not included in Other EMEA because our presence is less than one percent.

⁽¹⁾ Certain fleet sales accounted for as operating leases are included in vehicle sales.

⁽²⁾ Estimated market share data is presented based on the national Registration Offices databases on products categorized under light commercial vehicles.

⁽³⁾ Sale data includes vehicle sales by our joint venture in Turkey.

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

Europe-Passenger Cars	Years ended December 31		
	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
Automaker	Percentage of industry		
Volkswagen	23.8%	24.1%	24.8%
PSA	12.1%	9.7%	10.4%
Renault	10.4%	10.1%	9.6%
FCA⁽¹⁾	6.7%	6.6%	6.1%
BMW	6.7%	6.8%	6.6%
Ford	6.6%	6.9%	7.2%
Daimler	6.3%	6.2%	5.9%
Toyota	4.6%	4.3%	4.3%
GM	3.8%	6.6%	6.7%
Other	19.0%	18.7%	18.4%
Total	100.0%	100.0%	100.0%

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

⁽¹⁾ Market share data is presented based on the European Automobile Manufacturers Association, or ACEA Registration Databases, which also includes Maserati within our Group for all periods presented; includes Ferrari within our Group for 2015.

In 2017, the Fiat brand continued its leadership in the European A minicar segment in EU 28+EFTA, with Fiat 500 and Fiat Panda accounting for 29.1 percent of market share in the segment, and Fiat 500 remaining segment leader, with sales up 3.5 percent. The Fiat brand increased its presence also in the medium-compact and compact sedan segments thanks to the ramp up of the Fiat Tipo.

Volumes were higher in the light commercial vehicle segment, with industry sales up 6 percent over the prior year to about 2.3 million units. Overall Alfa Romeo sales increased 29.5 percent over 2016, with the all-new Alfa Romeo Stelvio introduced during the year.

In Europe, FCA's sales are largely weighted to passenger cars, with approximately 38.8 percent of our total vehicle sales in the small car segment for 2017, reflecting demand for smaller vehicles due to driving conditions prevalent in many European cities and stringent environmental regulations.

EMEA Distribution

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

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

EMEA Dealer and Customer Financing

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

We also operate a joint venture, Koc Fiat Kredi, providing financial services 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 Group in 1993. In 2013, the Maserati brand was re-launched by the introduction of the next generation Quattroporte and the introduction of the all-new Ghibli (luxury four door sedans), the first addressed the flagship large sedan segment and the second was designed to address the luxury full-size sedan vehicle segment. Maserati's current vehicles also include the GranTurismo, the brand's first modern two door, four seat coupe, also available in a convertible version and the Maserati Levante, the first SUV in Maserati's history, which in 2017 accounted for more than 50% of the Maserati volumes.

The following table shows the distribution of Maserati sales by geographic regions as a percentage of total sales for each year ended December 31, 2017, 2016 and 2015:

	As a percentage of 2017 sales	As a percentage of 2016 sales	As a percentage of 2015 sales
China	30%	30%	22%
U.S.	28%	31%	37%
Europe Top 4 countries ⁽¹⁾	16%	15%	14%
Japan	4%	3%	5%
Other countries	22%	21%	22%
Total	100%	100%	100%

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

In 2017, a total of 49 thousand Maserati vehicles were sold to retail consumers, an increase of 22 percent compared to 2016, with increased sales in all major regions over the prior year.

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

Components

We sell components and production systems under the following brands:

Magneti Marelli. Founded in 1919 as a joint venture between Fiat and Ercole Marelli, Magneti Marelli is focused on the design and production of state-of-the-art automotive systems and components. Through Magneti Marelli, we design and manufacture automotive lighting systems, powertrain (engines and transmissions) components and engine control units, electronic systems, suspension systems, shock absorbers, exhaust systems, and plastic components and modules. The Automotive Lighting business line, headquartered in Reutlingen, Germany, is dedicated to the development, production and sale of automotive exterior lighting products worldwide. The Powertrain business line is dedicated to the production of engine and transmission components for automobiles, motorbikes and light commercial vehicles and has a global presence due to its own research and development centers, applied research centers and production plants. The Electronic Systems business line provides know-how in the development and production of hardware and software in mechatronics, instrument clusters, telematics and satellite navigation. We also provide aftermarket parts and services and operate in the motor-sport business, in particular electronic and electro-mechanical systems for championship motor-sport racing, under the Magneti Marelli brand.

In 2017, Magneti Marelli acquired a stake in LeddarTech, a Canadian company that develops proprietary LiDAR (Light Detection And Ranging) technology for autonomous vehicles and driver assistance systems, for joint development of this technology for autonomous driving.

With 85 production facilities and 46 research and development centers (including joint ventures), Magneti Marelli has a presence in 19 countries and supplies all the major OEMs across the globe. In several countries, Magneti Marelli's activities are carried out through a number of joint ventures with local partners with the goal of entering more easily into new markets by leveraging the partners' local relationships. Thirty-four percent of Magneti Marelli's 2017 revenue is derived from sales to the Group.

Teksid. Originating from Fiat's 1917 acquisition of Ferriere Piemontesi, the Teksid brand was established in 1978 and today specializes in castings production. Teksid produces iron engine blocks, cylinder heads, engine components, transmission parts, gearboxes and suspensions. Teksid Aluminum produces aluminum engine blocks and cylinder heads. Forty-four percent of Teksid's 2017 revenue is derived from sales to the Group.

Comau. Founded in 1973, Comau, which originally derived its name from the acronyms of COnsorzio MAcchine Utensili (*consortium of machine tools*), supplies advanced manufacturing systems through an international network. Comau operates primarily in the field of integrated automation technology, delivering advanced turnkey systems to its customers. Through Comau, we develop and sell a wide range of industrial applications, including robotics, and provide support service and training to customers. Comau's main activities include innovative and high performance body welding and assembly systems and robotics, powertrain metal-cutting systems, mechanical assembly systems and testing. Comau's automation technology is primarily used in the automotive industry, and also in other industries. Comau also provides maintenance services in Latin America. Twenty-five percent of Comau's 2017 revenue is derived from sales to the Group.

Operating Results

Non-GAAP Financial Measures

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

Net Debt and Net Industrial Debt

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

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

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

Net industrial debt (i.e., Net debt of industrial activities) is management's primary measure for analyzing our financial leverage and capital structure and is one of the key targets used to measure our performance. Net industrial debt is computed as: debt plus derivative financial liabilities related to industrial activities less (i) cash and cash equivalents, (ii) current available-for-sale and held-for-trading securities, (iii) current financial receivables from Group or jointly controlled financial services entities and (iv) derivative financial assets and collateral deposits; therefore, debt, cash and cash equivalents and other financial assets/liabilities pertaining to financial services entities are excluded from the computation of Net industrial debt. Net industrial debt should not be considered as a substitute for cash flows or other financial measures under IFRS; in addition, Net industrial debt depends on the amount of cash and cash equivalents at each balance sheet date, which 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 Group's control. Net industrial debt should therefore be evaluated alongside these other measures as reported under IFRS for a complete view of the Company's capital structure and liquidity.

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

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

Adjusted EBIT is used for internal reporting to assess performance and as part of the Group's forecasting, budgeting and decision making processes as it provides additional transparency to the Group's core operations. We believe this non-GAAP measure is useful because it excludes items that we do not believe are indicative of the Group's ongoing operating performance and allows management to view operating trends, perform analytical comparisons and benchmark performance between periods and among our segments. We also believe that Adjusted EBIT is useful for analysts and investors to understand how management assesses the Group's ongoing operating performance on a consistent basis. In addition, Adjusted EBIT is one of the metrics used in the determination of the annual performance bonus for the Chief Executive Officer of the Group and other eligible employees, including members of the Group Executive Council.

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

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

We believe this non-GAAP measure is useful because it also excludes items that we do not believe are indicative of the Group's ongoing operating performance and provides investors with a more meaningful comparison of the Group's ongoing operating performance. In addition, Adjusted net profit is one of the metrics used in the determination of the annual performance bonus and the achievement of certain performance objectives established under the terms of the equity incentive plan for the Chief Executive Officer of the Group and other eligible employees, including members of the Group Executive Council.

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

Constant Currency Information: The discussion within *Operating Results—Results of Operations* includes information about our results at constant exchange rates ("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 we do not believe that this non-GAAP measure is a substitute for GAAP measures, we believe that results excluding the effect of currency fluctuations provide additional useful information to investors regarding the operating performance and trends in our business on a local currency basis.

Shipment Information

As discussed in *Overview of Our Business*, our activities are carried out through six reportable segments: four regional mass-market vehicle segments (NAFTA, LATAM, APAC and EMEA), the Maserati global luxury brand segment and a global Components segment. The following table sets forth our vehicle shipment information by segment (excluding the Components segment). Vehicle shipments are generally aligned with current period production which is driven by our plans to meet consumer demand. Revenue is recognized when the risks and rewards of ownership of a vehicle have been transferred to our customers, which generally corresponds to the date when the vehicles are made available to dealers or distributors, or when the vehicles are released to the carrier responsible for transporting vehicles to dealers or distributors. Revenues related to new vehicle sales with a buy-back commitment, or through the Guaranteed Depreciation Program ("GDP"), under which the Group guarantees the residual value or otherwise assumes responsibility for the minimum resale value of the vehicle, are not recognized at the time of delivery but are accounted for similar to an operating lease and rental income is recognized over the contractual term of the lease on a straight line basis. For a description of our dealers and distributors see *Overview of Our Business—Sales Overview*. Accordingly, the number of vehicles sold does not necessarily correspond to the number of vehicles shipped for which revenues are recorded in any given period.

(thousands of units)	Years ended December 31		
	2017	2016	2015
NAFTA	2,401	2,587	2,726
LATAM	521	456	553
APAC	85	91	149
EMEA	1,365	1,306	1,142
Maserati	51	42	32
Total Consolidated shipments	4,423	4,482	4,602
Joint venture shipments	317	238	136
Total Combined shipments	4,740	4,720	4,738

For discussion of shipments for NAFTA, LATAM, APAC, EMEA and Maserati for 2017 as compared to 2016 and for 2016 as compared to 2015, refer to —*Results by Segment* below.

Group Results – 2017 compared to 2016 and 2016 compared to 2015

The following is a discussion of the Group's results of operations for the year ended December 31, 2017 as compared to the year ended December 31, 2016 and for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

(€ million)	Years ended December 31		
	2017	2016	2015
Net revenues	€ 110,934	€ 111,018	€ 110,595
Cost of revenues	93,975	95,295	97,620
Selling, general and other costs	7,385	7,568	7,576
Research and development costs	3,230	3,274	2,864
Result from investments	410	316	143
Reversal of a Brazilian indirect tax liability	895	—	—
Gains on disposal of investments	76	13	—
Restructuring costs	95	88	53
Net financial expenses	1,469	2,016	2,366
Profit before taxes	6,161	3,106	259
Tax expense	2,651	1,292	166
Net profit from continuing operations	3,510	1,814	93
Profit from discontinued operations, net of tax	—	—	284
Net profit	€ 3,510	€ 1,814	€ 377
Net profit attributable to:			
Owners of the parent	€ 3,491	€ 1,803	€ 334
Non-controlling interests	€ 19	€ 11	€ 43

Net revenues

(€ million)	Years ended December 31			Increase/(Decrease)			
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
				% Actual	% CER	% Actual	% CER
Net revenues	€ 110,934	€ 111,018	€ 110,595	(0.1)%	1.0%	0.4%	1.2%

For a discussion of Net revenues for each of our six reportable segments (NAFTA, LATAM, APAC, EMEA, Maserati and Components) for 2017 as compared to 2016 and for 2016 as compared to 2015, see — *Results by Segment* below.

Cost of revenues

(€ million)	Years ended December 31			Increase/(Decrease)			
	2017	2016	2015	2017 vs. 2016		2016 vs. 2015	
				% Actual	% CER	% Actual	% CER
Cost of revenues	€ 93,975	€ 95,295	€ 97,620	(1.4)%	(0.3)%	(2.4)%	(1.6)%
Cost of revenues as % of Net revenues	84.7%	85.8%	88.3%				

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

The decrease in Cost of revenues in 2017 compared to 2016 was primarily related to (i) lower volumes, (ii) foreign exchange translation effects, (iii) purchasing efficiencies, and (iv) the charges recognized in 2016, which were higher than the charges recognized in 2017, for the estimated costs of recall campaigns related to an industry-wide recall for airbag inflators manufactured by Takata Corporation. These were partially offset by (v) vehicle mix and (vi) higher product costs for content enhancements. The decrease in Cost of revenues was primarily attributable to decreases in NAFTA and APAC, which were partially offset by increases in LATAM, EMEA, and Maserati.

The decrease in Cost of revenues in NAFTA in 2017 compared to 2016 was primarily due to (i) lower volumes (ii) foreign exchange translation effects, (iii) purchasing savings, and (iv) the charges recognized for the estimated costs of recall campaigns related to an industry-wide recall for airbag inflators manufactured by Takata Corporation, which were predominantly recognized in 2016. These were partially offset by (v) mix, (vi) higher product costs for content enhancements and (vii) increased costs for the capacity realignment plan.

The decrease in Cost of revenues in APAC in 2017 compared to 2016 was mainly due to (i) lower volumes due to planned reductions of Jeep imports in China, (ii) vehicle mix, and (iii) the final settlement of insurance recoveries relating to Tianjin, China, port explosions in 2015 (see below). These were partially offset by (iv) higher industrial costs from negative foreign exchange impacts.

The increase in Cost of revenues in LATAM in 2017 compared to 2016 was mainly due to (i) higher volumes, (ii) vehicle mix, (iii) foreign exchange translation effects, (iv) higher input cost inflation and (v) higher depreciation and amortization related to new vehicles.

The increase in Cost of revenues in EMEA in 2017 compared to 2016 was mainly due to (i) higher volumes and (ii) vehicle mix, which were partially offset by (iii) purchasing and manufacturing efficiencies.

The increase in Cost of revenues in Maserati in 2017 compared to 2016 was mainly due to (i) higher volumes, partially offset by (ii) foreign exchange translation effects and (iii) lower industrial costs.

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

Selling, general and other costs

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
	2017	2016	2015	% Actual	% CER	2016 vs. 2015	% Actual
(€ million)							
Selling, general and other costs	€ 7,385	€ 7,568	€ 7,576	(2.4)%	(1.6)%	(0.1)%	0.9%
Selling, general and other costs as % of Net revenues	6.7%	6.8%	6.9%				

Selling, general and other costs includes advertising, personnel and administrative costs. Advertising costs amounted to approximately 45 percent, 47 percent and 47 percent of total Selling, general and other costs for the years ended December 31, 2017, 2016 and 2015, respectively.

The decrease in Selling, general and other costs in 2017 as compared with 2016 primarily relates to (i) lower advertising and marketing costs, primarily in NAFTA, (ii) foreign exchange translation effects and (iii) cost efficiencies, mainly in NAFTA and EMEA, which were partially offset by increased launch costs for Alfa Romeo in NAFTA, APAC and EMEA.

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

Research and development costs

(€ million)	Years ended December 31			Increase/(Decrease)			
				2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	% Actual	% CER	% Actual	% CER
Research and development expenditures expensed	€ 1,696	€ 1,661	€ 1,449	2.1%	3.4%	14.6%	15.0%
Amortization of capitalized development expenditures	1,424	1,492	1,194	(4.6)%	(4.4)%	25.0%	25.5%
Impairment and write-off of capitalized development expenditures	110	121	221	(9.1)%	(9.9)%	(45.2)%	(45.2)%
Total Research and development costs	€ 3,230	€ 3,274	€ 2,864	(1.3)%	(0.7)%	14.3%	14.8%

	Years ended December 31		
	2017	2016	2015
Research and development expenditures expensed as % of Net revenues	1.5%	1.5%	1.3%
Amortization of capitalized development expenditures as % of Net revenues	1.3%	1.3%	1.1%
Impairment and write-off of capitalized development expenditures as % of Net revenues	0.1%	0.1%	0.2%
Total Research and development costs as % of Net revenues	2.9%	2.9%	2.6%

The following table summarizes our research and development expenditures for the years ended December 31, 2017, 2016 and 2015:

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Capitalized development expenditures	€ 2,586	€ 2,558	€ 2,504	1.1%	2.2%
Research and development expenditures expensed	1,696	1,661	1,449	2.1%	14.6%
Total Research and development expenditures	€ 4,282	€ 4,219	€ 3,953	1.5%	6.7%
Capitalized development expenditures as % of Total Research and development expenditures	60.4%	60.6%	63.3%		
Total Research and development expenditures as % of Net revenues	3.9%	3.8%	3.6%		

We conduct research and development for new vehicles and technology to improve the performance, safety, fuel efficiency, reliability, consumer perception and environmental impact of our vehicles. Research and development costs consist primarily of material costs, services and personnel related expenses that support the development of new and existing vehicles with powertrain technologies. For further details of research and development costs, see *Non-Financial Information—Research and Development*.

The decrease in amortization of capitalized development expenditure in 2017 compared to 2016 was mainly attributable to changes in the expected lifecycle of certain models and foreign exchange translation effects, which was partially offset by the increase attributable to all-new Maserati Levante, all-new Alfa Romeo Giulia, and Stelvio, all-new Jeep Compass, and all-new Fiat Argo in LATAM.

The impairment and write-off of capitalized development expenditures during the year ended December 31, 2017 mainly related to global product portfolio changes in EMEA and changes in the LATAM product portfolio.

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

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

Result from investments

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Result from investments	€ 410	€ 316	€ 143	29.7%	121.0%

The increase in Result from investments in 2017 compared to 2016, and in 2016 compared to 2015 was primarily attributable to improved results from the GAC FCA JV in APAC, due to the increased localized production in China, as well as improved results from the FCA Bank.

Reversal of a Brazilian indirect tax liability

In June 2017, the Group reversed a Brazilian indirect tax liability of €895 million, reflecting certain court decisions. As this liability related to the Group's Brazilian operations in multiple segments and given the significant and unusual nature of the item, it was not attributed to the results of the related segments and was excluded from Group Adjusted EBIT (refer to Note 22, *Other liabilities and Tax payables*) for the year ended December 31, 2017.

Net financial expenses

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Net financial expenses	€ 1,469	€ 2,016	€ 2,366	(27.1)%	(14.8)%

The decrease in Net financial expenses in 2017 compared to 2016, and in 2016 compared to 2015 was primarily due to the continuation of the planned reduction in gross debt.

Tax expense

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Tax expense	€ 2,651	€ 1,292	€ 166	105.2%	n.m.
Effective tax rate	43.0%	40.2%	54.4%	+280 bps	-1,420 bps

n.m. = Number is not meaningful.

The increase in Tax expense in 2017 compared to 2016 was primarily attributable to (i) higher profit before taxes, particularly in NAFTA, (ii) net decreases in generation and usage of tax credits, (iii) the impact of the December 2017 U.S. tax reform of €88 million and (iv) a decrease in Brazilian deferred tax assets of €734 million, composed of:

- €281 million related to the reversal of a Brazilian indirect tax liability mentioned above; and
- €453 million that was written off as the Group revised its outlook on Brazil to reflect the slower pace of recovery and outlook for subsequent years, largely resulting from increased political uncertainty, and concluded that a portion of the deferred tax asset was no longer recoverable.

These items were excluded from Group Adjusted net profit.

The increase in the effective tax rate to 43.0 percent in 2017 from 40.2 percent in 2016 was primarily due to (i) reduced generation and usages of tax credits in NAFTA, and (ii) a decrease in Brazilian deferred tax assets, which was partially offset by (iii) tax benefits recorded on changes to prior years' tax positions.

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

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

Profit from discontinued operations, net of tax

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Profit from discontinued operations, net of tax	€ —	€ —	€ 284	—	n.m.

n.m. = Number is not meaningful

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

Net profit from continuing operations

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Net profit from continuing operations	€ 3,510	€ 1,814	€ 93	93.5%	n.m.

n.m. = Number is not meaningful

The increase in Net profit from continuing operations in 2017 compared to 2016 was mainly driven by improved operating performance in 2017, lower financial expenses, as well as the €895 million gain from the reversal of a Brazilian indirect tax liability, which were partially offset by higher income taxes for the year.

The increase in Net profit from continuing operations in 2016 compared to 2015 was mainly driven by improved operating performance in 2016 as well as costs recognized in 2015 associated to the NAFTA capacity realignment and change in estimate for future recall campaigns.

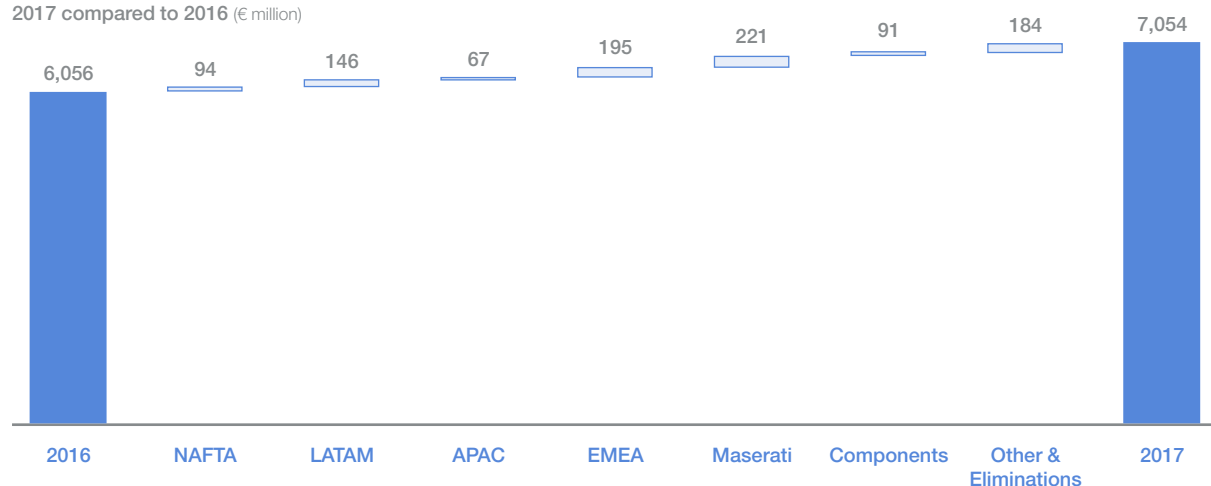
Adjusted EBIT

(€ million)	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
	2017	2016	2015	% Actual	% CER	% Actual	% CER
Adjusted EBIT	€ 7,054	€ 6,056	€ 4,794	16.5%	18.8%	26.3%	27.4%
Adjusted EBIT margin (%)	6.4%	5.5%	4.3%	+90 bps	—	+120 bps	—

The following charts present our Adjusted EBIT walk by segment for 2017 as compared to 2016 and for 2016 as compared to 2015.

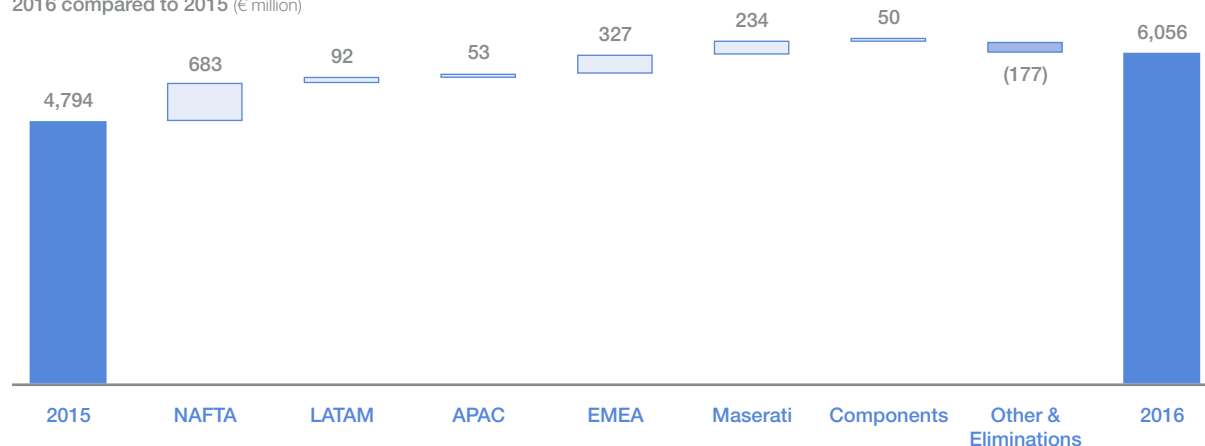
Adjusted EBIT by segment

2017 compared to 2016 (€ million)



Adjusted EBIT by segment

2016 compared to 2015 (€ million)



For a discussion of Adjusted EBIT for each of our six reportable segments (NAFTA, LATAM, APAC, EMEA, Maserati and Components) in 2017 as compared to 2016 and for 2016 as compared to 2015, see —Results by Segment below.

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

(€ million)	Years ended December 31		
	2017	2016	2015
Net profit from continuing operations	€ 3,510	€ 1,814	€ 93
Tax expense	2,651	1,292	166
Net financial expenses	1,469	2,016	2,366
Adjustments:			
Reversal of a Brazilian indirect tax liability	(895)	—	—
Impairment expense	229	225	118
Recall campaigns - airbag inflators	102	414	—
Restructuring costs	95	88	53
Resolution of certain Components legal matters	43	—	—
Deconsolidation of Venezuela	42	—	—
Costs for recall - contested with supplier	—	132	—
NAFTA capacity realignment	(38)	156	834
Tianjin (China) port explosions (insurance recoveries)/costs	(68)	(55)	142
Gains on disposal of investments	(76)	(13)	—
Change in estimate for future recall campaign costs	—	—	761
NHTSA Consent Order and amendment	—	—	144
Currency devaluations	—	19	163
Other	(10)	(32)	(46)
Total Adjustments	(576)	934	2,169
Adjusted EBIT	€ 7,054	€ 6,056	€ 4,794

During the year ended December 31, 2017 Adjusted EBIT excluded adjustments primarily related to:

- €895 million gain on the reversal of a liability for Brazilian indirect taxes, as reported above;
- €229 million charge relating to asset impairments, primarily in LATAM and EMEA, resulting from changes in the product portfolio, as well as, impairments of certain real estate assets in Venezuela;
- €102 million charge relating to an expansion of the scope of the Takata airbag inflator recalls, of which €29 million related to the previously announced recall in NAFTA and €73 million related to the preventative safety campaigns in LATAM. During 2016, estimated costs of recall campaigns related to Takata airbag inflators of €414 million were recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016, to adjust the warranty provision for an expansion in May 2016 of the population recalled. As the charges for the warranty adjustment were due to an industry-wide recall resulting from parts manufactured by Takata, and, due to the financial uncertainty of Takata, we determined these charges were unusual in nature, and as such, the charges for both 2016 and 2017 were excluded from Adjusted EBIT (refer to Note 25, *Guarantees granted, commitments and contingent liabilities*, within our Consolidated Financial Statements included elsewhere in this report for additional information);
- €95 million restructuring costs, primarily €75 million of workforce restructuring costs related to LATAM;
- €43 million relating to the resolution of certain Components legal matters;
- €42 million net loss resulting from deconsolidation of our operations in Venezuela. Refer to Note 3 - *Scope of Consolidation*;
- €38 million income related to adjustments to reserves for the NAFTA capacity realignment plan. During the year ended December 31, 2015, as part of the plan to improve margins in NAFTA, the Group realigned a portion of its manufacturing capacity in the region to better meet market demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure. As a result, in 2015, a total of €834 million, of which €422 million related to tangible asset impairments, €236 million related to the payment of supplemental unemployment benefits due to planned extended downtime at certain plants associated with the implementation of the new manufacturing plan and €176 million related to the impairment of capitalized development costs with no future economic benefit, was recorded during 2015 and excluded from Adjusted EBIT. During the year ended December 31, 2016, net incremental costs of €156 million from the implementation of the plan were recognized and also excluded from Adjusted EBIT;
- €68 million income reflecting final insurance recoveries related to the explosions at the Port of Tianjin, China. On August 12, 2015, a series of explosions which occurred at a container storage station at the Port of Tianjin impacted several storage areas containing approximately 25,000 FCA branded vehicles, of which approximately 13,300 were owned by FCA and approximately 11,400 vehicles were previously sold to our distributor. As a result of the explosions, nearly all of the vehicles at the Port of Tianjin were affected and some were destroyed. During the year ended December 31, 2015, a total cost of €142 million was excluded from Adjusted EBIT, of which €89 million that related to incremental incentives for vehicles affected by the explosion was recorded as a reduction to Net revenues and €53 million relating to the write-down of the affected inventory reduced Cost of revenues. During the year ended December 31, 2016, €55 million of insurance recoveries relating to Tianjin were excluded from Adjusted EBIT. Insurance recoveries related to losses incurred in connection with the explosions at the Port of Tianjin are excluded from Adjusted EBIT to the extent the insured loss to which the recovery relates was excluded from Adjusted EBIT. Insurance recoveries are included in Adjusted EBIT to the extent they relate to costs, increased incentives or business interruption losses that were included in Adjusted EBIT; and
- €76 million gain on disposal of investments, primarily related to a €49 million gain on the disposal of the Group's publishing business.

During the year ended December 31, 2016 Adjusted EBIT excluded adjustments primarily related to:

- €225 million charges relating to asset impairments, primarily resulting from the Group's capacity realignment to SUV production in China, which resulted in an impairment charge of €90 million for locally-produced Fiat Viaggio and Ottimo vehicles, and €73 million of impairment losses and asset write-offs, of which €43 million related to certain of FCA Venezuela's assets due to the continued deterioration of the economic conditions in Venezuela;

- €414 million charge for the estimated costs of recall campaigns related to Takata airbag inflators, referred to above;
- €88 million restructuring costs, primarily relating to LATAM and Components;
- €132 million which was recorded within Cost of revenues in the Consolidated Income Statement, related to estimated costs associated with a recall for which costs were contested with a supplier. Although FCA believed the supplier has responsibility for the recall, only a partial recovery of the estimated costs was recognized pursuant to a cost sharing agreement;
- €156 million relating to the NAFTA capacity alignment referred to above; and
- €55 million insurance recoveries relating to the Tianjin port explosions referred to above.

During the year ended December 31, 2015 Adjusted EBIT excluded adjustments primarily related to:

- €118 million charges relating to asset impairments in EMEA and APAC;
- €53 million restructuring costs, primarily relating to LATAM and Components;
- €834 million relating to the NAFTA capacity alignment referred to above;
- €142 million relating to the Tianjin port explosions referred to above;
- €761 million for estimated future recall campaign costs for vehicles sold in the U.S. and Canada in periods prior to the third quarter of 2015, as a result of increases in both the cost and frequency of recall campaigns and increased regulatory activity across the industry in the U.S. and Canada, an additional actuarial analysis that gave greater weight to the more recent calendar year trends in recall campaign experience was added to the adequacy assessment to estimate future recall costs;
- €144 million, which was recognized within Selling, general and other costs within the Consolidated Income Statement, as a result of a consent order agreed with the U.S. National Highway Traffic Safety Administration ("NHTSA"), resolving issues raised by the NHTSA with respect to FCA US's execution of twenty-three recall campaigns in NHTSA's Special Order issued to FCA US in 2015, and deficiencies identified in FCA US's Transportation Recall Enhancement, Accountability, and Documentation (TREAD) reporting; and
- €163 million of currency devaluations, of which €83 million related to the devaluation of the Argentinian Peso resulting from changes in monetary policy and €80 million related to Venezuela as a result of the adoption of the Marginal Currency System (the "SIMADI") exchange rate at June 30, 2015 and the write-down of inventory to the lower of cost or net realizable value.

Adjusted net profit

(€ million)	Years ended December 31			Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Adjusted net profit	€ 3,770	€ 2,516	€ 1,708	49.8%	47.3%

The increase in Adjusted net profit in 2017 compared to 2016, and in 2016 compared to 2015, was driven by improved operating performance and the reduction in Net financial expenses, which were partially offset by the increase in Tax expense.

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

(€ million)	Years ended December 31		
	2017	2016	2015
Net profit from continuing operations	€ 3,510	€ 1,814	€ 93
Adjustments (as above)	(576)	934	2,169
Tax impact on adjustments	14	(232)	(554)
Brazil deferred tax assets write-off	453	—	—
Reduction of deferred tax assets related to reversal of a Brazilian indirect tax liability	281	—	—
Impact of U.S. tax reform	88	—	—
Total adjustments, net of taxes	260	702	1,615
Adjusted net profit	€ 3,770	€ 2,516	€ 1,708

During the year ended December 31, 2017, Adjusted net profit excluded adjustments related to:

- €14 million expense reflecting the tax impact on the items excluded from Adjusted EBIT above;
- €453 million expense relating to the write-off of deferred tax assets in Brazil as reported above;
- €281 million expense arising on decrease in deferred tax assets related to the release of the Brazilian indirect tax liability noted above; and
- €88 million expense relating to the impact of December 2017 U.S. tax reform. This estimate may change, potentially materially, as a result of regulations or regulatory guidance that may be issued, changes in the interpretations affecting assumptions underlying the estimate, refinement of our calculations and actions that may be taken, including actions in response to the tax reform act.

During the year ended December 31, 2016 Adjusted net profit excluded adjustments related to:

- €232 million gain, reflecting the tax impact on the items excluded from Adjusted EBIT above.

During the year ended December 31, 2015 Adjusted net profit excluded adjustments related to:

- €554 million gain, reflecting the tax impact on the items excluded from Adjusted EBIT above.

Results by Segment – 2017 compared to 2016 and 2016 compared to 2015

(€ million, except shipments which are in thousands of units)	Net revenues			Adjusted EBIT			Shipments		
							Years ended December 31		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
NAFTA	€ 66,094	€ 69,094	€ 69,992	€ 5,227	€ 5,133	€ 4,450	2,401	2,587	2,726
LATAM	8,004	6,197	6,431	151	5	(87)	521	456	553
APAC	3,250	3,662	4,885	172	105	52	85	91	149
EMEA	22,700	21,860	20,350	735	540	213	1,365	1,306	1,142
Maserati	4,058	3,479	2,411	560	339	105	51	42	32
Components	10,115	9,659	9,770	536	445	395	—	—	—
Other activities	727	779	844	(189)	(244)	(150)	—	—	—
Unallocated items & eliminations ⁽¹⁾	(4,014)	(3,712)	(4,088)	(138)	(267)	(184)	—	—	—
Total	€ 110,934	€ 111,018	€ 110,595	€ 7,054	€ 6,056	€ 4,794	4,423	4,482	4,602

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

The following is a discussion of Net revenues, Adjusted EBIT and shipments for each segment for the year ended December 31, 2017 as compared to the year ended December 31, 2016, and for the year ended December 31, 2016 as compared to the year ended December 31, 2015. We review changes in our results of operations with the following operational drivers:

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

NAFTA

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
						2016 vs. 2015	
	2017	2016	2015	% Actual	% CER	% Actual	% CER
Shipments (thousands of units)	2,401	2,587	2,726	(7.2)%	—	(5.1)%	—
Net revenues (€ million)	€ 66,094	€ 69,094	€ 69,992	(4.3)%	(2.6)%	(1.3)%	(1.2)%
Adjusted EBIT (€ million)	€ 5,227	€ 5,133	€ 4,450	1.8%	4.0%	15.3%	15.1%
Adjusted EBIT margin (%)	7.9%	7.4%	6.4%	+50 bps	—	+100 bps	—

Shipments

The decrease in vehicle shipments in 2017 compared to 2016 was primarily driven by lower fleet volumes as a result of planned fleet sales reductions, primarily for Jeep, and the discontinuance of the Jeep Patriot, Dodge Dart and Chrysler 200, which was partially offset by increased shipments for the Ram and Alfa Romeo brands, Jeep Grand Cherokee and the all-new Jeep Compass. Shipments reflected decreases in (i) the U.S. of 189 thousand units (-9 percent), which were partially offset by increases in (ii) Mexico of 4 thousand units (+4 percent), with shipments in (iii) Canada remaining flat during the period.

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

Net revenues

The decrease in NAFTA Net revenues in 2017 compared to 2016 was primarily attributable to a €1.7 billion net decrease resulting from lower shipments (as described above), net of favorable vehicle and channel mix and €1.2 billion from negative foreign currency translation effects.

The decrease in NAFTA Net revenues in 2016 compared to 2015 was primarily attributable to a €1.0 billion net decrease resulting from lower shipments (as described above), net of favorable vehicle mix, which was partially offset by an increase in net pricing of €0.1 billion, which was partially offset by negative foreign currency transaction effects from the Canadian Dollar and Mexican Peso.

Adjusted EBIT

The following charts reflect the change in NAFTA Adjusted EBIT by operational driver for 2017 as compared to 2016 and for 2016 as compared to 2015:

Adjusted EBIT by operational driver

2017 compared to 2016 (€ million)



The increase in NAFTA Adjusted EBIT in 2017 compared to 2016 was primarily attributable to:

- favorable mix, net of lower shipments, as described above;
- positive pricing, partially offset by higher incentives and foreign exchange impacts due to the Canadian Dollar; and
- lower SG&A expenditure, primarily due to lower advertising costs.

These were partially offset by:

- higher industrial costs due to higher product costs for content enhancements and increased costs for the capacity realignment plan, partially offset by purchasing efficiencies and lower warranty costs;
- negative foreign exchange translation effects; and
- a prior year one-off residual values adjustment, included within Other above.

Adjusted EBIT by operational driver

2016 compared to 2015 (€ million)



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

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

These were partially offset by:

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

LATAM

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
	2017	2016	2015	% Actual	% CER	% Actual	% CER
Shipments (thousands of units)	521	456	553	14.3%	—	(17.5)%	—
Net revenues (€ million)	€ 8,004	€ 6,197	€ 6,431	29.2%	23.6%	(3.6)%	0.7%
Adjusted EBIT (€ million)	€ 151	€ 5	€ (87)	n.m.	n.m.	n.m.	n.m.
Adjusted EBIT margin (%)	1.9%	0.1%	(1.4)%	+180 bps	—	+150 bps	—

n.m. = Number is not meaningful.

Shipments

The increase in vehicle shipments in 2017 compared to 2016 was primarily attributable to improving market conditions and the success of the Fiat Mobi, the all-new Fiat Argo and Jeep Compass, partially offset by the discontinued Fiat Palio Family. Shipments reflected (i) an increase of 31 thousand units (+9 percent) in Brazil and (ii) an increase of 30 thousand units (+37 percent) in Argentina.

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

Net revenues

The increase in LATAM Net revenues in 2017 compared to 2016 was primarily attributable to €1.4 billion from higher shipments (as described above) and favorable vehicle mix, €0.2 billion from positive net pricing, partially offset by increased incentives, and €0.3 billion from favorable foreign currency translation effects.

The decrease in LATAM Net revenues in 2016 compared to 2015 was primarily attributable to a €0.1 billion net increase resulting from favorable vehicle mix, net of lower volumes (as described above), which was partially offset by €0.3 billion from unfavorable foreign currency effects.

Adjusted EBIT

The following charts reflect the change in LATAM Adjusted EBIT by operational driver for 2017 as compared to 2016 and 2016 as compared to 2015.

Adjusted EBIT by operational driver

2017 compared to 2016 (€ million)



The increase in LATAM Adjusted EBIT in 2017 compared to 2016 was primarily attributable to:

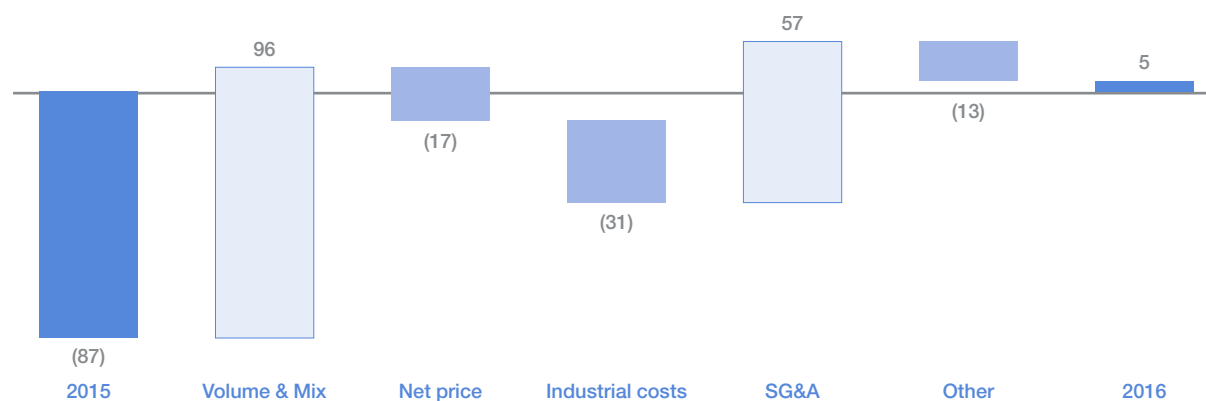
- increased volumes and favorable vehicle mix;
- favorable net pricing, partially offset by increased incentives; and
- lower indirect taxes in Brazil.

These were partially offset by:

- higher industrial costs due to input cost inflation; and
- higher depreciation and amortization related to new vehicles.

Adjusted EBIT by operational driver

2016 compared to 2015 (€ million)



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

- favorable volume and mix, as described above; and
- a decrease in SG&A driven by continued cost reduction initiatives to right-size to market volume.

These were partially offset by:

- lower net price resulting from strong competition in Brazil; and
- higher industrial costs due to higher product costs driven by inflation and depreciation and amortization related to new products.

APAC

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
	2017	2016	2015	% Actual	% CER	% Actual	% CER
Combined shipments (thousands of units)	290	233	189	24.5%	—	23.3%	—
Consolidated shipments (thousands of units)	85	91	149	(6.6)%	—	(38.9)%	—
Net revenues (€ million)	€ 3,250	€ 3,662	€ 4,885	(11.3)%	(9.2)%	(25.0)%	(23.9)%
Adjusted EBIT (€ million)	€ 172	€ 105	€ 52	63.8%	71.8%	101.9%	114.1%
Adjusted EBIT margin (%)	5.3%	2.9%	1.1%	+240 bps	—	+180 bps	—

The continued transition to localized Jeep production through the GAC FCA JV in China resulted in higher combined shipments (which include shipments from consolidated subsidiaries and unconsolidated joint ventures) and lower consolidated shipments (which only include shipments from consolidated subsidiaries and our operations in India) in 2017 compared to 2016 and 2016 compared to 2015. The GAC FCA JV was fully operational in 2017, with the production of three Jeep sport utility vehicle ("SUV") models (Cherokee, Renegade and all-new Compass) as compared to the production of only one Jeep SUV model (Cherokee) in 2016. As a result of the increased local production by the GAC FCA JV, the Group is importing fewer vehicles into China. As the GAC FCA JV is accounted for using the equity method of accounting, the results of the joint venture are recognized in the line item Result from investments within the Consolidated Income Statement, rather than being consolidated on a line by line basis. The shift to localized production in China has the effect of decreasing Net revenues and other lines of the Consolidated Income Statement due to fewer shipments through our consolidated operations in China. As this trend continues, the results from the GAC FCA JV and Adjusted EBIT become increasingly important to understanding our results from operations in APAC.

Shipments

The slight decrease in consolidated shipments in 2017 compared to 2016 was primarily attributable to planned reductions of Jeep imports in China, partially offset by the launch of Alfa Romeo in the region and Jeep Compass production in India. The increase in combined shipments in 2017 as compared to 2016 was due to the continued ramp up in localized Jeep production through the GAC FCA JV.

The decrease in consolidated shipments in 2016 compared to 2015 was primarily attributable to the transition to local Jeep production in China, as well as lower volumes in Australia due to pricing actions to offset the weakened Australian Dollar. The increase in combined shipments in 2016 as compared to 2015 was due to localized Jeep production through the GAC FCA JV.

Net revenues

The decrease in APAC Net revenues in 2017 compared to 2016 was primarily due to lower consolidated shipments, as described above, lower parts and components sales, and negative foreign exchange effects.

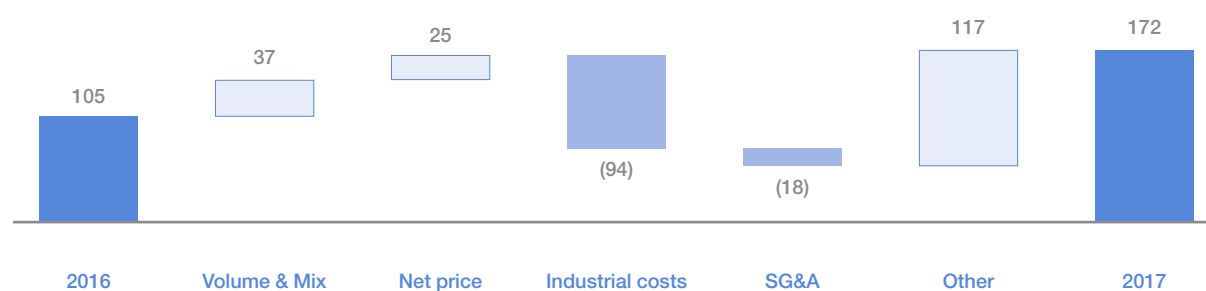
The decrease in APAC Net revenues in 2016 compared to 2015 was primarily due to lower consolidated shipments, as described above, which was partially offset by favorable vehicle mix from imported vehicles and increased sales of components.

Adjusted EBIT

The following charts reflect the change in APAC Adjusted EBIT by operational driver for 2017 as compared to 2016 and for 2016 as compared to 2015.

Adjusted EBIT by operational driver

2017 compared to 2016 (€ million)



The increase in APAC Adjusted EBIT in 2017 compared to 2016 was primarily attributable to:

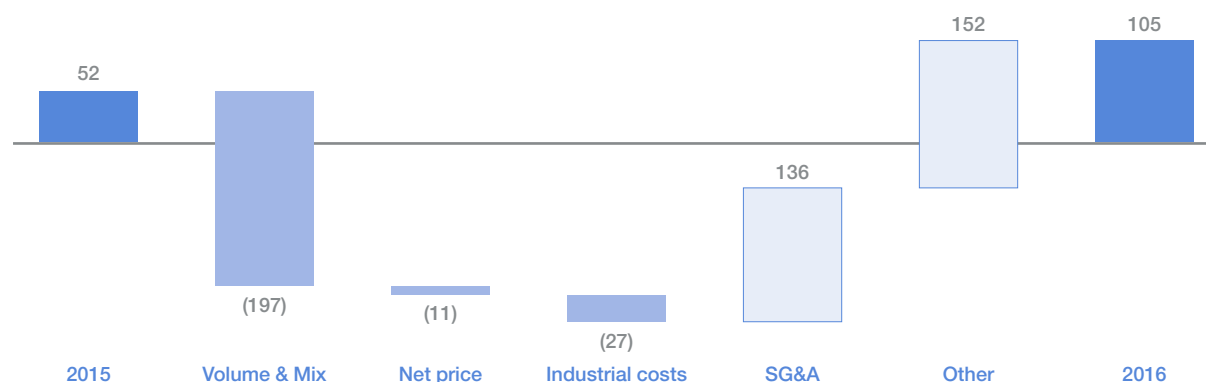
- insurance recoveries included within Adjusted EBIT of €93 million relating to the Tianjin (China) port explosions;
- favorable vehicle mix and lower incentives; and
- improved results from the GAC FCA JV (included in Other above).

These were partially offset by:

- launch costs related to the Alfa Romeo brand; and
- higher industrial costs from negative foreign exchange transaction effects.

Adjusted EBIT by operational driver

2016 compared to 2015 (€ million)



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

- a decrease in SG&A, mainly due to marketing costs incurred by the GAC FCA JV from 2016 onwards; and
- improved results from the GAC FCA JV driven by the local production of Jeep in China and favorable foreign currency effects (reflected within Other).

These were partially offset by:

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

EMEA

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
						2016 vs. 2015	
	2017	2016	2015	% Actual	% CER	% Actual	% CER
Shipments (thousands of units)	1,365	1,306	1,142	4.5%	—	14.4%	—
Net revenues (€ million)	€ 22,700	€ 21,860	€ 20,350	3.8%	4.4%	7.4%	8.7%
Adjusted EBIT (€ million)	€ 735	€ 540	€ 213	36.1%	35.6%	153.5%	n.m.
Adjusted EBIT margin (%)	3.2%	2.5%	1.0%	+70 bps	—	+150 bps	—

n.m. = Number is not meaningful.

Shipments

The increase in vehicle shipments in 2017 compared to 2016 was primarily attributable to the all-new Alfa Romeo Stelvio and Jeep Compass, as well as the Fiat Tipo Family. Shipments reflected (i) an increase in passenger car shipments to 1,068 thousand units (+6 percent) and (ii) an increase in shipments of light commercial vehicles ("LCVs") to 297 thousand units (+1 percent).

The increase in vehicle shipments in 2016 compared to 2015 was primarily attributable to the all-new Fiat Tipo family, Jeep Renegade and all-new Alfa Romeo Giulia. Shipments reflected (i) an increase in passenger car shipments to 1,012 thousand units (+13 percent) and (ii) an increase in shipments of light commercial vehicles to 294 thousand units (+19 percent).

Net revenues

The increase in EMEA Net revenues in 2017 compared to 2016 was primarily attributable to a positive effect of €1.6 billion related to increases in volumes (as described above) and favorable mix. This was partially offset by negative net pricing and by negative foreign currency exchange impacts including depreciation of the British Pound sterling.

The increase in EMEA Net revenues in 2016 compared to 2015 was primarily attributable to a positive effect of €2.3 billion related to the increase in volumes (as described above) and favorable vehicle mix. This was partially offset by unfavorable foreign currency effects of €0.3 billion.

Adjusted EBIT

The following charts reflect the change in EMEA Adjusted EBIT by operational driver for 2017 as compared to 2016 and for 2016 as compared to 2015.

Adjusted EBIT by operational driver

2017 compared to 2016 (€ million)



The increase in EMEA Adjusted EBIT in 2017 compared to 2016 was primarily attributable to:

- higher volumes and favorable vehicle mix, as described above;
- lower industrial costs mainly due to purchasing and manufacturing cost efficiencies, partially offset by higher amortization and depreciation costs related to new vehicles; and
- improved results from the FCA Bank joint venture (included in Other above).

These were partially offset by:

- unfavorable net pricing, primarily due to higher incentives and negative foreign currency effects, including depreciation of the British Pound sterling.

Adjusted EBIT by operational driver

2016 compared to 2015 (€ million)



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

- higher volumes and vehicle mix improvement, as described above; and
- improved results from the FCA Bank and Tofas joint ventures (included in Other above).

These were partially offset by:

- an increase in industrial costs mainly due to higher research and development costs, net of purchasing and manufacturing efficiencies; and
- an increase in SG&A mainly due to higher advertising costs to support new product launches, particularly for the Alfa Romeo brand.

Maserati

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
	2017	2016	2015	% Actual	% CER	2016 vs. 2015	
						% Actual	% CER
Shipments (thousands of units)	51	42	32	21.4%	—	31.3%	—
Net revenues (€ million)	€ 4,058	€ 3,479	€ 2,411	16.6%	19.3%	44.3%	47.0%
Adjusted EBIT (€ million)	€ 560	€ 339	€ 105	65.2%	67.7%	222.9%	228.9%
Adjusted EBIT margin (%)	13.8%	9.7%	4.4%	+410 bps	—	+530 bps	—

Shipments

The increase in Maserati shipments in 2017 compared to 2016 was primarily attributable to increase in shipments for the Maserati Levante, partially offset by lower Maserati Ghibli and Quattroporte volumes, which drove higher shipments in China (+31 percent), Europe (+25 percent) and North America (+11) percent.

The increase in Maserati shipments in 2016 compared to 2015 was primarily attributable to the launch of the all-new Maserati Levante, which drove significantly higher shipments in China (+91 percent), Europe (+37 percent) and North America (+14 percent).

Net revenues

The increase in Maserati Net revenues in 2017 compared to 2016 was primarily driven by higher shipments, partially offset by negative foreign exchange effects.

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

Adjusted EBIT

The increase in Maserati Adjusted EBIT in 2017 compared to 2016 was primarily due to:

- higher shipments (as described above); and
- lower industrial costs primarily due to manufacturing and purchasing efficiencies.

These were partially offset by:

- negative foreign currency exchange effects.

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

- positive effect from volume and mix (as described above), which was partially offset by;
- an increase in industrial costs and commercial launch activities.

Components

	Years ended December 31			2017 vs. 2016		Increase/(Decrease)	
	2017	2016	2015	% Actual	% CER	2016 vs. 2015	
						% Actual	% CER
Net revenues (€ million)	€ 10,115	€ 9,659	€ 9,770	4.7%	5.1%	(1.1)%	1.1%
Adjusted EBIT (€ million)	€ 536	€ 445	€ 395	20.4%	22.4%	12.7%	15.9%
Adjusted EBIT margin (%)	5.3%	4.6%	4.0%	+70 bps	—	+60 bps	—

Net revenues

The increase in Net revenues in 2017 compared to 2016 was primarily due to higher volumes from all three businesses (Magnetit Marelli, Comau and Teksid).

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

Adjusted EBIT

The increase in Adjusted EBIT in 2017 compared to 2016 was primarily related to the positive effect of increased volumes and lower industrial costs primarily resulting from World Class Manufacturing initiatives at Magnetit Marelli, which was partially offset by unfavorable mix and unfavorable net pricing.

The increase in Adjusted EBIT in 2016 compared to 2015 was primarily related to the positive effect from volume and mix, which was partially offset by higher industrial costs mainly due to inflation and unfavorable foreign currency effects, net of purchasing and industrial efficiencies.

Liquidity and Capital Resources

Liquidity Overview

We require significant liquidity in order to meet our obligations and fund our business. Short-term liquidity is required to purchase raw materials, parts and components for vehicle production, as well as to fund selling, administrative, research and development, and other expenses. In addition to our general working capital and operational needs, we expect to use significant amounts of cash for the following purposes: (i) capital expenditures to support our existing and future products, (ii) principal and interest payments under our financial obligations and (iii) pension and employee benefit payments. We make capital investments in the regions in which we operate primarily related to initiatives to introduce new products, including for autonomous driving, enhance manufacturing efficiency, improve capacity and for maintenance, and for regulatory and environmental compliance. Our capital expenditures in 2018 are expected to be within the range of €8.0 to €8.5 billion, which we plan to fund primarily with cash generated from our operating activities, as well as with credit lines provided to certain of our Group entities.

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

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

Fidis S.p.A., our 100 percent owned captive finance company, supports working capital needs in all regions at a Group level (including Components and Maserati segments) through the offering of receivable financing activity (also known as factoring). In addition, Fidis S.p.A. also provides financing to selected dealers in Italy.

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

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

In March 2016, FCA US entered into amendments to the credit agreements that govern its tranche B term loans due in 2017 and 2018, (collectively, the "Tranche B Term Loans") to, among other items, eliminate covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group, to enable a unified financing platform and to provide free flow of capital within the Group (refer to the section — *Capital Market and Other Financing Transactions - FCA US Tranche B Term Loans* below). As a result, since then, FCA US's cash management activities are no longer managed separately from the rest of the Group.

On March 6, 2017, Fiat Chrysler Finance US Inc. ("FCF US"), a finance subsidiary, was incorporated under the laws of Delaware and became an indirect, 100 percent owned subsidiary of the Company. On May 9, 2017, FCF US and the Company filed an automatically effective shelf registration statement with the SEC on Form F-3. If FCF US issues debt securities, they will be fully and unconditionally guaranteed by the Company. No other subsidiary of the Company will guarantee such indebtedness.

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

Long-term liquidity requirements may involve some level of debt refinancing as outstanding debt becomes due or we are required to make principal payments. Although we believe that our current level of total available liquidity is sufficient to meet our short-term and long-term liquidity requirements, we regularly evaluate opportunities to improve our liquidity position in order to enhance financial flexibility and to achieve and maintain a liquidity and capital position consistent with that of other companies in our industry.

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

Available Liquidity

The following table summarizes our available liquidity:

	At December 31		
(€ million)	2017	2016	2015 ⁽¹⁾
Cash, cash equivalents and current securities ⁽²⁾	€ 12,814	€ 17,559	€ 21,144
Undrawn committed credit lines ⁽³⁾	7,563	6,242	3,413
Total Available liquidity⁽⁴⁾	€ 20,377	€ 23,801	€ 24,557

⁽¹⁾ The assets of the Ferrari segment were classified as Assets held for distribution within the Consolidated Statement of Financial Position at December 31, 2015. These assets, as well as, the undrawn revolving credit facility of €500 million of Ferrari at December 31, 2015, are not included within the figures presented.

⁽²⁾ 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 be readily converted into cash, or they are subject to significant risk of change in value (even if they are short-term in nature or marketable).

⁽³⁾ Excludes the undrawn €0.1 billion long-term dedicated credit lines available to fund scheduled investments at December 31, 2017 (€0.3 billion was undrawn at December 31, 2016 and December 31, 2015, respectively).

⁽⁴⁾ The majority of our liquidity is available to our treasury operations in Europe and U.S.; however, liquidity is also available to certain subsidiaries which operate in other countries. Cash held in such countries may be subject to restrictions on transfer depending on the foreign jurisdictions in which these subsidiaries operate. Based on our review of such transfer restrictions in the countries in which we operate and maintain material cash balances, we do not believe such transfer restrictions had an adverse impact on the Group's ability to meet its liquidity requirements at the dates presented above.

Our liquidity is principally denominated in U.S. Dollar and Euro. Out of the total €12.8 billion of cash, cash equivalents and current securities available at December 31, 2017 (€17.6 billion at December 31, 2016, €21.1 billion at December 31, 2015), €7.0 billion, or 54.7 percent were denominated in U.S. Dollar (€9.8 billion, or 55.7 percent, at December 31, 2016 and €12.6 billion, or 59.7 percent, at December 31, 2015) and €2.3 billion, or 18.0 percent, were denominated in Euro (€3.3 billion, or 18.8 percent, at December 31, 2016 and €3.4 billion, or 16.1 percent, at December 31, 2015).

In March 2017, the Group amended its syndicated revolving credit facility originally signed in June 2015 (as amended, the "RCF"). The amendment increased the RCF from €5.0 billion to €6.25 billion and extended the RCF's final maturity to March 2022. The RCF, which is available for general corporate purposes and for the working capital needs of the Group, is structured in two tranches: €3.125 billion, with a 37-month tenor and two extension options of 1-year and of 11-months exercisable on the first and second anniversary of the amendment signing date, respectively, and €3.125 billion, with a 60-month tenor. The amendment was accounted for as a debt modification and, as a result, the remaining unamortized debt issuance costs related to the original €5.0 billion RCF and the new costs associated with the amendment will be amortized over the life of the RCF. At December 31, 2017, the €6.25 billion RCF was undrawn.

At December 31, 2017, undrawn committed credit lines totaling €7.6 billion included the €6.25 billion RCF and approximately €1.3 billion of other revolving credit facilities. At December 31, 2016, undrawn committed credit lines totaling €6.2 billion included the original €5.0 billion RCF and approximately €1.2 billion of other revolving credit facilities.

The €3.4 billion decrease in total available liquidity from December 31, 2016 to December 31, 2017 primarily reflects the reduction in gross debt, which was partially offset by cash generated by operations, net of investing activities, and the increase in available undrawn committed credit lines of €1.3 billion, almost entirely related to the increase of the Group's RCF of €1.25 billion, as described above. Refer to the section — *Cash Flows* below for additional information.

Cash Flows

Year Ended December 31, 2017 compared to the Years Ended December 31, 2016 and 2015

The following table summarizes the cash flows from operating, investing and financing activities for each of the years ended December 31, 2017, 2016 and 2015. Also, refer to our Consolidated Statement of Cash Flows and Note 29, *Explanatory notes to the Consolidated Statement of Cash Flows*, within our Consolidated Financial Statements included elsewhere in this report for additional information.

(€ million)	Years ended December 31		
	2017	2016	2015 ⁽¹⁾
Cash flows from operating activities - continuing operations	€ 10,385	€ 10,594	€ 9,224
Cash flows from operating activities - discontinued operations	—	—	527
Cash flows used in investing activities - continuing operations	(9,296)	(9,039)	(8,874)
Cash flows used in investing activities - discontinued operations	—	—	(426)
Cash flows used in financing activities - continuing operations	(4,473)	(5,127)	(5,195)
Cash flows from financing activities - discontinued operations	—	—	2,067
Translation exchange differences	(1,296)	228	681
Total change in cash and cash equivalents	(4,680)	(3,344)	(1,996)
Cash and cash equivalents at beginning of the period	17,318	20,662	22,840
Cash and cash equivalents at end of the period - included within Assets held for distribution	—	—	182
Cash and cash equivalents at end of the period	€ 12,638	€ 17,318	€ 20,662

⁽¹⁾ Ferrari operating results and cash flows were excluded from the Group's continuing operations and are presented as a single line item within the Consolidated Income Statements and Statements of Cash Flows for the year ended December 31, 2015 following the classification of Ferrari as a discontinued operation for the year ended December 31, 2015.

Operating Activities — Year Ended December 31, 2017

For the year ended December 31, 2017, net cash from operating activities of €10,385 million was primarily the result of (i) net profit from continuing operations of €3,510 million adjusted to add back €5,890 million for depreciation and amortization expense, in addition to a net decrease of €1,057 million in deferred tax assets mainly related to LATAM, and other non-cash items of €199 million; (ii) €102 million dividends received mainly from our equity method investments and (iii) the negative effect of the change in working capital of €459 million primarily driven by (a) €1,666 million increase in inventories related to ramp-up of new models at year end, including the all-new Alfa Romeo Stelvio and the new Jeep Wrangler, as well as volume increases in LATAM and Maserati, and (b) increase in trade receivables of €206 million, which were partially offset by (c) increase in trade payables of €1,086 million primarily related to increased production volumes in NAFTA and LATAM in the fourth quarter of 2017 as compared to the same period in 2016, and (d) a €327 million positive impact from increases in other payables and receivables, primarily related to tax payables and higher deferred revenue.

Operating Activities — Year Ended December 31, 2016

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

Operating Activities — Year Ended December 31, 2015

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

Investing Activities — Year Ended December 31, 2017

For the year ended December 31, 2017, net cash used in investing activities of €9,296 million was primarily the result of (i) €8,666 million of capital expenditures, including €2,586 million of capitalized development expenditures primarily related to NAFTA and EMEA, that supported investments in existing and future products, including investments in electrification and autonomous driving, and (ii) a €838 million net increase in receivables from financing activities primarily related to the increase in the lending portfolio of the financial services activities of the Group in China and Europe, which were partially offset by (iii) proceeds received of €144 million from the sale of FCA's investment in CNH Industrial N.V. ("CNHI"), which was recognized in the line Change in securities within the Statement of Cash Flows (refer to Note 13, *Other Financial Assets* in the Consolidated Financial Statements included elsewhere in this report).

Investing Activities — Year Ended December 31, 2016

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

Investing Activities — Year Ended December 31, 2015

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

Financing Activities — Year Ended December 31, 2017

For the year ended December 31, 2017, net cash used in financing activities of €4,473 million was primarily the result of (i) the voluntary prepayment in February 2017 of the outstanding principal and accrued interest of U.S.\$1,826 million (€1,721 million) FCA US's tranche B term loan maturing May 24, 2017 (the "Tranche B Term Loan due 2017"), (ii) the repayment at maturity of three notes under the Medium Term Note Programme ("MTN Programme", previously referred to as the Global Medium Term Note Programme, or "GMTN" Programme), one with a principal amount of €850 million, one with a principal amount of €1,000 million and one with a principal amount of CHF 450 million (€385 million), and (iii) the repayment of other long-term debt, net of proceeds, of a principal amount of €889 million.

Financing Activities —Year Ended December 31, 2016

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

Financing Activities —Year Ended December 31, 2015

For the year ended December 31, 2015, net cash used in financing activities of €3,128 million was primarily the result of (i) the prepayment of FCA US's secured senior notes due June 15, 2019 for an aggregate principal amount of €2,518 million and the prepayment of FCA US's secured senior notes due June 15, 2021 for an aggregate principal amount of €2,833 million; (ii) the repayment at maturity of two notes that had been issued under the MTN Programme, one for a principal amount of €1,500 million and another for a principal amount of CHF 425 million (€390 million); and (iii) the repayment of other long-term debt for a total of €4,412 million, which included (a) the repayment of the EIB loan of €250 million at maturity, the prepayment of our Mexican development banks credit facilities of €414 million as part of FCA Mexico's refinancing transaction completed in March 2015, (b) total payments of €244 million on the Canada HCT Notes, and (c) other repayments of borrowings, primarily in Brazil and FCA treasury companies, which were partially offset by (iv) proceeds from FCA's issuance of U.S.\$3,000 million (€2,840 million) total principal amount of unsecured senior notes due in 2020 and 2023; (v) proceeds from other long-term debt for a total of €3,061 million, which included (a) the disbursement received of €0.4 billion under the Mexico Bank Loan of €0.8 billion (U.S.\$0.9 billion) as part of FCA Mexico's refinancing transaction completed in March 2015, (b) proceeds from the €600 million loan granted by the EIB and SACE (refer to the section —*Capital Market and Other Financing Transactions* below) and (c) other financing transactions, primarily in Brazil; (vi) net proceeds from the Ferrari initial public offering in October 2015; and (vii) net proceeds of €2.0 billion from the draw-down of the syndicated loan facilities entered into by Ferrari N.V. in November 2015, included within *Cash flows from financing activities - discontinued operations*.

Net Debt

The following table details our Net debt at December 31, 2017 and 2016 and provides a reconciliation of this non-GAAP measure to Debt, which is the most directly comparable measure included in our Consolidated Statement of Financial Position.

	At December 31					
	2017			2016		
(€ million)	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services	Consolidated
Third parties debt (principal)	€ (16,375)	€ (1,647)	€ (18,022)	€ (22,499)	€ (1,535)	€ (24,034)
Capital market ⁽¹⁾	(9,443)	(308)	(9,751)	(12,055)	(417)	(12,472)
Bank debt	(6,219)	(986)	(7,205)	(9,026)	(733)	(9,759)
Other debt ⁽²⁾	(713)	(353)	(1,066)	(1,418)	(385)	(1,803)
Accrued interest and other adjustments ⁽³⁾	53	(2)	51	(11)	(3)	(14)
Debt with third parties	(16,322)	(1,649)	(17,971)	(22,510)	(1,538)	(24,048)
Intercompany, net ⁽⁴⁾	844	(844)	—	627	(627)	—
Current financial receivables from jointly-controlled financial services companies ⁽⁵⁾	285	—	285	80	—	80
Debt, net of intercompany and current financial receivables from jointly-controlled financial services companies	(15,193)	(2,493)	(17,686)	(21,803)	(2,165)	(23,968)
Derivative financial assets/(liabilities), net and collateral deposits ⁽⁶⁾	204	2	206	(144)	(6)	(150)
Current debt securities	176	—	176	204	37	241
Cash and cash equivalents	12,423	215	12,638	17,167	151	17,318
Debt classified as held for sale	—	—	—	(9)	—	(9)
Total Net debt	€ (2,390)	€ (2,276)	€ (4,666)	€ (4,585)	€ (1,983)	€ (6,568)

⁽¹⁾ Includes notes issued under the Medium Term Programme, or MTN Programme, and other notes (€9,422 million at December 31, 2017 and €12,055 million at December 31, 2016) and other debt instruments (€329 million at December 31, 2017 and €417 million at December 31, 2016) issued in financial markets, mainly from LATAM financial services companies.

⁽²⁾ Includes the Canada HCT note (nil at December 31, 2017 and €261 million at December 31, 2016), asset-backed financing, i.e. sales of receivables for which de-recognition is not allowed under IFRS (€360 million December 31, 2017 and €411 million at December 31, 2016) and arrangements accounted for as a lease under IFRIC 4 - Determining whether an arrangement contains a lease, and other debt.

⁽³⁾ Includes adjustments for fair value accounting on debt and net (accrued)/deferred interest and other amortizing cost adjustments.

⁽⁴⁾ Net amount between industrial activities entities' financial receivables due from financial services entities (€983 million at December 31, 2017 and €755 million at December 31, 2016) and industrial activities entities' financial payables due to financial services entities (€139 million at December 31, 2017 and €128 million at December 31, 2016).

⁽⁵⁾ Financial receivables due from FCA Bank.

⁽⁶⁾ Fair value of derivative financial instruments (net positive €145 million at December 31, 2017 and net negative €218 million at December 31, 2016) and collateral deposits (€61 million at December 31, 2017 and €68 million at December 31, 2016).

As of December 31, 2017, Net debt was €4,666 million as compared to €6,568 million as at December 31, 2016.

Excluding positive foreign currency translation effects, Net debt decreased by €1.7 billion, with net debt from industrial activities decreasing by €2.2 billion (refer to —Change in Net Industrial Debt, below), which was partially offset by an increase of €0.3 billion in net debt from financial services that was used to support the increase in financing activities in China and Europe.

Change in Net Industrial Debt

As described in Operating Results—Non GAAP Financial Measures, Net industrial debt is management's primary measure for analyzing our financial leverage and capital structure and is one of the key targets used to measure our performance. The following section sets forth an explanation of the changes in our Net industrial debt during 2017 and 2016.

At December 31, 2017, Net industrial debt of €2,390 million decreased by €2,195 million from €4,585 million at December 31, 2016 primarily as a result of (i) cash flow from industrial operating activities of €10,239 million, which represents the majority of the consolidated cash flow from operating activities of €10,385 million (refer to the section —Cash Flows above), (ii) proceeds received of €144 million from the sale of FCA's investment in CNHI as noted above, (iii) €165 million positive change in hedging derivatives positions, and (iv) a €276 million change in the scope of activities, which were partially offset by (v) investments in industrial activities of €8,663 representing investments in property, plant and equipment and intangible assets.

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

Capital Market and Other Financing Transactions

Notes Issued Through The MTN Programme

Certain notes issued by the Group are governed by the terms and conditions of the MTN Programme (previously known as the Global Medium Term Note Programme, or “GMTN” Programme). A maximum of €20 billion may be used under this programme, of which notes of €6.9 billion were outstanding at December 31, 2017 (€9.2 billion at December 31, 2016). The MTN Programme is guaranteed by FCA NV. We may from time to time buy back notes in the market that have been issued. Such buybacks, if made, depend upon market conditions, the Group’s financial situation and other factors which could affect such decisions.

Changes in notes issued under the MTN Programme during 2017 were due to the:

- repayment at maturity of a note in March 2017 with a principal amount of €850 million;
- repayment at maturity of a note in June 2017 with a principal amount of €1,000 million; and
- repayment at maturity of a note in November 2017 with a principal amount of CHF 450 million (€385 million).

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

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

As of December 31, 2017, FCA was in compliance with the covenants of the notes issued under the MTN Programme (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the outstanding notes at December 31, 2017 and 2016 under the MTN Programme and the related covenants).

Other Notes

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

Bank Debt

FCA US Tranche B Term Loans

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

At December 31, 2017, €836 million (€948 million at December 31, 2016), which included accrued interest, was outstanding under FCA US's Tranche B Term Loan maturing December 31, 2018 (the "Tranche B Term Loan due 2018"). On April 12, 2017, FCA US amended the credit agreement that governs the Tranche B Term Loan due 2018. The amendment reduced the applicable interest rate spreads by 0.50 percent per annum and reduced the LIBOR floor by 0.75 percent per annum, to 0.00 percent. In addition, the base rate floor was eliminated. As a result, the Tranche B Term Loan due 2018 bears interest, at FCA US's option, either at a base rate plus 1.0 percent per annum or at LIBOR plus 2.0 percent per annum. FCA US may prepay, refinance or re-price the Tranche B Term Loan due 2018 without premium or penalty.

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

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

As of December 31, 2017, FCA US was in compliance with the covenants of the credit agreement that governs the Tranche B Term Loan due 2018 (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the covenants).

European Investment Bank Borrowings

FCA has financing agreements with the European Investment Bank ("EIB") for a total of €1.1 billion outstanding at December 31, 2017 (€1.3 billion outstanding at December 31, 2016), which included the residual debt due under the following facilities:

- the facility for €250 million (maturing in December 2019) entered into in December 2016 to support the Group's investment plan (2017-2019) in research and development centers in Italy, which includes a number of key objectives such as greater fuel efficiency, a reduction in CO₂ emissions by petrol and alternative fuel engines and the study of new hybrid architectures, as well as certain capital expenditures for facilities located in southern Italy;
- the facility for €600 million (maturing in July 2018), entered into in June 2015 (50 percent guaranteed by SACE) to support the Group's investment plan (2015-2017) for production and research and development sites in both northern and southern Italy, to develop efficient vehicle technologies for vehicle safety and new vehicle architectures;
- the facility for €400 million (maturing in November 2018), entered into in November 2013 (50 percent guaranteed by SACE) to support certain investments and research and development programs in Italy; and
- the facility for €500 million (maturing in June 2021), entered into in May 2011 (guaranteed by SACE and the Serbian Authorities) for an investment program relating to the modernization and expansion of production capacity of an automotive plant in Serbia.

Brazil

Our Brazilian subsidiaries have access to various local bank facilities in order to fund investments and operations. Total debt outstanding under those facilities amounted to a principal amount of €3.2 billion at December 31, 2017 (€4.0 billion at December 31, 2016). The loans primarily include subsidized loans granted by public financing institutions such as Banco Nacional do Desenvolvimento ("BNDES"), with the aim to support industrial projects in certain areas. This provided the Group the opportunity to fund large investments in Brazil with loans of sizeable amounts at attractive rates. At December 31, 2017, outstanding subsidized loans amounted to €2.1 billion (€2.6 billion at December 31, 2016), of which €1.3 billion (€1.6 billion at December 31, 2016), related to the construction of the plant in Pernambuco (Brazil), which has been supported by subsidized credit lines totaling Brazilian Real ("BRL") 6.5 billion (€1.6 billion). Approximately €0.1 billion (€0.3 billion at December 31, 2016), of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2017.

Mexico Bank Loan

FCA Mexico, S.A. de C.V., ("FCA Mexico"), our principal operating subsidiary in Mexico, has a non-revolving loan agreement ("Mexico Bank Loan") maturing on March 20, 2022 and bears interest at one-month LIBOR plus 3.35 percent per annum. At December 31, 2017, the Mexico Bank Loan had an outstanding balance of €0.4 billion (€0.5 billion at December 31, 2016). As of December 31, 2017, we may prepay all or any portion of the loan without premium or penalty. The Mexico Bank Loan requires FCA Mexico to maintain certain fixed and other assets as collateral, and comply with certain covenants, including, but not limited to, financial maintenance covenants, limitations on liens, incurrence of debt and asset sales. As of December 31, 2017, FCA Mexico was in compliance with all covenants under the Mexico Bank Loan (refer to Note 21, *Debt*, within our Consolidated Financial Statements included elsewhere in this report, for information related to the covenants).

Other Debt

During the year ended December 31, 2017, FCA US's Canadian subsidiary made payments on the Canada Health Care Trust ("HCT") Tranche B Note totaling €272 million, which included a scheduled payment of principal and accrued interest, and the prepayment of the remaining scheduled payments due on the Canada HCT Tranche B Note. The prepayment, of €226 million, was accounted for as a debt extinguishment, and as a result, a gain on extinguishment of €9 million was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2017. This Canada HCT Note represented FCA US's principal Canadian subsidiary's remaining financial liability to the Canadian Health Care Trust arising from the settlement of its obligations for postretirement health care benefits for National Automobile, Aerospace, Transportation and General Workers Union of Canada "CAW" (now part of Unifor), which represented employees, retirees and dependents.

At December 31, 2016, Other debt included the unsecured Canada HCT Tranche B Note totaling €278 million, including accrued interest. During the year ended December 31, 2016, FCA US's Canadian subsidiary made payments on the Canada HCT Notes totaling €148 million, which included accrued interest and the prepayment of all scheduled payments due on the Canada HCT Tranche C Note. The prepayment on the Canada HCT Tranche C Note made on July 15, 2016 resulted in a loss on extinguishment of debt of €8 million that was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2016.

Debt secured by assets

At December 31, 2017, debt secured by assets of the Group (excluding FCA US) amounted to €743 million (€914 million at December 31, 2016), of which €140 million (€433 million at December 31, 2016) was due to creditors for assets acquired under finance leases and the remaining amount mainly related to subsidized financing in Latin America. The total carrying amount of assets acting as security for loans for the Group (excluding FCA US) amounted to €2,372 million at December 31, 2017 (€1,940 million at December 31, 2016).

At December 31, 2017, debt secured by assets of FCA US amounted to €1,441 million and included €836 million relating to the Tranche B Term Loan due 2018, €141 million due to creditors for assets acquired under finance leases and €464 million for other debt and financial commitments. At December 31, 2016, debt secured by assets of FCA US amounted to €3,446 million and included €2,678 million relating to the Tranche B Term Loans, €207 million due to creditors for assets acquired under finance leases and €561 million for other debt and financial commitments.

Subsequent Events and 2018 Guidance

Subsequent Events

The Group has evaluated subsequent events through February 20, 2018, which is the date the financial statements were authorized for issuance.

In January 2018, as a result of the distribution of the Company's entire interest in GEDI to holders of FCA common shares on July 2, 2017, the Compensation Committee of FCA approved a conversion factor of 1.003733 that was applied to outstanding awards under the LTI Plan to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

On January 11, 2018, a special bonus payment was announced of \$2,000 (approximately €1,670) to approximately 60,000 FCA hourly and salaried employees in the United States, excluding senior leadership, during the second quarter of 2018 for an estimated total cost including applicable social taxes, of approximately \$130 million (€109 million).

2018 Guidance

Net revenues	~ €125 billion
Adjusted EBIT	≥ €8.7 billion
Adjusted net profit	~ €5.0 billion
Net industrial cash	~ €4.0 billion

The guidance above confirms the Business Plan key targets.

- Top line growth to be driven by new product launches;
- Execution of production ramp-ups for all-new Jeep Wrangler and Ram 1500, as well as new Jeep Cherokee in the first quarter of 2018 are key, with full impact on financial performance expected in the second quarter of 2018;
- Targeting Net industrial cash position by the end of the first half of 2018;
- 2018 estimated taxes are expected to be reduced by approximately €800 million in relation to the U.S. tax reform, with the expected effective tax rate to reduce from approximately 35 percent to approximately 25 percent; and
- Foreign exchange headwind due to Euro to U.S. Dollar strengthening.

February 20, 2018

The Board of Directors

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

Major Shareholders

Exor N.V. is the largest shareholder of FCA through its 29.18 percent shareholding interest in our issued common shares (as of February 15, 2018). As a result of the loyalty voting mechanism, Exor N.V.'s voting power is 42.34 percent.

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

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

Based on the information in FCA's shareholder register, regulatory filings with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") and the SEC and other sources available to FCA, the following persons owned, directly or indirectly, in excess of three percent of FCA's capital and/or voting interest. As follows the common shares' holding of FCA as of February 15, 2018:

FCA Shareholders	Number of Issued Common Shares	Percentage Owned
Exor N.V. ⁽¹⁾	449,410,092	29.18
Baillie Gifford & Co. ⁽²⁾	52,231,297	3.39

⁽¹⁾ In addition, Exor N.V. holds 375,803,870 special voting shares; Exor N.V.'s beneficial ownership in FCA is 42.34 percent, calculated as the ratio of (i) the aggregate number of common and special voting shares owned by Exor N.V. and (ii) the aggregate number of outstanding common shares and issued special voting shares.

⁽²⁾ Baillie Gifford & Co., as an investment adviser in accordance with rule 240.13d-1(b), beneficially owns 78,283,320 common shares with sole dispositive power (4.02 percent of the issued shares), of which 52,231,297 common shares are held with sole voting power (2.68 percent of the issued shares).

Based on the information in FCA's shareholder register and other sources available to us, as of January 31, 2018, approximately 440 million FCA common shares, or 29 percent of the FCA common shares, were held in the United States. As of the same date, approximately 1,100 record holders had registered addresses in the United States.

Corporate Governance

Introduction

Fiat Chrysler Automobiles N.V. is a public company with limited liability, incorporated and organized under the laws of the Netherlands, which results from the cross-border merger of Fiat S.p.A. with and into Fiat Investments N.V. ("Fiat Investments"), renamed Fiat Chrysler Automobiles N.V. upon effectiveness of the merger on October 12, 2014 (the "Merger"). The Company qualifies as a foreign private issuer under the New York Stock Exchange ("NYSE") listing standards and its common shares are listed on the NYSE and on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A. ("MTA").

In accordance with the NYSE Listed Company Manual, the Company is permitted to follow home country practice with regard to certain corporate governance standards. The Company has adopted, except as discussed below, the best practice provisions of the revised Dutch corporate governance code issued by the Dutch Corporate Governance Code Committee, which entered into force on January 1, 2018 (the "Dutch Corporate Governance Code") and is applicable as from financial year 2017. The Dutch Corporate Governance Code contains principles and best practice provisions that regulate relations inter alia between the board of directors of a company and its committees and its relationship with the general meeting of shareholders.

In this report, the Company addresses its overall corporate governance structure. The Company discloses, and intends to disclose, any material departure from the best practice provisions of the Dutch Corporate Governance Code in its current and future annual reports.

Due to the revised Dutch Corporate Governance Code becoming applicable with regard to the financial year 2017, the various corporate governance documents of the Company were revised and updated to be aligned to the current Dutch Corporate Governance Code.

Board of Directors

Pursuant to the Company's articles of association (the "Articles of Association"), its board of directors (the "Board of Directors") may have three or more directors (the "Directors"). At the annual general meeting of shareholders held on April 14, 2017, the number of the Directors was confirmed at eleven and the current slate of Directors was elected. The term of office of the current Board of Directors will expire following the Company's 2018 annual general meeting of shareholders at which time the Company's general meeting of shareholders are expected to elect a new Board of Directors for approximately a one-year term. Each Director may be reappointed at any subsequent general meeting of shareholders.

The Board of Directors as a whole is responsible for the strategy of the Company. The Board of Directors is composed of two executive Directors (i.e., the Chairman and the Chief Executive Officer), having responsibility for the day-to-day management of the Company, and nine non-executive Directors, who do not have such day-to-day responsibility within the Company or the Group. Pursuant to Article 17 of the Articles of Association, the general authority to represent the Company shall be vested in the Board of Directors and the Chief Executive Officer.

On October 13, 2014, the Board of Directors appointed the following internal committees: (i) an Audit Committee, (ii) a Governance and Sustainability Committee, and (iii) a Compensation Committee.

On certain key industrial matters, the CEO is supported by the Group Executive Council (the "GEC"), which is responsible for reviewing the operating performance of the businesses, collaborating on certain operational matters, supporting the Chief Executive Officer with his tasks and executing decisions of the Board of Directors and the day-to-day management of the Company, primarily to the extent it relates to the operational management.

We consider seven of our eleven Board members to be independent. These Board members are all deemed "independent" under the NYSE definition. One of the seven is considered not independent under the Dutch Corporate Governance Code which considers a director of a shareholder holding ten percent or more of the company's shares as not independent. We believe Mr. Volpi is independent notwithstanding his role as an independent board member of Exor N.V.. We believe however, this is appropriate in light of the position of Exor N.V. as our reference shareholder.

The Board of Directors has also appointed Mr. Ronald L. Thompson as Senior Non-Executive Director in accordance with Section 2.1.9. of the Dutch Corporate Governance Code.

Directors are expected to prepare themselves for and to attend all Board of Directors meetings, the annual general meeting of shareholders and the meetings of the committees on which they serve, with the understanding that, on occasion, a Director may be unable to attend a meeting.

During 2017, there were 4 meetings of the Board of Directors. The average attendance at those meetings was 100 percent.

Summary biographies for persons who are currently directors of FCA are included below:

John Elkann (executive director) - John Elkann is Chairman of FCA. He was appointed Chairman of Fiat S.p.A. on April 21, 2010 where he previously served as Vice Chairman beginning in 2004 and as a board member from 1997. Mr. Elkann is also Chairman and Chief Executive Officer of Exor N.V. and Chairman of Giovanni Agnelli B.V.

Born in New York in 1976, Mr. Elkann obtained a scientific baccalaureate from the Lycée Victor Duruy in Paris, and graduated in Engineering from Politecnico, the Engineering University of Turin (Italy). While at university, he gained work experience in various companies of the Group in the UK and Poland (manufacturing) as well as in France (sales and marketing). He started his professional career in 2001 at General Electric as a member of the Corporate Audit Staff, with assignments in Asia, the U.S. and Europe. Mr. Elkann is Chairman of PartnerRe, Vice Chairman of Ferrari N.V. and Ferrari S.p.A. and a board member of The Economist Group and of GEDI Gruppo Editoriale S.p.A. Mr. Elkann is a member of the Museum of Modern Art (MoMA). He also serves as Vice Chairman of the Giovanni Agnelli Foundation.

Sergio Marchionne (executive director) - Sergio Marchionne currently serves as Chief Executive Officer of FCA and Chairman and Chief Executive Officer of both FCA US and FCA Italy. In addition, he is also Chairman of CNHI and Chairman and Chief Executive Officer of Ferrari N.V. and Ferrari S.p.A.

Born in Chieti (Italy) in 1952, he has dual Canadian and Italian citizenship. He holds a Bachelor of Arts with a major in Philosophy from the University of Toronto and a Bachelor of Laws from Osgoode Hall Law School at York University in Toronto, as well as a Master of Business Administration and a Bachelor of Commerce from the University of Windsor (Canada). Mr. Marchionne is a barrister, solicitor and chartered accountant.

Mr. Marchionne began his professional career in Canada. From 1983 to 1985, he worked for Deloitte & Touche. From 1985 to 1988, he was with the Lawson Mardon Group of Toronto. From 1989 to 1990, he served as Executive Vice President of Glenex Industries. From 1990 to 1992, he was Chief Financial Officer at Acklands Ltd. From 1992 to 1994, also in Toronto, he held the position of Vice President of Legal and Corporate Development and Chief Financial Officer of the Lawson Mardon Group. From 1994 to 2000, he covered various positions of increasing responsibility at Algroup, headquartered in Zurich (Switzerland), until becoming its Chief Executive Officer. He then went on to head the Lonza Group Ltd, first as Chief Executive Officer (2000-2001) and then as Chairman (2002).

In February 2002, he became Chief Executive Officer of the SGS Group of Geneva. In March 2006, he was appointed Chairman of the company, a position which he continues to hold. From 2008 to April 2010, he also served as non-executive Vice Chairman and Senior Independent Director of UBS.

In 2010, Mr. Marchionne joined the Board of Directors of Exor S.p.A. (now Exor N.V.) and, in 2015, was appointed non-executive Vice Chairman. As of September 2013, he is also Chairman of CNH Industrial N.V., the company resulting from the mergers of Fiat Industrial S.p.A. and CNH Global N.V.

Mr. Marchionne is currently a member of the Board of Philip Morris International Inc. and the Peterson Institute for International Economics, as well as Chairman of the Council for the United States and Italy and member of the J.P. Morgan International Council. Mr. Marchionne is recipient of ad honorem degrees in Industrial Engineering and Management from Polytechnic University in Turin (Italy), in Economics from the University of Cassino (Italy) and in Mechatronics Engineering from the University of Trento (Italy), a Masters honoris causa in Business Administration from the CUOA Foundation (Italy), an honorary Doctor of Laws from the University of Windsor (Canada) and Walsh College in Troy (Michigan), and honorary doctorates in Business Administration from the University of Toledo (Ohio), in Science from Oakland University in Rochester (Michigan) and in Humane Letters from Indiana University Kokomo (Indiana).

Mr. Marchionne also holds the honor of Cavaliere del Lavoro.

Andrea Agnelli (non-executive director) - Andrea Agnelli has been Chairman of Juventus Football Club S.p.A. since May 2010 and is also Chairman of Lamse S.p.A., a holding company of which he is a founding shareholder. Born in Turin in 1975, he studied at Oxford (St. Clare's International College) and Milan (Università Commerciale Luigi Bocconi). While at university, he gained professional experience both in Italy and abroad, including positions at: Iveco-Ford in London; Piaggio in Milan; Auchan Hypermarché in Lille; Schroder Salomon Smith Barney in London; and, finally, Juventus Football Club S.p.A. in Turin.

Mr. Agnelli began his career in 1999 at Ferrari Idea in Lugano, where he was responsible for promoting and developing the Ferrari brand in non-automotive areas. In November 2000, he moved to Paris and assumed responsibility for marketing at Uni Invest SA, a Banque San Paolo company specialized in managed investment products. Mr. Agnelli worked at Philip Morris International in Lausanne from 2001 to 2004, where he initially had responsibility for marketing and sponsorships and, subsequently, corporate communication. In 2005, Mr. Agnelli returned to Turin to work in strategic development for IFIL Investments S.p.A. (now Exor N.V.) and he joined the Board of Directors of IFI S.p.A. (now Exor N.V.) in May 2006. Mr. Agnelli is a non-executive director of Exor N.V.

Mr. Agnelli is a Director of Giovanni Agnelli B.V. and a member of the advisory board of BlueGem Capital Partners LLP. He is also a member of the European Club Association's executive board since 2012 and Chairman since 2017. Since July 2014, he has served as a board member of the Serie A National League of Professionals and as board member of the Foundation for the General Mutuality in Professional Team Sports. In September 2015, he was appointed to the UEFA Executive Committee as an ECA representative.

Mr. Agnelli was appointed to the Board of Directors of Fiat S.p.A. on May 30, 2004 and became a member of the Board of Directors of FCA on October 12, 2014.

Tiberto Brandolini d'Adda (non-executive director) - Born in Lausanne (Switzerland) in 1948, Tiberto Brandolini d'Adda is a graduate in commercial law from the University of Parma. From 1972 to 1974, Mr. Brandolini d'Adda gained his initial work experience in the international department of Fiat S.p.A. and then at Lazard Bank in London. In 1975, he was appointed assistant to the Director General for Enterprise Policy at the European Economic Commission in Brussels. He joined Ifint in 1976 as General Manager for France. In 1985, he was appointed General Manager for Europe and then, in 1993, Managing Director of Exor Group (formerly Ifint) where he also served as Vice Chairman from 2003 until 2007. He has extensive international experience as a main Board Director of several companies, including: Le Continent, Bolloré Investissement, Société Foncière Lyonnaise, Safic-Alcan and Chateau Margaux.

Mr. Brandolini d'Adda served as Director and then, from 1997 to 2003, as Chairman of the conseil de surveillance of Club Méditerranée. He served as Vice Chairman of Exor S.p.A. (now Exor N.V.), formed through the merger between IFI and IFIL Investments, from 2009 to May 2015. He was Chairman of Exor S.A. (Luxembourg) from 2007 until September 2017. In May 2004, he was appointed Chairman of the conseil de surveillance of Worms & Cie, where he had served as Deputy Chairman since 2000. In May 2005, he became Chairman and Chief Executive Officer of Sequana Capital (formerly Worms & Cie), then Chairman of the Board of Sequana from 2007 until 2013. He has been a member of the Board of Vittoria Assicurazioni S.p.A. from 2004 until 2010. He has also been a member of the Board of Société Générale de Surveillance S.A. (SGS) from 2005 to 2013. Mr. Brandolini d'Adda currently serves as Honorary Chairman of Exor N.V. and is also an independent member of the Board of Directors of Yafa S.p.A. In addition, since 2015, he has been an independent Board member of LumX Asset Management (Suisse) S.A. (formerly Gottex Fund Management Holdings Limited). He is a Director of Giovanni Agnelli B.V. Mr. Brandolini d'Adda is Officier de la Légion d'Honneur.

Mr. Brandolini d'Adda was appointed to the Board of Directors of Fiat S.p.A. on May 30, 2004 and became a member of the Board of Directors of FCA on October 12, 2014.

Glenn Earle (non-executive director) - Born in Douglas, Isle of Man in 1958, Glenn Earle is a member of the Board of Directors of Affiliated Managers Group, Inc. and Deputy Chairman of educational charity Teach First. Mr. Earle retired in December 2011 from Goldman Sachs International, where he was most recently a Managing Director and the Chief Operating Officer. Mr. Earle was also Chief Executive of Goldman Sachs International Bank and his other responsibilities included co-Chairmanship of the firm's Global Commitments and Capital Committees and membership on the Goldman Sachs International Executive Committee. He previously worked at Goldman Sachs in various roles in New York, Frankfurt and London from 1987, becoming a Partner in 1996. From 1979 to 1985, he worked in the Latin America department at Grindlays Bank/ANZ in London and New York, leaving as a Vice President.

Mr. Earle is a graduate of Emmanuel College, Cambridge and of Harvard Business School, where he earned a Master of Business Administration with High Distinction and was a Baker Scholar and Loeb, Rhoades Fellow. His other activities include membership of The Higher Education Commission and the Advisory Board of the Sutton Trust. His previous responsibilities include membership of the Board of Trustees of the Goldman Sachs Foundation and of the Ministerial Task Force for Gifted and Talented Youth, Chairmanship of the Advisory Board of Cambridge University Judge Business School, Vice Chairman of Rothesay Life Group, Trustee and Director of The Royal National Theatre and member of the Advisory Committee of Hayfin Capital Management LLP.

Mr. Earle was appointed to the Board of Directors of Fiat S.p.A. in June 2014 and became a member of the Board of Directors of FCA on October 12, 2014.

Valerie Mars (non-executive director) - Born in New York in 1959. Valerie Mars serves as Senior Vice President & Head of Corporate Development for Mars, Incorporated, a diversified food business, operating in over 120 countries and one of the largest privately held companies in the world. In this position, she focuses on acquisitions, joint ventures and divestitures for the company. She served on the Mars, Incorporated Audit Committee and Remuneration Committee and is a member of the board of Royal Canin.

Additionally, Ms. Mars is a member of the Rabobank North America Advisory Board. She served on the board of Celebrity Inc., a NASDAQ listed company, from 1994 to September 2000. Previously, Ms. Mars was the Director of Corporate Development for Masterfoods Europe. Her European work experience began in 1996 when she became General Manager of Masterfoods Czech and Slovak Republics. Ms. Mars joined M&M/Mars on a part time basis in 1992 and began working on special projects. She worked on due diligence for acquisitions and was part of the company's Innovation Team and VO2Max Team. Prior to joining Mars, Incorporated, Ms. Mars was a controller with Whitman Heffernan Rhein, a boutique investment company. She began her career with Manufacturers Hanover Trust Company as a training program participant and rose to Assistant Secretary. Ms. Mars is involved in a number of community and educational organizations and currently serves on the Board of Conservation International, including its Audit Committee. She is also Director Emeritus of The Open Space Institute. Previously she served on the Hotchkiss School Alumni Nominating Committee and the Prague American Chamber of Commerce Board.

Ms. Mars holds a Bachelor of Arts degree from Yale University and a Master of Business Administration from the Columbia Business School.

Ms. Mars was appointed to the Board of Directors of FCA on October 12, 2014.

Ruth J. Simmons (non-executive director) - Born in Grapeland (Texas, USA) in 1945, Ruth J. Simmons served on the Board of Directors of FCA US from 2012 to 2014. She was also President of Brown University from 2001 to 2012, Professor in the Department of Comparative Literature and the Department of African Studies of Brown University from 2001 to 2014, and currently serves as Interim President of Prairie View A&M University.

Prior to joining Brown University, Ms. Simmons was President of Smith College, where she started the first engineering program at a U.S. women's college. She also was Vice Provost at Princeton University and Provost at Spelman College and held various positions of increasing responsibility until becoming Associate Dean of the faculty at Princeton University. Ms. Simmons was previously Assistant Dean and then Associate Dean at the University of Southern California. She also held various positions including Acting Director of international programs at the California State University (Northridge), Assistant Dean at the College of Liberal Arts, Assistant Professor of French at the University of New Orleans, Admissions Officer at Radcliffe College, instructor in French at the George Washington University and an interpreter-Language Services Division at the U.S. Department of State.

Ms. Simmons also serves on the boards of Rice University, Square Inc., and Mondelez International Inc.

Ms. Simmons is a graduate of Dillard University in New Orleans, and received her Ph.D. in Romance languages and literatures from Harvard University. She is a Fellow of the American Academy of Arts and Sciences and a member of the Council on Foreign Relations.

Ms. Simmons was appointed to the Board of Directors of FCA on October 12, 2014.

Ronald L. Thompson (non-executive director) - Born in Detroit (Michigan, USA) in 1949, Ronald L. Thompson served on the Board of Directors of FCA US from 2009 to 2014. Mr. Thompson is currently chairman of the board of trustees for Teachers Insurance and Annuity Association (TIAA), a for-profit life insurance company that serves the retirement and financial needs of faculty and employees of colleges and universities, hospitals, cultural institutions and other nonprofit organizations. He also serves on the Board of Trustees for Washington University in St. Louis, Missouri, on the Board of Trustees of the Medical University of South Carolina Foundation, and as a member of the Advisory Board of Plymouth Venture Partners Fund.

Mr. Thompson was previously the Chief Executive Officer and Chairman of Midwest Stamping Company of Maumee, Ohio, a manufacturer of medium and heavy gauge metal components for the automotive market. He sold the company in late 2005. Mr. Thompson has served on the boards of many different companies including Commerce Bank of St. Louis, GR Group (U.S.), Illinova Corporation, Interstate Bakeries Corporation, McDonnell Douglas Corporation, Midwest Stamping Company, Ralston Purina Company and Ryerson Tull, Inc. He was also a member of the Board of Directors of the National Association of Manufacturers. He was Chairman and Chief Executive Officer at GR Group, General Manager at Puget Sound Pet Supply Company and Chairman and Chief Executive Officer at Evaluation Technologies. Mr. Thompson has served on the faculties of Old Dominion University, Virginia State University and the University of Michigan.

Mr. Thompson holds a Ph.D. and a Master of Science in Agricultural Economics from Michigan State University and a Bachelor of Business Administration from the University of Michigan.

Mr. Thompson was appointed Senior Non-Executive Director of FCA on October 12, 2014.

Michelangelo A. Volpi (non-executive director) - Born in Milan (Italy) in 1966, Michelangelo Volpi has been a partner at Index Ventures since 2009. He is focused on investments in the enterprise software infrastructure and consumer Internet sectors. Mr. Volpi led the investment by Index Ventures in Hortonworks (HDP), Pure Storage (PSTG), Cloud.com (CTRX) and StorSimple (MSFT) and is currently a director of Sonos, Wealthfront, Lookout, Elastic, Confluent, Blue Bottle Coffee, Slack, and Zuora. Mr. Volpi also serves on the board of Exor N.V.

Mr. Volpi performed in various executive roles for 13 years at Cisco Systems from 1994. He served as the company's Chief Strategy Officer, where he was responsible for Cisco's corporate strategy as well as business development, strategic alliances, advanced Internet projects, legal services, and government affairs. During this tenure, Mr. Volpi was instrumental in the creation of the company's acquisition and investment strategies, as Cisco acquired more than 70 companies during his tenure. He then became Senior Vice President & General Manager of the Routing and Service Provider Technology Group, where he led Cisco's business for the Service Provider market, and was also responsible for all of Cisco's routing products. Mr. Volpi began his career as a product development engineer at Hewlett Packard's Optoelectronics Division. Prior to Index, he was the CEO of Joost - an innovator in the field of premium video services delivered over the Internet.

Mr. Volpi has a B.S. in Mechanical Engineering and an M.S. in Manufacturing Systems Engineering from Stanford University, and an M.B.A. from the Stanford Graduate School of Business. He is a trustee of the Stanford Business School Trust and The Castilleja School in Palo Alto, CA.

Mr. Volpi was appointed to the Board of Directors of FCA on April 14, 2017.

Patience Wheatcroft (non-executive director) - Born in Chesterfield (United Kingdom) in 1951, Patience Wheatcroft is a British national and graduate in law from the University of Birmingham. She is also a member of the House of Lords since 2011 and a financial commentator and journalist. Ms. Wheatcroft currently serves as Non-executive Director of the wealth management company St. James's Place PLC. Ms. Wheatcroft has a broad range of experience in the media and corporate world with past positions at the Wall Street Journal Europe, where she was Editor-in-Chief, The Sunday Telegraph, The Times, Mail on Sunday, as well as serving as Non-executive Director of Barclays Group PLC and Shaftesbury PLC.

Ms. Wheatcroft is also on the Board of Trustees of the British Museum.

Ms. Wheatcroft was appointed to the Board of Directors of Fiat S.p.A. in April 2012 and became a member of the Board of Directors of FCA on October 12, 2014.

Ermenegildo Zegna (non-executive director) - Born in Turin (Italy) in 1955, Ermenegildo Zegna has been Chief Executive Officer of the Ermenegildo Zegna Group since 1997, having served on the board since 1989. Previously, he held senior executive positions within the Zegna Group including the U.S., after a retail experience at Bloomingdale's, New York. He is also a member of the International Advisory Board of IESE Business School of Navarra and he is board member of the Camera Nazionale della Moda Italiana and of the Council for the United States and Italy. In 2011, he was nominated Cavaliere del Lavoro by the President of the Italian Republic.

Zegna is a vertically integrated company that covers sourcing wool at the markets of origin and apparel manufacturing with marketing right through directly operated stores.

A graduate in economics from the University of London, Mr. Zegna also studied at the Harvard Business School.

Mr. Zegna was appointed to the Board of Directors of FCA on October 12, 2014.

Composition of the Board of Directors

Pursuant to Dutch law, as from the 2017 financial year, FCA should strive to achieve that its Board of Directors contain a minimum of 30% male and 30% female board members and should explain in its annual report if this criterion is not met. Three of our current eleven Directors are female and therefore female board members represent less than 30% of the total which is required by Dutch law. The Company envisages to achieve sufficient diversity of views and the expertise needed for a good understanding of current affairs and longer-term risks and opportunities related to the Company's business and therefore adopted a Diversity Policy on December 20, 2017 that stipulates that one of the targets is that "at least 30% of the seats of the Board of Directors are occupied by women and at least 30% by men and that as soon as reasonably possible the composition of the Board of Directors shall meet this target". The Company intends to realize this objective by taking into account this objective in the appointment and nomination of executive and non-executive Directors, and in the adoption of a profile for non-executive Directors. Nonetheless, the Company believes that at current the Board of Directors has the diversity of experience, expertise and backgrounds, and the appropriate independence and judgment, that will allow the Board of Directors to fulfill its responsibilities and execute its duties appropriately.

Board Regulations

On December 20, 2017, the Board of Directors adopted its regulations. Such regulations deal with matters that concern the Board of Directors and its committees internally.

The regulations contain provisions concerning the manner in which meetings of the Board of Directors are called and held, including the decision-making process. The regulations provide that meetings may be held by telephone conference or video-conference, provided that all participating Directors can follow the proceedings and participate in real time discussion of the items on the agenda.

The Board of Directors can only adopt valid resolutions when the majority of the Directors in office shall be present at the meeting or be represented thereat.

A Director may only be represented by another Director authorized in writing.

A Director may not act as a proxy for more than one other Director.

All resolutions shall be adopted by the favorable vote of the majority of the Directors present or represented at the meeting, provided that the regulations may contain specific provisions in this respect. Each Director shall have one vote.

The Board of Directors shall be authorized to adopt resolutions without convening a meeting if all Directors shall have expressed their opinions in writing, unless one or more Directors shall object in writing against the resolution being adopted in this way prior to the adoption of the resolution.

The regulations are available on the Company's website.

The Audit Committee

The Audit Committee is responsible for assisting and advising the Board of Directors' oversight of: (i) the integrity of the Company's financial statements, including any published interim reports; (ii) the Company's policy on tax planning; (iii) the Company's financing; (iv) the Company's applications of information and communication technology; (v) the systems of internal controls that management and the Board of Directors have established; (vi) the Company's compliance with legal and regulatory requirements; (vii) the Company's compliance with recommendations and observations of internal and independent auditors; (viii) the Company's policies and procedures for addressing certain actual or perceived conflicts of interest; (ix) the independent auditors' qualifications, independence, remuneration and any non-audit services for the Company; (x) the performance of the Company's internal auditors and of the independent auditors; (xi) risk management guidelines and policies; and (xii) the implementation and effectiveness of the Company's ethics and compliance program.

As of the date of March 23, 2015, the Board of Directors appointed Ms. Valerie Mars as additional member of the Audit Committee. Currently, the Audit Committee consists of Mr. Glenn Earle (Chairman), Mr. Thompson, Ms. Wheatcroft and Ms. Mars. The Audit Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors. Audit Committee members are also required (i) not to have any material relationship with the Company or to serve as auditors or accountants for the Company; (ii) to be "independent", for purposes of NYSE rules, Rule 10A-3 of the Exchange Act and the Dutch Corporate Governance Code; and (iii) to be "financially literate" and have "accounting or selected financial management expertise" (as determined by the Board of Directors). At least one member of the Audit Committee shall be a "financial expert" as defined by the Sarbanes-Oxley Act and the rules of the U.S. Securities and Exchange Commission and section 2(3) of the Decree on the Establishment of an audit committee. No Audit Committee member may serve on more than four audit committees for other public companies, absent a waiver from the Board of Directors, which must be disclosed in the Company's annual report. Unless decided otherwise by the Audit Committee, the independent auditors of the Company, the Chief Financial Officer and the Head of Internal Audit attend its meetings while the Chief Executive Officer is entitled to attend the meeting of the Audit Committee, unless the Audit Committee determines otherwise, and shall attend the meetings of the Audit Committee if the Audit Committee so requires. The Audit Committee shall meet with the independent auditor at least once per year outside the presence of the executive directors and management.

During 2017, ten meetings of the Audit Committee were held. The average attendance of its members at those meetings was 100 percent. The Committee reviewed the Group financial results on a quarterly basis with the assistance of the Group Chief Financial Officer and other company's officers mainly from finance and legal departments, focusing on main business drivers in addition to key accounting and reporting matters. Independent Auditors attended all the meetings providing regular information to the Committee on their activity with specific focus on the areas of major audit risks such as the evaluation of assets and liabilities requiring management judgment. The Committee received updates on legal and compliance matters, with the General Counsel attending the Committee meetings. Internal Audit activity was reviewed on a regular basis with the Head of the Internal Audit attending all the meetings and discussing with the Committee the main findings and remediating actions. Internal control over financial reporting was part of these reviews as well. In line with the policy adopted by the Group, the Committee was regularly involved in the review and approval of transactions entered into with related parties.

The Compensation Committee

The Compensation Committee is responsible for, among other things, assisting and advising the Board of Directors in: (i) determining executive compensation consistent with the Company's remuneration policy; (ii) reviewing and approving the remuneration structure for the executive Directors; (iii) administering equity incentive plans and deferred compensation benefit plans; (iv) discussing with management the Company's policies and practices related to compensation and issuing recommendations thereon; and (v) to prepare the remuneration report.

The Compensation Committee currently consists of Mr. Zegna (Chairman), Ms. Mars and Mr. Volpi. The Compensation Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors. Unless decided otherwise by the Compensation Committee, the Head of Human Resources of the Company attends its meetings.

During 2017, the Compensation Committee met twice with 100 percent attendance of its members at such meetings. The Compensation Committee reviewed the implementation of the Remuneration Policy and the Remuneration Report and proposed amendments to the Remuneration Policy, which were adopted by the general meeting 14 April 2017. Further details of the activities of the Compensation Committee are included in the Remuneration Report.

The Governance and Sustainability Committee

The Governance and Sustainability Committee is responsible for, among other things, assisting and advising the Board of Directors with: (i) the identification of the criteria, professional and personal qualifications for candidates to serve as Directors; (ii) periodic assessment of the size and composition of the Board of Directors; (iii) periodic assessment of the performance of individual Directors and reporting on this to the Board of Directors; (iv) proposals for appointment of executive and non-executive Directors; (v) supervision of the selection criteria and appointment procedure for senior management; (vi) monitoring and evaluating reports on the Group's sustainable development policies and practices, management standards, strategy, performance and governance globally; and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Mr. Elkann (Chairman), Ms. Wheatcroft and Ms. Simmons. The Governance and Sustainability Committee is elected by the Board of Directors and is comprised of at least three Directors. More than half of the members shall be independent and at most one of the members may be an executive Director.

In addition, as described above, the charters of the Audit Committee, Compensation Committee and Governance and Sustainability Committee set forth independence requirements for their members for purposes of the Dutch Corporate Governance Code. Audit Committee members are also required to qualify as independent for purposes of NYSE rules and Rule 10A-3 of the Exchange Act.

During 2017, the Governance and Sustainability Committee met three times with 100 percent attendance of its members at such meetings. The Committee reviewed the Board's and Committee's assessments, the Sustainability achievement and objectives, the revised Dutch Corporate Governance Code and related requirements, and the recommendations for Directors' election.

Amount and Composition of the remuneration of the Board of Directors

Details of the remuneration of the Board of Directors and its committees are set forth under the section "Remuneration of Directors".

Indemnification of Directors

The Company shall indemnify any and all of its Directors, officers, former Directors, former officers and any person who may have served at its request as a Director or officer of another company in which it owns shares or of which it is a creditor, against any and all expenses actually and necessarily incurred by any of them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been Director or officer of the Company, or of such other company, except in relation to matters as to which any such person shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise.

Conflict of interest

A Director shall not participate in discussions and decision making of the Board of Directors with respect to a matter in relation to which he or she has a direct or indirect personal interest that is in conflict with the interests of the Company and the business associated with the Company ("Conflict of Interest"), which shall be determined outside the presence of the director concerned. All transactions, where there is a Conflict of Interest, must be concluded on terms that are customary in the branch concerned and approved by the Board of Directors. In addition, the Board of Directors as a whole may, on an ad hoc basis, resolve that there is such a strong appearance of a Conflict of Interest of an individual Director in relation to a specific matter, that it is deemed in the best interest of a proper decision making process that such individual Director be excused from participation in the decision making process with respect to such matter even though such Director may not have an actual Conflict of Interest.

At least annually, each Director shall assess in good faith whether (i) he or she is independent under (A) best practice provision 2.1.8. of the Dutch Corporate Governance Code, (B) the requirements of Rule 10A-3 under the Exchange Act, and (C) Section 303A of the NYSE Listed Company Manual; and (ii) he or she would have a Conflict of Interest in connection with any transactions between the Company and a significant shareholder or related party of the Company, including affiliates of a significant shareholder (such conflict, a "Related-Party Conflict"), it being understood that currently Exor N.V. would be considered a significant shareholder.

The Directors shall inform the Board of Directors through the Senior Non-executive Director or the Secretary of the Board of Directors as to all material information regarding any circumstances or relationships that may impact their characterization as "independent," or impact the assessment of their interests, including by responding promptly to the annual D&O questionnaires circulated by or on behalf of the Secretary that are designed to elicit relevant information regarding business and other relationships.

Based on each Director's assessment described above, the Board of Directors shall make a determination at least annually regarding such Director's independence and such Director's Related-Party Conflict. These annual determinations shall be conclusive, absent a change in circumstances from those disclosed to the Board of Directors that necessitates a change in such determination.

Loyalty Voting Structure

The Company implemented a loyalty voting structure, pursuant to which the former shareholders of Fiat S.p.A. were able to elect to receive one special voting share with a nominal value of €0.01 per share for each common share they were entitled to receive in the Merger, provided that they fulfilled the requirements described in the terms and conditions of the special voting shares. Such shareholders had their common shares registered in a separate register (the "Loyalty Register") of the Company's shareholders register. Following this registration, a corresponding number of special voting shares were allocated to the above-mentioned Shareholders. By signing an election form, whose execution was necessary to elect to receive special voting shares, shareholders also agreed to be bound by the terms and conditions thereof, including the transfer restrictions described below.

Following the completion of the Merger, new shareholders may at any time elect to participate in the loyalty voting structure by requesting that the Company registers all or some of their common shares in the Loyalty Register. If these common shares have been registered in the Loyalty Register (and thus blocked from trading in the regular trading system) for an uninterrupted period of three years in the name of the same shareholder, such shares become eligible to receive special voting shares (the "Qualifying Common Shares") and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share. If at any time such common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder shall lose its entitlement to hold a corresponding number of special voting shares.

A holder of Qualifying Common Shares may at any time request the de-registration of some or all such shares from the Loyalty Register, which will allow such shareholder to freely trade its common shares. From the moment of such request, the holder of Qualifying Common Shares shall be considered to have waived her or his rights to cast any votes associated with such Qualifying Common Shares. Upon the de-registration from the Loyalty Register, the relevant shares will therefore cease to be Qualifying Common Shares. Any de-registration request would automatically trigger a mandatory transfer requirement pursuant to which the special voting shares will be acquired by the Company for no consideration (*om niet*) in accordance with the terms and conditions of the special voting shares.

The Company's common shares are freely transferable. However, any transfer or disposal of the Company's common shares with which special voting shares are associated would trigger the de-registration of such common shares from the Loyalty Register and the transfer of all relevant special voting shares to the Company. Special voting shares are not admitted to listing and are transferable only in very limited circumstances. In particular, no shareholder shall, directly or indirectly: (a) sell, dispose of or transfer any special voting share or otherwise grant any right or interest therein; or (b) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any special voting share or any interest in any special voting share.

The purpose of the loyalty voting structure is to grant long-term shareholders an extra voting right by means of granting a special voting share (shareholders holding special voting shares are entitled to exercise one vote for each special voting share held and one vote for each common share held), without entitling such shareholders to any economic rights, other than those pertaining to the common shares. However, under Dutch law, the special voting shares cannot be excluded from economic entitlements. As a result, pursuant to the Articles of Association, holders of special voting shares are entitled to a minimum dividend, which is allocated to a separate special dividend reserve (the "Special Dividend Reserve"). A distribution from the Special Dividend Reserve or the (partial) release of the Special Dividend Reserve, will require a prior proposal from the board of directors and a subsequent resolution of the meeting of holders of special voting shares. The power to vote upon the distribution from the Special Dividend Reserve is the only power that is granted to that meeting, which can only be convened by the Board of Directors as it deems necessary. The special voting shares do not have any other economic entitlement.

Section 10 of the terms and conditions of the special voting shares include liquidated damages provisions intended to discourage any attempt by holders to violate the terms thereof. These liquidated damages provisions may be enforced by the Company by means of a legal action brought by the Company in the courts of the Netherlands. In particular, a violation of the provisions of the above-mentioned terms and condition concerning the transfer of special voting shares may lead to the imposition of liquidated damages.

Pursuant to Section 12 of the terms and conditions of the special voting shares, any amendment to the terms and conditions (other than merely technical, non-material amendments) may only be made with the approval of the shareholders at a general meeting of FCA shareholders.

A Shareholder must promptly notify the Company upon the occurrence of a change of control, which is defined in Article 1.1. of the Articles of Association as including any direct or indirect transfer, carried out through one or a series of related transactions, by a shareholder that is not an individual (*natuurlijk persoon*) as a result of which (i) a majority of the voting rights of such shareholder; (ii) the de facto ability to direct the casting of a majority of the votes exercisable at general meetings of FCA shareholders of such shareholder; and/or (iii) the ability to appoint or remove a majority of the directors, executive directors or board members or executive officers of such shareholder or to direct the casting of a majority or more of the voting rights at meetings of the board of directors, governing body or executive committee of such shareholder has been transferred to a new owner. No change of control shall be deemed to have occurred if (a) the transfer of ownership and/or control is an intragroup transfer under the same parent company; (b) the transfer of ownership and/or control is the result of the succession or the liquidation of assets between spouses or the inheritance, inter vivos donation or other transfer to a spouse or a relative up to and including the fourth degree; or (c) the fair market value of the Qualifying Common Shares held by such shareholder represents less than twenty percent (20%) of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares held by such shareholder, in the sole judgment of the Company, are not otherwise material to the Transferred Group or the change of control transaction.

Article 1.1 of the Articles of Association defines "Transferred Group" as comprising the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction, as such term is defined in the above mentioned Article of the Articles of Association. A change of control will trigger the de-registration of the relevant Qualifying Common Shares from the Loyalty Register and the suspension of the special voting rights attached to the Qualifying Common Shares.

If the Company was to be dissolved and liquidated, after all the debts of the Company have been paid, any remaining balances would be distributed in the following order of priority: (i) first, to satisfy the aggregate balance of share premium reserves and other reserves than the Special Dividend Reserve to the holders of common shares in proportion to the aggregate nominal value of the common shares held by each of them; (ii) second, an amount equal to the aggregate amount of the nominal value of the common shares to the holders thereof in proportion to the aggregate nominal value of the common shares held by each of them; (iii) third, an amount equal to the aggregate amount of the special voting shares dividend reserve to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; and (iv) fourth, the aggregate amount of the nominal value of the special voting shares to the holders thereof in proportion to the aggregate nominal value of the special voting shares held by each of them.

General Meeting of Shareholders

At least one general meeting of FCA shareholders shall be held every year, which meeting shall be held within six months after the close of the financial year.

Furthermore, general meetings of FCA shareholders shall be held in the case referred to in Section 2:108a of the Dutch Civil Code as often as the Board of Directors, the Chairman or the Chief Executive Officer deems it necessary to hold them or as otherwise required by Dutch law, without prejudice to what has been provided in the next paragraph hereof.

Shareholders solely or jointly representing at least ten percent (10%) of the issued share capital may request the Board of Directors, in writing, to call a general meeting of FCA shareholders, stating the matters to be dealt with.

If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorized by the interim provisions judge of the court (*voorzieningenrechter van de rechtbank*) to convene a general meeting of FCA shareholders. The interim provisions judge (*voorzieningenrechter van de rechtbank*) shall reject the application if he is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a general meeting of FCA shareholders.

General meetings of FCA shareholders shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands, and shall be called by the Board of Directors, the Chairman or the Chief Executive Officer, in such manner as is required to comply with the law and the applicable stock exchange regulations, not later than on the forty-second day prior to the day of the meeting.

All convocations of general meetings of FCA shareholders and all announcements, notifications and communications to shareholders shall be made by means of an announcement on the Company's corporate website and such announcement shall remain accessible until the relevant general meeting of FCA shareholders. Any communication to be addressed to the general meeting of FCA shareholders by virtue of Dutch law or the Articles of Association, may be either included in the notice, referred to in the preceding sentence or, to the extent provided for in such notice, on the Company's corporate website and/or in a document made available for inspection at the office of the Company and such other place(s) as the Board of Directors shall determine.

Convocations of general meetings of FCA shareholders may be sent to shareholders through the use of an electronic means of communication to the address provided by such Shareholders to the Company for this purpose.

The notice shall state the place, date and hour of the meeting and the agenda of the meeting as well as the other data required by law.

An item proposed in writing by such number of Shareholders who, by Dutch law, are entitled to make such proposal, shall be included in the notice or shall be announced in a manner similar to the announcement of the notice, provided that the Company has received the relevant request, including the reasons for putting the relevant item on the agenda, no later than the sixtieth day before the day of the meeting.

The agenda of the annual general meeting of FCA shareholders shall contain, inter alia, the following items:

- a) adoption of the annual accounts;
- b) the implementation of the remuneration policy;
- c) the policy of the Company on additions to reserves and on dividends, if any;
- d) granting of discharge to the Directors in respect of the performance of their duties in the relevant financial year;
- e) the appointment of Directors;
- f) if applicable, the proposal to pay a dividend;
- g) if applicable, discussion of any substantial change in the corporate governance structure of the Company; and
- h) any matters decided upon by the person(s) convening the meeting and any matters placed on the agenda with due observance of applicable Dutch law.

The Board of Directors shall provide the general meeting of FCA shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Board of Directors invokes an overriding interest, it must give reasons.

When convening a general meeting of FCA shareholders, the Board of Directors shall determine that, for the purpose of Article 19 and Article 20 of the Articles of Association, persons with the right to vote or attend meetings shall be considered those persons who have these rights at the twenty-eighth day prior to the day of the meeting (the "Record Date") and are registered as such in a register to be designated by the Board of Directors for such purpose, irrespective whether they will have these rights at the date of the meeting. In addition to the Record Date, the notice of the meeting shall further state the manner in which shareholders and other parties with meeting rights may have themselves registered and the manner in which those rights can be exercised.

The general meeting of FCA shareholders shall be presided over by the Chairman or, in his absence, by the person chosen by the Board of Directors to act as chairman for such meeting.

One of the persons present designated for that purpose by the chairman of the meeting shall act as secretary and take minutes of the business transacted. The minutes shall be confirmed by the chairman of the meeting and the secretary and signed by them in witness thereof.

The minutes of the general meeting of FCA shareholders shall be made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three months. The minutes shall then be adopted in the manner as described in the preceding paragraph.

If an official notarial record is made of the business transacted at the meeting then minutes need not be drawn up and it shall suffice that the official notarial record be signed by the notary.

As a prerequisite to attending the meeting and, to the extent applicable, exercising voting rights, the shareholders entitled to attend the meeting shall be obliged to inform the Board of Directors in writing within the time frame mentioned in the convening notice. At the latest this notice must be received by the Board of Directors on the day mentioned in the convening notice.

Shareholders and those permitted by Dutch law to attend the general meetings of FCA shareholders may cause themselves to be represented at any meeting by a proxy duly authorized in writing, provided they shall notify the Company in writing of their wish to be represented at such time and place as shall be stated in the notice of the meetings. For the avoidance of doubt, such attorney is also authorized in writing if the proxy is documented electronically. The Board of Directors may determine further rules concerning the deposit of the powers of attorney; these shall be mentioned in the notice of the meeting.

The Company is exempt from the proxy rules under the U.S. Securities Exchange Act of 1934, as amended.

The chairman of the meeting shall decide on the admittance to the meeting of persons other than those who are entitled to attend.

For each general meeting of FCA shareholders, the Board of Directors may decide that shareholders shall be entitled to attend, address and exercise voting rights at such meeting through the use of electronic means of communication, provided that shareholders who participate in the meeting are capable of being identified through the electronic means of communication and have direct cognizance of the discussions at the meeting and the exercising of voting rights (if applicable). The Board of Directors may set requirements for the use of electronic means of communication and state these in the convening notice. Furthermore, the Board of Directors may for each general meeting of FCA shareholders decide that votes cast by the use of electronic means of communication prior to the meeting and received by the Board of Directors shall be considered to be votes cast at the meeting. Such votes may not be cast prior to the Record Date. Whether the provision of the foregoing sentence applies and the procedure for exercising the rights referred to in that sentence shall be stated in the notice.

Prior to being allowed admittance to a meeting, a shareholder and each person entitled to attend the meeting, or its attorney, shall sign an attendance list, while stating his name and, to the extent applicable, the number of votes to which he is entitled. Each shareholder and other person attending a meeting by the use of electronic means of communication and identified in accordance with the above shall be registered on the attendance list by the Board of Directors. In the event that it concerns an attorney of a shareholder or another person entitled to attend the meeting, the name(s) of the person(s) on whose behalf the attorney is acting, shall also be stated. The chairman of the meeting may decide that the attendance list must also be signed by other persons present at the meeting.

The chairman of the meeting may determine the time for which shareholders and others entitled to attend the general meeting of FCA shareholders may speak if he considers this desirable with a view to the orderly conduct of the meeting as well as other procedures that the chairman considers desirable for the efficient and orderly conduct of the business of the meeting.

Every share (whether common or special voting) shall confer the right to cast one vote.

Shares in respect of which Dutch law determines that no votes may be cast shall be disregarded for the purposes of determining the proportion of shareholders voting, present or represented or the proportion of the share capital present or represented.

All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified herein.

Blank votes shall not be counted as votes cast.

All votes shall be cast in writing or electronically. The chairman of the meeting may, however, determine that voting by raising hands or in another manner shall be permitted.

Voting by acclamation shall be permitted if none of the shareholders present or represented objects.

No voting rights shall be exercised in the general meeting of FCA shareholders for shares owned by the Company or by a subsidiary of the Company. Pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the right of pledge or usufruct was created before the shares were owned by the Company or a subsidiary. Neither the Company nor any of its subsidiaries may exercise voting rights for shares in respect of which it holds a right of pledge or usufruct.

Without prejudice to the Articles of Association, the Company shall determine for each resolution passed:

- a. the number of shares on which valid votes have been cast;
- b. the percentage that the number of shares as referred to under a. represents in the issued share capital;
- c. the aggregate number of votes validly cast; and
- d. the aggregate number of votes cast in favor of and against a resolution, as well as the number of abstentions.

Issuance of shares

The general meeting of FCA shareholders or alternatively the Board of Directors, if it has been designated to do so at the general meeting of FCA shareholders, shall have authority to resolve on any issuance of shares and rights to subscribe for shares. The general meeting of FCA shareholders shall, for as long as any such designation of the Board of Directors for this purpose is in force, no longer have authority to decide on the issuance of shares and rights to subscribe for shares.

For a period of five years from October 12, 2014, the Board of Directors has been irrevocably authorized to issue shares and rights to subscribe for shares up to the maximum aggregate amount of shares as provided for in the company's authorized share capital as set out in Article 4.1 of the Articles of Association, as amended from time to time.

The general meeting of FCA shareholders or the Board of Directors if so designated in accordance with the Articles of Association, shall decide on the price and the further terms and conditions of issuance, with due observance of what has been provided in relation thereto in Dutch law and the Articles of Association.

If the Board of Directors is designated to have authority to decide on the issuance of shares or rights to subscribe for shares, such designation shall specify the class of shares and the maximum number of shares or rights to subscribe for shares that can be issued under such designation. When making such designation the duration thereof, which shall not be for more than five years, shall be resolved upon at the same time. The designation may be extended from time to time for periods not exceeding five years. The designation may not be withdrawn unless otherwise provided in the resolution in which the designation is made.

Payment for shares shall be made in cash unless another form of consideration has been agreed. Payment in a currency other than euro may only be made with the consent of the Company.

The Board of Directors has also been designated as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above.

In the event of an issuance of common shares every holder of common shares shall have a right of pre-emption with regard to the common shares or rights to subscribe for common shares to be issued in proportion to the aggregate nominal value of his common shares, provided however that no such right of pre-emption shall exist in respect of shares or rights to subscribe for common shares to be issued to employees of the Company or of a group company pursuant to any option plan of the Company.

A shareholder shall have no right of pre-emption for shares that are issued against a non-cash contribution.

In the event of an issuance of special voting shares to qualifying shareholders, shareholders shall not have any right of pre-emption.

The general meeting of FCA shareholders or the Board of Directors, as the case may be, shall decide when passing the resolution to issue shares or rights to subscribe for shares in which manner the shares shall be issued and, to the extent that rights of pre-emption apply, within what period those rights may be exercised.

Corporate Offices and Home Member State

The Company is incorporated under the laws of the Netherlands. It has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands, and the place of effective management of the Company is in the United Kingdom.

The business address of the Board of Directors and the senior managers is 25 St. James's Street, SW1A1HA London, United Kingdom.

The Company is registered at the Dutch trade register under number 60372958 and at the Companies House in the United Kingdom under file number FC031853.

The Netherlands is FCA's home member state for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended).

Principal Characteristics of the Internal Control System and Internal Control over Financial Reporting

The Company has designed a system of internal control over financial reporting based on the model provided in the COSO Framework for Internal Controls, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives. In relation to the financial reporting process, reliability, accuracy, completeness and timeliness of the information contribute to the achievement of such corporate objectives. A periodic evaluation of the system of internal control over financial reporting is designed to provide reasonable assurance regarding the overall effectiveness of the components of the COSO Framework (control environment, risk assessment, control activities, information and communication, and monitoring) in achieving those objectives.

The approach adopted by the Company for the evaluation, monitoring and continuous updating of the system of internal control over financial reporting, is based on a 'top-down, risk-based' process consistent with the COSO Framework. This enables focus on areas of higher risk and/or materiality, where there is risk of significant errors, including those attributable to fraud, in the elements of the financial statements and related documents. The key components of the process are:

- identification and evaluation of the source and probability of material errors in elements of financial reporting;
- assessment of the adequacy of key controls in preventing or detecting potential misstatements in elements of financial reporting; and
- verification of the operating effectiveness of controls based on the assessment of the risk of misstatement in financial reporting, with testing focused on areas of higher risk.

Code of Conduct

The Company and all its subsidiaries refer to the principles contained in the FCA code of conduct (the "Code of Conduct") approved by the Board of Directors of FCA on April 29, 2015 and updated in January 2017.

The Code applies to all board members and officers of FCA and its subsidiaries, as well as full-time and part-time employees of the FCA and any of its subsidiaries. The Code also applies to all temporary, contract and all other individuals and companies that act on behalf of FCA, wherever they are located in the world.

The Code of Conduct represents a set of values recognized, adhered to and promoted by the Group which understands that conduct based on the principles of diligence, integrity and fairness is an important driver of social and economic development.

The Code of Conduct is a pillar of the integrity system which regulates the decision-making processes and operating approach of the Group and its employees in the interests of stakeholders. The Code of Conduct amplifies aspects of conduct related to the economic, social and environmental dimensions, underscoring the importance of dialog with stakeholders. Explicit reference is made to the UN's Universal Declaration on Human Rights, the principal Conventions of the International Labor Organisation ("ILO"), the OECD Guidelines for Multinational Enterprises, the U.S. Foreign Corrupt Practices Act ("FCPA") and United Kingdom Bribery Act ("UKBA"). The FCA Group has recently communicated to the workforce members a new set of Practices aimed to provide specific guidance on how to effectively apply the Principles of the Code of Conduct, in relation to various topics such as: the Environment, Health and Safety, Anti-corruption, Suppliers, Respect of Human Rights, Conflicts of Interest, , Data Privacy, Information Assets Protection, Antitrust and Export controls.

The FCA Group shall use its best efforts to ensure that the Code is regarded as a best practice of business conduct and observed by those third parties with whom it maintains business relationships of a lasting nature such as suppliers, dealers, advisors and agents. In fact, Group contracts worldwide include specific clauses relating to recognition and adherence to the principles underlying the Code of Conduct, as well as compliance with local regulations, particularly those related to corruption, money-laundering, terrorism and other crimes constituting liability for legal persons.

The Company closely monitors the effectiveness of and compliance with the Code of Conduct. Violations of the Code of Conduct are essentially determined through, among others: periodic activities carried out by Internal Audit of the Group according to the annual Audit Plan, approved by the FCA Audit Committee and CEO, that is based on a group risk assessment process; allegations received in accordance with the “Ethics Helpline process”; and checks forming part of the standard operating procedures. Internal Audit investigates violations of the Code of Conduct also through specific Business Ethics Audits (“BEA”). On a regular basis the Chief Audit Executive (CAE) inform the Chief Executive Officer and the Audit Committee on the major findings. For all Code of Conduct violations, the disciplinary measures taken are commensurate with the seriousness of the case and comply with local legislation.

The Code of Conduct, including further information on its effectiveness and compliance, is available on the Governance section of the Group’s website.

Insider Trading Policy

On October 10, 2014, the Fiat Investments’ Board of Directors adopted an insider trading policy setting forth guidelines and recommendations to all Directors, officers and employees of the Group with respect to transactions in the Company’s securities. This policy, which also applies to immediate family members and members of the households of persons covered by the policy, is designed to prevent insider trading or allegations of insider trading, and to protect the Company’s for integrity and ethical conduct. This policy was amended by the Board of Directors of FCA on July 28, 2016 following the new applicable law concerning market abuse and, in particular, Regulation (EU) 596/2014 of the European Parliament and Council of April 16, 2014 on market abuse (the “MAR Regulation”) and its implementing regulations.

Sustainability Practices

The Group is committed to operating in an environmentally and socially-responsible manner. For a full description of sustainability governance, guidelines, targets and results, refer to the section - *Non Financial Information* elsewhere in this report.

Diversity Policy

On 20 December 2017, the Board of Directors adopted a diversity policy of the Board of Directors (the “Diversity Policy”), since the Company believes that diversity in the composition of the Board of Directors in terms of age, gender, expertise, work background and nationality is an important means of promoting debate, balanced decision making and independent actions of the Board of Directors.

The Company applies the following diversity aspects to the Board of Directors: age, gender, expertise, work and personal background and nationality. The Company considers each of these aspects key drivers to support the above mentioned goals and to achieve sufficient diversity of views and the expertise needed for a proper understanding of current affairs and longer-term risks and opportunities related to the Company’s business. The Board of Directors and its Governance and Sustainability Committee consider such factors when evaluating nominees for election to the Board of Directors and during the annual performance assessment process.

Concrete targets that the Company aims to achieve, with an overriding emphasis based on merit, within the next several years, that (a) at least 30% of the seats of the Board of Directors are occupied by women and at least 30% by men; (b) the nationality of the members of the Board of Directors shall be reasonably consistent with the geographic spread of FCA’s business in such manner that no nationality shall count for more than 60% of the members of the Board of Directors; and (c) the age of the members of the Board of Directors should be more diverse by having one or more members of the Board of Directors aged under 50 at the day of their nomination; provided that in the selection of a candidate on the basis of the defined diversity criteria, rules and generally accepted principles of non-discrimination (on grounds such as ethnic origin, race, disability or sexual orientation) will be taken into account.

To ensure its correct implementation, the Diversity Policy has been considered in the adoption of a profile for non-executive Directors and will be taken into account in the nomination of executive Directors, as well as in nominating and recommending non-executive Directors. In the financial year 2017, the targets relating to nationality and age have been realized.

Compliance with Dutch Corporate Governance Code

While the Company endorses the principles and best practice provisions of the Dutch Corporate Governance Code, its current corporate governance structure applies as follows the following best practice provisions:

- Dutch legal requirements concerning director independence differ in certain respects from the rules applicable to U.S. companies listed on the NYSE. While under most circumstances both regimes require that a majority of board members be “independent,” the definition of this term under the Dutch Corporate Governance Code differs from the definition used under the NYSE corporate governance standards. In some cases the Dutch requirement is more stringent, such as by requiring a longer “look-back” period (five years) for former executive directors and employees, and by considering a non-executive board member serving as director in the Board of a shareholder holding ten percent or more of the company’s shares to be not independent, even if he or she is considered independent on the board of directors of the shareholder.
- We deviate from the Dutch Corporate Governance Code’s general best practice provision regarding the maximum of one non-executive director affiliated with a shareholder holding ten percent or more of the shares in the company. We believe this is appropriate in light of the position of Exor N.V. as our reference shareholder.
- We consider seven of our eleven Board members to be independent. These Board members are all deemed “independent” under the NYSE definition. One of the seven is considered not independent under the Dutch Corporate Governance Code which considers a director of a shareholder holding ten percent or more of the company’s shares as not independent. We believe Mr. Volpi is independent notwithstanding his role as an independent board member of Exor N.V.. We believe however, this is appropriate in light of the position of Exor N.V. as our reference shareholder.
- The Company does not have a retirement schedule as referred to in best practice provision 2.2.4. of the Dutch Corporate Governance Code, because pursuant to the Articles of Association the term of office of Directors is approximately one year, such period expiring on the day the first annual general meeting of FCA shareholders is held in the following calendar year. This approach is in line with the general practice for companies listed in the U.S. As the Company is listed at NYSE, the Company also relies on certain US governance policies, one of which is the reappointment of our Directors at each annual general meeting of FCA shareholders.
- The Board has not appointed a Vice-chairman in the sense of best practice provision 2.3.7 of the Dutch Corporate Governance Code. The Board has however appointed a Chairman of the Company and one of the non-executive directors as “voorzitter” of the Board of Directors (referred to as the “Senior Non-executive Director”). The Board Regulations provide that in absence of the Senior Non-executive Director any other non-executive director chosen by a majority of the directors present at a meeting shall preside at meetings of the Board of Directors. In addition the Chairman of the Company acts as contact for individual directors regarding the functioning of the Senior Non-executive Director and any conflict of interest or potential conflict of interest of the Senior Non-executive Director can be reported to the Chairman. We believe that this is sufficient to ensure that the functions assigned to the vice-chairman by the Dutch Corporate Governance Code are properly discharged.
- Pursuant to best practice provision 4.1.8 of the Dutch Corporate Governance Code, every executive and non-executive Director nominated for appointment should attend the general meeting at which votes will be cast on its nomination. Since, pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first annual general meeting of FCA shareholders is held in the following calendar year, all members of the Board of Directors are nominated for (re)appointment each year. By publishing the relevant biographical details and curriculum vitae of each nominee for (re)appointment, the Company ensures that the Company’s general meeting of shareholders is well informed in respect of the nominees for (re)appointment and in practice only the executive Directors will therefore be present at the general meeting.
- Mr. John Elkann, being an executive Director, has a position on the Governance and Sustainability Committee to which best practice provision 5.1.4 of the Dutch Corporate Governance Code applies. The position of Mr. Elkann as executive Director in this committee inter alia follows from the duties of the governance and sustainability committee, which are more extensive than the duties of a selection and appointment committee and include duties that warrant participation of an executive Director in the view of the Company.

Report of the Non-Executive Directors

Introduction

This is the report of the non-executive Directors of the Company over the financial year 2017 as referred to in best practice provision 5.1.5 of the Dutch Corporate Governance Code.

It is the responsibility of the non-executive Directors to supervise the policies carried out by the executive Directors and the general affairs of the Company and its affiliated enterprise, including the implementation of the strategy of the Company regarding long-term value creation. In so doing, the non-executive Directors act solely in the interest of the Company. With a view to maintaining supervision on the Company, the non-executive Directors regularly discuss FCA's long-term business plans, the implementation of such plans and the risks associated with such plans with the executive Directors.

According to the Articles of Association, the Board of Directors is a single board and consists of three or more members, comprising both members having responsibility for the day-to-day management of FCA (executive Directors) and members not having such day-to-day responsibility (non-executive Directors). The tasks of the executive and non-executive Directors in a one-tier board such as the Company's Board of Directors may be allocated under or pursuant to the Articles of Association, provided that the general meeting of shareholders has stipulated whether such Director is appointed as executive or as non-executive Director and furthermore provided that the task to supervise the performance by the Directors of their duties can only be performed by the non-executive Directors. Regardless of an allocation of tasks, all Directors remain collectively responsible for the proper management and strategy of the Company (including supervision thereof in case of non-executive Directors).

Details of the current composition of the Board of Directors, including the non-executive Directors, and its committees are set forth in the section "Board of Directors" on page 79.

Supervision by the non-executive Directors

The non-executive Directors supervise the policies carried out by the executive Directors and the general affairs of the Company and its affiliated enterprise. In so doing, the non-executive Directors have also focused on the effectiveness of the Company's internal risk management and control systems, the integrity and quality of the financial reporting and FCA's long-term business plans, the implementation of such plans and the risks associated.

Due to the revised Dutch Corporate Governance Code becoming applicable with regard to the financial year 2017, the non-executive Directors and especially the members of the Governance and Sustainability Committee spent significant time during the past year to assess the required amendments and arrange for revised updates of the various corporate governance documents of the Company to align those to the current Dutch Corporate Governance Code.

The non-executive Directors also determine the remuneration of the executive directors and nominate candidates for the Director appointments. Furthermore, the Board of Directors may allocate certain specific responsibilities to one or more individual directors or to a committee comprised of eligible Directors of the Company and subsidiaries of the Company. In this respect, the Board of Directors has allocated certain specific responsibilities to the Audit Committee, the Compensation Committee and the Governance and Sustainability Committee. Further details on the manner in which these committees have carried out their duties, are set forth in the sections "The Audit Committee", "The Compensation Committee" and "The Governance and Sustainability Committee", on pages 85, 85 and 86 respectively.

The non-executive Directors supervised the adoption and implementation of the strategies and policies by the Group, reviewed this annual report, including the Remuneration Report and the Group's financial results, received updates on legal and compliance matters and they have been regularly involved in the review and approval of transactions entered into with related parties. The non-executive Directors have also reviewed the reports of the Board of Directors and its committees, the Sustainability achievement and objectives and the recommendations for the appointment of Directors. The Board of Directors has furthermore proposed amendments to the Remuneration Policy, which were adopted by the general meeting on 14 April 2017.

During 2017, there were 4 meetings of the Board of Directors. Portions of these meetings took place without the executive Directors being present. The average attendance at those meetings was 100 percent. An overview of the attendance of the individual Directors per meeting of the Board of Directors and its committees set out against the total number of such meetings is set out below:

Name	Meeting Board of Directors	Audit Committee	Governance and Sustainability Committee	Compensation Committee
John Elkann	4/4	-	3/3	-
Sergio Marchionne	4/4	-	-	-
Ronald L. Thompson	4/4	10/10	-	-
Andrea Agnelli	4/4	-	-	-
Tiberto Brandolini d'Adda	4/4	-	-	-
Glenn Earle	4/4	10/10	-	-
Valerie A. Mars	4/4	10/10	-	2/2
Ruth J. Simmons	4/4	-	3/3	-
Michelangelo A. Volpi ⁽¹⁾	3/3	-	-	-
Patience Wheatcroft	4/4	10/10	3/3	-
Ermenegildo Zegna	4/4	-	-	2/2
Stephen M. Wolf ⁽²⁾	1/1	-	-	2/2

⁽¹⁾ Mr. Michelangelo A. Volpi was appointed as non-executive director at the Shareholders' meeting held on Friday, April 14, 2017. No meetings of the Compensation Committee were held subsequent to the appointment of Mr. Volpi to the committee.

⁽²⁾ Mr. Stephen M. Wolf served as non-executive director until the Shareholders' meeting held on Friday, April 14, 2017.

During these meetings, key topics discussed were, amongst others: the Group's strategy, the Group's financial results and reporting, sustainability, acquisitions and divestments, executive compensation, technological developments, risk management, updates on legal and compliance, risk management, human resources with the Head of Human Resources, implementation of the Remuneration Policy, and the Remuneration Report.

Independence of the non-executive Directors

The non-executive Directors are required by Dutch law to act solely in the interest of the Company. The Dutch Corporate Governance Code stipulates the corporate governance rules relating to the independence of non-executive Directors and requires under most circumstances that a majority of the non-executive Directors be "independent."

We consider seven of our eleven Board members to be independent. These Board members are all deemed "independent" under the NYSE definition. One of the seven is considered not independent under the Dutch Corporate Governance Code which considers a director of a shareholder holding ten percent or more of the company's shares as not independent. We believe Mr. Volpi is independent notwithstanding his role as an independent board member of Exor N.V.. We believe however, this is appropriate in light of the position of Exor N.V. as our reference shareholder. Mr. Thompson, the Senior Non-Executive Director and "voorzitter" of the Board of Directors, is independent under the Dutch Corporate Governance Code in accordance with best practice provision 2.1.9 of the Dutch Corporate Governance Code.

Although it wishes to state that best practice provision 2.1.7 (iii) of the Dutch Corporate Governance Code is not complied with given that more than one non-executive directors are affiliated with FCA's largest shareholder, Exor N.V. and notwithstanding the foregoing regarding the non-independent directors, FCA is of the opinion that the independence requirements as referred to in best practice provision 2.1.10 of the Dutch Corporate Governance Code are otherwise met by the Company.

Evaluation by the non-executive Directors

The non-executive Directors are responsible for supervising the Board of Directors and its committees, as well as the individual executive and non-executive Directors, and are assisted by the Governance and Sustainability Committee in this respect.

In accordance with the Governance and Sustainability Committee Charter, the Governance and Sustainability Committee assists and advises the Board of Directors with respect to periodic assessment of the performance of individual Directors. In this respect, the Governance and Sustainability Committee has, amongst others, the duties and responsibilities to review annually the Board of Directors' performance and the performance of its committees and to review each Director's continuation on the Board of Directors at appropriate regular intervals as determined by the Governance and Sustainability Committee.

In 2017, the Governance and Sustainability Committee's periodic assessments took place during the meeting held on January 25. During that meeting, the Governance and Sustainability Committee focused on the results of the periodic assessments and the performance of the Board of Directors, its committees and the individual Directors, keeping also into account the self-assessment prepared by each Director. During such meeting the Governance and Sustainability Committee dealt also with the directors' nomination process. On February 28, 2017 the Governance and Sustainability Committee focused on the assessment of Directors' qualifications, the size and composition of the Board of Directors and the committees, and the recommendations for Directors' election. On December 4, 2017 the Governance and Sustainability Committee reviewed purpose, structure, operations and charter of each of the committees, assessing the required amendments to align the various corporate governance documents to the revised Dutch Corporate Governance Code. In addition the Committee reviewed the process for 2018 Board and Committees' self-assessment.

The non-executive Directors have been regularly informed by each committee as referred to in best practice provision 2.3.5 of the Dutch Corporate Governance Code and the conclusions of those committee were taken into account when drafting this report of the non-executive Directors.

The non-executive Directors were able to review and evaluate the performance of the Audit Committee, the Governance and Sustainability Committee and the Compensation Committee based on the assessments made by the Governance and Sustainability Committee. The self-assessments of the Committees were also discussed by the Board of Directors. The outcome of the evaluations is that there is no need to amend the size or composition of the Audit Committee, the Governance and Sustainability Committee and the Compensation Committee, nor is there any reason to amend their charters on this basis. Further details on the manner in which these committees have carried out their duties, are set forth in sections "The Audit Committee", "The Compensation Committee" and "The Governance and Sustainability Committee", on pages 85, 85 and 86 respectively.

On the basis of the preparations by the Governance and Sustainability Committee, the non-executive Directors were able to review the Board of Director's assessments, the individual Directors' assessments and the recommendation for Directors' election, as well as the amendments of the Board regulations, the Committee's charters and other corporate documentation. The Board of Directors concluded that each of the Directors continues to demonstrate commitment to its respective role in the Company.

Also, pursuant to the Compensation Committee Charter, the Compensation Committee implements and oversees the remuneration policy as it applies to non-executive Directors, executive Directors and senior officers reporting directly to the executive Directors. The Compensation Committee administers all the equity incentive plans and the deferred compensation benefits plans. On the basis of the assessments performed, the non-executive Directors determine the remuneration of the executive directors and nominate candidates for the Director appointments.

The non-executive Directors have supervised the performance of the Audit Committee, the Compensation Committee and the Governance and Sustainability Committee.

Risk Management

Our Approach

Risk management is an important business driver and is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. Our success as an organization depends on our ability to identify and capitalize on the opportunities generated by our business and the markets in which we compete. By managing the associated risks, we strive to achieve a balance between our goals of growth and return and the related risks.

Risk Management Framework

The Group's risk management framework (the "Framework") is 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 consists of a set of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the principal risks to which the Company is exposed. The Framework is integrated within the Company's organization and corporate governance and supports 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 consists of the following three levels of oversight:

Level 1: operating areas, which identify and assess risks as well as establish specific actions for 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") functions, which support the monitoring of our risks and manage discussions of our risks at the Group level

In addition to the three levels of control, the results of the COSO process are part of the risk assessment of Group Internal Audit in defining its audit plan and accordingly, specific audits are planned for global enterprise risk management significant risks.

Appetite for Significant Risk

We align our risk appetite to our business plan. Risk boundaries are set through our strategy, Code of Conduct, budgets and policies. We have established Risk Management Committees, which are responsible for supporting risk governance and utilizing the operational focus of our existing Product (Global and Regional) and Commercial Committees. The Product Committee oversees capital investment, engineering and product development, while the Commercial Committee oversees matters related to sales and marketing. Both committees include executive managers from each of the Companies' brands, all of whom also have separate functional responsibilities across all the brands. We also leverage the strategic focus of our Global Risk Management Committee, Group Executive Council ("GEC"), CFO, CEO and Board of Directors (through the Audit Committee). Our risk appetite differs by risk category as shown below.

Risk category	Category description	Risk appetite
<i>Strategic</i>	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.
<i>Operational</i>	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.
<i>Financial</i>	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.
<i>Compliance</i>	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.

Significant risks identified and control measures taken

On an annual basis, an enterprise risk assessment is performed, beginning with our operating segments. Risks identified to have high or medium-high levels of potential impact on our organization and to which we have a high or medium-high level of vulnerability based on the mitigating factors within our Group are considered significant risks. Results of the assessment are consolidated into a Group report for review and validation with the Global Risk Management Committee and Group CEO. In addition, risk dashboards are maintained for the most significant risks to the Group to support the monitoring of risk indicators along with the current and go-forward mitigation efforts. Once validated, results are 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 has been classified by the COSO risk categories and corresponding risk factors have been assigned. Control measures and mitigating actions are subsequently defined for each identified risk. The risk factors, 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 or importance, likelihood or materiality. For further information regarding the risks we face, the significant impact during the past financial year (if any), the consequences thereof and the expected impact on results or financial position, refer to the section *-Risks Factors* elsewhere in this report.

Risk Category	Key Global Risk Description	Risk Factor	Control / Mitigating Actions
Compliance	Regulatory Compliance Our ability to manage the impact of regulatory compliance with vehicle fuel economy ("FE"), greenhouse gas ("GHG") and zero emission vehicle ("ZEV") requirements.	Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced greenhouse gas emissions, have a significant effect on how we do business.	Group Product Committee ("GPC") manages approval for investments in FE/ GHG/ZEV related compliance. Established central coordination and oversight of internal checks and conformity activities under senior management to promote consistency in approach and process across our operations.
Operational	Product Quality and Customer Satisfaction Our ability to produce vehicles to meet product quality standards, gain market acceptance and satisfy customer expectations.	Product recalls and warranty obligations may result in direct costs, and any resulting loss of vehicle sales could have material adverse effects on our business. 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.	Quality and customer satisfaction performance improvement metrics monitored at Committee meetings.
Operational	Supply Chain / Supplier Dependency (including Supplier Quality) Our ability to manage the services provided by our suppliers to ensure alignment with required expectations, needs and quality standards.	We face risks associated with increases in costs, disruptions of supply or shortages of raw materials, parts, components and systems used in our vehicles.	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, for 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	Risk Factor	Control / Mitigating Actions
Operational / Strategic	Talent Management Our ability to effectively attract, retain and develop personnel globally to meet current and future needs, including risks to the ability to maintain sufficient and effective bench strength in key positions and properly plan and prepare for changes in key management.	Our success largely depends on the ability of our current management team to operate and manage effectively.	Attrition, hiring and staffing metrics are monitored on a regional / sector basis. Assessment of bench strength for key positions and succession planning is managed at the Group level.
Strategic	Technology Development and Launch Our ability to develop and launch new technologies (e.g., electrification of vehicles, autonomous driving, connected vehicles) to meet regulatory requirements and customer expectations.	Our future performance depends on our ability to offer innovative, attractive products. Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced greenhouse gas emissions, have a significant effect on how we do business.	GEC and Product Committee reviews of product plans and commercialization strategies in order to define investment needs in the near and long-term.
Strategic	Product Portfolio Strategy Our ability to create a product portfolio that supports achievement of strategic objectives, including completeness of product range and technological content.	Our future performance depends on our ability to offer innovative, attractive products. We may be unsuccessful in efforts to increase the growth of some of our brands that we believe have global appeal and reach.	GEC and Product Committee reviews of product plans and commercialization strategies in order to define investment needs in the near and long-term.

Control measures and comprehensive mitigation actions listed above for key global risks were monitored throughout the year by the Risk Management Committees in our regions and business sectors to ensure that these are relevant and sufficient. As needed, control measures and mitigation actions are enhanced to ensure risks are appropriately addressed. We believe this approach allows us to address risk on a timely basis and ensure effectiveness of the control measures taken.

Current or planned improvements in the overall risk management system

We reviewed our risk management and monitoring activities, which resulted in the establishment of a Global Risk Management Committee to provide additional oversight and support in applying a common approach to risk across all regions and sectors. We have also engaged the business in key risk areas to benchmark our processes with peer companies and explore opportunities for improvement. Our goal in implementing these changes is to strengthen the identification of key risk indicators in order to monitor risks in a more predictive way and evaluate remediation plans and to promote efficient monitoring of risks throughout the Group. 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, refine key risk indicators identified for the significant risks facing our organization and refine our processes to identify and escalate risk developments.

Statement by the Board of Directors

Based on the assessment performed, the Board of Directors believes that, as of December 31, 2017, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Board Report provides sufficient insights into any material weakness in the effectiveness of the internal risk management and control systems, (ii) the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies, (iii) based on the current state of affairs, it is justified that the Group's and the Company's financial reporting is prepared on a going concern basis, and (iv) the Board Report states those material risks and uncertainties that are, in the Board of Director's judgment, relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board Report.

February 20, 2018

John Elkann

Chairman

Sergio Marchionne

Chief Executive Officer

Responsibilities in Respect to the Annual Report

The Board of Directors is responsible for preparing the Annual Report, inclusive of the Consolidated and Company Financial Statements and Report on Operations, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (EU-IFRS).

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the Financial Statements prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of the Company and its subsidiaries and that the Report on Operations provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of the Company and its subsidiaries, developments during the year, together with a description of the principal risks and uncertainties that the Company and the Group face.

February 20, 2018

The Board of Directors

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

Non-Financial Information

Business Model

Fiat Chrysler Automobiles ("FCA" or "Group") is an international automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide through 159 manufacturing facilities and 87 research and development centers. The Group's automotive brands are: Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia, Ram, Maserati, the SRT performance vehicle designation and Mopar, the parts and service brand.

In addition, FCA operates in the components and production systems sectors under the Comau, Magneti Marelli and Teksid brands. The Group also provides retail and dealer finance, leasing and rental services in support of the car business through subsidiaries, joint ventures and commercial agreements with specialized financing services providers.

FCA has operations in more than 40 countries, commercial relationships with customers in more than 140 countries, and business partnerships with suppliers and dealers on a global scale. Due to the complexity of the automotive industry's value chain and product offering, FCA impacts a large number and wide variety of stakeholders. We aim to create value through our relationships and connections with customers, employees, dealers, suppliers and communities, among others. We recognize that our environmental and social activities affect not only our aspiration to grow the business but also our commitment to positively affect our world.

Emerging trends, evolving consumer attitudes and regulatory requirements influence not only which products and services we develop, but also how we develop them. FCA incorporates the concept of a circular economy into its business approach, focusing on reducing waste in every link in the value chain from vehicle design through production, distribution, use and eventual reuse of materials. The circular economy model stands in contrast to the disposable economy, which wastes materials and the energy needed to produce them. Keeping resources in use for as long as possible is a sound business practice that reduces material costs and promotes efficiency, while also helping reduce the impact on the environment through the entire life cycle of a product.

Our progress toward achievement of the Business Plan is a reflection of our commitment to create long-term value responsibly, with full recognition of the broader role the Company plays.

To achieve our objectives, the Group targets:

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

Sustainability Governance

Several entities within the Group help direct a disciplined approach to sustainability management.

The Board of Directors, composed of both executive and non-executive members, is responsible for the management and strategic direction of the Group in view of long-term value creation. The Board's Governance and Sustainability Committee evaluates proposals related to strategic sustainability initiatives, advises the full Board as necessary, and reviews the annual Sustainability Report. For a full description of the Committee's responsibilities, refer to the section - *Corporate Governance* elsewhere in this report.

The Chief Executive Officer ("CEO") is supported by the Group Executive Council ("GEC"), a group led by the CEO and composed of senior leadership from regional operations, brands, industrial processes, and support/corporate functions. The GEC approves operating guidelines and plays a vital role in ensuring that sustainability efforts are aligned with economic and business objectives.

The Sustainability Group Coordinator is also a member of the GEC and coordinates the activities with the support of the Responsible of the Sustainability Team. The Sustainability Team, with members located in Italy, Brazil, China and the U.S., facilitates the process of continuous improvement, contributing indirectly to risk management, cost optimization, stakeholder engagement and effective communication to stakeholders of its commitments and results.

Integrity of Business Conduct

The foundation of FCA's governance model is the Code of Conduct and a collection of supporting statements that reflect our commitment to a culture dedicated to integrity, responsibility and ethical behavior.

FCA endorses the United Nations ("UN") Declaration of Human Rights, the International Labour Organization ("ILO") Conventions and the Organisation for Economic Co-Operation and Development ("OECD") Guidelines for Multinational Companies. The FCA Code of Conduct is intended to be consistent with such guidelines and aims to ensure that all members of the Company's workforce act with the highest level of integrity, comply with applicable laws, and build a better future for our Company and the communities in which we do business.

The FCA integrity system is comprised of these primary elements:

- Principles that capture the Company commitment to important values in business and personal conduct;
- Practices that are the basic rules that must guide our daily behaviors required to achieve our overarching Principles;
- Procedures that further articulate the Company's specific operational approach to achieving compliance and that may have specific application limited to certain geographical regions and/or businesses as appropriate; and
- statements that cover specific issues to emphasize the Company's accountability and commitment to a culture of responsibility and integrity. These cover, among others, matters related to human rights, competition, sustainability for suppliers, environmental management and conflict minerals.

The Code of Conduct applies to all Board members and officers of Fiat Chrysler Automobiles N.V. and its subsidiaries, as well as full-time and part-time employees of FCA and any of its subsidiaries. The Code of Conduct also applies to all temporary, contract and all other individuals and companies that act on behalf of FCA, wherever they are located in the world.

FCA uses its best efforts to ensure that the Code of Conduct is regarded as a best practice of business conduct and observed by those third parties with whom it maintains business relationships of a lasting nature such as suppliers, dealers, advisors and agents.

FCA disseminates the Principles established in the Code of Conduct to employees. Employees are provided training about ethics and compliance, with particular focus on the Code of Conduct, anti-corruption, corporate governance and human rights, including non-discrimination. Further, FCA employees may also seek advice concerning the application and interpretation of the FCA Code of Conduct by contacting their immediate supervisor, Human Resources representatives, the Legal Department and the Ethics Helpline.

For the reporting of alleged violations, FCA has implemented a Group Whistleblowing process which allows multiple channels for reporting a concern. The FCA Ethics Helpline is the preferred channel, which provides a worldwide and independent intake.

For all Code of Conduct violations, the disciplinary measures taken are commensurate with the seriousness of the case and comply with local legislation. The relevant corporate departments are notified of violations, irrespective of whether criminal action is taken by the authorities.

Anti-Corruption and Bribery

Included in FCA's Code of Conduct are, among others, rules related to anti-bribery, anti-corruption, anti-competitive behavior and conflicts of interest.

FCA is committed to the highest standards of integrity, honesty and fairness in all internal and external affairs and will not tolerate any kind of bribery.

The Group's policy is that no one - director, officer, or other employee, agent or representative - shall, directly or indirectly, give, offer, request, promise, authorize, solicit or accept bribes or any other perquisite in connection with their work for the Company at any time for any reason. A violation of anti-bribery and anti-corruption laws is a serious offense for both companies and individuals, which can result in significant fines, reputational damage and imprisonment of individuals.

Each FCA company that contracts with third parties shall adopt all appropriate measures to ensure that sufficient background checks and other appropriate due diligence procedures have been performed with respect to third parties under consideration, prior to finalizing any agreement among parties.

Alleged violations are reported through the same channels as other types of potential violations: the FCA Ethics Helpline website and telephone contact list available on our corporate website.

Human Rights

FCA's commitments include efforts directed to the prevention of adverse human rights conditions. The Group requires the adoption of internationally recognized principles for the respect and support of fundamental human rights in every geographic area where FCA companies operate. FCA promotes these principles within its sphere of influence, expecting its suppliers, contractors and other business partners, with whom it does business, to adhere to these standards.

The FCA Human Rights Guidelines, publicly available, are consistent with the spirit and intent of the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights ("Ruggie Framework"), the United Nations Sustainable Development Goals, the OECD Guidelines for Multinational Companies, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization, and the Modern Slavery Act 2015.

The Human Rights Guidelines cover the rights we seek to ensure for, and with, our major stakeholders:

- **Employees:** FCA prohibits the use of child and forced labor. We seek to provide a diverse and inclusive workplace, free from discrimination and harassment. We recognize and respect workforce members' freedom of association and are committed to providing employment conditions that are competitive and compliant with all applicable employment, wage and working hour laws. FCA conducts all of its worldwide operations with the highest regard for the health and safety of its workforce in accordance with applicable laws and is dedicated to continuously improving health and safety measures to help ensure that the potential for injury in the workplace is minimized.
- **Customers:** FCA is committed to offering safe, reliable, high-quality vehicles to our customers.
- **Communities:** FCA is committed to socially responsible engagement with the communities where we have operations.
- **Business partners and suppliers:** FCA expects our suppliers, contractors and other business partners with whom we do business, to adhere to our human rights standards. They are also required to comply with all occupational health and safety related rules and regulations, and to adopt measures and standards that contribute to an overall improvement in occupational health and safety performance throughout the value chain.

Our due diligence processes include actions to safeguard against human rights abuses in any part of our business and in our supply chain.

As part of our initiative to internally identify and mitigate any related risks, the following tools have been developed:

- an annual survey aimed at detecting any case of child and forced labor at worldwide FCA companies, including those located in countries that have not ratified ILO Conventions on these issues; and
- a Human Rights survey performed by the Internal Audit department as part of the standard internal audit process, in order to cover due diligence requirements of the Ruggie Framework. This survey gauges local supplier conditions and checks are performed in those countries with a high risk based on the yearly Audit Plan.

We regularly monitor risks related to human rights in our supply chain through two main monitoring tools:

- the FCA Supplier Sustainability Self-Assessment (“SSSA”) covering labor practice, human rights, ethics, diversity, and health and safety aspects, among others; and
- on-site audits conducted at high-risk supplier plants by either internal Supplier Quality Engineers or third-party auditors.

Alleged human rights violations are reported through the same channels as other types of potential violations: the FCA Ethics Helpline website and telephone contact list available on our corporate website.

Materiality Analysis and Risks

Each year, FCA conducts an analysis of sustainability-related topics which may be considered material to the Company. “Material” in this sense differs from the financial definition, and represents information determined to be of interest to internal and external stakeholders due to its economic, environmental or social impact. Material aspects include the most important factors that relate to, and have an impact on, FCA’s ability to create long-term value for its stakeholders.

The evaluation of material aspects involves consideration of factors such as stakeholder input, Business Plan targets, corporate values, industry trends, information of interest for investors, societal standards and expectations.

In addition, key global risks that have been identified through FCA’s risk management framework are also examined for their relevance to the Company’s sustainability profile and impact. These risks encompass a broad array of topics, including Regulatory Compliance, Product Portfolio, Product Quality and Customer Satisfaction, Supply Chain, Talent Management, and Technology Development.

For more information regarding the key global focus risks identified by FCA and control measures taken, refer to the section - *Risk Management* elsewhere in this report.

Gathering stakeholder input to determine materiality is an ongoing process. As a global enterprise with a complex, intricately connected value chain, FCA engages with a wide range of stakeholders, including employees, customers, suppliers, dealers, institutions, investors, trade unions, associations and local communities.

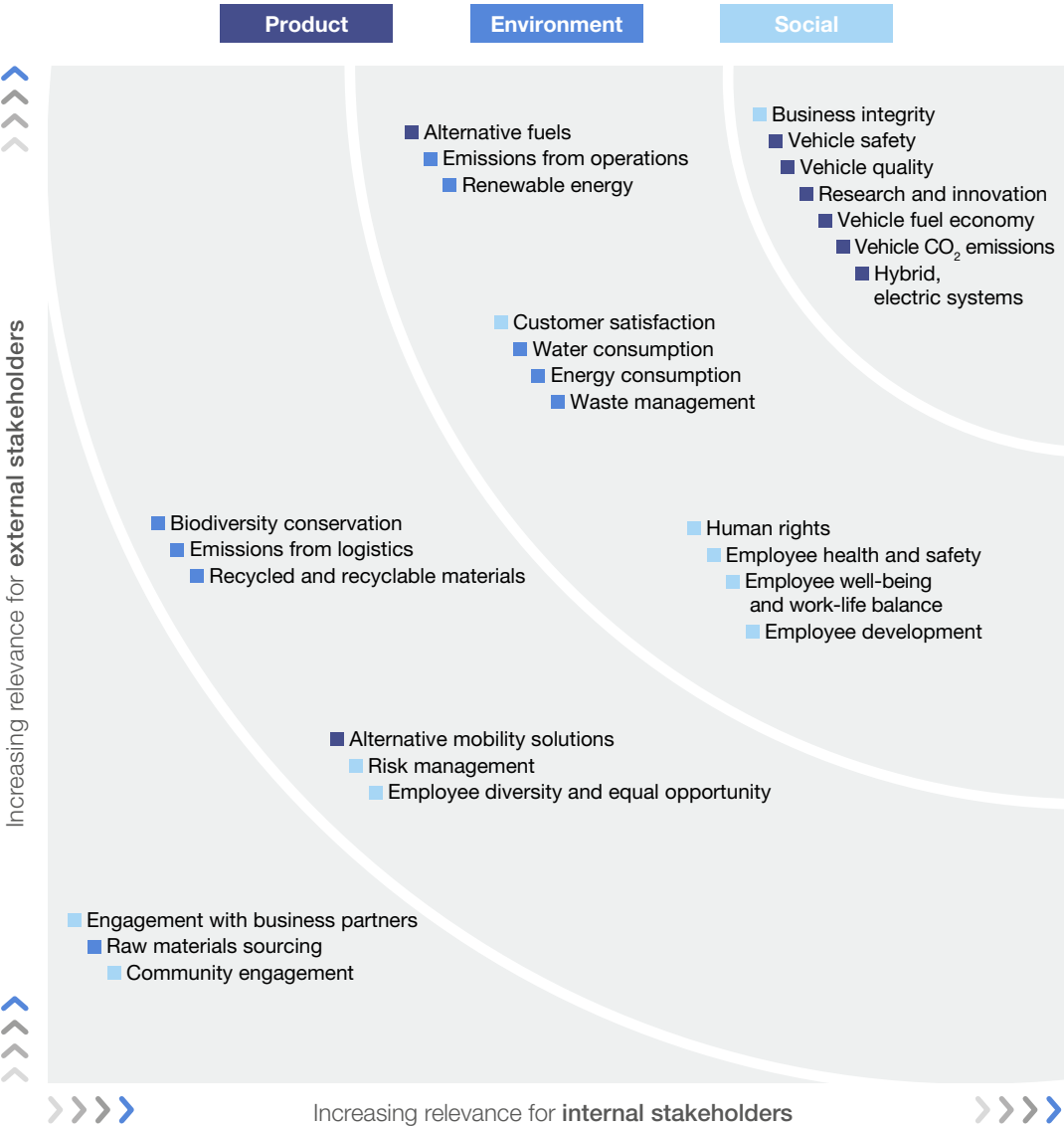
The Group annually conducts surveys and stakeholder engagement activities focused on sustainability topics. FCA has a target to expand and innovate the sustainability dialogue with stakeholders, in the belief that these activities are an essential part of a robust sustainability program. They help us to better identify risks and opportunities, as well as to align our objectives to social, technological and regulatory changes around the globe. In each of the regions where FCA operates, these stakeholder initiatives are adapted to locally relevant topics and needs.

The conclusions from our analysis of the various factors, together with the results from our stakeholder engagement activities and survey, are presented on the Materiality Diagram, which charts the relative importance of issues for both internal and external stakeholders.

This materiality assessment is used to help prioritize issues in our sustainability-focused reporting as well as to set targets to address the material aspects that have been identified.

As a result, FCA has long-term sustainability-focused targets covering priority areas such as quality and safety of vehicles; environmentally responsible products, plants and processes; corporate governance; a healthy, safe and inclusive work environment; and constructive relationships with local communities and business partners. These areas emerged as relevant for internal and external stakeholders in the sustainability materiality diagram and are also connected to the key risk factors identified by the risk management framework.

2017 FCA Materiality Diagram



Environmental Impacts from Operations

FCA's environmental stewardship endeavors to achieve objectives on two fronts: to reduce its environmental footprint while also contributing to the Company's financial success through reduced production costs.

FCA's Environmental Guidelines specify our commitment to address environmental and climate change issues by aiming to:

- reduce energy consumption through more efficient production processes;
- limit emissions of greenhouse gases and other pollutants, by reducing the amount of energy we use, implementing innovative technical solutions, and direct and indirect promotion of renewable energy sources;
- reduce consumption of fresh water in all areas, especially where its availability is critical to the surrounding environment and population, increase its reuse and recycling, and minimize emissions of hazardous substances to water from manufacturing;
- foster responsible water consumption as part of the commitment we share with our suppliers;
- minimize the use of raw materials by promoting renewable and recycled materials in our production processes;
- encourage the use of reusable and environmentally friendly packaging and containers in order to increase material savings and reduce waste;
- minimize the production of waste:
 - by implementing procedures designed to manage waste throughout our processes; and
 - by limiting the use of potentially hazardous substances and promoting their substitution wherever possible;
- preserve natural habitats and their biodiversity in areas surrounding our sites.

FCA has also adopted Logistics Guidelines that detail the methods we strive to employ in moving millions of parts and vehicles worldwide each year.

The Group has implemented an Environmental Management System ("EMS") worldwide, aligned with ISO 14001 standards. The EMS consists of a system of methodologies and processes designed to prevent or reduce the environmental impact of the Group's manufacturing activities through, for example, reductions in emissions, water consumption and waste generation, and conservation of energy and raw materials.

A key contributor to our environmental stewardship is the adoption of the World Class Manufacturing ("WCM") program. WCM was first adopted more than 10 years ago and has been implemented in nearly all FCA plants worldwide. WCM represents the concrete application of our model of environmental sustainability and, in particular, our efforts to reduce the impacts of our production processes. WCM is a rigorous manufacturing methodology that involves the entire organization and encompasses all phases of production.

The projects developed within WCM are designed to reduce losses and waste; increase productivity; and improve quality and safety in a systematic manner, aiming to ultimately reach zero accidents, zero waste, zero breakdowns and zero inventories. In 2017, more than 80,000 WCM-related projects were implemented, including around 5,000 specifically targeted at reducing environmental impacts and natural resource consumption.

Energy Consumption and Emissions

The Group seeks solutions that enable further reductions in greenhouse gas emissions and the use of fossil fuels. Over time, these solutions have generated significant savings in energy-related costs.

FCA uses CO₂ emissions per vehicle produced as an indicator of its energy performance and, for 2020, is targeting a 32 percent reduction, based on estimated volumes, compared with the 2010 baseline.

Energy consumption in 2017 was 48.2 million gigajoules ("GJ") and was well below the 2010 level in both absolute terms and on a per vehicle produced basis. At mass-market vehicle assembly and stamping plants, energy consumption per vehicle produced recorded a decrease of about 24 percent compared with 2010 (from 7.36 to 5.60 GJ).

Manufacturing energy consumption

<i>FCA worldwide (million gigajoules)</i>	2017	2016	2015
Total energy consumption	48.2	47.4	47.4

Total CO₂ emissions from manufacturing processes decreased more than two percent to 3.8 million tons compared with 2016, which was also well below the 2010 level on both a total and per vehicle produced basis. Emissions of CO₂ per vehicle produced at mass-market vehicle assembly and stamping plants decreased about 33 percent in the last seven years, falling from 0.616 tons per vehicle produced in 2010 to 0.413 tons per vehicle produced in 2017 and already reaching the target set for 2020.

Manufacturing CO₂ emissions

<i>FCA worldwide (million tons of CO₂)</i>	2017	2016	2015
Total CO ₂ emissions	3.8	3.9	4.0

In 2017, FCA continued to make extensive use of energy from renewable sources. In Europe, the vast majority of renewable energy purchased for consumption by the Group is certified by the supplier, covering 100 percent of Italian plants' electricity. In Brazil, South America's major market, electricity purchased for consumption is certified as originating almost entirely from hydroelectric or wind sources. In addition, solar power is used for electricity and/or heating at some Group plants. Energy from renewable sources used in Group production processes represented about 29 percent of total electricity consumption in 2017.

Other Emissions⁽¹⁾

Estimated emissions of other substances based on direct fuel consumption for energy production slightly increased in 2017. Nitrogen Oxides (NO_x) emissions increased as a result of higher natural gas consumption, while Sulfur Oxides (SO_x) emissions increased as a result of the increased production at our foundries. Dust also increased slightly.⁽²⁾

Direct emissions of NO_x, SO_x and dust

<i>FCA worldwide (tons)</i>	2017	2016	2015
NO _x	1,350	1,319	1,334
SO _x	105	83	122
Dust	59	53	63

⁽¹⁾ Only emissions related to energy generation which are material and/or applicable for our production processes are reported.

⁽²⁾ Also referred to as Particulate Matter.

Water Management

The Group adopted a new risk assessment method in 2016 to evaluate water stressed areas and conduct scenario analyses to mitigate future climate change impacts in order to identify those plants located in areas where water is considered a limited resource. FCA aims to responsibly manage the entire water cycle, adopting technologies and procedures to increase recycling and reuse of water and decrease the level of pollutants in discharged water.

Total water consumption (withdrawal) in 2017 decreased compared with 2016 at 24.1 million cubic meters and was below the 2010 level on both a total and per vehicle produced basis. In 2017, mass-market vehicle assembly and stamping plants reduced water consumption per vehicle produced by about 37 percent compared with 2010.

Manufacturing water withdrawal

<i>FCA worldwide (million m³)</i>	2017	2016	2015
Total water withdrawal	24.1	24.4	24.3

For 2020, FCA is targeting a 40 percent reduction in water consumed per vehicle produced compared with 2010.

Waste Management

To reduce the consumption of raw materials and related environmental impacts, FCA has implemented procedures to pursue optimal recovery and reuse with minimal waste. We strive to recycle what cannot be reused. If neither reuse nor recovery is possible, waste is disposed of using the method available that has the least environmental impact, with landfills only used as a last resort.

As a result of continued improvements in waste management, FCA achieved a 29 percent year-over-year reduction in total waste generated.

Mass-market vehicle plants, which account for the majority of total waste generated, reduced waste to landfill either to zero or very close to zero.

In mass-market vehicle assembly and stamping plants, the quantity of waste generated per vehicle produced in 2017 decreased by 46 percent compared with the prior year (from 169.4 to 90.8 kg/vehicle produced), and by about 58 percent compared with 2010 (from 217.2 to 90.8 kg/vehicle produced). This significant decrease year-over-year was the result of waste reduction initiatives and the alignment in NAFTA to country-specific waste exemptions.

Manufacturing waste generated

<i>FCA worldwide (million tons)</i>	2017	2016	2015
Waste recovered	0.74	1.17	1.21
Waste disposed	0.24	0.21	0.25
Total waste generated	0.98	1.38	1.46

Responsible Product

FCA's approach to responsible vehicle development includes dedication to efficient powertrains, improved aerodynamics, weight reduction, safety, quality, increased use of renewable materials, and innovative solutions such as autonomous technology. Economically viable results can best be achieved by combining, where technologically possible, conventional and alternative technologies, while recognizing and accommodating the different regulatory requirements of each market. FCA acknowledges the challenges posed by climate change and has established targets to contribute to the goal of transitioning to a low-carbon future.

Research and Innovation

As of December 31, 2017, we operated 87 research and development centers worldwide with a combined headcount of approximately 21 thousand employees supporting our research and development efforts. Our personnel support product development efforts and have expertise in a number of disciplines, including mechanical, electrical, materials, computer science and chemical engineering. We also provide several internal programs through which a portion of our engineers receive cross-training in various technical and business functions.

In 2017, total expenditures for research and development amounted to €4.3 billion, representing 3.9 percent of Net revenues attributable to industrial operations (excluding revenue from financial services). Total expenditures for research and development for the year ended December 31, 2017 increased 1.5 percent from €4.2 billion from the year ended December 31, 2016, which was in line with the Group's product development established in the Business Plan.

We focus the majority of our research efforts in two areas aimed at improving vehicle efficiency and reducing fuel consumption and emissions: vehicle energy demand (including weight, aerodynamic drag, rolling resistance, heating, air-conditioning and auxiliaries) and powertrain technologies (engines, transmissions, axles and drivelines, hybrid and electric propulsion and alternative fuels). In addition, we have recently begun increasing our research focus on autonomous driving technology.

Vehicle Energy Demand

Our research focuses on reducing weight, aerodynamic drag, tire rolling resistance and driveline losses. We also continue to research conventional and hybrid vehicle technologies aimed at improving recovery of kinetic energy and re-use of thermal energy to reduce overall energy consumption and CO₂ emissions.

We have introduced engine stop-start ("ESS") and smart charging technology in order to further reduce fuel consumption. ESS technology turns off the engine and fuel flow automatically when the vehicle comes to a halt and re-starts the engine upon the driver disengaging the brake. Smart charging technology allows for the optimization of electric generation while recovering kinetic energy and is widely employed in Fiat and Alfa Romeo models, and have been adopted in certain Jeep, Dodge, Ram and Chrysler brand vehicles.

We have also introduced active aerodynamic devices, which are automatically activated under certain conditions, to improve aerodynamic drag and reduce fuel consumption and CO₂ emissions, while also improving thermal management (decreased defrost time and improved powertrain warm up). These active aerodynamic devices include active grille shutters and adjustable height suspension, and have been adopted in certain Jeep, Ram, Chrysler, Alfa Romeo and Maserati brand vehicles. Further, we have introduced smart actuators, such as a variable speed fuel pump and brushless motor for cooling fan, to reduce fuel consumption. Such smart actuators only require the energy needed for each specific working condition, avoiding electric energy waste.

Powertrain Technologies

The evolution of our proprietary technologies like MultiAir and MultiJet (increased fuel pressure and improved injection pattern) has progressed in combination with other technologies, such as direct injection, variable displacement oil pumps, two-step valve lift systems, cooled exhaust gas recirculation systems, and electronic thermostats, leading to the development of more efficient powertrain architectures.

The latest generation MultiAir technology brings further improvements in fuel efficiency and CO₂ emissions via improved intake valve event control, building on the progress of the previous generation.

The wider use of smart technologies, which provide dynamic management of the vehicle's powertrain systems, has contributed to an improved balance between performance and fuel economy. These technologies include smart charging, optimized engine cooling systems and cylinder deactivation. Gasoline and diesel engines are expected to continue to play a prominent role in mobility in upcoming years. The value of thermal management, or using available "waste" thermal energy, is being leveraged in multiple products. This approach allows vehicle systems to operate at higher efficiency by tailoring individual components to run at more optimal temperatures. The Group believes that there is still significant potential to reduce the fuel consumption and emission levels of these engines through technological advancements.

Gasoline engines

Completely new global small and medium gasoline engine families are being developed to improve fuel economy and emission levels. These new engine families feature a modular approach from a shared cylinder design (allowing for different engine configurations, displacements, efficiency and power outputs) and are expected to cover a large range of vehicle applications and introduce features and technologies such as direct injection, downsizing, turbocharging, and cooled exhaust gas recirculation to improve efficiency, while also addressing internal friction and thermal management. In particular, both a 1.0L three cylinder and a 1.3L four cylinder Firefly global small engine launched in the LATAM region in the third quarter of 2016, and the first global medium engine application (a 2.0L turbo four cylinder engine) launched in the Alfa Romeo Giulia in the fourth quarter of 2016.

Looking to the future, FCA Group has been engaged in the development of new and improved temperature aluminum alloys for engine use. This work has demonstrated an aluminum alloy capable of a 50% increase in strength at 300° Celsius when compared to other currently used aluminum alloys. While still in very early development, this type of alloy strength behavior has the potential to provide increased design flexibility for cylinder heads and blocks and help to enable increased engine efficiency.

Hybrid and Battery Propulsion

The all-new Chrysler Pacifica Hybrid launched, in 2016, achieves an efficiency rating of 84 miles per gallon equivalent (MPGe), based on U.S. Environmental Protection Agency standards. The Pacifica Hybrid provides an estimated range of 33 miles solely on zero-emissions electric power, with its battery capable of being recharged in approximately two hours using a level 2 240 volt charger. When the battery's energy is depleted to a certain threshold, the Pacifica Hybrid operates like a conventional hybrid.

Power to the wheels is supplied by the hybrid electric drive system and comprised of a specially adapted new version of the award-winning Pentastar 3.6-liter V-6 engine and the all-new eFlite hybrid transmission.

Additional electrification technologies are also being developed, including a mild hybrid using belt starter generator ("BSG") technology. BSG technology offers improvement in fuel economy and a reduction in CO₂ emissions.

Natural Gas and Biofuel engines

A fundamental aspect of our vehicle emission reduction strategy is the use of alternative fuels, from natural gas to biofuels, in order to offer technologies that are aligned with the fuels available in various markets, and capable of reducing emission levels. For example, in Brazil, we have a full range of Flexfuel vehicles that run on varying blends of gasoline and bioethanol.

We also believe that in certain markets compressed natural gas is a viable near to medium-term option for promoting compliance with fuel economy and emissions requirements. We offer a range of bi-fuel (natural gas/gasoline) vehicles in Europe, targeting a wide variety of private and commercial consumers. Safety and comfort remain uncompromised, as the natural gas tanks in these vehicles are fully integrated into the vehicle structure. The Group recently completed a significant natural gas direct injection research activity that demonstrated the significant opportunity afforded by direct injection of gaseous high octane fuels and may open the door for future developments.

Diesel engines

In recent years, diesel research has focused on the combustion process and after-treatment technologies. Although diesel engines are expected to remain an important part of our portfolio, future diesel research efforts are likely to focus on the truck, LCV, larger SUV and larger passenger car segments.

Transmissions

Our transmission portfolio includes manual transmissions, dual dry clutch transmissions ("dDCTs") and automatic transmissions.

In support of global fuel consumption and CO₂ requirements, FCA has developed its first dedicated hybrid transmission (the eFlite), used in the Chrysler Pacifica hybrid. The new eFlite hybrid transmission architecture is an electrically variable front wheel drive transaxle with an input split configuration and incorporates two electric motors, both capable of driving in Electric Vehicle mode. The lubrication and cooling system makes use of two pumps, one electrically operated and one mechanically driven. The FCA team expects future hybrid vehicle portfolio growth with the eFlite transmission and similar electrified propulsion systems.

Our automatic transmission portfolio includes 8- and 9-speed units developed in an effort to provide our customers with improved efficiency, performance and drive comfort. Long travel damper and pendulum damper technologies are used to allow the engine to operate at a lower speed and higher torque. In this area the engine is more efficient at converting the fuel energy to mechanical energy.

Other improvements in the transmission are used to reduce the power consumption of the transmission. The 2nd generation TorqueFlite 8-speed improves transmission efficiency via improved line pressure control and reduced clutch drag. The addition of transmission oil heaters allows for the transmission to quickly warm up to operating temperatures and improve transmission efficiency.

We are investigating many other technologies to increase transmission system efficiency such as selectable one-way clutches and reduced oil viscosity.

Axles and Driveline

We focus on producing lightweight axle and driveline systems that provide capability and efficiency across our entire portfolio of vehicles. Additionally, we have deployed automatic axle disconnect systems on the majority of our four-wheel and all-wheel drive equipped vehicles to reduce parasitic losses and improve fuel economy during normal driving conditions. Future development activities are focused on optimized system design and material selection to reduce overall system weight without sacrificing capability or performance.

Virtual Engineering

Over the last several years, we have taken advantage of the rapid expansion in computing power and developed new tools and processes. This has allowed us to simulate and improve the behavior of complex propulsion systems on high performance computers long before the physical parts are built. This process also allows development of efficient propulsion system designs while saving on the cost of expensive physical prototypes.

Autonomous Driving Technology

In 2016, we announced a collaboration with Waymo (formerly the Google self-driving car project) to integrate its self-driving technology into Chrysler Pacifica Hybrid minivans. Production of the first 100 Chrysler Pacifica Hybrid minivans built to enable fully self-driving operations was completed in late 2016.

In 2017, we launched Highway Assist autonomous vehicle technology on several Maserati models. This system includes Mobileye vision technology to enable autonomous driving on designated highways. We also announced the signing of a memorandum of understanding in 2017 to join BMW Group, Intel and Mobileye in developing an autonomous driving platform scalable for Level 3 to Level 4/5 automated driving that can be used by multiple OEMs.

In 2017, we also revealed the Chrysler Portal concept, a semi-autonomous electric-powered vehicle that is designed with a suite of sensing technologies that enable Level 3 autonomous driving, with the potential to be upgraded as advances in technology enable higher levels of autonomy.

Fuel Economy and Emissions

FCA designs, manufactures and sells our vehicles to comply with a variety of comprehensive local, regional and national statutes and regulations, with respect to vehicle emissions, fuel economy, end-of-life vehicle management and the chemical composition of our parts. The Company strives to reduce CO₂ emissions and improve fuel economy in response to the unique regulatory requirements of FCA's major markets.

In the European Union ("EU"), FCA has set a target to achieve a 40 percent reduction in CO₂ emissions by 2020 compared with the baseline of 2006 for mass-market cars sold in Europe.

EU regulations require each automobile manufacturer to meet a specific sales-weighted fleet average target for CO₂ emissions as related to vehicle weight. The regulation set a fleet average target of 130 grams of CO₂ per kilometer for all manufacturers, with full compliance required since 2015. The average CO₂ emissions of FCA's mass-market cars was 119.3 g/km in 2016. This represents a 21 percent decrease compared with 2006 (the benchmark year used in EU regulations to set the 2012-2015 and 2020 targets), and a 26 percent reduction compared with 2000, which was the first year the EU Commission monitored average emissions. FCA's CO₂ emissions data for 2017 are not yet available under the process required by Regulation (EC) No. 443/2009.

Starting in 2020, the regulation set a fleet average target of 95 grams of CO₂ per kilometer, which is expected to be achieved through an FCA regulatory compliance plan.

A new regulatory test procedure for measuring CO₂ emissions and fuel consumption from light duty vehicles, the World harmonised Light vehicles Test Procedure ("WLTP"), went into effect in the EU on September 1, 2017 for new passenger car types. It will go into effect on September 1, 2018 for all passenger cars, and one year later for light commercial vehicles. The WLTP replaces the current New European Driving Cycle ("NEDC") and is expected to provide CO₂ emission and fuel consumption values that are more representative of real driving conditions.

In the U.S., fuel economy and greenhouse gas ("GHG") emissions are monitored by, and disclosed to, several regulatory agencies, including the National Highway Traffic Safety Administration ("NHTSA"), the Environmental Protection Agency ("EPA"), and the California Air Resources Board ("CARB"). Vehicle fuel efficiency is measured by fuel economy expressed in miles per gallon ("mpg").

EPA and NHTSA have issued two joint final rules governing GHG and fuel economy, respectively, for light-duty vehicles, covering model years 2012 through 2025.

The rules provide for year-over-year increases in fuel economy, and corresponding decreases in GHG emissions, until each automaker's average fleet-wide fuel economy performance reaches 54.5 mpg by 2025. FCA has a target to actively pursue actions in support of the U.S. EPA/NHTSA industry goal and described the plan for achievement of this objective in the Business Plan.

FCA has also set a target to achieve at least a five to 15 percent improvement in fuel economy for major renewals of FCA US vehicles compared with replaced vehicles/models. This target has been achieved, and in some cases surpassed, in the years since it was established. Combined fuel economy of the 2017 model Chrysler Pacifica, for example, represented a 7.8 percent improvement over the FCA minivan it replaced, while the hybrid version recorded a 61.8 to 320.8 percent improvement (depending on charge sustaining or charge depleting, respectively) over the replaced minivan with a conventional engine.

The 2017 Jeep Compass all-wheel drive ("AWD") improved combined fuel economy by 12 percent over the comparable previous model Compass. These improvements were achieved, in part, through the inclusion of technologies such as Engine Stop-Start ("ESS"); nine-speed transmission; aerodynamic and tire rolling resistance improvements; weight reduction; and electric power steering ("EPS").

The all-new Jeep Wrangler is targeting an improvement in fuel economy of over 20 percent versus the preceding model by reducing vehicle energy demand, implementing a 2.0-liter turbocharged variant of the global medium engine family, and deploying eTorque assist mild hybrid technology. The eTorque system captures braking energy and uses it to assist the vehicle during launch and in other transient situations to reduce fuel consumption in everyday driving.

In China, Phase IV of the Corporate Average Fuel Consumption ("CAFC"), which started in 2016, requires full compliance by 2020. In October 2017, the locally-manufactured Jeep Compass lineup was expanded with the availability of an all-wheel-drive model, featuring the 1.4-liter MultiAir engine. It delivers 0.8L/100km fuel saving compared to the existing AWD version with the 2.4-liter Tigershark engine.

In November 2017, FCA signed a research agreement with Eni, an energy company, for joint projects to reduce CO₂ emissions produced by road transport vehicles. Areas of cooperation identified include the development of new technologies for the use of gas in transport such as technologies and materials to absorb natural gas; and the assessment of new fuel types for use in existing vehicles, without the need for substantial mechanical changes. This research cooperation will also benefit from the collaboration with the Massachusetts Institute of Technology for the realization of technologies and devices for the capture and temporary storage of part of the CO₂ produced by internal combustion engines.

Materials and Life Cycle Assessment

The materials used in our products impact the environmental footprint of our vehicles at all stages of their life cycle.

FCA performs Life Cycle Assessments of selected vehicles and components which enable the Company to evaluate their environmental impacts in all the stages of the product life cycle and to implement a circular economy approach. FCA has a target to offer new products with environmental performance certification through the integration of ISO 14040/44, compliant to Life Cycle Assessment methodologies.

EU Directive 2000/53 addresses the principle of extended producer responsibility, which stipulates that automakers must manage the end of life of the products they place on the market. FCA addresses this EU Directive through the design of recyclable and recoverable vehicles, the management of the end of life vehicles free take-back networks, the sharing of dismantling information and the continuous efforts to achieve the reuse/recycling/recovery targets in EU countries.

FCA focuses on Substances of Concern ("SoC") identified in globally regulated substance restrictions like the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation and heavy metals ban. This level of awareness and commitment to compliance is also critical to FCA suppliers with whom we collaborate closely in identifying technically equivalent and environmentally sustainable substitutes for substances that are expected to be restricted in the near future.

Customer Experience

FCA aims to reinforce customer relationships by creating positive experiences throughout the ownership process. We focus our efforts on the entire customer experience through both traditional products and services and more customized solutions.

Vehicle Safety and Quality

Vehicle safety and quality are key elements of the overall customer experience. Delivering safe products to our customers is a fundamental and unwavering objective of FCA, and is among the essential responsibilities described in our Code of Conduct. In 2017, we launched the "Leave No Doubt" program to encourage employees, contractors, suppliers and dealers to report any issue which may concern vehicle safety, emissions or regulatory compliance. The program works through the existing Ethics Helpline whistleblowing system to allow for the reporting of vehicle-specific issues.

FCA has adopted an approach that promotes a proactive vehicle safety culture within the industry and the Company. FCA offers active and passive features for diverse drivers and vehicle segments. The intent of active safety systems is to help drivers avoid crashes by assisting them to control their vehicles or alert them to potentially hazardous situations. These systems monitor surroundings, the status of the vehicle and driver behavior. Passive safety systems help mitigate the effects of a crash. These include occupant restraint technology and the use of more advanced materials that enable improved crash energy management.

In addition to our focus on safety systems, when potential vehicle safety issues arise, we promptly investigate and take corrective action, including initiating recall campaigns when appropriate.

As we continue efforts to deliver advancements in safety technologies, ratings from independent agencies help validate our progress. Independent agencies rate the comparative safety of vehicles across the industry in different regions. While the specific criteria vary, these ratings generally evaluate the level of safety provided for occupants during a crash as well as a vehicle's ability to avoid a crash through the use of technology. Several FCA vehicles have earned top ratings based on performance during assessments. The 2018 Chrysler Pacifica, Dodge Charger and Dodge Challenger achieved the 5-Star overall safety rating in the U.S. NCAP conducted by the National Highway Traffic Safety Administration ("NHTSA"). The Insurance Institute for Highway Safety ("IIHS") named the 2017 Jeep Compass a Top Safety Pick and the 2017 Alfa Romeo Giulia was named a Top Safety Pick + rated vehicle. In addition, the Jeep Compass and Alfa Romeo Stelvio earned the 5-Star Euro NCAP rating in 2017.

In addition to safety, our ability to produce vehicles that meet product quality standards and gain market acceptance is central to FCA's approach in earning and maintaining the trust and loyalty of customers. During vehicle development, our customer-focused approach to quality keeps the customers' needs and expectations in mind, which may vary from market to market due to differences in driving experiences and local preferences such as vehicle size, fuel type and acceptance of new technology.

As part of our commitment to vehicle quality, FCA has set a target of achieving top quartile placement for the vehicle portfolio by 2020, based on the relevant competitive benchmark for each geographic region. This includes vehicle reliability as measured by rate of repair and survey results related to vehicle functionality and design. In 2017, the rate of repair in the first 90 days of ownership improved on average by more than seven percent globally. Things Gone Wrong ("TGW") is an internal and external survey process which evaluates customer needs and behaviors related to vehicle functionality and design issues. In 2017, TGW improved on average by almost 10 percent globally.

Product Quality and Customer Satisfaction, including product recalls, warranty obligations and other performance indicators related to our product portfolio, have been identified as key global focus risks through FCA's risk management framework. For more information on this topic, refer to the section *-Risk Management* elsewhere in this report.

Customer Communication and Mobility Needs

Customers have a variety of channels to communicate with FCA throughout their purchase and ownership experience. At FCA, we provide dedicated customer contact organizations that have been established in all four regions: EMEA, NAFTA, LATAM and APAC. Customer Contact Centers ("CCC"), together with dealers, are the primary channels of communication between customers and the Company. There are 26 CCCs worldwide, with around 1,500 agents and supervisors who handled approximately 26 million customer contacts in 2017, offering a variety of services including information, complaint management and, in some locations, roadside assistance. They provide multilingual support with a strong focus on employing native speakers of 31 different languages.

To strengthen customer relationships, FCA offers a variety of options to support different mobility needs. Enjoy is a car-sharing service that offers a fleet of Fiat 500 vehicles to urban drivers in Italy. It was launched in Milan by Eni, an energy company, at the end of 2013 in partnership with FCA which provided more than 2,400 vehicles. Since the service was launched, approximately 675,000 individuals in five metropolitan areas have signed up to use it and 13 million rentals have been logged. The operations, from registration to use, are managed online through smartphone applications.

FCA also supports individuals with special mobility needs. For an individual with a disability, accessible vehicle mobility can offer an increased level of independence. At FCA, the Autonomy and Automobility programs are designed to help customers with permanent disabilities by providing financial assistance toward the purchase of appropriate customizable adaptive equipment.

Employees

FCA endeavors to create a work environment that enables employees to collaborate in ways that transform differences into strengths, breaking down geographic and cultural barriers, and developing each person's potential. The Company regards the diversity of its workforce as a key asset and does not tolerate any form of discrimination, as stated in the Human Rights Guidelines.

A Diversity Policy and related targets are adopted to ensure adequate diversity representation within members of the Board of Directors. For a full description, refer to the section *-Corporate Governance* elsewhere in this report.

FCA's efforts to value every employee's contribution is supported by long-term sustainability targets, specific initiatives addressed to inclusion and monitoring of related performance. In particular, FCA aims to leverage diversity as a key asset and monitor equal opportunity implementation worldwide through Human Resources processes, to build a complete skill set and value everyone's contribution.

The following examples from 2017 demonstrate this commitment:

- 21.5 percent of 235,915 employees were women;
- suitable opportunities for employees with disabilities were offered. In certain countries where FCA operates, legislation requires that companies employ a minimum percentage of disabled workers. Even where no specific regulations exist, Group companies are proactive in ensuring adequate accessibility to facilities and adaptation of workstations for the disabled;
- 85.3 percent of our employees worldwide were covered by collective bargaining, based on an average figure that includes the Sevel plant (Italy) and that covers a variety of situations in accordance with regulations and practices in the various countries;
- in the non-unionized companies, 83.5 percent of employees not covered by collective bargaining benefited from conditions that are supplemental to, or better than, the minimum required by law; and
- approximately 5,170 fixed term employment contracts were converted to permanent during the year; an indication of the Group's commitment to the long-term stability of the workforce.

Management and Development

The Group's approach to employee management and development is embodied in the commitment to five key leadership principles: we recognize and reward performance; we define leadership as leading change and leading people; we embrace and cherish competition; we aim to achieve best in class performance; and we deliver what we promise.

These foundational elements influence every decision, including the appointment of leaders, as we challenge ourselves to match the level of talent necessary in today's automotive industry.

Performance and Leadership Management ("PLM") is the appraisal system adopted worldwide to assess FCA employees (manager, professional and salaried). Through the PLM process, specific targets that contribute to the company's success are established to guide and assess employees on their results and leadership behaviors.

Performance and Leadership assessment involved approximately 65,600 Group employees worldwide in 2017.

Talent management and succession planning are also integral to employee management and development. In 2017, Talent Reviews were conducted for the various professional families and business units within the Company. These Talent Reviews identified individuals with leadership potential who merit additional attention and investment from the Company in their professional development.

Learning and development opportunities are provided through a number of activities, such as job rotations, coaching, mentoring and training. In 2017, the Group launched an innovative learning platform that enables employees to grow and share their individual professional skills with colleagues in a learning community, working in teams and solving business challenges. A widespread training campaign focused on sustainability was made accessible to 47,000 employees worldwide to strengthen the awareness and engagement of the workforce on FCA commitments and achievements.

Health and Safety in the Workplace

FCA aims to provide all employees with a safe, healthy and productive work environment at every site worldwide and in every area of activity. The Company focuses on identifying and evaluating safety risks; implementing safety and ergonomics standards; increasing use of collaborative robots; promoting employee awareness and safe behavior; and encouraging a healthy lifestyle.

The goal of achieving zero accidents is formalized in the targets set by the Company, as well as through the global adoption of an Occupational Health and Safety Management System ("OHSMS") certified to the OHSAS 18001 standard.

At year-end 2017, the vast majority of our plants had an OHSMS in place that was OHSAS 18001 certified.

Measures implemented over the years have contributed to significant improvements in all injury indicators. In 2017, the injury Frequency Rate was down nine percent compared to the previous year (with 0.09 injuries per 100,000 hours worked) and the Severity Rate was down about 21 percent compared to 2016 (with 0.03 days of absence due to injuries per 1,000 hours worked).

Effective safety management is also supported through the application of World Class Manufacturing tools and methodologies, active involvement of employees, development of specific competencies and targeted investment. FCA's investment in health and safety, combined with these measures, has resulted in a progressive reduction in the level of risk attributed to Group plants in Italy by INAIL, the Italian accident and disability insurance agency. As a result, the Group was eligible for "good performer" premium discounts, which led to savings of more than €100 million from 2012 through 2017.

In addition to safety in the workplace, FCA offers numerous programs and services for employees and their families to promote and support individual safety, well-being and a healthy lifestyle. These include, but are not limited to, screening and vaccination, nutrition education initiatives, promotion of physical exercise through sports teams or clubs (also dedicating special areas of the Company to sports activities and/ or entering into agreements with local sports centers for use by employees and their families) and smoking cessation programs. Employees are encouraged to take advantage of these initiatives, which form an important part of the Group's culture.

Supply Chain

Strong supplier relationships built on cooperation and mutual understanding are vital to the effective sourcing of goods and services. Working as an integrated team with our supply chain helps develop responsible and sustainable practices that limit exposure to unexpected events and supply disruption.

Suppliers are selected based on the quality and competitiveness of their products and services, as well as on their respect of social, ethical and environmental principles. This commitment is a prerequisite to becoming an FCA supplier and developing a lasting business relationship with us. Suppliers must conduct business activities according to ethical standards and procedures and as set forth by the FCA Code of Conduct and Sustainability Guidelines for Suppliers. If a supplier fails to meet these standards, a corrective action plan, jointly developed with FCA, is required. FCA may exercise the right to terminate the business relationship.

We purchase a variety of components, raw materials, supplies, utilities, logistics and other services from numerous suppliers. These purchases have historically accounted for 70 - 80 percent of total cost of revenues. The cost of raw materials has historically comprised 10 - 15 percent of the previously described total purchases.

Our operations impact local economies and whenever possible, we utilize local suppliers near major locations of operation. This generates direct and indirect income and employment opportunities in the communities where the business is located while minimizing transport-related environmental impacts.

Environmental and Social Impacts of the Supply Chain

FCA works to prevent or mitigate adverse environmental or social impacts that may be directly linked to our own business activities or to products and services from our suppliers. The auto industry's supply chain is highly complex, and involves suppliers and sub-tier suppliers of commodities ranging from raw materials through finished components. Suppliers play a key role in the continuity of our activities and can have a significant impact on the external perception of our social and environmental responsibility.

FCA evaluates the sustainability profile of suppliers through the FCA Supplier Sustainability Self-Assessment ("SSSA"). This survey covers environmental, labor practice, human rights, compliance, ethics, diversity, and health and safety aspects. The results of the SSSA and other criteria are used to create a risk map to identify suppliers that may be at risk, and that require further investigation through focused audits.

Because our environmental footprint extends beyond the boundaries of our own manufacturing locations, FCA supports our suppliers in addressing climate change issues, which includes reducing greenhouse gas emissions. In 2017, the Group once again invited suppliers to participate in the CDP supply chain program. In 2017, 167 suppliers disclosed (70 percent response rate), attaining an average score of C- (on a scale from A to D-). The goal is to engage 90 - 100 percent of our top strategic suppliers in the program by 2020.

FCA collaborates with peers, suppliers and other stakeholders on issues related to human rights and working conditions throughout the supply chain. This focus has been also on the mica and cobalt supply chains, which have risks associated with child and forced labor. To help combat these and other relevant supply chain issues, including slavery and human trafficking, we engage with automotive industry groups such as the Automotive Industry Action Group ("AIAG") and cross-sector groups like the Responsible Business Alliance ("RBA").

While suppliers carry much of the management responsibility, FCA recognizes the role the Company can play in protecting human rights and promoting working conditions aligned to global standards and responsible sourcing.

The 5-Step Framework for Upstream and Downstream Supply Chains, created by the Organisation for Economic Co-operation and Development ("OECD"), provides a common and foundational tool that helps solidify responsible sourcing practices and decisions made throughout our supply chain. This framework is an important part of our training for suppliers and buyers.

In-depth training on responsible working conditions continues to be offered to suppliers in partnership with AIAG. Developed in collaboration with other automakers, this training is designed to help protect the rights and dignity of workers as well as reinforce environmental and ethical issues impacting the supply chain. FCA uses the training, available in nine languages, to engage employees worldwide in the Purchasing and Supplier Quality departments on these important concepts and to establish a consistent message with our supply base.

Conflict Minerals

We are committed to responsible sourcing and avoid knowingly using minerals that may be linked to human rights abuses, including human trafficking, slavery, forced labor, child labor, torture and war crimes. Due to the complexity of our supply chain, we are dependent upon our suppliers to provide the information necessary to correctly identify the smelters and refiners that furnish the tin, tantalum, tungsten, and gold (referred to as conflict minerals or "3TG") in our products and take appropriate action to determine that these smelters and refiners source responsibly. We do not typically have a direct relationship with 3TG smelters or refiners and do not perform or direct audits of these entities within our supply chain.

In accordance with OECD Guidance, we have implemented an internal management system by establishing an internal oversight committee, joining industry associations, and working to increase supplier engagement.

FCA's Conflict Minerals Policy affirms that we make reasonable efforts: a) to know, and to require FCA suppliers to disclose to the Company, the sources of Conflict Minerals used in its products; and b) to eliminate procurement, as soon as commercially practicable, of products containing Conflict Minerals obtained from sources that fund or support inhumane treatment that originate in conflict-affected and high risk areas. This policy is not intended to ban procurement of Conflict Minerals or other products that originate in conflict-affected and high risk areas, but to promote sourcing from responsible sources within those regions.

In addition to a conflict minerals compliance program led by our purchasing department, we formed a cross-functional Conflict Minerals Oversight Committee to provide expertise and feedback. A conflict minerals champion has been designated to lead the conflict minerals oversight committee and each region and affiliate of FCA has designated a conflict minerals Team Lead to ensure engagement. This committee includes representatives from the FCA Supplier Relations, Engineering, Legal, Sustainability, Communications, and Purchasing departments.

We use the iPoint Conflict Minerals Platform ("iPCMP") and Conflict Minerals Reporting Template ("CMRT") as the means for our direct material suppliers to report their use of 3TG, the processing smelter or refiner, and the country and mine of origin. Suppliers representing approximately 90 percent of our direct material buy responded to the 2016 survey, the most recent year for which we have final data. If a supplier's response indicates that its products do not include 3TG, we ask the supplier to certify this information.

As a means of additional due diligence, we use our internal systems to cross-check supplier responses to determine what materials are contained in a supplier's products and identify response discrepancies that may require additional follow-up with the supplier. As outlined in the OECD Guidance, the internationally recognized standard upon which our system is based, we support the Conflict-Free Sourcing Initiative, an industry initiative that audits smelters' and refiners' due diligence activities.

Community Engagement

FCA strives to enrich the vitality of the communities where we live and work by creating jobs through our facilities, giving back through employee volunteering and providing financial support through our charitable initiatives. "Supporting our Communities" is one of the key Principles of the FCA Code of Conduct, which captures the Company's commitment to important values in business and personal conduct.

Our corporate citizenship efforts primarily target areas where we have operations. Working with key community stakeholders and leaders in the nonprofit, academic and government sectors, we can evaluate and, where possible, address local social and economic development needs.

FCA's community-related targets are aligned with the United Nations Sustainable Development Goals, and address employee volunteering, enhancing the socio-economic development of local communities, and advancing youth education and training, with particular emphasis on science, technology, engineering and math programs.

Our workforce donates their time and skills to help build strong, self-reliant communities and create a vital connection with the communities where they live and work. During 2017, Group employees around the world volunteered thousands of hours in support of a wide range of social projects.

Scope of Non-Financial Information and Exceptions

This Non-Financial Information addresses the requirement of the Dutch Decree on Non-Financial Information, that incorporated the Directive 2014/95/EU into Dutch law and this Non-Financial Information is based on the GRI G4 reporting guidelines.

The data reported in this section will also be included in the FCA 2017 Sustainability Report, that is submitted for assurance to Deloitte & Touche S.p.A. The scope, methodology, limitations and conclusions of the assurance engagement are provided in the Independent Auditors' Report that will be published in the FCA 2017 Sustainability Report.

More detailed information and results are provided in the FCA Sustainability Report presented together with the Annual Report at the Annual General Meeting of FCA NV on April 13, 2018 and made available online at www.fcagroup.com.

In order to ensure that information is comparable and meaningful over time, normalized data for past years was restated to ensure comparability in terms of scope.

The reporting scope of this non-financial disclosure differs from the financial disclosures in the FCA Annual Report. The exclusion of any geographical area, Group company, or specific site from the scope of reporting on selected Key Performance Indicators is attributable to the inability to obtain data of satisfactory quality, or to its immateriality in relation to the Group as a whole, as may be the case for newly-acquired entities or production activities that are not yet fully operational. In some cases, entities that are not fully consolidated in the financial statements were included in the scope of reporting because of their significant environmental and social impacts.

In particular:

- data on occupational health and safety relates to 138 of the 159 plants, covering the vast majority of plant workers; to office facilities; and to six plants of companies that are not fully consolidated, including one joint venture in Turkey and five in the APAC region (four in China and one in India); and
- the Group's environmental and energy performance refers to 138 of the 159 plants, covering nearly 100 percent of the Group's industrial revenues and to six plants of companies that are not fully consolidated, including one joint venture in Turkey and five in the APAC region (four in China and one in India).

Data for this section was collected and reported using the same methodology the Company has used for many years in its annual reporting of sustainability-related results. The data is collected and reported with the aid of existing management control and information systems, where available, in order to ensure reliability of information flows and the correct monitoring of sustainability performance. A dedicated reporting process is in place for certain indicators, using electronic databases or files populated directly by the individuals or entities responsible for each aspect worldwide.

Unless otherwise indicated, all data presented in this section refers to the International System of Units and may be subject to rounding.

Remuneration of Directors

The quality of our leadership and their commitment to the Company are fundamental to our success. FCA’s remuneration principles support our business strategy and growth objectives in a diverse and evolving global market. Our remuneration policies are designed to reward competitively the achievement of long-term sustainable performance and to attract, motivate and retain highly qualified executives who are committed to performing their roles in the long-term interest of our shareholders. Given the changing international standards regarding responsible and sound remuneration, a variety of factors are taken into consideration, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, national and international legislation and the long-term objectives of the Company and its shareholders.

Remuneration Policy for Executive Directors

The compensation for our executive directors is determined by the Board of Directors based on recommendations from the Compensation Committee of the Board of Directors (the “Compensation Committee”) and in accordance with the Company’s Remuneration Policy for Executive Directors (the “Remuneration Policy”). The current Remuneration Policy was approved by the shareholders of Fiat Chrysler Automobiles N.V. at the 2017 annual general meeting of FCA shareholders and is reviewed annually by the Compensation Committee. Our Remuneration Policy is available in full on the Company’s website at www.fcagroup.com.

The Compensation Committee reviews the Remuneration Policy and its implementation. The Compensation Committee concluded that there were no reasons to recommend adjustments to the Remuneration Policy at the 2018 annual general meeting of FCA shareholders with regard to its executive directors. This report describes the Company’s compensation principles and structure for the executive directors and summarizes the significant compensation decisions made by the FCA Compensation Committee in 2017.

Financial Year 2017 - Select Business Highlights

A key tenet of the Remuneration Policy is pay for performance. The Group had record results for 2017, achieving or exceeding all key targets for 2017. To provide perspective of the Group’s performance in 2017, the following table highlights some of the key achievements during the year:

2017 Financial Highlights
Achieved or exceeded all key targets for 2017 and in first four years of the five-year business plan
Record results with Adjusted EBIT at €7.1 billion and margin up 90 bps to 6.4%
Continued profitability in all segments with year over year Adjusted EBIT and margin growth
Cash flows from industrial operating activities of €1.6 billion contributed to €2.2 billion reduction in Net industrial debt
Introduction of Alfa Romeo Giulia and Stelvio in major global premium markets - brand announced return to Formula 1 for 2018 season
All-new Jeep Wrangler production started in Q4 '17; Next-generation Ram 1500 and new Jeep Cherokee on schedule for 2018
Moody's and S&P improved outlook on FCA's ratings to positive from stable; Fitch upgraded FCA and maintained outlook at positive

In May 2014, we presented a five-year business plan, which was subsequently updated and is available on the Investor Relations page of the Company’s website. We have successfully achieved the business plan key targets established for 2014, 2015, 2016 and 2017 and confirmed the key business plan targets for 2018.

Remuneration Principles

The guiding principle of our Remuneration Policy is to provide a compensation structure that allows FCA to attract and retain the most highly qualified executive talent and to motivate such executives to achieve business and financial goals that create value for shareholders in a manner consistent with our core business and leadership values. FCA's compensation philosophy, as set forth in the Remuneration Policy, aims to provide compensation to its executive directors as outlined below.

Alignment with FCA's strategy	Compensation is strongly linked to the achievement of the Group's publicly disclosed performance targets.
Pay for performance	Compensation must reinforce our performance-driven culture and principles of meritocracy. As such, the majority of pay is linked directly to the Group's performance through both short and long-term variable pay instruments.
Competitiveness	Compensation should be competitive against the comparable market and set in a manner to attract, retain and motivate expert leaders and highly qualified executives.
Long-term shareholder value creation	Targets triggering any variable compensation payment should align with the interest of shareholders.
Compliance	Our compensation policies and plans are designed to comply with applicable laws and corporate governance requirements.
Risk prudence	The compensation structure should avoid incentives that encourage unnecessary or excessive risks that could threaten the Company's value.

Compensation Peer Group

For 2017, our compensation peer group was utilized to evaluate relative pay level alignment with Company performance. In April 2016, our Compensation Committee reviewed the suitability of our potential peer companies, which are companies operating in similar industries with whom we are most likely to compete for executive level talent, and approved a new peer group that was used in 2017. The Compensation Committee strives to identify a peer group that best reflects all aspects of FCA's business and considers public listing, industry practices, geographic reach, and revenue proximity. Market capitalization was considered as a secondary characteristic. For 2014 and 2015, we used two peer groups - U.S. peers and European peers - with a combined total of 46 peer group companies. Our competitors used one group for purposes of benchmarking compensation. In order to better align FCA with its peers, in 2016, the Compensation Committee replaced the previously used two-peer group structure. A refined, consolidated and condensed international peer group, with a blend of both U.S. and European companies, was believed to better recognize the relevant talent market for our executives. In addition to including all U.S. and European automobile manufacturers, primary consideration was given to U.S. and European companies that have significant manufacturing and/or engineering operations and a global market presence. In April 2016, the Compensation Committee approved the new peer group of 26 companies listed below. The list is divided between 14 U.S. and 12 European companies, similar to the composition of our senior executive team.

Peer Group Companies

Airbus Group	Daimler AG	Johnsons Controls Inc.	The 3M Company
ArcelorMittal SA	Deere & Company	Lockheed Martin Corporation	ThyssenKrupp AG
Bayer AG	Ford Motor Company	Northrop Grumman Corporation	United Technologies Corporation
BMW Group AG	General Dynamics Corporation	PSA Peugeot Citroen	Volkswagen AG
The Boeing Company	General Electric Company	Raytheon Company	The Volvo Group
Caterpillar Inc.	General Motors Company	Renault SA	
Continental AG	Honeywell International Inc.	Siemens AG	

Summary Overview of Remuneration Elements

The executive directors' remuneration is simple and transparent in design, and consists of the following key elements:

Remuneration Element	Description	Purpose
Base salary	Fixed cash compensation	Attracts and rewards high performing executives via market competitive pay
Short-term variable incentive ⁽¹⁾	<ul style="list-style-type: none"> Performance objectives are annually predetermined and are based on achievements of specific measures Comprised of three equally-weighted metrics, Adjusted EBIT, Adjusted net profit, and Net industrial debt Target payout is 100 percent and maximum payout is 250 percent of base salary 	<ul style="list-style-type: none"> Drives Company-wide and individual performance Rewards annual performance Motivates executive directors to achieve performance objectives that are key to our annual operating and strategic plans Aligns executive directors' and shareholder interests
Long-term variable incentive ⁽¹⁾	<ul style="list-style-type: none"> All equity awards are based on achievements of publicly disclosed multi-year financial targets Performance criteria comprised of two equally weighted metrics, relative Total Shareholder Return ("TSR") and Adjusted net profit Awards have three vesting opportunities, one third after each of 2016, 2017 and 2018 based on cumulative results Awards may be earned at a level from 0% to 125% of the target number of awards granted 	<ul style="list-style-type: none"> Encourages executive directors to achieve multi-year strategic and financial objectives Motivates executive directors to deliver sustained long-term growth Aligns executive directors' and shareholder interests through long-term value creation Enhances retention of key talent
Pension and retirement savings	<ul style="list-style-type: none"> The Chief Executive Officer (or "CEO") participates in a Company-wide pension scheme and a supplemental retirement benefit Both the CEO and Chairman have retirement savings benefits in an amount equal to five times their last annual base compensation 	Provides security and productivity set forth in greater detail under the legacy arrangement description as described below
Other benefits	Executive directors may receive typical benefits such as severance (linked to a non-compete restriction), company cars, medical insurance, accident and disability insurance, tax preparation, financial counseling and tax equalization	Facilitates strong performance, consistent with offerings of peer group companies

⁽¹⁾ The Chairman receives fixed compensation only and is not eligible for any variable compensation.

2017 Remuneration of Executive Directors

Our executive compensation program is designed to align the interests of our executive directors with those of our shareholders. It is designed to reward our executive directors based on the achievement of sustained financial and operating performance as well as demonstrated leadership. We aim to attract, engage, and retain high-performing executives who help us achieve immediate and future success and maintain our position as an industry leader. We support a shared, one-company mindset of performance and accountability to deliver on business objectives.

Executive Directors Realized Compensation

The following table was introduced in 2017 to provide a common context for understanding compensation. Realized compensation as shown below, is the amount that our executive directors actually received in 2017. Realized compensation includes actual base compensation earned, actual annual bonus, and value of equity awards that vested during the year. In 2017, our Chairman's realized cash compensation was €1,770,411 and our CEO's realized cash compensation was €9,676,303.

The objective of our CEO's compensation reward structure is to pay for performance and incentivize our CEO to manage the Company from the perspective of an owner over the long term. In 2017 our CEO continued to successfully execute on delivering the 2014-2018 business plan, with the Company achieving its business plan targets for the fourth year in a row. In addition, the Company delivered a strong 280% total shareholder return for the period 2014-2017. The Company has also outpaced the returns of the ten automobile manufacturers represented in our Relative TSR peer group (listed later in this report).

Our CEO's compensation is strictly aligned with pay for performance. Following three consecutive years of no vesting or payout of shares under our Long Term Incentive ("LTI") program, in 2017 2,795,500 vested FCA shares were received by the CEO representing underlying PSU awards for compensation for the 2014-2016 period. These shares were awarded for performance in respect of each of 2014, 2015 and 2016 for a total value of €28,989,324, equating to an average in equity based compensation of €9,663,108 for each of the three years. Our CEO did not monetize the FCA shares that were delivered to him in 2017 under the LTI program (other than to pay associated taxes) and continues to own these shares, demonstrating alignment with FCA shareholders.

Realized compensation differs from the total compensation set forth in the Directors' Compensation table later in this report, and is in line with accounting and actuarial assumptions. The amounts in the table below are intended to clarify and complement, and do not serve as a substitute for the amounts reported in the compensation tables.

	Cash Compensation			Equity Compensation	
	2017 Fixed and Variable Compensation			2017 FCA Units (delivered and held)	
Executive Directors' Compensation	Base Compensation	Annual Bonus	Base Compensation + Annual Bonus	Total FCA shares delivered for three year (2014-2016) performance period under LTI program (100% at risk and performance based)	
J. Elkann	€1,770,411	None	€1,770,411	None	
S. Marchionne	€3,540,822	€6,135,481	€9,676,303	Annualized 931,833 units (€9,663,108 ⁽¹⁾)	Total Delivered over 3 Years 2,795,500 units (€28,989,324 ⁽¹⁾)

⁽¹⁾ No shares were received by our CEO in 2014, 2015 and 2016 under the LTI program. In 2017 the shares delivered were not monetized, other than to pay for associated taxes. This amount represents the value of 2,795,500 shares on an annual basis, using the March 13, 2017 vest date, to value the units:

- 2,795,500 total units/3 (number of years in performance period) = 931,833 shares per year;
 - 931,833 units per year x €10.37/unit = €9,663,108
 Total value delivered over 3 years: €9,663,108 x 3 = €28,989,324

CEO performance based equity earned for 2014-2016 which vested in 2017:

Year	Business Plan Targets Achieved	3 Year LTI Adjusted Net Profit Target Achieved	3 Year LTI Relative TSR Target Achieved	CEO LTI Vesting Rates Against Maximum Opportunity	
2014	√	√	FCA #1	No vesting payment opportunity	Performance Period 2014-2016
2015	√			No vesting payment opportunity	
2016	√			No vesting payment opportunity	
				100% in 2017	

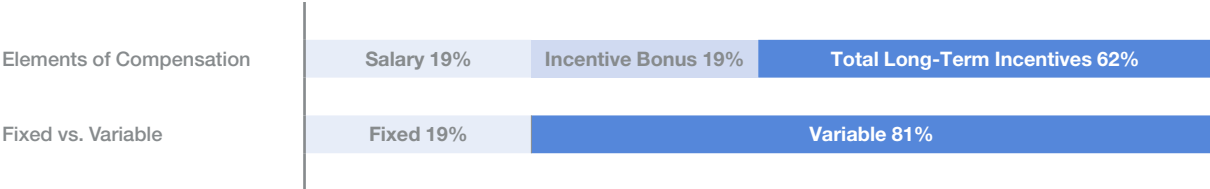


⁽¹⁾ Calculated using split adjusted closing prices on December 31, 2013 and December 29, 2017, per the Borsa Italiana FCA listing.

Executive Directors' Compensation

In 2017, no changes were made to any of the elements of compensation set forth above for either of the executive directors. The target compensation of the CEO is comprised of base compensation, short-term variable pay and long-term variable pay. The Chairman is not eligible for any form of variable compensation. For 2017, 81 percent of the CEO's target compensation was at-risk performance based compensation. In 2016, the Group entered into a written agreement with the CEO and a written agreement with the Chairman, memorializing the previously agreed terms and conditions of their service with the Company. The material terms of the CEO's and Chairman's respective agreements are described below within the discussion of their remuneration.

Target Elements of CEO Compensation



Internal Pay Ratios

The Compensation Committee considered internal pay ratios within the Company and its affiliated enterprise, as provided for by the updated Dutch Governance Code. Multiple scenario analyses were developed comparing the pay of executive directors to the median FCA employee's pay for 2017 and the previous year. Scenarios included executive director pay ratio reviews, considering the following:

- Base salary earned for 2017.
- Cash bonus and any other cash incentives paid for performance year ending in 2017.
- Non-monetary compensation and contributions into retirement programs during the year.
- Grant date fair value (per accounting valuation) for any stock-based award granted in 2017, (the method defined under US proxy-reporting rules for 2017).

Based on initial survey data provided by an external consultant, the range of ratios utilizing the above components were determined to be consistent with the median among large US companies (over 50,000 employees).

The Company is not disclosing pay ratios for 2017 compensation as the Dutch code does not describe the methodology to determine and disclose such ratios. The Company will continue to monitor the internal equity of the executive directors' compensation pursuant to the new and still evolving guidance under the Dutch Corporate Governance Code.

Base Salary

The base salary for our executive directors has remained unchanged for four consecutive years (2014, 2015, 2016 and 2017). In addition, the Company does not guarantee annual base pay increases for executive directors and their agreements do not contemplate automatic base salary increases. Base salary is the only fixed component of our executive directors' total cash compensation and is intended to provide market-competitive pay to attract and retain well-qualified senior executives and expert leaders. Base salary is based on the individual's skills, scope of job responsibilities, experience and competitive market data. The base salaries of our executive directors are evaluated together with other components of compensation to ensure that they are in line with our overall compensation philosophy and are aligned with performance.

With FCA's formation in October 2014, an annual base salary of U.S. \$4.0 million for our CEO and an annual base salary of U.S. \$2.0 million for our Chairman were approved. This decision was reached using compensation benchmarking and peer group analysis in consultation with the Company's external compensation consultant. The Company believes that paying our executive directors at or above these benchmarks is necessary and appropriate to incentivize and retain uniquely qualified executive directors to lead the Company through the business cycle and position the Company for long-term growth.

Variable Components

The CEO is eligible to receive short-term variable compensation, subject to the achievement of pre-established, operating and financial performance targets. The variable components of the CEO's remuneration, both short and long-term, are linked to predetermined, measurable objectives which serve to motivate strong performance and shareholder returns and are approved by the non-executive directors. The non-executive directors believe that placing significantly more weight on the long-term component is appropriate for the CEO position because it focuses efforts on the Company's long-term objectives.

On an annual basis, we examine the relationship between the performance criteria chosen and the possible outcomes for the variable remuneration of our CEO (scenario analysis). When such analysis was carried out for the 2017 financial year, the Company found a strong link between remuneration and performance and concluded that the chosen performance criteria are appropriate under both the short-term and long-term incentive components of total remuneration in support of the Company's strategic objectives.

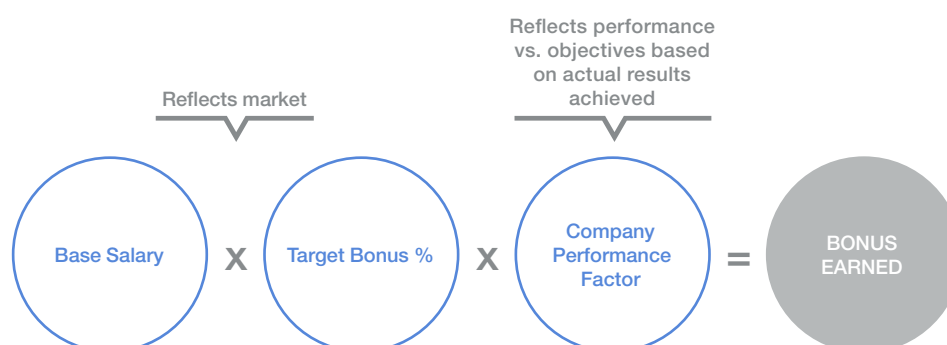
Short-Term Variable Incentive

OUR COMPENSATION PHILOSOPHY IS DESIGNED TO REWARD PERFORMANCE AND LEADERSHIP

The short-term variable elements and calculations for the CEO follow the same philosophy as the company-wide Performance and Leadership Bonus Plan for all eligible FCA employees.

The primary objective of the short-term variable incentive is to motivate achievement of the business priorities for the current year. The CEO's short-term variable incentive is based solely on annual financial objectives proposed by the Compensation Committee and approved by the non-executive directors each year. The short-term variable incentive program applies rigorous performance measures to ensure a link between annual payout and Company performance.

Our Methodology for Determining Annual Bonus Awards



With regard to the determination of the CEO's annual performance bonus, the Compensation Committee:

- approves the objectives and maximum allowable bonus;
- selects the metrics and weighting of objectives;
- sets the stretch objectives;
- reviews any unusual items that occurred in the performance year to determine the appropriate overall measurement of achievement of the objectives; and
- approves the final bonus determination.

For 2017, the Compensation Committee approved the same plan design and metrics utilized in 2016.

- Target bonus amount is expressed as a percentage of salary.
- The individual target percentage for our CEO is 100 percent.
 - This target is below external market benchmarks and is below the 25th percentile for the compensation peer group (this relative positioning further reinforces the value we place on a longer term perspective)
- The Company performance factor is based on three metrics:
 - Adjusted EBIT;
 - Adjusted net profit; and
 - Net industrial debt.
- Each objective is equally weighed at one-third.
- Each objective pays out independently.
- To earn any incentive, the threshold performance must be at least 90 percent of the specific target established.
- To earn the maximum payout of 250 percent of target, actual results must be achieved at 150 percent or greater of the target performance for each of the performance metrics.
- There is no minimum bonus payout; payout is zero for below threshold performance.

The Compensation Committee established the annual financial performance goals based on the Company's 2017 financial plan presented to the Board of Directors. In addition the Compensation Committee considered the Company's performance relative to the business plan and input from the external compensation consultant to ensure the goals are linked to long-term shareholder value creation. The 2017 bonus plan goals were set with challenging hurdles, and are in line with the Group's initial external guidance and our five-year business plan, as set forth below.

2017 Performance Metric	Weight	Threshold (€ millions)	Target (€ millions)	Maximum (€ millions)
Adjusted EBIT ⁽¹⁾	1/3	6,300	7,000	10,500
Adjusted net profit ⁽²⁾	1/3	2,700	3,000	4,500
Net industrial debt ⁽³⁾	1/3	(2,750)	(2,500)	(1,250)

⁽¹⁾ 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) which are considered rare or discrete events that are infrequent in nature, and also excludes Net financial expenses and Tax expense.

⁽²⁾ 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.

⁽³⁾ Net industrial debt is computed as: debt plus derivative financial liabilities related to industrial activities less (i) cash and cash equivalents, (ii) current available-for-sale and held-for-trading securities, (iii) current financial receivables from Group or jointly controlled financial services entities and (iv) derivative financial assets and collateral deposits; therefore, debt, cash and other financial assets/liabilities pertaining to financial services entities are excluded from the computation of Net industrial debt.

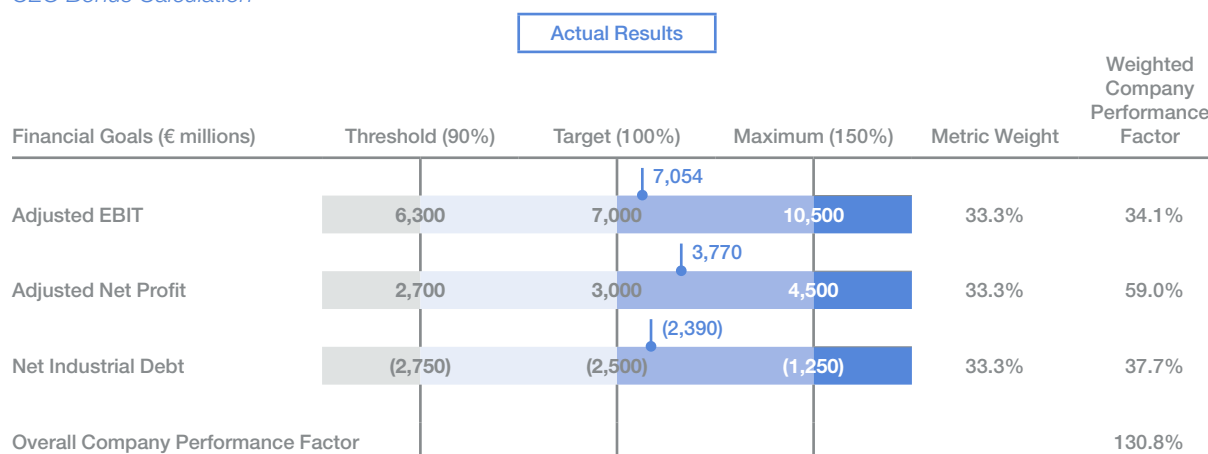
Discussion of 2017 Results

The Compensation Committee reviews results and achievement and presents the results to the non-executive Directors, typically in the first quarter of each year in connection with the completion of the year-end earnings release.

Significant growth and improvement were achieved in 2017 in each of the three key performance criteria linked to the CEO's annual incentive:

- Adjusted EBIT increased 16 percent to €7,054 million from 2016.
- Adjusted net profit increased 50 percent from 2016 (€3,770 million in 2017 as compared to €2,516 million in 2016).
- Net industrial debt reduced to €2,390 million at December 31, 2017 (was €4,585 million at December 31, 2016).

CEO Bonus Calculation



The Compensation Committee determined that the CEO earned an annual bonus for 2017 of U.S. \$5.2 million (€4.6 million) as determined by the achievement of the Company performance factors illustrated above with an overall Company performance factor of 130.8%. The Chairman is not eligible for any form of short-term variable compensation.

Long-Term Incentives

Long-term incentive compensation is a critical component of our executive compensation program. This compensation component is designed to motivate and reward long-term stockholder value creation and the attainment of the Group's performance goals, to retain top talent and create an ownership alignment with shareholders. Long-term incentives are an important retention tool that management and the Compensation Committee use to align the financial interests of executives and other key contributors with sustained shareholder value creation. We believe the long-term component of compensation for our CEO should be aligned with the interests of our shareholders. The CEO's long-term incentives are 100 percent performance-based. The Chairman is not eligible for long-term incentives.

FCA's long-term variable incentives consist of a share-based incentive plan that links a portion of the variable component to the achievement of pre-established performance targets consistent with the Company's five-year business plan that was published in May 2014 and subsequently updated. These awards increase the link between performance, realized compensation and shareholder interests, by delivering greater value to the CEO as shareholder value increases. Long-term incentive awards are intended to emphasize future compensation and encourage the delivery of results over a longer period of time as well as to serve as a retention tool. They are specifically designed to motivate our executives to achieve significant returns for our shareholders over the long-term.

Equity Incentive Plan

On October 29, 2014, in connection with the formation of FCA and the presentation of the 2014-2018 business plan, the Board of Directors approved a new LTI program, covering the five year performance period, under the Fiat Chrysler Automobiles N.V. Equity Incentive Plan ("EIP"), under which equity awards can be granted to eligible individuals. The LTI program is consistent with the Company's business plan that was published in May 2014 and subsequently updated. The target setting process for the LTI program is built on the foundation of our rigorous business planning process which is determined by the overall business environment, industry and competitive market factors, as well as Company-wide business goals. Moreover, the targets are in line with external forward-looking guidance that we provide to analysts and investors.

The awards vesting under the LTI program are conditional on meeting two independent metrics, Adjusted net profit and Relative TSR, which are weighted equally at target. Each metric has threshold and target performance levels such that performance below threshold results in no awards being earned. Accordingly, the CEO may earn between 0 percent and 125 percent of the target number of awards granted. The Adjusted net profit component payout begins at 80 percent of target achievement and has a maximum payout at 100 percent of target. The Relative TSR component has partial vesting if the Company is ranked seventh or better among an industry specific peer group of eleven, including the Company, and a maximum payout of 150 percent, if the Company is ranked first among the eleven companies. Listed below is the Relative TSR peer group. The awards have three vesting opportunities, the first after 2014-2016 results, the second after 2014-2017 results, and the third after the full 2014-2018 results.

2014-2018 Performance Cycle Relative TSR Metric Peers

Volkswagen AG	Toyota Motor Corporation	Daimler AG	General Motors Company
Ford Motor Company	Honda Motor Co. Ltd.	BMW Group	The Hyundai Motor Company
PSA Peugeot Citroen	Renault SA		

CEO's Long-Term Incentive Equity Awards

In 2017, there were no equity grants awarded to the CEO. The CEO has one outstanding performance based equity award, consisting of an aggregate of 4,489,496 performance share units at target as set forth in the Directors' Compensation table below, which was granted for the five-year 2014-2018 performance period and was approved by the shareholders in 2015. The award level and design for the one time grant covering the five-year performance period was based on market competitive analysis provided by the Compensation Committee's external compensation consultant. The actual payout that the CEO may realize on his performance-based LTI award depends on the achievement of critical operation and relative stock performance targets established by the Compensation Committee for the 2014-2018 performance period. The performance share units can convert into shares of the Company at the end of years 3, 4, and 5 of the performance period, subject to certain vesting conditions.

The first performance tranche of the CEO's equity award granted in 2015 vested on March 13, 2017 based on performance achieved during the 2014-2016 performance period. For the 2014-2016 performance period, performance share units were earned at 100% of target for Adjusted net profit achievement and at 150% of target for Relative TSR achievement. Accordingly 2,795,500 shares were delivered to the CEO.

The second performance tranche of the CEO's equity award granted in 2015 will vest based on cumulative performance achieved during the 2014-2017 performance period. Satisfaction of this performance will be assessed by the Compensation Committee in 2018. The maximum opportunity for this second vesting of the CEO's equity award is 2,805,935 units. The third and final performance tranche of the CEO's equity award granted in 2015 will vest based on cumulative performance achieved during the 2014-2018 performance period. Satisfaction of this performance will be assessed by the Compensation Committee in 2019. The LTI program does not impose a further holding period after vesting, given that the awards do not vest until after year three of the performance period, and the full vesting opportunity does not occur until after year five of the performance period.

Pension and Retirement Savings

Based on legacy arrangements which were developed to assist in incentivizing the executive directors during an extremely challenging period, certain retirement benefits were provided to the executive directors. Both executive directors have retirement savings benefits in an aggregate amount equal to five times their last annual base compensation. The award is payable quarterly over a period of 20 years commencing three months after the conclusion of services with the Company, with an option for a lump sum payment. The CEO also participates in legacy pension plans for which the Company mandatorily pays defined contributions to social security institutions. In 2017, a cost of €1.3 million was recognized in connection with these post-mandate benefits and €3.0 million was paid in social security contributions.

Non-compete Restrictions and Severance

In connection with our CEO's written agreement entered into in 2016, he agreed to a non-compete restriction under which he committed not to directly or indirectly work for or associate with any business that competes with the Company for two years after termination of his services. In addition, under the agreement, if the Company terminates his services for reasons other than for cause (as defined) or if he terminates his services for good reason (as defined), the Company will pay the CEO an amount equal to the sum of two times the sum of his annual base salary and annual bonus, in each case in the amount received for the last fiscal year prior to termination of his services, plus a pro-rated annual bonus for the year in which the termination occurs, based on actual performance goal achievement through the termination date (the "Severance"). If within twenty-four months following a change of control (as defined), the CEO's services are involuntarily terminated by the Company (other than for cause), or are terminated by the CEO for good reason, the CEO is entitled to receive the Severance and accelerated vesting of awards under the EIP. If the CEO leaves the Company then pursuant to his agreement, he may not work for a competitor for two years after the termination date. The CEO will not be entitled to the Severance if he is terminated for cause.

In connection with our Chairman's written agreement entered into in 2016, if the Company terminates his services for reasons other than for cause (as defined) or if he terminates his services for good reason (as defined), the Company will pay the Chairman an amount equal to two times his annual base salary, using the base salary as in effect for the last fiscal year prior to termination of services.

Other Benefits

We offer customary perquisites to our CEO and Chairman. The executive directors may also be entitled to usual and customary fringe benefits such as personal use of aircraft, company car and driver, personal/home security, medical insurance, accident and disability insurance, tax preparation, financial counseling and tax equalization. The Remuneration Policy also enables the Compensation Committee to grant other benefits to the executive directors in particular circumstances.

Tax Equalization

Action Taken	Rationale
Tax equalization for executive directors	Maintain respective home country taxation on all income for services, in the event of incremental taxes

The executive directors, by nature of their role in our geographically diverse company, may be subject to tax on their income for services in multiple countries. Given the executive directors are subject to tax on their worldwide income in their respective home countries, the Company studied the prevalent practice for handling incremental tax costs incurred by globally mobile executives. Based on that analysis, the Board decided to tax equalize all of the employment earnings, including equity income, to the executive directors' respective home country effective tax rate, if incremental taxes over their home country tax rate would arise.

Stock Ownership

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. While the Company does not maintain a formal stock ownership policy, the CEO's stock holdings, when viewed as a multiple of his 2017 base salary, was significantly greater than common market practice of five times base salary. Our CEO consistently retains most of his equity awards upon vesting (other than to cover associated tax obligations) demonstrating alignment with shareholder interests. The share ownership record for Mr. Marchionne reflects that he has historically held a substantial amount of equity in the Company, owning over 3 million shares on an annual basis from February 2012-2013 and over 6 million shares on an annual basis from 2014-2017.

Recoupment of Incentive Compensation (Clawback Policy)

The Company is dedicated to maintaining and enhancing a culture focused on integrity and accountability. The Company's EIP defines the terms and conditions for any subsequent long-term incentive program. The Company's agreement with its CEO, the employment agreements with members of management, including its executive officers and the EIP allow the Company to recover, or "clawback", incentive compensation with the ability to retroactively make adjustments if any cash or equity incentive award is predicated upon achieving financial results and the financial results were subject to an accounting restatement. In addition, the CEO and each of the Company's executive officers will repay net amounts received for their 2016 and 2017 annual bonuses, restricted share units and performance share units if, during the two years after payment, (i) FCA restates its financial statements for any vesting or performance period covered by the compensation (a "covered period"), (ii) "cause", as defined in executive's employment agreement, existed during a covered period, or (iii) the executive engaged in certain conduct that has been materially injurious to the Company.

Equity Incentive Plan - Long Term Incentive Program

2014 - 2016	2014 - 2017	2014 - 2018	2017 and 2018 Vesting
Performance Periods			Awards subject to reduction/cancellation/recovery based on clawback policy
1 st and 2 nd tranche equity awards based on 2014 – 2016 and 2014 – 2017 performance achieved, respectively			Award in share of common stock

Annual Bonus Plan

2016 and 2017	2016 and 2017 Clawback
Annual Performance Periods	Awards subject to reduction/cancellation/recovery
Results based on performance in 2016 and 2017	Awards in cash in first quarter of 2017 and 2018

Insider Trading Policy

The Company maintains an insider trading policy applicable to all directors, employees, members of the households and immediate family members (including spouse and children) of persons listed and other unrelated persons, if they are supported by the persons listed. The insider trading policy provides that the aforementioned individuals may not buy, sell or engage in other transactions in the Company's stock while in possession of material non-public information; buy or sell securities of other companies while in possession of material non-public information about those companies they become aware of as a result of business dealings between the Company and those companies; disclose material non-public information to any unauthorized persons outside of the Company; or engage in hedging transactions through the use of certain derivatives, such as put and call options involving the Company's securities. The insider trading policy also restricts trading to defined window periods which follow the Company's quarterly earnings releases.

Prohibition On Short Sales (Anti-hedging)

To ensure alignment with shareholders' interest and to further strengthen our compensation risk management policies and practice, the Company's insider trading policy prohibits all individuals to whom the policy applies from engaging in a short sale of the Company's or its subsidiaries' securities and derivatives (such as options, puts, calls, or warrants).

Remuneration for Non-Executive Directors

Remuneration of non-executive directors is set forth in the Remuneration Policy. The current remuneration for the non-executive directors is shown in the table below.

Non-Executive Director Compensation	U.S.\$
Annual cash retainer	200,000
Additional retainer for Audit Committee member	10,000
Additional retainer for Audit Committee Chair	20,000
Additional retainer for Compensation/Governance Committee member	5,000
Additional retainer for Compensation/Governance Committee Chair	15,000
Additional retainer for Lead Independent Director	25,000

At the 2017 annual general meeting of FCA shareholders, the Company's shareholders approved amendments to the Remuneration Policy to introduce the principle that non-executive directors are paid in cash. Pursuant to the amendment, implemented shortly after the 2017 annual general meeting of shareholders, non-executive directors are to be paid in cash, and no longer have the option to elect to receive their annual retainer fee, committee membership, and committee chair fee payments in the form of common shares. Remuneration of non-executive directors is fixed and not dependent on the Group's financial results. Non-executive directors are not eligible for variable compensation and do not participate in any incentive plans. Non-executive directors are also entitled to certain automobile perquisites, which are subject to taxes for the imputed income on the purchase or lease of Company vehicles.

Directors' Compensation

The following table summarizes the remuneration paid to the members of the Board of Directors for the year ended December 31, 2017.

Directors of FCA	Office held	In office from/to	Annual fee (€)	Annual incentive ⁽¹⁾ (€)	Other compensation (€)	Total (€)
ELKANN John Philipp	Chairman	01/01/2017 - 12/31/2017	1,770,411	—	405,399 ⁽²⁾	2,175,810
MARCHIONNE Sergio	CEO	01/01/2017 - 12/31/2017	3,540,822	4,631,395	2,737,479 ⁽³⁾	10,909,696
AGNELLI Andrea	Director	01/01/2017 - 12/31/2017	179,501 ⁽⁴⁾	—	—	179,501
BRANDOLINI D'ADDA Tiberto	Director	01/01/2017 - 12/31/2017	179,501 ⁽⁴⁾	—	—	179,501
EARLE Glenn	Director	01/01/2017 - 12/31/2017	197,449 ⁽⁴⁾	—	17,435 ⁽⁵⁾	214,884
MARS Valerie	Director	01/01/2017 - 12/31/2017	192,961 ⁽⁴⁾	—	5,133 ⁽⁵⁾	198,094
SIMMONS Ruth J.	Director	01/01/2017 - 12/31/2017	183,986 ⁽⁴⁾	—	6,108 ⁽⁵⁾	190,094
THOMPSON Ronald L.	Director	01/01/2017 - 12/31/2017	210,911 ⁽⁴⁾	—	5,599 ⁽⁵⁾	216,510
VOLPI Michelangelo A.	Director	04/15/2017 - 12/31/2017	90,733	—	—	90,733
WHEATCROFT Patience	Director	01/01/2017 - 12/31/2017	192,961 ⁽⁴⁾	—	11,180 ⁽⁵⁾	204,141
WOLF Stephen M.	Director	01/01/2017 - 04/14/2017	97,802 ⁽⁴⁾	—	2,036 ⁽⁵⁾	99,838
ZEGNA Ermenegildo	Director	01/01/2017 - 12/31/2017	188,535 ⁽⁴⁾	—	7,738 ⁽⁵⁾	196,273
Total			7,025,573	4,631,395	3,198,107	14,855,075

⁽¹⁾ The annual incentive represents the bonus paid in 2018 for the 2017 performance year.

⁽²⁾ The stated amount includes the use of transport and insurance premiums.

⁽³⁾ The stated amount includes insurance premiums, tax preparation and tax equalization.

⁽⁴⁾ Non-executive directors who elected to receive a portion of their annual retainer fee in common shares of FCA, prior to the change in Remuneration Policy approved at the 2017 annual general meeting of FCA shareholders. The amount of the annual fee reported includes the fair value of the shares received.

⁽⁵⁾ The stated amount refers to certain automobile perquisites, which are subject to taxes for the imputed income on the purchase or lease of Company vehicles.

Share Plans Granted to Directors

The following table gives an overview of the share plans held by the Chief Executive Officer and other Board Members.

Name / Plan	Grant Date	Vesting Date	Number of shares under award at January 1, 2017	Fair Value on Grant Date ⁽¹⁾	Shares Granted ⁽¹⁾	Shares Vested	Number of shares under award at December 31, 2017
Agnelli / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.34	4,970	4,970	—
Brandolini / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.34	4,970	4,970	—
Earle / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.35	6,283	6,283	—
Mars / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.34	4,970	4,970	—
Simmons / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.35	9,432	9,432	—
Thompson / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.34	4,970	4,970	—
Wheatcroft / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.34	4,970	4,970	—
Wolf / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.35	9,320	9,320	—
Zegna / 2017 FCA Share Grants	01/2017 - 04/2017	01/2017 - 04/2017	—	U.S.\$10.34	4,970	4,970	—
Marchionne / FCA LTI awards ^{(2),(3),(4)}	04/16/2015	2017 / 2018 / 2019	6,709,200	U.S.\$14.84	—	2,795,500	4,472,800

⁽¹⁾ Prior to the 2017 annual general meeting of FCA shareholders non-executive directors could elect to receive a portion of their annual retainer fee in common shares of FCA rather than in cash. The fair value of the shares received and shown in the table is included in the annual amount of the annual fee reported in the Directors' compensation table above. The Company amended the Remuneration Policy for its non-executive directors at the 2017 annual general meeting of shareholders to state that the non-executive directors' compensation will be paid entirely in cash.

⁽²⁾ During 2016, the Compensation Committee, in accordance with the terms of the LTI plan, adjusted the equity awards to make holders of the Company's LTI awards whole for the diminution in value of an FCA share resulting from the Ferrari spin-off. In January 2017, the Compensation Committee, in accordance with the terms of the LTI plan, adjusted the equity awards to make holders of the Company's LTI awards whole for the diminution in value of an FCA share resulting from the distribution of the Company's 16.7 percent ownership interest in RCS Media Group S.p.A. For LTI awards, the actual value of units received will depend on the Company's performance, as described above. Fair value is calculated by multiplying the per unit value of the award by the number of units corresponding to the most probable outcome of the performance conditions as of the grant date. The per unit value is based on the closing price of the Company's stock on the grant date, adjusted to reflect the relative TSR modifiers using a Monte Carlo simulation that includes multiple inputs such as stock price, performance period, volatility and dividend yield.

Event	Number of shares under award	Conversion Factor	Fair Value on award date	Dilution Adjustment	Number of adjusted shares
Ferrari Spin-off	4,320,000	1.5440	U.S.\$9.61	2,350,080	6,670,080
RCS Media Group S.p.A.	6,670,080	1.005865	U.S.\$ 9.56	39,120	6,709,200

⁽³⁾ In January, 2018, the Compensation Committee in accordance with the terms of the LTI plan, adjusted the equity awards to make holders of the Company's LTI awards whole for the diminution in value of an FCA share resulting from the distribution of the ordinary shares in GEDI Gruppo Editoriale S.p.A. (GEDI). For LTI awards, the actual value of units received will depend on the Company's performance as described above. Fair value is calculated by multiplying the per unit value of the award by the number of units corresponding in the most probable outcome of the performance conditions as of the grant date. The per unit is based on the Company's stock on the grant date, adjusted to reflect the relative TSR modifiers using a Monte Carlo simulation that includes multiple inputs such as stock price, performance period, volatility and dividend yield.

Event	Number of shares under award	Conversion Factor	Fair Value on award date	Dilution Adjustment	Number of adjusted shares
GEDI	4,472,800	1.003733	U.S.\$9.52	16,696	4,489,496

⁽⁴⁾ This number represents the maximum opportunity for the first vesting of the CEO's equity award.

The total cost recognized in 2017 by the Company in connection with the share plans referenced above was approximately €14 million.

Executive Officers' Compensation

Refer to Note 24, *Related party transactions*, within the Consolidated Financial Statements included elsewhere in this report for detail on the aggregate compensation expense for executives with strategic responsibilities.

Consolidated Financial Statements

AT DECEMBER 31, 2017

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Consolidated Income Statement

(in € million, except per share amounts)

		Years ended December 31					
	Note	2017	2016	2015			
Net revenues	4	€ 110,934	€ 111,018	€ 110,595			
Cost of revenues		93,975	95,295	97,620			
Selling, general and other costs		7,385	7,568	7,576			
Research and development costs	5	3,230	3,274	2,864			
Result from investments:		410	316	143			
<i>Share of the profit of equity method investees</i>	12	409	313	130			
<i>Other income from investments</i>		1	3	13			
Reversal of a Brazilian indirect tax liability	22	895	—	—			
Gains on disposal of investments		76	13	—			
Restructuring costs		95	88	53			
Net financial expenses	6	1,469	2,016	2,366			
Profit before taxes		6,161	3,106	259			
Tax expense	7	2,651	1,292	166			
Net profit from continuing operations		3,510	1,814	93			
Profit from discontinued operations, net of tax	3	—	—	284			
Net profit		€ 3,510	€ 1,814	€ 377			
Net profit attributable to:							
Owners of the parent		€ 3,491	€ 1,803	€ 334			
Non-controlling interests		19	11	43			
		€ 3,510	€ 1,814	€ 377			
Net profit from continuing operations attributable to:							
Owners of the parent		€ 3,491	€ 1,803	€ 83			
Non-controlling interests		19	11	10			
		€ 3,510	€ 1,814	€ 93			
Earnings per share:	27						
Basic earnings per share		€ 2.27	€ 1.19	€ 0.22			
Diluted earnings per share		€ 2.24	€ 1.18	€ 0.22			
Earnings per share for Net profit from continuing operations:	27						
Basic earnings per share		€ 2.27	€ 1.19	€ 0.05			
Diluted earnings per share		€ 2.24	€ 1.18	€ 0.05			

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income/(Loss)

(in € million)

		Years ended December 31		
	Note	2017	2016	2015
Net profit (A)		€ 3,510	€ 1,814	€ 377
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:	26			
(Losses)/gains on re-measurement of defined benefit plans		(64)	584	679
Share of gains/(losses) on re-measurement of defined benefit plans for equity method investees		2	(5)	(2)
Related tax impact		(21)	(261)	(201)
Items relating to discontinued operations, net of tax		—	—	3
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods (B1)		(83)	318	479
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:	26			
Gains/(losses) on cash flow hedging instruments		147	(249)	186
Gains on available-for-sale financial assets		14	15	11
Exchange (losses)/gains on translating foreign operations		(1,942)	458	1,002
Share of Other comprehensive (loss) for equity method investees		(121)	(122)	(17)
Related tax impact		(10)	69	(48)
Items relating to discontinued operations, net of tax		—	—	18
Total items that may be reclassified to the Consolidated Income Statement in subsequent periods (B2)		(1,912)	171	1,152
Total Other comprehensive (loss)/income, net of tax (B1)+(B2)=(B)		(1,995)	489	1,631
Total Comprehensive income (A)+(B)		€ 1,515	€ 2,303	€ 2,008
Total Comprehensive income attributable to:				
Owners of the parent		€ 1,491	€ 2,288	€ 1,953
Non-controlling interests		24	15	55
		€ 1,515	€ 2,303	€ 2,008
Total Comprehensive income attributable to owners of the parent:				
Continuing operations		€ 1,491	€ 2,288	€ 1,685
Discontinued operations		—	—	268
		€ 1,491	€ 2,288	€ 1,953

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

(in € million)

		At December 31	
	Note	2017	2016
Assets			
Goodwill and intangible assets with indefinite useful lives	9	€ 13,390	€ 15,222
Other intangible assets	10	11,542	11,422
Property, plant and equipment	11	29,014	30,431
Investments accounted for using the equity method	12	2,008	1,793
Other financial assets	13	482	649
Deferred tax assets	7	2,004	3,699
Other receivables	15	666	581
Tax receivables	15	83	93
Accrued income and prepaid expenses		328	372
Other non-current assets		508	359
Total Non-current assets		60,025	64,621
Inventories	14	12,922	12,121
Assets sold with a buy-back commitment		1,748	1,533
Trade and other receivables	15	7,887	7,273
Tax receivables	15	215	206
Accrued income and prepaid expenses		377	389
Other financial assets	13	487	762
Cash and cash equivalents	17	12,638	17,318
Assets held for sale	3	—	120
Total Current assets		36,274	39,722
Total Assets		€ 96,299	€ 104,343
Equity and liabilities			
Equity			
Equity attributable to owners of the parent	26	€ 20,819	€ 19,168
Non-controlling interests		168	185
Total Equity		20,987	19,353
Liabilities			
Long-term debt	21	10,726	16,111
Employee benefits liabilities	19	8,584	9,052
Provisions	20	5,770	6,520
Other financial liabilities	16	1	16
Deferred tax liabilities	7	388	194
Tax payables	22	74	25
Other liabilities	22	2,500	3,603
Total Non-current liabilities		28,043	35,521
Trade payables		21,939	22,655
Short-term debt and current portion of long-term debt	21	7,245	7,937
Other financial liabilities	16	138	681
Employee benefit liabilities	19	694	811
Provisions	20	9,009	9,317
Tax payables	22	309	162
Other liabilities	22	7,935	7,809
Liabilities held for sale	3	—	97
Total Current liabilities		47,269	49,469
Total Equity and liabilities		€ 96,299	€ 104,343

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(in € million)

		Years ended December 31		
	Note	2017	2016	2015
Cash flows from operating activities:				
Net profit from continuing operations		€ 3,510	€ 1,814	€ 93
Amortization and depreciation		5,890	5,956	5,414
Net losses on disposal of tangible and intangible assets		16	13	18
Net gains on disposal of investments		(76)	(13)	—
Other non-cash items	29	(199)	111	812
Dividends received		102	123	112
Change in provisions		555	1,519	3,206
Change in deferred taxes		1,057	389	(279)
Change due to assets sold with buy-back commitments and GDP vehicles		(11)	(95)	6
Change in inventories		(1,666)	(471)	(958)
Change in trade receivables		(206)	177	(191)
Change in trade payables		1,086	776	1,571
Change in other payables and receivables		327	295	(580)
Cash flows from operating activities - discontinued operations		—	—	527
Total		10,385	10,594	9,751
Cash flows used in investing activities:				
Investments in property, plant and equipment and intangible assets		(8,666)	(8,815)	(8,819)
Investments in joint ventures, associates and unconsolidated subsidiaries		(18)	(116)	(266)
Proceeds from the sale of tangible and intangible assets		61	36	29
Proceeds from disposal of other investments		4	55	—
Net change in receivables from financing activities		(838)	(483)	410
Change in securities		175	299	(239)
Other changes		(14)	(15)	11
Cash flows used in investing activities - discontinued operations		—	—	(426)
Total		(9,296)	(9,039)	(9,300)
Cash flows (used in) /from financing activities:				
	29			
Issuance of notes		—	1,250	2,840
Repayment of notes		(2,235)	(2,373)	(7,241)
Proceeds of other long-term debt		833	1,342	3,061
Repayment of other long-term debt		(3,439)	(4,618)	(4,412)
Net change in short-term debt and other financial assets/liabilities		371	(591)	(36)
Net proceeds from initial public offering of 10 percent of Ferrari N.V.	3	—	—	866
Distributions paid		(1)	(18)	(283)
Other changes		(2)	(119)	10
Cash flows from financing activities - discontinued operations		—	—	2,067
Total		(4,473)	(5,127)	(3,128)
Translation exchange differences		(1,296)	228	681
Total change in Cash and cash equivalents		(4,680)	(3,344)	(1,996)
Cash and cash equivalents at beginning of the period		17,318	20,662	22,840
Cash and cash equivalents at end of the period - included within Assets held for distribution		—	—	182
Cash and cash equivalents at end of the period	17	€ 12,638	€ 17,318	€ 20,662

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(in € million)

	Attributable to owners of the parent									
						Available- for-sale financial assets	Remeasure- ment of defined benefit plans	Cumulative share of OCI of equity method investees	Non- controlling interests	Total
	Share capital	Other reserves	Cash flow hedge reserve	Currency translation differences						
At December 31, 2014	€ 17	€ 14,338	€ (69)	€ 1,479	€ (37)	€ (1,578)	€ (86)	€ 313	€ 14,377	
Distributions	—	(17)	—	—	—	—	—	(283)	(300)	
Share-based compensation	—	80	—	—	—	—	—	—	80	
Net profit	—	334	—	—	—	—	—	43	377	
Initial public offering of 10 percent Ferrari N.V	—	869	7	(4)	—	1	—	(7)	866	
Other comprehensive income/(loss)	—	—	132	1,016	11	479	(19)	12	1,631	
Other changes	—	(149)	—	1	—	—	—	85	(63)	
At December 31, 2015	17	15,455	70	2,492	(26)	(1,098)	(105)	163	16,968	
Capital increase	—	—	—	—	—	—	—	18	18	
Mandatory Convertible Securities (Note 26)	2	(2)	—	—	—	—	—	—	—	
Share-based compensation	—	98	—	—	—	—	—	—	98	
Net profit	—	1,803	—	—	—	—	—	11	1,814	
Other comprehensive income/(loss)	—	—	(182)	456	15	324	(128)	4	489	
Other changes	—	(42)	49	(36)	—	6	—	(11)	(34)	
At December 31, 2016	19	17,312	(63)	2,912	(11)	(768)	(233)	185	19,353	
Capital increase	—	—	—	—	—	—	—	3	3	
Demerger of Itedi S.p.A	—	(64)	—	—	—	5	—	(28)	(87)	
Distributions	—	—	—	—	—	—	—	(1)	(1)	
Share-based compensation	—	115	—	—	—	—	—	—	115	
Net profit	—	3,491	—	—	—	—	—	19	3,510	
Other comprehensive income/(loss)	—	—	131	(1,942)	14	(84)	(119)	5	(1,995)	
Other changes	—	67	—	—	—	37	—	(15)	89	
At December 31, 2017	€ 19	€ 20,921	€ 68	€ 970	€ 3	€ (810)	€ (352)	€ 168	€ 20,987	

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

At December 31, 2017

1. PRINCIPAL ACTIVITIES

On January 29, 2014, the Board of Directors of Fiat S.p.A. ("Fiat") approved a proposed corporate reorganization resulting in the formation of Fiat Chrysler Automobiles N.V. and establishing Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent of the Group with its principal executive offices located at 25 St. James's Street, London SW1A 1HA, United Kingdom. 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 under the name Fiat Investments N.V.

On October 12, 2014, the cross-border legal merger of Fiat into its 100 percent owned direct subsidiary Fiat Investments N.V. (the "Merger") became effective. The Merger, which took the form of a reverse merger, resulted in Fiat Investments N.V. being the surviving entity and was renamed Fiat Chrysler Automobiles N.V. ("FCA NV").

Unless otherwise specified, the terms "Group", "FCA Group", "Company" and "FCA", refer to FCA NV, together with its subsidiaries and its predecessor prior to the completion of the Merger, or any one or more of them, as the context may require. Any references to "Fiat" refer solely to Fiat S.p.A., the predecessor of FCA NV prior to the Merger.

The Group and its subsidiaries, of which the most significant is FCA US LLC ("FCA US"), together with its subsidiaries, are engaged in the design, engineering, manufacturing, distribution and sale of automobiles and light commercial vehicles, engines, transmission systems, automotive-related components, metallurgical products and production systems. In addition, the Group is also involved in certain other activities, including services (mainly captive), which represent an insignificant portion of the Group's business.

All references in this report to "Euro" and "€" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended. The Group's financial information is presented in Euro. All references to "U.S. Dollars," "U.S. Dollar," "U.S.\$" and "\$" refer to the currency of the United States of America (or "U.S.").

2. BASIS OF PREPARATION

Authorization of Consolidated Financial Statements and compliance with International Financial Reporting Standards

The Consolidated Financial Statements, together with notes thereto of FCA, at December 31, 2017 were authorized for issuance by the Board of Directors on February 20, 2018 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as well as IFRS as adopted by the European Union. There is no effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union. The designation "IFRS" also includes International Accounting Standards ("IAS") as well as all interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Preparation

The Consolidated Financial Statements are prepared under the historical cost method, modified as required for the measurement of certain financial instruments, as well as on a going concern basis. In this respect, the Group's assessment is that no material uncertainties (as defined in IAS 1 - *Presentation of Financial Statements*) exist about its ability to continue as a going concern.

For presentation of the Consolidated Income Statement, the Group uses a classification based on the function of expenses, rather than based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice in the automotive sector.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are consolidated on a line by line basis from the date which control is achieved by the Group. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group recognizes a non-controlling interest in the acquiree on a transaction-by-transaction basis, either at fair value or at the non-controlling interest's share of the recognized amounts of the acquiree's identifiable net assets. Net profit or loss and each component of Other comprehensive income/(loss) are attributed to Equity attributable to owners of the parent and to Non-controlling interests. Total comprehensive income/(loss) of subsidiaries is attributed to Equity attributable to the owners of the parent and to the non-controlling interest even if this results in a deficit balance in Non-controlling interests.

Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Equity attributable to owners of the parent and Non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received in the transaction is recognized directly in the Equity attributable to the owners of the parent.

Subsidiaries are deconsolidated from the date which control ceases. When the Group ceases to have control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognizes the carrying amount of non-controlling interests in the former subsidiary and recognizes the fair value of any consideration received from the transaction. Any retained interest in the former subsidiary is then remeasured to its fair value.

All intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Interests in Joint Ventures and Associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

Joint ventures and associates are accounted for using the equity method of accounting from the date joint control and significant influence is obtained. On acquisition of the investment, any excess of the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is recognized as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the investee's profit/(loss) in the acquisition period.

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit/(loss) and other comprehensive income/(loss) of the investee. The Group's share of the investee's profit/(loss) is recognized in the Consolidated Income Statement. Distributions received from an investee reduce the carrying amount of the investment. Post-acquisition movements in Other comprehensive income/(loss) are recognized in Other comprehensive income/(loss) with a corresponding adjustment to the carrying amount of the investment.

Unrealized gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint venture or associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of the losses of a joint venture or associate exceeds the Group's interest in that joint venture or associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

The Group discontinues the use of the equity method from the date the investment ceases to be an associate or a joint venture, or when it is classified as available-for-sale.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, it recognizes its related interest in the joint operation including: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operation and (v) its expenses, including its share of any expenses incurred jointly.

Assets held for sale, Assets held for distribution and Discontinued Operations

Pursuant to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and the sale is highly probable, with the sale expected to be completed within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are presented separately in the Consolidated Statement of Financial Position. Non-current assets and disposal groups are not classified as held for sale within the comparative period presented for the Consolidated Statement of Financial Position.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resell and the disposal involves loss of control.

Classification as a discontinued operation occurs upon disposal or when the asset or disposal group meets the criteria to be classified as held for sale, if earlier. When the asset or disposal group is classified as a discontinued operation, the comparative information is reclassified within the Consolidated Income Statement as if the asset or disposal group had been discontinued from the start of the earliest comparative period presented.

The classification, presentation and measurement requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* also apply to an asset or disposal group that is classified as held for distribution to owners, whereby there must be commitment to the distribution, the asset or disposal group must be available for immediate distribution and the distribution must be highly probable.

Foreign currency

The functional currency of the Group's entities is the currency of their respective primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the Consolidated Statement of Financial Position. Exchange differences arising on the settlement of monetary items, or on reporting monetary items at rates different from those initially recorded, are recognized in the Consolidated Income Statement.

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the closing rates at the date of the Consolidated Statement of Financial Position. Income and expenses are translated into Euro at the average exchange rate for the period. Translation differences resulting from the application of this method are classified within Other comprehensive income/(loss) until the disposal of the subsidiary. Average exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the Consolidated Statement of Cash Flows.

The principal exchange rates used to translate other currencies into Euro were as follows:

	2017		2016		2015	
	Average	At December 31	Average	At December 31	Average	At December 31
U.S. Dollar (U.S.\$)	1.130	1.199	1.107	1.054	1.109	1.089
Brazilian Real (BRL)	3.605	3.973	3.857	3.431	3.699	4.312
Chinese Renminbi (CNY)	7.629	7.804	7.352	7.320	6.972	7.061
Canadian Dollar (CAD)	1.465	1.504	1.466	1.419	1.418	1.512
Mexican Peso (MXN)	21.329	23.661	20.664	21.772	17.611	18.915
Polish Zloty (PLN)	4.257	4.177	4.363	4.410	4.184	4.264
Argentine Peso (ARS)	18.683	22.595	16.327	16.707	10.271	14.136
Pound Sterling (GBP)	0.877	0.887	0.819	0.856	0.726	0.734
Swiss Franc (CHF)	1.112	1.170	1.090	1.074	1.068	1.084

Intangible assets*Goodwill*

Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, Goodwill is measured at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist principally of brands which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Development expenditures

Development expenditures for vehicle production and related components, engines and production systems are recognized as an asset if both of the following conditions within IAS 38 – *Intangible assets* are met: (i) that development expenditure can be measured reliably and (ii) that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development expenditures include all direct and indirect costs that may be directly attributed to the development process. All other development expenditures are expensed as incurred.

Capitalized development expenditures are amortized on a straight-line basis from the beginning of production over the expected life cycle of the models (generally 5-6 years) or powertrains developed (generally 10-12 years).

Property, plant and equipment

Cost

Property, plant and equipment is initially recognized at cost and includes the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary to be capable of operating in the manner intended by management and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Self-constructed assets are initially recognized at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized in the Consolidated Income Statement.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or at the present value of the minimum lease payments, if lower. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position within Debt.

Depreciation

During years ended December 31, 2017, 2016 and 2015, assets were depreciated on a straight-line basis over their estimated useful lives using the following rates:

	Depreciation rates
Buildings	3% - 8%
Plant, machinery and equipment	3% - 33%
Other assets	5% - 33%

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the respective lease term.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant or equipment or an intangible asset that is deemed to be a qualifying asset as defined in IAS 23 - *Borrowing Costs* are capitalized. The amount of borrowing costs eligible for capitalization corresponds to the actual borrowing costs incurred during the period, less any investment income on the temporary investment of any borrowed funds not yet used. The amount of borrowing costs capitalized at December 31, 2017 and 2016 was €225 million and €244 million, respectively.

Impairment of long-lived assets

At the end of each reporting period, the Group assesses whether there is any indication that its finite-lived intangible assets (including capitalized development expenditures) and its property, plant and equipment may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount which is the higher of fair value less costs of disposal and its value in use. The recoverable amount is determined for the individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing the value in use of an asset or CGU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the recoverable amount is lower than the carrying amount.

When an impairment loss for assets no longer exists or has decreased, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. The reversal of an impairment loss is recognized in the Consolidated Income Statement. Refer to the section — *Use of Estimates* below for additional information.

Financial assets and liabilities

Financial assets, as defined in IAS 39 – *Financial Instruments: Recognition and Measurement*, primarily include trade receivables, receivables from financing activities, securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents (which include available-for-sale, held-for-trading and held-to-maturity securities), investments in other companies, derivative financial instruments, as well as Cash and cash equivalents.

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, primarily comprised of commercial paper and certificates of deposit that are readily convertible into cash, with original maturities of three months or less at the date of purchase. Cash and cash equivalents are subject to an insignificant risk of changes in value, and consist of balances across various primary national and international money market instruments. Money market funds consist of investments in high quality, short-term, diversified financial instruments which can generally be liquidated on demand.

Financial liabilities primarily consist of Debt, Derivative financial instruments, Trade payables and Other liabilities.

Measurement

Financial assets are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, available-for-sale and held-for-trading securities are measured at fair value. When market prices are not directly available, the fair value of available-for-sale and held-for trading securities is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date).

Gains and losses on available-for-sale securities are recognized in Other comprehensive income/(loss) until the financial asset is disposed of or is impaired. When the asset is disposed of, the cumulative gains or losses, including those previously recognized in Other comprehensive income/(loss), are reclassified to the Consolidated Income Statement during the period and are recognized within Net financial expenses. Gains and losses arising from changes in the fair value of held-for-trading securities are recognized in the Consolidated Income Statement. When the asset is impaired, the losses are recognized in the Consolidated Income Statement.

Loans and receivables which are not held by the Group for trading (loans and receivables originating in the ordinary course of business) and held-to-maturity securities are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. When these financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest, or have an interest rate significantly lower than market rates, are discounted using market rates. Assessments are made regularly as to whether there is any objective evidence that the asset or group of assets may be impaired. If any such evidence exists, the impairment loss is recognized in the Consolidated Income Statement.

Investments in other companies are measured at fair value. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less any impairment losses. For investments classified as available-for-sale, gains or losses arising from changes in fair value are recognized in Other comprehensive income/(loss) until the assets are sold or are impaired, at which time, the cumulative Other comprehensive income/(loss) is recognized in the Consolidated Income Statement. Gains and losses arising from changes in the fair value of held-for-trading investments are recognized in the Consolidated Income Statement. Investments in other companies for which fair value is not available are stated at cost less any impairment losses. Dividends received are included in Other income from investments.

Except for derivative financial instruments, which are described in more detail below, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are used for economic hedging purposes in order to reduce currency, interest rate and market price risks (primarily related to commodities and securities). In accordance with IAS 39 - *Financial Instruments: Recognition and Measurement*, derivative financial instruments are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, all derivative financial instruments are measured at fair value. Furthermore, derivative financial instruments qualify for hedge accounting only when there is formal designation and documentation of the hedging relationship at inception of the hedge, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

- **Fair value hedges** – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the Consolidated Income Statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the Consolidated Income Statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the Consolidated Income Statement.
- **Cash flow hedges** – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the Consolidated Income Statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income/(loss). The cumulative gain or loss is reclassified from Other comprehensive income/(loss) to the Consolidated Income Statement at the same time as the economic effect arising from the hedged item that affects the Consolidated Income Statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the Consolidated Income Statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in Other comprehensive income/(loss) and is recognized in the Consolidated Income Statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in Other comprehensive income/(loss) is recognized in the Consolidated Income Statement immediately.
- **Hedges of a net investment** – If a derivative financial instrument is designated as a hedging instrument for a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognized in Other comprehensive income/(loss). The cumulative gain or loss is reclassified from Other comprehensive income/(loss) to the Consolidated Income Statement upon disposal of the foreign operation.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the Consolidated Income Statement.

Refer to Note 16, *Derivative financial assets and liabilities* for additional information on the Group's derivative financial instruments.

Transfers of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows arising from the asset are no longer held or if it transfers substantially all the risks and rewards of ownership of the financial asset. On derecognition of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in the Consolidated Income Statement.

The Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. Factoring transactions may be either with recourse or without recourse. Certain transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables) requiring first loss cover, whereby the transferor has priority participation in the losses, or requires a significant exposure to the variability of cash flows arising from the transferred receivables to be retained. These types of transactions do not meet the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement*, for the derecognition of the assets since the risks and rewards connected with ownership of the

financial asset are not transferred, and accordingly the Group continues to recognize these receivables within the Consolidated Statement of Financial Position and recognizes a financial liability for the same amount under Asset-backed financing, which is included within Debt. The gains and losses arising from the transfer of these receivables are recorded only when they are derecognized.

Inventories

Inventories of raw materials, semi-finished products and finished goods are stated at the lower of cost and net realizable value, with cost being determined on a first-in, first-out ("FIFO") basis. The measurement of Inventories includes the direct cost of materials and labor as well as indirect costs (variable and fixed). A provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of production systems construction contracts is based on the stage of completion determined as the proportion of cost incurred at the balance sheet date over the estimated total contract cost. These items are presented net of progress billings received from customers. Any losses on such contracts are recorded in the Consolidated Income Statement when they are known.

Employee benefits

Defined contribution plans

Costs arising from defined contribution plans are expensed as incurred.

Defined benefit plans

The Group's net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned and deducting the fair value of any plan assets. The present value of defined benefit obligations are measured using actuarial techniques and actuarial assumptions that are unbiased, mutually compatible and attribute benefits to periods in which the obligation to provide post-employment benefits arise by using the Projected Unit Credit Method. Plan assets are recognized and measured at fair value.

When the net obligation is a potential asset, the recognized amount is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan (asset ceiling).

The components of the defined benefit cost are recognized as follows:

- Service cost is recognized in the Consolidated Income Statement by function and is presented in the relevant line items (Cost of revenues, Selling, general and other costs and Research and development costs);
- Net interest on the defined benefit liability or asset is recognized in the Consolidated Income Statement within Net financial expenses and is determined by multiplying the net liability/(asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year; and
- Re-measurement components of the net obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest income recognized in the Consolidated Income Statement) and any change in the effect of the asset ceiling are recognized immediately in Other comprehensive income/(loss). These re-measurement components are not reclassified to the Consolidated Income Statement in a subsequent period.

Past service costs arising from plan amendments and curtailments and gains and losses on the settlement of a plan are recognized immediately in the Consolidated Income Statement.

Other long term employee benefits

The Group's obligations represent the present value of future benefits that employees have earned in return for their service. Re-measurement components on other long term employee benefits are recognized in the Consolidated Income Statement in the period in which they arise.

Share-based compensation

We have various compensation plans that provide for the granting of share-based compensation to certain employees and directors. Share-based compensation plans are accounted for in accordance with IFRS 2 - *Share-based Payment*, which requires the recognition of share-based compensation expense based on fair value. Compensation expense for equity-classified awards is measured at the grant date based on the fair value of the award and using the Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates and a correlation coefficient between our common stock and the relevant market index. For those awards with post-vesting contingencies, we apply an adjustment to account for the probability of meeting the contingencies.

Management uses its best estimates incorporating both publicly observable data and discounted cash flow methodologies in the measurement of fair value for liability-classified awards, which are remeasured to fair value at each balance sheet date until the award is settled.

Compensation expense is recognized over the vesting period with an offsetting increase to equity or other liabilities depending on the nature of the award. Share-based compensation expense related to plans with graded vesting are recognized using the graded vesting method. Share-based compensation expense is recognized within Selling, general and other costs within the Consolidated Income Statement.

Revenue recognition

Revenue from the sale of vehicles and service parts is recognized if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. Revenue is recognized when the risks and rewards of ownership are transferred to our customers, the sales price is agreed or determinable and collectability is reasonably assured. For vehicles, this generally corresponds to the date when the vehicles are made available to dealers or distributors, or when the vehicles are released to the carrier responsible for transporting vehicles to dealers or distributors. Revenue from the sale of vehicles, which subsequent to the sale become subject to the issuance of a residual value guarantee to an independent financing provider, is recognized consistent with the timing noted above, provided that significant risks related to the vehicle have been transferred to our customers. At that same time, a provision is made for the estimated residual value risk. Revenues are recognized net of discounts, including but not limited to, sales incentives and customer bonuses. The estimated costs of sales incentive programs include incentives offered to dealers and retail customers, and granting of retail financing at a significant discount to market interest rates. These costs are recognized at the time of the sale of the vehicle.

New vehicle sales with a buy-back commitment, or through the Guarantee Depreciation Program ("GDP") under which the Group guarantees the residual value, or otherwise assumes responsibility for the minimum resale value of the vehicle, are not recognized at the time of delivery but are accounted for similar to an operating lease. Rental income is recognized over the contractual term of the lease on a straight-line basis. At the end of the lease term, the Group recognizes revenue for the portion of the vehicle sales price which had not been previously recognized as rental income and recognizes the remainder of the cost of the vehicle within Cost of revenues.

Revenue from services contracts, separately-priced extended warranty and from construction contracts is recognized over the contract period in proportion to the costs expected to be incurred based on historical information. A loss on these contracts is recognized if the sum of the expected costs for services under the contract exceeds unearned revenue.

Cost of revenues

Cost of revenues comprises expenses incurred in the manufacturing and distribution of vehicles and parts, of which the cost of materials and components are the most significant. The remaining costs primarily include labor costs, consisting of direct and indirect wages, depreciation of property, plant and equipment and amortization of other intangible assets relating to production and transportation costs. In addition, expenses which are directly attributable to the financial services companies, including interest expense related to their financing as a whole and provisions for risks and write-downs of assets, are recorded within Cost of revenues (€53 million, €77 million and €115 million for the years ended December 31, 2017, 2016 and 2015, respectively). Cost of revenues also included €397 million, €384 million and €432 million related to the decrease in value for assets sold with buy-back commitments for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, estimated costs related to product warranty and recall campaigns are recorded within Cost of revenues (refer to the section — *Use of Estimates* below for further information).

Government Grants

Government grants are recognized in the Consolidated Financial Statements when there is reasonable assurance of the Group's compliance with the conditions for receiving such grants and that the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and it is accounted for in accordance with the policies used for the recognition of government grants.

Taxes

Income taxes include all taxes based on the taxable profits of the Group. Current and deferred taxes are recognized as a benefit or expense and are included in the Consolidated Income Statement for the period, except tax arising from (i) a transaction or event which is recognized, in the same or a different period, either in Other comprehensive income/ (loss) or directly in Equity, or (ii) a business combination.

Deferred taxes are accounted for under the full liability method. Deferred tax liabilities are recognized for all taxable temporary differences between the carrying amounts of assets or liabilities and their tax base, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax assets arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to the period when the asset is realized or liability is settled.

The Group recognizes deferred tax liabilities associated with the existence of a subsidiary's undistributed profits, except when it is able to control the timing of the reversal of the temporary difference, and it is probable that this temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets associated with the deductible temporary differences on investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets relating to the carry-forward of unused tax losses and tax credits as well as those arising from deductible temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized. The Group monitors unrecognized deferred tax assets at each reporting date and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income taxes and deferred taxes are offset when they relate to the same taxation authority and there is a legally enforceable right of offset. Other taxes not based on income, such as property taxes and capital taxes, are included within Selling, general and other costs.

Fair Value Measurement

Fair value for measurement and disclosure purposes is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In estimating fair value, we use market-observable data to the extent it is available. When market-observable data is not available, we use valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

IFRS 13 - *Fair Value Measurement* establishes a hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

Levels used in the hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date. Level 1 primarily consists of financial instruments such as cash and cash equivalents and certain available-for-sale and held-for-trading securities.
- Level 2 inputs include those which are directly or indirectly observable as of the measurement date. Level 2 instruments include commercial paper and non-exchange-traded derivatives such as over-the-counter currency and commodity forwards, swaps and option contracts, which are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for similar instruments in active markets, quoted prices for identical or similar inputs not in active markets, and observable inputs.
- Level 3 inputs are unobservable from objective sources in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments. Instruments in this category include non-exchange-traded derivatives such as over-the-counter commodity option and swap contracts.

Refer to Note 23, *Fair value measurement*, for additional information on fair value measurements.

Use of Estimates

The Consolidated Financial Statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

The estimates and underlying assumptions, which are based on management's best judgment, are reviewed by the Group periodically and when circumstances require. Actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimates are recognized in the Consolidated Income Statement in the period in which the adjustment is made, or in future periods.

The items requiring estimates for which there is a risk that a material difference may arise in respect of the carrying amounts of assets and liabilities in the future are discussed below.

Employee Benefits

The Group provides post-employment benefits for certain of its active employees and retirees, which vary according to the legal, fiscal and economic conditions of each country in which the Group operates and may change periodically. The plans are classified by the Group on the basis of the type of benefit provided as follows: pension benefits, health care and life insurance plans, and other post-employment benefits.

Group companies provide certain post-employment benefits, such as pension or health care benefits, to their employees under defined contribution plans whereby the Group pays contributions to public or private plans on a legally mandatory, contractual, or voluntary basis. The Group recognizes the cost for defined contribution plans as incurred and classifies this by function within Cost of revenues, Selling, general and other costs and Research and development costs in the Consolidated Income Statement.

Pension plans

The Group sponsors both non-contributory and contributory defined benefit pension plans primarily in the U.S. and Canada. The majority of the plans are funded plans. The non-contributory pension plans cover certain hourly and salaried employees and the benefits are based on a fixed rate for each year of service. Additionally, contributory benefits are provided to certain salaried employees under the salaried employees' retirement plans. In the United Kingdom, the Group participates, amongst others, in a pension plan financed by various entities belonging to the Group, called the "Fiat Group Pension Scheme" covering mainly deferred and retired employees.

The Group's defined benefit pension plans are accounted for on an actuarial basis, which requires the use of estimates and assumptions to determine the net liability or net asset. The Group estimates the present value of the projected future payments to all participants taking into consideration parameters of a financial nature such as discount rates, the rates of salary increases and the likelihood of potential future events estimated by using demographic assumptions, which may have an effect on the amount and timing of future payments, such as mortality, dismissal and retirement rates, which are developed to reflect actual and projected plan experience. Mortality rates are developed using our plan-specific populations, recent mortality information published by recognized experts in this field, primarily the U.S. Society of Actuaries and the Canadian Institute of Actuaries, and other data where appropriate to reflect actual and projected plan experience. The expected amount and timing of contributions is based on an assessment of minimum funding requirements. From time to time contributions are made beyond those that are legally required.

Plan obligations and costs are based on existing retirement plan provisions. Assumptions regarding any potential future changes to benefit provisions beyond those to which the Group is presently committed are not made. Significant differences in actual experience or significant changes in the following key assumption may affect the pension obligations and pension expense:

- *Discount rates.* Our discount rates are based on yields of high-quality (AA-rated) fixed income investments for which the timing and amounts of maturities match the timing and amounts of the projected benefit payments.

The effects of actual results differing from assumptions and of amended assumptions are included in Other comprehensive income/(loss). The weighted average discount rates used to determine the defined benefit obligation for the defined benefit plans were 3.7 percent and 4.3 percent at December 31, 2017 and 2016, respectively.

At December 31, 2017, the effect on the defined benefit obligation of the indicated decrease or increase in the discount rate holding all other assumptions constant was as follows:

	Effect on pension benefit obligation
	(€ million)
10 basis point decrease in discount rate	306
10 basis point increase in discount rate	(299)

Refer to Note 19, *Employee benefits liabilities*, for additional information on the Group's pension plans.

Other post-employment benefits

The Group provides health care, legal, severance, indemnity life insurance benefits and other postretirement benefits to certain hourly and salaried employees. Upon retirement, these employees may become eligible for continuation of certain benefits. Benefits and eligibility rules may be modified periodically.

These other post-retirement employee benefits ("OPEB") are accounted for on an actuarial basis, which requires the selection of various assumptions. The estimation of the Group's obligations, costs and liabilities associated with OPEB requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events estimated by using demographic assumptions, which may have an effect on the amount and timing of future payments, such as mortality, dismissal and retirement rates, which are developed to reflect actual and projected plan experience, as well as legal requirements for retirement in respective countries. Mortality rates are developed using our plan-specific populations, recent mortality information published by recognized experts in this field and other data where appropriate to reflect actual and projected plan experience.

Plan obligations and costs are based on existing plan provisions. Assumptions regarding any potential future changes to benefit provisions beyond those to which the Group is presently committed are not made.

Significant differences in actual experience or significant changes in the following key assumptions may affect the OPEB obligation and expense:

- **Discount rates.** Our discount rates are based on yields of high-quality (AA-rated) fixed income investments for which the timing and amounts of maturities match the timing and amounts of the projected benefit payments.
- **Health care cost trends.** The Group's health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends.

At December 31, 2017, the effect of the indicated decreases or increases in the key assumptions affecting the health care, life insurance plans and Italian severance indemnity (*trattamento di fine rapporto* or "TFR"), holding all other assumptions constant, is shown below:

	Effect on health care and life insurance benefit obligation	Effect on the TFR benefit obligation
	(€ million)	
10 basis point / (100 basis point for TFR) decrease in discount rate	30	54
10 basis point / (100 basis point for TFR) increase in discount rate	(30)	(47)
100 basis point decrease in health care cost trend rate	(45)	—
100 basis point increase in health care cost trend rate	54	—

Refer to Note 19, *Employee benefits liabilities*, for additional information on the Group's OPEB liabilities.

Recoverability of non-current assets with definite useful lives

Non-current assets with definite useful lives include property, plant and equipment, intangible assets and assets held for sale. Intangible assets with definite useful lives mainly consist of capitalized development expenditures primarily related to the NAFTA and EMEA segments. The Group periodically reviews the carrying amount of non-current assets with definite useful lives when events or circumstances indicate that an asset may be impaired. The recoverability of non-current assets with definite useful lives is based on the estimated future cash flows, using the Group's current business plan, of the cash generating units to which the assets relate. The global automotive industry is experiencing significant change as a result of evolving regulatory requirements for fuel efficiency, greenhouse gas emissions and other tailpipe emissions and emerging technology changes, such as autonomous driving. Our business plan could change in response to these evolving requirements and emerging technologies, which may result in changes to our estimated future cash flows and could affect the recoverability of our non-current assets with definite useful lives. Any change in recoverability would be accounted for at the time such change to the business plan occurs.

For the years ended December, 31, 2017, 2016 and 2015, the impairment tests performed compared the carrying amount of the assets included in the respective CGUs to their value in use and was determined using a discounted cash flow methodology. The value in use of the CGUs, which was based primarily on unobservable inputs, was determined using pre-tax estimated future cash flows attributable to the CGUs that were discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs.

During the year ended December 31, 2017, impairment losses totaling €229 million were recognized. The most significant components of this impairment loss were in EMEA, related to changes in the global product portfolio, and in LATAM, related to product portfolio changes. It was determined that the carrying amount of the CGUs exceeded their value in use and accordingly an impairment charge of €142 million was recognized in EMEA and €56 million in LATAM. In addition, during the second quarter of 2017, due to the continued deterioration of the economic conditions in Venezuela, an impairment test, which compared the carrying amount of certain of FCA Venezuela's assets to their fair value using a market approach, resulted in impairment losses of €21 million.

During the year ended December 31, 2016, impairment losses totaling €195 million were recognized. The most significant component of this impairment loss related to the impairment of capitalized development expenditures for the locally produced Fiat Viaggio and Ottimo vehicles as a result of the Group's capacity realignment to SUV production in China. It was determined that the carrying amount of the CGUs exceeded the capitalized development expenditures' value in use which resulted in an impairment charge of €90 million. In addition, due to the continued deterioration of the economic conditions in Venezuela, an impairment test which compared the carrying amount of certain of FCA Venezuela's assets to their fair value using a market approach, resulted in an impairment charge of €43 million.

During the year ended December 31, 2015, impairment losses totaling €713 million were recognized. The most significant component of this impairment loss related to the decision taken by the Group during the fourth quarter of 2015 to realign a portion of its manufacturing capacity in the NAFTA region, as part of the plan to improve NAFTA margins and to better meet market demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure. The approval of this plan was deemed to be an indicator of impairment for certain of our vehicle platform CGUs due to the significant changes to the extent to which the assets are expected to be used. It was determined that the carrying amount of the CGUs exceeded their value in use and an impairment charge of €598 million was recorded for the year ended December 31, 2015, of which €422 million related to tangible asset impairments and €176 million related to the impairment of capitalized development expenditures.

Recoverability of Goodwill and Intangible assets with indefinite useful lives

In accordance with IAS 36 - *Impairment of Assets*, goodwill and intangible assets with indefinite useful lives are not amortized and are tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired.

Goodwill and intangible assets with indefinite useful lives are allocated to operating segments or to CGUs within the operating segments. The impairment test is performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill, brands and capitalized development expenditures) and the recoverable amount of each CGU or group of CGUs to which Goodwill has been allocated. The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use. The balance of Goodwill and intangible assets with indefinite useful lives recognized by the Group primarily relates to the acquisition of FCA US. Goodwill has been allocated to the NAFTA, EMEA, APAC and LATAM operating segments.

The assumptions used in the impairment test represent management's best estimate for the period under consideration. The estimate of the recoverable amount, for purposes of performing the annual impairment test for each of the operating segments, was determined using fair value less costs of disposal for the year ended December 31, 2017 and was based on the following assumptions:

- The expected future cash flows covering the period from 2018 through 2022. These expected cash flows reflect the current expectations regarding economic conditions and market trends as well as the Group's initiatives for the period 2018 to 2022. These cash flows relate to the respective CGUs in their condition when preparing the financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used for estimating the future cash flow are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends and segment, brand and model share for the respective operating segment over the period considered. With regards to the LATAM operating segment, expected future cash flows also include the extension of tax benefits and other government grants to the extent such events are considered probable.
- The expected future cash flows include a normalized terminal period to estimate the future result beyond the time period explicitly considered which incorporates a long-term growth rate assumption of 2 percent.
- Post-tax cash flows have been discounted using a post-tax discount rate which reflects the current market assessment of the time value of money for the period being considered and the risks specific to the operating segment and cash flows under consideration. The Weighted Average Cost of Capital ("WACC") ranged from approximately 12.3 percent to approximately 18.6 percent. The WACC was calculated using the Capital Asset Pricing Model technique.

The value estimated as described above was determined to be in excess of the book value of the net capital employed for each operating segment to which Goodwill has been allocated. As such, no impairment charges were recognized for Goodwill and Intangible assets with indefinite useful lives for the year ended December 31, 2017.

There were no impairment charges resulting from the impairment tests performed for the years ended December 31, 2016 and 2015.

Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. The recoverability of deferred tax assets is dependent on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse and tax losses carried forward can be utilized. In making this assessment, the Group considers future taxable income arising on the most recent budgets and plans, prepared by using the same criteria described for testing the impairment of assets and goodwill. Moreover, the Group estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these assets could be recovered.

The estimates and assumptions are subject to uncertainty especially as it relates to future performance in Latin America and the Eurozone. Therefore changes in current estimates due to unanticipated events could have a significant impact on our Consolidated Financial Statements.

Sales incentives

The Group records the estimated cost of sales incentive programs offered to dealers and consumers as a reduction to revenue at the time of sale to the dealer. This estimated cost represents the incentive programs offered to dealers and consumers, as well as the expected modifications to these programs in order to facilitate sales of the dealer inventory. Subsequent adjustments to sales incentive programs related to vehicles previously sold to dealers are recognized as an adjustment to Net revenues in the period the adjustment is determinable.

The Group uses price discounts to adjust vehicle pricing in response to a number of market and product factors, including pricing actions and incentives offered by competitors, economic conditions, the amount of excess industry production capacity, the intensity of market competition, consumer demand for the product and the desire to support promotional campaigns. The Group may offer a variety of sales incentive programs at any given point in time, including cash offers to dealers and consumers and subvention programs offered to customers, or lease subsidies, which reduce the retail customer's monthly lease payment or cash due at the inception of the financing arrangement, or both. Sales incentive programs are generally brand, model and region specific for a defined period of time.

Multiple factors are used in estimating the future incentive expense by vehicle line including the current incentive programs in the market, planned promotional programs and the normal incentive escalation incurred as the model year ages. The estimated incentive rates are reviewed monthly and changes to planned rates are adjusted accordingly, thus impacting revenues. As there are a multitude of inputs affecting the calculation of the estimate for sales incentives, an increase or decrease of any of these variables could have a significant effect on Net revenues.

Product warranties, recall campaigns and product liabilities

The Group establishes reserves for product warranties at the time the sale is recognized. The Group issues various types of product warranties under which the performance of products delivered is generally guaranteed for a certain period or term. The accrual for product warranties includes the expected costs of warranty obligations imposed by law or contract, as well as the expected costs for policy coverage, recall actions and buyback commitments. The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, as well as historical claims experience for the Group's vehicles. In addition, the number and magnitude of additional service actions expected to be approved and policies related to additional service actions are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in the assumptions used could materially affect the results of operations.

The Group periodically initiates voluntary service and recall actions to address various customer satisfaction as well as safety and emissions issues related to vehicles sold. Included in the reserve is the estimated cost of these service and recall actions. In NAFTA, we accrue estimated costs for recalls at the time of sale, which are based on historical claims experience as well as an additional actuarial analysis that gives greater weight to the more recent calendar year trends in recall campaign activity. In other regions and sectors, however, there generally is not sufficient historical data to support the application of an actuarial-based estimation technique. As a result, estimated recall costs for the other regions and sectors are accrued at the time when they are probable and reasonably estimable, which typically occurs once a specific recall campaign is approved and is announced.

Estimates of the future costs of these actions are inevitably imprecise due to numerous uncertainties, including the enactment of new laws and regulations, the number of vehicles affected by a service or recall action and the nature of the corrective action. It is reasonably possible that the ultimate cost of these service and recall actions may require the Group to make expenditures in excess of (or less than) established reserves over an extended period of time and in a range of amounts that cannot be reasonably estimated. The estimate of warranty and additional service and recall action obligations is periodically reviewed during the year. Experience has shown that initial data for any given model year can be volatile; therefore, our process relies upon long-term historical averages until sufficient data is available. As actual experience becomes available, it is used to modify the historical averages to ensure that the forecast is within the range of likely outcomes. Resulting accruals are then compared with current spending rates to ensure that the balances are adequate to meet expected future obligations.

In addition, the Group makes provisions for estimated product liability costs arising from property damage and personal injuries including wrongful death, and potential exemplary or punitive damages alleged to be the result of product defects. By nature, these costs can be infrequent, difficult to predict and have the potential to vary significantly in amount. The valuation of the reserve is actuarially determined on an annual basis based on, among other factors, the number of vehicles sold and product liability claims incurred. Costs associated with these provisions are recorded in the Consolidated Income Statement and any subsequent adjustments are recorded in the period in which the adjustment is determined.

Litigation

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 laws, 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. Adverse decisions in one or more of these proceedings could require the Group to pay substantial damages, or undertake service actions, recall campaigns or other costly actions.

Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Moreover, the cases and claims against the Group are often derived from complex legal issues which are subject to differing degrees of uncertainty, including the facts and circumstances of each particular case, the manner in which the applicable law is likely to be interpreted and applied and the jurisdiction and the different laws involved. An accrual is established in connection with pending or threatened litigation if it is probable there will be an outflow of funds and when the amount can be reasonably estimated. If an outflow of funds becomes probable, but the amount cannot be estimated, the matter is disclosed in the notes to the Consolidated Financial Statements. Since these accruals represent estimates, the resolution of some of these matters could require the Group to make payments in excess of the amounts accrued or may require the Group to make payments in an amount or range of amounts that could not be reasonably estimated.

The Group monitors the status of pending legal procedures and consults with experts on legal and tax matters on a regular basis. As such, the provisions for the Group's legal proceedings and litigation may vary as a result of future developments in pending matters.

New standards and amendments effective from January 1, 2017

The following new standards and amendments applicable from January 1, 2017 were adopted by the Group:

- Amendments to IAS 12 - *Income Taxes* that clarify how to account for deferred tax assets related to debt instruments measured at fair value. There was no effect to our Consolidated Financial Statements from the adoption of these amendments.
- Amendments to IAS 7 - *Statement of Cash Flows* introducing additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosures have been included in Note 29, *Explanatory notes to the Consolidated Statement of Cash Flows*.
- Amendments to IFRS 12 - *Disclosure of Interests in Other Entities*, included within the Annual Improvements to IFRS Standards 2014–2016 Cycle. There was no effect to our Consolidated Financial Statements from the adoption of these amendments.

New standards, amendments and interpretations not yet effective

The following new standards and amendments were issued by the IASB. We will comply with the relevant guidance no later than their respective effective dates:

- IFRS 15 – *Revenue from contracts with customers* (“IFRS 15”), which was issued by the IASB in May 2014 and amended in September 2015 and has an effective date from January 1, 2018, the Group will adopt the provisions of IFRS 15 and all its amendments using the modified retrospective method with a cumulative adjustment to equity as of January 1, 2018. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive using a five-step process. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The majority of our revenue will continue to be recognized in a manner consistent with accounting guidance in prior years with the exception of certain GDP vehicles as well as shipping and handling activities that occur after control of the vehicle passes to the customer. Under the new standard, a GDP vehicle sale that contains no option to repurchase or includes a put option for which the customer does not have a significant economic incentive to exercise will be recognized as revenue when control transfers upon shipment of the vehicles, rather than treated as an operating lease in accordance with prior guidance. Shipping and handling activities, when arranged by FCA after control of the vehicle passes to the customer, will be a separate performance obligation in the vehicle sale arrangement for which control passes when the shipping activities are complete. Under current guidance, these activities are not considered a separately identifiable component from the vehicle. The total impact of the cumulative adjustment to equity as of January 1, 2018 is expected to be less than €50 million, and the impact to the Group’s Net profit is expected to be immaterial on an ongoing basis.
- In July 2014, the IASB issued IFRS 9 – *Financial Instruments* (“IFRS 9”). The standard is effective for financial years beginning on January 1, 2018. IFRS 9 introduces improvements in the accounting requirements for classification and measurement of financial assets, for impairment of financial assets and for hedge accounting. The Group will apply practical expedients permitted by the standard and not restate prior periods. For hedge accounting, the Group will apply the standard prospectively.
 - Financial assets will be classified and measured on the basis of the Group’s business model and characteristics of the financial asset’s cash flows. A financial asset is initially measured either at “amortized cost”, at “fair value through other comprehensive income” or at “fair value through profit or loss”. At the date of initial application of IFRS 9, except for certain receivables managed solely with the intent to be transferred to third parties before maturity that are measured at fair value through profit or loss and certain investments in other companies designated as measured at fair value through other comprehensive income, the measurement of the Group’s financial assets under IFRS 9 has not changed compared to IAS 39. The classification of financial liabilities under IFRS 9 is unchanged compared with the current accounting requirements of IAS 39.
 - The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred losses as is the case under IAS 39. The expected credit losses will be recorded either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on trade and other receivables. For receivables from financing activities the Group will apply the general approach recording the credit losses either on a 12-month or lifetime basis.
 - The new hedge accounting rules will align the accounting for hedge instruments more closely with the Group’s risk management practices. Generally, under IFRS 9 more hedge relationships will be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has undertaken an assessment of its IAS 39 hedge relationships against the requirements of IFRS 9 and has concluded that the Group’s current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. The new standard also introduces expanded disclosure requirements and changes in presentation.

Overall, the total impact of the cumulative adjustment to equity as of January 1, 2018 and the impact to the Group’s net profit is expected to be immaterial.

- In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16") which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - *Leases*. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of lease assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. IFRS 16 is effective from January 1, 2019 and we are continuing with our implementation and assessment of the impact of the adoption of this standard on our Consolidated Financial Statements.
- In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payments*, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through IFRIC, provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (ii) share-based payment transactions with a net settlement feature for withholding tax obligations and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company will adopt these amendments prospectively from January 1, 2018. We do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In September 2016, the IASB issued "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: (i) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and (ii) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). We have completed our evaluation and concluded that there is no impact from these amendments on our Consolidated Financial Statements.
- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle which included amendments to IAS 28 - *Investments in Associates and Joint Ventures* (effective January 1, 2018). The amendments clarify, correct or remove redundant wording in the related standard and are not expected to have a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In December 2016, the IASB issued IFRIC Interpretation 22 - *Foreign Currency Transactions and Advance Consideration* which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective January 1, 2018. We do not expect a material impact to our Consolidated Financial Statements upon adoption of the interpretation.
- In May 2017, the IASB issued IFRS 17 - *Insurance Contracts* ("IFRS 17"), which replaces IFRS 4 *Insurance Contracts*. IFRS 17 requires all insurance contracts to be accounted for in a consistent manner and insurance obligations to be accounted for using current values, instead of historical cost. The new standard requires current measurement of the future cash flows and the recognition of profit over the period that services are provided under the contract. IFRS 17 also requires entities to present insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses, and requires an entity to make an accounting policy choice of whether to recognize all insurance finance income or expenses in profit or loss or to recognize some of those income or expenses in other comprehensive income. The standard is effective for annual periods beginning on or after January 1, 2021 with earlier adoption permitted. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.

- In June 2017, the IASB issued *IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment*, (the "Interpretation"), which clarifies application of recognition and measurement requirements in IAS 12 - *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The Interpretation does not add any new disclosure requirements, however it highlights the existing requirements in IAS 1 - *Presentation of Financial Statements*, related to disclosure of judgments, information about the assumptions made and other estimates and disclosures of tax-related contingencies within IAS 12 - *Income Taxes*. The Interpretation is applicable for annual reporting periods beginning on or after January 1, 2019 and it provides a choice of two transition approaches: (i) retrospective application using IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, only if the application is possible without the use of hindsight, or (ii) retrospective application with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application and without restatement of the comparative information. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation. We are currently evaluating the implementation and the impact of adoption of the interpretation on our Consolidated Financial Statements.
- In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*, allowing companies to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss, effective January 1, 2019. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.
- In October 2017, the IASB issued *Long-term interests in associates and joint ventures (Amendments to IAS 28)*, which clarifies that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9, effective January 1, 2019. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.
- In December 2017, the IASB issued the *Annual Improvements to IFRSs 2015-2017*, a series of amendments to IFRSs in response to issues raised mainly on IFRS 3 - *Business Combinations*, which clarifies that a company remeasure its previously held interest in a joint operation when it obtains control of the business, on IFRS 11 - *Joint Arrangements*, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business, on IAS 12 - *Income Taxes*, which clarifies that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises, and on IAS 23 - *Borrowing Costs*, which clarifies that a company treats as part of general borrowing any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The effective date of the amendments is January 1, 2019. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.
- In February 2018, the IASB issued *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* which specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. IAS 19 *Employee Benefits* specifies how a company accounts for a defined benefit plan. When a change to a plan - an amendment, curtailment or settlement - takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments are effective on or after 1 January 2019. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.

3. SCOPE OF CONSOLIDATION

The following table sets forth a list of the principal subsidiaries of FCA, which are grouped according to each of our reportable segments as well as our holding and other companies:

Name	Country	Percentage Interest Held
NAFTA		
FCA US LLC	USA (Delaware)	100.00
FCA Canada Inc.	Canada	100.00
FCA Mexico, S.A. de C.V.	Mexico	100.00
LATAM		
FCA Fiat Chrysler Automoveis Brasil LTDA	Brazil	100.00
FCA Automobiles Argentina S.A.	Argentina	100.00
Banco Fidis S.A.	Brazil	100.00
APAC		
Chrysler Group (China) Sales Limited	People's Republic of China	100.00
FCA Japan Ltd.	Japan	100.00
FCA Australia Pty Ltd.	Australia	100.00
FCA Automotive Finance Co. Ltd.	People's Republic of China	100.00
EMEA		
FCA Italy S.p.A.	Italy	100.00
FCA Melfi S.r.l.	Italy	100.00
FCA Poland Spółka Akcyjna	Poland	100.00
FCA Powertrain Poland Sp. z o.o.	Poland	100.00
FCA Serbia d.o.o. Kragujevac	Serbia	66.67
FCA Germany AG	Germany	100.00
FCA France S.A.	France	100.00
Fiat Chrysler Automobiles UK Ltd.	United Kingdom	100.00
Fiat Chrysler Automobiles Spain S.A.	Spain	100.00
Fidis S.p.A.	Italy	100.00
Maserati		
Maserati S.p.A.	Italy	100.00
Maserati (China) Cars Trading Co. Ltd.	People's Republic of China	100.00
Maserati North America Inc.	USA (Delaware)	100.00
Components		
Magnetit Marelli S.p.A.	Italy	99.99 ⁽¹⁾
Automotive Lighting LLC	USA (Delaware)	100.00
Automotive Lighting Reutlingen GmbH	Germany	99.99
Teksid S.p.A.	Italy	100.00
Comau S.p.A.	Italy	100.00
COMAU LLC	USA (Delaware)	100.00
Holding Companies and Other Companies		
FCA North America Holdings LLC	USA (Delaware)	100.00
Fiat Chrysler Finance S.p.A.	Italy	100.00
Fiat Chrysler Finance Europe S.A.	Luxembourg	100.00

⁽¹⁾ FCA holds 100 percent of the voting interest in Magnetit Marelli S.p.A.

Itedi S.p.A Held for Sale and Discontinued Operations

On August 1, 2016, FCA announced the signing of a framework agreement which set out terms of the proposed integration, through a merger, between FCA's consolidated media and publishing subsidiary, Italiana Editrice S.p.A. ("Itedi"), in which FCA had a 77 percent ownership interest, and the Italian media group, GEDI Gruppo Editoriale S.p.A. ("GEDI"), previously known as Gruppo Editoriale L'Espresso S.p.A. All the conditions precedent for the Merger were met and all regulatory approvals from Italian state authorities that regulate the publishing and media sectors were received in June 2017. All the necessary steps for the merger were completed and on June 27, 2017, FCA and Itedi's non-controlling shareholder, Ital Press Holding S.p.A. ("Ital Press"), transferred 100 percent of the shares of Itedi to GEDI in exchange for newly issued GEDI shares, resulting in CIR S.p.A., the controlling shareholder of GEDI, holding a 43.4 percent ownership interest in GEDI, FCA holding 14.63 percent and Ital Press holding 4.37 percent. Following the completion of the Merger on June 27, 2017, FCA distributed its entire interest in GEDI to holders of FCA common shares on July 2, 2017 in the ratio of 0.0484 GEDI ordinary shares for each FCA common share.

As a result, the Group recorded a gain of €49 million within Gains on disposal in the Consolidated Income Statement for the year ended December 31, 2017.

Itedi was not classified as a discontinued operation as it did not represent a separate major line of business or geographical area of operations for the Group, or a part of it.

The following table summarizes the assets and liabilities of Itedi S.p.A that were classified as held for sale at December 31, 2016:

	At December 31, 2016	
	(€ million)	
Assets classified as held for sale		
Goodwill	€	54
Other intangible assets		7
Property, plant and equipment		17
Trade receivables		25
Other		17
Total Assets held for sale	€	120
Liabilities classified as held for sale		
Provisions	€	38
Trade payables		19
Debt and Other		40
Total Liabilities held for sale	€	97

Ferrari Spin-off and Discontinued Operations

On October 26, 2015, Ferrari N.V., a subsidiary of FCA, completed its initial public offering ("IPO") in which FCA sold 10 percent of Ferrari N.V. common shares ("Ferrari IPO") and received net proceeds of approximately €0.9 billion, which resulted in FCA owning 80 percent of Ferrari N.V. common shares, Piero Ferrari owning 10 percent of common shares and public shareholders owning the remaining 10 percent of common shares. The Ferrari IPO was accounted for as an equity transaction, with the effects on Equity attributable to owners of the parent being as follows:

	At October 26, 2015	
	(€ million)	
Consideration received	€	866
Less: Carrying amount of equity interest sold		(7)
Effect on Equity attributable to owners of the parent	€	873

In connection with the Ferrari IPO and in preparation for the spin-off of the remaining common shares of Ferrari N.V. owned by FCA, FCA carried out an internal corporate restructuring. As part of this reorganization, FCA transferred its shares of Ferrari S.p.A. to Ferrari N.V. and also provided a capital contribution to Ferrari N.V., while Ferrari N.V. issued a note payable to FCA in the amount of €2.8 billion. This internal restructuring was a common control transaction and did not have an accounting impact on the Consolidated Financial Statements. As a result, and in connection with the transactions in which Piero Ferrari exchanged his shares in Ferrari S.p.A. for Ferrari N.V. shares, FCA paid €280 million to Piero Ferrari as consideration for the dilution of his share value due to the issuance of the €2.8 billion note payable, which was recorded as a reduction to non-controlling interests.

On December 3, 2015, an extraordinary general meeting of FCA shareholders was held, whereby the transactions intended to separate FCA's remaining ownership interest in Ferrari N.V. and to distribute that ownership interest to holders of FCA shares and mandatory convertible securities were approved.

As the spin-off of Ferrari N.V. became highly probable with the aforementioned shareholders' approval and since it was available for immediate distribution at that date, the Ferrari segment met the criteria to be classified as a disposal group held for distribution to owners and a discontinued operation pursuant to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* at December 31, 2015. Since Exor N.V., which controls and consolidates FCA (refer to Note 24, *Related party transactions*), continued to control and consolidate Ferrari N.V. after the spin-off, this was deemed to be a common control transaction and was accounted for at book value.

The operating results of Ferrari were excluded from the Group's continuing operations and presented as a single line item within the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash flows for the year ended December 31, 2015.

The following table summarizes the operating results of Ferrari that were excluded from the Consolidated Income Statement for the year end December 31, 2015:

	For the year ended December 31, 2015 ⁽¹⁾	
		(€ million)
Net revenues	€	2,596
Expenses		2,152
Net financial expenses/(income)		16
Profit before taxes from discontinued operations		428
Tax expense		144
Profit from discontinued operations, net of tax	€	284

⁽¹⁾ Amounts presented are not representative of the income statement and the financial position of Ferrari on a stand-alone basis; amounts are net of transactions between Ferrari and other companies of the Group.

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

Deconsolidation of FCA Venezuela

Throughout 2017, macroeconomic conditions in Venezuela continued to deteriorate. In the second quarter of 2017, asset impairment charges of €21 million relating to certain real estate assets in Venezuela were recognized, recorded within Selling, general and other costs. In December 2017, due to the restrictive monetary policy in Venezuela coupled with the inability to pay dividends and the U.S. Dollar obligations, as well as the deteriorating economic conditions, which has constrained the ability to maintain normal production in Venezuela, we concluded we are no longer able to exert control over our Venezuela operations in order to affect our returns. As such, in accordance with IFRS 10 - *Consolidated Financial Statements*, as of December 31, 2017, we deconsolidated our subsidiary FCA Venezuela LLC ("FCA Venezuela"), which resulted in a pre-tax, non-cash charge of €42 million recorded within Selling, general and other costs in the Consolidated Income Statement for the year ended December 31, 2017. Upon deconsolidation, FCA's investment in FCA Venezuela was recognized at fair value, which was nil at December 31, 2017 and will be accounted for at cost in subsequent periods.

In March 2016, the Venezuelan government modified its foreign currency exchange systems and the official exchange rate, CENCOEX, was replaced with DIPRO, only available for purchases and sales of essential items, such as food and medicine. In addition, the official exchange rate was devalued from 6.3 VEF to 10 VEF per U.S. Dollar and the SICAD exchange system was terminated. The SIMADI exchange rate was replaced with the "floating" Sistema de Divisa Complementaria, or the "DICOM" exchange rate, available for all transactions not subject to the DIPRO exchange rate. In 2016, the DICOM exchange rate was used to complete the majority of FCA Venezuela's transactions to exchange VEF for U.S. Dollars. At December 31, 2016, the DICOM exchange rate of 674 VEF per U.S. Dollar and total re-measurement charges, including the devaluation and the write-down of SICAD receivables, of €19 million were recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016.

In February 2015, the SIMADI rate introduced by the Venezuelan government began trading at 170.0 Venezuelan Bolivar ("VEF") to U.S. Dollar for entities in the private sector. Also in February 2015, the Venezuelan government also announced that the Supplementary Foreign Currency Administration System ("SICAD I") and the additional system introduced in March 2014 ("SICAD II") would be merged into the SICAD, a single exchange system, with a rate starting at 12.0 VEF to U.S. Dollar. As of March 31, 2015, the SICAD exchange rate was expected to be used to complete the majority of FCA Venezuela's transactions and as such, it was deemed the appropriate rate to use to convert our VEF denominated monetary assets and liabilities to U.S. Dollar. At June 30, 2015, the Group then adopted the SIMADI exchange rate and recorded a re-measurement charge on our VEF denominated net monetary assets in Venezuela of €53 million using an exchange rate of 197.3 VEF per U.S. Dollar. In addition, we recorded a €27 million charge for the write-down of inventory in Venezuela, as due to pricing controls, we were unable to increase VEF sales prices to compensate for the devaluation. The total charge of €80 million was recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2015.

The following significant transactions with non-controlling interests occurred:

2017

- Disposal of the 16.0 percent of the Group's interest in FMM Pernambuco to the minority interest in January 2017, and subsequent loss of control during the third quarter of 2017 resulting in a gain on disposal of €19 million.

2016

- There were no significant transactions with non-controlling interests.

2015

- Acquisition of the remaining 15.2 percent interest in Teksid S.p.A. from Renault in December 2015. As a result, all the rights and obligations arising from the previous shareholder agreement between FCA and Renault, including the put option, were canceled.

4. NET REVENUES

Net revenues were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Revenues from:			
Sales of goods	€ 107,219	€ 107,497	€ 107,095
Services provided	2,217	2,237	1,600
Contract revenues	929	737	1,309
Lease installments from assets sold with a buy-back commitment	421	405	403
Interest income of financial services activities	148	142	188
Total Net revenues	€ 110,934	€ 111,018	€ 110,595

Net revenues attributed by geographical area were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Net revenues in:			
North America	€ 68,374	€ 71,047	€ 71,979
Italy	8,755	8,478	7,165
Brazil	6,406	4,953	5,103
China	4,240	4,493	4,720
Germany	3,990	4,160	3,794
France	3,487	3,266	2,852
Argentina	1,817	1,409	1,175
Spain	1,569	1,467	1,254
Turkey	1,456	1,705	1,682
United Kingdom	1,366	1,632	1,744
Japan	816	713	625
Australia	497	473	936
Other countries	8,161	7,222	7,566
Total Net revenues	€ 110,934	€ 111,018	€ 110,595

5. RESEARCH AND DEVELOPMENT COSTS

Research and development costs were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Research and development expenditures expensed	€ 1,696	€ 1,661	€ 1,449
Amortization of capitalized development expenditures	1,424	1,492	1,194
Impairment and write-off of capitalized development expenditures	110	121	221
Total Research and development costs	€ 3,230	€ 3,274	€ 2,864

The impairment and write-off of capitalized development expenditures during the year ended December 31, 2017 mainly related to global product portfolio changes in EMEA and changes in the LATAM product portfolio.

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

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

Refer to Note 10, *Other intangible assets*, for information on capitalized development expenditures.

6. NET FINANCIAL EXPENSES

The following table summarizes the Group's financial income and expenses included within the Net financial expenses line item:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Interest income and other financial income	€ 182	€ 226	€ 365
Financial expenses:			
Interest expense and other financial expenses:	1,128	1,500	2,084
<i>Interest expense on notes</i>	568	749	1,112
<i>Interest expense on borrowings from bank</i>	372	472	512
<i>Other interest cost and financial expenses</i>	188	279	460
Write-down of financial assets	23	76	43
Losses on disposal of securities	5	6	28
Net interest expense on employee benefits provisions	310	348	350
Total Financial expenses	1,466	1,930	2,505
Net expenses from derivative financial instruments and exchange rate differences	185	312	226
Total Financial expenses and Net expenses from derivative financial instruments and exchange rate differences	1,651	2,242	2,731
Net Financial expenses	€ 1,469	€ 2,016	€ 2,366

Other interest cost and financial expenses for the year ended December 31, 2017 included a loss of €3 million in relation to the prepayment by FCA US in February 2017 of the outstanding principal and accrued interest for its tranche B term loan (refer to Note 21, *Debt*). Other interest cost and financial expenses for the year ended December 31, 2017 included a gain on extinguishment of debt of €9 million related to the prepayment of all scheduled payments due on the Canada Health Care Trust ("HCT") Tranche B Note (refer to Note 21, *Debt*).

Other interest cost and financial expenses for the year ended December 31, 2016 included a loss on extinguishment of debt totaling €10 million related to the U.S.\$2.0 billion (€1.8 billion) voluntary prepayment, with cash on hand, of the principal at par of FCA US's tranche B term loan maturing on May 24, 2017 and FCA US's tranche B term loan maturing on December 31, 2018. Other interest cost and financial expenses for the year ended December 31, 2016 also included a loss on extinguishment of debt of €8 million related to the prepayment of all scheduled payments due on the Canada Health Care Trust ("HCT") Tranche C Note (refer to Note 21, *Debt*).

Other interest cost and financial expenses for the year ended December 31, 2015 included a loss on extinguishment of debt totaling €168 million related to the prepayment of the secured senior notes of FCA US due in 2019 and 2021.

7. TAX EXPENSE

The following table summarizes Tax expense:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Current tax expense	€ 901	€ 869	€ 445
Deferred tax expense/(benefit)	1,773	391	(277)
Tax expense/(benefit) relating to prior periods	(23)	32	(2)
Total Tax expense	€ 2,651	€ 1,292	€ 166

The applicable tax rate used to determine the theoretical income taxes was the statutory rate in the United Kingdom ("UK"), the tax jurisdiction in which FCA NV is resident. The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate of 19.25 percent in 2017 (20 percent in 2016 and 20.25 percent in 2015) and income taxes recognized was as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Theoretical income taxes	€ 1,186	€ 621	€ 51
Tax effect on:			
Recognition and utilization of previously unrecognized deferred tax assets	(164)	(42)	(20)
Permanent differences	(397)	(194)	(36)
Tax credits	(23)	(340)	(238)
Deferred tax assets not recognized and write-downs	1,092	531	303
Differences between foreign tax rates and the theoretical applicable tax rate and tax holidays	924	587	70
Taxes relating to prior years	(23)	32	(2)
Tax rate changes	(22)	—	—
Withholding tax	83	61	49
Other differences	—	(8)	(36)
Total Tax expense, excluding IRAP	2,656	1,248	141
Effective tax rate	43.0%	40.2%	54.4%
IRAP (current and deferred)	(5)	44	25
Total Tax expense	€ 2,651	€ 1,292	€ 166

In 2017, the Company recognized Regional Italian Income Tax ("IRAP") current tax expense of €33 million (and an expense of €36 million in 2016 and an expense of €16 million in 2015) and the recognized IRAP deferred tax benefit of €38 million (an expense of €8 million in 2016 and an expense of €9 million in 2015). As the IRAP taxable basis differs from Profit before taxes, it is excluded from the effective tax rates above.

The increase in the effective tax rate to 43.0 percent in 2017 from 40.2 percent in 2016 was mainly due to (i) reduced generation and utilization of tax credits in NAFTA and (ii) a decrease in Brazilian deferred tax assets; partially offset by (iii) tax benefits recorded on changes to prior years' tax positions and (iv) improved performance in EMEA and LATAM.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted into law in the U.S. on December 22, 2017. The Tax Act includes various changes to U.S. tax law, including a permanent reduction in the U.S. federal corporate income tax rate. The Tax Act also imposes a one-time tax, at a special reduced tax rate, on the deemed repatriation of the post-1986 unremitted earnings from their non-U.S. subsidiaries to the Company's U.S. subsidiaries.

Based on the information available as of December 31, 2017, the Company estimated net tax expense of €88 million in 2017 for the effects of the changes in the tax rate, which includes an expense of €117 million, primarily related to the deemed repatriation resulting from the Tax Act. The expense may be adjusted, potentially materially, as a result of regulations or regulatory guidance that may be issued, changes in interpretations affecting assumptions underlying the estimate, refinement of our calculations, and actions that may be taken, including actions in response to the Tax Act.

The Group recognizes the amount of Deferred tax assets less the Deferred tax liabilities of the individual companies within Deferred tax assets, where these may be offset. Amounts recognized were as follows:

	At December 31	
	2017	2016
	(€ million)	
Deferred tax assets	€ 2,004	€ 3,699
Deferred tax liabilities	(388)	(194)
Total Net deferred tax assets	€ 1,616	€ 3,505

The decrease in Net deferred tax assets at December 31, 2017 from December 31, 2016 was mainly due to (i) a €1,268 million decrease related to the utilization of U.S. tax credit carryforwards, revaluation of U.S. deferred tax assets and liabilities due to the Tax Act and reductions to other NAFTA deferred tax assets, and (ii) a €734 million decrease to Brazil deferred tax assets; partially offset by (iii) a €178 million increase to EMEA deferred tax assets.

The decrease in Deferred tax assets in Brazil was primarily composed of €281 million related to the reversal of the Brazilian indirect tax liability (refer to Note 22, *Other liabilities and Tax payables*) and €453 million that was written off as the Group revised its outlook on Brazil to reflect the slower pace of recovery and outlook for the subsequent years, largely resulting from increased political uncertainty, and concluded that a portion of the deferred tax assets in Brazil was no longer recoverable.

The Tax Act reduces the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. We estimated the related changes in our deferred tax assets and deferred tax liabilities, which resulted in a €137 million decrease in Net deferred tax liability (€29 million to the Consolidated Income Statement and €108 million to Equity), and a €71 million decrease in Net deferred tax assets recorded to Other Comprehensive Income. The net tax benefit may be revised in future quarters as the related temporary differences are further evaluated.

The significant components of Deferred tax assets and liabilities and their changes during the years ended December 31, 2017 and 2016 were as follows:

	At January 1, 2017		Recognized in Consolidated Income Statement		Recognized in Equity		Translation differences and other changes		At December 31, 2017	
	(€ million)									
Deferred tax assets arising on:										
Provisions	€	6,149	€	(1,742)	€	—	€	(559)	€	3,848
Provision for employee benefits		2,851		(364)		(16)		(643)		1,828
Intangible assets		211		(19)		—		—		192
Impairment of financial assets		195		(25)		—		(1)		169
Inventories		251		3		—		(2)		252
Allowances for doubtful accounts		117		19		—		(14)		122
Other		385		(13)		(14)		29		387
Total Deferred tax assets	€	10,159	€	(2,141)	€	(30)	€	(1,190)	€	6,798
Deferred tax liabilities arising on:										
Accelerated depreciation	€	(2,770)	€	430	€	—	€	449	€	(1,891)
Capitalized development assets		(2,742)		399		—		227		(2,116)
Other Intangible assets and Intangible assets with indefinite useful lives		(1,493)		238		—		406		(849)
Provision for employee benefits		(14)		(30)		—		(6)		(50)
Other		(331)		4		(10)		23		(314)
Total Deferred tax liabilities	€	(7,350)	€	1,041	€	(10)	€	1,099	€	(5,220)
Deferred tax asset arising on tax loss carry-forwards										
	€	4,444	€	522	€	—	€	(248)	€	4,718
Unrecognized deferred tax assets		(3,748)		(1,195)		9		254		(4,680)
Total Net deferred tax assets	€	3,505	€	(1,773)	€	(31)	€	(85)	€	1,616

	At January 1, 2016	Recognized in Consolidated Income Statement	Recognized in Equity	Transfer to assets held for sale	Translation differences and other changes	At December 31, 2016
(€ million)						
Deferred tax assets arising on:						
Provisions	€ 6,028	€ (4)	€ —	€ (6)	€ 131	€ 6,149
Provision for employee benefits	2,866	(11)	(263)	—	259	2,851
Intangible assets	249	(42)	—	—	4	211
Impairment of financial assets	155	47	—	(2)	(5)	195
Inventories	243	6	—	—	2	251
Allowances for doubtful accounts	87	21	—	(2)	11	117
Other	691	(270)	64	—	(100)	385
Total Deferred tax assets	€ 10,319	€ (253)	€ (199)	€ (10)	€ 302	€ 10,159
Deferred tax liabilities arising on:						
Accelerated depreciation	€ (2,746)	€ (53)	€ —	€ 1	€ 28	€ (2,770)
Capitalized development expenditures	(2,376)	(310)	—	—	(56)	(2,742)
Other Intangible assets and Intangible assets with indefinite useful lives	(1,427)	23	—	7	(96)	(1,493)
Provision for employee benefits	(14)	—	2	1	(3)	(14)
Other	(390)	67	5	—	(13)	(331)
Total Deferred tax liabilities	€ (6,953)	€ (273)	€ 7	€ 9	€ (140)	€ (7,350)
Deferred tax asset arising on tax loss carry-forwards	€ 3,717	€ 662	€ —	€ (20)	€ 85	€ 4,444
Unrecognized deferred tax assets	(3,183)	(527)	—	20	(58)	(3,748)
Total Net deferred tax assets	€ 3,900	€ (391)	€ (192)	€ (1)	€ 189	€ 3,505

As of December 31, 2017, the Group had Deferred tax assets on deductible temporary differences of €6,798 million (€10,159 million at December 31, 2016), of which €940 million was not recognized (€551 million at December 31, 2016). As of December 31, 2017, the Group also had Deferred tax assets on tax loss carry-forwards of €4,718 million (€4,444 million at December 31, 2016), of which €3,740 million was not recognized (€3,197 million at December 31, 2016).

As of December 31, 2017, the Group had total Net deferred tax assets of €3,256 million (€2,902 million at December 31, 2016) in Italy primarily attributable to Italian tax loss carry-forwards that can be carried forward indefinitely. The Group has determined that it is probable that sufficient Italian taxable income will be generated in future periods that will allow us to realize €898 million of Italian Net deferred tax assets (€750 million at December 31, 2016). As a result, €2,358 million of Net deferred tax assets in Italy were not recognized as of December 31, 2017 (€2,152 million at December 31, 2016).

As of December 31, 2017, the Group had total Net deferred tax assets of €1,287 million in Brazil (€1,276 million at December 31, 2016) primarily attributable to Brazilian tax loss carry-forwards which can be carried forward indefinitely. The Group continues to recognize Brazilian Net deferred tax assets of €148 million (€976 million at December 31, 2016) as the Group considers it probable that we will have sufficient taxable income in the future that will allow us to realize these net deferred tax assets. As a result, €1,139 million of Net deferred tax assets in Brazil, which include Brazil tax losses, were not recognized as of December 31, 2017 (€300 million at December 31, 2016).

Deferred tax liabilities on the undistributed earnings of subsidiaries have not been recognized, except in cases where it is probable the distribution will occur in the foreseeable future.

Total gross deductible and taxable temporary differences and accumulated tax losses at December 31, 2017, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiration, were as follows:

	Year of expiration						
	At December 31, 2017	2018	2019	2020	2021	Beyond 2021	Unlimited/ Indeterminable
	(€ million)						
Temporary differences and tax losses relating to corporate taxation:							
Deductible temporary differences	€ 28,720	€ 3,665	€ 2,974	€ 2,786	€ 3,293	€ 15,512	€ 490
Taxable temporary differences	(23,028)	(2,390)	(2,304)	(2,323)	(2,324)	(10,390)	(3,297)
Tax losses	18,133	147	142	136	155	3,844	13,709
Amounts for which deferred tax assets were not recognized	(17,534)	(640)	(292)	(147)	(649)	(3,464)	(12,342)
Temporary differences and tax losses relating to corporate taxation	€ 6,291	€ 782	€ 520	€ 452	€ 475	€ 5,502	€ (1,440)
Temporary differences and tax losses relating to local taxation (i.e. IRAP in Italy):							
Deductible temporary differences	€ 9,657	€ 1,177	€ 761	€ 599	€ 1,149	€ 5,909	€ 62
Taxable temporary differences	(7,993)	(691)	(658)	(671)	(681)	(5,153)	(139)
Tax losses	3,715	53	36	33	120	2,902	571
Amounts for which deferred tax assets were not recognized	(4,439)	(398)	(157)	(82)	(635)	(2,601)	(566)
Temporary differences and tax losses relating to local taxation	€ 940	€ 141	€ (18)	€ (121)	€ (47)	€ 1,057	€ (72)

8. OTHER INFORMATION BY NATURE

Personnel costs for the Group for the years ended December 31, 2017, 2016 and 2015 amounted to €13.2 billion, €13.2 billion and €13.4 billion, respectively, and included costs that were capitalized mainly in connection with product development activities.

For the years ended December 31, 2017, 2016 and 2015, FCA had an average number of employees of 237,150, 235,481 and 236,559, respectively.

9. GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful lives at December 31, 2017 and 2016 are summarized below:

	At January 1, 2017		Translation differences and Other	At December 31, 2017	
	(€ million)				
Gross amount	€	12,299	€	(1,449)	€ 10,850
Accumulated impairment losses		(482)		28	(454)
Goodwill		11,817		(1,421)	10,396
Brands		3,405		(411)	2,994
Total Goodwill and intangible assets with indefinite useful lives	€	15,222	€	(1,832)	€ 13,390

	At January 1, 2016		Translation differences		Transfer to Assets held for sale	At December 31, 2016		
	(€ million)							
Gross amount	€	11,966	€	387	€	(54)	€	12,299
Accumulated impairment losses		(469)		(13)		—		(482)
Goodwill		11,497		374		(54)		11,817
Brands		3,293		112		—		3,405
Total Goodwill and intangible assets with indefinite useful lives	€	14,790	€	486	€	(54)	€	15,222

Translation differences in 2017 and 2016 primarily related to foreign currency translation of the U.S. Dollar to the Euro.

Brands

Brands, composed of the Chrysler, Jeep, Dodge, Ram and Mopar brands, resulted from the acquisition of FCA US and are allocated to the NAFTA segment. These rights are protected legally through registration with government agencies and through the continuous use in commerce. As these rights have no legal, contractual, competitive or economic term that limits their useful lives, they are classified as intangible assets with indefinite useful lives and are therefore not amortized but are instead tested annually for impairment.

For the purpose of impairment testing, the carrying value of Brands is tested jointly with the goodwill allocated to the NAFTA segment.

Goodwill

At December 31, 2017, Goodwill included €10,311 million from the acquisition of FCA US (€11,731 million at December 31, 2016). At December 31, 2016, €54 million of goodwill was classified within Assets held for sale as a result of Itedi meeting the held for sale criteria (see Note 3, *Scope of consolidation*).

There were no impairment charges recognized in respect of Goodwill and intangible assets with indefinite lives during the years ended December 31, 2017, 2016 and 2015.

The following table summarizes the allocation of Goodwill between FCA's reportable segments:

	At December 31	
	2017	2016
	(€ million)	
NAFTA	€ 8,453	€ 9,618
APAC	1,099	1,250
LATAM	529	602
EMEA	253	285
Components	62	62
Total Goodwill	€ 10,396	€ 11,817

10. OTHER INTANGIBLE ASSETS

	Externally acquired development expenditures	Internally generated development expenditures	Patents, concessions, licenses and credits	Other intangible assets	Total
	(€ million)				
Gross carrying amount at January 1, 2016	€ 9,262	€ 6,487	€ 3,120	€ 701	€ 19,570
Additions	1,546	1,012	490	58	3,106
Divestitures	(1)	(49)	(80)	(7)	(137)
Translation differences and other changes	265	217	22	87	591
Transfer to Assets held for sale	—	—	—	(38)	(38)
At December 31, 2016	11,072	7,667	3,552	801	23,092
Additions	1,997	589	356	65	3,007
Divestitures	(289)	(40)	(16)	(1)	(346)
Translation differences and other changes	(967)	(130)	(309)	(61)	(1,467)
At December 31, 2017	11,813	8,086	3,583	804	24,286
Accumulated amortization and impairment losses at January 1, 2016	3,993	3,617	1,583	431	9,624
Amortization	962	530	210	56	1,758
Impairment losses and asset write-offs	29	92	—	1	122
Divestitures	—	(37)	(20)	(6)	(63)
Translation differences and other changes	108	86	35	31	260
Transfer to Assets held for sale	—	—	—	(31)	(31)
At December 31, 2016	5,092	4,288	1,808	482	11,670
Amortization	829	595	371	61	1,856
Impairment losses and asset write-offs	52	58	—	—	110
Divestitures	(289)	(35)	(10)	—	(334)
Translation differences and other changes	(315)	(73)	(140)	(30)	(558)
At December 31, 2017	5,369	4,833	2,029	513	12,744
Carrying amount at December 31, 2016	€ 5,980	€ 3,379	€ 1,744	€ 319	€ 11,422
Carrying amount at December 31, 2017	€ 6,444	€ 3,253	€ 1,554	€ 291	€ 11,542

Additions included capitalized development expenditures of €2,586 million (€2,558 million in 2016), primarily consisting of material costs and personnel related expenses relating to engineering, design and development focused on content enhancement of existing vehicles, new models and powertrain programs. In 2017, €110 million of impairment losses and asset write-offs were recognized as described in Note 5, *Research and development costs*.

In 2016, of the total €122 million impairment losses and asset write-offs, €90 million related to the locally produced Fiat Viaggio and Ottimo vehicles in China, as described in Note 5, *Research and development costs*.

Translation differences primarily related to foreign currency translation of the U.S. Dollar to the Euro. Amortization of internally and externally generated intangible assets is recognized within Research and development costs within Consolidated Income Statement, as described in Note 5, *Research and development costs*. Amortization of Patents, concessions, licenses and credits and Other intangibles are recognized within Cost of revenues and Selling, general and other costs.

At December 31, 2017 and 2016, the Group had contractual commitments for the purchase of intangible assets amounting to €601 million and €417 million, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Industrial buildings	Plant, machinery and equipment	Other assets	Advances and tangible assets in progress	Total
	(€ million)					
Gross carrying amount at January 1, 2016	€ 900	€ 8,108	€ 43,908	€ 2,734	€ 4,086	€ 59,736
Additions	6	303	3,330	453	1,617	5,709
Divestitures	(11)	(22)	(729)	(70)	(11)	(843)
Translation differences	57	431	1,749	120	225	2,582
Transfer to Assets held for sale	—	—	(92)	(10)	—	(102)
Other changes	(4)	110	2,223	(4)	(2,269)	56
At December 31, 2016	948	8,930	50,389	3,223	3,648	67,138
Additions	20	256	3,768	187	1,428	5,659
Divestitures	(11)	(17)	(1,163)	(88)	(4)	(1,283)
Change in the scope of consolidation	(2)	(104)	(618)	(21)	(5)	(750)
Translation differences	(71)	(639)	(3,167)	(301)	(325)	(4,503)
Other changes	1	68	1,844	3	(1,930)	(14)
At December 31, 2017	885	8,494	51,053	3,003	2,812	66,247
Accumulated depreciation and impairment losses at January 1, 2016	44	2,782	28,000	1,443	13	32,282
Depreciation	—	309	3,582	307	—	4,198
Divestitures	(5)	(12)	(697)	(63)	(1)	(778)
Impairment losses and asset write-offs	—	44	25	1	3	73
Translation differences	2	93	875	64	1	1,035
Transfer to Assets held for sale	—	—	(77)	(8)	—	(85)
Other changes	—	(3)	(14)	—	(1)	(18)
At December 31, 2016	41	3,213	31,694	1,744	15	36,707
Depreciation	—	313	3,440	279	—	4,032
Divestitures	(2)	(11)	(1,126)	(78)	—	(1,217)
Impairment losses and asset write-offs	1	22	83	6	7	119
Change in the scope of consolidation	(1)	(76)	(287)	(18)	—	(382)
Translation differences	(1)	(163)	(1,693)	(152)	(1)	(2,010)
Other changes	(1)	—	(29)	19	(5)	(16)
At December 31, 2017	37	3,298	32,082	1,800	16	37,233
Carrying amount at December 31, 2016	€ 907	€ 5,717	€ 18,695	€ 1,479	€ 3,633	€ 30,431
Carrying amount at December 31, 2017	€ 848	€ 5,196	€ 18,971	€ 1,203	€ 2,796	€ 29,014

For the year ended December 31, 2017, the Group recognized a total of €119 million of impairment losses and asset write-offs, of which €21 million related to certain of FCA Venezuela's assets due to the continued deterioration of the economic conditions in Venezuela prior to deconsolidation. The remaining impairment losses relates to changes in global product portfolio in EMEA and product portfolio changes in LATAM.

For the year ended December 31, 2016, the Group recognized a total of €73 million of impairment losses and asset write-offs, of which €43 million related to certain of FCA Venezuela's assets due to the continued deterioration of the economic conditions in Venezuela. This impairment charge was recognized within Selling, administrative and other expenses in the Consolidated Income Statement for the year ended December 31, 2016.

In 2017, translation differences of €2,493 million primarily reflected the weakening of the U.S Dollar, Mexican Peso and the Brazilian Real against the Euro. In 2016, translation differences of €1,547 million mainly reflected the strengthening of the Brazilian Real and the U.S. Dollar against the Euro.

The net carrying amount of assets leased under finance lease agreements includes assets that are legally owned by suppliers but which are recognized in the Consolidated Financial Statements in accordance with IFRIC 4 - *Determining Whether an Arrangement Contains a Lease*, with the recognition of a corresponding financial lease payable, as the arrangement conveys a right to control the use of a specific asset even if that asset is not explicitly referred to in the arrangement. The total net carrying amount of assets leased under finance lease agreements included in Property, plant and equipment were as follows:

	At December 31	
	2017	2016
	(€ million)	
Industrial buildings	€ 209	€ 251
Plant, machinery and equipment	193	602
Total Property, plant and equipment under finance lease	€ 402	€ 853

The carrying amounts of Property, plant and equipment of the Group (excluding FCA US) reported as pledged as security for debt are summarized as follows:

	At December 31	
	2017	2016
	(€ million)	
Land and industrial buildings pledged as security for debt	€ 1,031	€ 1,239
Plant and machinery pledged as security for debt and other commitments	1,324	698
Other assets pledged as security for debt and other commitments	17	3
Total Property, plant and equipment pledged as security for debt	€ 2,372	€ 1,940

Information on the assets of FCA US subject to lien is set out in Note 21, *Debt*.

At December 31, 2017 and 2016, the Group had contractual commitments for the purchase of Property, plant and equipment amounting to €540 million and €950 million, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following table summarizes Investments accounted for using the equity method:

	At December 31	
	2017	2016
	(€ million)	
Joint ventures	€ 1,866	€ 1,680
Associates	94	62
Other	48	51
Total Investments accounted for using the equity method	€ 2,008	€ 1,793

FCA's ownership percentages and the carrying value of investments in joint ventures accounted for under the equity method were as follows:

	Ownership percentage		Investment balance	
	At December 31		At December 31	
	2017	2016	2017	2016
	Ownership percentage		(€ million)	
Joint ventures				
FCA Bank S.p.A.	50%	50%	€ 1,178	€ 1,044
Tofas-Turk Otomobil Fabrikasi A.S.	37.9%	37.9%	298	302
GAC Fiat Chrysler Automobiles Co.	50%	50%	287	237
Others			103	97
Total			€ 1,866	€ 1,680

FCA Bank is a joint venture with Crédit Agricole Consumer Finance S.A. ("CACF") which operates in Europe, primarily in Italy, France, Germany, UK and Spain. In July 2013, the Group reached an agreement with Crédit Agricole to extend the term of the joint venture through to December 31, 2021. FCA Bank provides retail and dealer financing and long-term rental services in the automotive sector, directly or through its subsidiaries as a partner of the Group's mass-market vehicle brands and for Maserati vehicles.

The financial statements of FCA Bank as at and for the year ended December 31, 2017 have not been authorized for issuance as of the date of issuance of the FCA Consolidated Financial Statements. As such, the most recent publicly available financial information is included in the tables below.

The most recently available information was used to estimate FCA's share of FCA Bank net income and net equity. Any difference between this data and actual results will be adjusted in the 2018 FCA Consolidated Financial Statements when available.

The following tables include summarized financial information relating to FCA Bank:

	At June 30, 2017	At December 31, 2016
	(€ million)	
Financial assets	€ 21,867	€ 20,201
Of which: Cash and cash equivalents	—	—
Other assets	3,378	3,083
Financial liabilities	21,557	19,887
Other liabilities	1,265	1,159
Equity (100%)	2,423	2,238
Net assets attributable to owners of the parent	2,382	2,199
Group's share of net assets	1,191	1,100
Elimination of unrealized profits and other adjustments	(13)	(56)
Carrying amount of interest in FCA Bank⁽¹⁾	€ 1,178	€ 1,044

⁽¹⁾ Amounts as at December 31, 2017 and 2016 respectively.

	Six months ended June 30	Years ended December 31	
	2017	2016	2015
	(€ million)		
Interest and similar income	€ 437	€ 764	€ 729
Interest and similar expenses	(147)	(263)	(285)
Income tax expense	(70)	(105)	(110)
Profit from continuing operations	190	312	249
Net profit	190	312	249
Net profit attributable to owners of the parent (A)	188	309	248
Other comprehensive income/(loss) attributable to owners of the parent (B)	(7)	(64)	29
Total Comprehensive income attributable to owners of the parent (A+B)	€ 181	€ 245	€ 277
Group's share of net profit⁽¹⁾	€ 190	€ 154	€ 124

⁽¹⁾ Amounts for the years ended December 31, 2017, 2016 and 2015 respectively

Tofas-Turk Otomobil Fabrikasi A.S. ("Tofas"), is a joint venture with Koç Holding which is registered with the Turkish Capital Market Board and listed on the İstanbul Stock Exchange. At December 31, 2017, the fair value of the Group's interest in Tofas was €1,375 million (€1,258 million at December 31, 2016).

GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV") is a joint venture with Guangzhou Automobile Group Co., Ltd., which locally produces Jeep vehicles for the Chinese market.

The Group's proportionate share of the earnings of our joint ventures, associates and interests in unconsolidated subsidiaries accounted for using the equity method is reflected within Result from investments in the Consolidated Income Statement. The following table summarizes the share of profits of equity method investees included within Result from investments:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Joint Ventures	€ 390	€ 291	€ 155
Associates	9	7	(27)
Other	10	15	2
Total Share of the profit of equity method investees	€ 409	€ 313	€ 130

Immaterial Joint Ventures and Associates

The aggregate amounts recognized for the Group's share in all individually immaterial joint ventures and associates accounted for using the equity method were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Joint ventures:			
Profit from continuing operations	€ 201	€ 137	€ 31
Net profit	201	137	31
Other comprehensive income/(loss)	(105)	(90)	(30)
Total Other comprehensive income	€ 96	€ 47	€ 1
Associates:			
Income/(loss) from continuing operations	€ 9	€ 7	€ (27)
Net income/(loss)	9	7	(27)
Other comprehensive income/(loss)	(3)	(1)	3
Total Other comprehensive income/(loss)	€ 6	€ 6	€ (24)

13. OTHER FINANCIAL ASSETS

Other financial assets consisted of the following:

		At December 31					
		2017			2016		
		Current	Non-current	Total	Current	Non-current	Total
Note		(€ million)					
Derivative financial assets	16	€ 265	€ 19	€ 284	€ 448	€ 31	€ 479
Debt securities measured at fair value through other comprehensive income	23	4	—	4	38	—	38
Debt securities measured at fair value through profit or loss	23	172	59	231	203	60	263
Debt securities held-to-maturity		—	2	2	—	2	2
Equity instruments measured at cost		—	43	43	—	41	41
Equity instruments measured at fair value through other comprehensive income	23	—	23	23	—	151	151
Held-for-trading investments	23	46	—	46	49	—	49
Financial receivables		—	275	275	—	320	320
Collateral deposits ⁽¹⁾	23	—	61	61	24	44	68
Total Other financial assets		€ 487	€ 482	€ 969	€ 762	€ 649	€ 1,411

⁽¹⁾ Collateral deposits are held in connection with derivative transactions and debt obligations

On March 21, 2017, the Group completed the sale of its available-for-sale investment in CNH Industrial N.V. ("CNHI"), which consisted of 15,948,275 common shares representing 1.17 percent of CNHI's common shares for an amount of €144 million. The sale did not result in a material gain. The additional 15,948,275 special voting shares owned by the Group and which had not been attributed any value, expired upon the sale of the CNHI common shares. At December 31, 2016, the available-for-sale investment in CNHI had a carrying value of €132 million.

14. INVENTORIES

		At December 31	
		2017	2016
		(€ million)	
Finished goods and goods for resale		€ 8,261	€ 7,888
Work-in-progress, raw materials and manufacturing supplies		4,476	4,168
Amount due from customers for contract work		185	65
Total Inventories		€ 12,922	€ 12,121

The amount of inventory write-downs recognized within Cost of revenues during the years ended December 31, 2017, 2016 and 2015 was €659 million, €637 million and €653 million, respectively.

The amount due from customers for contract work relates to the design and production of industrial automation systems and related products and is summarized as follows:

		At December 31	
		2017	2016
		(€ million)	
Aggregate amount of costs incurred and recognized profits (less recognized losses) to date		€ 881	€ 959
Less: Progress billings		(886)	(1,130)
Construction contracts, net of advances on contract work		(5)	(171)
Amount due from customers for contract work		185	65
Less: Amount due to customers for contract work included in Other liabilities (current) (Note 22)		(190)	(236)
Construction contracts, net of advances on contract work		€ (5)	€ (171)

15. TRADE, OTHER RECEIVABLES AND TAX RECEIVABLES

The following table summarizes Trade, other receivables and tax receivables by due date:

	At December 31										
	2017					2016					
	Total due within one year (current)	Due between one and five years	Due beyond five years	Total due after one year (non-current)	Total	Total due within one year (current)	Due between one and five years	Due beyond five years	Total due after one year (non-current)	Total	
	(€ million)										
Trade receivables	€ 2,460	€ —	€ —	€ —	€ 2,460	€ 2,479	€ —	€ —	€ —	€ 2,479	
Receivables from financing activities	2,946	194	—	194	3,140	2,407	171	—	171	2,578	
Other receivables	2,481	414	58	472	2,953	2,387	308	102	410	2,797	
Total Trade and other receivables	€ 7,887	€ 608	€ 58	€ 666	€ 8,553	€ 7,273	€ 479	€ 102	€ 581	€ 7,854	
Tax receivables	€ 215	€ 62	€ 21	€ 83	€ 298	€ 206	€ 71	€ 22	€ 93	€ 299	

Trade receivables

Trade receivables are shown net of the allowance for doubtful accounts, which is calculated on the basis of historical losses on receivables. Changes in the allowance for trade receivables were as follows:

	At January 1, 2017	Provision	Use and other changes	At December 31, 2017
	(€ million)			
Allowance for doubtful accounts	€ 275	€ 76	€ (82)	€ 269

Receivables from financing activities

Receivables from financing activities mainly relate to the business of financial services companies fully consolidated by the Group and are summarized as follows.

	At December 31	
	2017	2016
	(€ million)	
Dealer financing	€ 2,295	€ 2,115
Retail financing	420	286
Finance leases	4	6
Other	421	171
Total Receivables from financing activities	€ 3,140	€ 2,578

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. Changes in the allowance for receivables from financing activities were as follows:

	At January 1, 2017	Provision	Use and other changes	At December 31, 2017
	(€ million)			
Allowance for Receivables from financing activities	€ 45	€ 66	€ (66)	€ 45

Receivables for dealer financing are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a component of the portfolio of the financial services companies. These receivables are interest bearing, with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer networks vary from country to country, although payment terms range from two to six months.

Other receivables

At December 31, 2017, Other receivables primarily consisted of tax receivables for VAT and other indirect taxes of €2,153 million (€1,933 million at December 31, 2016).

Transfer of financial assets

At December 31, 2017, the Group had receivables due after that date which had been transferred without recourse and which were derecognized in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, amounting to €7,866 million (€6,573 million at December 31, 2016). The transfers related to trade receivables and other receivables for €6,752 million (€5,467 million at December 31, 2016) and receivables from financing activities for €1,114 million (€1,106 million at December 31, 2016). These amounts included receivables of €4,933 million (€4,077 million at December 31, 2016), mainly due from the sales network, transferred to jointly controlled financial services companies (FCA Bank).

At December 31, 2017 and 2016, the carrying amount of transferred financial assets not derecognized and the related liabilities were as follows:

	2017			At December 31 2016		
	Trade receivables	Receivables from financing activities	Total	Trade receivables	Receivables from financing activities	Total
	(€ million)					
Carrying amount of assets transferred and not derecognized	€ 22	€ 335	€ 357	€ 34	€ 376	€ 410
Carrying amount of the related liabilities (Note 21)	€ 22	€ 335	€ 357	€ 34	€ 376	€ 410

16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the fair value of the Group's derivative financial assets and liabilities:

	At December 31			
	2017		2016	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	(€ million)			
Fair value hedges:				
Interest rate risk - interest rate swaps	€ 2	€ —	€ 31	€ (1)
Interest rate and exchange rate risk - combined interest rate and currency swaps	—	—	—	(115)
Total Fair value hedges	2	—	31	(116)
Cash flow hedges:				
Currency risks - forward contracts, currency swaps and currency options	100	(95)	213	(304)
Interest rate risk - interest rate swaps	4	(7)	—	—
Interest rate and currency risk - combined interest rate and currency swaps	9	—	87	—
Commodity price risk - commodity swaps and commodity options	30	(1)	21	(2)
Total Cash flow hedges	143	(103)	321	(306)
Net investment hedges:				
Currency risks - forward contracts, currency swaps and currency options	5	—	—	(47)
Total Net investment hedges	5	—	—	(47)
Derivatives for trading	134	(36)	127	(228)
Total Fair value of derivative financial assets/(liabilities)	€ 284	€ (139)	€ 479	€ (697)
Financial derivative assets/(liabilities) - current	€ 265	€ (138)	€ 448	€ (681)
Financial derivative assets/(liabilities) - non-current	€ 19	€ (1)	€ 31	€ (16)

The following table summarizes the outstanding notional amounts of the Group's derivative financial instruments by due date:

	2017				2016			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
	(€ million)							
Currency risk management	€ 14,142	€ 154	€ —	€ 14,296	€ 18,668	€ 311	€ —	€ 18,979
Interest rate risk management	1,581	1,753	101	3,435	855	795	—	1,650
Interest rate and currency risk management	—	291	71	362	928	305	82	1,315
Commodity price risk management	455	6	—	461	450	44	—	494
Other derivative financial instruments	—	14	—	14	—	14	—	14
Total Notional amount	€ 16,178	€ 2,218	€ 172	€ 18,568	€ 20,901	€ 1,469	€ 82	€ 22,452

Fair value hedges

The gains and losses arising from the valuation of outstanding interest rate derivatives (for managing interest rate risk) and currency derivatives (for managing currency risk) are recognized in accordance with fair value hedge accounting.

The following table summarizes the gains and losses arising from the respective hedged items:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Currency risk			
Net gains/(losses) on qualifying hedges	€ 104	€ (13)	€ (49)
Fair value changes in hedged items	(104)	13	49
Interest rate risk			
Net (losses) on qualifying hedges	(9)	(26)	(34)
Fair value changes in hedged items	10	26	34
Net gains/(losses)	€ 1	€ —	€ —

Cash flow hedges

Amounts recognized in the Consolidated Income Statement mainly relate to currency risk management and, to a lesser extent, to hedges regarding commodity price risk management and cash flows that are exposed to interest rate risk.

The Group's policy for managing currency risk normally requires hedging of projected future flows from trading activities which will occur within the following twelve months and from orders acquired (or contracts in progress) regardless of their due dates. The hedging effect arising from this is recorded in Other comprehensive income within Cash flow hedge reserve and will be recognized in the Consolidated Income Statement, primarily during the following year.

Derivatives relating to interest rate and currency risk management are treated as cash flow hedges and are entered into for the purpose of hedging notes issued in foreign currencies. The amount recorded in Other comprehensive income and within Cash flow hedge reserve is recognized in the Consolidated Income Statement according to the timing of the flows of the underlying notes.

The Group entered in interest rate swaps in order to hedge against the increase in interest rates in relation to future Debt. The swaps are designated as a cash flow hedge. For the year ended December 31, 2017, losses of €3 million related to such derivatives were recognized in Other comprehensive (loss)/income within Cash flow hedge Reserve.

The following table summarizes the amounts, net of tax, that were reclassified from Other comprehensive (loss)/income to the Consolidated Income Statement in respect of cash flow hedges:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Currency risk			
Increase in Net revenues	€ 16	€ 236	€ 33
(Increase)/Decrease in Cost of revenues	(103)	(44)	101
Net financial income/(expenses)	(22)	34	(148)
Result from investments	28	26	1
Interest rate risk			
Increase in Cost of revenues	—	—	(10)
Result from investments	(1)	(1)	(2)
Net financial expenses	(3)	(4)	(77)
Commodity price risk			
Decrease/(Increase) in Cost of revenues	28	(39)	(23)
Ineffectiveness and discontinued hedges	4	12	1
Tax expense/(benefit)	27	(49)	(97)
Total recognized in Net profit from continuing operations	(26)	171	(221)
Recognized in Profit from discontinued operations, net of tax	—	—	(116)
Total recognized in Net profit	€ (26)	€ 171	€ (337)

Net investment hedges

In order to manage the Group's foreign currency risk related to its investments in foreign operations, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. For the year ended December 31, 2017, gains of €15 million related to net investment hedges were recognized in Other comprehensive (loss)/income within Currency translation differences. There was no ineffectiveness for the year ended December 31, 2017.

For the year ended December 31, 2016, losses of €75 million related to net investment hedges were recognized in Other comprehensive (loss)/income within Currency translation differences. There was no ineffectiveness for the year ended December 31, 2016.

Derivatives for trading

At December 31, 2017 and 2016, Derivatives for trading primarily consisted of derivative contracts entered into for hedging purposes which do not qualify for hedge accounting and one embedded derivative in a bond issuance in which the yield is determined as a function of trends in the inflation rate and related hedging derivative, which converts the exposure to a floating rate (the total value of the embedded derivative is offset by the value of the hedging derivative).

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	At December 31	
	2017	2016
	(€ million)	
Cash at banks	€ 6,396	€ 8,118
Money market securities	6,242	9,200
Total Cash and cash equivalents	€ 12,638	€ 17,318

Cash and cash equivalents held in certain foreign countries (primarily in China and Argentina) are subject to local exchange control regulations providing for restrictions on the amount of cash, other than dividends, that can leave the country.

18. SHARE-BASED COMPENSATION

FCA - Performance Share Units

In March 2017, FCA awarded a total of 2,264,000 Performance Share Units ("PSU") to certain key employees under the framework equity incentive plan (Note 26, *Equity*). The PSU awards, which represent the right to receive FCA common shares, have financial performance goals that include a net income target as well as total shareholder return ("TSR") target, with each weighted at 50 percent and settled independently of the other. Half of the award will vest based on our achievement of the targets for net income ("PSU NI awards") covering a three-year period from 2016 to 2018 and will have a payout scale ranging from 0 percent to 100 percent. The remaining half of the PSU awards, ("PSU TSR awards") are based on market conditions and have a payout scale ranging from 0 percent to 150 percent. The PSU TSR awards performance period covers a two-year period starting in December 2016 through 2018. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 2.26 million units. The PSU awards will vest in the first quarter of 2019 if the respective performance goals for the years 2016 to 2018 are achieved. The PSU awards granted in June 2017 follow the same vesting conditions.

During the year ended December 31, 2015, FCA awarded a total of 14,713,100 PSU awards to certain key employees under the equity incentive plan. The PSU awards, which represent the right to receive FCA common shares, have financial performance goals covering a five-year period from 2014 to 2018. The performance goals include a net income target as well as a TSR target, with each weighted at 50 percent and settled independently of the other. The PSU NI awards, which represent half of the award, will vest based on our achievement of the targets for net income and will have a payout scale ranging from 0 percent to 100 percent. The PSU TSR awards, which represent the other 50 percent of the PSU awards, are based on market conditions and have a payout scale ranging from 0 percent to 150 percent. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 14.7 million shares. One third of the total PSU awards vested in 2017 and a cumulative two-thirds of the total PSU awards will vest in the first quarter of 2018 with the achievement of the performance goal for the years 2014 to 2017. A cumulative 100 percent will vest in the first quarter of 2019 if the respective performance goals for the years 2014 to 2018 are achieved.

The vesting of the 2017 PSU NI awards and the 2015 PSU NI awards will be determined by comparing the Group's net profit excluding unusual items to the net income targets derived from the Group's business plan for the corresponding period. The performance period for the 2017 PSU NI awards commenced on January 1, 2016, and on January 1, 2014 for the 2015 PSU NI awards. As the performance period commenced substantially prior to the commencement of the service period, which coincides with the grant date, the Company determined that the net income target did not meet the definition of a performance condition under IFRS 2 - *Share-based Payment*, and therefore is required to be accounted for as a non-vesting condition. As such, the fair values of the PSU NI awards were calculated using a Monte Carlo simulation model.

Changes during 2017, 2016 and 2015 for the PSU NI awards under the framework equity incentive plan were as follows:

	2017		2016		2015	
	PSU NI	Weighted average fair value at the grant date (€)	PSU NI	Weighted average fair value at the grant date (€)	PSU NI	Weighted average fair value at the grant date (€)
Outstanding shares unvested at January 1	11,379,445	€ 5.65	7,356,550	€ 8.78	—	€ —
Anti-dilution adjustment	65,751	5.62	4,001,962	5.68	—	—
Granted	1,136,250	7.91	168,593	3.61	7,356,550	8.78
Vested	(3,758,870)	5.65	—	—	—	—
Canceled	—	—	(147,660)	5.83	—	—
Forfeited	(18,750)	7.91	—	—	—	—
Outstanding shares unvested at December 31	8,803,826	€ 5.89	11,379,445	€ 5.65	7,356,550	€ 8.78

The key assumptions utilized to calculate the grant-date fair values for the PSU NI awards are summarized below:

Key assumptions	2017 PSU NI Awards Range	2015 PSU NI Awards Range
Grant date stock price	€9.74 - €10.39	€13.44 - €15.21
Expected volatility	40%	40%
Risk-free rate	(0.8)%	0.7%

The expected volatility was based on the observed historical volatility for common shares of FCA. The risk-free rate was based on the yields of government and treasury bonds with similar terms to the vesting date of each PSU NI award.

Changes during 2017, 2016 and 2015 for the PSU TSR awards under the framework equity incentive plan were as follows:

	2017		2016		2015	
	PSU TSR	Weighted average fair value at the grant date (€)	PSU TSR	Weighted average fair value at the grant date (€)	PSU TSR	Weighted average fair value at the grant date (€)
Outstanding shares unvested at January 1	11,379,446	€ 10.64	7,356,550	€ 16.52	—	€ —
Anti-dilution adjustment	65,750	10.58	4,001,962	10.70	—	—
Granted	1,136,250	10.84	168,593	6.71	7,356,550	16.52
Vested	(3,758,869)	10.63	—	—	—	—
Canceled	—	—	(147,659)	10.84	—	—
Forfeited	(18,750)	10.84	—	—	—	—
Outstanding shares unvested at December 31	8,803,827	€ 10.58	11,379,446	€ 10.64	7,356,550	€ 16.52

The weighted average fair value of the PSU TSR awards granted during the year ended December 31, 2017 was calculated using a Monte Carlo simulation model. The key assumptions utilized to calculate the grant date fair values for the PSU TSR awards issued are summarized below:

Key assumptions	2017 PSU TSR Awards Range	2015 PSU TSR Awards Range
Grant date stock price	€9.74 - €10.39	€13.44 - €15.21
Expected volatility	44%	37% - 39%
Dividend yield	—%	—%
Risk-free rate	0.8%	0.7% - 0.8%

The expected volatility was based on the observed historical volatility for common shares of FCA. The risk-free rate was based on the yields of government and treasury bonds with similar terms to the vesting date of each PSU TSR award. In addition, since the volatility of each member of the defined peer group are not wholly independent of one another, a correlation coefficient was developed based on historical share price changes for FCA and the defined peer group over a three-year period leading up to the grant date of the awards.

FCA - Restricted Share Units

In March 2017, FCA awarded 2,264,000 Restricted Share Units ("RSUs") to certain key employees of the Company which represent the right to receive FCA common shares. These shares will vest in two equal tranches in the first quarter of 2018 and 2019. The fair values of the awards were measured using the FCA stock price on the grant date. The RSU awards granted in June and September 2017 follow the same vesting conditions.

During the year ended December 31, 2015, FCA awarded 5,196,550 RSUs to certain key employees of the Company, which represent the right to receive FCA common shares. One third of the awards vested in February of 2017 with the remaining two tranches to vest equally in February of 2018 and 2019.

Changes during 2017, 2016 and 2015 for the RSU awards under the framework equity incentive plan were as follows:

	2017		2016		2015	
	RSUs	Weighted average fair value at the grant date (€)	RSUs	Weighted average fair value at the grant date (€)	RSUs	Weighted average fair value at the grant date (€)
Outstanding shares unvested at January 1	7,969,623	€ 8.69	5,196,550	€ 13.49	—	€ —
Anti-dilution adjustment	46,189	8.64	2,826,922	8.74	—	—
Granted	2,293,940	10.43	94,222	5.73	6,816,550	13.90
Vested	(2,671,939)	8.64	—	—	(1,620,000)	15.21
Canceled	—	—	(148,071)	9.25	—	—
Forfeited	(37,500)	10.39	—	—	—	—
Outstanding shares unvested at December 31	7,600,313	€ 9.17	7,969,623	€ 8.69	5,196,550	€ 13.49

Anti-dilution adjustments - PSU awards and RSU awards

The documents governing FCA's long-term incentive plans contain anti-dilution provisions which provide for an adjustment to the number of awards granted under the plans in order to preserve, or alternatively, prevent the enlargement of the benefits intended to be made available to the recipients of the awards should an event occur that impacts our capital structure. In January 2017, as a result of the distribution of the Company's 16.7 percent ownership interest in RCS Media Group S.p.A. to holders of its common shares on May 1, 2016, the Compensation Committee of FCA approved a conversion factor of 1.005865 that was applied to outstanding PSU awards and RSU awards issued prior to December 31, 2016 to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

Similarly, in January 2016, as a result of the spin-off of Ferrari N.V., a conversion factor of 1.5440 was approved by FCA's Compensation Committee and applied to outstanding PSU awards and RSU awards as an equitable adjustment to make equity award holders whole for the resulting diminution in the value of an FCA share. For the PSU NI awards, FCA's Compensation Committee also approved an adjustment to the net income targets for the years 2016-2018 to account for the net income of Ferrari in order to preserve the economic benefit intended to be provided to each participant. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

The following table reflects the changes resulting from the anti-dilution adjustments:

	2017 Anti-dilution adjustment	2016 Anti-dilution adjustment
PSU Awards:		
Number of awards - as adjusted	22,890,392	22,717,024
Key assumptions - as adjusted: Grant date stock price - for PSU NI and PSU TSR	€8.66 - €9.79	€8.71 - €9.85
RSU Awards:		
Number of awards - as adjusted	8,015,812	8,023,472

Total expense for the PSU awards and RSU awards of approximately €85 million, €96 million and €54 million was recorded for the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, the Group had unrecognized compensation expense related to the non-vested PSU awards and RSU awards of approximately €47 million based on current forfeiture assumptions, which will be recognized over a weighted-average period of 1.0 years.

Chief Executive Officer - Special Recognition Award

On April 16, 2015, shareholders of FCA approved a grant of 1,620,000 common shares to the Chief Executive Officer, which vested immediately. This grant was for recognition of the Chief Executive Officer's vision and guidance in the formation of Fiat Chrysler Automobiles N.V., which created significant value for the Company, its shareholders, stakeholders and employees. The weighted-average fair value of the shares at the grant date was €15.21 (U.S.\$16.29), measured using FCA's share price on the grant date. A one-time charge of €24.6 million was recorded within Selling, general and other costs during the year ended December 31, 2015 related to this grant.

Stock grant plans linked to Fiat shares

On April 4, 2012, the shareholders resolved to approve the adoption of a Long Term Incentive Plan (the "Retention LTI Plan"), in the form of stock grants. As a result, the Group granted the Chief Executive Officer 7,000,000 rights, which represented an equal number of common shares. One third of the rights vested on February 22, 2013, one third vested on February 22, 2014 and one third vested on February 22, 2015, which had been subject to the requirement that the Chief Executive Officer remain in office. The Plan was serviced in 2015 through the issuance of new common shares. Compensation expense for the Retention LTI Plan for the year ended December 31, 2015 was not material.

Share-based compensation plans issued by FCA US

On May 7, 2015, the FCA US Board of Directors approved an amendment to the FCA US Directors' Restricted Stock Unit Plan ("FCA US Directors' RSU Plan"), freezing the restricted stock unit value as of December 31, 2015. At December 31, 2017 and 2016, FCA US had no outstanding unvested units under the FCA US Directors' RSU Plan.

In February 2012, the Compensation Committee of FCA US approved the Long-Term Incentive Plan ("2012 LTIP Plan") that covered senior executives of FCA US (other than the Chief Executive Officer). At December 31, 2017 and 2016, FCA US had no outstanding unvested units under the 2012 LTIP Plan.

No compensation expense was recognized for either plan for the year ended December 31, 2017. Compensation expense for the years ended December 31, 2016 and 2015 was not material.

19. EMPLOYEE BENEFITS LIABILITIES

Employee benefits liabilities consisted of the following:

	At December 31					
	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Pension benefits	€ 34	€ 4,789	€ 4,823	€ 38	€ 4,980	€ 5,018
Health care and life insurance plans	126	2,153	2,279	145	2,321	2,466
Other post-employment benefits	109	878	987	110	877	987
Other provisions for employees	425	764	1,189	518	874	1,392
Total Employee benefits liabilities	€ 694	€ 8,584	€ 9,278	€ 811	€ 9,052	€ 9,863

The Group recognized a total of €1,643 million for the cost for defined contribution and state plans for the year ended December 31, 2017 (€1,540 million in 2016 and €1,541 million in 2015).

The following table summarizes the fair value of defined benefit obligations and the fair value of the related plan assets:

	At December 31	
	2017	2016
	(€ million)	
Present value of defined benefit obligations:		
Pension benefits	€ 25,528	€ 28,065
Health care and life insurance plans	2,279	2,466
Other post-employment benefits	987	987
Total present value of defined benefit obligations (a)	28,794	31,518
Fair value of plan assets (b)	21,218	23,409
Asset ceiling (c)	14	12
Total net defined benefit plans (a - b + c)	7,590	8,121
of which:		
Net defined benefit liability (d)	8,089	8,471
Defined benefit plan asset	(499)	(350)
Other provisions for employees (e)	1,189	1,392
Total Employee benefits liabilities (d + e)	€ 9,278	€ 9,863

Pension benefits

Liabilities arising from the Group's defined benefit plans are usually funded by contributions made by Group subsidiaries, and at times by their employees, into legally separate trusts from which the employee benefits are paid. The Group's funding policy for defined benefit pension plans is to contribute the minimum amounts required by applicable laws and regulations. Occasionally, additional discretionary contributions in excess of those legally required are made to achieve certain desired funding levels. In the U.S., these excess amounts are tracked and the resulting credit balance can be used to satisfy minimum funding requirements in future years. At December 31, 2017, the combined credit balances for the U.S. and Canada qualified pension plans were approximately €2.0 billion, and the usage of the credit balances to satisfy minimum funding requirements is subject to the plans maintaining certain funding levels. During the years ended December 31, 2017, 2016 and 2015, the Group made pension contributions in the U.S. and Canada totaling €124 million, €445 million and €202 million, respectively. The Group contributions to pension plans for 2018 are expected to be €92 million, of which €56 million relate to the U.S. and Canada, with €2 million being discretionary contributions and €54 million which will be made to satisfy minimum funding requirements.

The expected benefit payments for pension plans are as follows:

	Expected benefit payments	
	(€ million)	
2018	€	1,592
2019	€	1,562
2020	€	1,550
2021	€	1,535
2022	€	1,524
2023-2027	€	7,556

The following table summarizes the changes in the pension plans:

	2017				2016			
	Obligation	Fair value of plan assets	Asset ceiling	Liability (asset)	Obligation	Fair value of plan assets	Asset ceiling	Liability (asset)
	(€ million)							
At January 1	€ 28,065	€ (23,409)	€ 12	€ 4,668	€ 27,547	€ (22,415)	€ 11	€ 5,143
Included in the Consolidated Income Statement	1,259	(817)	—	442	1,322	(849)	—	473
Included in Other comprehensive income:								
Actuarial (gains)/losses from:								
Demographic and other assumptions	(42)	—	—	(42)	(49)	(6)	—	(55)
Financial assumptions	1,567	—	—	1,567	346	—	—	346
Return on assets	—	(1,589)	—	(1,589)	—	(861)	—	(861)
Changes in the effect of limiting net assets	—	—	3	3	—	—	—	—
Changes in exchange rates	(3,006)	2,445	(1)	(562)	907	(817)	1	91
Other:								
Employer contributions	—	(141)	—	(141)	—	(454)	—	(454)
Plan participant contributions	—	(3)	—	(3)	3	(4)	—	(1)
Benefits paid	(1,751)	1,735	—	(16)	(2,015)	1,999	—	(16)
Settlements paid	(563)	563	—	—	—	—	—	—
Other changes	(1)	(2)	—	(3)	4	(2)	—	2
At December 31	€ 25,528	€ (21,218)	€ 14	€ 4,324	€ 28,065	€ (23,409)	€ 12	€ 4,668

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Current service cost	€ 172	€ 175	€ 196
Interest expense	1,090	1,157	1,143
Interest income	(911)	(944)	(912)
Other administration costs	94	95	92
Past service costs/(credits) and gains/(losses) arising from settlements/curtailments	(3)	(10)	(8)
Total recognized in the Consolidated Income Statement	€ 442	€ 473	€ 511

During the year ended December 31, 2017, the Group entered into an annuity buyout relating to two of its U.S. defined benefit plans. A total of €563 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €1 million that was recognized within Cost of revenues and Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2017.

During the year ended December 31, 2016, the Group amended its U.S. defined benefit plan for salaried employees to allow certain terminated vested participants to accept a lump-sum amount. A total of €214 million was paid to those participants who accepted the offer in December 2016. The plan amendment resulted in a settlement gain of €29 million that was recognized within Selling, general and other costs in the Consolidated Income Statement for the year ended December 31, 2016. There were no significant plan amendments or curtailments to the Group's pension plans for the year ended December 31, 2015.

The fair value of plan assets by class was as follows:

	At December 31			
	2017		2016	
	Amount	of which have a quoted market price in an active market	Amount	of which have a quoted market price in an active market
(€ million)				
Cash and cash equivalents	€ 628	€ 611	€ 862	€ 816
U.S. equity securities	1,426	1,426	1,641	1,633
Non-U.S. equity securities	1,098	1,098	1,170	1,170
Commingled funds	2,684	1,138	3,149	216
Equity instruments	5,208	3,662	5,960	3,019
Government securities	2,601	803	2,611	858
Corporate bonds (including convertible and high yield bonds)	5,864	—	6,353	58
Other fixed income	1,071	114	907	9
Fixed income securities	9,536	917	9,871	925
Private equity funds	1,962	—	1,979	—
Commingled funds	165	162	147	118
Mutual funds	—	—	3	3
Real estate funds	1,374	13	1,460	—
Hedge funds	1,893	49	2,466	—
Investment funds	5,394	224	6,055	121
Insurance contracts and other	452	50	661	156
Total fair value of plan assets	€ 21,218	€ 5,464	€ 23,409	€ 5,037

Non-U.S. Equity securities are invested broadly in developed international and emerging markets. Fixed income securities are debt instruments which are primarily comprised of long-term U.S. Treasury and global government bonds, as well as developed international and emerging market companies' debt securities diversified by sector, geography and through a wide range of market capitalization. Private equity funds include those in limited partnerships that invest primarily in operating companies that are not publicly traded on a stock exchange. Commingled funds include common collective trust funds, mutual funds and other investment entities. Real estate fund investments include those in limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally. Hedge fund investments include those seeking to maximize absolute return using a broad range of strategies to enhance returns and provide additional diversification.

The investment strategies and objectives for pension assets primarily in the U.S. and Canada reflect a balance of liability-hedging and return-seeking investment considerations. The investment objectives are to minimize the volatility of the value of the pension assets relative to the pension liabilities and to ensure assets are sufficient to pay plan obligations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset diversification, partial asset-liability matching and hedging. Assets are broadly diversified across many asset classes to achieve risk-adjusted returns that, in total, lower asset volatility relative to the liabilities. Additionally, in order to minimize pension asset volatility relative to the pension liabilities, a portion of the pension plan assets are allocated to fixed income securities. The Group policy for these plans ensures actual allocations are in line with target allocations as appropriate.

Assets are actively managed primarily by external investment managers. Investment managers are not permitted to invest outside of the asset class or strategy for which they have been appointed. The Group uses investment guidelines to ensure investment managers invest solely within the mandated investment strategy. Certain investment managers use derivative financial instruments to mitigate the risk of changes in interest rates and foreign currencies impacting the fair values of certain investments. Derivative financial instruments may also be used in place of physical securities when it is more cost-effective and/or efficient to do so. Plan assets do not include shares of FCA or properties occupied by Group companies, with the possible exception of commingled investment vehicles where FCA does not control the investment guidelines.

Sources of potential risk in pension plan assets measurements relate to market risk, interest rate risk and operating risk. Market risk is mitigated by diversification strategies and as a result, there are no significant concentrations of risk in terms of sector, industry, geography, market capitalization, or counterparty. Interest rate risk is mitigated by partial asset-liability matching. The fixed income target asset allocation partially matches the bond-like and long-dated nature of the pension liabilities. Interest rate increases generally will result in a decline in the fair value of the investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases will generally increase the fair value of the investments in fixed income securities and the present value of the obligations.

The weighted average assumptions used to determine the defined benefit obligations were as follows:

	At December 31					
	2017			2016		
	U.S.	Canada	UK	U.S.	Canada	UK
Discount rate	3.8%	3.5%	2.7%	4.4%	3.9%	2.7%
Future salary increase rate	— %	3.5%	3.2%	— %	3.5%	3.1%

The average duration of the U.S. and Canadian liabilities was approximately 11 years and 13 years, respectively. The average duration of the UK pension liabilities was approximately 20 years.

Health care and life insurance plans

Liabilities arising from these plans comprise obligations for retiree health care and life insurance granted to employees and to retirees in the U.S. and Canada. Upon retirement from the Group, these employees may become eligible for continuation of certain benefits. Benefits and eligibility rules may be modified periodically. These plans are unfunded. The expected benefit payments for unfunded health care and life insurance plans are as follows:

	Expected benefit payments	
	(€ million)	
2018	€	125
2019	€	125
2020	€	124
2021	€	124
2022	€	125
2023-2027	€	634

Changes in the net defined benefit obligations for healthcare and life insurance plans were as follows:

	2017		2016	
	(€ million)			
Present value of obligations at January 1	€	2,466	€	2,459
Included in the Consolidated Income Statement		120		130
Included in Other comprehensive income:				
Actuarial (gains)/losses from:				
- Demographic and other assumptions		(52)		(77)
- Financial assumptions		160		10
Effect of movements in exchange rates		(278)		83
Other:				
Benefits paid		(137)		(139)
Other changes		—		—
Present value of obligations at December 31	€	2,279	€	2,466

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Current service cost	€ 22	€ 26	€ 32
Interest expense	98	107	102
Past service costs/(credits) and losses/(gains) arising from settlements	—	(3)	—
Total recognized in the Consolidated Income Statement	€ 120	€ 130	€ 134

Health care and life insurance plans are accounted for on an actuarial basis, which requires the selection of various assumptions. In particular, it requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as health care cost increases and demographic experience.

The weighted average assumptions used to determine the defined benefit obligations were as follows:

	At December 31			
	2017		2016	
	U.S.	Canada	U.S.	Canada
Discount rate	3.9%	3.6%	4.5%	4.0%
Salary growth	1.5%	1.0%	1.5%	1.0%
Weighted average ultimate healthcare cost trend rate	4.5%	4.5%	4.5%	4.4%

The average duration of the U.S. and Canadian liabilities was approximately 13 years and 16 years, respectively.

The annual rate of increase in the per capita cost of covered U.S. health care benefits assumed for next year and used in the 2017 plan valuation was 6.8 percent (7.0 percent in 2016). The annual rate was assumed to decrease gradually to 4.5 percent after 2029 and remain at that level thereafter. The annual rate of increase in the per capita cost of covered Canadian health care benefits assumed for next year and used in the 2017 plan valuation was 4.8 percent (4.7 percent in 2016). The annual rate was assumed to decrease gradually to 4.5 percent in 2029 and remain at that level thereafter.

Other post-employment benefits

Other post-employment benefits include other employee benefits granted to Group employees in Europe and comprises, amongst others, the Italian employee severance indemnity (trattamento di fine rapporto, or "TFR") obligation, required under Italian Law, amounting to €752 million at December 31, 2017 and €775 million at December 31, 2016.

The amount of TFR to which each employee is entitled must be paid when the employee leaves the Group and is calculated based on the period of employment and the taxable earnings of each employee. Under certain conditions, the entitlement may be partially advanced to an employee during their working life.

The legislation regarding this scheme was amended by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in 2007. Under these amendments, companies with at least 50 employees were obliged to transfer the TFR to the "Treasury fund" managed by the Italian state-owned social security body ("INPS") or to supplementary pension funds. Prior to the amendments, accruing TFR for employees of all Italian companies could be managed by the company itself. Consequently, the Italian companies' obligation to INPS and the contributions to supplementary pension funds take the form of defined contribution plans under IAS 19 - *Employee Benefits*, whereas the amounts recorded in the provision for employee severance pay retain the nature of defined benefit plans. Accordingly, the provision for employee severance indemnity in Italy consisted of the residual obligation for TFR through December 31, 2006. This is an unfunded defined benefit plan as the benefits have already been entirely earned, with the sole exception of future revaluations. Since 2007, the scheme has been classified as a defined contribution plan and the Group recognizes the associated cost over the period in which the employee renders service.

Changes in defined benefit obligations for other post-employment benefits were as follows:

	2017	2016
	(€ million)	
Present value of obligations at January 1	€ 987	€ 969
Included in the Consolidated Income Statement	23	26
Included in Other comprehensive income:		
Actuarial (gains)/losses from:		
- Demographic and other assumptions	18	36
- Financial assumptions	(3)	29
Effect of movements in exchange rates	(5)	1
Other:		
Benefits paid	(48)	(58)
Transfer to Liabilities held for sale	—	(14)
Other changes	15	(2)
Present value of obligations at December 31	€ 987	€ 987

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Current service cost	€ 11	€ 8	€ 10
Interest expense	13	17	6
Past service costs (credits) and (gains)/losses arising from settlements	(1)	1	—
Total recognized in the Consolidated Income Statement	€ 23	€ 26	€ 16

The discount rates used for the measurement of the Italian TFR obligation are based on yields of high-quality (AA rated) fixed income securities for which the timing and amounts of maturities match the timing and amounts of the projected benefit payments. For this plan, the single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2017 was 1.2 percent (1.0 percent in 2016). The average duration of the Italian TFR is approximately 7 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and law requirements for retirement in Italy.

Other provisions for employees

Other provisions for employees primarily include long-term disability benefits, supplemental unemployment benefits, variable and other deferred compensation, as well as bonuses granted for tenure at the Company.

20. PROVISIONS

Provisions consisted of the following:

	2017			At December 31 2016		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Product warranty and recall campaigns	€ 2,676	€ 4,049	€ 6,725	€ 2,905	€ 4,637	€ 7,542
Sales incentives	5,377	—	5,377	5,749	—	5,749
Legal proceedings and disputes	125	551	676	54	530	584
Commercial risks	481	334	815	250	412	662
Restructuring	26	44	70	26	46	72
Other risks	324	792	1,116	333	895	1,228
Total Provisions	€ 9,009	€ 5,770	€ 14,779	€ 9,317	€ 6,520	€ 15,837

Changes in Provisions were as follows:

	At January 1, 2017	Additional provisions	Settlements	Unused amounts	Translation differences	Changes in the scope of consolidation and other changes	At December 31, 2017
	(€ million)						
Product warranty and recall campaigns	€ 7,542	€ 3,196	€ (3,262)	€ —	€ (746)	€ (5)	€ 6,725
Sales incentives	5,749	13,850	(13,675)	(3)	(567)	23	5,377
Legal proceedings and disputes	584	200	(69)	(38)	(49)	48	676
Commercial risks	662	432	(181)	(34)	(64)	—	815
Restructuring costs	72	91	(55)	(3)	(3)	(32)	70
Other risks	1,228	229	(187)	(97)	(62)	5	1,116
Total Provisions	€ 15,837	€ 17,998	€ (17,429)	€ (175)	€ (1,491)	€ 39	€ 14,779

Product warranty and recall campaigns

At December 31, 2017, the Product warranty and recall campaigns provision included €102 million of charges recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2017 for the estimated costs associated with an extension of the recall campaigns related to an industry-wide recall of airbag inflators resulting from parts manufactured by Takata, of which €29 million related to the previously announced recall in NAFTA and €73 million related to the preventative safety campaigns in LATAM. Refer to Note 25, *Guarantees granted, commitments and contingent liabilities*, for additional information.

At December 31, 2016, the Product warranty and recall campaigns provision included €414 million of charges recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016 for the additional estimated costs associated with the recall campaigns related to an industry wide recall of airbag inflators resulting from parts manufactured by Takata. Refer to Note 25, *Guarantees granted, commitments and contingent liabilities*, for additional information. In addition, the Product warranty and recall campaigns provision included €132 million of estimated net costs recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016 associated with a recall for which costs are being contested with a supplier. Although FCA believes the supplier has responsibility for the recall, only a partial recovery of the estimated costs has been recognized pursuant to a cost sharing agreement. The cash outflow for the non-current portion of the Product warranty and recall campaigns provision is primarily expected within a period through 2022.

Sales incentives, Legal proceedings and disputes, Commercial risks and Other risks

As described within Note 2, *Basis of preparation (Use of Estimates section)*, the Group records the estimated cost of sales incentive programs offered to dealers and consumers as a reduction to revenue at the time of sale of the vehicle to the dealer.

None of the provisions within the total Legal proceedings and disputes provision are individually significant. As described within Note 2, *Basis of preparation (Use of Estimates section)*, a provision for legal proceedings is recognized when it is deemed probable that the proceedings will result in an outflow of resources. As the ultimate outcome of pending litigation is uncertain, the timing of cash outflow for the Legal proceedings and disputes provision is also uncertain.

Commercial risks arise in connection with the sale of products and services such as onerous maintenance contracts and as a result of certain regulatory emission requirements. For items such as onerous maintenance contracts, a provision is recognized when the expected costs to complete the services under these contracts exceed the revenues expected to be realized. A provision for fines related to certain regulatory emission requirements that can be settled with cash fines is recognized at the time vehicles are sold based on the estimated cost to settle the obligation measured as the sum of the cost of regulatory credits previously purchased plus the amount, if any, of the fine expected to be paid in cash. The cash outflow for the non-current portion of the Commercial risks provision is primarily expected within a period through 2020.

Other risks include, among other items: provisions for disputes with suppliers related to supply contracts or other matters that are not subject to legal proceedings, provisions for product liabilities arising from personal injuries including wrongful death and potential exemplary or punitive damages alleged to be the result of product defects, disputes with other parties relating to contracts or other matters not subject to legal proceedings and management's best estimate of the Group's probable environmental obligations which also includes costs related to claims on environmental matters. The cash outflow for the non-current portion of the Other risks provision is primarily expected within a period through 2024.

21. DEBT

Debt classified within current liabilities includes short-term borrowings from banks and other financing with an original maturity date falling within twelve months, as well as the current portion of long-term debt. Debt classified within non-current liabilities includes borrowings from banks and other financing with maturity dates greater than twelve months (long-term debt), net of the current portion.

The following table summarizes the Group's current and non-current Debt by maturity date (amounts include accrued interest):

	2017					2016				
	Due within one year (current)	Due between one and five years	Due beyond five years	Total (non-current)	Total Debt	Due within one year (current)	Due between one and five years	Due beyond five years	Total (non-current)	Total Debt
	(€ million)									
Notes	€ 2,054	€ 5,071	€ 2,501	€ 7,572	€ 9,626	€ 2,565	€ 5,763	€ 4,023	€ 9,786	€ 12,351
Borrowings from banks	4,132	2,278	502	2,780	6,912	4,025	4,592	786	5,378	9,403
Asset-backed financing (Note 15)	357	—	—	—	357	410	—	—	—	410
Other debt	702	347	27	374	1,076	937	688	259	947	1,884
Total Debt	€ 7,245	€ 7,696	€ 3,030	€ 10,726	€ 17,971	€ 7,937	€ 11,043	€ 5,068	€ 16,111	€ 24,048

Notes

The following table summarizes the outstanding notes at December 31, 2017 and 2016:

					At December 31	
	Currency	Face value of outstanding notes (million)	Coupon %	Maturity	2017	2016
Medium Term Note Programme:					(€ million)	
Fiat Chrysler Finance Europe S.A. ⁽¹⁾	EUR	850	7.000	March 23, 2017	€ —	€ 850
Fiat Chrysler Finance North America, Inc. ⁽¹⁾	EUR	1,000	5.625	June 12, 2017	—	1,000
Fiat Chrysler Finance Europe S.A. ⁽²⁾	CHF	450	4.000	November 22, 2017	—	419
Fiat Chrysler Finance Europe S.A. ⁽¹⁾	EUR	1,250	6.625	March 15, 2018	1,250	1,250
Fiat Chrysler Finance Europe S.A. ⁽¹⁾	EUR	600	7.375	July 9, 2018	600	600
Fiat Chrysler Finance Europe S.A. ⁽²⁾	CHF	250	3.125	September 30, 2019	213	233
Fiat Chrysler Finance Europe S.A. ⁽¹⁾	EUR	1,250	6.750	October 14, 2019	1,250	1,250
Fiat Chrysler Finance Europe S.A. ⁽¹⁾	EUR	1,000	4.750	March 22, 2021	1,000	1,000
Fiat Chrysler Finance Europe S.A. ⁽¹⁾	EUR	1,350	4.750	July 15, 2022	1,350	1,350
FCA NV ⁽¹⁾	EUR	1,250	3.750	March 29, 2024	1,250	1,250
Other ⁽³⁾	EUR	7			7	7
Total Medium Term Note Programme					6,920	9,209
Other Notes:						
FCA NV ⁽¹⁾	U.S.\$	1,500	4.500	April 15, 2020	1,251	1,423
FCA NV ⁽¹⁾	U.S.\$	1,500	5.250	April 15, 2023	1,251	1,423
Total Other Notes					2,502	2,846
Hedging effect, accrued interest and amortized cost valuation					204	296
Total Notes					€ 9,626	€ 12,351

⁽¹⁾ Listing on the Irish Stock Exchange was obtained.

⁽²⁾ Listing on the SIX Swiss Exchange was obtained.

⁽³⁾ Medium Term Notes with amounts outstanding equal to or less than the equivalent of €50 million.

Notes Issued Through the Medium Term Note Programme

Certain notes issued by the Group are governed by the terms and conditions of the Medium Term Note ("MTN") Programme (previously known as the Global Medium Term Note Programme, or "GMTN" Programme). A maximum of €20 billion may be used under this programme, of which notes of €6.9 billion were outstanding at December 31, 2017 (€9.2 billion at December 31, 2016). The MTN Programme is guaranteed by FCA NV. We may from time to time buy back notes in the market that have been issued. Such buybacks, if made, depend upon market conditions, the Group's financial situation and other factors which could affect such decisions.

Changes in notes issued under the MTN Programme during the year ended December 31, 2017 were due to the:

- repayment at maturity of a note in March 2017 with a principal amount of €850 million;
- repayment at maturity of a note in June 2017 with a principal amount of €1,000 million; and
- repayment at maturity of a note in November 2017 with a principal amount of CHF 450 million (€385 million).

Changes in notes issued under the MTN Programme during the year ended December 31, 2016 were due to the:

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

The notes issued under the MTN Programme impose covenants on the issuer and, in certain cases, on FCA NV as guarantor, which include: (i) negative pledge clauses which require that, in case any security interest upon assets of the issuer and/or FCA NV is granted in connection with other notes or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding notes; (ii) *pari passu* clauses, under which the notes rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer and/or FCA NV; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the notes under certain events of default on other financial instruments issued by FCA's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the notes. As of December 31, 2017, FCA was in compliance with the covenants under the MTN Programme.

Other Notes

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

The Notes impose covenants on FCA NV including: (i) negative pledge clauses which require that, in case any security interest upon assets of FCA NV is granted in connection with other notes or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding Notes; (ii) *pari passu* clauses, under which the Notes rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of FCA NV; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the Notes under certain events of default on other financial instruments issued by FCA's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the Notes. As of December 31, 2017, FCA was in compliance with the covenants of the Notes.

Fiat Chrysler Finance US Inc.

On March 6, 2017, Fiat Chrysler Finance US Inc. ("FCF US") was incorporated under the laws of Delaware and became an indirect, 100 percent owned subsidiary of the Company. If FCF US issues debt securities, they will be fully and unconditionally guaranteed by the Company. No other subsidiary of the Company will guarantee such indebtedness.

*Borrowings from banks***FCA US Tranche B Term Loans**

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

At December 31, 2017, €836 million (€948 million at December 31, 2016), which included accrued interest, was outstanding under FCA US's Tranche B Term Loan maturing December 31, 2018 (the "Tranche B Term Loan due 2018"). On April 12, 2017, FCA US amended the credit agreement that governs the Tranche B Term Loan due 2018. The amendment reduced the applicable interest rate spreads by 0.50 percent per annum and reduced the LIBOR floor by 0.75 percent per annum, to 0.00 percent. In addition, the base rate floor was eliminated. As a result, the Tranche B Term Loan due 2018 bears interest, at FCA US's option, either at a base rate plus 1.0 percent per annum or at LIBOR plus 2.0 percent per annum. FCA US may prepay, refinance or re-price the Tranche B Term Loan due 2018 without premium or penalty. For the years ended December 31, 2017 and 2016, interest was accrued based on LIBOR.

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

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

The Tranche B Term Loan due 2018 is secured by a senior priority security interest in substantially all of FCA US's assets and the assets of its U.S. subsidiary guarantors, subject to certain exceptions. The collateral includes 100 percent of the equity interests in FCA US's U.S. subsidiaries and 65 percent of the equity interests in certain of its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors.

The credit agreement that governs the Tranche B Term Loan due 2018 includes a number of affirmative covenants, many of which are customary, including, but not limited to, the reporting of financial results and other developments, compliance with laws, payment of taxes, maintenance of insurance and similar requirements. The credit agreement also includes negative covenants, including but not limited to: (i) limitations on incurrence, repayment and prepayment of indebtedness, (ii) limitations on incurrence of liens, (iii) limitations on swap agreements and sale and leaseback transactions, (iv) limitations on fundamental changes, including certain asset sales and (v) restrictions on certain subsidiary distributions. In addition, the credit agreement requires FCA US to maintain a minimum ratio of "borrowing base" to "covered debt" (as defined), as well as a minimum liquidity of U.S.\$3.0 billion (€2.5 billion). Furthermore, the credit agreement also contains a number of events of default related to: (i) failure to make payments when due; (ii) failure to comply with covenants, (iii) breaches of representations and warranties, (iv) certain changes of control, (v) cross-default with certain other debt and hedging agreements and (vi) the failure to pay or post bond for certain material judgments. As of December 31, 2017, FCA US was in compliance with the covenants of the credit agreement that governs the Tranche B Term Loan due 2018.

European Investment Bank Borrowings

FCA has financing agreements with the European Investment Bank ("EIB") for a total of €1.1 billion outstanding at December 31, 2017 (€1.3 billion outstanding at December 31, 2016), which included the residual debt due under the following facilities:

- the facility for €250 million (maturing in December 2019) entered into in December 2016 to support the Group's investment plan (2017-2019) in research and development centers in Italy, which includes a number of key objectives such as greater fuel efficiency, a reduction in CO₂ emissions by petrol and alternative fuel engines and the study of new hybrid architectures, as well as certain capital expenditures for facilities located in southern Italy;
- the facility for €600 million (maturing in July 2018), entered into in June 2015 (50 percent guaranteed by SACE) to support the Group's investment plan (2015-2017) for production and research and development sites in both northern and southern Italy, to develop efficient vehicle technologies for vehicle safety and new vehicle architectures;
- the facility for €400 million (maturing in November 2018), entered into in November 2013 (50 percent guaranteed by SACE) to support certain investments and research and development programs in Italy; and
- the facility for €500 million (maturing in June 2021), entered into in May 2011 (guaranteed by SACE and the Serbian Authorities) for an investment program relating to the modernization and expansion of production capacity of an automotive plant in Serbia.

Brazil

Our Brazilian subsidiaries have access to various local bank facilities in order to fund investments and operations. Total debt outstanding under those facilities amounted to a principal amount of €3.2 billion at December 31, 2017 (€4.0 billion at December 31, 2016). The loans primarily include subsidized loans granted by public financing institutions such as Banco Nacional do Desenvolvimento ("BNDES"), with the aim to support industrial projects in certain areas. This provided the Group the opportunity to fund large investments in Brazil with loans of sizeable amounts at attractive rates. At December 31, 2017, outstanding subsidized loans amounted to €2.1 billion (€2.6 billion at December 31, 2016), of which €1.3 billion (€1.6 billion at December 31, 2016) related to the construction of the plant in Pernambuco (Brazil), which has been supported by subsidized credit lines totaling Brazilian Real ("BRL") 6.5 billion (€1.6 billion). Approximately €0.1 billion (€0.3 billion at December 31, 2016) of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2017.

Revolving Credit Facilities

In March 2017, the Group amended its syndicated revolving credit facility originally signed in June 2015 (as amended, the "RCF"). The amendment increased the RCF from €5.0 billion to €6.25 billion and extended the RCF's final maturity to March 2022. The RCF, which is available for general corporate purposes and for working capital needs of the Group, is structured in two tranches: €3.125 billion, with a 37-month tenor and two extension options of 1-year and of 11-months exercisable on the first and second anniversary of the amendment signing date, respectively, and €3.125 billion, with a 60-month tenor. The amendment was accounted for as a debt modification and, as a result, the remaining unamortized debt issuance costs related to the original €5.0 billion RCF and the new costs associated with the amendment will be amortized over the life of the amended RCF. At December 31, 2017, the €6.25 billion RCF was undrawn.

The covenants of the RCF include financial covenants as well as negative pledge, *pari passu*, cross-default and change of control clauses. The 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. As of December 31, 2017, FCA was in compliance with the covenants of the RCF.

At December 31, 2017, undrawn committed credit lines totaling €7.6 billion included the €6.25 billion RCF and approximately €1.3 billion of other revolving credit facilities. At December 31, 2016, undrawn committed credit lines totaling €6.2 billion included the original €5.0 billion RCF and approximately €1.2 billion of other revolving credit facilities.

Mexico Bank Loan

FCA Mexico, S.A. de C.V. ("FCA Mexico"), our principal operating subsidiary in Mexico, has a non-revolving loan agreement ("Mexico Bank Loan") maturing on March 20, 2022 and bears interest at one-month LIBOR plus 3.35 percent per annum. At December 31, 2017, the Mexico Bank Loan had an outstanding balance of €0.4 billion (€0.5 billion at December 31, 2016). As of December 31, 2017, we may prepay all or any portion of the loan without premium or penalty. The Mexico Bank Loan requires FCA Mexico to maintain certain fixed and other assets as collateral, and comply with certain covenants, including, but not limited to, financial maintenance covenants, limitations on liens, incurrence of debt and asset sales. As of December 31, 2017, FCA Mexico was in compliance with the covenants under the Mexico Bank Loan.

Asset-backed financing

Asset-backed financing represents the amount of financing received through factoring transactions which do not meet IAS 39 derecognition requirements and are recognized as assets of the same amount of €357 million (€410 million at December 31, 2016) within Trade and other receivables in the Consolidated Statement of Financial Position (Note 15, *Trade, other receivables and tax receivables*).

Other debt

During the year ended December 31, 2017, FCA US's Canadian subsidiary made payments on the Canada Health Care Trust ("HCT") Tranche B Note totaling €272 million, which included a scheduled payment of principal and accrued interest and the prepayment of the remaining scheduled payments due on the Canada HCT Tranche B Note. The prepayment, of €226 million, was accounted for as a debt extinguishment, and as a result, a gain on extinguishment of €9 million was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2017. This Canada HCT Note represented FCA US's principal Canadian subsidiary's remaining financial liability to the Canadian Health Care Trust arising from the settlement of its obligations for postretirement health care benefits for National Automobile, Aerospace, Transportation and General Workers Union of Canada "CAW" (now part of Unifor), which represented employees, retirees and dependents

At December 31, 2016, Other debt included the unsecured Canada HCT Tranche B Note totaling €278 million, including accrued interest. During the year ended December 31, 2016, FCA US's Canadian subsidiary made payments on the Canada HCT Notes totaling €148 million, which included accrued interest and the prepayment of all scheduled payments due on the Canada HCT Tranche C Note. The prepayment on the Canada HCT Tranche C Note made on July 15, 2016 resulted in a loss on extinguishment of debt of €8 million that was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2016.

As described in more detail in Note 26, *Equity*, FCA issued Mandatory Convertible Securities in December 2014 with an aggregate notional amount of U.S.\$2,875 million (€2,293 million), whereby the obligation to pay coupons as required by the Mandatory Convertible Securities met the definition of a financial liability. The Mandatory Convertible Securities were converted into FCA common shares on December 15, 2016 and the financial liability of U.S.\$226 million (€213 million) was paid in cash.

Other debt also included funds raised from financial services companies, primarily in Latin America, deposits from dealers in Brazil and the Group's payables for finance leases, which are summarized in the table below:

	2017					2016				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
(€ million)										
Minimum future lease payments	€ 90	€ 134	€ 19	€ 74	€ 317	€ 138	€ 246	€ 131	€ 188	€ 703
Interest expense	(15)	(15)	(3)	(3)	(36)	(22)	(29)	(7)	(5)	(63)
Present value of minimum lease payments	€ 75	€ 119	€ 16	€ 71	€ 281	€ 116	€ 217	€ 124	€ 183	€ 640

Debt secured by assets

At December 31, 2017, debt secured by assets of the Group (excluding FCA US) amounted to €743 million (€914 million at December 31, 2016), of which €140 million (€433 million at December 31, 2016) was due to creditors for assets acquired under finance leases and the remaining amount mainly related to subsidized financing in Latin America. The total carrying amount of assets acting as security for loans for the Group (excluding FCA US) amounted to €2,372 million at December 31, 2017 (€1,940 million at December 31, 2016) (Note 11, *Property, plant and equipment*).

At December 31, 2017, debt secured by assets of FCA US amounted to €1,441 million and included €836 million relating to the Tranche B Term Loan due 2018, €141 million due to creditors for assets acquired under finance leases and €464 million for other debt and financial commitments. At December 31, 2016, debt secured by assets of FCA US amounted to €3,446 million and included €2,678 million relating to the Tranche B Term Loans, €207 million due to creditors for assets acquired under finance leases and €561 million for other debt and financial commitments.

22. OTHER LIABILITIES AND TAX PAYABLES

Other liabilities consisted of the following:

	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
(€ million)						
Payables for buy-back agreements	€ 2,234	€ —	€ 2,234	€ 2,081	€ —	€ 2,081
Indirect tax payables	799	19	818	667	968	1,635
Accrued expenses and deferred income	1,573	2,260	3,833	1,320	2,428	3,748
Payables to personnel	988	16	1,004	1,006	34	1,040
Social security payables	313	6	319	312	7	319
Amounts due to customers for contract work (Note 14)	190	—	190	236	—	236
Other	1,838	199	2,037	2,187	166	2,353
Total Other liabilities	€ 7,935	€ 2,500	€ 10,435	€ 7,809	€ 3,603	€ 11,412

An analysis of Other liabilities (excluding Accrued expenses and deferred income) by due date was as follows:

	2017					At December 31 2016				
	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non- Current)	Total	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non- Current)	Total
(€ million)										
Other liabilities (excluding Accrued expenses and deferred income)	€ 6,362	€ 227	€ 13	€ 240	€ 6,602	€ 6,489	€ 1,159	€ 16	€ 1,175	€ 7,664

Payables for buy-back agreements refers to buy-back agreements entered into by the Group and includes the price received for the product recognized as an advance at the date of the sale, and subsequently, the repurchase price and the remaining lease installments yet to be recognized.

Indirect tax payables include federal taxes on commercial transactions accrued by the Group's Brazilian subsidiaries for which, at December 31, 2016, the Group (as well as a number of important industrial groups that operate in Brazil) was awaiting a decision by the Brazilian Supreme Court regarding its claim alleging double taxation.

On March 15, 2017, the Brazilian Supreme Court ruled that state value added tax should be excluded from the base for calculating a federal tax on revenue. At June 30, 2017, the Group determined that the likelihood of economic outflow related to such indirect taxes was no longer probable and the total liability of €895 million that FCA had accrued but not paid for such taxes for the period from 2007 to 2014 was reversed. Due to the materiality of this item and its effect on our results, the amount is presented separately in the line Reversal of a Brazilian indirect tax liability in the Consolidated Income Statement for the year ended December 31, 2017, and is composed of €547 million, originally recognized as a reduction to Net revenues, and €348 million, originally recognized within Net financial expenses. The Brazilian Supreme Court issued summary written minutes of its ruling on September 29, 2017 and Trial Minutes on October 2, 2017. On October 19, 2017, the Brazilian government filed its appeal against the PIS/COFINS over ICMS decision. Due to the uncertainty of scope of the application of the Supreme Court ruling taking into account the government's appeal and request for modulation, and due to Brazil's current heightened political and economic uncertainty, management believes a risk of economic outflow is still greater than remote.

Deferred income includes revenues not yet recognized in relation to separately-priced extended warranties and service contracts. These revenues will be recognized in the Consolidated Income Statement over the contract period in proportion to the costs expected to be incurred based on historical information. Deferred income also includes the remaining portion of government grants that will be recognized as income in the Consolidated Income Statement over the periods necessary to match them with the related costs which they are intended to offset.

On January 20, 2017, the last installment of U.S.\$175 million (€166 million) was paid on the obligation arising from the 2014 memorandum of understanding between FCA US and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, which was included within Other current liabilities at December 31, 2016.

Tax payables

An analysis by due date for Tax payables was as follows:

														At December 31		
														2017	2016	
	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total						
														(€ million)		
Tax payables	€ 309	€ 32	€ 42	€ 74	€ 383	€ 162	€ 25	€ —	€ 25	€ 187						

23. FAIR VALUE MEASUREMENT

Assets and liabilities that are measured at fair value on a recurring basis

The following table shows the fair value hierarchy for financial assets and liabilities that are measured at fair value on a recurring basis:

										At December 31			
										2017		2016	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total					
Note	(€ million)												
Debt securities and equity instruments measured at fair value through other comprehensive income	13	€ 3	€ 24	€ —	€ 27	€ 159	€ 18	€ 12	€ 189				
Debt securities and equity instruments measured at fair value through profit or loss	13	275	—	2	277	312	—	—	312				
Collateral deposits	13	61	—	—	61	68	—	—	68				
Derivative financial assets	16	—	254	30	284	—	458	21	479				
Cash and cash equivalents	17	10,800	1,838	—	12,638	15,790	1,528	—	17,318				
Total Assets		€ 11,139	€ 2,116	€ 32	€ 13,287	€ 16,329	€ 2,004	€ 33	€ 18,366				
Derivative financial liabilities	16	—	138	1	139	—	695	2	697				
Total Liabilities		€ —	€ 138	€ 1	€ 139	€ —	€ 695	€ 2	€ 697				

In 2017, there were no transfers between Levels in the fair value hierarchy. For assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The fair value of derivative financial assets and liabilities is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rates and interest rates at the balance sheet date;
- the fair value of interest rate swaps and forward rate agreements is determined by taking the prevailing interest rates at the balance sheet date and using the discounted expected cash flow method;
- the fair value of combined interest rate and currency swaps is determined using the exchange and interest rates prevailing at the balance sheet date and the discounted expected cash flow method; and
- the fair value of swaps and options hedging commodity price risk is determined by using suitable valuation techniques and taking market parameters at the balance sheet date (in particular, underlying prices, interest rates and volatility rates).

The carrying value of Cash and cash equivalents (Note 17, *Cash and cash equivalents*) usually approximates fair value due to the short maturity of these instruments. The fair value of money market funds is also based on available market quotations. Where appropriate, the fair value of cash equivalents is determined with discounted expected cash flow techniques using observable market yields (categorized as Level 2).

The following table provides a reconciliation of the changes in items measured at fair value and categorized within Level 3:

		Securities	Derivative financial assets/(liabilities)
		(€ million)	
At January 1, 2016	€	12	€ (35)
Gains/(Losses) recognized in Consolidated Income Statement		—	(31)
Gains/(Losses) recognized in Other comprehensive income		—	62
Issues/Settlements		—	23
At December 31, 2016		12	19
Gains/(Losses) recognized in Consolidated Income Statement		(10)	27
Gains/(Losses) recognized in Other comprehensive income		—	18
Issues/Settlements		—	(35)
At December 31, 2017	€	2	€ 29

The gains/(losses) included in the Consolidated Income Statements were recognized within Cost of revenues. Of the total gains/(losses) recognized in Other comprehensive income, €20 million was recognized within Cash flow reserves and €2 million was recognized within Currency translation differences.

Assets and liabilities not measured at fair value on recurring basis

The carrying value for current receivables and payables is a reasonable approximation of the fair value as the present value of future cash flows does not differ significantly from the carrying amount.

The following table provides the carrying amount and fair value for financial assets and liabilities not measured at fair value on a recurring basis:

						At December 31								
						2017		2016						
						Carrying amount		Fair Value						
Note						(€ million)								
Dealer financing						€	2,295	€	2,295	€	2,115	€	2,115	
Retail financing							420		405		286		285	
Finance lease							4		4		6		6	
Other receivables from financing activities							421		421		171		171	
Total Receivables from financing activities						15	€	3,140	€	3,125	€	2,578	€	2,577
Asset backed financing						€	357	€	357	€	410	€	410	
Notes							9,626		10,365		12,351		13,164	
Other debt							7,988		8,001		11,287		11,311	
Total Debt						21	€	17,971	€	18,723	€	24,048	€	24,885

The fair value of Receivables from financing activities, which are categorized within Level 3 of the fair value hierarchy, has been estimated with discounted cash flows models. The most significant inputs used for this measurement are market discount rates that reflect conditions applied in various reference markets on receivables with similar characteristics, adjusted in order to take into account the credit risk of the counterparties.

Notes that are traded in active markets for which close or last trade pricing is available are classified within Level 1 of the fair value hierarchy. Notes for which such prices are not available are valued at the last available price or based on quotes received from independent pricing services or from dealers who trade in such securities and are categorized as Level 2. At December 31, 2017, €10,358 million and €7 million of notes were classified within Level 1 and Level 2, respectively. At December 31, 2016, €13,157 million and €7 million of notes were classified within Level 1 and Level 2, respectively.

The fair value of Other debt included in Level 2 of the fair value hierarchy has been estimated using discounted cash flow models. The main inputs used are year-end market interest rates, adjusted for market expectations of the Group's non-performance risk implied in quoted prices of traded securities issued by the Group and existing credit derivatives on Group liabilities. The fair value of Other debt that requires significant adjustments using unobservable inputs is categorized within Level 3 of the fair value hierarchy. At December 31, 2017, €6,796 million and €1,205 million of Other Debt was classified within Level 2 and Level 3, respectively. At December 31, 2016, €9,424 million and €1,887 million of Other Debt was classified within Level 2 and Level 3, respectively.

24. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24 - *Related Party Disclosures*, the related parties of the Group are entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries. Related parties include companies belonging to Exor N.V. (the largest shareholder of FCA through its 29.18 percent common shares shareholding interest and 42.34 percent voting power at December 31, 2017), which include Ferrari N.V. and CNHI. Exor N.V. received 73,606,222 of FCA common shares in connection with the conversion of the Mandatory Convertible Securities into FCA common shares on December 16, 2016 (Note 26, *Equity*). Related parties also include associates, joint ventures and unconsolidated subsidiaries of the Group. In addition, members of the FCA Board of Directors, and executives with strategic responsibilities and certain members of their families are also considered related parties.

Transactions carried out by the Group with its related parties are on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved, and primarily relate to:

- the purchase of engines and engine components for Maserati vehicles from Ferrari N.V.;
- the sale of automotive lighting and automotive components to Ferrari N.V.;
- transactions related to the display of FCA brand names on Ferrari N.V. Formula 1 cars;
- the sale of vehicles to the joint ventures Tofas and FCA Bank leasing and renting subsidiaries;
- the sale of engines, other components and production systems and the purchase of light commercial vehicles with the joint operation Sevel S.p.A.;
- the sale of engines, other components and production systems to companies of CNHI;
- the purchase of vehicles, the provision of services and the sale of goods with the joint operation Fiat India Automobiles Private Limited;
- the provision of services and the sale of goods to the GAC FCA JV;
- the provision of services (accounting, payroll, tax administration, information technology, purchasing and security) to companies of CNHI; and
- the purchase of light commercial vehicles and passenger cars from the joint venture Tofas.

The most significant financial transactions with related parties generated Receivables from financing activities of the Group's financial services companies from joint ventures and Asset-backed financing relating to amounts due to FCA Bank for the sale of receivables, which do not qualify for derecognition under IAS 39 – *Financial Instruments: Recognition and Measurement*.

The amounts for significant transactions with related parties recognized in the Consolidated Income Statements were as follows:

	Years ended December 31											
	2017				2016							
	Net Revenues	Cost of revenues	Selling, general and other costs, net	Net Financial expenses/(income)	Net Revenues	Cost of revenues	Selling, general and other costs, net	Net Financial expenses/(income)	Net Revenues	Cost of revenues	Selling, general and other costs, net	Net Financial expenses
	(€ million)											
Tofas	€ 1,287	€ 2,779	€ 9	€ —	€ 1,536	€ 2,811	€ 3	€ —	€ 1,533	€ 1,611	€ —	€ —
Sevel S.p.A.	392	—	5	—	381	—	5	—	311	—	4	—
FCA Bank	1,715	26	(20)	36	1,571	18	(21)	39	1,447	14	9	30
GAC FCA JV	569	—	(105)	—	683	—	(82)	—	252	—	—	—
Fiat India Automobiles Limited	25	1	—	—	23	1	(1)	(1)	15	4	—	—
Other	35	2	(4)	2	36	5	(3)	—	29	22	—	—
Total joint arrangements	4,023	2,808	(115)	38	4,230	2,835	(99)	38	3,587	1,651	13	30
Total associates	73	52	(3)	(1)	91	47	—	—	143	14	6	—
CNHI	526	329	2	—	543	422	3	—	564	431	—	—
Ferrari N.V.	82	320	1	—	81	246	—	—	n/a	n/a	n/a	n/a
Directors and Key Management	—	—	114	—	—	—	143	—	—	—	132	—
Other	1	—	26	—	—	—	26	—	—	1	17	—
Total CNHI, Ferrari, Directors and other	609	649	143	—	624	668	172	—	564	432	149	—
Total unconsolidated subsidiaries	61	8	3	1	57	7	8	1	79	13	8	(1)
Total transactions with related parties	€ 4,766	€ 3,517	€ 28	€ 38	€ 5,002	€ 3,557	€ 81	€ 39	€ 4,373	€ 2,110	€ 176	€ 29
Total for the Group	€ 110,934	€ 93,975	€ 7,385	€ 1,469	€ 111,018	€ 95,295	€ 7,568	€ 2,016	€ 110,595	€ 97,620	€ 7,576	€ 2,366

Assets and liabilities from significant transactions with related parties were as follows:

At December 31										
2017						2016				
Trade and other receivables	Trade payables	Other liabilities	Other liabilities	Asset-backed financing	Debt ⁽¹⁾	Trade and other receivables	Trade payables	Other liabilities	Asset-backed financing	Debt ⁽¹⁾
(€ million)										
Tofas	€ 34	€ 240	€ 50	€ —	€ —	€ 28	€ 298	€ 52	€ —	€ —
Sevel S.p.A.	23	—	6	—	1	33	—	4	—	8
FCA Bank	466	206	199	319	32	201	248	108	169	18
GAC FCA JV	58	15	1	—	—	121	2	4	—	—
Fiat India Automobiles Limited	7	13	5	—	—	2	—	—	—	—
Other	20	1	—	—	—	25	4	—	—	—
Total joint arrangements	608	475	261	319	33	410	552	168	169	26
Total associates	36	32	13	—	—	30	18	18	—	—
CNHI	47	86	11	—	—	80	82	15	—	4
Ferrari N.V.	23	75	—	—	—	25	75	—	—	—
Other	1	2	—	—	—	—	2	—	—	—
Total CNHI, Ferrari N.V. and other	71	163	11	—	—	105	159	15	—	4
Total unconsolidated subsidiaries	83	8	1	—	28	84	9	1	—	25
Total originating from related parties	€ 798	€ 678	€ 286	€ 319	€ 61	€ 629	€ 738	€ 202	€ 169	€ 55
Total for the Group	€ 8,553	€ 21,939	€ 10,435	€ 357	€ 17,614	€ 7,854	€ 22,655	€ 11,412	€ 410	€ 23,638

⁽¹⁾ This relates to Debt excluding Asset-backed financing, refer to Note, 21 Debt.

Commitments and Guarantees pledged in favor of related parties

As of December 31, 2017, the Group had a take or pay commitment with Tofas with future minimum expected obligations as follows:

	(€ million)
2018	€ 340
2019	€ 276
2020	€ 269
2021	€ 250
2022	€ 159
2023 and thereafter	€ —

Compensation to Directors and Key Management

The fees of the Directors of the Group for carrying out their respective functions, including those in other consolidated companies, were as follows:

	Years ended December 31		
	2017	2016	2015
	(€ thousand)		
Directors ⁽¹⁾	€ 29,861	€ 39,329	€ 38,488
Total Compensation	€ 29,861	€ 39,329	€ 38,488

⁽¹⁾ This amount includes the notional compensation cost arising from long-term share-based compensation granted to the Chief Executive Officer and share-based compensation to non-executive Directors.

Refer to Note 18, *Share-based compensation*, for information related to the special recognition award granted to the Chief Executive Officer on April 16, 2015 and the PSU and RSU awards granted to certain key employees.

The aggregate compensation expense for remaining executives with strategic responsibilities was approximately €81 million for 2017 (€103 million in 2016 and €65 million in 2015), which, in addition to base compensation, includes:

- an amount of approximately €49 million in 2017 (approximately €73 million in 2016 and approximately €38 million in 2015) for share-based compensation expense;
- an amount of approximately €8 million in 2017 (approximately €8 million in 2016 and approximately €8 million in 2015) for short-term employee benefits; and
- an amount of €9 million in 2017 (€6 million in 2016 and €3 million in 2015) for pension and similar benefits.

25. GUARANTEES GRANTED, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees granted

At December 31, 2017, the Group had pledged guarantees on the debt or commitments of third parties totaling €5 million (€8 million at December 31, 2016), as well as guarantees of €4 million on related party debt (€2 million at December 31, 2016).

SCUSA Private-label financing agreement

In February 2013, FCA US entered into a private-label financing agreement (the “SCUSA Agreement”) with Santander Consumer USA Inc. (“SCUSA”), an affiliate of Banco Santander, which launched on May 1, 2013. Under the SCUSA Agreement, SCUSA provides a wide range of wholesale and retail financing services to FCA US’s dealers and consumers in accordance with its usual and customary lending standards, under the Chrysler Capital brand name.

The SCUSA Agreement has a ten-year term from February 2013, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the SCUSA Agreement. In accordance with the terms of the agreement, SCUSA provided an upfront, nonrefundable payment of €109 million (U.S.\$150 million) in May 2013, which was recognized as deferred revenue and is amortized over ten years. At December 31, 2017, €67 million (U.S.\$80 million) remained in deferred revenue.

From time to time, FCA US works with certain lenders to subsidize interest rates or cash payments at the inception of a financing arrangement to incentivize customers to purchase its vehicles, a practice known as “subvention.” FCA US has provided SCUSA with limited exclusivity rights to participate in specified minimum percentages of certain of its retail financing rate subvention programs. SCUSA has committed to certain revenue sharing arrangements, as well as to consider future revenue sharing opportunities. SCUSA bears the risk of loss on loans contemplated by the SCUSA Agreement. The parties share in any residual gains and losses in respect of consumer leases, subject to specific provisions in the SCUSA Agreement, including limitations on FCA US participation in gains and losses.

Other repurchase obligations

In accordance with the terms of other wholesale financing arrangements in Mexico, FCA Mexico is required to repurchase dealer inventory financed under these arrangements, upon certain triggering events and with certain exceptions, including in the event of an actual or constructive termination of a dealer’s franchise agreement. These obligations exclude certain vehicles including, but not limited to, vehicles that have been damaged or altered, that are missing equipment or that have excessive mileage or an original invoice date that is more than one year prior to the repurchase date. In December 2015, FCA Mexico entered into a ten-year private label financing agreement with FC Financial, S.A De C.V., Sofom, E.R., Grupo Financiero Inbursa (“FC Financial”), a wholly owned subsidiary of Banco Inbursa, under which FC Financial provides a wide range of financial wholesale and retail financial services to FCA Mexico’s dealers and retail customers under the FCA Financial Mexico brand name. The wholesale repurchase obligation under the new agreement will be limited to wholesale purchases in case of actual or constructive termination of a dealer’s franchise agreement.

At December 31, 2017, the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €285 million (US\$319 million) and was based on the aggregate repurchase value of eligible vehicles financed through such arrangements in the respective dealer's stock. If vehicles are required to be repurchased through such arrangements, the total exposure would be reduced to the extent the vehicles can be resold to another dealer. The fair value of the guarantee was less than €0.1 million at December 31, 2017, which considers both the likelihood that the triggering events will occur and the estimated payment that would be made net of the estimated value of inventory that would be reacquired upon the occurrence of such events. These estimates are based on historical experience.

Arrangements with key suppliers

From time to time, in the ordinary course of our business, the Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services with fixed and determinable price provisions. Future minimum purchase obligations under these arrangements at December 31, 2017 were as follows:

	(€ million)	
2018	€	817
2019	€	583
2020	€	515
2021	€	325
2022	€	198
2023 and thereafter	€	53

Operating lease contracts

The Group has operating lease contracts for the right to use industrial buildings and equipment with an average term of 10-20 years and 3-5 years, respectively. The following table summarizes the total future minimum lease payments under non-cancellable lease contracts:

At December 31, 2017					
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
	(€ million)				
Future minimum lease payments under operating lease agreements	€ 352	€ 457	€ 298	€ 396	€ 1,503

During 2017, the Group recognized lease payments expense of €341 million (€339 million in 2016 and €246 million in 2015).

Other commitments, arrangements and contractual rights

UAW Labor Agreement

In October 2015, FCA US and the UAW agreed to a new four-year national collective bargaining agreement, which will expire in September 2019. The provisions of the new agreement continue certain opportunities for success-based compensation upon meeting certain quality and financial performance metrics. The agreement closes the pay gap between "Traditional" and "In-progression" employees over an eight-year period and will continue to provide UAW-represented employees with a simplified adjusted profit sharing plan. The adjusted profit sharing plan was effective for the 2016 plan year and is directly aligned with NAFTA profitability. The agreement included lump-sum payments in lieu of further wage increases of primarily U.S.\$4,000 for "Traditional" employees and U.S.\$3,000 for "In-progression" employees totaling approximately U.S.\$141 million (€127 million) that was paid to UAW members on November 6, 2015. These payments are being amortized ratably over the four-year labor agreement period.

Italian labor agreement

In April 2015, a new four-year compensation agreement was signed by FCA companies in Italy within the automobiles business. The new compensation agreement was subsequently included into the new labor agreement and was extended to all FCA companies in Italy on July 7, 2015.

The compensation arrangement was effective retrospectively from January 1, 2015 through December 31, 2018 and incentivizes all employees toward achievement of the productivity, quality and profitability targets established in the 2015-2018 period of the 2014-2018 business plan developed in May 2014 by adding two variable additional elements to base pay:

- an annual bonus calculated on the basis of production efficiencies achieved and the plant's World Class Manufacturing audit status; and
- a component linked to achievement of the financial targets established in the 2015-2018 period of the 2014-2018 business plan ("Business Plan Bonus") for the EMEA region, including the activities of the premium brands Alfa Romeo and Maserati. A portion of the Business Plan Bonus is a guaranteed amount based on employees' base salaries and is paid over four years in quarterly installments, while the remaining portion is to be paid in March 2019 to active employees as of December 31, 2018, with at least two years of service during 2015 through 2018.

A total of €124 million, €117 million and €115 million was recorded as an expense for the compensation agreement for the years ended December 31, 2017, 2016 and 2015, respectively.

Canada labor agreement

FCA entered into a new four-year labor agreement with Unifor in Canada that was ratified on October 16, 2016.

The terms of this agreement provide a two percent wage increase in the first and fourth years of the agreement for employees hired prior to September 24, 2012 and will continue to close the pay gap for employees hired on or after September 24, 2012 by revising a ten-year progressive pay scale plan. The agreement includes a lump sum payment in lieu of further wage increases of 6,000 Canadian dollars ("CAD\$") per employee totaling approximately CAD\$55 million (approximately €38 million) that was paid to Unifor members on November 4, 2016. These payments will be amortized ratably over the four-year labor agreement period. The new agreement expires September 2020.

Sevel S.p.A.

As part of the Sevel cooperation agreement with Peugeot-Citroen SA ("PSA"), the Group was party to a call agreement with PSA whereby, from July 1, 2017 to September 30, 2017, the Group would have the right to acquire the residual interest in the joint operation Sevel with effect from December 31, 2017. During the period specified in the agreement the Group did not exercise its right to acquire the residual interest in the joint operation Sevel and such right expired.

Contingent liabilities

In connection with significant asset divestitures carried out in prior years, the Group provided indemnities to purchasers with the maximum amount of potential liability under these contracts generally capped at a percentage of the purchase price. These liabilities refer principally to potential liabilities arising from possible breaches of representations and warranties provided in the contracts and, in certain instances, environmental or tax matters, generally for a limited period of time. Potential obligations with respect to these indemnities were approximately €170 million and a total of €50 million has been recognized within Provisions related to these obligations as of December 31, 2017 and 2016. The Group has provided certain other indemnifications that do not limit potential payment and as such, it was not possible to estimate the maximum amount of potential future payments that could result from claims made under these indemnities.

Takata airbag inflators

On November 3, 2015, NHTSA issued the Takata Consent Order regarding Takata airbag inflators manufactured using non-desiccated Phase Stabilized Ammonium Nitrate ("PSAN") that were installed in original equipment manufacturers' vehicles. On May 4, 2016, NHTSA published an amendment to the original Takata Consent Order which expanded the scope of the original consent order to include 7.6 million additional units of non-desiccated PSAN airbag inflators, of which approximately 2 million inflator units were deferred and not yet subject to recall. In compliance with the amendment to the Takata Consent Order, on May 16, 2016, Takata submitted a Defect and Noncompliance Information Report ("DIR") to NHTSA declaring the non-desiccated PSAN airbag inflators defective. As a result, FCA US announced a recall of vehicles, assembled in NAFTA, related to the May 16, 2016 DIR, which represented approximately 5.6 million inflator units. Considering the estimated cost of the recall and the estimated participation rate of the recalls taking into account the age of the vehicles involved, we recognized €414 million within Cost of revenues for the year ended December 31, 2016. The charges reflected our assumptions on participation rate based on the Group's historical experience and industry data.

On January 2, 2018, Takata submitted a DIR to NHTSA declaring certain non-desiccated PSAN inflators contained in certain vehicles to be defective. As a result of Takata's DIR, on January 9, 2018, FCA US submitted a DIR to NHTSA indicating that approximately 0.4 million units of the approximately 2 million inflator units that were deferred are now subject to recall. In accordance with IAS 10, *Subsequent Events*, and using the same assumptions based on our historical experience and industry data for the estimated participation rates taking into account the age of the vehicles involved, we recognized an additional provision of approximately €29 million within Cost of revenues for the year ended December 31, 2017. The remaining 1.6 million inflator units remain deferred and not yet subject to recall. As such, no costs have been accrued. We do not anticipate the cost associated with any potential recall would be material to the Group.

In December 2017, FCA started to inform the authorities in LATAM that preventative safety campaigns will be launched for certain non-desiccated PSAN inflators manufactured by Takata. Considering the estimated cost of the preventative safety campaign and the estimated participation rates, which take into account the age of the vehicles involved, a provision of €73 million has been recognized at December 31, 2017.

If our actual experience differs from our historical experience or industry data, this could result in an adjustment to the Takata warranty provision in the future. We continue to assess the condition and performance of airbag inflators supplied by Takata. While there have not been any known issues relating to the unrecalled units, as additional information, data and analysis become available and we continue discussions with our regulators, the number of inflator units that may become subject to recalls could be expanded. Any liability for the estimated cost for future recalls would be recognized in the period in which a recall becomes probable.

Emissions Matters

We have received inquiries from several regulatory authorities as they examine the on-road tailpipe emissions of several automakers' vehicles. We are, when jurisdictionally appropriate, cooperating with a number of governmental agencies and authorities.

In particular, in Europe, we have been working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union, and the UK Driver and Vehicle Standards Agency ("DVSA"). We also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for our vehicles reported by KBA, and we discussed the KBA reported test results, our emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its 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 ("BMVI"), 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 correctly performed, which was borne out in material Italy provided during the mediation process.

In addition, at the request of the French Consumer Protection Agency, the French public prosecutor has been investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

The results of these inquiries cannot be predicted at this time; however, the intervention by a number of governmental agencies and authorities has required significant management time, which may divert attention from other key aspects of our business plan, or may lead to further enforcement actions as well as penalties or obligations to modify or recall vehicles, any of which may have a material adverse effect on our business, results of operations and reputation.

On January 12, 2017, the U.S. Environmental Protection Agency ("EPA") and the California Air Resources Board issued Notices of Violation related to certain software-based features in the emissions control systems in approximately 100,000 2014-2016 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles. On May 23, 2017, the Environmental and Natural Resources Division of the U.S. Department of Justice ("DOJ-ENRD") filed a civil lawsuit against us in connection with the concerns raised by the EPA. The complaint alleges that software-based features were not disclosed to the EPA as required during the vehicle emissions certification process, resulting in violations of the Clean Air Act. The complaint also alleges that certain of the software features bypass, defeat or render inoperative the vehicles' emission control systems, causing the vehicles to emit higher levels of oxides of nitrogen (NOx) during certain normal real world driving conditions than during federal emissions tests. A number of private lawsuits relating to the vehicles have been filed in U.S. state and federal courts principally on behalf of consumers asserting fraud, violation of consumer protection laws, and other civil claims, including a putative class action that is proceeding in U.S. federal court in the Northern District of California. A number of other governmental agencies and authorities, including the U.S. Department of Justice, the U.S. Securities and Exchange Commission and various states Attorneys General have commenced related investigations.

We have been working with the EPA and the CARB to clarify issues related to the Company's emissions control systems technology and announced in May that we had developed updated emissions software calibrations for our model year 2017 light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles that we believe address the agencies' concerns.

Following this, we continued to work with the agencies on vehicle testing and refinements to these calibrations. The 2017 model year updates include modified emissions software calibrations, with no required hardware changes, and we believe that the modifications do not negatively impact the fuel efficiency or performance of the vehicles. In July 2017, we received vehicle emissions certifications from CARB and the EPA permitting the production and sale of our 2017 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles in all 50 states. We continue to work with the EPA and CARB to seek their permission to use these modified emissions software calibrations to update the emissions control systems in our 2014-2016 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles.

We are unable to predict the outcome of these investigations and litigation at this stage and due to the range of possible outcomes, we are unable to reliably estimate a range of probable losses. It is possible that the resolution of these matters may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles and could have a material adverse effect on our business, financial condition and results of operations.

National Training Center

In connection with an on-going government investigation into matters at the UAW-Chrysler National Training Center, the U.S. Department of Justice has brought charges against a number of individuals including former FCA US employees and individuals associated with the UAW for, among other things, tax fraud and conspiring to provide money or other things of value to a UAW officer and UAW employees while acting in the interests of FCA US, in violation of the Labor Management Relations (Taft-Hartley) Act. We continue to cooperate with this investigation. 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. At this early stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Sales Reporting

On July 18, 2016, we confirmed that the U.S. Securities and Exchange Commission had commenced an investigation into our reporting of vehicle unit sales to end customers in the U.S. and that inquiries into similar issues have been received from the U.S. Department of Justice. These vehicle unit sales reports relate to unit sales volumes primarily by dealers to consumers while we generally recognize revenues based on shipments to dealers and other customers and not on vehicle unit sales to consumers. We continue to cooperate with these investigations; however their outcome is uncertain and cannot be predicted at this time. At this stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

We are also aware of 2 putative securities class action lawsuits pending against us in the U.S. District Court for the Eastern District of Michigan making allegations with regard to our reporting of vehicle unit sales to end consumers in the U.S. At this early stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Safety Recalls

On September 11, 2015, a putative securities class action complaint was filed in the U.S. District Court for the Southern District of New York against us alleging material misstatements regarding our compliance with regulatory requirements and that we failed to timely disclose certain expenses relating to our vehicle recall campaigns. On October 5, 2016, the district court dismissed the claims relating to the disclosure of vehicle recall campaign expenses but ruled that claims regarding the alleged misstatements regarding regulatory requirements would be allowed to proceed. On February 17, 2017, the plaintiffs amended their complaint to allege material misstatements regarding emissions compliance. On November 13, 2017, the Court denied our motion to dismiss the emissions-related claims. At this stage of the proceedings, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Rear Impact Litigation

On July 9, 2012, a lawsuit was filed against FCA US in the Superior Court of Decatur County, Georgia, U.S. (the "Court"), with respect to a March 2012 fatality in a rear-impact collision involving a 1999 Jeep Grand Cherokee. Plaintiffs alleged that the manufacturer had acted in a reckless and wanton fashion when it designed and sold the vehicle due to the placement of the fuel tank behind the rear axle and had breached a duty to warn of the alleged danger. On April 2, 2015, a jury found in favor of the plaintiffs and the trial court entered a judgment against FCA US in the amount of U.S.\$148.5 million (€141 million). On July 24, 2015, the Court issued a remittitur reducing the judgment against FCA US to U.S.\$40 million (€38 million).

FCA US believes the jury verdict was not supported by the evidence or the law and appealed the Court's verdict. FCA US maintains that the 1999 Jeep Grand Cherokee is not defective, and its fuel system does not pose an unreasonable risk to motor vehicle safety. The vehicle met or exceeded all applicable Federal Motor Vehicle Safety Standards, including the standard governing fuel system integrity. Furthermore, FCA US submitted extensive data to NHTSA validating that the vehicle performs as well as, or better than, peer vehicles in impact studies, and nothing revealed in the trial altered this data. During the trial, however, FCA US was not allowed to introduce all the data previously provided to NHTSA, which demonstrated that the vehicle's fuel system is not defective.

On November 15, 2016, the Georgia Court of Appeals affirmed the Court's verdict and judgment of U.S.\$40 million (€38 million). On December 23, 2016, FCA US filed a petition with the Georgia Supreme Court. Oral arguments were held on October 24, 2017. While a decision by the Georgia Supreme Court could affirm the judgment, FCA US is seeking an order from the Georgia Supreme Court to instead overturn the verdict, order a new trial, or further modify the amount of the judgment. We do not believe a loss, if any, will exceed the amount of the current judgment and believe it is more likely that a loss, if any, will be less than the current judgment and will be covered by our existing provisions.

26. EQUITY

Share capital

At December 31, 2017, the authorized share capital of FCA is forty million Euro (€40,000,000), divided into two billion (2,000,000,000) FCA common shares, nominal value of one Euro cent (€0.01) per share and two billion (2,000,000,000) special voting shares, nominal value of one Euro cent (€0.01) per share.

At December 31, 2017, fully paid-up share capital of FCA amounted to €19 million (€19 million at December 31, 2016) and consisted of 1,540,089,690 common shares and of 408,941,767 special voting shares, all with a par value of €0.01 each (1,527,965,719 common shares and 408,941,767 special voting shares, all with a par value of €0.01 each at December 31, 2016).

The following table summarizes the changes in the number of outstanding common shares and special voting shares of FCA during the year ended December 31, 2017:

	Common Shares	Special Voting Shares	Total
Balance at January 1, 2017	1,527,965,719	408,941,767	1,936,907,486
Shares issued to Executive Directors (Directors' Compensation)	2,795,500	—	2,795,500
Shares issued to Non-Executive Directors (Directors' Compensation)	54,855	—	54,855
Shares issued to Key management	9,273,616	—	9,273,616
Balance at December 31, 2017	1,540,089,690	408,941,767	1,949,031,457

On October 29, 2014, the Board of Directors of FCA resolved to authorize the issuance of up to a maximum of 90,000,000 common shares under the equity incentive plan and the long term incentive program, which had been adopted before the closing of the Merger and under which equity awards can be granted to eligible individuals. Any issuance of shares during the period from 2014 to 2018 are subject to the satisfaction of certain performance/retention requirements and any issuances to directors are subject to FCA shareholders' approval (refer to Note 18, *Share-based compensation*).

Mandatory Convertible Securities

On December 15, 2016, each U.S.\$100 notional amount of the Mandatory Convertible Securities that had been issued in December 2014 was converted to 8.3077 of FCA's common shares based upon the average volume weighted average prices of FCA common shares on the New York Stock Exchange during the 20 consecutive trading day period beginning November 14, 2016 and ending on December 12, 2016 (inclusive), which resulted in the issuance of total of 238,846,375 FCA common shares.

Other reserves:

Other reserves comprised the following:

- a legal reserve of €11,594 million at December 31, 2017 (€10,866 million at December 31, 2016) that was determined in accordance to the Dutch law and mainly relates to development expenditures capitalized by subsidiaries and their earnings subject to certain restrictions on distributions to FCA;
- capital reserves of €5,817 million at December 31, 2017 (€5,766 million at December 31, 2016);
- retained earnings, that after the separation of the legal reserve was negative €333 million (negative €1,356 million at December 31, 2016); and
- profit attributable to owners of the parent of €3,491 million for the year ended December 31, 2017 (€1,803 million for the year ended December 31, 2016).

Other comprehensive income

Other comprehensive income was as follows:

	Years ended December 31		
	2017	2016	2015
	(€ million)		
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:			
(Losses)/gains on re-measurement of defined benefit plans	€ (64)	€ 584	€ 679
Share of gains/(losses) on re-measurement of defined benefit plans for equity method investees	2	(5)	(2)
Items relating to discontinued operations	—	—	4
Total Items that will not be reclassified to the Consolidated Income Statement (B1)	(62)	579	681
Items that may be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains/(losses) on cash flow hedging instruments arising during the period	66	(54)	63
Gains/(losses) on cash flow hedging instruments reclassified to the Consolidated Income Statement	81	(195)	123
Total Gains/(losses) on cash flow hedging instruments	147	(249)	186
Gains on available-for-sale financial assets	14	15	11
Exchange (losses)/gains on translating foreign operations	(1,942)	458	1,002
Share of Other comprehensive income/(loss) for equity method investees arising during the period	(94)	(97)	(18)
Share of Other comprehensive income/(loss) for equity method investees reclassified to the Consolidated Income Statement	(27)	(25)	1
Total Share of Other comprehensive (loss)/income for equity method investees	(121)	(122)	(17)
Items relating to discontinued operations	—	—	21
Total Items that may be reclassified to the Consolidated Income Statement (B2)	(1,902)	102	1,203
Total Other comprehensive income (B1)+(B2)=(B)	(1,964)	681	1,884
Tax effect	(31)	(192)	(249)
Tax effect - discontinued operations	—	—	(4)
Total Other comprehensive income, net of tax	€ (1,995)	€ 489	€ 1,631

Gains and losses arising from the re-measurement of defined benefit plans mainly include actuarial gains and losses arising during the period, the return on plan assets (net of interest income recognized in the Consolidated Income Statement) and any changes in the effect of the asset ceiling. These gains and losses are offset against the related defined benefit plan's net liabilities or assets (Note 19, *Employee benefits liabilities*).

The following table summarizes the tax effect relating to Other comprehensive income:

	Years ended December 31								
	2017			2016			2015		
	Pre-tax balance	Tax income/ (expense)	Net balance	Pre-tax balance	Tax income/ (expense)	Net balance	Pre-tax balance	Tax income/ (expense)	Net balance
	(€ million)								
(Losses)/gains on re-measurement of defined benefit plans	€ (64)	€ (21)	€ (85)	€ 584	€ (261)	€ 323	€ 679	€ (201)	€ 478
Gains/(Losses) on cash flow hedging instruments	147	(10)	137	(249)	69	(180)	186	(48)	138
Gains on available-for-sale financial assets	14	—	14	15	—	15	11	—	11
Exchange (losses)/gains on translating foreign operations	(1,942)	—	(1,942)	458	—	458	1,002	—	1,002
Share of Other comprehensive income/(loss) for equity method investees	(119)	—	(119)	(127)	—	(127)	(19)	—	(19)
Items relating to discontinued operations	—	—	—	—	—	—	25	(4)	21
Total Other comprehensive income	€ (1,964)	€ (31)	€ (1,995)	€ 681	€ (192)	€ 489	€ 1,884	€ (253)	€ 1,631

Policies and processes for managing capital

The objectives identified by the Group for managing capital are to create value for shareholders as a whole, safeguard business continuity and support the growth of the Group. As a result, the Group endeavors to maintain an adequate level of capital that at the same time enables it to obtain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds, including by means of achieving an adequate credit rating.

The Group constantly monitors the ratio between debt and equity, particularly the level of net debt and the generation of cash from its industrial activities. In order to reach these objectives, the Group continues to aim for improvement in the profitability of its operations. Furthermore, the Group may sell part of its assets to reduce the level of its debt, while the Board of Directors may make proposals to FCA shareholders at a general meeting of FCA shareholders to reduce or increase share capital or, where permitted by law, to distribute reserves. The Group may also make purchases of treasury shares, without exceeding the limits authorized at a general meeting of FCA shareholders, under the same logic of creating value, compatible with the objectives of achieving financial equilibrium and an improvement in the Group's rating.

For 2017, the Board of Directors has not recommended a dividend payment on FCA common shares in order to further fund capital requirements of the Group's business plan.

The FCA loyalty voting structure

The purpose of the loyalty voting structure is to reward long-term ownership of FCA common shares and to promote stability of the FCA shareholder base by granting long-term FCA shareholders with special voting shares to which one voting right is attached in addition to the one granted by each FCA common share that they hold. In connection with the Merger, FCA issued 408,941,767 special voting shares, with a nominal value of €0.01 each, to those eligible shareholders of Fiat who had elected to participate in the loyalty voting structure upon completion of the Merger in addition to FCA common shares. In addition, an FCA shareholder may at any time elect to participate in the loyalty voting structure by requesting that FCA register all or some of the number of FCA common shares held by such FCA shareholder in the Loyalty Register. Only a minimal dividend accrues to the special voting shares allocated to a separate special dividend reserve, and they shall not carry any entitlement to any other reserve of FCA. Having only immaterial economic entitlements, the special voting shares do not impact earnings per share.

27. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the years ended December 31, 2017, 2016 and 2015 was determined by dividing the Net profit attributable to the equity holders of the parent by the weighted average number of shares outstanding during each period. For the years ended December 31, 2017 and 2016, the weighted average number of shares outstanding included 238,846,375 shares from the conversion of the Mandatory Convertible Securities into FCA common shares in December 2016 (Note 26, *Equity*). For the year ended December 31, 2015, the weighted average number of shares outstanding was increased to include the minimum number of ordinary shares that would arise on conversion of the Mandatory Convertible Securities.

The following tables provide the amounts used in the calculation of basic earnings per share:

		Years ended December 31		
		2017	2016	2015
Net profit attributable to owners of the parent	million	€ 3,491	€ 1,803	€ 334
Weighted average number of shares outstanding	thousand	1,535,988	1,513,019	1,510,555
Basic earnings per share	€	€ 2.27	€ 1.19	€ 0.22

		Years ended December 31		
		2017	2016	2015
Net profit from continuing operations attributable to owners of the parent	million	€ 3,491	€ 1,803	€ 83
Weighted average number of shares outstanding	thousand	1,535,988	1,513,019	1,510,555
Basic earnings per share from continuing operations	€	€ 2.27	€ 1.19	€ 0.05

		Years ended December 31		
		2017	2016	2015
Net profit from discontinued operations attributable to owners of the parent	million	€ —	€ —	€ 251
Weighted average number of shares outstanding	thousand	1,535,988	1,513,019	1,510,555
Basic earnings per share from discontinued operations	€	€ —	€ —	€ 0.17

Diluted earnings per share

In order to calculate the diluted earnings per share, the weighted average number of shares outstanding was increased to take into consideration the theoretical effect of potential common shares that would be issued for the restricted and performance share units outstanding and unvested at December 31, 2017, 2016 and 2015 (Note 18, *Share-based compensation*), as determined using the treasury stock method.

For the year ended December 31, 2015, the weighted average number of shares outstanding was also increased to take into consideration the theoretical effect that would arise if the shares related to the Mandatory Convertible Securities (Note 26, *Equity*) were issued. Based on FCA's share price at December 31, 2015, the minimum number of shares would have been issued had the Mandatory Convertible Securities been converted and, as such, there was no difference between the basic and diluted earnings per share for the year ended December 31, 2015 in respect of the Mandatory Convertible Securities.

For the year ended December 31, 2017, the theoretical effect that would arise if some of the PSU NI awards granted in 2015 and 2016 and some of the RSU awards granted in 2017 (refer to Note 18 - *Share-based compensation*) were exercised was not taken into consideration in the calculation of diluted earnings per share as this would have had an anti-dilutive effect. There were no instruments excluded from the calculation of diluted earnings per share because of an anti-dilutive impact for the years ended December 31, 2016 and 2015.

The following tables provide the amounts used in the calculation of diluted earnings per share:

		Years ended December 31		
		2017	2016	2015
Net profit attributable to owners of the parent	million	€ 3,491	€ 1,803	€ 334
Weighted average number of shares outstanding	thousand	1,535,988	1,513,019	1,510,555
Number of shares deployable for share-based compensation	thousand	20,318	13,357	3,452
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,556,306	1,526,376	1,514,007
Diluted earnings per share	€	€ 2.24	€ 1.18	€ 0.22

		Years ended December 31		
		2017	2016	2015
Net profit from continuing operations attributable to owners of the parent	million	€ 3,491	€ 1,803	€ 83
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,556,306	1,526,376	1,514,007
Diluted earnings per share from continuing operations	€	€ 2.24	€ 1.18	€ 0.05

		Years ended December 31		
		2017	2016	2015
Net profit from discontinued operations attributable to owners of the parent	million	€ —	€ —	€ 251
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,556,306	1,526,376	1,514,007
Diluted earnings per share from discontinued operations	€	€ —	€ —	€ 0.17

28. SEGMENT REPORTING

Reportable segments reflect the operating segments of the Group that are regularly reviewed by the Chief Executive Officer (the “chief operating decision maker” as defined under IFRS 8 – *Operating Segments*) for making strategic decisions, allocating resources and assessing performance and that exceed the quantitative thresholds provided in IFRS 8 – *Operating Segments*, or whose information is considered useful for the users of the financial statements. The Group’s reportable segments include four regional mass-market vehicle operating segments (NAFTA, LATAM, APAC and EMEA), the Maserati global luxury brand operating segment and a global Components operating segment, which are described as follows:

- NAFTA designs, engineers, develops, manufactures and distributes vehicles. NAFTA mainly earns its revenues from the sale of vehicles under the Chrysler, Jeep, Dodge, Ram, Fiat and Alfa Romeo brand names and from sales of the related parts and accessories in the United States, Canada, Mexico and Caribbean islands.
- LATAM designs, engineers, develops, manufactures and distributes vehicles. LATAM mainly earns its revenues from the sale of passenger cars and light commercial vehicles and related spare parts under the Fiat and Jeep brand names in South and Central America as well as from the distribution of the Chrysler, Dodge and Ram brand cars in the same region. In addition, the segment provides financial services to the dealer network in Brazil and to retail customers in Argentina.
- APAC mainly earns its revenues from the distribution and sale of cars and related spare parts under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat and Jeep brands mostly in China, Japan, Australia, South Korea and India. These activities are carried out through both subsidiaries and joint ventures. In addition, the segment provides financial services to the dealer network and retail customers in China.

- EMEA designs, engineers, develops, manufactures and distributes vehicles. EMEA mainly earns its revenues from the sale of passenger cars and light commercial vehicles under the Fiat, Alfa Romeo, Lancia, Abarth, Jeep and Fiat Professional brand names, the sale of the related spare parts in Europe, Middle East and Africa, and from the distribution of the Chrysler, Dodge and Ram brand vehicles in these areas. In addition, the segment provides financial services related to the sale of cars and light commercial vehicles in Europe, primarily through the FCA Bank joint venture and Fidis S.p.A., a fully owned captive finance company that is mainly involved in the factoring business.
- Maserati designs, engineers, develops, manufactures and distributes vehicles. Maserati earns its revenues from the sale of luxury vehicles under the Maserati brand.
- Components earns its revenues from the production and sale of lighting components, body control units, suspensions, shock absorbers, electronic systems, exhaust systems and plastic molding components. In addition, the segment earns revenues with its spare parts distribution activities carried out under the Magneti Marelli brand name, cast iron components for engines, gearboxes, transmissions and suspension systems and aluminum cylinder heads (Teksid), in addition to the design and production of industrial automation systems and related products for the automotive industry (Comau).

Transactions among the mass-market vehicle segments generally are presented on a “where-sold” basis, which reflects the profit/(loss) on the ultimate sale to third party customer within the segment. This presentation generally eliminates the effect of the legal entity transfer price within the segments. Revenues of the other segments, aside from the mass-market vehicle segments, are those directly generated by or attributable to the segment as the result of its usual business activities and include revenues from transactions with third parties as well as those arising from transactions with segments, recognized at normal market prices.

Other activities include the results of the activities and businesses that are not operating segments under IFRS 8 – *Operating Segments*. In addition, Unallocated items and eliminations include consolidation adjustments, eliminations, as well as costs related to the launch of the Alfa Romeo Giulia platform which were not allocated to the mass-market vehicle segments due to the limited number of shipments. Financial income and expenses and income taxes are not attributable to the performance of the segments as they do not fall under the scope of their operational responsibilities.

Adjusted Earnings Before Interest and Taxes (“Adjusted EBIT”) is the measure used by the chief operating decision maker to assess performance, allocate resources to the Group’s operating segments and to view operating trends, perform analytical comparisons and benchmark performance between periods and among the segments. 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). See below for a reconciliation of Net profit from continuing operations, which is the most directly comparable measure included in our Consolidated Income Statement, to Adjusted EBIT. Operating assets are not included in the data reviewed by the chief operating decision maker, and as a result and as permitted by IFRS 8 – *Operating Segments*, the related information is not provided.

The following tables summarize selected financial information by segment for the years ended December 31, 2017, 2016 and 2015:

2017	Mass-Market Vehicles					Maserati	Components	Other activities	Unallocated items & eliminations	FCA
	NAFTA	LATAM	APAC	EMEA						
	(€ million)									
Revenues	€ 66,094	€ 8,004	€ 3,250	€ 22,700	€ 4,058	€ 10,115	€ 727	€ (4,014)	€ 110,934	
Revenues from transactions with other segments	(47)	(15)	(32)	(140)	(21)	(3,323)	(436)	4,014	—	
Revenues from third party customers	€ 66,047	€ 7,989	€ 3,218	€ 22,560	€ 4,037	€ 6,792	€ 291	€ —	€ 110,934	
Net profit from continuing operations									€ 3,510	
Tax expense									€ 2,651	
Net financial expenses									€ 1,469	
Adjustments:										
Reversal of a Brazilian indirect tax liability ⁽¹⁾	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	(895)	
Impairment expense ⁽²⁾	€ —	€ 77	€ —	€ 142	€ —	€ 10	€ —	€ —	229	
Recall campaigns - airbag inflators ⁽³⁾	€ 29	€ 73	€ —	€ —	€ —	€ —	€ —	€ —	102	
Restructuring costs/ (reversal) ⁽⁴⁾	€ (1)	€ 75	€ —	€ —	€ —	€ 20	€ —	€ 1	95	
Resolution of certain Components legal matters	€ —	€ —	€ —	€ —	€ —	€ 43	€ —	€ —	43	
Deconsolidation of Venezuela ⁽⁵⁾	€ —	€ 42	€ —	€ —	€ —	€ —	€ —	€ —	42	
NAFTA capacity realignment ⁽⁶⁾	€ (38)	€ —	€ —	€ —	€ —	€ —	€ —	€ —	(38)	
Tianjin (China) port explosions insurance recoveries ⁽⁷⁾	€ —	€ —	€ (68)	€ —	€ —	€ —	€ —	€ —	(68)	
Gains on disposal of investments ⁽⁸⁾	€ —	€ —	€ —	€ —	€ —	€ (27)	€ —	€ (49)	€ (76)	
Other	€ (1)	€ —	€ 1	€ —	€ —	€ (11)	€ —	€ 1	€ (10)	
Adjusted EBIT	€ 5,227	€ 151	€ 172	€ 735	€ 560	€ 536	€ (189)	€ (138)	€ 7,054	
Share of profit of equity method investees	€ —	€ —	€ 75	€ 306	€ —	€ 14	€ 13	€ 1	409	

⁽¹⁾ As this liability related to the Group's Brazilian operations in multiple segments, it was not attributed to the results of the related segments;

⁽²⁾ Impairment expense in EMEA relates to changes in global product portfolio. Impairment expense in LATAM relates to product portfolio changes and the impairment of certain real estate assets in Venezuela, in the second quarter of 2017 due to the continued deterioration of the economic conditions;

⁽³⁾ Refer to Note 20, Provisions and Note 25, Guarantees granted, commitments and contingent liabilities.

⁽⁴⁾ Primarily related to workforce restructuring costs related to LATAM;

⁽⁵⁾ Refer to Note 3, Scope of consolidation;

⁽⁶⁾ Income related to adjustments to reserves for the NAFTA capacity realignment plan;

⁽⁷⁾ Insurance recoveries related to losses incurred in connection with the explosions at the Port of Tianjin (China) in August 2015 are excluded from Adjusted EBIT to the extent the insured loss to which the recovery relates was excluded from Adjusted EBIT. Insurance recoveries are included in Adjusted EBIT to the extent they relate to costs, increased incentives or business interruption losses that were included in Adjusted EBIT;

⁽⁸⁾ Refer to Note 3, Scope of consolidation.

2016	Mass-Market Vehicles					Components	activities	Other	Unallocated items & eliminations	FCA
	NAFTA	LATAM	APAC	EMEA	Maserati					
	(€ million)									
Revenues	€ 69,094	€ 6,197	€ 3,662	€ 21,860	€ 3,479	€ 9,659	€ 779	€ (3,712)	€ 111,018	
Revenues from transactions with other segments	(40)	(42)	(24)	(148)	(10)	(3,030)	(418)	3,712	—	
Revenues from third party customers	€ 69,054	€ 6,155	€ 3,638	€ 21,712	€ 3,469	€ 6,629	€ 361	—	€ 111,018	
Net profit from continuing operations										€ 1,814
Tax expense										€ 1,292
Net financial expenses										€ 2,016
Adjustments:										
Recall campaigns - airbag inflators ⁽¹⁾	€ 414	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	414
Costs for recall, net of supplier recoveries - contested with supplier ⁽²⁾	€ 132	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	132
NAFTA capacity realignment ⁽³⁾	€ 156	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	156
Tianjin (China) port explosions, net of insurance recoveries ⁽⁴⁾	€ —	€ 19	€ (55)	€ —	€ —	€ —	€ —	€ —	€ —	(55)
Currency devaluation	€ —	€ 68	€ —	€ 5	€ —	€ 25	€ —	€ —	€ —	19
Restructuring costs/(reversal) ⁽⁵⁾	€ (10)	€ 52	€ 109	€ 7	€ —	€ 49	€ 8	€ —	€ —	88
Impairment expense ⁽⁶⁾	€ —	€ 3	€ (10)	€ —	€ —	€ (8)	€ (5)	€ —	€ —	225
Gains on disposal of investments	€ —	€ —	€ —	€ —	€ —	€ (8)	€ (5)	€ —	€ —	(13)
Other	€ (25)	€ 3	€ (10)	€ —	€ —	€ —	€ —	€ —	€ —	(32)
Adjusted EBIT	€ 5,133	€ 5	€ 105	€ 540	€ 339	€ 445	€ (244)	€ (267)	€ 6,056	
Share of profit of equity method investees	€ 2	€ —	€ 30	€ 272	€ —	€ 6	€ 2	€ 1	€ 313	

⁽¹⁾ Refer to Note 20, Provisions and Note 25, Guarantees granted, commitments and contingent liabilities;

⁽²⁾ Refer to Note 20, Provisions;

⁽³⁾ Refer to Note 5, Research and development costs and Note 11, Property plant and equipment;

⁽⁴⁾ Insurance recoveries related to losses incurred in connection with the explosions at the Port of Tianjin (China) in August 2015 are excluded from Adjusted EBIT to the extent the insured loss to which the recovery relates was excluded from Adjusted EBIT. Insurance recoveries are included in Adjusted EBIT to the extent they relate to costs, increased incentives or business interruption losses that were included in Adjusted EBIT. Through December 31, 2016, no significant insurance recoveries related to Tianjin have been recognized in Adjusted EBIT;

⁽⁵⁾ Restructuring costs within LATAM and Components primarily relate to cost reduction initiatives to right-size to market volume in Brazil;

⁽⁶⁾ Refer to Note 5, Research and development costs. and Note 11, Property plant and equipment.

2015	Mass-Market Vehicles					Components	activities	Other	Unallocated items & eliminations	FCA
	NAFTA	LATAM	APAC	EMEA	Maserati					
	(€ million)									
Revenues	€ 69,992	€ 6,431	€ 4,885	€ 20,350	€ 2,411	€ 9,770	€ 844	€ (4,088)	€ 110,595	
Revenues from transactions with other segments	(1)	(194)	(25)	(304)	(13)	(3,095)	(456)	4,088	—	
Revenues from third party customers	€ 69,991	€ 6,237	€ 4,860	€ 20,046	€ 2,398	€ 6,675	€ 388	—	€ 110,595	
Net profit from continuing operations										€ 93
Tax expense										€ 166
Net financial expenses										€ 2,366
Adjustments:										
Change in estimate for future recall campaign costs ⁽¹⁾	€ 761	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	761
Tianjin (China) port explosions ⁽²⁾	€ —	€ —	€ 142	€ —	€ —	€ —	€ —	€ —	€ —	142
NAFTA capacity realignment ⁽³⁾	€ 834	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	834
Currency devaluations ⁽⁴⁾	€ —	€ 163	€ —	€ —	€ —	€ —	€ —	€ —	€ —	163
NHTSA Consent Order and amendment ⁽⁵⁾	€ 144	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ —	144
Impairment expense	€ —	€ 16	€ 22	€ 46	€ 3	€ 20	€ —	€ 11	€ 118	
Restructuring costs/(reversal)	€ (11)	€ 40	€ —	€ —	€ —	€ 23	€ 2	€ (1)	€ 53	
Other	€ (97)	€ —	€ 41	€ 1	€ —	€ 8	€ (1)	€ 2	€ (46)	
Adjusted EBIT	€ 4,450	€ (87)	€ 52	€ 213	€ 105	€ 395	€ (150)	€ (184)	€ 4,794	
Share of profit of equity method investees	€ 3	€ —	€ (78)	€ 219	€ —	€ (2)	€ (12)	€ —	€ 130	

⁽¹⁾ Amount represents the change in estimate for estimated future recall campaign costs for the U.S. and Canada recognized within Cost of revenues - refer to Note 20, Provisions;

⁽²⁾ Amount relates to the write-down of inventory (€53 million) and incremental incentives (€89 million) for vehicles affected by the explosions at the Port of Tianjin in August 2015;

⁽³⁾ Amount represents costs from implementation of plan to realign existing NAFTA capacity - comprised of €422 million for asset impairments, €236 million for payment of supplemental unemployment benefits due to extended downtime at certain plants and €176 million for write off of capitalized development expenditures with no future benefit;

⁽⁴⁾ €80 million was due to adoption of SIMADI exchange rate at June 30, 2015 (refer to Note 3, Scope of consolidation, and €83 million was due to the devaluation of the Argentinian Peso resulting from changes in monetary policy;

⁽⁵⁾ Refer to Note 20, Provisions.

Information about geographical area

The following table summarizes the non-current assets (other than financial instruments, deferred tax assets and post-employment benefits assets) attributed to certain geographic areas:

	At December 31	
	2017	2016
	(€ million)	
North America	€ 34,099	€ 35,833
Italy	12,458	12,558
Brazil	5,137	6,310
Poland	1,151	1,117
Serbia	639	660
Other countries	2,536	2,582
Total Non-current assets (other than financial instruments, deferred tax assets and post-employment benefits assets)	€ 56,020	€ 59,060

29. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash items

For the year ended December 31, 2017, Other non-cash items of €(199) million primarily €406 million related to the revaluation of investments accounted for by using the equity method, partially offset by €229 million of impairments and other amounts that were not individually material.

For the year ended December 31, 2016, Other non-cash items of €111 million primarily included €225 million of impairments, which were partially offset by other amounts that were not individually material.

For the year ended December 31, 2015, Other non-cash items of €812 million primarily included (i) €713 million non-cash charges for impairments which primarily related to asset impairments in connection with the realignment of the Group's manufacturing capacity in NAFTA to better meet market demand and (ii) €80 million charge recognized as a result of the adoption of the SIMADI exchange rate to re-measure the net monetary assets of the Group's Venezuelan subsidiary in U.S. Dollar (as described in Note 3. *Scope of consolidation*) (reported, for the effect on cash and cash equivalents, within Translation exchange differences).

Operating activities

For the year ended December 31, 2017, the €1,666 million increase in inventories related to ramp-up of new models at year end, including the all-new Alfa Romeo Stelvio and the new Jeep Wrangler, as well as volume increases in LATAM and Maserati. The increase in trade payables of €1,086 million primarily related to increased production volumes in NAFTA and LATAM in the fourth quarter of 2017 as compared to the same period in 2016.

For the year ended December 31, 2016, the net increase of €1,519 million in provisions was mainly due to the increase in the warranty provision of €414 million in NAFTA for recall campaigns related to an industry wide recall for airbag inflators resulting from parts manufactured by Takata, an increase in accrued sales incentives primarily related to NAFTA and EMEA, as well as estimated net costs of €132 million associated with a recall for which costs are being contested with a supplier. In addition, the €471 million increase in inventories primarily related to the increased production of new vehicle models in EMEA and the €776 million increase in trade payables mainly related to increased production levels in EMEA, which was partially offset by reduced activity in LATAM and the effect of localized Jeep production in China. Furthermore, the change in other payables and receivables of €295 million primarily reflected the net payment of taxes and deferred expenses.

For the year ended December 31, 2015, the net increase of €3,206 million in provisions mainly related to an increase in the warranty provision, which included the change in estimate for future recall campaign costs in NAFTA, and higher accrued sales incentives primarily related to increased sales volumes in NAFTA. In addition, the €958 million increase in inventories reflected the increased consumer demand for our vehicles and inventory buildup in NAFTA due to production changeovers and the €1,571 million increase in trade payables mainly related to increased production levels in EMEA. Furthermore, the change in other payables and receivables of €580 million primarily reflected the net payment of taxes and deferred expenses.

Financing activities

For the year ended December 31, 2017, net cash used in financing activities was primarily the result of the (i) repayment of other long-term debt, net of proceeds, of €889 million, which included (a) the U.S.\$1,826 million (€1,721 million) of cash used for the voluntary prepayment of the outstanding principal and accrued interest of FCA US's Tranche B Term Loan due 2017 and (b) the repayment of a note at maturity under the MTN Programme, one with a principal amount of €850 million, one with a principal amount of €1,000 million and one with a principal amount of CHF450 million (€385 million), as described in Note 21, *Debt*.

For the year ended December 31, 2016, net cash used in financing activities was primarily the result of the (i) repayment of other long-term debt for a total of €4,618 million, which included (a) the voluntary prepayments of principal of the FCA US Tranche B Term Loans of U.S.\$2.0 billion (€1.8 billion) as described in Note 21, *Debt*, (b) the payment of the financial liability related to the Mandatory Convertible Securities of €213 million upon their conversion to FCA shares and (c) repayments at maturity of other long-term debt of €2,605 million primarily in Brazil, as well as (ii) the repayment at maturity of three notes issued under the MTN Programme, two of which were for an aggregate principal amount of €2,000 million and one for a principal amount of CHF 400 million (€373 million) as described in Note 21, *Debt*, which were partially offset by (iii) the issuance of a new note under the MTN Programme for a principal amount of €1,250 million and (iv) proceeds from other long-term debt for a total of €1,342 million, which included the proceeds from the €250 million loan entered into with the EIB in December 2016 as described in Note 21, *Debt*.

For the year ended December 31, 2015, net cash from financing activities was primarily the result of (i) the prepayment of the FCA US Secured Senior Notes and the repayment at maturity of two notes issued under the MTN Programme for a total of €7,241 million and (ii) the repayment of other long-term debt for a total of €4,412 million, which were partially offset by (iii) net proceeds of €866 million from the Ferrari IPO as described in Note 3, *Scope of consolidation*, (iv) proceeds from the issuance of the Notes by FCA for a total of €2,840 million as described in Note 21, *Debt*, (v) €3,061 million provided by other long-term borrowings and (vi) net proceeds from the €2.0 billion Ferrari Bridge Loan and Ferrari Term Loan, which are reflected within cash flows used in financing activities - discontinued operations in the Consolidated Statement of Cash Flows.

The following is a reconciliation of liabilities arising from financing activities for the year ended December 31, 2017:

		(€ million)
Total Debt at January 1, 2017	€	24,048
Derivative (assets)/liabilities and collateral at January 1, 2017		150
Total Liabilities from financing activities at January 1, 2017	€	24,198
Cash flows	€	(4,470)
Foreign exchange effects	€	(1,311)
Fair value changes	€	(286)
Changes in scope of consolidation	€	(83)
Other changes	€	(283)
Total Liabilities from financing activities at December 31, 2017	€	17,765
Derivative (assets)/liabilities and collateral at December 31, 2017		(206)
Total Debt at December 31, 2017	€	17,971

Interest expense and taxes paid

During the year December 31, 2017, the Group paid interest of €1,190 million and received interest of €299 million. During the year ended December 31, 2016, the Group paid interest of €1,676 million and received interest of €370 million. During the year ended December 31, 2015, the Group, including Ferrari, paid interest of €2,087 million and received interest of €469 million. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

During the year ended December 31, 2017, the Group made income tax payments, net of refunds, totaling €533 million. During the year ended December 31, 2016, the Group made income tax payments, net of refunds, totaling €622 million. During the year ended December 31, 2015, the Group, including Ferrari, made income tax payments, net of refunds, totaling €664 million.

30. QUALITATIVE AND QUANTITATIVE INFORMATION ON FINANCIAL RISKS

The Group is exposed to the following financial risks connected with its operations:

- credit risk, principally arising from its normal commercial relations with final customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- financial market risk (principally relating to exchange rates, interest rates and commodity prices), since the Group operates at an international level in different currencies and uses financial instruments which generate interest. The Group is also exposed to the risk of changes in the price of certain commodities and of certain listed shares.

These risks could significantly affect the Group's financial position and results and for this reason, the Group systematically identifies and monitors these risks in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with established risk management policies.

Financial instruments held by the funds that manage pension plan assets are not included in this analysis (refer to Note 19, *Employee benefits liabilities*).

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. The quantitative data reported in the following does not have any predictive value, in particular the sensitivity analysis on finance market risks does not reflect the complexity of the market or the reaction which may result from any changes that are assumed to take place.

Credit risk

Credit risk is the risk of economic loss arising from the failure to collect a receivable. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

The Group's credit risk differs in relation to the activities carried out. In particular, dealer financing and operating and financial lease activities that are carried out through the Group's financial services companies are exposed both to the direct risk of default and the deterioration of the creditworthiness of the counterparty, while the sale of vehicles and spare parts is mostly exposed to the direct risk of default of the counterparty. These risks are however mitigated by the fact that collection exposure is spread across a large number of counterparties and customers.

Overall, the credit risk regarding the Group's trade receivables and receivables from financing activities is concentrated in the European Union, Latin America and North American markets.

In order to test for impairment, significant receivables from corporate customers and receivables for which collectability is at risk are assessed individually, while receivables from end customers or small business customers are grouped into homogeneous risk categories. A receivable is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due specified in the contractual terms. Objective evidence may be provided by the following factors: significant financial difficulties of the counterparty, the probability that the counterparty will be involved in an insolvency procedure or will default on its installment payments, the restructuring or renegotiation of open items with the counterparty, changes in the payment status of one or more debtors included in a specific risk category and other contractual breaches. The calculation of the amount of the impairment loss is based on the risk of default by the counterparty, which is determined by taking into account all the information available as to the customer's solvency, the fair value of any guarantees received for the receivable and the Group's historical experience.

The maximum credit risk to which the Group is potentially exposed at December 31, 2017 is represented by the carrying amounts of financial assets in the financial statements and the nominal value of the guarantees provided on liabilities and commitments to third parties as discussed in Note 25, *Guarantees granted, commitments and contingent liabilities*.

Dealers and final customers for which the Group provides financing are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for risks arising from credit granted. These guarantees are further strengthened where possible by reserve of title clauses on financed vehicle sales to the sales network made by Group financial service companies and on vehicles assigned under finance and operating lease agreements.

Receivables from financing activities amounting to €3,140 million at December 31, 2017 (€2,578 million at December 31, 2016) contained balances totaling €5 million (€4 million at December 31, 2016), which have been written down on an individual basis. Of the remainder, balances totaling €46 million are past due by up to one month (€34 million at December 31, 2016), while balances totaling €21 million are past due by more than one month (€19 million at December 31, 2016). In the event of installment payments, even if only one installment is overdue, the entire receivable balance is classified as overdue.

Trade receivables and other receivables amounting to €5,413 million at December 31, 2017 (€5,276 million at December 31, 2016) contain balances totaling €15 million (€9 million at December 31, 2016) which have been written down on an individual basis. Of the remainder, balances totaling €271 million are past due by up to one month (€228 million at December 31, 2016), while balances totaling €233 million are past due by more than one month (€228 million at December 31, 2016).

Even though our current securities and Cash and cash equivalents consist of balances spread across various primary national and international banking institutions and money market instruments that are measured at fair value, there was no exposure to sovereign debt securities at December 31, 2017 which might lead to significant risk of repayment.

Liquidity risk

Liquidity risk is the risk if the Group is unable to obtain the funds needed to carry out its operations and meet its obligations. Any actual or perceived limitations on the Group's liquidity may affect the ability of counterparties to do business with the Group or may require additional amounts of cash and cash equivalents to be allocated as collateral for outstanding obligations.

The continuation of challenging economic conditions in the markets in which the Group operates and the uncertainties that characterize the financial markets, necessitate special attention to the management of liquidity risk. In that sense, measures taken to generate funds through operations and to maintain a conservative level of available liquidity are important factors for ensuring operational flexibility and addressing strategic challenges over the next few years.

The main factors that determine the Group's liquidity situation are the funds generated by or used in operating and investing activities, the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

The Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce liquidity risk as follows:

- centralizing the management of receipts and payments where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining a conservative level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence in the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

The Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds at its disposal. The operating cash management and liquidity investment of the Group are centrally coordinated in the Group's treasury companies, with the objective of ensuring effective and efficient management of the Group's funds. These companies obtain funds in the financial markets various funding sources.

In 2016, in conjunction with the amendments to the credit agreements that govern the Tranche B Term Loans of FCA US entered into in March 2016, the covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group were eliminated and FCA US's cash management activities are no longer managed separately from the rest of the Group.

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

Details of the repayment structure of the Group's financial assets and liabilities are provided in Note 15, *Trade, other receivables and tax receivables*, Note 22, *Other liabilities and Tax payables* and in Note 21, *Debt*. Details of the repayment structure of derivative financial instruments are provided in Note 16, *Derivative financial assets and liabilities*.

The Group believes that the Group's total available liquidity, in addition to the funds that will be generated from operating and financing activities, will enable the Group to satisfy the requirements of its investing activities and working capital needs, fulfill its obligations to repay its debt at the natural due dates and ensure an appropriate level of operating and strategic flexibility.

Financial market risks

Due to the nature of our business, the Group is exposed to a variety of market risks, including foreign currency exchange rate risk, commodity price risk and interest rate risk.

The Group's exposure to foreign currency exchange rate risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The Group's exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's Net profit, thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's exposure to commodity price risk arises from the risk of changes in the price of certain raw materials and energy used in production. Changes in the price of raw materials could have a significant effect on the Group's results by indirectly affecting costs and product margins.

These risks could significantly affect the Group's financial position and results and for this reason, these risks are systematically identified and monitored, in order to detect potential negative effects in advance and take the necessary actions to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with its established risk management policies.

The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in foreign currency exchange rates and interest rates as well as commodities prices connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilizes derivative financial instruments designated as fair value hedges mainly to hedge:

- the foreign currency exchange rate risk on financial instruments denominated in foreign currency; and
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly foreign currency forward contracts, interest rate swaps and combined interest rate and foreign currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a targeted mix of floating versus fixed rate funding structured loans; and
- the price of certain commodities.

The foreign currency exchange rate exposure on forecasted commercial flows is hedged by foreign currency swaps and forward contracts. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements. Exposure to changes in the price of commodities is generally hedged by using commodity swaps and commodity options. In addition, in order to manage the Group's foreign currency risk related to its investments in foreign operation, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. Counterparties to these agreements are major financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 16, *Derivative financial assets and liabilities*.

Quantitative information on foreign currency exchange rate risk

The Group is exposed to risk resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:

- where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating results of that company.
- the principal exchange rates to which the Group is exposed are:
 - EUR/U.S.\$, relating to sales and purchases in U.S.\$ made by Italian companies (primarily for Maserati and Alfa Romeo vehicles) and to sales and purchases in Euro made by FCA US;
 - U.S.\$/CAD, primarily relating to FCA Canada's sales of U.S. produced vehicles, net of FCA US sales of Canadian produced vehicles;
 - CNY, in relation to sales in China originating from FCA US and from Italian companies (primarily for Maserati and Alfa Romeo vehicles);
 - GBP, AUD, MXN, CHF, and ARS in relation to sales in the UK, Australian, Mexican, Swiss and Argentinian markets;
 - PLN and TRY, relating to manufacturing costs incurred in Poland and Turkey;
 - JPY mainly in relation to purchase of parts from Japanese suppliers and sales of vehicles in Japan; and
 - U.S.\$/BRL, EUR/BRL, relating to Brazilian manufacturing operations and the related import and export flows.

The Group's policy is to use derivative financial instruments to hedge a percentage of certain exposures subject to foreign currency exchange rate risk for the upcoming 12 months (including such risk before or beyond that date where it is deemed appropriate in relation to the characteristics of the business) and to hedge the exposure resulting from firm commitments unless not deemed appropriate.

Group companies may have trade receivables or payables denominated in a currency different from their respective functional currency. In addition, in a limited number of cases, it may be convenient from an economic point of view, or it may be required under local market conditions, for Group companies to obtain financing or use funds in a currency different from their respective functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. The Group's policy is to hedge, whenever deemed appropriate, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the respective Group companies' functional currency.

Certain of the Group's companies are located in countries which are outside of the Eurozone, in particular the U.S., Brazil, Canada, Poland, Serbia, Turkey, Mexico, Argentina, the Czech Republic, India, China, Australia and South Africa. As the Group's reporting currency is the Euro, the income statements of those entities that have a reporting currency other than the Euro are translated into Euro using the average exchange rate for the period. In addition, the monetary assets and liabilities of these consolidated companies are translated into Euro at the period-end foreign exchange rate. The effects of these changes in foreign exchange rates are recognized directly in the Cumulative translation adjustments reserve included in Other comprehensive income. Changes in exchange rates may lead to effects on the translated balances of revenues, costs and monetary assets and liabilities reported in Euro, even when corresponding items are unchanged in the respective local currency of these companies.

The Group monitors its principal exposure to conversion exchange risk and, in certain circumstances, enters into derivatives for the purpose of hedging the specific risk.

There have been no substantial changes in 2017 in the nature or structure of exposure to foreign currency exchange rate risk or in the Group's hedging policies.

The potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards, cross-currency interest rate and currency swaps) at December 31, 2017 resulting from a 10 percent change in the exchange rates would have been approximately €1,010 million (€1,453 million at December 31, 2016).

This analysis assumes that a hypothetical, unfavorable 10 percent change in exchange rates as at year-end is applied in the measurement of the fair value of derivative financial instruments. Receivables, payables and future trade flows whose hedging transactions have been analyzed were not included in this analysis. It is reasonable to assume that changes in market exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Quantitative information on interest rate risk

The manufacturing companies and treasuries of the Group make use of external borrowings and invest in monetary and financial market instruments. In addition, Group companies sell receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments and the employment of funds, thus negatively impacting the net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. factoring of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the operating result of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, when available in the market, with the objective of mitigating, under economically acceptable conditions, the potential variability of interest rates on the Group's Net profit.

In assessing the potential impact of changes in interest rates, the Group segregates fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (principally customer financing and financial leases) and part of debt (including subsidized loans and notes).

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2017, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately €71 million (approximately €56 million at December 31, 2016).

Floating rate financial instruments consist principally of cash and cash equivalents, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical 10 percent change in short-term interest rates at December 31, 2017, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have resulted in increased net financial expenses before taxes, on an annual basis, of approximately €27 million (€30 million at December 31, 2016).

This analysis is based on the assumption that there is an unfavorable change of 10 percent proportionate to interest rate levels across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated. In addition, the sensitivity analysis applied to floating rate financial instruments assumes that cash and cash equivalents and other short-term financial assets and liabilities which expire during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

Quantitative information on commodity price risk

The Group has entered into derivative contracts for certain commodities to hedge its exposure to commodity price risk associated with buying raw materials and energy used in its normal operations.

In connection with the commodity price derivative contracts outstanding at December 31, 2017, a hypothetical 10 percent change in the price of the commodities at that date would have caused a fair value loss of €51 million (€35 million at December 31, 2016). Future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in commodity prices will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

31. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through February 20, 2018, which is the date the financial statements were authorized for issuance.

In January 2018, as a result of the distribution of the Company's entire interest in GEDI to holders of FCA common shares on July 2, 2017, the Compensation Committee of FCA approved a conversion factor of 1.003733 that was applied to outstanding awards under the LTI Plan to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

On January 11, 2018, a special bonus payment was announced of \$2,000 (approximately €1,670) to approximately 60,000 FCA hourly and salaried employees in the United States, excluding senior leadership, during the second quarter of 2018 for an estimated total cost including applicable social taxes, of approximately \$130 million (€109 million).

Company Financial Statements

AT DECEMBER 31, 2017

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Income Statement

(in € million)

	Note	Years Ended December 31	
		2017	2016
Result from investments	1	€ 3,877	€ 2,237
Other operating income	2	61	31
Personnel costs	3	(12)	(11)
Other operating costs	4	(166)	(162)
Net financial expenses	5	(281)	(301)
Profit before taxes		3,479	1,794
Income taxes	6	12	9
Profit from continuing operations		3,491	1,803
Profit from discontinued operations		—	—
Profit		€ 3,491	€ 1,803

The accompanying notes are an integral part of the Company Financial Statements.

Statement of Financial Position

(in € million)

		At December 31	
	Note	2017	2016
Assets			
Property, plant and equipment	7	€ 27	€ 27
Investments in Group companies and other equity investments	8	27,323	25,238
Other financial assets	9	3,228	3,670
Total Non-current assets		30,578	28,935
Current financial assets	10	239	560
Trade receivables	11	15	17
Other current receivables	12	329	216
Cash and cash equivalents	13	1	1
Total Current assets		584	794
Total Assets		€ 31,162	€ 29,729
Equity and Liabilities			
Equity	14		
Share capital		€ 19	€ 19
Capital reserves		5,817	5,766
Legal reserves		11,825	12,936
Retained profit/(loss)		(333)	(1,356)
Profit for the year		3,491	1,803
Total Equity		20,819	19,168
Liabilities			
Provisions for employee benefits and other provisions	15	39	39
Non-current debt	16	3,742	4,079
Other non-current liabilities	17	11	13
Total Non-current liabilities		3,792	4,131
Provisions for employee benefits and other current provisions	18	2	2
Trade payables	19	7	15
Current debt	20	6,142	6,081
Other financial liabilities	9	—	47
Other debt	21	400	285
Total Current liabilities		6,551	6,430
Total Equity and liabilities		€ 31,162	€ 29,729

The accompanying notes are an integral part of the Company Financial Statements.

Notes to the Company Financial Statements

PRINCIPAL ACTIVITIES

The FCA merger

On January 29, 2014, the Board of Directors of Fiat SpA ("Fiat") approved a proposed corporate reorganization resulting in the formation of Fiat Chrysler Automobiles N.V. ("FCA" or the "Company") as a fully integrated global automaker. The Board determined that a redomiciliation into the Netherlands with a listing on the NYSE and an additional listing on the Mercato Telematico Azionario ("MTA") would be the structure most suitable to Fiat's profile and its strategic and financial objectives. FCA's principal executive offices were established in London, United Kingdom.

FCA was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on April 1, 2014, under the name Fiat Investments N.V.. On June 15, 2014, the Board of Directors of Fiat approved the merger plan of Fiat into Fiat Investments N.V., and, at the extraordinary general meeting held on August 1, 2014, the shareholders of Fiat approved the merger that was completed and became effective on October 12, 2014. The merger, which took the form of a reverse merger, resulted in Fiat Investments N.V. being the surviving entity which was then renamed Fiat Chrysler Automobiles N.V.. On October 13, 2014, FCA common shares commenced trading on the NYSE and on the MTA.

ACCOUNTING POLICIES

Basis of preparation

The 2017 Company Financial Statements represent the separate financial statements of the parent company, Fiat Chrysler Automobiles N.V., and have been prepared in accordance with the legal requirements of Title 9, Book 2 of the Dutch Civil Code. Section 362 (8), Book 2, Dutch Civil Code, allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their company financial statements. The accounting policies are described in a specific section, *Significant accounting policies*, of the Consolidated Financial Statements included in this Annual Report. However, as allowed by the law, investments in subsidiaries, joint ventures and associates are accounted for using the net equity value in the Company Financial Statements.

Format of the financial statements

Given the activities carried out by FCA, presentation of the Company Income Statement is based on the nature of revenues and expenses. The Consolidated Income Statement for FCA is classified according to function (also referred to as the "cost of sales" method), which is considered more representative of the format used for internal reporting and management purposes and is in line with international practice in the industry.

FCA financial statements are prepared in Euros, also the Company's functional currency, representing the currency in which the main transactions of the Company are denominated.

The Statements of Income and of Financial Position and Notes to the Financial Statements are presented in millions of Euros, except where otherwise stated.

As parent company, FCA has also prepared consolidated financial statements for FCA Group for the year ended December 31, 2017.

COMPOSITION AND PRINCIPAL CHANGES

1. Result from investments

The following table summarizes the Result from investments:

	Years Ended December 31	
	2017	2016
	(€ million)	
Share of the profit/(loss) of Group companies	€ 3,827	€ 2,234
Gains from disposal of investments	49	—
Dividends from other companies	1	3
Total Result from investments	€ 3,877	€ 2,237

Result from investments primarily related to the Company's share in the net profit or loss of subsidiaries and associates.

Gains from disposal of investments consisted of the gain realized on disposal of Italiana Editrice S.p.A., a subsidiary involved in the publishing business.

2. Other operating income

The following table summarizes Other operating income:

	Years Ended December 31	
	2017	2016
	(€ million)	
Revenues from services rendered to, and other income from, Group companies and other related parties	€ 31	€ 31
Other revenues and income from third parties	30	—
Total Other operating income	€ 61	€ 31

Other revenues and income from third parties reflected the portion paid to FCA NV of the reimbursement from the final settlement of claims for the Tianjin (China) port explosions, which occurred in the third quarter of 2015 (refer to Note 28, *Segment Reporting*, within the Consolidated Financial Statements).

3. Personnel costs

Personnel costs during the year ended December 31, 2017, of €12 million (€11 million in 2016) primarily related to wages and salaries. The average number of employees in 2017 was 48 (51 in 2016).

4. Other operating costs

Other operating costs primarily includes costs for services rendered by Group companies (support and consulting in administration, IT systems, press activities, payroll, security and facility management), costs for legal, administrative, financial and IT services in addition to the compensation component from Share-based compensation plans representing the notional cost of the Long Term Incentive Plan awarded to the Chief Executive Officer and Executives (net of the portion already attributed to the relevant subsidiaries), which was recognized directly in the equity reserve, as reported in Note 18, *Share-based compensation*, within the Consolidated Financial Statements.

5. Net financial expenses

The following table summarizes Net financial expenses:

	Years Ended December 31	
	2017	2016
	(€ million)	
Financial income	€ 194	€ 293
Financial expense	(457)	(582)
Currency exchange (losses)/gains	(101)	(29)
Net gains/(losses) on derivative financial instruments	83	17
Total Net financial expenses	€ (281)	€ (301)

Financial income relates to interest on loans extended to Fiat Chrysler Automobiles North America Holdings LLC ("FCA NAH LLC"), as included within Other financial assets and Current financial assets. The decrease in financial income related primarily to the lower average outstanding amounts of these loans during 2017 as compared to 2016, following the U.S. \$1.5 billion loan repayment which occurred in September 2016.

Financial expense relates to interest payable on the intercompany debt included within Current debt, in addition to the interest on the unsecured senior debt securities of U.S. \$3.0 billion issued in April 2015 and €1.25 billion issued in March 2016. The decrease in financial expense related to both the lower average debt and the reduction in the interest rates during 2017 as compared to 2016.

Currency exchange losses of €101 million for the year ended December 31, 2017 reflected the net impact of revaluation of the Euro against the U.S. Dollar on loans extended to FCA NAH LLC and the unsecured senior debt securities issued in April 2015, both denominated in U.S. Dollar, described above. These losses were partially offset by €83 million Net gains on derivative instruments.

6. Income taxes

Income taxes were a gain of €12 million in 2017 (gain of €9 million in 2016), primarily relating to compensation receivable for tax losses carried forward contributed to the Group's tax consolidation schemes in Italy and in the United Kingdom.

The Company reported losses for tax purposes as the result from investments resulting from the adoption of the equity method is tax neutral.

7. Property, plant and equipment

At December 31, 2017, the carrying amount of property, plant and equipment was €27 million (€27 million at December 31, 2016), consisting of the gross carrying amount of assets of €70 million (€68 million at December 31, 2016) and accumulated depreciation of €43 million (€41 million at December 31, 2016), of which €25 million related to the Company's property in Turin (€25 million at December 31, 2016). No buildings were subject to liens, pledged as collateral or restricted in use.

Depreciation of property, plant and equipment is recognized in the Income statement within Other operating costs.

8. Investments in Group companies and other equity investments

The following table summarizes Investments in Group companies and other equity investments:

	At December 31		
	2017	2016	Change
	(€ million)		
Investments in Group companies	€ 27,300	€ 25,087	€ 2,213
Other equity investments	23	151	(128)
Total Investments in Group companies and other equity investments	€ 27,323	€ 25,238	€ 2,085

Investments in Group companies were subject to the following changes during 2017 and 2016:

	2017	2016
	(€ million)	
Balance at beginning of year	€ 25,087	€ 22,033
Capital injection into joint ventures	—	82
Transactions related to Ferrari reorganization	—	(52)
Net Acquisition/(Disposal) of subsidiaries from/to Group companies	383	43
Net contributions made to subsidiaries	125	1,471
Dividends received from subsidiaries	(264)	(1,293)
Share of the profit/(loss) of Group companies	3,827	2,234
Cumulative translation adjustments and other OCI movements	(2,031)	556
Other	173	13
Balance at end of year	€ 27,300	€ 25,087

The increase in Investments in Group companies in 2017 primarily related to the Share of the profit/(loss) of Group companies of €3,827 million, net acquisition of subsidiaries from Group companies of €383 million and net contributions made to subsidiaries of €125 million, partially offset by cumulative translation adjustments and other OCI movements of €2,031 million and dividends received from Fiat Chrysler UK LLP of €264 million.

The increase in Investments in Group companies in 2016 primarily related to the Share of the profit/(loss) of Group companies of €2,234 million and net contributions made to subsidiaries of €1,471 million, partially offset by dividends received from FCA North America Holdings LLC and Fiat Chrysler UK LLP of €1,293 million.

The €128 million decrease in Other equity investments related to the sale of 15,948,275 common shares in CNHI (carrying value of €132 million at December 31, 2016), which was partially offset by approximately €4 million relating to the fair value remeasurement of the residual equity investments.

9. Other financial assets

At December 31, 2017, Other financial assets amounted to €3,228 million (€3,670 million at December 31, 2016), primarily represented by U.S. \$3.9 billion of intercompany loans extended to FCA NAH LLC.

The €442 million decrease in Other financial assets was fully attributable to foreign exchange differences due to the revaluation of the Euro against the U.S. Dollar.

In January 2015, a loan of U.S. \$881.6 million, expiring December 2022, was extended to fund the acquisition of certain subsidiaries based in the US. The carrying amount of €735 million at December 31, 2017 (€836 million at December 31, 2016), related to the outstanding principal only, with no accrued interest receivable due.

In April 2015, a further U.S. \$2,970 million was extended in two loans of \$1,485 million, expiring in April 2020 and April 2023. The carrying amount of €2,476 million at December 31, 2017, related to the outstanding principal amount only, with no accrued interest receivable due (€2,850 million at December 31, 2016 that included a principal amount of €2,818 million and accrued interest of €32 million, separately reported within Current financial assets).

These loans were hedged into Euro by currency swaps with Fiat Chrysler Finance S.p.A. and Fiat Chrysler Finance Europe S.A., resulting in €0.4 million of intercompany derivative liabilities at December 31, 2017 included within Other financial liabilities (€47 million at December 31, 2016).

10. Current financial assets

At December 31, 2017, Current financial assets primarily related to a short-term intercompany deposit of €201 million with Fiat Chrysler Finance Europe S.A.

At December 31, 2016, Current financial assets primarily related to a short-term intercompany deposit of €500 million with Fiat Chrysler Finance Europe S.A. and accrued interest receivable on the intercompany loans to FCA NAH LLC of €32 million, as reported within Other financial assets.

11. Trade receivables

At December 31, 2017, trade receivables totaled €15 million, almost entirely related to Group companies.

The carrying amount of trade receivables is deemed to approximate their fair value. All trade receivables are due within one year and there are no overdue balances.

12. Other current receivables

At December 31, 2017, Other current receivables amounted to €329 million, a net increase of €113 million as compared to December 31, 2016, and consisted of the following:

	At December 31		
	2017	2016	Change
	(€ million)		
Receivable from Group companies for consolidated Italian corporate tax	€ 153	€ 112	€ 41
VAT receivables	134	63	71
Italian corporate tax receivables	19	18	1
Other	23	23	—
Total Other current receivables	€ 329	€ 216	€ 113

Receivables from Group companies for consolidated Italian corporate tax relates to taxes calculated on the taxable income contributed by Italian subsidiaries participating in the domestic tax consolidation program.

VAT receivables relate primarily to VAT credits for Italian subsidiaries participating in the VAT tax consolidation.

Italian corporate tax receivables include credits transferred to FCA N.V. by Italian subsidiaries participating in the domestic tax consolidation program in 2017 and prior years.

13. Cash and cash equivalents

At December 31, 2017, Cash and cash equivalents totaled €1 million (€1 million as at December 31, 2016) and is primarily represented by amounts held in Euro. The carrying amount of Cash and cash equivalents is deemed to be in line with their fair value.

Credit risk associated with Cash and cash equivalents is considered limited as the counterparties are leading national and international banks.

14. Equity

Changes in Shareholders' equity during 2017 were as follows:

(€ million)	Share Capital	Capital Reserves	Legal Reserves: Cumulative translation adjustment reserve / OCI	Legal Reserves: Other	Retained profit/(loss)	Profit/ (loss) for the year	Total equity
At December 31, 2015	€ 17	€ 3,805	€ 1,438	€ 11,744	€ (533)	€ 334	€ 16,805
Allocation of prior year result	—	—	—	—	334	(334)	—
Mandatory Convertible Securities	2	1,908	—	(1,910)	—	—	—
Share-based compensation	—	98	—	—	—	—	98
Net profit for the year	—	—	—	—	—	1,803	1,803
Current period change in OCI, net of taxes	—	—	632	—	—	—	632
Legal Reserve	—	—	—	1,032	(1,032)	—	—
Other changes	—	(45)	—	—	(125)	—	(170)
At December 31, 2016	19	5,766	2,070	10,866	(1,356)	1,803	19,168
Allocation of prior year result	—	—	—	—	1,803	(1,803)	—
Share-based compensation	—	115	—	—	—	—	115
Net profit for the year	—	—	—	—	—	3,491	3,491
Current period change in OCI, net of taxes	—	—	(1,839)	—	—	—	(1,839)
Legal Reserve	—	—	—	728	(728)	—	—
Other changes	—	(64)	—	—	(52)	—	(116)
At December 31, 2017	€ 19	€ 5,817	€ 231	€ 11,594	€ (333)	€ 3,491	€ 20,819

Shareholders' equity increased by €1,651 million in 2017, primarily due to profit for the year of €3,491 million, and movements in OCI of €1,839 million, relating primarily to foreign exchange differences.

Shareholders' equity increased by €2,363 million in 2016, primarily due to profit for the year of €1,803 million and movements in OCI of €632 million, relating to foreign exchange differences and the remeasurement of defined benefit plans.

Share capital

At December 31, 2017, the fully paid-up share capital of FCA amounted to €19 million (€19 million at December 31, 2016) and consisted of 1,540,089,690 common shares and 408,941,767 special voting shares, all with a par value of €0.01 each (1,527,965,719 common shares and 408,941,767 special voting shares at December 31, 2016).

Capital reserves

At December 31, 2017, capital reserves amounting to €5,817 million (€5,766 million at December 31, 2016) consisted mainly of the effects of the Merger, resulting in a different par value of FCA common shares (€0.01 each) as compared to Fiat S.p.A. ordinary shares (€3.58 each) where the consequent difference between the share capital before and after the Merger was recognized as an increase to the capital reserves. In December 2016, capital reserves increased €1,908 million as a result of conversion of the equity component of the Mandatory Convertible Securities issued in 2014.

Legal reserves

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to at least the total amount of the legal reserve. By their nature, unrealized losses relating to OCI components reduce shareholders' equity and thereby distributable amounts.

At December 31, 2017, legal reserves amounted to €11,594 million (€10,866 million at December 31, 2016) and mainly related to development costs capitalized by subsidiaries of €9,697 million (€9,359 million at December 31, 2016), the earnings of subsidiaries subject to certain restrictions to distributions to the parent company of €1,893 million (€1,503 million at December 31, 2016), and the reserve in respect of special voting shares of €4 million (€4 million at December 31, 2016). Legal reserves also included unrealized currency translation gains and losses and other OCI components of €231 million (€2,070 million at December 31, 2016).

Dividends

In order to further fund the capital requirements of the Group's five-year business plan, the Board of Directors has decided not to recommend a dividend on FCA common shares for 2017.

15. Provisions for employee benefits and other provisions

At December 31, 2017, provisions for employee benefits and other provisions totaled €39 million, in line with 2016. At December 31, 2017, provisions consisted primarily of unfunded post-employment benefits accruing to employees, former employees and Directors under supplemental company or individual agreements.

16. Non-current debt

At December 31, 2017, non-current debt totaled €3,742 million, representing a decrease of €337 million over December 31, 2016, and consisted of the following:

	At December 31		
	2017	2016	Change
	(€ million)		
Third-party debt:			
- Unsecured senior debt securities	€ 3,726	€ 4,063	€ (337)
Total third-party debt	€ 3,726	€ 4,063	€ (337)
Intercompany debt:			
- Intercompany financial payables	€ 16	€ 16	€ —
Total intercompany debt	€ 16	€ 16	€ —
Total Non-current debt	€ 3,742	€ 4,079	€ (337)

At December 31, 2017, Non-current debt of €3,742 million (€4,079 million at December 31, 2016), primarily related to the €1,250 million note issued in March 2016 and the U.S. \$3.0 billion unsecured senior debt notes issued in April 2015. The decrease of €337 million as compared to December 31, 2016 was almost fully attributable to foreign exchange differences following the revaluation of the Euro against the U.S. Dollar.

As described in more detail in Note 21 - *Debt*, to the Consolidated Financial Statements, FCA issued a 3.75 percent note at par in March 2016 with a principal value of €1,250 million due March 2024, under the Global Medium Term Note ("GMTN") Programme.

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

On June 17, 2015, subject to the terms and conditions set forth in our prospectus, FCA commenced an offer to exchange up to €1.4 billion (U.S.\$1.5 billion) aggregate principal amount of new 4.5 percent unsecured senior debt securities due 2020 ("2020 Notes"), for any and all of our outstanding Initial 2020 Notes issued on April 14, 2015, and up to €1.4 billion (U.S.\$1.5 billion) aggregate principal amount of new 5.25 percent unsecured senior debt securities due 2023 ("2023 Notes"), for any and all of the outstanding Initial 2023 Notes issued on April 14, 2015. The 2020 Notes and the 2023 Notes, collectively referred to as "the Notes", were identical in all material respects to the Initial Notes, except that the Notes did not contain restrictions on transfer. The exchange offer expired on July 23, 2015. Substantially all of the Initial Notes were tendered for the Notes.

17. Other non-current liabilities

At 31 December 2017, other non-current liabilities totaled €11 million:

	At December 31		
	2017	2016	Change
	(€ million)		
Other non-current liabilities	€ 11	€ 13	€ (2)
Total Other non-current liabilities	€ 11	€ 13	€ (2)

Other non-current liabilities relate to non-current post-employment benefits, being the present value of future benefits payable to a former CEO and management personnel that have left the Company.

18. Provisions for employee benefits and other current provisions

Employee benefit provisions primarily reflect the best estimate for variable components of compensation:

	At December 31		
	2017	2016	Change
	(€ million)		
Provisions for employee benefits and other current provisions	€ 2	€ 2	€ —
Total Provisions for employee benefits and other current provisions	€ 2	€ 2	€ —

19. Trade payables

At December 31, 2017, trade payables totaled €7 million, a decrease of €8 million from December 31, 2016, and consisted of the following:

	At December 31		
	2017	2016	Change
	(€ million)		
Trade payables due to third parties	€ 3	€ 8	€ (5)
Intercompany trade payables	4	7	(3)
Total trade payables	€ 7	€ 15	€ (8)

Trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

20. Current debt

At December 31, 2017, current debt totaled €6,142 million, a €61 million increase over December 31, 2016 and related to:

	At December 31		
	2017	2016	Change
	(€ million)		
Intercompany debt:			
- Current account with Fiat Chrysler Finance S.p.A.	€ 99	€ 84	€ 15
- Current account with Fiat Chrysler Finance Europe S.A.	5,981	5,932	49
Total intercompany debt	€ 6,080	€ 6,016	€ 64
Third party debt:			
- Advances on factored receivables	—	—	—
- Accrued interest payable	62	65	(3)
Total third party debt	€ 62	€ 65	€ (3)
Total current debt	€ 6,142	€ 6,081	€ 61

Current intercompany debt of €6,080 million (€6,016 million at December 31, 2016) is denominated in Euro and the carrying amount is in line with fair value.

Current account with Fiat Chrysler Finance Europe S.A. represents the overdraft as part of the Group's centralized treasury management.

Accrued interest payable of €62 million relates to the unsecured senior debt securities referred to in Note 16, *Non-current debt*.

21. Other debt

At December 31, 2017, Other debt totaled €400 million, a net increase of €115 million over December 31, 2016, and included the following:

	At December 31		
	2017	2016	Change
	(€ million)		
Intercompany other debt:			
- Consolidated Italian corporate tax	€ 149	€ 113	€ 36
- Consolidated VAT	239	158	81
- Other	2	3	(1)
Total intercompany other debt	€ 390	€ 274	€ 116
Other debt and taxes payable:			
- Distribution payable	€ —	€ —	€ —
- Taxes payable	1	2	(1)
- Accrued expenses	4	4	—
- Other payables	5	5	—
Total Other debt and taxes payable	€ 10	€ 11	€ (1)
Total Other debt	€ 400	€ 285	€ 115

At December 31, 2017, intercompany debt relating to consolidated VAT of €239 million (€158 million at December 31, 2016) consisted of VAT credits of Italian subsidiaries transferred to FCA as part of the consolidated VAT regime.

Intercompany debt relating to consolidated Italian corporate tax of €149 million (€113 million at December 31, 2016) consisted of compensation payable for tax losses and Italian corporate tax credits contributed by Italian subsidiaries participating in the domestic tax consolidation program for 2017, for which the Italian branch of FCA N.V. is the consolidating entity.

Other debt and taxes payable are all due within one year and their carrying amount is deemed to approximate their fair value.

22. Guarantees granted, commitments and contingent liabilities

Guarantees granted

At December 31, 2017, guarantees issued totaled €9,318 million (€11,823 million at December 31, 2016) wholly provided on behalf of Group companies. The decrease of €2,505 million as compared to 31 December 2016 related principally to the repayment of bonds from Fiat Chrysler Finance Europe S.A.

The main guarantees outstanding at 31 December 2017 were as follows:

- €5,845 million for bonds issued;
- €1,641 million for borrowings, of which €620 million in favor of the subsidiaries in Brazil mainly related to the construction of the new plant in Pernambuco and the remaining primarily to Fiat Chrysler Finance S.p.A; and
- €1,829 million for VAT reimbursements related to the VAT consolidation scheme in Italy.

In addition, in 2005, in relation to the advance received by FCA Partecipazioni S.p.A. on the consideration for the sale of the aviation business, FCA as the successor of Fiat S.p.A. is jointly and severally liable with the fully owned subsidiary FCA Partecipazioni S.p.A. to the purchaser, Avio Holding S.p.A., should FCA Partecipazioni S.p.A. fail to honor (following either an arbitration award or an out-of-court settlement) undertakings provided in relation to the sale and purchase agreement signed in 2003.

Other commitments, contractual rights and contingent liabilities

FCA has important commitments and rights derived from outstanding agreements in addition to contingent liabilities as described in the notes to the Consolidated Financial Statements at December 31, 2017, to which reference should be made.

23. Audit fees

The following table reports fees paid to the independent auditor Ernst & Young, or entities in their network, for audit and other services:

(€ thousand)	Years Ended December 31	
	2017	2016
Audit of the (consolidated and company) financial statements	€ 18,601	€ 19,180
Other audit	398	761
Tax advice	100	241
Total	€ 19,099	€ 20,182

Audit fees of Ernst & Young Accountants LLP amounted €260 thousand. No other services were performed by Ernst and Young Accountants LLP.

24. Board remuneration

Detailed information on Board of Directors compensation (including their shares and share options) is included in the Remuneration of Directors section of this Annual Report.

25. Subsequent events

The Group has evaluated subsequent events through February 20, 2018, which is the date the financial statements were authorized for issuance, as described in Note 31, *Subsequent Events*, within the Consolidated Financial Statements.

February 20, 2018

The Board of Directors

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

Other Information

Independent Auditor's Report

The report of the Company's independent auditor, Ernst & Young Accountants LLP, the Netherlands is set forth following this Annual Report.

Dividends

Dividends will be determined in accordance with the articles 23 of the Articles of Association of Fiat Chrysler Automobiles N.V. The relevant provisions of the Articles of Association read as follows:

1. The Company shall maintain a special capital reserve to be credited against the share premium exclusively for the purpose of facilitating any issuance or cancellation of special voting shares. The special voting shares shall not carry any entitlement to the balance of the special capital reserve. The Board of Directors shall be authorized to resolve upon (i) any distribution out of the special capital reserve to pay up special voting shares or (ii) re-allocation of amounts to credit or debit the special capital reserve against or in favor of the share premium reserve.
2. The Company shall maintain a separate dividend reserve for the special voting shares. The special voting shares shall not carry any entitlement to any other reserve of the Company. Any distribution out of the special voting rights dividend reserve or the partial or full release of such reserve will require a prior proposal from the Board of Directors and a subsequent resolution of the meeting of holders of special voting shares.
3. From the profits, shown in the annual accounts, as adopted, such amounts shall be reserved as the Board of Directors may determine.
4. The profits remaining thereafter shall first be applied to allocate and add to the special voting shares dividend reserve an amount equal to one percent (1%) of the aggregate nominal value of all outstanding special voting shares. The calculation of the amount to be allocated and added to the special voting shares dividend reserve shall occur on a time-proportionate basis. If special voting shares are issued during the financial year to which the allocation and addition pertains, then the amount to be allocated and added to the special voting shares dividend reserve in respect of these newly issued special voting shares shall be calculated as from the date on which such special voting shares were issued until the last day of the financial year concerned. The special voting shares shall not carry any other entitlement to the profits.
5. Any profits remaining thereafter shall be at the disposal of the general meeting of Shareholders for distribution of profits on the common shares only, subject to the provision of paragraph 8 of this article.
6. Subject to a prior proposal of the Board of Directors, the general meeting of Shareholders may declare and pay distribution of profits and other distributions in United States Dollars. Furthermore, subject to the approval of the general meeting of Shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares in accordance with Article 6, the Board of Directors may decide that a distribution shall be made in the form of shares or that Shareholders shall be given the option to receive a distribution either in cash or in the form of shares.
7. The Company shall only have power to make distributions to Shareholders and other persons entitled to distributable profits to the extent the Company's equity exceeds the sum of the paid in and called up part of the share capital and the reserves that must be maintained pursuant to Dutch law and the Company's Articles of Association. No distribution of profits or other distributions may be made to the Company itself for shares that the Company holds in its own share capital.
8. The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.

9. The Board of Directors shall have power to declare one or more interim distributions of profits, provided that the requirements of paragraph 7 hereof are duly observed as evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 paragraph 4 of the Dutch Civil Code and provided further that the policy of the Company on additions to reserves and distributions of profits is duly observed. The provisions of paragraphs 2 and 3 hereof shall apply *mutatis mutandis*.
10. The Board of Directors may determine that distributions are made from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the Shareholders that are entitled to the relevant reserve upon the dissolution of the Company.
11. Distributions of profits and other distributions shall be made payable in the manner and at such date(s) - within four weeks after declaration thereof - and notice thereof shall be given, as the general meeting of Shareholders, or in the case of interim distributions of profits, the Board of Directors shall determine.
12. Distributions of profits and other distributions, which have not been collected within five years and one day after the same have become payable, shall become the property of the Company.

Disclosures pursuant to Decree Article 10 EU-Directive on Takeovers

In accordance with the Dutch *Besluit artikel 10 overnamerichtlijn* (the *Decree*), the Company makes the following disclosures:

- a. For information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Note 14 to the Company Financial Statements in this Annual Report. For information on the rights attached to the common shares, please refer to the Articles of Association which can be found on the Company's website. To summarize, the rights attached to common shares comprise pre-emptive rights upon issue of common shares, the entitlement to attend the general meeting of Shareholders and to speak and vote at that meeting and the entitlement to distributions of such amount of the Company's profit as remains after allocation to reserves. For information on the rights attached to the special voting shares, please refer to the Articles of Association and the Terms and Conditions for the Special Voting Shares which can both be found on the Company's website and more in particular to the paragraph "Loyalty Voting Structure" of this Annual Report in the chapter "Corporate Governance". As at 31 December 2017, the issued share capital of the Company consisted of 1,540,089,690 common shares, representing 79 per cent. of the aggregate issued share capital and 408,941,767 special voting shares, representing 21 per cent. of the aggregate issued share capital.
- b. The Company has imposed no limitations on the transfer of common shares. The Articles of Association provide in Article 13 for transfer restrictions for special voting shares.
- c. For information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts (*Wet op het financieel toezicht*) notification requirements apply, please refer to the chapter "Major Shareholders" of this Annual Report. There you will find a list of Shareholders who are known to the Company to have holdings of 3% or more at the stated date.
- d. No special control rights or other rights accrue to shares in the capital of the Company.
- e. The Company does not operate an employee share participation scheme as mentioned in article 1 sub 1(e) of the Decree.
- f. No restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles of Association allow the Company to cooperate in the issuance of registered depository receipts for common shares, but only pursuant to a resolution to that effect of the Board of Directors. The Company is not aware of any depository receipts having been issued for shares in its capital.
- g. The Company is not aware of the existence of any agreements with Shareholders which may result in restrictions on the transfer of shares or limitation of voting rights.
- h. The rules governing the appointment and dismissal of members of the Board of Directors are stated in the Articles of Association of the Company. All members of the Board of Directors are appointed by the general meeting of Shareholders. The term of office of all members of the Board of Directors is for a period of approximately one year after appointment, such period expiring on the day the first Annual General Meeting of Shareholders is held in the following calendar year. The general meeting of Shareholders has the power to suspend or dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles of Association are stated in the Articles of Association and require a resolution of the general meeting of Shareholders which can only be passed pursuant to a prior proposal of the Board of Directors.

- i. The general powers of the Board of Directors are stated in the Articles of Association of the Company. For a period of five years from October 12, 2014, the Board of Directors has been irrevocably authorized to issue shares and rights to subscribe for shares up to the maximum aggregate amount of shares as provided for in the Company's authorized share capital as set out in Article 4.1 of the Articles of Association, as amended from time to time. The Board of Directors has also been designated for the same period as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above. In the event of an issuance of special voting shares, shareholders have no right of pre-emptions. The Company has the authority to acquire fully paid-up shares in its own share capital, provided that such acquisition is made for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 8 of the Articles of Association.
- j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Acts (*Wet op het financieel toezicht*), provided that some of the loan agreements guaranteed by the Company and certain bonds guaranteed by the Company contain clauses that, as it is customary for such financial transactions, may require early repayment or termination in the event of a change of control of the guarantor or the borrower. In certain cases, that requirement may only be triggered if the change of control event coincides with other conditions, such as a rating downgrade.
- k. Under the terms of the Company's Equity Incentive Plan (EIP) and employment agreements entered into with certain executive officers, executives may be entitled to receive severance payments of up to two times annual cash compensation and accelerated vesting of awards under the EIP if, within 24 months of a Change of Control (as defined therein), the executive's employment is involuntarily terminated by the Company (other than for Cause -as defined therein-) or is terminated by the participant for Good Reason (as defined).

Appendix – FCA Companies

AT DECEMBER 31, 2017

Appendix - FCA Companies
at December 31, 2017

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Controlling company								
Parent Company								
Fiat Chrysler Automobiles N.V.	Amsterdam	Netherlands	19,490,315	EUR	--	--	--	--
Subsidiaries consolidated on a line-by-line basis								
Mass-Market Vehicles								
NAFTA								
AUTO TRANSPORT SERVICES LLC	Wilmington	U.S.A.	100	USD	100.00	FCA US LLC	100.000	
Autodie LLC	Wilmington	U.S.A.	10,000,000	USD	100.00	FCA US LLC	100.000	
Chrysler Mexico Investment Holdings Cooperatie U.A.	Amsterdam	Netherlands	—	EUR	100.00	FCA INVESTMENT HOLDINGS LLC	99.990	
						FCA MINORITY LLC	0.010	
CPK Interior Products Inc.	Windsor	Canada	1,000	CAD	100.00	FCA Canada Inc.	100.000	
Extended Vehicle Protection LLC	Wilmington	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA AUBURN HILLS OWNER LLC	Wilmington	U.S.A.	100	USD	100.00	FCA REALTY LLC	100.000	
FCA Canada Cash Services Inc.	Toronto	Canada	1,000	CAD	100.00	FCA US LLC	100.000	
FCA Canada Inc.	Windsor	Canada	—	CAD	100.00	FCA ONTARIO HOLDINGS Limited	100.000	
FCA Caribbean LLC	Wilmington	U.S.A.	100	USD	100.00	FCA US LLC	100.000	
FCA DEALER CAPITAL LLC	Wilmington	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA INTERNATIONAL OPERATIONS LLC	Wilmington	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA INTERNATIONAL SERVICES LLC	Wilmington	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA INVESTMENT HOLDINGS LLC	Wilmington	U.S.A.	173,350,999	USD	100.00	FCA US LLC	100.000	
FCA Mexico, S.A. de C.V.	Santa Fe	Mexico	238,621,186	MXN	100.00	Chrysler Mexico Investment Holdings Cooperatie U.A.	99.997	
						FCA MINORITY LLC	0.003	
FCA MID LLC	Wilmington	U.S.A.	2,700,000	USD	100.00	FCA US LLC	100.000	
FCA MINORITY LLC	Wilmington	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA ONTARIO HOLDINGS Limited	Toronto	Canada	1,000	CAD	100.00	FCA US LLC	100.000	
FCA REAL ESTATE SERVICES LLC	Wilmington	U.S.A.	100	USD	100.00	FCA US LLC	100.000	
FCA REALTY LLC	Wilmington	U.S.A.	168,769,528	USD	100.00	FCA US LLC	100.000	
FCA Service Contracts LLC	Wilmington	U.S.A.	100,000,000	USD	100.00	FCA US LLC	100.000	
FCA TRANSPORT LLC	Wilmington	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA US Insurance Company	Plymouth	U.S.A.	60,000	USD	100.00	FCA North America Holdings LLC	100.000	
FCA US LLC	Wilmington	U.S.A.	10	USD	100.00	FCA North America Holdings LLC	100.000	
LATAM								
Banco Fidis S.A.	Betim	Brazil	509,021,104	BRL	100.00	Fidis S.p.A.	75.000	
						FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	25.000	
CG Venezuela UK Holdings Limited	Slough Berkshire	United Kingdom	100	GBP	100.00	FCA North America Holdings LLC	100.000	
CMA Componentes e Modulos Automotivos Industria e Comercio Automotivos Ltda	Nova Goiana	Brazil	1,000	BRL	100.00	CMP Componentes e Modulos Plasticos Industria e Comercio Ltda.	99.900	
						FCA Fiat Chrysler Participacoes Brasil Limitada	0.100	
CMP Componentes e Modulos Plasticos Industria e Comercio Ltda.	Contagem	Brazil	121,358,092	BRL	100.00	FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	56.049	
						FCA Powertrain Brasil Industria e Comercio de Motores Ltda	43.951	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
FCA AUTOMOBILES ARGENTINA S.A.	Buenos Aires	Argentina	476,464,366	ARS	100.00	FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	100.000	
FCA Chile Importadora Limitada	Santiago	Chile	41,800,000	CLP	100.00	FCA US LLC	99.990	
						FCA MINORITY LLC	0.010	
FCA Compania Financiera S.A.	Buenos Aires	Argentina	526,027,891	ARS	100.00	Fidis S.p.A.	100.000	
FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	Betim	Brazil	14,628,993,087	BRL	100.00	FCA Fiat Chrysler Participacoes Brasil Limitada	75.118	
						FCA Italy S.p.A.	24.882	
FCA IMPORTADORA S.R.L.	Buenos Aires	Argentina	29,335,170	ARS	100.00	FCA AUTOMOBILES ARGENTINA S.A.	98.000	
						FCA Argentina S.A.	2.000	
FCA Powertrain Brasil Industria e Comercio de Motores Ltda	Campo Largo	Brazil	197,792,500	BRL	100.00	FCA Fiat Chrysler Participacoes Brasil Limitada	100.000	
FCA Rental Locadora de Automoveis Ltda	Belo Horizonte	Brazil	60,769,200	BRL	100.00	FCA Fiat Chrysler Participacoes Brasil Limitada	100.000	
FCA S.A. de Ahorro para Fines Determinados	Buenos Aires	Argentina	109,535,149	ARS	100.00	FCA AUTOMOBILES ARGENTINA S.A.	100.000	
APAC								
ALFA ROMEO (SHANGHAI) AUTOMOBILES SALES CO. Ltd.	Shanghai	People's Rep. of China	19,000,000	CNY	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Chrysler Group (China) Sales Ltd.	Beijing	People's Rep. of China	10,000,000	EUR	100.00	FCA (Hong Kong) Automotive Limited	100.000	
FCA (Hong Kong) Automotive Limited	Hong Kong	People's Rep. of China	10,000,000	EUR	100.00	FCA US LLC	100.000	
FCA (SHANGHAI) AUTO PARTS TRADING CO., LTD.	Shanghai	People's Rep. of China	19,000,000	CNY	100.00	Fiat Chrysler Automobiles N.V.	100.000	
FCA Asia Pacific Investment Co., Ltd.	Shanghai	People's Rep. of China	4,500,000	CNY	100.00	FCA (Hong Kong) Automotive Limited	100.000	
FCA Australia Pty. Ltd.	Port Melbourne	Australia	143,629,774	AUD	100.00	CNI C.V	100.000	
FCA Automotive Finance Co. Ltd.	Shanghai	People's Rep. of China	750,000,000	CNY	100.00	Fidis S.p.A.	100.000	
FCA Engineering India Private Limited	Chennai	India	99,990	INR	100.00	Chrysler Netherlands Distribution B.V.	99.990	
						FCA DUTCH OPERATING LLC	0.010	
FCA INDIA AUTOMOBILES Private Limited	Mumbai	India	4,819,900,000	INR	100.00	FCA Italy S.p.A.	100.000	
FCA JAPAN Ltd.	Minato-Ku. Tokyo	Japan	104,789,875	JPY	100.00	CG EU NSC LIMITED	60.000	
						Fiat Group Automobiles Japan K.K.	40.000	
FCA Korea Limited	Seoul	South Korea	32,639,200,000	KRW	100.00	FCA US LLC	100.000	
FCA Powertrain Technologies Shanghai R&D Co. Ltd.	Shanghai	People's Rep. of China	10,000,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
Fiat Group Automobiles Japan K.K.	Minato-Ku. Tokyo	Japan	100,000,000	JPY	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Mopar (Shanghai) Auto Parts Trading Co. Ltd.	Shanghai	People's Rep. of China	5,000,000	USD	100.00	FCA Asia Pacific Investment Co. Ltd.	100.000	
EMEA								
Abarth & C. S.p.A.	Turin	Italy	1,500,000	EUR	100.00	FCA Italy S.p.A.	100.000	
Alfa Romeo S.p.A.	Turin	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
Alfa Romeo U.S.A. S.p.A.	Turin	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	

Appendix - FCA Companies
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Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
C.R.F. Società Consortile per Azioni	Orbassano	Italy	45,000,000	EUR	100.00	FCA Italy S.p.A.	92.000	
						FCA ITALY HOLDINGS S.p.A.	2.000	
						Magneti Marelli S.p.A.	2.000	
						Maserati S.p.A.	2.000	
						Comau S.p.A.	1.000	
						Teksid S.p.A.	1.000	
CF GOMMA DEUTSCHLAND GmbH	Düsseldorf	Germany	26,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
CG EU NSC LIMITED	Cardiff	United Kingdom	1	GBP	100.00	CNI C.V.	100.000	
CG Italia Operations S.p.A.	Turin	Italy	53,022	EUR	100.00	Chrysler Italia S.r.l.	94.300	
						FCA US LLC	5.700	
Chrysler Austria Gesellschaft mbH in liquidation	Vienna	Austria	4,300,000	EUR	100.00	Chrysler Deutschland GmbH	100.000	
Chrysler Belgium Luxembourg NV/SA	Brussels	Belgium	28,262,700	EUR	100.00	CG EU NSC LIMITED	99.998	
						FCA MINORITY LLC	0.002	
Chrysler Deutschland GmbH	Berlin	Germany	20,426,200	EUR	100.00	FCA US LLC	100.000	
Chrysler International GmbH	Stuttgart	Germany	25,000	EUR	100.00	CG EU NSC LIMITED	100.000	
Chrysler Italia S.r.l.	Turin	Italy	100,000	EUR	100.00	CG EU NSC LIMITED	100.000	
Chrysler Jeep International S.A.	Brussels	Belgium	1,860,000	EUR	100.00	CG EU NSC LIMITED	99.998	
						FCA MINORITY LLC	0.002	
Chrysler Netherlands Distribution B.V.	Amsterdam	Netherlands	90,000	EUR	100.00	Chrysler Netherlands Holding Cooperatie U.A.	100.000	
Chrysler South Africa (Pty) Limited	Midrand	South Africa	200	ZAR	100.00	FCA Italy S.p.A.	100.000	
Chrysler Switzerland GmbH in liquidation	Schlieren	Switzerland	2,000,000	CHF	100.00	CG EU NSC LIMITED	100.000	
Chrysler UK Limited	Slough Berkshire	United Kingdom	46,582,132	GBP	100.00	CG EU NSC LIMITED	100.000	
CNI C.V.	Amsterdam	Netherlands	—	USD	100.00	FCA US LLC	100.000	
Easy Drive S.r.l.	Turin	Italy	10,400	EUR	100.00	FCA Italy S.p.A.	99.000	
						FCA Center Italia S.p.A.	1.000	
FCA AUSTRIA GmbH	Vienna	Austria	37,000	EUR	100.00	FCA Italy S.p.A.	98.000	
						FCA ITALY HOLDINGS S.p.A.	2.000	
FCA AUSTRO CAR GmbH	Vienna	Austria	35,000	EUR	100.00	FCA AUSTRIA GmbH	100.000	
FCA Belgium S.A.	Auderghem	Belgium	18,651,691	EUR	100.00	FCA Italy S.p.A.	99.998	
						FCA SWITZERLAND S.A.	0.002	
FCA Center Italia S.p.A.	Turin	Italy	2,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA CENTRAL AND EASTERN EUROPE KFT.	Budapest	Hungary	150,000,000	HUF	100.00	FCA Italy S.p.A.	100.000	
FCA Customer Services Centre S.r.l.	Turin	Italy	2,500,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Denmark A/S	Glostrup	Denmark	55,000,000	DKK	100.00	FCA Italy S.p.A.	100.000	
FCA FINLAND Oy	Vantaa	Finland	50,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Fleet & Tenders S.R.L.	Turin	Italy	7,370,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA France	Trappes	France	96,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA GERMANY AG	Frankfurt	Germany	82,650,000	EUR	100.00	FCA Italy S.p.A.	99.000	
						FCA SWITZERLAND S.A.	1.000	
FCA GREECE S.A.	Argyroupoli	Greece	62,783,499	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Group Marketing S.p.A.	Turin	Italy	100,000,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
FCA ITALY HOLDINGS S.p.A.	Turin	Italy	1,089,071,587	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Italy S.p.A.	Turin	Italy	800,000,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
FCA Melfi S.r.l.	Melfi	Italy	276,640,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Middle East FZ-LLC	Dubai	United Arab Emirates	300,000	AED	100.00	FCA INTERNATIONAL OPERATIONS LLC	100.000	
FCA Motor Village Austria GmbH	Vienna	Austria	37,000	EUR	100.00	FCA AUSTRIA GmbH	100.000	
FCA MOTOR VILLAGE BELGIUM S.A.	Auderghem	Belgium	8,571,393	EUR	100.00	FCA Belgium S.A.	99.988	
						FCA Italy S.p.A.	0.012	
FCA MOTOR VILLAGE FRANCE S.A.S	Trappes	France	2,977,680	EUR	100.00	FCA France	99.997	
FCA MOTOR VILLAGE GERMANY GmbH	Frankfurt	Germany	8,700,000	EUR	100.00	FCA GERMANY AG	100.000	
FCA MOTOR VILLAGE PORTUGAL S.A.	Amadora	Portugal	50,000	EUR	100.00	FCA PORTUGAL, S.A.	100.000	
FCA MOTOR VILLAGE SPAIN, S.L.	Alcalá De Henares	Spain	1,454,420	EUR	100.00	Fiat Chrysler Automobiles Spain S.A.	100.000	
FCA MOTOR VILLAGE SWITZERLAND S.A.	Meyrin	Switzerland	13,000,000	CHF	100.00	FCA SWITZERLAND S.A.	100.000	
FCA Netherlands B.V.	Lijnden	Netherlands	5,672,250	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA NORWAY AS	Fornebu	Norway	103,200	NOK	100.00	FCA Italy S.p.A.	100.000	
FCA POLAND Spółka Akcyjna	Bielsko-Biala	Poland	660,334,600	PLN	100.00	FCA Italy S.p.A.	100.000	
FCA PORTUGAL, S.A.	Porto Salvo	Portugal	1,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA POWERTRAIN POLAND Sp. z o.o.	Bielsko-Biala	Poland	269,037,000	PLN	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
FCA Real Estate Germany GmbH	Frankfurt	Germany	25,000	EUR	100.00	FCA MOTOR VILLAGE GERMANY GmbH	100.000	
FCA REAL ESTATE SERVICES FRANCE SAS	Trappes	France	37,000	EUR	100.00	FCA Real Estate Services S.p.A.	100.000	
FCA Real Estate Services S.p.A.	Turin	Italy	150,679,554	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Russia AO	Moscow	Russia	574,665,000	RUB	100.00	FCA US LLC	99.999	
						FCA MINORITY LLC	0.001	
FCA SERBIA DOO Kragujevac	Kragujevac	Serbia	30,707,843,314	RSD	66.67	FCA Italy S.p.A.	66.670	
FCA SWEDEN AB	Kista	Sweden	10,000,000	SEK	100.00	FCA Italy S.p.A.	100.000	
FCA SWITZERLAND S.A.	Schlieren	Switzerland	21,400,000	CHF	100.00	FCA Italy S.p.A.	100.000	
FCA VERSICHERUNGSSERVICE GmbH	Heilbronn	Germany	26,000	EUR	100.00	FCA GERMANY AG	51.000	
						Fiat Chrysler Rimaco SA	49.000	
Fiat Chrysler Automobiles (FCA) Egypt Limited	New Cairo	Egypt	240,000	EGP	100.00	FCA US LLC	99.000	
						FCA MINORITY LLC	1.000	
Fiat Chrysler Automobiles Ireland DAC	Dublin	Ireland	5,078,952	EUR	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER AUTOMOBILES MIDDLE EAST FZE	Dubai	United Arab Emirates	1,000,000	AED	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Automobiles Morocco S.A.	Bouskoura	Morocco	101,000,000	MAD	100.00	FCA Italy S.p.A.	100.000	
Fiat Chrysler Automobiles Spain S.A.	Alcalá De Henares	Spain	8,079,280	EUR	100.00	FCA Italy S.p.A.	99.998	
						FCA SWITZERLAND S.A.	0.002	
FIAT CHRYSLER AUTOMOBILES UK Ltd	Slough Berkshire	United Kingdom	44,600,000	GBP	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER MOTOR VILLAGE Ltd.	Slough Berkshire	United Kingdom	1,500,000	GBP	100.00	FIAT CHRYSLER AUTOMOBILES UK Ltd	100.000	
Fiat Group Automobiles South Africa (Proprietary) Ltd	Bryanston	South Africa	640	ZAR	100.00	FCA Italy S.p.A.	100.000	

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Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Fidis S.p.A.	Turin	Italy	250,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
i-FAST Automotive Logistics S.r.l.	Turin	Italy	1,250,000	EUR	100.00	FCA Italy S.p.A.	100.000	
i-FAST Container Logistics S.p.A.	Turin	Italy	2,500,000	EUR	100.00	FCA Italy S.p.A.	100.000	
Mecaner S.A.	Urduliz	Spain	3,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
NEW BUSINESS 38 S.p.A.	Pomigliano d'Arco	Italy	1,000,000	EUR	100.00	FCA Real Estate Services S.p.A.	100.000	
Società di Commercializzazione e Distribuzione Ricambi S.p.A. in liquidation	Turin	Italy	100,000	EUR	100.00	FCA Italy S.p.A.	100.000	
VM Motori S.p.A.	Cento	Italy	21,008,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
Luxury Vehicles								
Maserati								
Maserati S.p.A.	Modena	Italy	40,000,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Maserati (China) Cars Trading Co., Ltd.	Shanghai	People's Rep. of China	10,000,000	USD	100.00	Maserati S.p.A.	100.000	
Maserati (Suisse) S.A.	Schlieren	Switzerland	1,000,000	CHF	100.00	Maserati S.p.A.	100.000	
Maserati Canada Inc.	Vancouver	Canada	—	CAD	100.00	Maserati S.p.A.	100.000	
Maserati Deutschland GmbH	Wiesbaden	Germany	500,000	EUR	100.00	Maserati S.p.A.	100.000	
Maserati GB Limited	Slough Berkshire	United Kingdom	20,000	GBP	100.00	Maserati S.p.A.	100.000	
Maserati Japan KK	Tokyo	Japan	18,000,000	JPY	100.00	Maserati S.p.A.	100.000	
Maserati North America Inc.	Wilmington	U.S.A.	1,000	USD	100.00	Maserati S.p.A.	100.000	
Maserati West Europe société par actions simplifiée	Paris	France	37,000	EUR	100.00	Maserati S.p.A.	100.000	
Tridente Real Estate S.r.l.	Modena	Italy	11,570,000	EUR	100.00	Maserati S.p.A.	100.000	
Components								
Magneti Marelli								
Magneti Marelli S.p.A.	Corbetta	Italy	254,325,965	EUR	99.99	Fiat Chrysler Automobiles N.V.	99.991	100.000
Administracion Magneti Marelli Sistemi Sospensioni Mexicana S.R.L. de C.V.	Mexico City	Mexico	3,000	MXN	88.11	Magneti Marelli Promatcor Sistemi Sospensioni Mexicana S.R.L. de C.V.	99.000	
						Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	1.000	
AUTOMOTIVE LIGHTING (THAILAND) CO. LTD	Bangkok	Thailand	10,000,000	THB	99.96	Automotive Lighting Reutlingen GmbH	99.970	
Automotive Lighting Brotterode GmbH	Brotterode	Germany	7,270,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Italia S.p.A.	Venaria Reale	Italy	12,000,000	EUR	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting LLC	Wilmington	U.S.A.	25,001,000	USD	100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Automotive Lighting o.o.o.	Rijasan	Russia	1,086,875,663	RUB	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Rear Lamps France S.a.s.	Saint Julien du Sault	France	5,134,480	EUR	99.99	Automotive Lighting Italia S.p.A.	100.000	
Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	El Marques Queretaro	Mexico	50,000	MXN	100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Automotive Lighting Reutlingen GmbH	Reutlingen	Germany	1,330,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Automotive Lighting S.R.O.	Jihlava	Czech Republic	927,637,000	CZK	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting UK Limited	Chadwell Heath	United Kingdom	40,387,348	GBP	99.99	Magneti Marelli S.p.A.	100.000	
Changchun Magneti Marelli Automotive Lighting System Co. Ltd.	Changchun	People's Rep. of China	190,000,000	CNY	60.00	Automotive Lighting Reutlingen GmbH	60.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
CHANGCHUN MAGNETI MARELLI POWERTRAIN COMPONENTS Co.Ltd.	Changchun	People's Rep. of China	5,600,000	EUR	51.00	Magneti Marelli S.p.A.	51.000	
Fiat CIEI S.p.A. in liquidation	Corbetta	Italy	220,211	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Hefei Magneti Marelli Exhaust Systems Co.Ltd.	Hefei	People's Rep. of China	3,900,000	EUR	51.00	Magneti Marelli S.p.A.	51.000	
Industrias Magneti Marelli Mexico S.A. de C.V.	Tepotzotlan	Mexico	50,000	MXN	99.99	Magneti Marelli Sistemas Electronicos Mexico S.A.	99.998	
						Servicios Administrativos Corp. IPASA S.A.	0.002	
Magneti Marelli (China) Co. Ltd.	Shanghai	People's Rep. of China	17,500,000	USD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli After Market Parts and Services S.p.A.	Corbetta	Italy	7,000,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Aftermarket GmbH	Heilbronn	Germany	100,000	EUR	99.99	Magneti Marelli After Market Parts and Services S.p.A.	100.000	
Magneti Marelli Aftermarket Sp. z o.o.	Katowice	Poland	2,000,000	PLN	99.99	Magneti Marelli After Market Parts and Services S.p.A.	100.000	
Magneti Marelli Argentina S.A.	Buenos Aires	Argentina	465,205	ARS	99.99	Magneti Marelli S.p.A.	95.000	
						Magneti Marelli France S.a.s.	5.000	
Magneti Marelli Automotive Cluj S.r.l.	Cluj Napoca	Romania	9,010,000	RON	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Components (Changsha) Co. Ltd	Changsha	People's Rep. of China	5,400,000	USD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Components (Guangzhou) Co.,Ltd.	Guangzhou	People's Rep. of China	10,000,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Components (WUHU) Co. Ltd.	Wuhu	People's Rep. of China	32,000,000	USD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive d.o.o. Kragujevac	Kragujevac	Serbia	154,200,876	RSD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Electronics (Guangzhou) Co. Limited	Guangzhou	People's Rep. of China	16,100,000	USD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Lighting (Foshan) Co. Ltd	Foshan	People's Rep. of China	10,800,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Cofap Fabricadora de Pecas Ltda	Santo Andre	Brazil	585,411,633	BRL	99.99	Magneti Marelli After Market Parts and Services S.p.A.	100.000	
Magneti Marelli Componentes Plasticos Ltda	Itauna	Brazil	6,402,500	BRL	99.99	Plastic Components and Modules Automotive S.p.A.	100.000	
Magneti Marelli Conjuntos de Escape S.A.	Buenos Aires	Argentina	9,999,971	ARS	99.99	Magneti Marelli S.p.A.	96.260	
						Magneti Marelli Argentina S.A.	3.740	
Magneti Marelli d.o.o. Kragujevac	Kragujevac	Serbia	1,363,504,543	RSD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli do Brasil Industria e Comercio Ltda	Hortolandia	Brazil	100,000	BRL	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Espana S.A.	Linares del Valles	Spain	781,101	EUR	99.99	Magneti Marelli Iberica S.A.	100.000	
Magneti Marelli France S.a.s.	Trappes	France	19,066,824	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli GmbH	Stuttgart	Germany	200,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Holding U.S.A. LLC	Wixom	U.S.A.	10	USD	100.00	FCA North America Holdings LLC	100.000	
Magneti Marelli Iberica S.A.	Santpedor	Spain	389,767	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli India Private Ltd	Gurugram	India	150,000,000	INR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli International Trading (Shanghai) Co. LTD	Shanghai	People's Rep. of China	200,000	USD	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Japan K.K.	Kohoku-Ku-Yokohama-Kanagawa	Japan	360,000,000	JPY	99.99	Magneti Marelli S.p.A.	100.000	

Appendix - FCA Companies
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Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi	Bursa	Turkey	50,005	TRY	99.94	Automotive Lighting Reutlingen GmbH	99.842	
						PLASTIFORM PLASTIK SANAY ve TICARET A.S.	0.052	
						Sistemi Comandi Meccanici Otomotiv Sanayi Ve Ticaret A.S.	0.052	
Magneti Marelli Motopropulsion France SAS	Argentan	France	37,002	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli North America Inc.	Wilmington	U.S.A.	7,491,705	USD	99.99	Magneti Marelli Cofap Fabricadora de Pecas Ltda	100.000	
Magneti Marelli of Tennessee LLC	Auburn Hills	U.S.A.	1,300,000	USD	100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Magneti Marelli Poland Sp. z o.o.	Sosnowiec	Poland	83,500,000	PLN	99.99	Automotive Lighting Reutlingen GmbH	100.000	
Magneti Marelli Powertrain (Hefei) Co. Ltd	Hefei	People's Rep. of China	70,000,000	CNY	99.99	Magneti Marelli S.p.A	100.000	
Magneti Marelli Powertrain India Private Limited	Gurugram	India	450,000,000	INR	51.00	Magneti Marelli S.p.A.	51.000	
Magneti Marelli Powertrain Mexico S. de r.l. de c.v.	Mexico City	Mexico	3,000	MXN	99.99	Magneti Marelli S.p.A.	99.967	
						Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	0.033	
Magneti Marelli Powertrain Slovakia s.r.o.	Kechnec	Slovak Republic	12,000,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Powertrain U.S.A. LLC	Sanford	U.S.A.	25,000,000	USD	100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Magneti Marelli Promatcor Sistemi Sospensioni Mexicana S.R.L. de C.V.	Mexico City	Mexico	3,000	MXN	87.99	Sistemi Sospensioni S.p.A.	88.000	
Magneti Marelli Repuestos S.A.	Buenos Aires	Argentina	75,262,000	ARS	99.99	Magneti Marelli After Market Parts and Services S.p.A.	81.943	
						Magneti Marelli Cofap Fabricadora de Pecas Ltda	18.057	
Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda	Contagem	Brazil	1,090,694,874	BRL	99.99	Magneti Marelli S.p.A.	72.808	
						Automotive Lighting Reutlingen GmbH	27.192	
Magneti Marelli Sistemas Electronicos Mexico S.A.	Tepotzotlan	Mexico	50,000	MXN	99.99	Magneti Marelli S.p.A.	99.998	
						Servicios Administrativos Corp. IPASA S.A.	0.002	
Magneti Marelli Slovakia s.r.o.	Kechnec	Slovak Republic	103,006,639	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli South Africa (Proprietary) Limited	Johannesburg	South Africa	7,550,000	ZAR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Suspansiyon Sistemleri Ticaret Limited Sirketi	Bursa	Turkey	520,000	TRY	99.99	Sistemi Sospensioni S.p.A.	100.000	
Magneti Marelli Suspension Systems Bielsko Sp. z o.o.	Bielsko-Biala	Poland	70,050,000	PLN	99.99	Sistemi Sospensioni S.p.A.	100.000	
Magneti Marelli Toluca Mexico S. de R.L. de CV.	Toluca	Mexico	3,000	MXN	99.99	Magneti Marelli S.p.A.	99.967	
						Magneti Marelli Powertrain Mexico S. de r.l. de c.v.	0.033	
Magneti Marelli Um Electronic Systems Private Limited	Gurugram	India	500,000,000	INR	51.00	Magneti Marelli S.p.A.	51.000	
Malaysian Automotive Lighting SDN. BHD	Simpang Ampat	Malaysia	6,000,000	MYR	79.99	Automotive Lighting Reutlingen GmbH	80.000	
MM I&T Sas	Valbonne Sophia Antipolis	France	607,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
MMH Industria e Comercio De Componentes Automotivos Ltda	Nova Goiana	Brazil	130,926,000	BRL	99.99	Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda	100.000	
Plastic Components and Modules Automotive S.p.A.	Turin	Italy	10,000,000	EUR	99.99	Plastic Components and Modules Holding S.p.A.	100.000	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Plastic Components and Modules Holding S.p.A.	Turin	Italy	10,000,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Plastic Components and Modules Poland S.A.	Sosnowiec	Poland	21,000,000	PLN	99.99	Plastic Components and Modules Automotive S.p.A.	100.000	
Plastic Components Fuel Systems Poland Sp. z o.o.	Sosnowiec	Poland	29,281,500	PLN	99.99	Plastic Components and Modules Poland S.A.	100.000	
PLASTIFORM PLASTIK SANAY ve TICARET A.S.	Bursa	Turkey	715,000	TRY	99.94	Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi	100.000	
PSMM Pernambuco Componentes Automotivos Ltda	Nova Golana	Brazil	75,200,160	BRL	50.00	Plastic Components and Modules Automotive S.p.A.	50.000	
Servicios Administrativos Corp. IPASA S.A.	Col. Chapultepec	Mexico	1,000	MXN	99.99	Magneti Marelli Sistemas Electronicos Mexico S.A.	99.990	
						Industrias Magneti Marelli Mexico S.A. de C.V.	0.010	
Sistemi Comandi Meccanici Otomotiv Sanayi Ve Ticaret A.S.	Bursa	Turkey	90,000	TRY	99.89	Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi	99.956	
Sistemi Sospensioni S.p.A.	Corbetta	Italy	37,622,179	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Soffiaggio Polimeri S.r.l.	Leno	Italy	45,900	EUR	84.99	Plastic Components and Modules Automotive S.p.A.	85.000	
Tecnologia de Iluminacion Automotriz S.A. de C.V.	Juarez	Mexico	50,000	MXN	100.00	Automotive Lighting LLC	99.998	
						Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	0.002	
Ufima S.A.S. - Societe en liquidation	Trappes	France	44,940	EUR	99.99	Magneti Marelli S.p.A.	65.020	
						FCA Partecipazioni S.p.A.	34.980	
Teksid								
Teksid S.p.A.	Turin	Italy	71,403,261	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Compania Industrial Frontera S.A. de C.V.	Frontera	Mexico	11,376,600	MXN	100.00	Teksid Hierro de Mexico S.A. de C.V.	99.999	
						Teksid Inc.	0.001	
Funfrap-Fundicao Portuguesa S.A.	Cacia	Portugal	13,697,550	EUR	83.61	Teksid S.p.A.	83.607	
Teksid Aluminum S.r.l.	Carmagnola	Italy	5,000,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Teksid do Brasil Ltda	Betim	Brazil	714,696,013	BRL	100.00	Teksid S.p.A.	100.000	
Teksid Hierro de Mexico S.A. de C.V.	Frontera	Mexico	297,167,800	MXN	100.00	Teksid S.p.A.	100.000	
Teksid Inc.	Farmington Hills	U.S.A.	100,000	USD	100.00	Teksid S.p.A.	100.000	
Teksid Iron Poland Sp. z o.o.	Skoczow	Poland	48,122,256	PLN	100.00	Teksid S.p.A.	100.000	
Comau								
Comau S.p.A.	Grugliasco	Italy	48,013,959	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
COMAU (KUNSHAN) Automation Co. Ltd.	Kunshan	People's Rep. of China	8,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) Engineering Co. Ltd.	Shanghai	People's Rep. of China	5,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) International Trading Co. Ltd.	Shanghai	People's Rep. of China	200,000	USD	100.00	Comau S.p.A.	100.000	
Comau Argentina S.A.	Buenos Aires	Argentina	500,000	ARS	100.00	Comau S.p.A.	97.000	
						FCA Argentina S.A.	3.000	
Comau Automatizacion S.de R.L. C.V.	Cuautitlan Izcalli	Mexico	62,204,118	MXN	100.00	Comau Mexico S.de R.L. de C.V.	100.000	
Comau Canada Inc.	Windsor	Canada	100	CAD	100.00	Comau LLC	100.000	
Comau Deutschland GmbH	Boblingen	Germany	1,330,000	EUR	100.00	Comau S.p.A.	100.000	
Comau do Brasil Industria e Comercio Ltda.	Betim	Brazil	102,742,653	BRL	100.00	Comau S.p.A.	100.000	

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Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Comau France S.A.S.	Trappes	France	6,000,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Iaisa S.de R.L. de C.V.	Cuautitlan Izcalli	Mexico	17,181,062	MXN	100.00	Comau Mexico S.de R.L. de C.V.	100.000	
Comau India Private Limited	Pune	India	239,935,020	INR	100.00	Comau S.p.A.	99.990	
						Comau Deutschland GmbH	0.010	
Comau LLC	Wilmington	U.S.A.	100	USD	100.00	FCA North America Holdings LLC	100.000	
Comau Mexico S.de R.L. de C.V.	Cuautitlan Izcalli	Mexico	99,349,172	MXN	100.00	Comau S.p.A.	100.000	
Comau Poland Sp. z o.o.	Bielsko-Biala	Poland	3,800,000	PLN	100.00	Comau S.p.A.	100.000	
Comau Romania S.R.L.	Oradea	Romania	23,673,270	RON	100.00	Comau S.p.A.	100.000	
Comau Russia OOO	Moscow	Russia	4,770,225	RUB	100.00	Comau S.p.A.	99.000	
						Comau Deutschland GmbH	1.000	
Comau Service Systems S.L.	Madrid	Spain	250,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Trebol S.de R.L. de C.V.	Tepotzotlan	Mexico	16,168,211	MXN	100.00	Comau Mexico S.de R.L. de C.V.	100.000	
Comau U.K. Limited	Rugby	United Kingdom	2,502,500	GBP	100.00	Comau S.p.A.	100.000	
Other Activities: Holding companies and Other companies								
Deposito Avogadro S.p.A.	Turin	Italy	5,100,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
FCA Argentina S.A.	Buenos Aires	Argentina	5,292,117	ARS	100.00	FCA Services S.p.A.	90.961	
						FCA Fiat Chrysler Participacoes Brasil Limitada	9.029	
						Fiat Chrysler Rimaco Argentina S.A.	0.009	
						FCA AUTOMOBILES ARGENTINA S.A.	0.001	
FCA Fiat Chrysler Participacoes Brasil Limitada	Nova Lima	Brazil	11,174,292,755	BRL	100.00	Fiat Chrysler Automobiles N.V.	55.037	
						FCA Italy S.p.A.	44.578	
						FCA Real Estate Services S.p.A.	0.385	
FCA Group Purchasing France S.a.r.l.	Trappes	France	7,700	EUR	100.00	FCA Group Purchasing S.r.l.	100.000	
FCA Group Purchasing Poland Sp. z o.o.	Bielsko-Biala	Poland	300,000	PLN	100.00	FCA Group Purchasing S.r.l.	100.000	
FCA Group Purchasing S.r.l.	Turin	Italy	600,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
FCA Information Technology, Excellence and Methods S.p.A.	Turin	Italy	500,000	EUR	100.00	FCA Services S.p.A.	99.000	
						FCA Italy S.p.A.	1.000	
FCA North America Holdings LLC	Wilmington	U.S.A.	—	USD	100.00	Fiat Chrysler Automobiles N.V.	100.000	
FCA Partecipazioni S.p.A.	Turin	Italy	50,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Security Societa consortile per azioni	Turin	Italy	152,520	EUR	90.13	FCA Partecipazioni S.p.A.	64.152	
						FCA Italy S.p.A.	13.171	
						Fiat Chrysler Automobiles N.V.	4.430	
						Magneti Marelli S.p.A.	1.496	
						FCA ITALY HOLDINGS S.p.A.	1.081	
						FCA Melfi S.r.l.	0.656	
						Comau S.p.A.	0.621	
						C.R.F. Società Consortile per Azioni	0.605	
						Teksid S.p.A.	0.570	
						FCA Services S.p.A.	0.514	
						Sistemi Sospensioni S.p.A.	0.433	
						FCA Servizi per l'Industria S.c.p.A.	0.426	

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
						Teksid Aluminum S.r.l.	0.425	
						Fiat Chrysler Finance S.p.A.	0.367	
						Fidis S.p.A.	0.256	
						Automotive Lighting Italia S.p.A.	0.201	
						FCA Group Marketing S.p.A.	0.129	
						FCA Group Purchasing S.r.l.	0.081	
						FCA Real Estate Services S.p.A.	0.081	
						Servizi e Attività Doganali per l'Industria S.p.A.	0.081	
						Sisport S.p.A. - Società sportiva dilettantistica	0.078	
						Plastic Components and Modules Automotive S.p.A.	0.051	
						FCA Center Italia S.p.A.	0.035	
						Abarth & C. S.p.A.	0.031	
						Fiat Chrysler Risk Management S.p.A.	0.031	
						Maserati S.p.A.	0.031	
						Magneti Marelli After Market Parts and Services S.p.A.	0.029	
						Deposito Avogadro S.p.A.	0.017	
						Easy Drive S.r.l.	0.017	
						FCA Customer Services Centre S.r.l.	0.017	
						FCA Fleet & Tenders S.R.L.	0.017	
						FCA Information Technology, Excellence and Methods S.p.A.	0.017	
						i-FAST Automotive Logistics S.r.l.	0.016	
						i-FAST Container Logistics S.p.A.	0.016	
FCA Services Belgium N.V.	Brugge	Belgium	62,000	EUR	100.00	FCA Services S.p.A.	99.960	
						Servizi e Attività Doganali per l'Industria S.p.A.	0.040	
FCA Services d.o.o. Kragujevac	Kragujevac	Serbia	15,047,880	RSD	100.00	FCA Services S.p.A.	100.000	
FCA Services Germany GmbH	Ulm	Germany	200,000	EUR	100.00	FCA Services S.p.A.	100.000	
FCA Services Hispano-Lusa S.A.	Madrid	Spain	2,797,054	EUR	100.00	FCA Services S.p.A.	100.000	
FCA Services Polska Sp. z o.o.	Bielsko-Biala	Poland	3,600,000	PLN	100.00	FCA Services S.p.A.	100.000	
FCA Services S.p.A.	Turin	Italy	3,600,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
FCA Services Support Malaysia SDN. BHD.	Kuala Lumpur	Malaysia	2,000,000	MYR	100.00	FCA Services S.p.A.	100.000	
FCA Services Support Mexico S.A. de C.V.	Mexico City	Mexico	100	MXN	100.00	FCA Services S.p.A.	99.000	
						Servizi e Attività Doganali per l'Industria S.p.A.	1.000	
FCA Services U.S.A., Inc.	Wilmington	U.S.A.	500,000	USD	100.00	FCA Services S.p.A.	100.000	
FCA Servizi per l'Industria S.c.p.A.	Turin	Italy	1,652,669	EUR	87.70	FCA Italy S.p.A.	51.000	
						FCA Partecipazioni S.p.A.	11.500	
						Fiat Chrysler Automobiles N.V.	5.000	
						FCA Security Società consortile per azioni	3.000	
						Teksid S.p.A.	2.000	
						Abarth & C. S.p.A.	1.500	

Appendix - FCA Companies
at December 31, 2017

Subsidiaries consolidated on a line-by-line basis (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
						C.R.F. Società Consortile per Azioni	1.500	
						Comau S.p.A.	1.500	
						FCA Group Marketing S.p.A.	1.500	
						FCA Information Technology, Excellence and Methods S.p.A.	1.500	
						FCA Services S.p.A.	1.500	
						Fiat Chrysler Finance S.p.A.	1.500	
						Fidis S.p.A.	1.500	
						Magneti Marelli S.p.A.	1.500	
						Maserati S.p.A.	1.500	
						Deposito Avogadro S.p.A.	0.500	
Fiat Chrysler Automobiles Services UK Limited	Basildon	United Kingdom	18,750,000	GBP	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Financas Brasil Ltda.	Nova Lima	Brazil	2,469,701	BRL	100.00	Fiat Chrysler Finance S.p.A.	99.994	
						FCA Fiat Chrysler Participacoes Brasil Limitada	0.006	
Fiat Chrysler Finance Canada Ltd.	Calgary	Canada	10,099,885	CAD	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Finance et Services S.A.S.	Trappes	France	3,700,000	EUR	100.00	FCA Services S.p.A.	100.000	
Fiat Chrysler Finance Europe S.A.	Luxembourg	Luxembourg	86,494,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Finance North America Inc.	Wilmington	U.S.A.	190,090,010	USD	100.00	FCA North America Holdings LLC	100.000	
Fiat Chrysler Finance S.p.A.	Turin	Italy	224,440,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Finance US Inc.	Wilmington	U.S.A.	100	USD	100.00	FCA North America Holdings LLC	100.000	
Fiat Chrysler Polska Sp. z o.o.	Warsaw	Poland	25,500,000	PLN	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Rimaco SA	Lugano	Switzerland	350,000	CHF	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Risk Management S.p.A.	Turin	Italy	120,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler UK LLP	London	United Kingdom	5,000,250,001	USD	100.00	Fiat Chrysler Automobiles N.V.	99.995	
						Maserati North America Inc.	0.005	
Fiat U.S.A. Inc.	New York	U.S.A.	16,830,000	USD	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Neptunia Assicurazioni Maritime S.A.	Lugano	Switzerland	10,000,000	CHF	100.00	Fiat Chrysler Rimaco SA	100.000	
New Business 30 S.r.l.	Turin	Italy	100,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
Sadi Polska-Agencja Celna Sp. z o.o.	Bielsko-Biala	Poland	500,000	PLN	100.00	Servizi e Attività Doganali per l'Industria S.p.A.	100.000	
Servizi e Attività Doganali per l'Industria S.p.A.	Turin	Italy	520,000	EUR	100.00	FCA Services S.p.A.	100.000	
Sisport S.p.A. - Società sportiva dilettantistica	Turin	Italy	889,049	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
Joint arrangements								
Mass-Market Vehicles								
APAC								
Fiat India Automobiles Private Limited	Ranjangaon	India	24,451,596,600	INR	50.00	FCA Italy S.p.A.	50.000	
EMEA								
Società Europea Veicoli Leggeri-Sevel S.p.A.	Atessa	Italy	68,640,000	EUR	50.00	FCA Italy S.p.A.	50.000	
Jointly-controlled entities accounted for using the equity method								
Mass-Market Vehicles								
NAFTA								
United States Council for Automotive Research LLC	Southfield	U.S.A.	100	USD	33.33	FCA US LLC	33.330	

Jointly-controlled entities accounted for using the equity method (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
APAC								
GAC FIAT Chrysler Automobiles Co. Ltd.	Changsha	People's Rep. of China	6,000,000,000	CNY	50.00	Fiat Chrysler Automobiles N.V.	21.667	
						FCA Asia Pacific Investment Co. Ltd.	18.333	
						FCA Italy S.p.A.	10.000	
GAC FIAT CHRYSLER AUTOMOBILES SALES CO. Ltd.	Changsha	People's Rep. of China	200,000,000	CNY	50.00	GAC FIAT Chrysler Automobiles Co. Ltd.	100.000	
EMEA								
FCA BANK S.p.A.	Turin	Italy	700,000,000	EUR	50.00	FCA Italy S.p.A.	50.000	
FCA AUTOMOTIVE SERVICES UK LTD.	Slough Berkshire	United Kingdom	50,250,000	GBP	50.00	FCA BANK S.p.A.	100.000	
FCA Bank Deutschland G.m.b.H.	Heilbronn	Germany	39,600,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Bank G.m.b.H.	Vienna	Austria	5,000,000	EUR	50.00	FCA BANK S.p.A.	50.000	
						Fidis S.p.A.	25.000	
FCA CAPITAL BELGIUM S.A.	Auderghem	Belgium	3,718,500	EUR	50.00	FCA BANK S.p.A.	99.999	
FCA CAPITAL DANMARK A/S	Glostrup	Denmark	14,154,000	DKK	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL ESPANA E.F.C. S.A.	Alcalá De Henares	Spain	26,671,557	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL FRANCE S.A.	Trappes	France	11,360,000	EUR	50.00	FCA BANK S.p.A.	99.999	
FCA CAPITAL HELLAS S.A.	Argyroupoli	Greece	1,200,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Capital Nederland B.V.	Lijnden	Netherlands	3,085,800	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL NORGE AS	Fornebu	Norway	100,800	NOK	50.00	FCA CAPITAL DANMARK A/S	100.000	
FCA CAPITAL PORTUGAL INSTITUIÇÃO FINANCEIRA DE CRÉDITO SA	Porto Salvo	Portugal	10,000,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL RE Designated Activity Company	Dublin	Ireland	1,000,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Capital Suisse S.A.	Schlieren	Switzerland	24,100,000	CHF	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL SVERIGE AB	Kista	Sweden	50,000	SEK	50.00	FCA CAPITAL DANMARK A/S	100.000	
FCA DEALER SERVICES ESPANA S.A.	Alcalá De Henares	Spain	25,145,299	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA DEALER SERVICES PORTUGAL S.A.	Porto Salvo	Portugal	500,300	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA DEALER SERVICES UK LTD.	Slough Berkshire	United Kingdom	20,500,000	GBP	50.00	FCA BANK S.p.A.	100.000	
FCA INSURANCE HELLAS S.A.	Argyroupoli	Greece	60,000	EUR	49.99	FCA CAPITAL HELLAS S.A.	99.975	
FCA LEASING FRANCE SNC	Trappes	France	8,954,581	EUR	50.00	FCA CAPITAL FRANCE S.A.	99.998	
FCA Leasing GmbH	Vienna	Austria	40,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Leasing Polska Sp. z o.o.	Warsaw	Poland	24,384,000	PLN	50.00	FCA BANK S.p.A.	100.000	
FCA-Group Bank Polska S.A.	Warsaw	Poland	125,000,000	PLN	50.00	FCA BANK S.p.A.	100.000	
Ferrari Financial Services GMBH	Pullach i. Isartal	Germany	1,777,600	EUR	25.00	FCA BANK S.p.A.	50.000	
LEASYS FRANCE S.A.S.	Trappes	France	3,000,000	EUR	50.00	Leasys S.p.A.	100.000	
Leasys S.p.A.	Turin	Italy	77,979,400	EUR	50.00	FCA BANK S.p.A.	100.000	
LEASYS UK LTD.	Slough Berkshire	United Kingdom	19,000,000	GBP	50.00	Leasys S.p.A.	100.000	
FER MAS Oto Ticaret A.S.	Istanbul	Turkey	5,500,000	TRY	37.64	Tofas-Türk Otomobil Fabrikasi A.S.	99.418	
Koc Fiat Kredi Tuketici Finansmani A.S.	Istanbul	Turkey	30,000,000	TRY	37.86	Tofas-Türk Otomobil Fabrikasi A.S.	100.000	
Tofas-Türk Otomobil Fabrikasi A.S.	Levent	Turkey	500,000,000	TRY	37.86	FCA Italy S.p.A.	37.856	

Appendix - FCA Companies
at December 31, 2017

Jointly-controlled entities accounted for using the equity method (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Components								
Magneti Marelli								
Hubei Huazhoung Magneti Marelli Automotive Lighting Co. Ltd	Hubei Province	People's Rep. of China	138,846,000	CNY	50.00	Automotive Lighting Reutlingen GmbH	50.000	
Magneti Marelli Motherson Auto System Private Limited	New Delhi	India	1,500,000,000	INR	50.00	Magneti Marelli S.p.A.	37.333	—
						Magneti Marelli Motherson India Holding B.V.	25.333	100.000
Magneti Marelli Motherson India Holding B.V.	Lijnden	Netherlands	2,114,074	EUR	50.00	Magneti Marelli S.p.A.	50.000	
Magneti Marelli Motherson Shock Absorbers (India) Private Limited	Pune	India	2,269,000,000	INR	50.00	Magneti Marelli S.p.A.	50.000	
Magneti Marelli SKH Exhaust Systems Private Limited	Gurugram	India	274,190,000	INR	50.00	Magneti Marelli S.p.A.	50.000	
Magneti Marelli Talbro's Chassis Systems Pvt. Ltd.	Faridabad	India	235,600,000	INR	50.00	Sistemi Sospensioni S.p.A.	50.000	
SAIC MAGNETI MARELLI Powertrain Co. Ltd	Shanghai	People's Rep. of China	23,000,000	EUR	50.00	Magneti Marelli S.p.A.	50.000	
SKH Magneti Marelli Exhaust Systems Private Limited	Gurugram	India	95,450,000	INR	46.62	Magneti Marelli S.p.A.	46.621	50.000
Zhejiang Wanxiang Magneti Marelli Shock Absorbers Co. Ltd.	Zhenjiang-Jiangsu	People's Rep. of China	100,000,000	CNY	50.00	Magneti Marelli S.p.A.	50.000	
Teksid								
Hua Dong Teksid Automotive Foundry Co. Ltd.	Zhenjiang-Jiangsu	People's Rep. of China	385,363,500	CNY	50.00	Teksid S.p.A.	50.000	
Subsidiaries accounted for using the equity method								
Mass-Market Vehicles								
EMEA								
AC Austro Car Handelsgesellschaft m.b.h. & Co. OHG	Vienna	Austria	—	EUR	100.00	FCA AUSTRO CAR GmbH	100.000	
ALFA ROMEO LLC.	Auburn Hills	U.S.A.	—	USD	100.00	FCA North America Holdings LLC	100.000	
Chrysler France S.A.S.	Trappes	France	460,000	EUR	100.00	CG EU NSC LIMITED	100.000	
Chrysler Jeep Ticaret A.S.	Istanbul	Turkey	5,357,000	TRY	100.00	CG EU NSC LIMITED	99.960	
						FCA US LLC	0.040	
Chrysler Polska Sp.z o.o.	Warsaw	Poland	30,356,000	PLN	100.00	CG EU NSC LIMITED	100.000	
Fiat Automobiles S.p.A. in liquidation	Turin	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER AUTOMOBILES CR s.r.o.	Prague	Czech Republic	1,000,000	CZK	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER AUTOMOBILES SR s.r.o.	Bratislava	Slovak Republic	33,194	EUR	100.00	FCA Italy S.p.A.	100.000	
Fiat Professional S.p.A. in liquidation	Turin	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
GESTIN POLSKA Sp. z o.o.	Bielsko-Biala	Poland	500,000	PLN	100.00	FCA POLAND Spółka Akcyjna	100.000	
Italcar SA	Casablanca	Morocco	4,000,000	MAD	99.90	Fiat Chrysler Automobiles Morocco S.A.	99.900	
Lancia Automobiles S.p.A. in liquidation	Turin	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
NEW BUSINESS 37 S.p.A.	Turin	Italy	50,000	EUR	100.00	FCA Real Estate Services S.p.A.	100.000	
Sirio Polska Sp. z o.o.	Bielsko-Biala	Poland	1,350,000	PLN	100.00	FCA POLAND Spółka Akcyjna	100.000	
Components								
Magneti Marelli								
Cofap Fabricadora de Pecas Ltda	Santo Andre	Brazil	75,720,716	BRL	68.34	Magneti Marelli do Brasil Industria e Comercio Ltda	68.350	
Comau								
COMAU (THAILAND) CO. LTD	Bangkok	Thailand	10,000,000	THB	100.00	Comau S.p.A.	99.997	

Subsidiaries accounted for using the equity method (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
COMAU Czech s.r.o.	Ostrava	Czech Republic	5,400,000	CZK	100.00	Comau S.p.A.	100.000	
Comau Do Brasil Facilities Ltda.	Santo Andre	Brazil	10,000,000	BRL	100.00	Comau do Brasil Industria e Comercio Ltda.	100.000	
Comau Robot ve Sistemleri A.S	Bursa	Turkey	1,210,000	TRY	100.00	Comau S.p.A.	100.000	
IUVO SRL	Pontedera	Italy	61,224	EUR	26.01	SYNEXO S.R.L.	51.000	
SYNEXO S.R.L.	Grugliasco	Italy	10,000	EUR	51.00	Comau S.p.A.	51.000	
Other Activities: Holding companies and Other companies								
Fiat (Beijing) Business Co., Ltd.	Beijing	People's Rep. of China	3,000,000	USD	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Rimaco Argentina S.A.	Buenos Aires	Argentina	150,000	ARS	99.96	Fiat Chrysler Rimaco SA	99.960	
Fiat Chrysler Rimaco Brasil Corretagens de Seguros Ltda.	Belo Horizonte	Brazil	365,525	BRL	100.00	Fiat Chrysler Rimaco SA	99.998	
Subsidiaries valued at cost								
Mass-Market Vehicles								
NAFTA								
FCA Co-Issuer Inc.	Wilmington	U.S.A.	100	USD	100.00	FCA US LLC	100.000	
FCA DUTCH OPERATING LLC	Wilmington	U.S.A.	—	USD	100.00	CNI C.V.	100.000	
FCA Foundation	Bingham Farms	U.S.A.	—	USD	100.00	FCA US LLC	100.000	
FCA INTERMEDIATE MEXICO LLC	Wilmington	U.S.A.	1	USD	100.00	Chrysler Mexico Investment Holdings Cooperatie U.A.	100.000	
Fundacion Chrysler, I.A.P.	Santa Fe	Mexico	—	MXN	100.00	FCA Mexico, S.A. de C.V.	100.000	
FUNDACION FCA, A.C.	Mexico	Mexico	2	MXN	100.00	FCA Mexico, S.A. de C.V.	50.000	
						FCA MINORITY LLC	50.000	
EMEA								
Associazione Tecnica dell'Automobile Consulting & Solutions s.r.l. in liquidation	Orbassano	Italy	49,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
Chrysler Netherlands Holding Cooperatie U.A.	Amsterdam	Netherlands	—	EUR	100.00	CNI C.V.	99.000	
						FCA DUTCH OPERATING LLC	1.000	
Chrysler UK Pension Trustees Limited	Slough Berkshire	United Kingdom	1	GBP	100.00	Chrysler UK Limited	100.000	
CODEFIS Società consortile per azioni	Turin	Italy	120,000	EUR	51.00	FCA Italy S.p.A.	51.000	
Consorzio ATA - FORMAZIONE	Pomigliano d'Arco	Italy	18,319	EUR	100.00	C.R.F. Società Consortile per Azioni	90.998	
						FCA Real Estate Services S.p.A.	9.002	
CONSORZIO FCA CNHI ENERGY	Turin	Italy	7,000	EUR	57.14	Comau S.p.A.	14.286	
						FCA Italy S.p.A.	14.286	
						Plastic Components and Modules Automotive S.p.A.	14.286	
						Teksid S.p.A.	14.286	
Consorzio Servizi Balocco	Turin	Italy	10,100	EUR	86.11	FCA Italy S.p.A.	80.663	
						Maserati S.p.A.	2.901	
						Abarth & C. S.p.A.	1.554	
						FCA Real Estate Services S.p.A.	0.990	
FAS FREE ZONE Ltd. Kragujevac	Kragujevac	Serbia	2,281,603	RSD	66.67	FCA SERBIA DOO KRAGUJEVAC	100.000	
FCA Russia S.r.l.	Turin	Italy	253,565	EUR	100.00	FCA Italy S.p.A.	100.000	
Fiat Motor Sales Ltd	Slough Berkshire	United Kingdom	1,500,000	GBP	100.00	FIAT CHRYSLER AUTOMOBILES UK Ltd	100.000	

Appendix - FCA Companies
at December 31, 2017

Subsidiaries valued at cost (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
OOO "CABEKO"	Nizhniy Novgorod	Russia	181,869,062	RUB	100.00	FCA Russia S.r.l.	99.591	
						FCA Italy S.p.A.	0.409	
VM North America Inc.	Auburn Hills	U.S.A.	1,000	USD	100.00	FCA Italy S.p.A.	100.000	
Components								
Magneti Marelli								
SBH EXTRUSAO DO BRASIL LTDA.	Betim	Brazil	15,478,371	BRL	99.99	Plastic Components and Modules Automotive S.p.A.	100.000	
Comau								
Consorzio Femag in liquidation	Bareggio	Italy	144,608	EUR	68.00	Comau S.p.A.	68.000	
Other Activities: Holding companies and Other companies								
FCA Newco LLC	Wilmington	U.S.A.	1	USD	100.00	Maserati North America Inc.	100.000	
Fiat Chrysler Finance Netherlands B.V.	Amsterdam	Netherlands	1	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Common Investment Fund Limited	London	United Kingdom	2	GBP	100.00	Fiat Chrysler Automobiles Services UK Limited	100.000	
Fiat Oriente S.A.E. in liquidation	Cairo	Egypt	50,000	EGP	100.00	FCA Partecipazioni S.p.A.	100.000	
Isvor Fiat India Private Ltd. in liquidation	New Delhi	India	1,750,000	INR	100.00	FCA Partecipazioni S.p.A.	100.000	
New Business 29 S.c.r.l.	Turin	Italy	50,000	EUR	100.00	FCA Partecipazioni S.p.A.	80.000	
						Fiat Chrysler Automobiles N.V.	20.000	
New Business 31 S.p.A.	Turin	Italy	120,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
New Business 35 s.r.l.	Turin	Italy	50,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
New Business 36 s.r.l.	Turin	Italy	50,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
Associated companies accounted for using the equity method								
Mass-Market Vehicles								
APAC								
Hangzhou IVECO Automobile Transmission Technology Co., Ltd.	Hangzhou	People's Rep. of China	795,000,000	CNY	50.00	FCA Partecipazioni S.p.A.	50.000	
EMEA								
Arab American Vehicles Company S.A.E.	Cairo	Egypt	6,000,000	USD	49.00	FCA US LLC	49.000	
Components								
Magneti Marelli								
FMM Pernambuco Componentes Automotivos Ltda	Nova Goiana	Brazil	209,180,100	BRL	49.00	Plastic Components and Modules Automotive S.p.A.	49.000	
HMC MM Auto Ltd	New Delhi	India	434,500,000	INR	40.00	Magneti Marelli S.p.A.	40.000	
Other Activities: Holding companies and Other companies								
Iveco-Motor Sich, Inc.	Zaporozhye	Ukraine	26,568,000	UAH	38.62	FCA Partecipazioni S.p.A.	38.618	
Otoyol Sanayi A.S. in liquidation	Samandira-Kartal/Istanbul	Turkey	52,674,386	TRY	27.00	FCA Partecipazioni S.p.A.	27.000	
Associated companies valued at cost								
Mass-Market Vehicles								
LATAM								
FCA Venezuela LLC	Wilmington	U.S.A.	132,474,694	USD	100.00	CG Venezuela UK Holdings Limited	100.000	
EMEA								
Consorzio per la Reindustrializzazione Area di Arese S.r.l. in liquidation	Arese	Italy	20,000	EUR	30.00	FCA Italy S.p.A.	30.000	
Innovazione Automotive e Metalmeccanica Scrl	Santa Maria Imbaro	Italy	115,000	EUR	23.75	FCA Italy S.p.A.	15.077	
						C.R.F. Società Consortile per Azioni	8.465	
						Sistemi Sospensioni S.p.A.	0.211	

Associated companies valued at cost (continued)

Name	Registered Office	Country	Share capital	Currency	% of Group consolidation	Interest held by	% interest held	% voting rights
Tecnologie per il Calcolo Numerico-Centro Superiore di Formazione S.c. a r.l.	Trento	Italy	100,000	EUR	25.00	C.R.F. Società Consortile per Azioni	25.000	
Turin Auto Private Ltd. in liquidation	Mumbai	India	43,300,200	INR	50.00	FCA ITALY HOLDINGS S.p.A.	50.000	
Components								
Magneti Marelli								
Bari Servizi Industriali S.c.r.l.	Modugno	Italy	24,000	EUR	25.00	Magneti Marelli S.p.A.	25.000	
DTR VMS Italy S.r.l.	Passirano	Italy	1,000,000	EUR	40.00	Magneti Marelli S.p.A.	40.000	
Mars Seal Private Limited	Mumbai	India	400,000	INR	24.00	Magneti Marelli France S.a.s.	24.000	
Matay Otomotiv Yan Sanay Ve Ticaret A.S.	Bursa	Turkey	3,800,000	TRY	28.00	Magneti Marelli S.p.A.	28.000	
PSMM Campania S.r.l.	Torrice	Italy	18,000,000	EUR	30.00	Plastic Components and Modules Automotive S.p.A.	30.000	
Other Activities: Holding companies and Other companies								
ANFIA Automotive S.c.r.l.	Turin	Italy	20,000	EUR	20.00	C.R.F. Società Consortile per Azioni	5.000	
						FCA Information Technology, Excellence and Methods S.p.A.	5.000	
						FCA Italy S.p.A.	5.000	
						Magneti Marelli S.p.A.	5.000	
Auto Componentistica Mezzogiorno - A.C.M. Melfi Società Consortile a responsabilità limitata	Turin	Italy	40,000	EUR	35.25	FCA Melfi S.r.l.	23.500	
						Sistemi Sospensioni S.p.A.	11.750	
FMA-Consultoria e Negocios Ltda	São Paulo	Brazil	1	BRL	50.00	FCA Fiat Chrysler Participacoes Brasil Limitada	50.000	
Parco Industriale di Chivasso Società Consortile a responsabilità limitata	Chivasso	Italy	10,000	EUR	25.80	FCA Partecipazioni S.p.A.	25.800	
Talent Garden Fondazione Agnelli S.r.l.	Turin	Italy	40,000	EUR	30.00	FCA Partecipazioni S.p.A.	30.000	

Independent Auditor's Report

Independent auditor's report

To: the shareholders and audit committee of Fiat Chrysler Automobiles N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Fiat Chrysler Automobiles N.V. (the Company), incorporated in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements (collectively referred to as the Financial statements).

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Fiat Chrysler Automobiles N.V. as at December 31, 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Fiat Chrysler Automobiles N.V. as at December 31, 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at December 31, 2017
- The following statements for 2017: consolidated income statement, the consolidated statements of comprehensive income, cash flows and changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as at December 31, 2017
- The company income statement for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Fiat Chrysler Automobiles N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€400 million
Benchmark applied	5% of Adjusted EBIT (earnings before interest and income taxes)
Explanation	<p>In 2017 we have changed the basis used to set our materiality: as a consequence of the close to break-even economic results in previous years, we had set up our materiality at approximately 0.5% of Group Revenues. Since FCA is showing a positive trend in profitability, we set our planning materiality at 5% of the average EBIT adjusted for certain exceptional non-recurring items. This average includes a forward looking-element.</p> <p>Based on perspectives and expectations of the users of the financial statements in the context of our understanding of the entity and the environment in which it operates, we determined the materiality for the financial statements as a whole at €400 million (2016: €400 million).</p>

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of €20 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Fiat Chrysler Automobiles N.V. is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of Fiat Chrysler Automobiles N.V. The company is organized along operating segments and has identified six reportable segments being NAFTA, EMEA, LATAM, APAC, Maserati and Components, along with certain other corporate functions and unallocated items which are not included within the reportable segments.

Our group audit mainly focused on significant group entities. Group entities are considered significant components either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. All such significant group entities (comprising 145 entities) were included in the scope of our group audit.

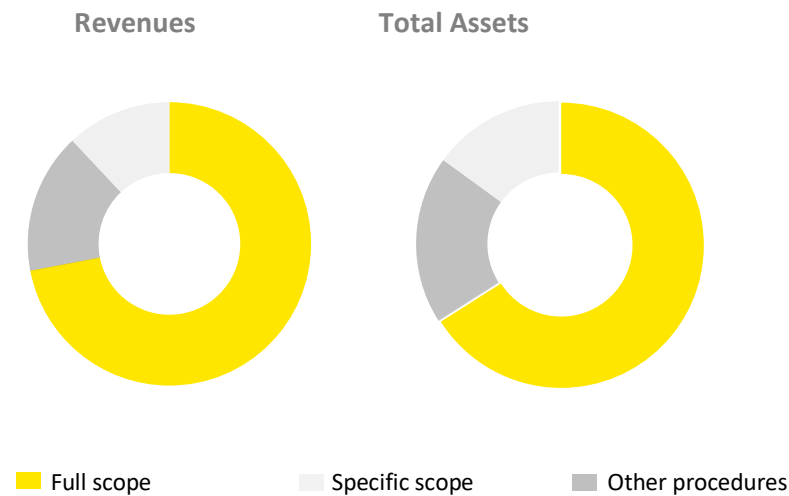
Accordingly, we identified 5 of Fiat Chrysler Automobiles N.V.'s group entities, which, in our view, required an audit of their complete financial information due to their overall size and their risk characteristics. Specific scope audit procedures on certain balances and transactions were performed on 20 entities. Other procedures are performed on a further 120 entities.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our instructions.

- The group consolidation, financial statements and disclosures and the audit of the key audit matters Valuation of goodwill and other non-current assets with indefinite useful lives, with particular reference on LATAM goodwill and Income taxes with focus on recoverability of the Italian deferred tax assets are audited directly by the group engagement team in addition to the other procedures the group team is responsible for.
- The group engagement team visited at least once the local management and the auditors of the components which are significant based on size and their related risk: FCA US, FCA Italy and FCA Brazil. For each of these locations we reviewed the audit files of the component auditor and determined the sufficiency and appropriateness of the work performed.
- The group engagement team visited FCA China to visit local management and the component auditor as part of our direction and supervision of the group audit.
- All component audit teams included in the group scope received detailed instructions from the group engagement team including key risk areas and significant accounts and the group engagement team reviewed their deliverables.

In total these procedures represent 81% of the group’s total assets and 84% of revenues.

Location percentage of coverage:



By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters in 2017 are consistent with those reported in the prior year.

Risk	Our audit approach	Key observations communicated to the Audit Committee
Valuation of goodwill and other non-current assets with indefinite useful lives, with particular reference on LATAM goodwill		
<p>At December 31, 2017 the recorded amount of goodwill and other non-current assets with indefinite useful lives was €10,396 million and €2,994 million respectively. These amounts have primarily been allocated to the Company's four cash generating units ('CGU') that align with the mass market operating segments (NAFTA, APAC, LATAM and EMEA) as set out in note 9.</p> <p>The Company's assessment of the recoverable amount of each CGU involves judgement about the future performance of the business and the discount rates applied to future cash flow forecasts.</p> <p>Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount we have determined that this area constitutes a significant risk.</p>	<p>We designed and performed the following audit procedures to be responsive to this risk:</p> <ul style="list-style-type: none"> • We obtained an understanding of the impairment assessment processes and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. • We validated that the CGUs identified continue to be appropriate in the current year and tested the allocation of asset and liabilities to the carrying value of each CGU. • We evaluated whether the impairment methodology applied by the Company is in line with the requirements per IAS 36, Impairment of Assets • We obtained an understanding of the work performed by the management specialists used for the valuation. • We performed procedures to assess the reasonableness of cash flow forecasts including comparisons to industry forecasts and sector data. <p>In addition, we:</p> <ul style="list-style-type: none"> • reconciled the cash flow forecasts for each CGU to the Group's business plan for the period 2018-2022 and 2018-2026 for LATAM • evaluated the appropriateness of the use of these forecasts in light of the historical accuracy of the Company's forecasts • The discount rates and long term growth rates applied within the model were assessed by EY valuation specialists who independently performed their own calculations and also performed sensitivity analyses of key assumptions for each CGU to determine which changes could 	<p>Based on the results of our work, we agree with the Company's conclusion that no impairment of goodwill is required in the current year. With respect to LATAM, given the importance of the assumptions in relation to the continuation of certain tax benefits, we agree with the continued disclosure of this assumption in the consolidated financial statements.</p>

Risk	Our audit approach	Key observations communicated to the Audit Committee
	<p>materially impact the valuation of recoverable.</p> <p>Finally, we reviewed the adequacy of the disclosures made by the company in this area, in particular focusing on whether any reasonable possible changes in key assumptions will lead to an impairment of goodwill.</p>	

Risk	Our audit approach	Key observations communicated to the Audit Committee
Income taxes – recoverability of the Brazilian and Italian deferred tax assets		
<p>At December 31, 2017, the Company had deferred tax assets on deductible temporary differences of €5,858 million which were recognized and €940 million which were not recognized. At the same date the Company also had deferred tax assets in respect of tax losses carried forward of €978 million which were recognized and €3,740 million which were not recognized. The recognized and unrecognized amounts related to Brazil are €148 million and €1,139 million respectively. The recognized and unrecognized amounts related to Italy are €898 million and €2,358 million respectively.</p> <p>The recognition and recoverability of the deferred tax assets in Brazil and Italy were significant to our audit because the amounts are material and the assessment of the amounts of deferred tax assets to be recognized involves judgements and estimates in relation to future taxable profits and hence the capacity to utilize available tax assets in both these tax jurisdictions.</p> <p>The disclosures in relation to income taxes are included in note 7.</p>	<p>We designed the following audit procedures to be responsive to this risk:</p> <ul style="list-style-type: none"> • We obtained an understanding of the income taxes process, and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. • We evaluated the forecast periods selected in determining the likelihood of the Group generating suitable future profits to support the recognition of the deferred tax assets. • We have evaluated the company's assumptions and sensitivities in relation to the likelihood of generating sufficient future taxable income, taking into account local tax regulations. • We evaluated the historical accuracy of forecasting taxable profits for these tax jurisdictions, the integrity of the forecast models and consistency of the projections with both other forecasts made by the Company and with findings from other areas of our audit. • We evaluated the appropriateness of the write down in the second quarter of the year of certain 	<p>Based on the procedures performed, we concluded that the deferred tax asset balances for Brazil and Italy, at December 31, 2017, are materially correct.</p>

Risk	Our audit approach	Key observations communicated to the Audit Committee
	<p>Brazilian deferred tax assets previously recognized.</p> <ul style="list-style-type: none"> We considered the appropriateness of the Company's disclosures in respect of deferred tax. <p>We involved EY tax specialists to assist both the Group and component audit teams in performing these procedures.</p>	

Risk	Our audit approach	Key observations communicated to the Audit Committee
Provision for NAFTA product warranty and recall campaigns		
<p>At December 31, 2017 the provisions for product warranties and recall campaigns amounted to €6,725 million with the most significant amounts related to the NAFTA segment.</p> <p>The company establishes provisions for product warranty obligations, including the estimated cost of service and recall actions in the NAFTA region, at the time the vehicle is sold.</p> <p>The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, as well as historical claims experience for the vehicles. Estimates of the future costs of these actions are inevitably imprecise due to numerous uncertainties, especially related to the NAFTA region's warranty and campaign provisions, including the enactment of new laws and regulations, the number of vehicles affected by a service or recall action and the nature of the corrective action that may result in adjustments to the established reserves. Costs associated with these</p>	<p>We designed the following audit procedures to be responsive to this risk:</p> <ul style="list-style-type: none"> We obtained an understanding of the warranty process, evaluated the design of, and performed tests of controls in this area. We involved EY actuaries to evaluate the appropriateness of the Company's methodology, evaluate and test the basis for the assumptions developed and used in the determination of the warranty provisions, and to perform sensitivity analyses to evaluate the judgments made by management. EY actuaries determined their own independent range for the provision for the NAFTA product warranty and recall campaigns amount. We performed other substantive audit procedures to validate the data applied in the model including warranty payments made in the year and third party confirmations in respect of the completeness and accuracy of current year claims 	<p>Based on the results of our procedures, including our assessment that the Company's provision was within the range of possible outcomes independently determined by EY actuaries, we are satisfied that the NAFTA product warranty and recall campaigns provision is appropriate at December 31, 2017.</p>

Risk	Our audit approach	Key observations communicated to the Audit Committee
<p>actions are recorded in Cost of Sales in the Consolidated Income Statements.</p> <p>Due to the size and the uncertainty and potential volatility of these estimated future costs and other factors, such as new laws and regulations, changes in assumptions used could materially affect the result of the company's operations.</p> <p>The disclosures on warranty provisions are included in note 20.</p>	<p>Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</p>	

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The board report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were initially engaged by the audit committee of Fiat Chrysler Automobiles N.V. on October 28, 2014 to perform the audit of its 2014 financial statements and have continued as its statutory auditor since then.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, February 20, 2018

Ernst & Young Accountants LLP

/s/ P.W.J. Laan

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