UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTIONS 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2019

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36675

Fiat Chrysler Automobiles N.V.
(Exact Name of Registrant as Specified in Its Charter)

The Netherlands

(Jurisdiction of Incorporation or Organization)

25 St. James's Street
London SW1A 1HA
United Kingdom
Tel. No.: +44 (0) 20 7766 0311
(Address of Principal Executive Offices)

Giorgio Fossati
25 St. James's Street
London SW1A 1HA
United Kingdom
Tel. No.: +44 (0) 20 7766 0311
general.counsel@fcagroup.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Shares, par value €0.01	FCAU	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report: 1,567,519,274 common shares, par value €0.01 per share, and 408,941,767 special voting shares, par value €0.01 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act of 1934. Yes o No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Emerging growth company o

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP o International Financial Reporting Standards as issued by the International Accounting Standards Board ☑ Other o

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow: Item 17 o or Item 18 o.

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ☑

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)
Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No o

Fiat Chrysler Automobiles N.V.

Annual Report and Form 20-F

For the year ended December 31, 2019

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BOARD OF DIRECTORS

Chairman
John Elkann[1]

Chief Executive Officer
Michael Manley

Chief Financial Officer
Richard Palmer

Directors
John Abbott
Andrea Agnelli
Tiberto Brandolini d'Adda
Glenn Earle[2]
Valerie A. Mars[1,2,3]
Ronald L. Thompson[2]
Michelangelo A. Volpi[3]
Patience Wheatcroft[1,2]
Ermenegildo Zegna[3]

INDEPENDENT AUDITOR
Ernst & Young Accountants LLP (AFM annual report filing)[4]
EY S.p.A (SEC Form 20-F filing)[4]

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(1) Member of the Governance and Sustainability Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Refer to "About this Report" for additional information relating to these regulatory filings.

BOARD REPORT

INTRODUCTION

About this Report

This document, referred to hereafter as the "Annual Report and Form 20-F", constitutes both the Statutory annual report in accordance with Dutch legal requirements and the annual report on Form 20-F, applicable to Foreign Private Issuers, pursuant to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, for Fiat Chrysler Automobiles N.V. for the year ended December 31, 2019, except as noted below. A table that cross-references the content of this report to the Form 20-F requirements is set out in the *FORM 20-F CROSS REFERENCE* section included elsewhere in this report.

The *Annual Report and Form 20-F* is filed with the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*, the "AFM") and unless otherwise stated, all references in this document to "Annual Report" refer to the AFM filing. The following sections have been removed for our Annual Report filing with the AFM:

- *FORM 20-F cover page;*
- *REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (EY S.p.A. in respect of Internal Control over Financial Reporting for the SEC filing);*
- *REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (EY S.p.A. in respect of the PCAOB audit of the financial statements for the SEC filing); and*
- *SIGNATURES.*

The *Annual Report and Form 20-F* and related exhibits are filed with the U.S. Securities and Exchange Commission ("SEC") and unless otherwise stated, all references in this document to "Form 20-F" refer to the SEC filing. The following sections have been removed for our Form 20-F filing with the SEC:

- *MESSAGE FROM THE CHAIRMAN AND THE CEO;*
- *CORPORATE GOVERNANCE - Responsibilities in Respect to the Annual Report;*
- *NON-FINANCIAL INFORMATION;*
- *CONTROLS AND PROCEDURES - Statement by the Board of Directors;*
- *2020 GUIDANCE;*
- *FCA N.V. COMPANY FINANCIAL STATEMENTS; and*
- *Independent auditor's report (Ernst & Young Accountants LLP in respect of the AFM filing).*

Documents on Display

The SEC maintains an internet site at *http://www.sec.gov* that contains reports, information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's website is provided solely for information purposes and is not intended to be an active link. Reports and other information concerning our business may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005.

We also make our periodic reports, as well as other information filed with or furnished to the SEC, available free of charge through our website, at *www.fcagroup.com*, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. The information on our website is not incorporated by reference in this report.

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 (the “2014 Merger”, at which time Fiat Investments N.V. was renamed Fiat Chrysler Automobiles N.V., or “FCA NV”), or any one or more of them, as the context may require. References to “Fiat” refer solely to the Fiat brand and “Fiat S.p.A.” refer to Fiat S.p.A., the predecessor of FCA NV prior to the 2014 Merger. References to “FCA US” refer to FCA US LLC, formerly known as Chrysler Group LLC, together with its direct and indirect subsidiaries.

Presentation of Financial and Other Data

This report includes the consolidated financial statements of the Group as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 prepared in accordance with 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. We refer to the consolidated financial statements and the notes to the consolidated financial statements collectively as the “Consolidated Financial Statements”.

All references in this report to “Euro” and “€” refer to the currency issued by the European Central Bank. 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 (“U.S.”).

The language of this report is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain totals in the tables included in this report may not add due to rounding.

Except as otherwise disclosed within this report, no significant changes have occurred since the date of the audited Consolidated Financial Statements included elsewhere in this report.

Market and Industry Information

In this report, we include and refer to industry and market data, including market share, ranking and other data, derived from or based upon a variety of official, non-official and internal sources, such as internal surveys and management estimates, market research, publicly available information and industry publications. Market share, ranking and other data contained in this report may also be based on our good faith estimates, our own knowledge and experience and such other sources as may be available. Market share data may change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process, different methods used by different sources to collect, assemble, analyze or compute market data, including different definitions of vehicle segments and descriptions and other limitations and uncertainties inherent in any statistical survey of market shares or size. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although we believe that this information is reliable, we have not independently verified the data from third-party sources. In addition, we typically estimate our market share for automobiles and commercial vehicles based on registration data.

In markets where registration data are not available, we calculate our market share based on estimates relating to sales to final customers. Such data may differ from data relating to shipments to our dealers and distributors. While we believe our internal estimates with respect to our industry are reliable, our internal company surveys and management estimates have not been verified by an independent expert, and we cannot guarantee that a third party using different methods to assemble, analyze or compute market data would obtain or generate the same result. The market share data presented in this report represents the best estimates available from the sources indicated as of the date hereof but, in particular as they relate to market share and our future expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section *Risk Factors* in this report.

Forward-Looking Statements

Statements contained in this report, particularly those regarding possible or assumed future performance, competitive strengths, costs, dividends, reserves and growth of FCA, industry growth and other trends and projections and estimated company earnings are “forward-looking statements” that contain risks and uncertainties. In some cases, words such as “may”, “will”, “expect”, “could”, “should”, “intend”, “estimate”, “anticipate”, “believe”, “remain”, “on track”, “design”, “target”, “objective”, “goal”, “forecast”, “projection”, “outlook”, “prospects”, “plan”, or similar terms are used to identify forward-looking statements. These forward-looking statements reflect the respective current views of the Group with respect to future events and involve significant risks and uncertainties that could cause actual results to differ materially.

These factors include, without limitation:

- our ability to launch products successfully and to maintain vehicle shipment volumes;
- changes in the global financial markets, general economic environment and changes in demand for automotive products, which is subject to cyclicality;
- changes in local economic and political conditions, changes in trade policy and the imposition of global and regional tariffs or tariffs targeted to the automotive industry, the enactment of tax reforms or other changes in tax laws and regulations;
- our ability to expand certain of our brands globally;
- our ability to offer innovative, attractive products;
- our ability to develop, manufacture and sell vehicles with advanced features, including enhanced electrification, connectivity and automated-driving characteristics;
- various types of claims, lawsuits, governmental investigations and other contingencies affecting us, including product liability and warranty claims and environmental claims, investigations and lawsuits;
- material operating expenditures in relation to compliance with environmental, health and safety regulations;
- the intense level of competition in the automotive industry, which may increase due to consolidation;
- our ability to complete, and realize expected synergies following completion of, our proposed merger with Peugeot S.A., including the expected cumulative implementation costs;
- exposure to shortfalls in the funding of our defined benefit pension plans;
- our ability to provide or arrange for access to adequate financing for our dealers and retail customers, and associated risks related to the establishment and operations of financial services companies, including capital required to be deployed to financial services;
- our ability to access funding to execute our business plan and improve our business, financial condition and results of operations;
- a significant malfunction, disruption or security breach compromising our information technology systems or the electronic control systems contained in our vehicles;
- our ability to realize anticipated benefits from joint venture arrangements in certain emerging markets;
- our ability to successfully implement and execute strategic initiatives and transactions, including our plans to separate certain businesses;
- disruptions arising from political, social and economic instability;

- risks associated with our relationships with employees, dealers and suppliers;
- increases in costs, disruptions of supply or shortages of raw materials;
- developments in labor and industrial relations, including any work stoppages, and developments in applicable labor laws;
- exchange rate fluctuations, interest rate changes, credit risk and other market risks;
- political and civil unrest;
- earthquakes or other disasters; and
- other factors discussed elsewhere in this report.

Furthermore, in light of the inherent difficulty in forecasting future results, any estimates or forecasts of particular periods that are provided in this report are uncertain. We expressly disclaim and do not assume any liability in connection with any inaccuracies in any of the forward-looking statements in this report or in connection with any use by any third party of such forward-looking statements. Actual results could differ materially from those anticipated in such forward-looking statements. We do not undertake an obligation to update or revise publicly any forward-looking statements.

Additional factors which could cause actual results and developments to differ from those expressed or implied by the forward-looking statements are included in the section *Risk Factors* in this report.

MANAGEMENT REPORT

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, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, included elsewhere in this report; and
- the Consolidated Financial Statements of FCA as of December 31, 2017, 2016 and 2015, for the years ended December 31, 2016 and 2015, except for the classification of Magneti Marelli as a discontinued operation as noted below, which are not included in this report.

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

Consolidated Income Statement Data

	Years ended December 31,				
	2019[1]	**2018[1]**	**2017[1]**	**2016[1]**	**2015[1,2]**
	(€ million, except per share amounts)				
Net revenues	€ 108,187	€ 110,412	€ 105,730	€ 105,798	€ 105,859
Profit before taxes	€ 4,021	€ 4,108	€ 5,879	€ 2,950	€ 99
Net profit/(loss) from continuing operations	€ 2,700	€ 3,330	€ 3,291	€ 1,713	€ (15)
Profit from discontinued operations, net of tax	€ 3,930	€ 302	€ 219	€ 101	€ 392
Net profit	€ 6,630	€ 3,632	€ 3,510	€ 1,814	€ 377
Net profit attributable to:					
Owners of the parent	€ *6,622*	€ *3,608*	€ *3,491*	€ *1,803*	€ *334*
Non-controlling interests	€ *8*	€ *24*	€ *19*	€ *11*	€ *43*
Earnings/(Loss) per share from continuing operations					
Basic earnings/(loss) per share	€ 1.72	€ 2.15	€ 2.14	€ 1.13	€ (0.01)
Diluted earnings/(loss) per share	€ 1.71	€ 2.12	€ 2.11	€ 1.12	€ (0.01)
Earnings per share from discontinued operations					
Basic earnings per share	€ 2.51	€ 0.18	€ 0.14	€ 0.06	€ 0.23
Diluted earnings per share	€ 2.50	€ 0.18	€ 0.13	€ 0.06	€ 0.23
Earnings per share from continuing and discontinued operations					
Basic earnings per share	€ 4.23	€ 2.33	€ 2.27	€ 1.19	€ 0.22
Diluted earnings per share	€ 4.22	€ 2.30	€ 2.24	€ 1.18	€ 0.22
Other Statistical Information (unaudited):					
Combined shipments (in thousands of units)[3]	4,418	4,842	4,740	4,720	4,738
Consolidated shipments (in thousands of units)[4]	4,272	4,655	4,423	4,482	4,602

(1) The operating results of FCA for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 exclude Magneti Marelli following the classification of Magneti Marelli as a discontinued operation for the year ended December 31, 2018, and until its deconsolidation on completion of the sale transaction on May 2, 2019; Magneti Marelli operating results were excluded from the Group's continuing operations and are presented as a single line within the Consolidated Income Statement data for the years ended December 31, 2019, 2018, 2017, 2016, and 2015 presented above, and until its deconsolidation on completion of the sale transaction on May 2, 2019.

(2) The operating results of FCA for the year ended December 31, 2015 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 the year ended December 31, 2015.

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

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

Consolidated Statement of Financial Position Data

	At December 31,									
	2019[(1),(2)]		2018[(1)]		2017[(1)]		2016[(1)]		2015[(1,3)]	
	(€ million, except shares issued data)									
Cash and cash equivalents	€	15,014	€	12,450	€	12,638	€	17,318	€	20,662
Total assets[(4)]	€	98,044	€	96,873	€	96,299	€	104,343	€	105,753
Debt[(4)]	€	12,901	€	14,528	€	17,971	€	24,048	€	27,786
Total equity	€	28,675	€	24,903	€	20,987	€	19,353	€	16,968
Equity attributable to owners of the parent	*€*	*28,537*	*€*	*24,702*	*€*	*20,819*	*€*	*19,168*	*€*	*16,805*
Non-controlling interests	*€*	*138*	*€*	*201*	*€*	*168*	*€*	*185*	*€*	*163*
Share capital	€	20	€	19	€	19	€	19	€	17
Shares issued (in thousands)										
Common[(5)]		1,567,519		1,550,618		1,540,090		1,527,966		1,288,956
Special Voting[(5)]		408,942		408,942		408,942		408,942		408,942
Dividends paid, per share[(6)]										
Ordinary dividends paid, per share	€	0.65	€		€		€		€	
Extraordinary dividends paid, per share	€	1.30	€		€		€		€	

(1) The assets and liabilities of Magneti Marelli were classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2018, while the assets and liabilities of Magneti Marelli have not been classified as such within the comparative Consolidated Statements of Financial Position at December 31, 2017, 2016, and 2015.
(2) The assets and liabilities of the cast iron automotive components business of Teksid were classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2019, while the assets and liabilities of the cast iron automotive components business of Teksid have not been classified as such within the comparative Consolidated Statements of Financial Position at December 31, 2018, 2017, 2016, and 2015. Refer to Note 3, Scope of consolidation within our Consolidated Financial Statements included elsewhere in this report.
(3) 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.
(4) Refer to Note 2, Basis of preparation within our Consolidated Financial Statements included elsewhere in this report for detail on the adoption of IFRS 16, Leases.
(5) Refer to Note 26, Equity, within our Consolidated Financial Statements included elsewhere in this report.
(6) The Board of Directors intend to recommend to the Annual General Meeting of Shareholders an annual ordinary dividend distribution to holders of FCA common shares of €0.70 (approximately US$0.79, based on the closing spot rate at December 31, 2019) per common share. The distribution, from the Company's 2019 profits, will be subject to the approval by the Annual General Meeting of Shareholders, which is scheduled to be held on April 16, 2020. Refer to Note 26, Equity, within our Consolidated Financial Statements included elsewhere in this report, for further details.

GROUP OVERVIEW

We are a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide through over a hundred manufacturing facilities and over forty research and development centers. We have operations in more than forty countries and sell our vehicles directly or through distributors and dealers in more than a hundred and thirty 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 Teksid and Comau brands. Refer to Note 3, *Scope of consolidation* in the Consolidated Financial Statements included elsewhere in this report for detail on the announced sale of Teksid's cast iron automotive components business. As announced in December 2019, FCA will continue work on the separation of its holding in Comau, which will be separated promptly following closing of the proposed merger with Groupe PSA.

In 2019, we shipped 4.4 million vehicles (including the group's unconsolidated joint ventures), resulting in Net revenues of €108.2 billion and Net profit of €6.6 billion, of which €2.7 billion was attributable to continuing operations, and generated €2.1 billion of Industrial free cash flows (See *Non-GAAP Financial Measures*). At December 31, 2019 our available liquidity was €23.1 billion (including €7.6 billion available under undrawn committed credit lines).

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). Its agent for U.S. federal securities law purposes is Christopher J. Pardi, c/o FCA US LLC, 1000 Chrysler Drive, Auburn Hills, Michigan 48326.

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

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

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

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

Magneti Marelli Sale

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

FCA-PSA Merger

On December 17, 2019, FCA and PSA entered into a combination agreement (the "combination agreement") providing for a merger of their businesses (the "merger"). In addition, certain shareholders of FCA and PSA have made undertakings to support the merger and, among other things, vote their shares in favor of the merger at their respective extraordinary general meetings of shareholders. Below is a summary of the transaction and the main provisions of the combination agreement and the shareholders' undertakings.

The following summary is qualified in all respects by reference to the complete text of the combination agreement and the shareholders' undertakings, attached hereto as exhibits. You should read the combination agreement and the shareholders' undertakings carefully as they are the legal documents that govern the terms of the merger.

Transaction Structure and Merger Consideration

If the merger is approved by the requisite votes of the FCA shareholders and the PSA shareholders and the other conditions precedent to the merger are satisfied or, to the extent permitted under the combination agreement and by applicable law, waived, PSA will be merged with and into FCA. The combined company ("DutchCo") will be named by mutual agreement of FCA and PSA with effect from the day immediately following completion of the merger.

The closing of the merger shall take place on the second Friday after satisfaction or (to the extent permitted under the combination agreement and by applicable law) waiver of the closing conditions and the merger shall be effective at midnight (Central European Time) following the signing of the merger deed (the "Effective Time"), at which time, the separate corporate existence of PSA shall cease, and DutchCo shall continue as the sole surviving corporation, and, by operation of law, DutchCo, as successor, shall succeed to and assume all of the rights and obligations, as well as the assets and liabilities, of PSA in accordance with Dutch law and French law.

At the Effective Time, by virtue of the merger and without any action on the part of any holder of PSA ordinary shares or FCA common shares, PSA shareholders will have the right to receive 1.742 DutchCo common shares for each PSA ordinary share that they hold and each issued and outstanding common share of FCA shall remain unchanged as one (1) common share in DutchCo. There will be no carryover of the existing double voting rights currently held by Exor in FCA pursuant to the existing FCA loyalty voting structure. To that end, the combination agreement provides that at the Effective Time all special voting shares of FCA held by Exor will be reacquired by DutchCo for no consideration.

Governance of DutchCo

The combination agreement provides for certain arrangements relating to the governance of DutchCo, including causing DutchCo to adopt, immediately following the Effective Date, new articles of association, board regulations and a loyalty voting program in the agreed form. The principal terms of such governance arrangements are summarized below.

DutchCo Board Composition

The combination agreement provides that after closing of the merger the board of directors of DutchCo (the "DutchCo Board") shall be a single tier board initially composed of 11 members, including the following initial directors:

- the CEO of DutchCo;
- two (2) Independent Directors nominated by FCA;
- two (2) Independent Directors nominated by PSA;
- two (2) directors nominated by Exor;

- one (1) director nominated by Bpifrance (Bpifrance shall include jointly Bpifrance Participations S.A. and its wholly-owned subsidiary Lion Participations SAS. (or EPF/FFP, as further described below));

- one (1) director nominated by EPF/FFP; and

- two (2) employee representatives.

For these purposes, "Independent Director" means a director meeting the independence requirements under the Dutch Corporate Governance Code and, with respect to members of the Audit Committee, also meeting the independence requirements of Rule 10A-3 under the Exchange Act, and the NYSE listing requirements.

Nomination Rights

The rights of Exor, EPF/FFP and Bpifrance to nominate the number of directors mentioned above also apply to future terms of office of the DutchCo Board; provided that:

- if the number of DutchCo common shares held by Bpifrance, and/or any of its affiliates, or EPF/FFP, and/or any of its affiliates, falls below 5% of the issued and outstanding DutchCo common shares, such shareholder shall no longer be entitled to nominate a director (in which case, any director nominated by Bpifrance or EPF/FFP, as the case may be, shall be required to promptly resign); and

- if, at the Effective Time, at any time within the six (6) years following the closing of the merger or on the sixth (6th) anniversary of the closing of the merger, both (i) the number of DutchCo common shares held by EPF/FFP and/or their affiliates increases to 8% or more of the issued and outstanding DutchCo common shares and (ii) the number of DutchCo common shares held by Bpifrance and/or its affiliates falls below 5% of the issued and outstanding DutchCo common shares, then EPF/FFP shall be entitled to nominate a second director to the DutchCo Board to replace the Bpifrance nominee (the "EPF/FFP Additional Director"),

As an exception to the foregoing, if, at the Effective Time or within six (6) years of the Effective Time:

- the number of DutchCo common shares held by Bpifrance and its affiliates, on the one hand, or EPF/FFP and its affiliates, on the other hand, represents between 4% and 5% of the issued and outstanding DutchCo common shares (the "Threshold Stake");

- either Bpifrance or EPF/FFP has not lost its right to nominate a director in accordance with the preceding paragraph; and

- the number of DutchCo common shares held by Bpifrance, EPF/FFP and their respective affiliates represents, in aggregate, 8% or more of the issued and outstanding DutchCo common shares,

the shareholder which holds the Threshold Stake will maintain its right to nominate a director to the DutchCo Board until the sixth (6th) anniversary of the closing of the merger (it being understood that while Bpifrance is entitled to nominate a director pursuant to this proviso, EPF/FFP shall not be entitled to nominate the EPF/FFP Additional Director).

Additionally, Exor's right to nominate directors will decrease in the event Exor and/or its affiliates reduce their equity ownership in DutchCo as follows:

- if the number of shares held by Exor and/or its affiliates falls below the number of shares corresponding to 8% of the issued and outstanding DutchCo common shares, Exor will be entitled to nominate one (1) director instead of two (2); and

- if the number of shares held by Exor and/or its affiliates falls below the number of shares corresponding to 5% of the issued and outstanding DutchCo common shares, Exor will no longer be entitled to nominate a director;

In such cases, the director designated by Exor for resignation from among the directors nominated by Exor shall be required to resign as promptly as reasonably practicable after the number of DutchCo common shares held by Exor and/or its affiliates falls below the applicable threshold.

Any event or series of events (including any issue of new shares) other than a transfer (including transfer under universal title) of PSA shares or DutchCo shares shall be disregarded for the purpose of determining whether the applicable shareholder reaches the relevant threshold(s).

Initial Management of DutchCo

The combination agreement provides that the following positions shall be filled by the following individuals from the day immediately after the closing of the merger:

- Chairman: John Elkann;
- CEO: Carlos Tavares;
- Vice Chairman: a director nominated by EPF/FFP; and
- Senior Independent Director: an Independent Director nominated by PSA.

The initial term of office of each of the Chairman, CEO, Senior Independent Director and Vice Chairman shall be five (5) years, in each case beginning at the day immediately after the closing of the merger. The initial term of office for each of the other directors shall be four (4) years. Mr. Elkann and Mr. Tavares will be the only executive directors.

The board regulations provide that in addition to the Chairman's other powers set out in the board regulations, if the Chairman is an executive director, he or she will be consulted and work together with the CEO on that basis on important strategic matters affecting DutchCo as set forth in the board regulations.

In addition to his/her powers set out in the DutchCo Articles of Association and board regulations, the CEO will be responsible for the management of DutchCo in accordance with the Dutch Civil Code and will be vested with full authority to represent DutchCo individually.

The Senior Independent Director (acting as the *voorzitter* under Dutch Law) shall preside over the meetings of the DutchCo Board and shall be vested with the powers to convene the board and the general meetings of shareholders of DutchCo.

Voting Limitations

The combination agreement provides that under the DutchCo articles of association no shareholder, acting alone or in concert, together with votes exercised by affiliates of such shareholder or pursuant to proxies or other arrangements conferring the right to vote, may cast 30% (the "Voting Threshold") or more of the votes cast at any general meeting of shareholders of DutchCo, including after giving effect to any voting rights exercisable through DutchCo special voting shares. Any voting right in excess of the Voting Threshold will be suspended. Furthermore, the DutchCo articles of association will provide that, before each shareholders' meeting, any shareholder holding voting rights in excess of the Voting Threshold shall notify DutchCo of its shareholding and total voting rights in DutchCo and provide, upon request by DutchCo, any information necessary to ascertain the composition, nature and size of the equity interest of that person and any other person acting in concert with it. This restriction (i) may be removed by the affirmative vote of the holders of two-thirds of the issued and outstanding DutchCo common shares (for the avoidance of doubt, without giving effect to any voting rights exercisable through DutchCo special voting shares, and subject to the aforementioned 30% voting cap) and (ii) shall lapse upon any person holding more than 50% of the issued and outstanding DutchCo common shares (other than DutchCo special voting shares) as a result of a tender offer for DutchCo common shares.

Shareholders Matters

Each of Exor, Bpifrance, EPF/FFP and Dongfeng (the "Reference Shareholders"), in its capacity as shareholder of PSA or FCA, as applicable, has entered into a letter agreement (a "Letter Agreement") with PSA or FCA, as applicable, setting forth, among other things, the following undertakings relating to the merger and the future governance of DutchCo:

- *Support of the merger* - Each Reference Shareholder has undertaken to vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the transactions contemplated by the combination agreement that is submitted to the shareholders;

- *Standstill* - Each Reference Shareholder shall be restricted from buying shares to increase its interest in PSA, FCA (before the merger) or DutchCo for a period ending seven years following the Effective Time, except that EPF/FFP may increase its shareholding by up to a maximum of 2.5% in DutchCo (or 5% in PSA) by acquiring shares from Bpifrance and/or Dongfeng and/or on the market, provided that market acquisitions may not represent more than 1% of the DutchCo common shares or 2% of the PSA ordinary shares plus, if applicable, the percentage of DutchCo common shares (or PSA ordinary shares) sold by Bpifrance to buyers other than EPF/FFP or any of its affiliates;

- *Lock-up* - From the date of the combination agreement until 3 years after closing of the merger Exor, Bpifrance and EPF/FFP will be subject to a lock-up in respect of their shareholdings in the relevant company before closing of the merger and in DutchCo thereafter, except that Bpifrance will be permitted to reduce its shareholdings by 5% in PSA or 2.5% in DutchCo; and

- *Dongfeng Buy-back* - Dongfeng has agreed to sell, and PSA has agreed to buy, 30.7 million PSA ordinary shares prior to closing of the merger (the ordinary shares repurchased by PSA will be cancelled). Notwithstanding the above, Dongfeng may sell all or or part of such shares to third parties prior to the closing of the merger, in which case the purchase by PSA described in the prior sentence will apply to the balance of such 30.7 million PSA ordinary shares not otherwise sold by Dongfeng. Dongfeng is subject to a lock up until the Effective Time for the balance of its participation in PSA, resulting in an ownership of 4.5% in DutchCo immediately after the Effective Time.

Certain Covenants

In addition to making reciprocal customary representation and warranties and agreeing to customary restrictions on their respective operations as from the time of the combination agreement until the Effective Time, FCA and PSA each have agreed to take certain actions between the date of the combination agreement and the Effective Time, such as the seeking of competition law and other regulatory approvals, the making of stock exchange and securities filings, and the application for listing of the DutchCo common shares issued in connection with the merger on the NYSE, Euronext Paris and the MTA prior to the closing date of the merger.

Pre-merger Distributions

Prior to the Effective Time (i) an extraordinary cash distribution of €5.5 billion may be paid by FCA to its shareholders, (ii) an ordinary dividend for an amount of €1.1 billion in respect of the fiscal year ending December 31, 2019 may be paid by each of FCA and PSA and (iii) if the closing of the merger has not occurred before the 2021 annual general meetings of PSA and FCA, an ordinary dividend in respect of the fiscal year ending December 31, 2020 for an amount to be agreed by FCA and PSA on the basis of their respective distributable amounts shall be paid by each of PSA and FCA, in the case of (ii) and (iii) subject to the availability of sufficient distributable amounts.

Faurecia Distribution

PSA is permitted to distribute to its shareholders by special or interim dividend all of the shares held by PSA in Faurecia prior to the Effective Time with no material changes in any currently existing commercial arrangements between PSA and Faurecia, other than amendments in the ordinary course.

Comau Separation

Promptly following the Effective Time, DutchCo is permitted to allocate to its shareholders through a demerger or similar transaction all the shares held by DutchCo in Comau or implement other value-creating alternative structures, including the sale of all the shares held by DutchCo in Comau (each of such transactions, the "Comau Separation"). FCA shall, prior to the closing of the merger, work diligently to prepare for the Comau Separation to enable the Comau Separation to be completed promptly following the closing of the merger, including by establishing the perimeter, capital structure and governance of Comau in consultation with PSA and, if applicable, preparing all necessary documentation for the listing of Comau shares on the appropriate securities exchange.

Other Provisions

The combination agreement contains customary exclusivity provisions requiring the parties to refrain from soliciting any acquisition proposal from third-parties as well as covenants requiring the board of directors of each of FCA and PSA to recommend that their respective shareholders approve the transaction, subject to limited exceptions to ensure compliance with the directors' fiduciary duties in connection with a superior proposal.

The obligation of each party to effect the merger is subject to customary closing conditions, including the absence of a material adverse effect with respect to the other party, regulatory clearances and approval by the shareholders of PSA and FCA.

Major Shareholders

Exor N.V. is the largest shareholder of FCA through its 28.66 percent shareholding interest in our issued common shares (as of February 25, 2020). As a result of the loyalty voting mechanism, Exor N.V.'s voting power is 41.74 percent.

Consequently, Exor N.V. could strongly influence all matters submitted to a vote of our 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 B.V. ("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, the founder of Fiat S.p.A. Its present principal business activity is to purchase, administer and dispose of equity interests in public and private entities and, in particular, to ensure the cohesion and continuity of the administration of its controlling equity interests. The directors of GA are John Elkann, Tiberto Brandolini d'Adda, Alessandro Nasi, Andrea Agnelli, Eduardo Teodorani-Fabbri, Luca Ferrero de' Gubernatis Ventimiglia, Jeroen Preller and Florence Hinnen.

Based on the information in FCA's shareholder register, regulatory filings with the 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 of February 25, 2020:

FCA Shareholders	Number of Issued Common Shares	Percentage Owned
Exor N.V.[1]	449,410,092	28.66
BlackRock, Inc.[2]	62,912,116	4.01

(1) In addition, Exor N.V. holds 375,803,870 special voting shares; Exor N.V.'s beneficial ownership in FCA is 41.74 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) BlackRock, Inc. beneficially owns 62,912,116 common shares (3.18 percent of total issued shares, which is the aggregate number of outstanding common shares and issued special voting shares) and 77,228,433 voting rights (4.92 percent of outstanding common shares and 3.91 percent of total issued shares).

Based on the information in FCA's shareholder register and other sources available to us, as of January 31, 2020, approximately 450 million FCA common shares, or approximately 29 percent of the FCA common shares, were held in the United States. As of the same date, approximately 840 record holders had registered addresses in the United States.

Our Business Plan

On June 1, 2018, our former Chief Executive Officer ("CEO") Sergio Marchionne, together with members of the Group's executive management, presented the Group's 2018-2022 business plan. During 2019, current CEO Mike Manley highlighted additional measures to improve operating results: in APAC with specific focus on China; Maserati; and in EMEA, including the rationalization of product portfolio plans, primarily for the A-segment and Alfa Romeo, while capitalizing on the market shift from A- to B-segments.

The business plan and the additional measures mentioned above build upon the strategic actions taken in the prior plan to generate volume growth and margin expansion through the following:

- Continued emphasis on building strong brands by leveraging renewals of key products and portfolio expansion;
- New white-space products with particular focus on the Jeep, Maserati and Alfa Romeo brands;
- Improve positioning of Maserati as a luxury brand, bridging product gap with specialty models, improving cadence of new model introduction, including a fully-electrified line-up, with new leadership team in place, new COO and other key appointments;
- Refocus marketing in China to recently launched products, offer more efficient powertrain combinations along with continued product quality improvements, as well as changes in the leadership team;
- Continue to focus on industrial rationalization to deliver cost savings through manufacturing and purchasing efficiencies and implement actions to increase capacity utilization, including local production of certain Jeep products, in EMEA;
- Implementation of various electrified powertrain applications throughout the portfolio, supplemented with third-party agreements for the purchase of regulatory credits, as part of our regulatory compliance strategy;
- Continue to explore opportunities to develop partnerships to share technologies and platforms, enhance skill set related to autonomous driving technologies, preserve full optionality and ensure speed to market; and
- Maintain a disciplined approach to the deployment of capital and re-establish consistent shareholder remuneration actions.

We continue to assess the potential impacts of operationalizing and implementing the strategic targets set out in the business plan, including re-allocation of our resources. The recoverability of certain of our assets or cash-generating units may be impacted in future periods. For example, our product development strategies may be affected by regulatory changes as well as changes in the expected costs of implementing electrification, including the cost of batteries, or in relation to any future business plans or strategies developed as part of partnerships and collaborations. As relevant circumstances change, we expect to adjust our product plans which may result in changes to the expected use of certain of the Group's vehicle platforms. These uncertainties could result in either impairments of, or reductions to the expected useful lives of, these platforms, or both.

Refer to Note 26, *Equity* within the Consolidated Financial Statements included elsewhere in this report for additional detail on the proposed annual ordinary dividend distribution to holders of FCA common shares.

Overview of Our Business

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

(i) North America: 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, India, Australia and South Korea) carried out in the region through both subsidiaries and joint ventures, primarily under the Jeep, Fiat, Alfa Romeo, Abarth, Fiat Professional, Ram and Chrysler brands.

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

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

During 2019, our previously reported “NAFTA” segment was renamed “North America” in response to the expected ratification of the United States-Mexico-Canada Agreement (“USMCA”). Other than the change of name, no other changes were made to the segment.

We also own or hold interests in companies operating in other activities and businesses. These activities are grouped under “Other Activities”, which primarily consists of our industrial automation systems design and production business, under the Comau brand name, and our cast iron and aluminum business, which produces cast iron components for engines, gearboxes, transmissions and suspension systems, and aluminum cylinder heads and engine blocks, under the Teksid brand name, as well as companies that provide services, including accounting, payroll, tax, insurance, purchasing, information technology, facility management and security for the Group, and manage central treasury activities. Refer to Note 3, *Scope of consolidation* in the Consolidated Financial Statements included elsewhere in this report for detail on the announced sale of Teksid's cast iron automotive components business.

Definitions and abbreviations

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

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

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

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

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

Design and Manufacturing

We sell mass-market vehicles in the SUV, passenger car, truck and LCV markets. Our SUV and CUV portfolio includes the all-new Jeep Gladiator, all-new Jeep Commander PHEV, Jeep Grand Cherokee, Jeep Cherokee, Jeep Wrangler, Jeep Renegade, Jeep Compass, Maserati Levante, Dodge Durango, Dodge Journey and Alfa Romeo Stelvio. Our passenger car product portfolio includes vehicles such as the Fiat 500, Alfa Romeo Giulia, Maserati Quattroporte, Dodge Challenger and Charger, Chrysler 300 and Lancia Ypsilon and minivans such as the Chrysler Pacifica. We sell light duty and heavy duty pickup trucks such as the Ram 1500, all-new Ram 2500/3500, the Fiat Toro and Fiat Fullback, and chassis cabs such as the all-new Ram 3500/4500/5500. Our LCVs include vans such as the Fiat Professional Doblò, Fiat Professional Ducato and Ram ProMaster.

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 Original Equipment Manufacturer ("OEM") that is a member of the WCM Association. WCM fosters a manufacturing culture that targets improved safety, quality and efficiency, as well as the elimination of all types of waste. Unlike some other advanced manufacturing programs, WCM is designed to prioritize issues, focus on those initiatives believed likely to yield the most significant savings and improvements, and direct resources to those initiatives. We also offer several types of WCM programs to our suppliers whereby they can learn and incorporate WCM principles into their own operations.

Research and Development

We engage in research and development activities aimed at improving the design, performance, safety, fuel efficiency, reliability, consumer perception and sustainability of our products and services. As of December 31, 2019, we operated 46 research and development centers worldwide with a combined headcount of approximately 18 thousand employees supporting our research and development efforts.

We concentrate the majority of our efficiency research efforts in two areas: reducing vehicle energy demand and reducing fuel consumption and emissions. Fuel consumption and emissions reduction activities have been primarily focused on powertrain technologies including: engines, transmissions and drivelines, hybrid and electric propulsion and alternative fuels. In recent years, we have increased our research and development efforts on automated driving and connectivity technologies.

Vehicle Energy Demand

Our research and development focuses on reducing weight, aerodynamic drag, tire rolling resistance, brake drag torque, driveline parasitic losses, heating and air conditioning, and electrical loads. We also continue to develop both conventional and hybrid vehicle technologies aimed at improving kinetic energy recovery and re-use of thermal energy to reduce total energy consumption and CO_2 emissions.

We have introduced active aerodynamic devices, which activate automatically under certain operating conditions. These active aerodynamic devices include active grille shutters, active front air dams and adjustable height suspension. Further, we have introduced smart actuators, such as variable speed fuel pumps, variable displacement air conditioning compressors and high efficiency brushless electric motors for cooling fans, to reduce fuel consumption. Such smart actuators only require the energy needed for each specific working condition, avoiding electric energy waste. In 2019, high strength steel was put to extensive use in the frame of the all-new Ram Heavy Duty pickup truck and the all-new Jeep Gladiator to reduce weight. The all-new Ram Heavy Duty pickup truck also utilizes active grille shutters and a highly tuned air dam to reduce drag.

Powertrain Technologies

Engines

We have developed global small and global medium displacement gasoline engine families to improve fuel economy and emissions. These engine families include three and four cylinder turbocharged versions (the global small engine family also has three and four cylinder naturally aspirated variants). Each engine family features a modular approach using a shared cylinder design (allowing for different engine configuration, displacements, efficiency and power outputs). Each is based on a specific cylinder configuration which provides important synergies for the engine development (common combustion development and common design layout) and for manufacturing (common machining, assembly features and components and subsystems). These engine families are fully deployed and cover a large range of vehicle applications and include features and technologies such as direct fuel injection, downsizing, integrated exhaust manifold, MultiAir variable valve lift, turbocharging, and cooled exhaust gas recirculation. All of these features enable the engine families to be competitive among small and medium displacement engines with respect to fuel consumption, performance, weight and noise, vibration and harshness behavior.

In 2019, a locally-produced plug-in hybrid version of the global medium displacement turbocharged engine with dual overhead camshaft was launched in the all-new Jeep Commander in China. Additionally, in 2019, a 1.3L direct-injection turbocharged engine with engine stop/start technology was newly paired with a nine-speed automatic transmission in the Jeep Renegade to increase fuel efficiency and reduce emissions. Future evolution of the two engine families is expected to include advanced technologies and electrification to further reduce CO_2 emissions.

Transmissions and Driveline

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 - where the engine is more efficient at converting the fuel energy to mechanical energy.

Other improvements are used to reduce the power consumption of the transmission. The second generation TorqueFlite 8-speed improves transmission efficiency via improved line pressure control and reduced clutch drag. The addition of transmission oil heaters allows 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.

In support of global fuel consumption and CO_2 requirements, we have developed our first dedicated hybrid transmission (the eFlite), used in the Chrysler Pacifica plug-in hybrid and in the Jeep Commander plug-in hybrid produced by GAC Fiat Chrysler Automobiles Co., our joint venture with Guangzhou Automobiles Group Co., Ltd. in China. The new eFlite hybrid transmission architecture is an electrically variable front wheel drive transaxle with a split input configuration and incorporates two electric motors, both capable of driving in full electric mode. The lubrication and cooling system makes use of two pumps, one electrically operated and one mechanically driven.

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

Our axle and driveline portfolio updates increase capability and reduce power consumption on the Ram 1500, Jeep Wrangler and all-new Jeep Gladiator. The Ram 1500 also offers an axle heating system and lubrication optimization for improved efficiency.

Electric and Hybrid Technologies

We have confirmed plans to make significant investments in vehicle electrification development, and manufacturing facilities in North America and Italy, to support the growing demand for electrified vehicles. By 2022, we expect to offer more than 30 nameplates with electrified powertrains.

We have developed a suite of electrification technologies, including: 12 volt engine stop/start, 48 volt mild hybrid, high voltage plug-in hybrid, and full battery electric vehicles. These developments have occurred at our technical centers primarily in Auburn Hills (Michigan, USA), Modena and Turin (Italy). However, substantial work has also been performed with suppliers and universities located around the globe.

The 12 volt stop/start system 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. Phase-in of this technology began in 2013 model year and in 2019 was used in approximately 49 percent of our global production volume.

In 2018, we launched three applications of mild hybrids using belt starter generator ("BSG") technology. BSG technology offers improvements in fuel economy and a reduction in CO_2 emissions. This new 48 volt mild hybrid technology is marketed as "eTorque" in the 2020 Jeep Wrangler equipped with the 2.0L turbo engine or 3.6L engine, and the 2019 Ram 1500 5.7L and 3.6L applications. The system offers faster and smoother stop/start functionality, a real-time powertrain efficiency optimization manager which balances motor and engine torque, enhanced and extended fuel shut-off during certain maneuvers, and regenerative braking to recharge the 48 volt battery. The system also delivers significant gains in fuel economy. In 2020, a new BSG 12V 1.0L naturally-aspirated engine is expected to be launched in the Fiat Panda, Fiat 500 and Lancia Ypsilon for Europe.

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

At the 2019 Geneva International Motor Show, we presented plug-in hybrid variants of Jeep Renegade and Jeep Compass. The electric units are integrated into the new 1.3L turbo gasoline engine to increase efficiency and overall power. For the Jeep Renegade and Jeep Compass, the simultaneous action of the internal combustion engine and the electric motor delivers up to 240 hp. The fully-electric Fiat Centoventi, a concept conceived for sustainable and affordable urban mobility, was also displayed at the 2019 Geneva International Motor Show.

In addition, a fully electric variant of the Fiat 500 was announced in 2019, which will be manufactured for the European market at the Mirafiori plant in Turin, Italy beginning in 2020. The Ducato Electric was also unveiled in 2019 and is expected to be launched in 2020 in Europe.

In 2019, we also announced the development of a Battery Hub in Turin, Italy at the Mirafiori plant beginning in 2020. The Battery Hub is expected to be dedicated to battery assembly and also host prototyping and experimentation activities, as well as training courses.

Our internal research and development activities are also supplemented via collaboration with academic partners. One such example is a project in partnership with McMaster University (Canada), which focuses on developing next-generation, energy efficient, high performance, cost effective electrified powertrain components and control systems suitable for a range of vehicle applications.

Compressed Natural Gas

We are among the EU-market leaders in compressed natural gas ("CNG") propulsion. From 1997 to 2019, the Company's output of CNG-powered vehicles in Europe exceeded 770,000 vehicles.

Automated Driving Technology

We are collaborating with Waymo (formerly the Google self-driving car project) to integrate its self-driving technology into the Chrysler Pacifica Hybrid, including the production of Chrysler Pacifica Hybrid minivans built specifically to enable fully self-driving operations.

In 2019, we announced a memorandum of understanding with Aurora, laying the groundwork for a partnership to develop and deploy self-driving commercial vehicles.

We have launched Highway Assist "partial automation" vehicle technology on several Maserati models. This system includes Mobileye vision technology to enable SAE Level 2 automated driving on designated highways.

In 2018, we began working with Aptiv to develop an SAE Level 2+ (hands-off the wheel) automated driving system for our next generation vehicles planned to launch in 2021.

We are also continuing the development of an SAE Level 3 capable automated driving platform. To that end, a team of FCA engineers is integrated in an autonomous vehicle development team with BMW in Munich, Germany.

Connectivity

We continue to work with our suppliers to develop our cloud-based global connectivity solution that connects vehicles to the Internet and allows the driver and passengers to interact with the car and the outside world. The solution is scalable, increases safety and security and provides real time availability of services and information. A first release of this connectivity system has been launched in EMEA and China and we intend to extend the roll-out to all regions by the end of 2020, while also adding new user features.

Compliance-focused Initiatives by Region

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

North America

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

U.S. consumers tend to have long commutes and ready access to charging capability at home. We plan, by 2022, for 5 percent of our overall fleet (including commercial vehicles) to be high voltage electrified powertrain versions, with a focus on plug-in systems, 17 percent of the fleet to be equipped with mild hybrid systems and the remaining 78 percent to retain conventional internal combustion engines.

Canadian CO_2 policy largely mirrors U.S. requirements without the separate Corporate Average Fuel Economy ("CAFE") rules. Our technology plan and mix rates in Canada are consistent with our U.S. plans. Within Canada, the Quebec province has a separate zero emission vehicle ("ZEV") mandate which we expect to meet with a combination of ZEV vehicle sales and purchased credits.

LATAM

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

Brazilian consumers already widely use ethanol fuel, readily available in the current retail fuel market. We believe that Brazilian CO_2 fleet reduction targets will be met through 2025 with increased usage and efficiency of our ethanol based engines and without any high voltage electrification.

APAC

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

Some large cities provide consumers with license plate incentives for new energy vehicles. Given these incentives can be as high as €11,000 per vehicle, we believe they will be successful in driving the market toward electrification.

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

Our plan is, by 2022, for 18 percent of the overall fleet (including commercial vehicles) to use high voltage electrification, with the highest penetration of full battery electric of any region, 6 percent of the fleet to be equipped with a mild hybrid system and 76 percent of the fleet to retain conventional internal combustion engines.

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

EMEA

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

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

Our plan is, by 2022, for 16 percent of the overall fleet (including commercial vehicles) to use high voltage electrification, 37 percent of the fleet to be equipped with a mild hybrid system and 47 percent to retain conventional internal combustion engines. As previously announced, we expect to introduce electrification technology on several models in 2020 including plug-in hybrid versions of the Jeep Renegade, Jeep Compass and Jeep Wrangler, an all-new full battery electric Fiat 500, as well as the inclusion of mild hybrid technology on a range of other models. Leasys, a rental services subsidiary of our joint venture with Crédit Agricole Consumer Finance S.A., is expected to play a meaningful role in delivering these technologies to the market by leveraging its suite of mobility services.

Intellectual Property

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

Property, Plant and Equipment

As of December 31, 2019, we operated 111 manufacturing facilities (including vehicle and light commercial vehicle assembly, powertrain and components plants, and excluding joint ventures), of which 28 were located in Italy, 13 in the rest of Europe, 28 in the U.S., 11 in Mexico, 9 in Canada, 13 in Brazil, 2 in Argentina, 3 in China and the remaining plants in various other countries. We also own other significant properties including parts distribution centers, research laboratories, test tracks, warehouses and office buildings. The total carrying value of our property, plant and equipment as of December 31, 2019 was €28.6 billion.

A number of our manufacturing facilities and equipment, including land and industrial buildings, plant and machinery and other assets, are subject to mortgages and other security interests granted to secure indebtedness to certain financial institutions. As of December 31, 2019, our property, plant and equipment reported as pledged as collateral for loans amounted to approximately €1.6 billion, excluding Right-of-use assets (refer to Note 11, *Property, plant and equipment).*

We believe that planned production capacity is adequate to satisfy anticipated retail demand and our operations are designed to be flexible enough to accommodate the planned product design changes required to meet global market conditions and new product programs (such as through leveraging existing production capacity in each region for export needs).

We are not aware of any environmental issues that would materially affect the utilization of our fixed assets. See *Industrial Environmental Control*.

Supply of Raw Materials, Parts and Components

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

Our focus on quality improvement, cost reduction, product innovation and production flexibility requires us to rely upon suppliers with a focus on quality and the ability to provide cost reductions. We value our relationships with suppliers, and in recent years, we have worked to establish closer ties with a significantly reduced number of suppliers by selecting those that enjoy a leading position in the relevant markets. In addition, we source some of the parts and components for our vehicles internally from Teksid. Subsequent to the announced sale of Teksid's cast iron business, we expect to enter into a long-term supply agreement with the acquirer, Tupy S.A. We also agreed to a multi-year supply agreement with Magneti Marelli in connection with our sale of that business. Although we have not experienced any major loss of production as a result of material or parts shortages in recent years, because we, like most of our competitors, regularly source some of our systems, components, parts, equipment and tooling from a single provider or limited number of providers, we are at risk of production delays and lost production should any supplier fail to deliver goods and services on time.

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

Employees

At December 31, 2019, we had a total of 191,752 employees (excluding employees of joint arrangements, associates and unconsolidated subsidiaries), a 3.4 percent decrease from December 31, 2018 and a 2.4 percent decrease over December 31, 2017. The following table provides a breakdown of these employees as of December 31, 2019, 2018 and 2017, indicated by type of contract and region.

	Hourly			Salaried			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Europe	37,609	40,446	40,910	23,027	24,170	24,920	60,636	64,616	65,830
North America[1]	72,667	74,703	71,414	22,954	22,326	22,778	95,621	97,029	94,192
Latin America	24,525	26,004	25,634	7,088	7,062	6,917	31,613	33,066	32,551
Asia	230	253	271	3,413	3,313	3,486	3,643	3,566	3,757
Rest of the world	46	46	4	193	222	177	239	268	181
Total	**135,077**	**141,452**	**138,233**	**56,675**	**57,093**	**58,278**	**191,752**	**198,545**	**196,511**

(1) Refers to the geographical area and not our North America reporting segment.

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

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

Trade Unions and Collective Bargaining

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

A large portion of our workers in Italy, the U.S., Canada and Mexico are represented by trade unions. In addition to the rights granted to all Italian trade unions and workers concerning freedom of association, in the Italian collective labor agreement FCA has agreed an additional service by paying the trade union dues on behalf of the employees.

Collective bargaining at various levels resulted in major agreements being reached with trade unions on both wage and employment conditions in several countries. Based on an average figure that includes the Sevel plant (Italy), 87.3 percent of our employees worldwide are covered by collective bargaining agreements.

In Italy, substantially all of our employees are covered by collective bargaining agreements. On March 11, 2019, the company-specific collective labor agreement (CCSL), which covers about 53,000 employees, was renewed with the Trade Unions FIM-CISL, UILM-UIL, FISMIC, UGLM and AQCFR. The agreement was effective retrospectively from January 1, 2019, through December 31, 2022, and includes:

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

- a new classification of workers, capable of interpreting the continuous evolution of professional skills.

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

In September 2016, the four-year collective bargaining agreement that was entered into in September 2012 with Unifor in Canada expired. FCA entered into a 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. The agreement covers approximately 10,000 employees and expires September 2020. The Unifor lump-sum payment is being amortized ratably over the four-year labor agreement period.

Sales Overview

New vehicle sales represent sales of FCA vehicles primarily by dealers and distributors, or, directly by us in some cases, 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. 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 in any given period, as such results are primarily driven by our vehicle shipments to dealers and distributors. For a discussion of our shipments, see *FINANCIAL OVERVIEW—Shipment Information*. The following table shows new vehicle sales by geographic market for the periods presented.

	Years ended December 31,		
	2019	**2018**	**2017**
	(millions of units)		
North America	2.5	2.5	2.4
LATAM	0.6	0.6	0.5
APAC	0.2	0.2	0.3
EMEA	1.3	1.4	1.5
Total Mass-Market Vehicle Brands	**4.6**	**4.7**	**4.7**
Maserati	0.03	0.04	0.05
Total Worldwide	**4.6**	**4.8**	**4.8**

North America

North America Sales and Competition

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

	Years ended December 31,					
	2019[(1),(2)]		**2018**[(1),(2)]		**2017**[(1),(2)]	
North America	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
U.S.	2,204	12.6 %	2,235	12.6 %	2,059	11.7 %
Canada	223	11.6 %	225	11.3 %	267	13.0 %
Mexico and Other	63	4.7 %	74	5.1 %	86	5.5 %
Total	**2,490**	**12.0 %**	**2,534**	**12.0 %**	**2,412**	**11.4 %**

(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.

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

U.S.	Years ended December 31,		
	2019	**2018**	**2017**
Automaker	**Percentage of industry**		
GM	16.5 %	16.7 %	17.1 %
Ford	13.8 %	14.1 %	14.7 %
Toyota	13.6 %	13.7 %	13.9 %
FCA	**12.6 %**	**12.6 %**	**11.7 %**
Honda	9.2 %	9.1 %	9.3 %
Nissan	7.7 %	8.4 %	9.1 %
Hyundai/Kia	7.6 %	7.2 %	7.3 %
Other	19.0 %	18.2 %	16.9 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

U.S. industry sales, including medium and heavy-duty vehicles, increased from 10.6 million units in 2009 to 17.5 million units in 2019. The strong recovery in the automotive sector, from 2009 through 2019, was supported by robust macroeconomic and automotive specific factors, such as growth in per capita disposable income, improved consumer confidence, the increasing age of vehicles in operation, improved consumer access to affordably priced financing and higher prices of used vehicles.

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

Our 2019 sales were at a comparable level to 2018, primarily from the strong performance of the Ram brand, for which growth was underpinned by the launch of Ram Heavy Duty and supported by higher sales of Ram Light Duty, as well as the launch of the all-new Jeep Gladiator, despite lower overall shipments.

North America Distribution

In the North America segment, our vehicles are sold primarily to dealers in our dealer network for sale to retail consumers and to 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.

North America Dealer and Customer Financing

In the North America 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, Fiat and Alfa Romeo 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. SCUSA and FCA US have been in continual discussion regarding performance under the SCUSA Agreement. The parties entered into a Tolling Agreement in July 2018 with respect to the SCUSA Agreement, pursuant to which, among other things, the parties agreed each party shall fully preserve and retain its respective rights, claims and defenses as they existed on April 30, 2018.

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

As of December 31, 2019, SCUSA was providing wholesale lines of credit to approximately 10 percent of our dealers in the U.S., while Ally Financial Inc. ("Ally") was at 33 percent. For the year ended December 31, 2019, we estimate that approximately 87 percent of the vehicles purchased by our U.S. retail customers were financed or leased of which approximately 55 percent financed or leased through SCUSA (40 percent) and Ally (15 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:

	Years ended December 31,					
	2019[(1)]		2018[(1)]		2017[(1)]	
LATAM	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
Brazil	497	18.7 %	434	17.5 %	380	17.5 %
Argentina	54	12.4 %	99	12.8 %	105	12.2 %
Other LATAM	29	2.7 %	33	2.9 %	28	2.5 %
Total	**580**	**13.9 %**	**566**	**12.8 %**	**513**	**12.4 %**

(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,		
	2019[1]	2018[1]	2017[1]
Automaker	Percentage of industry		
FCA	**18.7 %**	**17.5 %**	**17.5 %**
GM	17.9 %	17.6 %	18.1 %
Volkswagen	15.6 %	14.8 %	12.5 %
Ford	8.2 %	9.2 %	9.5 %
Other	39.6 %	40.9 %	42.4 %
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.

Automotive industry volumes within the countries in which the LATAM segment operates decreased 5 percent from 2018 to 4.2 million vehicles (cars and light commercial vehicles) in 2019, which was primarily driven by a 43 percent decline in vehicle sales in Argentina, reflecting the impact of the Argentina economic downturn, partially offset by a 7.6 percent increase in vehicle sales in Brazil, reflecting continued improvement in market conditions.

The Group's market share in LATAM increased 110 basis points from 12.8 percent to 13.9 percent, primarily reflecting market share growth in Brazil. In Brazil, overall market share increased 120 basis points to 18.7 percent from 17.5 percent while, in Argentina, overall market share decreased 40 basis points to 12.4 percent from 12.8 percent in 2018.

Our vehicle line-up in LATAM leverages the brand recognition of Fiat, as well as the relatively urban population of countries like Brazil, to offer vehicles in smaller segments, such as the Fiat Mobi, Argo and Cronos. Fiat also leads the pickup truck market in Brazil, with the Fiat Strada (22.3 percent market share) and the Fiat Toro (19.1 percent market share). Jeep leads the small and medium SUV segments in Brazil with the Jeep Renegade (11.5 percent market share) and the Jeep Compass (10.1 percent market share).

LATAM Distribution

In the LATAM segment, we generally enter into multiple dealer agreements with individual dealerships. Outside our major markets of Brazil and Argentina, we mainly distribute our vehicles through general distributors.

LATAM Dealer and Customer Financing

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

We have two 100 percent owned captive finance companies in the LATAM segment that offer dealer and retail customer financing: Banco Fidis S.A. ("Banco Fidis") in Brazil and FCA Compañia Financiera S.A. in Argentina. In addition, in Brazil we have two significant commercial partnerships with Banco Itaù and Bradesco to provide financing to retail customers purchasing FCA branded vehicles. Banco Itaù is a leading vehicle retail financing company in Brazil and our partnership was renewed in August 2013 for a ten-year term ending in 2023. Under this agreement, which applies only to our retail customers purchasing Fiat branded vehicles, Banco Itaù has exclusivity on our promotional campaigns and preferential rights on non-promotional financing. We receive commissions in connection with each vehicle financing above a certain threshold. 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:

	Years ended December 31,					
	2019[1],[4]		2018[1],[4]		2017[1],[4]	
APAC	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
China[2]	92	0.4 %	163	0.8 %	215	0.9 %
Japan	24	0.6 %	22	0.5 %	21	0.5 %
India[3]	12	0.4 %	19	0.6 %	15	0.5 %
Australia	9	0.8 %	11	1.0 %	13	1.1 %
South Korea	10	0.7 %	8	0.5 %	8	0.5 %
APAC 5 major Markets	147	0.5 %	223	0.7 %	272	0.8 %
Other APAC	5	—	5	—	5	—
Total	**152**	**—**	**228**	**—**	**277**	**—**

(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 China Association of Automobile Manufacturers. Effective January 2019, industry data sourced from China Passenger Car Association.
(2) Sales data include vehicles shipped by our joint venture in China.
(3) India market share is based on wholesale volumes.
(4) Sales reflect retail deliveries. APAC industry reflects aggregate for major markets where the Group competes (China, Australia, Japan, South Korea, and India). Market share is based on retail registrations except, as noted above, in India where market share is based on wholesale volumes.

The automotive industry in the APAC segment has shown a year-over-year decline, with industry sales in the five key markets (China, India, Japan, Australia and South Korea) decreasing by 6 percent to 31.2 million. Overall for the ten year period in the five key markets in which we compete, industry sales have increased from 16.1 million in 2009 to 31.2 million in 2019, a compound annual growth rate ("CAGR") of approximately 7 percent. Industry demand decreased from 2018 to 2019 with decreases in China (-7 percent), Australia (-8 percent), India (-12 percent), South Korea (-2 percent) and Japan (-2 percent).

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 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, GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV"), our joint venture with Guangzhou Automobiles Group Co., Ltd., was formed. In 2015, we expanded local production through the GAC FCA JV with the production of the Jeep Cherokee and in 2016 the Jeep Renegade and the Jeep Compass. In 2016, the Jeep brand also made its return to India, with the launches of the imported Jeep Wrangler and Jeep Grand Cherokee. In 2017, we launched the imported Alfa Romeo Giulia and Alfa Romeo Stelvio in China and local production of the Jeep Compass was launched in the Ranjangaon, India plant for sale in India and other right-hand drive countries. In 2018, we launched the Grand Commander in China, a premium seven-seater SUV produced at the GAC FCA JV plant in Changsha, China. In 2019, we launched the all-new Jeep Commander PHEV, a 5-passenger plug-in hybrid SUV developed for China. In other parts of the APAC segment, we distribute vehicles that we manufacture in the U.S., Europe and India 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.

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 our sales activities in China on a non-exclusive basis through dealer and retail customer financing. Cooperation agreements are also in place with third-party financial institutions to provide dealer network and retail customer financing in India, South Korea, Australia and Japan.

EMEA

EMEA Sales and Competition

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

	Years ended December 31,					
	2019[(1),(2),(3)]		2018[(1),(2),(3)]		2017[(1),(2),(3)]	
EMEA	**Sales**	**Market Share**	**Sales**	**Market Share**	**Sales**	**Market Share**
	Thousands of units (except percentages)					
Italy	521	24.8 %	571	27.3 %	633	29.4 %
Germany	130	3.3 %	155	4.0 %	151	3.9 %
France	127	4.7 %	139	5.3 %	126	4.9 %
Spain	87	5.9 %	97	6.4 %	84	5.8 %
UK	53	2.0 %	62	2.3 %	73	2.5 %
Other Europe	244	4.7 %	252	4.9 %	228	4.6 %
Europe*	1,162	6.4 %	1,276	7.1 %	1,295	7.2 %
Other EMEA**	165	—	152	—	191	—
Total	**1,327**	**—**	**1,428**	**—**	**1,486**	**—**

** 28 members of the European Union (including the UK for the periods presented) and members of the European Free Trade Association (other than Italy, Germany, UK, France, and Spain).*
*** Market share not included in Other EMEA because 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.

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

	Years ended December 31,		
Europe-Passenger Cars	**2019[(1)]**	**2018[(1)]**	**2017[(1)]**
Automaker	Percentage of industry		
Volkswagen	24.5 %	23.9 %	23.8 %
PSA	15.6 %	16.0 %	12.1 %
Renault	10.5 %	10.5 %	10.4 %
Hyundai/Kia	6.7 %	6.7 %	6.3 %
BMW	6.6 %	6.6 %	6.7 %
Daimler	6.4 %	6.2 %	6.3 %
Ford	6.1 %	6.4 %	6.6 %
FCA[(2)]	**6.0 %**	**6.5 %**	**6.7 %**
Toyota	5.0 %	4.9 %	4.6 %
Other	12.6 %	12.3 %	16.5 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

(1) Including all 28 European Union (EU) Member States (including the UK for the periods presented) and the 4 European Free Trade Association member states, or EFTA member states.
(2) 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.

In 2019, the Fiat brand continued its leadership in the European A minicar segment in EU 28+EFTA (including the UK), 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 down 2.2 percent. The Jeep Brand posted sales of more than 167 thousand vehicles. Sales of the Alfa Romeo Brand decreased, primarily from the discontinuance of the Mito and of certain engines of the Giulietta.

In Europe, FCA's sales are largely weighted to passenger cars, with 37.4 percent of our total vehicle sales in the small car segment for 2019, 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 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.

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, and provides dealer and retail financing and, within selected countries, also rentals to support our mass-market vehicle brands. FCA Bank provides its services to our Maserati luxury brand, as well as certain other OEMs, including Ferrari. We began this joint venture in 2007 and have agreed with Crédit Agricole to extend its term through December 31, 2024, which may be automatically renewed unless notice of non-renewal is provided no later than three years before end of the term.

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

Maserati

Maserati, a luxury vehicle brand founded in 1914, became part of the Group in 1993. In 2013, the Maserati brand was re-launched by the introduction of the next generation Quattroporte and the introduction of the Ghibli (luxury four-door sedans), the first in the flagship large sedan segment and the second in the luxury full-size sedan vehicle segment. Maserati's 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.

In September 2019, Maserati announced plans for its lineup of new and electrified vehicles to be produced at Modena, Cassino and Turin (Mirafiori and Grugliasco), for the construction of a new production line at Cassino for a new Maserati utility vehicle, scheduled to open at the end of the first quarter of 2020 with the first pre-series cars expected to roll off the production line by 2021, and for the Turin production hub, where the all-new GranTurismo and GranCabrio will be produced.

The following table shows the distribution of Maserati sales by geographic regions as a percentage of total sales for each year ended December 31, 2019, 2018 and 2017:

	As a percentage of 2019 sales	**As a percentage of 2018 sales**	**As a percentage of 2017 sales**
U.S.	31%	32%	28%
China	24%	24%	30%
Europe Top 4 countries[1]	17%	17%	16%
Japan	5%	4%	4%
Other countries	23%	23%	22%
Total	**100%**	**100%**	**100%**

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

In 2019, a total of 26 thousand Maserati vehicles were sold to retail consumers, a decrease of 26 percent compared to 2018 as a result of reduced sales in China, the U.S. and other key markets, partially due to lower industry volumes in Maserati relevant segments.

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 the financing of Maserati brand vehicles to dealers and end customers.

Cyclical Nature of the Business

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

Environmental and Other Regulatory Matters

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

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

Automotive Tailpipe Emissions

Numerous laws and regulations limit automotive emissions, including vehicle exhaust emission standards, vehicle evaporative emission standards and emission control software calibration system requirements. Advanced onboard diagnostic systems are used to identify and diagnose problems with emission control systems. These requirements become more challenging each year, especially in light of increased global scrutiny of diesel emission control software calibration and we expect these emissions and certification requirements will continue to become even more rigorous worldwide.

North America Region

Under the U.S. Clean Air Act and California law, the U.S. Environmental Protection Agency (“EPA”), and the California Air Resource Board (“CARB”) by virtue of an EPA waiver, require emission compliance certification before a vehicle can be sold in the U.S. or in California (and many other states that have adopted the California emissions requirements). Both agencies impose limits on tailpipe and evaporative emissions of certain non-greenhouse gas pollutants from new motor vehicles and engines, and in some cases dictate the pollution control methods our engines must employ.

Our vehicles are subject to EPA's Tier 3 Vehicle Emission and Fuel Standards Program, which regulates vehicle tailpipe and evaporative emission standards and fuels. These Tier 3 standards generally align with California’s Low Emission Vehicle (“LEV”) III tailpipe and evaporative standards, discussed below, and require automakers to conduct pre- and post-production vehicle testing to demonstrate compliance with these emissions limits for the useful life of a vehicle, and require that FCA Italy-produced and Maserati-branded vehicles sold in the U.S. be included in the Group's U.S. fleet as reported to EPA and CARB.

In addition, we have implemented hardware and software systems in all our vehicles in connection with onboard diagnostic monitoring requirements. Conditions identified through these systems could lead to vehicle recalls (or other remedial actions such as extended warranties) with significant costs for related inspections, repairs or per-vehicle penalties.

In addition to its LEV III emissions standards, CARB regulations also require that a specified percentage of cars and certain light-duty trucks sold in California qualify as zero emission vehicles, such as electric vehicles, hybrid electric vehicles or hydrogen fuel cell vehicles. Our strategy for compliance with the zero emission vehicle requirements involves the sale of a variety of vehicles, including battery electric vehicles and hybrid electric vehicles. Our compliance strategy is also supported by the purchase of credits from other OEMs. The Group's compliance with zero emission vehicles regulations includes Maserati vehicles sold in the U.S.

In addition to California, 12 states currently enforce California’s LEV III standards in lieu of the federal EPA standards, and nine states, as well as Quebec province in Canada, have also adopted California’s zero emission vehicle requirements.

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

LATAM Region

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

APAC Region

China 5 standards, which mirror Euro 5 standards, are currently in place in China nationwide. China 6 standards were released in 2016 and will be required nationwide beginning in July 2020 with China 6a thresholds and in July 2023 with China 6b thresholds. China 6a and 6b have more stringent tailpipe emissions thresholds than Euro 6 and also add European Union (“EU”) real driving emissions and U.S. onboard diagnostics, onboard refueling vapor recovery and evaporative emission control system requirements. Some regions within China implemented China 6b in 2019 such as Shanghai, Guangzhou, Shenzhen, Yangtze River Delta, Pearl River Delta, Chengdu, Chongqing and Tianjin. Beijing implemented China 6b at the beginning of 2020. FCA's entire China fleet has been developed with the intent to meet China 6 standards.

South Korea implemented regulations that are similar to California’s LEV III regulations beginning in 2016 and became fully required in 2019 for all gasoline vehicles. Diesel vehicles are required to meet Euro 6 EU emissions requirements. Japan adopted the Worldwide Harmonized Light Vehicle Testing Procedures (“WLTP”) without Extra High phase in 2018 for new models and will be required by September 2020 for all models. WLTP is a global harmonized standard for regulating greenhouse gas (“GHG”) emissions, non-GHG pollutants, and fuel or energy consumption for light-duty vehicles and electric range for battery electric vehicles or hybrids. India currently follows Bharat Stage IV (“BSIV”) emission norms, which are equivalent to Euro 4 standards. BSIV emission norms were enforced nationwide starting in 2017. The government will mandate the new Bharat Stage VI emission norms beginning in April 2020, skipping Euro 5 equivalent norms. In addition, Australia is developing a revised Regulatory Impact Statement to introduce mandatory Euro 6 standards beginning in 2027 and Euro 5 standards are expected to remain in force until that time.

EMEA Region

In Europe, emissions are regulated by the European Commission (“EC”) and the United Nations Economic Commission for Europe (“UNECE”). The EC imposes standardized emission control requirements on vehicles sold in all 28 EU member states, while non-EU countries bound by the “1985 UN Agreement” (an agreement concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts which can be fitted or used on wheeled vehicles and the conditions for reciprocal recognition of approvals granted on the basis of these prescriptions) apply regulations under the UNECE framework. EU Member States can provide tax incentives for the purchase of vehicles that meet emission standards earlier than the compliance date. As a result, vehicles must meet emission requirements and receive specific approval from an appropriate Member State authority before they can be sold in any EU Member State. These regulatory requirements include random testing of newly assembled vehicles and a manufacturer in-use surveillance program.

Euro 6 emission levels are in effect for all passenger cars and light commercial vehicles and require additional technologies and further increase the cost of diesel engines compared to prior Euro 5 standards. These new technologies have put additional cost pressures on the already challenging European market for small and mid-size diesel-powered vehicles. Further requirements of Euro 6 have been developed by the EC and became effective for all new passenger cars registered after September 1, 2018. In addition to WLTP, a new test procedure to directly assess the regulated emissions of light duty vehicles under real driving conditions became effective for all new passenger cars registered after September 1, 2019 and will become effective for new light commercial vehicles registered after September 1, 2020. For a discussion of inquiries from relevant governmental agencies in the European Union, see Note 25, *Guarantees granted, commitments and contingent liabilities* within the Consolidated Financial Statements included elsewhere in this report. See also "*Risk Factors-Risks Related to the Legal and Regulatory Environment in which we Operate-We remain subject to diesel emissions investigations by several governmental agencies and to a number of related private lawsuits, as well as other claims and lawsuits which may lead to further enforcement actions, penalties or damage awards and may also adversely affect our reputation with consumers*"

Automotive Fuel Economy and Greenhouse Gas Emissions

We pursue compliance with fuel economy and greenhouse gas regulations in the markets where we operate through the most cost effective combination of developing, manufacturing and selling vehicles with better fuel economy and lower emissions, purchasing compliance credits and paying regulatory penalties. The cost of each of these components of our strategy has increased and is expected to continue to increase in the future. As the costs of each of these components, particularly the relative costs of each component, changes, we intend to adjust our strategies in an effort to maintain the most cost effective means of complying with the regulations.

North America Region

In the U.S., since the enactment of the 1975 Energy Policy and Conservation Act, the National Highway Traffic Safety Administration ("NHTSA") has enforced minimum CAFE for fleets of new passenger cars and light-duty trucks sold in the U.S. for each model year. These CAFE standards apply to all domestic and imported passenger car and light-duty truck fleets and currently require year-over-year increases in fuel economy through 2025. The requirement is scaled based on vehicle footprint size. The CAFE standards require that passenger cars imported into the U.S. from outside of North America are averaged separately from those manufactured within North America, and domestic cars and light duty trucks are also considered separately. A civil fine can be paid under the CAFE standards which can vary to the extent fuel economy targets are not met, and the policy also allows for the trading of CAFE credits as a means to achieve compliance.

In addition, as part of a Joint Rule with NHTSA's CAFE standards, the EPA and CARB (by virtue of an EPA waiver) enforce a GHG standard that is also footprint based and increasing in stringency year over year through 2025. This requirement corresponds to an equivalent fuel economy target of 54.5 miles per gallon in the 2025 model year. Various flexibilities exist to reach this target, including utilizing advanced technology components and more environmentally friendly refrigerants. A civil fine cannot be paid to achieve compliance with GHG standards.

Pursuant to the Joint Rule, EPA and NHTSA conducted a "mid-term" review to evaluate the appropriateness of model year 2022-2025 CAFE/GHG standards and the original assumptions the agencies made as a basis for those standards. The "mid-term" review concluded that model year 2022-2025 standards were inappropriate. In September 2019, EPA and NHTSA issued a new Joint Rule that prohibits California from having a GHG program. California and other stakeholders challenged the new Joint Rule in federal court. FCA and other OEMs have intervened in this litigation to ensure the ability to participate in the case and any outcome.

For light duty vehicles, California and nine other states enforce a ZEV mandate requiring a certain percentage of each OEM's fleet in each state to be zero emission - either battery electric vehicles or fuel cell vehicles. This standard also increases in stringency through model year 2025. The policy does allow for a limited number of sales of partial zero emission vehicles and plug-in electric hybrids as a flexibility for manufacturers. The Joint Rule also prohibits California from having its own ZEV program and is subject to challenge by California in federal court.

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

The approach and technologies being developed to meet U.S. requirements are intended to also enable compliance in the Canadian and Mexican markets.

LATAM Region

In 2012, the Brazilian government issued a CO_2 reduction decree which provided indirect tax incentives to manufacturers who met certain requirements. Participating companies had to meet vehicle energy efficiency targets on vehicles sold from October 1, 2016 to September 30, 2017 and must maintain the required level until September 30, 2020. The program has additional targets that result in additional tax incentives based on the magnitude and timing of target accomplishment.

In July 2018, the first regulations related to Rota 2030 were enacted. Rota 2030 is a long-term program (three cycles of five years each) which includes key principles related to energy efficiency for all vehicles sold in Brazil. Key Rota 2030 regulations were approved by the Brazilian Congress and sanctioned by the Brazilian President in December 2018 as well as ordinary regulations to address certain minimum requirements and other metrics. The regulation for the next phase of Energy Efficiency (CO_2/fuel efficiency) beginning in 2022 incorporates three fleets split into passenger, large SUV and light commercial vehicle categories. Among other things, the rule rewards the improvement of sugar cane ethanol combustion efficiency and also recognizes and provides credit flexibilities for technologies that provide benefits in conditions that are not seen on the standardized government test cycles.

In Argentina, although there is no current mandatory greenhouse gas requirement, the government is in the process of a CO_2 standard revision which is expected to be finalized by year end 2020.

APAC Region

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

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

Beginning in 2021, China will adopt WLTP for conventional and plug-in hybrid electric vehicles and a unique Chinese test cycle is also expected to be applicable to battery electric vehicles in the same year. A draft of Phase V CAFC and NEV credit rules has been released by the Chinese government with increasing stringency reaching a target of 4.6 liters per 100 kilometers by 2025. The final rules are expected to be issued soon.

Additional markets within the APAC region have enacted fuel consumption and GHG targets. India began enforcing a phase I CAFC limit starting in April 2017 with a second, more stringent phase beginning in 2022.

South Korea has implemented a new phase of CAFE/CO_2 standards beginning in 2016 with increased targets for 2021.

In Japan, auto manufacturers are required to achieve the 2015 fuel economy standard for each vehicle weight class, which applies through the 2019 fiscal year. In 2020, a new fuel economy standard will be implemented that switches from vehicle weight class average to corporate average fuel economy. In Australia, although there is no mandatory greenhouse gas requirement, the government is in the midst of a CO_2 standard revision which is expected to result in a voluntary CO_2 target for light vehicles.

EMEA Region

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

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

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

A new regulatory test procedure for measuring CO_2 emissions and fuel consumption of light duty vehicles known as the WLTP entered into force in September 2018 for all registered passenger cars and in September 2019 for all registered LCVs. The WLTP is expected to provide CO_2 emissions and fuel consumption values that are more representative of real driving conditions.

The quantity of CO_2 emissions in 2020 will be affected not only by market evolution (such as the expected reduction of diesel market share), but also by the commercialization of low-emission and electrified vehicles. FCA has defined a plan to reach compliance with CO_2 emissions targets, mainly based on technical actions (such as the launch of electrified products and the extension of the new Gasoline Small Engine family across a significant portion of its products) and commercial actions (such as the promotion of low CO_2 emission vehicles). Finally, according to applicable EU regulations, current pooling arrangements for emissions compliance with another OEM are also expected to apply in 2020.

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

Vehicle Safety

North America Region

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

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

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

At times, organizations like NHTSA or the U.S. Insurance Institute of Highway Safety (“IIHS”) issue or reissue safety ratings applicable to vehicles. In October 2019, NHTSA announced a plan to propose significant updates and upgrades to its New Car Assessment Program, also known as the Five-star Safety Ratings Program, in 2020. The details are not known at this time, but are expected to include new test dummies, changes to the mandatory label, new test procedures and evaluation of new technologies. Depending on the content of the final changes, this set of changes could impact the market competitiveness of the affected vehicles.

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

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

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

LATAM Region

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

APAC Region

Many countries in the Asia Pacific region, including China, South Korea, Japan and India, have adopted or are adopting measures for pedestrian protection and vehicle safety regulations. China published the Regulation for Administration of Recall of Defective Vehicles effective in 2013 and the Implementation Provisions on the Regulation for Administration of Recall of Defective Vehicles effective in 2016. In 2019, State Administration for Market Supervision and Regulation in China issued a notice requiring close supervision of defects reporting and recall of new energy vehicles. In addition, India has implemented vehicle crash regulations effective in 2017 for new models and 2019 for all models, and has introduced for implementation in 2019 new standards relating to pedestrian safety, compulsory installation of airbags, speed limit reminders, anti-lock braking systems and reverse parking sensors. Further, in June 2019 the Indian Government Cabinet approved the “Road Transport and Safety Bill, 2015” which, among other things, covers provisions relating to the recall of vehicles. In South Korea, amendments to major provisions relating to vehicle accidents, fire incidents, defect reporting and recall procedures have been proposed that may considerably increase the liabilities and penalties of vehicle manufacturers.

EMEA Region

Vehicles sold in Europe are subject to vehicle safety regulations established by the EU or, in very limited cases and aspects, by individual Member States. In 2009, the EU established a uniform legal framework for vehicle safety, repealing more than 50 then-existing directives and replacing them with a single regulation known as the “General Safety Regulation” (“GSR”) aimed at incorporating relevant United Nations standards. The incorporation of United Nations standards commenced in 2012. In 2014, discussions began in Europe for a comprehensive upgrade to the GSR, which is expected to lead to the implementation of a variable suite of passive and active safety technologies, depending on vehicle type and classification. The significant items for the most common vehicles include advanced emergency braking, intelligent speed assistance, emergency lane keeping, driver drowsiness and attention warning, advanced driver distraction warning, reversing detection, event data recorder, protection of pedestrians, cyclists and other vulnerable road users, and an expanded scope of front and side crash testing. Also included are the introduction of automated vehicle provisions, such as a driver availability monitoring system or vehicle platooning. The updated GSR was published in 2019 and implementation of this upgraded GSR for new vehicle and vehicle types will begin in 2022. In addition, in-vehicle emergency call systems became mandatory for new type-approved vehicles in the EU, Israel and Turkey markets in 2018. In Russia, a similar in-vehicle emergency call system became mandatory in 2015 and there are currently draft regulations for these systems in some countries in the Middle East region.

Industrial Environmental Control

Our operations are subject to a wide range of environmental protection laws including those laws regulating air emissions, water discharges, waste management and environmental clean-up. Certain environmental statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal, or ownership of a disposal site. Under certain circumstances, these laws impose liability for related damages to natural resources. Our Environmental Management System (“EMS”) formalizes our commitment to responsible management of methodologies and processes designed to prevent or reduce the environmental impact of our manufacturing activities. ISO 14001 is an internationally agreed standard that sets out the requirements for an EMS. At December 31, 2019, the majority of the Group's manufacturing plants have an ISO 14001 certified EMS in place.

Our commitment to environmental and sustainability issues is also reflected through our internal World Class Manufacturing (“WCM”) system.

Workplace Health and Safety

FCA aims to provide all employees with a safe, healthy and productive work environment at every facility worldwide and in every area of activity. Accordingly, the Group focuses on identifying and evaluating workplace safety risks, implementing internal and governmental safety and ergonomic standards, promoting employee awareness and safe behavior and encouraging a healthy lifestyle.

The goal of achieving zero accidents is formalized in the targets set by FCA, as well as through global adoption of an Occupational Health and Safety Management System (“OHSMS”) certified to the Occupational Health and Safety Assessment Series (“OHSAS”) 18001 standard. At December 31, 2019, the vast majority of our manufacturing plants had an OHSMS in place that was OHSAS 18001 certified.

Effective safety management is also supported by the application of WCM tools and methodologies, active involvement of employees and targeted investment.

Applicability of Banking Law and Regulation to Financial Services

Several of our captive finance companies, each of which provides financial services to our customers, are regulated as financial institutions in the jurisdictions in which they operate. FCA Bank S.p.A., incorporated in Italy, is subject to European Central Bank and Bank of Italy supervision. Within FCA Bank Group, two subsidiaries (the Austrian FCA Bank G.m.b.H. and the Portuguese FCA Capital Portugal I.F.I.C., S.A.), are subject to the supervision of the European Central Bank and of the local central banks, whereas certain other subsidiaries are subject to the supervision of the local Supervisory Financial or Banking Authority. Banco Fidis S.A., incorporated in Brazil, is subject to Brazilian Central Bank supervision. FCA Compañia Financiera S.A., incorporated in Argentina, is subject to Argentinian Central Bank supervision. FCA Automotive Finance Co., Ltd, incorporated in China, is subject to the supervision of the Chinese Banking Insurance Regulatory Commission and People’s Bank of China. As a result, those companies are subject to regulation in a wide range of areas including solvency, capital requirements, reporting, customer protection and account administration, among other matters.

FINANCIAL OVERVIEW

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

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

Management's Discussion and Analysis of the Financial Condition and Results of Operations of the Group for the year ended December 31, 2017 was previously included in the section "FINANCIAL OVERVIEW" in the 2018 Annual Report and Form 20-F, as filed with the SEC on February 20, 2019, and has not been included in this report. Industrial free cash flows excluding Magneti Marelli and Adjusted diluted EPS for 2017 were not previously disclosed and have been disclosed below.

Trends, Uncertainties and Opportunities

Our results of operations and financial condition are affected by a number of factors, including those that are outside our control.

Shipments. Vehicle shipments are generally driven by expectations of consumer demand for vehicles, which is affected by economic conditions, availability and cost of dealer and customer financing and incentives offered to retail customers, as discussed further below. Transfer of control, and therefore revenue recognition, generally corresponds to vehicle shipment to dealers or distributors. This generally occurs upon the release of the vehicle to the carrier responsible for transporting the vehicle to the dealer or distributor, or when the vehicle is made available to the dealer or distributor. Shipments and revenue recognition are not necessarily directly correlated with retail sales by dealers, which may be affected by other factors including dealer decisions as to appropriate inventory levels.

Product Development and Technology. A key driver of consumer demand and therefore our shipments, has been the continued refresh, renewal and evolution of our vehicle portfolio, and we have committed significant capital and resources toward the introduction of new vehicles on new platforms, with additions of new powertrains and other new technologies. In order to realize a return on the significant investments we have made to sustain market share and to achieve competitive operating margins, we will have to continue significant investment in new vehicle launches. We believe efforts in developing common vehicle platforms and powertrains have accelerated the time-to-market for many of our new vehicle launches and resulted in cost savings.

The costs associated with product development, vehicle improvements and launches can impact our Net profit. In addition, our ability to continue to make the necessary investments in product development, and recover the related costs, depends in large part on the market acceptance and success of the new or significantly refreshed vehicles we introduce. During a new vehicle launch and introduction to the market, we typically incur increased selling, general and advertising expenses associated with the advertising campaigns and related promotional activity.

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

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

In order to meet expected changes in consumer demand and regulatory requirements, we intend to invest significant resources in product development and research and development. New markets for alternative fuel source vehicles and autonomous vehicles are also continuing to emerge and we expect to invest resources in these areas in order to meet future demand and to support compliance with emissions and fuel efficiency requirements. In addition, global demand continues to shift from passenger cars to utility vehicles and away from diesel-powered vehicles.

Cost of revenues. Cost of revenues includes purchases (including costs related to the purchase of components and raw materials), labor costs, depreciation, amortization, logistic and product warranty and recall campaign costs. We purchase a variety of components, raw materials, supplies, utilities, logistics and other services from numerous suppliers. These purchases have historically accounted for 70-80 percent of total Cost of revenues. Fluctuations in Cost of revenues are primarily related to the number of vehicles we produce and sell along with shifts in vehicle mix, as newer models of vehicles generally have more technologically advanced components and enhancements and therefore higher costs per unit. Cost of revenues may also be affected by fluctuations in raw material prices. The cost of raw materials has historically comprised 10-15 percent of the total purchases described above, while the remaining portion of purchases is made of components, conversion of raw materials and overhead costs. We typically seek to manage these costs and minimize their volatility by using fixed price purchase contracts, commercial negotiations and technical efficiencies. Nevertheless, our Cost of revenues related to materials and components has increased as a result of recent tariff activity, and uncertainty related to tariffs and trade policy in our larger markets including the U.S. and China have made managing our raw material costs difficult to predict. Our Cost of revenues has also increased as we have significantly enhanced the content of our vehicles as we renew and refresh our product offerings. Over time, technological advancements and improved material sourcing may reduce the cost to us of the additional enhancements. In addition, we seek to recover higher costs through pricing actions, but even when market conditions permit this, there may be a time lag between the increase in our costs and our ability to realize improved pricing. Accordingly, our results are typically adversely affected, at least in the short term, until price increases are accepted in the market.

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

Pricing. Our profitability depends in part on our ability to maintain or improve pricing on the sale of our vehicles to dealers and fleet customers and will also be significantly impacted by our ability to pass along the increased costs of the technology needed to meet increased regulatory compliance requirements. However, as described above, import duties and tariffs affecting raw materials or component pricing may in some instances increase the price charged to our customers, where the market can accept such price increases in that particular market or otherwise impact our profitability if we are unable to increase prices to our customers.

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

Vehicle Profitability. Our results of operations reflect the profitability of the vehicles we sell, which tends to vary based upon a number of factors, including vehicle size, content of those vehicles and brand positioning. Vehicle profitability also depends on sales prices to dealers and fleet customers, net of sales incentives, costs of materials and components, as well as transportation and warranty costs. In the North America segment, our larger vehicles such as our larger SUVs and pickup trucks have historically been more profitable on a per vehicle basis than other vehicles and accounted for approximately 71 percent of our total U.S. retail vehicle shipments in 2019. In recent years, consumer preferences for certain larger vehicles, such as SUVs, have increased; however, there is no guarantee this will continue.

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

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

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

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

We pursue compliance with fuel economy and greenhouse gas regulations in the markets where we operate through the most cost effective combination of developing, manufacturing and selling vehicles with better fuel economy and lower emissions, purchasing regulatory emissions credits and paying regulatory expenses. The cost of each of these components of our strategy has increased and is expected to continue to increase in the future. As the costs of each of these components, particularly the relative costs of each component, changes, we intend to adjust our strategies to the extent feasible in an effort to pursue the most cost effective means of meeting our regulatory compliance obligations. In addition, these costs and the costs incurred to meet other regulatory requirements may be difficult to pass through to customers, so the increased costs may affect our results of operations and profitability.

Further, developments in regulatory requirements in China, the largest single market in the world in 2019, limit in some respects, the product offerings we can pursue as we expand the scope of our operations in that country. Refer to *Risk Factors-Risks Related to the Legal and Regulatory Environment in which we Operate- Current and future more stringent or incremental laws, regulations and governmental policies, including those regarding increased fuel efficiency requirements and reduced greenhouse gas and tailpipe emissions, have a significant effect on how we do business and may increase our cost of compliance and negatively affect our operations and results.* for more information. In addition, recent legal proceedings instituted by the U.S. federal government have challenged the jurisdiction of U.S. states, such as California, to impose their own regulations on the vehicles that we sell, resulting in uncertainty regarding the applicability of these regulations.

Tariffs and Trade Policy. There has been a recent and significant increase in activity and speculation regarding tariffs and duties between the U.S. and its trading partners, including China and the EU. Tariffs or duties implemented between the U.S. and its trading partners, and the implementation of the USMCA, may reduce consumer demand and/or make our products less profitable. In addition, the availability and price at which we are able to source components and raw materials globally may be adversely affected.

Consolidation. The automotive industry is exceptionally capital intensive and capital expenditures and research and development requirements in our industry have continued to grow significantly in recent years as we pursue technological innovations and respond to a number of challenges. Compliance with enhanced emissions and safety regulations continue to impose new and increasing capital requirements as does the development of proprietary components. On December 17, 2019, we signed a binding Combination Agreement with Peugeot S.A. providing for a 50/50 merger (the "FCA-PSA Merger") to create the 4th largest global automotive OEM by volume and 3rd largest by revenue. 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 we are unable to reduce our capital requirements through consummation of the FCA-PSA Merger, or cooperation or consolidation with other manufacturers, we may not be able to reduce component development costs, optimize manufacturing investments or product allocation and improve utilization of tooling, machinery and equipment, as a result of which our product development and manufacturing costs will continue to restrict our profitability and return on capital. Although there can be no assurance that these challenges can be overcome through large scale integration or product development and manufacturing collaboration, if we are unable to pursue such benefits our returns on capital employed may be impaired which could adversely affect our results of operations and financial condition.

FCA-PSA Merger. Completion of the FCA-PSA Merger is subject to several conditions beyond our control that may prevent, delay or otherwise adversely affect its completion. In addition, even if the FCA-PSA Merger is completed, challenges in the integration process may arise and the synergies we expect to realize may not be realized in a timely manner or at all.

Dealer and Customer Financing. Given that a large percentage of the vehicles we sell to dealers and retail customers worldwide are financed, the availability and cost of financing is a significant factor affecting our vehicle shipment volumes and Net revenues. Availability of customer financing could affect the vehicle mix, as customers who have access to greater financing are able to purchase higher priced vehicles, whereas when customer financing is constrained, vehicle mix could shift towards less expensive vehicles. The low interest rate environment in recent years has had the effect of reducing the effective cost of vehicle ownership. While interest rates in the U.S. and Europe have been at historically low levels, the availability and terms of financing will likely continue to change over time, impacting our results. We currently operate in many regions (including the U.S.) without a captive finance company, and we continue to provide access to financing through joint ventures and third party arrangements in several of our key markets (including the U.S.). Therefore, we may be less able to ensure availability of financing for our dealers and retail customers in those markets than our competitors that own and operate affiliated finance companies.

Effects of Foreign Exchange Rates. We are affected by fluctuations in foreign exchange rates (i) through translation of foreign currency financial statements into Euro for consolidation, which we refer to as the translation impact, and (ii) through transactions by entities in the Group in currencies other than their own functional currencies, which we refer to as the transaction impact. Given the size of our U.S. operations, a strengthening of the U.S. Dollar against the Euro generally would have a positive effect on our financial results, which are reported in Euro, and on our operations in relation to sales in the U.S. of vehicles and components produced in Europe. Foreign exchange rates, including the U.S. Dollar/Euro exchange rate, have fluctuated significantly in 2019, and may continue to do so in the future. We are primarily financed by a mix of Euro, U.S. dollar and Brazilian Real denominated debt. Given the mix of our debt and liquidity, strengthening of the U.S. dollar against the Euro generally would have a positive impact on our net cash position.

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

Shipment Information

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

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

	Years ended December 31,	
(thousands of units)	**2019**	**2018**
North America	2,401	2,633
LATAM	577	585
APAC	76	84
EMEA	1,199	1,318
Maserati	19	35
Total Consolidated shipments	**4,272**	**4,655**
Joint venture shipments	146	187
Total Combined shipments	**4,418**	**4,842**

For discussion of shipments for North America, LATAM, APAC, EMEA and Maserati for 2019 as compared to 2018, refer to *—Results by Segment* below.

Non-GAAP Financial Measures

We monitor our operations through the use of several non-generally accepted accounting principles ("non-GAAP") financial measures: Adjusted Earnings Before Interest and Taxes ("Adjusted EBIT"), Adjusted net profit, Adjusted diluted earnings per share ("Adjusted diluted EPS"), Industrial free cash flows and certain information provided on a constant exchange rate ("CER") basis. We believe that these non-GAAP financial measures provide useful and relevant information regarding our operating results and enhance the overall ability to assess our financial performance. 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 as prepared in accordance with IFRS as issued by the IASB as well as IFRS adopted by the European Union.

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 and the achievement of certain performance objectives established under the terms of the 2019-2021 equity incentive plan for the Chief Executive Officer of the Group and other eligible employees, including members of the Group Executive Council ("GEC").

Refer to the sections *Group Results* and *Results by Segment* below for further discussion and for a reconciliation of this non-GAAP measure to Net profit from continuing operations, which is the most directly comparable measure included in 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 2014-2018 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.

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

We believe this non-GAAP measure 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 quality of earnings.

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

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

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

Constant Currency Information: the discussion within section *Group Results* includes information about our results at CER, which is calculated by applying the prior year average exchange rates to translate current financial data expressed in local currency in which the relevant financial statements are denominated (see Note 2, *Basis of preparation*, within the Consolidated Financial Statements included elsewhere in this report for the exchange rates applied). Although 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.

Results of Operations

Group Results – 2019 compared to 2018

The following is a discussion of the Group's results of operations for the year ended December 31, 2019 as compared to the year ended December 31, 2018.

(€ million)	Years ended December 31, 2019		2018	
Net revenues	€	108,187	€	110,412
Cost of revenues		93,164		95,011
Selling, general and other costs		6,455		7,318
Research and development costs		3,612		3,051
Result from investments		209		235
Gains on disposal of investments		15		—
Restructuring costs		154		103
Net financial expenses		1,005		1,056
Profit before taxes		**4,021**		**4,108**
Tax expense		1,321		778
Net profit from continuing operations		**2,700**		**3,330**
Profit from discontinued operations, net of tax		3,930		302
Net profit	**€**	**6,630**	**€**	**3,632**
Net profit attributable to:				
Owners of the parent	€	6,622	€	3,608
Non-controlling interests	€	8	€	24
Net profit from continuing operations attributable to:				
Owners of the parent	€	2,694	€	3,323
Non-controlling interests	€	6	€	7
Net profit from discontinued operations attributable to:				
Owners of the parent	€	3,928	€	285
Non-controlling interests	€	2	€	17

As of January 1, 2019 the Group adopted IFRS 16 - *Leases* using the modified retrospective approach and did not restate prior year comparatives. The impact of the adoption of this new standard is not material and the Group does not expect a material impact from the adoption of this new standard on an ongoing basis. Refer to Note 2, *Basis of preparation*, within our Consolidated Financial Statements included elsewhere in this report, for further information.

Net revenues

(€ million)	Years ended December 31, 2019		2018		Increase/(Decrease) 2019 vs. 2018 % Actual	% CER
Net revenues	€	108,187	€	110,412	(2.0)%	(5.2)%

For a discussion of Net revenues for each of our five reportable segments (North America, LATAM, APAC, EMEA and Maserati) for 2019 as compared to 2018 see *Results by Segment* below.

Cost of revenues

	Years ended December 31,		Increase/(Decrease) 2019 vs. 2018	
(€ million)	2019	2018	% Actual	% CER
Cost of revenues	€ 93,164	€ 95,011	(1.9)%	(5.1)%
Cost of revenues as % of Net revenues	86.1%	86.1%		

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

The decrease in Cost of revenues in 2019 compared to 2018 was primarily related to (i) volume decreases in North America, EMEA and Maserati, which were partially offset by (ii) increases resulting from foreign currency translation effects, (iii) overall mix, product costs and enhancements on recently launched vehicles in North America, and (iv) impairment of assets, as described below.

Included within Cost of revenues for 2019 were amounts of €425 million (€370 million in 2018), which represent primarily the accrual of regulatory expenses and the utilization of regulatory credits, mainly in North America and EMEA.

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

During 2019, rationalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo resulted in the recognition of asset impairment charges for certain platforms. The impairment charges totaled €1,376 million, composed of €563 million of Property, plant and equipment recognized within *Cost of revenues* and €813 million of previously capitalized development costs recognized within *Research and development costs* and excluded from Adjusted EBIT. Of these charges, €435 million relates to the EMEA segment, €148 million relates to the Maserati segment and the remaining €793 million is not allocated to a specific region as the platform assets that have been impaired are used to produce Alfa Romeo vehicles sold in several of our regions. Refer to Note 2, *Basis of preparation - Use of Estimates* in the Consolidated Financial Statements included elsewhere in this Report.

Selling, general and other costs

	Years ended December 31,		Increase/(Decrease) 2019 vs. 2018	
(€ million)	2019	2018	% Actual	% CER
Selling, general and other costs	€ 6,455	€ 7,318	(11.8)%	(13.7)%
Selling, general and other costs as% of Net revenues	6.0%	6.6%		

The decrease in Selling, general and other costs in 2019 as compared with 2018 was primarily due to the non-repeat of the €748 million charge for estimated costs related to U.S. diesel emissions matters recognized during 2018 and the U.S special bonus payment of €111 million in 2018 as a result of the Tax Cuts and Jobs Act in the U.S., which were excluded from Adjusted EBIT. Net of these charges, Selling, general and other costs decreased primarily due to lower advertising expenses in EMEA and North America and efficiencies resulting from restructuring actions in EMEA.

Selling, general and other costs includes advertising, personnel and administrative costs. Advertising costs amounted to approximately 47 percent and 42 percent of total Selling, general and other costs for the years ended December 31, 2019 and 2018 respectively. Advertising costs were consistent for the years ended December 31, 2019 and 2018, with the increase in advertising costs as a proportion of total Selling, general and other costs primarily due to lower total Selling, general and other costs in 2019 from the non-repeat of the charge recognized in 2018, referred to above.

Research and development costs

(€ million)	Years ended December 31, 2019	2018	Increase/(Decrease) 2019 vs. 2018 % Actual	% CER
Research and development expenditures expensed	€ 1,305	€ 1,448	(9.9)%	(13.3)%
Amortization of capitalized development expenditures	1,358	1,456	(6.7)%	(8.9)%
Impairment and write-off of capitalized development expenditures	949	147	n.m.	n.m.
Total Research and development costs	**€ 3,612**	**€ 3,051**	**18.4 %**	**15.6 %**

n.m. = numbers are not meaningful

	Years ended December 31, 2019	2018
Research and development expenditures expensed as % of Net revenues	1.2%	1.3%
Amortization of capitalized development expenditures as % of Net revenues	1.3%	1.3%
Impairment and write-off of capitalized development expenditures as % of Net revenues	0.9%	0.1%
Total Research and development costs as % of Net revenues	**3.3%**	**2.8%**

The following table summarizes our research and development expenditures for the years ended December 31, 2019 and 2018:

(€ million)	Years ended December 31, 2019	2018	Increase/(Decrease) 2019 vs. 2018
Capitalized development expenditures	€ 2,889	€ 2,079	39.0 %
Research and development expenditures expensed	1,305	1,448	(9.9)%
Total Research and development expenditures	**€ 4,194**	**€ 3,527**	18.9 %
Capitalized development expenditures as % of Total Research and development expenditures	68.9%	58.9%	
Total Research and development expenditures as % of Net revenues	**3.9%**	**3.2%**	

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 *Trends, Uncertainties and Opportunities—Product Development and Technology* and *Overview of Our Business - Research and Development*.

The decrease in the Research and development expenditures expensed in 2019 compared to 2018 was primarily due to the higher capitalization of costs, consistent with the progress in the stage of development of models in North America, primarily the Jeep brand, EMEA and Maserati.

The decrease in the Amortization of capitalized development costs in 2019 compared to 2018 was primarily due to the cycle of the current product range.

The Impairment and write-off of capitalized development expenditures during 2019 was primarily due to the impact of impairment charges of previously capitalized development costs (refer to *Cost of Revenues* above). The impairment and write-off of capitalized development expenditures during the year ended December 31, 2018, primarily in EMEA, was due to changes in product plans in connection with the 2018-2022 business plan.

The increase in total Research and development expenditures in 2019 compared to 2018 reflects the efforts in the continued renewal and enrichment of our product portfolio.

The increase in Capitalized development expenditures as a proportion of total Research and development expenditures in 2019 compared to 2018 was due to increased spending for the development of new models to be launched in 2020 and 2021.

Result from investments

	Years ended December 31,		Increase/(Decrease)
(€ million)	2019	2018	2019 vs. 2018
Result from investments	€ 209	€ 235	(11.1)%

The decrease in Result from investments in 2019 compared to 2018 was primarily attributable to lower GAC FCA JV results.

Net financial expenses

	Years ended December 31,		Increase/(Decrease)
(€ million)	2019	2018	2019 vs. 2018
Net financial expenses	€ 1,005	€ 1,056	(4.8)%

The decrease in Net financial expenses in 2019 compared to 2018 was primarily due to the average reduction in gross debt, partially offset by €88 million of interest on lease liabilities recognized following the adoption of IFRS 16.

Tax expense

	Years ended December 31,		Increase/(Decrease)
(€ million)	2019	2018	2019 vs. 2018
Tax expense	€ 1,321	€ 778	69.8%
Effective tax rate	32.7%	18.5%	+1420 bps

The increase in Tax expense in 2019 compared to 2018 was primarily attributable to (i) a non-recurring net €334 million tax benefit recognized for U.S. prior years' tax positions finalized in 2018, including a reduction to the estimated 2017 U.S. one-time deemed repatriation tax expense by €70 million and tax benefit of €94 million from an accelerated discretionary pension contribution (refer to Note 19, *Employee benefits liabilities* within our Consolidated Financial Statements for additional detail); and (ii) higher operating results in North America. Refer to Note 7, *Tax expense* in the Consolidated Financial Statements included elsewhere in this report for additional information.

The increase in the effective tax rate to 33 percent in 2019 from 19 percent in 2018 primarily related to the (i) non-recurring benefit recognized for U.S. prior years' tax positions finalized in 2018; and (ii) no corresponding tax benefit for primarily all of the impairment charges of €1,376 million recognized in relation to the rationalization of product portfolio plans (refer to *Cost of Revenues* above), due to partial recognition of deferred tax assets in Italy.

Net profit from continuing operations

	Years ended December 31,		Increase/(Decrease)
(€ million)	2019	2018	2019 vs. 2018
Net profit from continuing operations	€ 2,700	€ 3,330	(18.9)%

The decrease in Net profit from continuing operations in 2019 compared to 2018 was mainly driven by the pre-tax impact of €1,376 million impairment of assets recognized in relation to the rationalization of product portfolio plans (refer to *Cost of Revenues* above) and the increase in tax charges, as described above, partially offset by the non-repeat of €748 million for estimated costs related to U.S. diesel emissions matters recognized during 2018. Decreased operating performance in EMEA and Maserati was offset by improvements in APAC, LATAM and North America.

Profit from discontinued operations, net of tax

(€ million)	Years ended December 31, 2019		Years ended December 31, 2018		Increase/(Decrease) 2019 vs. 2018
Profit from discontinued operations, net of tax	€	3,930	€	302	n.m.

n.m. = number not meaningful

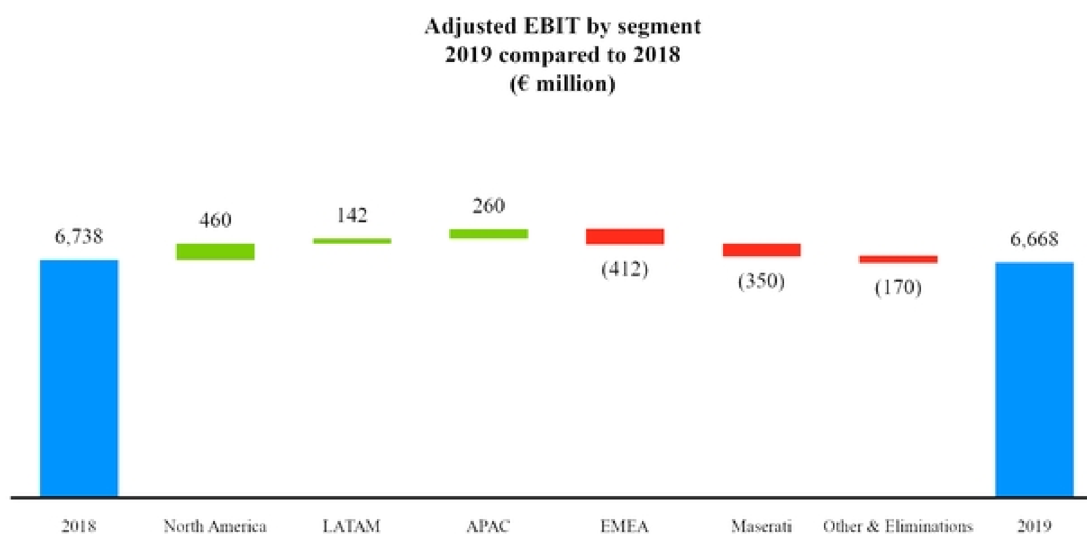
Magneti Marelli, including the gain on sale of €3,771 million and related tax expense of €2 million, is presented as a discontinued operation in the Consolidated Financial Statements for the years ended December 31, 2019 and 2018. For more information, refer to Note 3, *Scope of consolidation*, within our Consolidated Financial Statements included elsewhere in this report.

The impact of ceasing depreciation of the property, plant and equipment and amortization of the intangible assets of Magneti Marelli on its classification as held for sale as required by IFRS 5 was €134 million for the period up to the completion of the sale transaction on May 2, 2019 (€96 million for the year ended December 31, 2018) net of tax of €27 million (€20 million for the year ended December 31, 2018).

Adjusted EBIT

	Years ended December 31,				Increase/(Decrease) 2019 vs. 2018	
(€ million)	2019		2018		% Actual	% CER
Adjusted EBIT	€	6,668	€	6,738	(1.0)%	(5.1)%
Adjusted EBIT margin (%)		6.2%		6.1%	+10 bps	—

The following charts present our Adjusted EBIT walk by segment for 2019 as compared to 2018:



For the year ended December 31, 2019, the Adjusted EBIT related to Magneti Marelli that was excluded from the Group's Adjusted EBIT result was €218 million, net of intercompany eliminations. For the year ended December 31, 2018, the Adjusted EBIT related to Magneti Marelli that was excluded from the Group's Adjusted EBIT result was €546 million, net of intercompany eliminations. For more information, refer to Note 3, *Scope of consolidation*, within our Consolidated Financial Statements included elsewhere in this report.

For a discussion of Adjusted EBIT for each of our five reportable segments (North America, LATAM, APAC, EMEA and Maserati) in 2019 as compared to 2018 see *Results by Segment* below.

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

	Years ended December 31,	
(€ million)	**2019**	**2018**
Net profit from continuing operations	**€ 2,700**	**€ 3,330**
Tax expense	1,321	778
Net financial expenses	1,005	1,056
Adjustments:		
Impairment expense and supplier obligations	1,542	353
Restructuring costs, net of reversals	154	103
Gains on disposal of investments	(15)	—
Brazilian indirect tax - reversal of liability/recognition of credits	(164)	(72)
Charge for U.S. diesel emissions matters	—	748
China inventory impairment	—	129
Costs for recall, net of recovery - airbag inflators	—	114
U.S. special bonus payment	—	111
Employee benefits settlement losses	—	92
Port of Savona (Italy) flood and fire	—	43
(Recovery of)/costs for recall - contested with supplier	—	(50)
North America capacity realignment	—	(60)
Other	125	63
Total Adjustments	1,642	1,574
Adjusted EBIT	**€ 6,668**	**€ 6,738**

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

- €1,542 million relating to the impairment expense of €1,376 million recognized in relation to the rationalization of product portfolio plans (refer to *Cost of Revenues* above), as well as impairment expense of €98 million in North America, €62 million in Maserati, and supplier obligations of €6 million in EMEA;
- €154 million of restructuring costs, mainly related to LATAM, EMEA and North America, primarily includes €76 million of write-down of Property, plant and equipment and €118 million related to the recognition of provisions for restructuring (refer to Note 20, *Provisions* in the Consolidated Financial Statements included elsewhere in this report), partially offset by the reversal of previously recorded provisions, primarily €46 million in EMEA;
- €164 million of gains in relation to the recognition of credits for amounts paid in prior years in relation to indirect taxes in Brazil (refer to Note 15, *Trade and other receivables* in the Consolidated Financial Statements included elsewhere in this report); and
- €125 million of Other costs, primarily relating to litigation proceedings (refer to Note 25, *Guarantees granted, commitments and contingent liabilities* in the Consolidated Financial Statements included elsewhere in this report for further details).

During the year ended December 31, 2019 impairment charges of €1,589 million were recorded, classified within *Impairment expense and supplier obligations*, *Restructuring costs, net of reversals* and *Other* above. These comprised €636 million of Property, plant and equipment (refer to Note 11, *Property, plant and equipment* in the Consolidated Financial Statements included elsewhere in this report) and €953 million of Other intangible assets (refer to Note 10, *Other intangible assets* in the Consolidated Financial Statements included elsewhere in this report).

During the year ended December 31, 2018 Adjusted EBIT excluded adjustments primarily related to

- €748 million provision recognized for costs related to final settlements reached on civil, environmental and consumer claims related to U.S. diesel emissions matters (refer to Note 25 - *Guarantees granted, commitments and contingent liabilities* to the Consolidated Financial Statements included elsewhere in this report);

- €353 million relating to impairment expense of €297 million and supplier obligations of €56 million, primarily in EMEA, resulting from changes in product plans in connection with the 2018-2022 business plan;

- €129 million relating to impairment of inventory in connection with the accelerated adoption of new emission standards in China and slower than expected sales;

- €114 million costs for recall, net of recovery in relation to Takata airbag inflators. During 2017, €102 million costs were recorded in Cost of revenues, relating to an expansion of the scope of the Takata airbag inflator recalls, of which €29 million related to the previously announced recall in North America and €73 million related to the preventative safety campaigns in LATAM. 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 2017 and 2018 were excluded from Adjusted EBIT (refer to Note 25, *Guarantees granted, commitments and contingent liabiliti*es, within our Consolidated Financial Statements included elsewhere in this report for additional information);

- €111 million charge in relation to a special bonus payment, announced January 11, 2018, of U.S.$2,000 to approximately 60,000 hourly and salaried employees in the United States, excluding senior management, as a result of the Tax Cuts and Jobs Act;

- €103 million relating to restructuring costs, which included €123 million of costs in EMEA offset by a €28 million reversal of previously recorded restructuring costs in LATAM;

- €92 million charge arising on settlement of a portion of a supplemental retirement plan and an annuity buyout in North America;

- €43 million charge in relation to costs incurred in relation to the flood and fire in the Port of Savona (Italy);

- €50 million gain from the partial recovery of amounts accrued in 2016 in relation to costs for a recall which were contested with a supplier;

- €60 million reduction of costs previously provided in relation to the North America capacity realignment plan. During the year ended December 31, 2015, as part of the plan to improve margins in North America, 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; and

- €72 million of gains in relation to the recognition of credits for amounts paid in prior years in relation to indirect taxes in Brazil.

Adjusted net profit

	Years ended December 31,		Increase/(Decrease)
(€ million)	2019	2018	2019 vs. 2018
Adjusted net profit	€ 4,297	€ 4,707	(8.7)%

The decrease in Adjusted net profit in 2019 compared to 2018 was primarily driven by an increase in Tax expense. The slight decrease in operating performance was offset by lower net financial expenses.

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

(€ million)	Years ended December 31, 2019	2018
Net profit from continuing operations	**€ 2,700**	**€ 3,330**
Adjustments (as above)	1,642	1,574
Tax impact on adjustments	(122)	(125)
Net derecognition of deferred tax assets and other tax adjustments	77	—
Impact of U.S. tax reform	—	(72)
Total adjustments, net of taxes	1,597	1,377
Adjusted net profit	**€ 4,297**	**€ 4,707**

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

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

During the year ended December 31, 2018 Adjusted net profit excluded adjustments related to:

- €125 million gain reflecting the tax impact on the items excluded from Adjusted EBIT above; and
- €72 million gain relating to the impact of December 2017 U.S. tax reform.

Adjusted diluted EPS

	Years ended December 31,			Increase/(Decrease)	
(€ per share)	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Adjusted diluted EPS	€ 2.73	€ 3.00	€ 2.25	(9.0)%	33.3%

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

	Years ended December 31,		
(€ per share except otherwise noted)	2019	2018	2017(1)
Diluted earnings per share from continuing operations	**€ 1.71**	**€ 2.12**	**€ 2.11**
Impact of adjustments above, net of taxes, on Diluted earnings per share from continuing operations	1.02	0.88	0.14
Adjusted diluted earnings per share	**€ 2.73**	**€ 3.00**	**€ 2.25**
Weighted average number of shares outstanding for Diluted earnings per share from continuing operations (thousand)	1,570,850	1,567,839	1,556,306

(1) Total adjustments, net of tax for the year ended December 31, 2017 was €221 million, as disclosed in the 2018 Annual Report and Form 20-F as filed with the SEC on February 20, 2019.

Results by Segment – 2019 compared to 2018

(€ million, except shipments which are in thousands of units)	Net revenues		Adjusted EBIT		Shipments	
	Years ended December 31,					
	2019	2018	2019	2018	2019	2018
North America	€ 73,357	€ 72,384	€ 6,690	€ 6,230	2,401	2,633
LATAM	8,461	8,152	501	359	577	585
APAC	2,814	2,703	(36)	(296)	76	84
EMEA	20,571	22,815	(6)	406	1,199	1,318
Maserati	1,603	2,663	(199)	151	19	35
Other activities	3,009	2,888	(173)	(40)	—	—
Unallocated items & eliminations[1]	(1,628)	(1,193)	(109)	(72)	—	—
Total	**€ 108,187**	**€ 110,412**	**€ 6,668**	**€ 6,738**	**4,272**	**4,655**

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

The following is a discussion of Net revenues, Adjusted EBIT and shipments for each segment for the year ended December 31, 2019 as compared to the year ended December 31, 2018. 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, technology and enhancement of vehicle features, as well as industrial efficiencies and inefficiencies, recall campaign and warranty costs, research and development costs and related foreign currency transaction effects;

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

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

North America

	Years ended December 31,				Increase/(Decrease) 2019 vs. 2018	
	2019		2018		% Actual	% CER
Shipments (thousands of units)		2,401		2,633	(8.8)%	—
Net revenues (€ million)	€	73,357	€	72,384	1.3 %	(3.7)%
Adjusted EBIT (€ million)	€	6,690	€	6,230	7.4 %	1.6 %
Adjusted EBIT margin (%)		9.1%		8.6%	+50 bps	—

Shipments

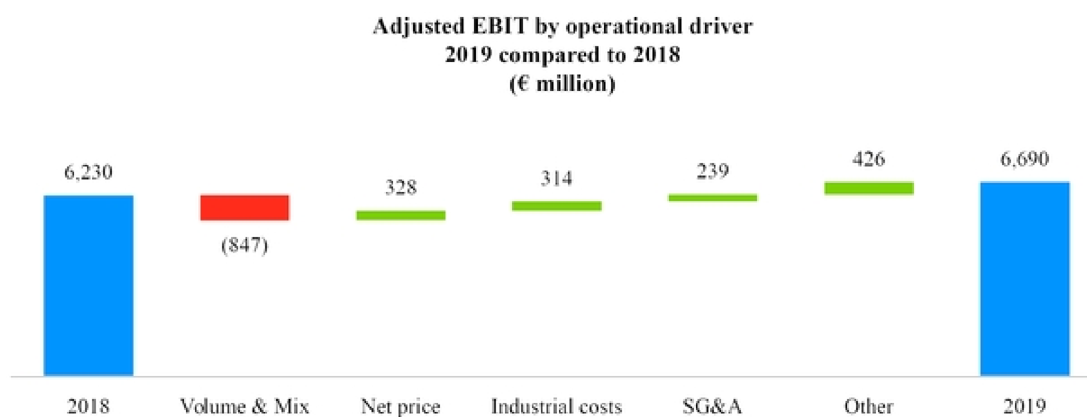
The decrease in vehicle shipments in 2019 compared to 2018 was primarily due to dealer stock discipline, partially offset by volumes of all-new Jeep Gladiator and higher Ram 1500 shipments. Shipments reflected decreases in (i) the U.S. of 251 thousand units (-11 percent) and (ii) Mexico of 6 thousand units (-9 percent), which were partially offset by an increase in (iii) Canada of 26 thousand units (+12 percent).

Net revenues

North America Net revenues in 2019 were in line compared to 2018, primarily from €2.3 billion overall favorable mix, from favorable model mix partially offset by negative channel mix, and €3.7 billion favorable foreign exchange translation effects, offset by €5.3 billion lower volumes.

Adjusted EBIT

The following chart reflects the change in North America Adjusted EBIT by operational driver for 2019 as compared to 2018:



The increase in North America Adjusted EBIT in 2019 compared to 2018 was primarily attributable to:

- favorable model mix and positive net price;
- industrial efficiencies;
- lower advertising costs; and
- favorable foreign exchange translation effects.

These were partially offset by:

- lower volumes; and
- increased product costs on new vehicles, included within *Industrial costs.*

LATAM

	Years ended December 31,				Increase/(Decrease) 2019 vs. 2018	
	2019		2018		% Actual	% CER
Shipments (thousands of units)		577		585	(1.4)%	—
Net revenues (€ million)	€	8,461	€	8,152	3.8 %	7.6%
Adjusted EBIT (€ million)	€	501	€	359	39.6 %	55.8%
Adjusted EBIT margin (%)		5.9%		4.4%	+150 bps	—

Shipments

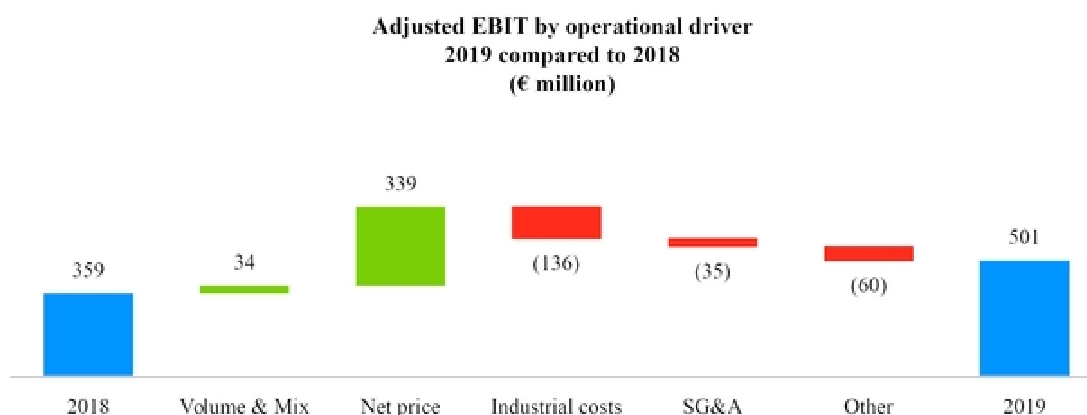
LATAM vehicle shipments in 2019 were in line compared to 2018, with increased volumes in Brazil offset by lower volumes in other markets, primarily Argentina due to continued market decline. Shipments reflected (i) an increase of 49 thousand units (+11 percent) in Brazil, more than offset by (ii) a decrease of 43 thousand units (-46 percent) in Argentina and (iii) a decrease of 14 thousand units (-34 percent) in other LATAM markets.

Net revenues

The increase in LATAM Net revenues in 2019 compared to 2018 was primarily due to positive net pricing, including recognition of Brazilian indirect tax credits, partially offset by negative foreign exchange effects.

Adjusted EBIT

The following chart reflects the change in LATAM Adjusted EBIT by operational driver for 2019 as compared to 2018:



The increase in LATAM Adjusted EBIT in 2019 compared to 2018 was primarily attributable to:

- higher Net revenues and industrial efficiencies.

These were partially offset by:

- purchasing cost inflation;
- higher import and export duties; and
- negative foreign exchange effects.

Amounts totaling €164 million for credits recognized in relation to a definitive favorable court decision in the COFINS over ICMS litigation in Brazil were excluded from Adjusted EBIT, consistent with the treatment of the related recognition of previous credits in 2018 and the reversal of an indirect tax liability in 2017. Refer to 22, *Other liabilities and Tax liabilities* in the Consolidated Financial Statements included elsewhere in this report.

APAC

	Years ended December 31,		Increase/(Decrease) 2019 vs. 2018	
	2019	2018	% Actual	% CER
Combined shipments (thousands of units)	149	209	(28.7)%	—
Consolidated shipments (thousands of units)	76	84	(9.5)%	—
Net revenues (€ million)	€ 2,814	€ 2,703	4.1 %	1.4%
Adjusted EBIT (€ million)	€ (36)	€ (296)	87.8 %	89.6%
Adjusted EBIT margin (%)	(1.3)%	(11.0)%	+970 bps	—

We locally produce and distribute the Jeep Cherokee, Renegade, Compass, Grand Commander and Commander PHEV through the 50% owned GAC FCA JV. The results of the GAC FCA JV are accounted for using the equity method, with recognition of our share of the net income of the joint venture in the line item “Result from investments” within the Consolidated Income Statement. We also produce the Jeep Compass through our joint operation with Fiat India Automobiles Private Limited (“FIAPL”) and we recognize our related interest in the joint operation on a line by line basis.

Shipments of our consolidated subsidiaries, which includes vehicles produced by FIAPL, are reported in both consolidated and combined shipments. Shipments of the GAC FCA JV joint venture are not included in consolidated shipments and are only in combined shipments.

Shipments

The decrease in combined shipments in 2019 compared to 2018 was due to lower GAC FCA JV volumes.

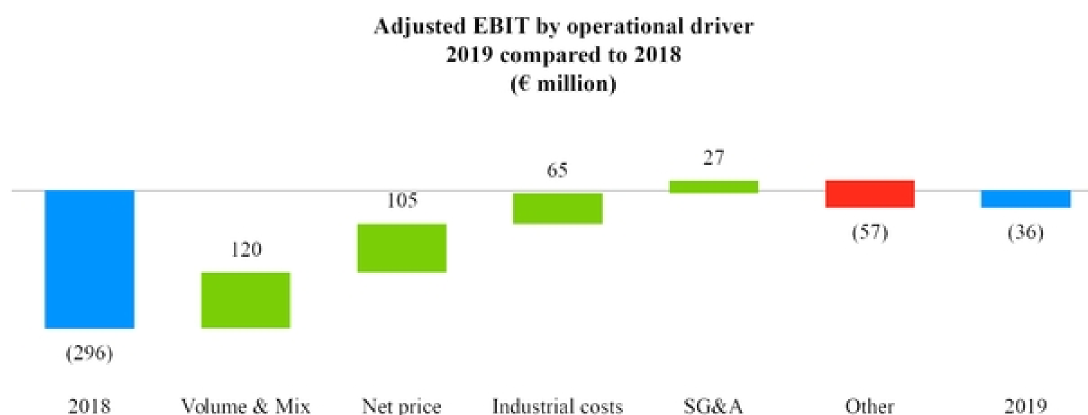
The decrease in consolidated shipments in 2019 compared to 2018 was primarily due to increased Jeep Wrangler volumes more than offset by lower volumes of other vehicles, primarily Jeep Compass and Alfa Romeo Stelvio.

Net revenues

The increase in APAC Net revenues in 2019 compared to 2018 was primarily due to favorable vehicle mix, positive net pricing due to reduced incentives, partially offset by lower volumes.

Adjusted EBIT

The following chart reflects the change in APAC Adjusted EBIT by operational driver for 2019 as compared to 2018;



The increase in APAC Adjusted EBIT in 2019 compared to 2018 was primarily attributable to:

- increased Net revenues; and
- lower industrial costs.

These were partially offset by:

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

EMEA

	Years ended December 31,		Increase/(Decrease) 2019 vs. 2018	
	2019	2018	% Actual	% CER
Combined shipments (thousands of units)	1,272	1,380	(7.8)%	—
Consolidated shipments (thousands of units)	1,199	1,318	(9.0)%	—
Net revenues (€ million)	€ 20,571	€ 22,815	(9.8)%	(10.2)%
Adjusted EBIT (€ million)	€ (6)	€ 406	(101.5)%	(97.9)%
Adjusted EBIT margin (%)	— %	1.8%	-180 bps	—

Shipments

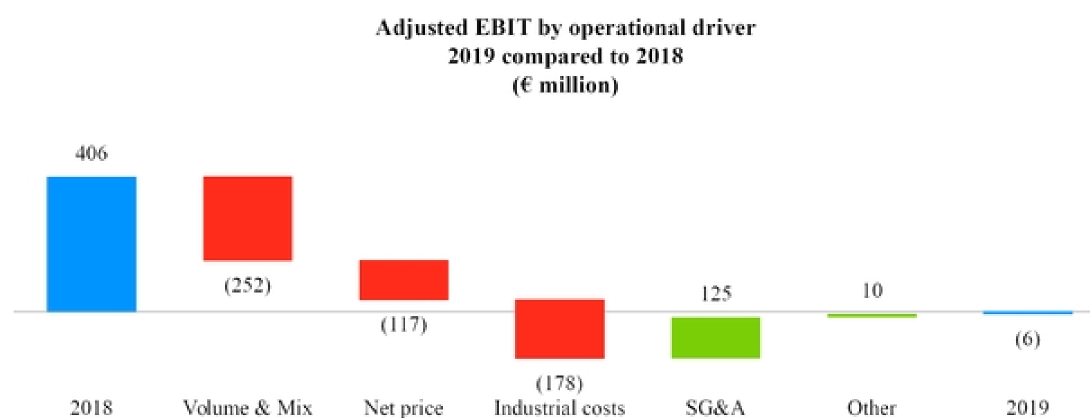
The decrease in EMEA combined and consolidated shipments in 2019 compared to 2018 was primarily attributable to sales channel actions and discontinuation of products. Consolidated shipments reflected (i) a decrease in passenger cars to 926 thousand units (-10 percent) and (ii) a decrease in shipments of LCVs to 273 thousand units (-5 percent).

Net revenues

The decrease in EMEA Net revenues in 2019 compared to 2018 was primarily attributable to €1.7 billion relating to lower volumes.

Adjusted EBIT

The following chart reflects the change in EMEA Adjusted EBIT by operational driver for 2019 as compared to 2018:



The decrease in EMEA Adjusted EBIT in 2019 compared to 2018 was primarily attributable to:

- lower volumes;
- higher incentives; and
- increased compliance and product costs.

These were partially offset by:

- reduced advertising costs;
- labor efficiencies resulting from restructuring actions; and
- favorable model and channel mix.

Maserati

	Years ended December 31,		Increase/(Decrease) 2019 vs. 2018	
	2019	2018	% Actual	% CER
Shipments (thousands of units)	19	35	(45.7)%	—
Net revenues (€ million)	€ 1,603	€ 2,663	(39.8)%	(41.0)%
Adjusted EBIT (€ million)	€ (199)	€ 151	(231.8)%	(231.8)%
Adjusted EBIT margin (%)	(12.4)%	5.7%	-1810 bps	—

Shipments

The decrease in Maserati shipments in 2019 compared to 2018 was primarily due to lower sales and planned dealer stock reductions. The decrease was mainly due to North America (-49 percent), China (-34 percent), as well as lower volumes in Europe (-47 percent).

Net revenues

The decrease in Maserati Net revenues in 2019 compared to 2018 was primarily due to lower volumes.

Adjusted EBIT

The decrease in Maserati Adjusted EBIT in 2019 compared to 2018 was primarily due to lower Net revenues, adjustments of residual values in the U.S during the second quarter and higher incentives related to accelerated transition to China 6, partially offset by favorable model and market mix.

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 electrification and autonomous driving, enhance manufacturing efficiency, improve capacity and for maintenance, and for regulatory and environmental compliance. Our capital expenditures in 2020 are expected to be approximately €9.5 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 the Maserati segment), as well as selected Group suppliers, through the offering of receivable and payable financing activity (also known as factoring). In addition, Fidis S.p.A. 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 Group raises capital in the financial markets through various funding sources.

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*.

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

Available Liquidity

The following table summarizes our Available liquidity:

(€ million)	At December 31, 2019	At December 31, 2018
Cash, cash equivalents and current securities[1]	€ 15,494	€ 12,669
Undrawn committed credit lines	7,575	7,728
Cash, cash equivalents and current securities - included with Assets held for sale	17	728
Total Available liquidity[2]	**€ 23,086**	**€ 21,125**

(1) Current securities are comprised of short-term or marketable securities which represent temporary investments but do not satisfy all the requirements to be classified as cash equivalents as they may not be able to be readily converted into cash, or they are subject to significant risk of change in value (even if they are short-term in nature or marketable).

(2) 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 Available liquidity is subject to intra-month and seasonal fluctuations resulting from business and collection payment cycles as well as to changes in foreign exchange conversion rates. Refer to the section — *Cash Flows* below for additional information regarding the change in cash and cash equivalents.

Our liquidity is principally denominated in U.S. Dollar and Euro. Out of the total €15.5 billion of cash, cash equivalents and current securities available at December 31, 2019 (€12.7 billion at December 31, 2018), €9.3 billion or 60.0 percent were denominated in U.S. Dollar (€7.8 billion, or 58.2 percent, at December 31, 2018) and €2.0 billion, or 12.9 percent, were denominated in Euro (€1.9 billion, or 14.2 percent, at December 31, 2018).

The €2.0 billion increase in total Available liquidity from December 31, 2018 to December 31, 2019 was primarily a result of the proceeds from the sale of Magneti Marelli of €5.8 billion, net of €0.4 billion cash held by Magneti Marelli at the time of the disposal, and €0.2 billion from positive foreign exchange translation differences, partially offset by €3.1 billion of dividends paid. Cash flows from operations of €10.5 billion were more than offset by capital expenditures of €8.4 billion and net repayments of debt of €2.7 billion. Refer to Note 29, *Explanatory notes to the Consolidated Statement of Cash Flows*, within our Consolidated Financial Statements included elsewhere in this report for additional information.

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

Cash Flows

Year ended December 31, 2019 compared to the year ended December 31, 2018

The following table summarizes the cash flows from operating, investing and financing activities for each of the years ended December 31, 2019 and 2018.

	Years ended December 31,	
(€ million)	2019[1]	2018[1]
Cash flows from operating activities - continuing operations	€ 10,770	€ 9,464
Cash flows (used in)/from operating activities - discontinued operations	(308)	484
Cash flows used in investing activities - continuing operations	(8,178)	(6,106)
Cash flows from investing activities - net cash proceeds, disposal of discontinued operations[2]	5,348	—
Cash flows used in investing activities - discontinued operations	(155)	(632)
Cash flows used in financing activities - continuing operations	(6,152)	(2,695)
Cash flows from/(used in) financing activities - discontinued operations	325	(90)
Translation exchange differences	212	106
Total change in cash and cash equivalents	1,862	531
Cash and cash equivalents at beginning of the period	12,450	12,638
Add: Cash and cash equivalents at beginning of the period included within Assets held for sale	719	—
Total change in cash and cash equivalents	1,862	531
Less: Cash and cash equivalents at end of the period included within Assets held for sale[3]	17	719
Cash and cash equivalents at end of the period	**€ 15,014**	**€ 12,450**

(1) Magneti Marelli 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 Consolidated Statement of Cash Flows for the year ended December 31, 2019, 2018 and 2017 following the classification of Magneti Marelli as a discontinued operations for the year ended December 31, 2018. The assets and liabilities of Magneti Marelli have been classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2018. All amounts presented above exclude net intercompany amounts (received by)/paid by Magneti Marelli from/to the Group totaling €(200) million for the year ended December 31, 2019 (€(46) million for the year ended December 31, 2018) within operating activities, €(41) million for the year ended December 31, 2019 (€(35) million for the year ended December 31, 2018) within investing activities; and €405 million for the year ended December 31, 2019 (€(410) million for the year ended December 31, 2018) within financing activities.

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

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

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.

Industrial free cash flows

As described in *Non-GAAP Financial Measures*, Industrial free cash flows is management's key cash flow metric. The following table provides a reconciliation of Cash flows from operating activities, the most directly comparable measure included in our Consolidated Statement of Cash Flows, to Industrial free cash flows for the years ended December 31, 2019, 2018 and 2017. Except as otherwise noted, all amounts presented below exclude Magneti Marelli.

	Years ended December 31,		
(€ million)	2019	2018	2017
Cash flows from operating activities (including discontinued operations)	**€ 10,462**	**€ 9,948**	**€ 10,385**
Less: Cash flows from operating activities - discontinued operations	(308)	484	705
Cash flows from operating activities - continuing operations	**10,770**	**9,464**	**9,680**
Less: Operating activities not attributable to industrial activities	74	59	146
Less: Capital expenditures for industrial activities	8,383	5,389	8,102
Add: Net intercompany payments between continuing and discontinued operations	(200)	(46)	21
Add back: Discretionary pension contribution, net of tax	—	478	—
Industrial free cash flows	**€ 2,113**	**€ 4,448**	**€ 1,453**

Industrial free cash flows for the year ended December 31, 2019 decreased as compared to 2018, primarily due to higher capital expenditures as compared to 2018, partially offset by higher cash flows from operating activities.

Industrial free cash flows for the year ended December 31, 2018 increased as compared to 2017, primarily due to lower capital expenditures and improved cash flows from operating activities (excluding impacts from discretionary pension contributions).

Rating Agency updates

In May 2019, Moody’s Investors Service raised the Corporate Family Rating on FCA NV from Ba2 to Ba1 and the rating on the bonds issued or guaranteed by FCA NV from Ba3 to Ba2. In November 2019, Moody’s Investors Service affirmed those ratings and improved the outlook to positive from stable.

In November 2019, S&P Global Ratings placed FCA NV’s long and short-term ratings (BB+/B) on CreditWatch with positive implications.

Refer to Note 21, *Debt* for further information regarding the Group's Capital Resources.

RISK MANAGEMENT

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 the management of risks
Level 2	Specific individuals identified as risk owners, which define methodologies and tools for both monitoring and managing risks
Level 3	Enterprise risk management ("ERM") 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 ERM 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 ("ERM") 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 in their respective region/sector. A Global Risk Management Committee ("GRMC") was established to promote a culture of proactive risk monitoring and management by the relevant risk owners throughout the Group. The GRMC is chaired by the Group CFO and other members are representatives from the legal, risk management, internal audit functions and from business operations. The mission of the GRMC is to provide broad process oversight and to facilitate our integrated risk assessment process. Responsibilities include:

- Providing guidance to the ERM program.
- Reviewing the results of the annual Enterprise Risk Assessment ("ERA").
- Identifying risks to be discussed at the Group level (GEC and/or Group Product Committee).
- Assisting in the development of the Company's risk appetite and risk tolerance, which support disclosures required in our European Union Annual Report (Annual Report).

- Reviewing risk management disclosure in the Annual Report.

- Reviewing the design of the Group's risk management functions, including reporting lines of authority, communications and control functions to ensure they are appropriate.

In addition, we utilize the operational focus of our existing Product (Group and Regional) and Commercial Committees to support risk governance. The Product Committees oversee 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. Through our integrated approach our various committees support our Group Executive Council, CFO, CEO and Board of Directors (through the Audit Committee) with risk oversight. Our risk appetite differs by risk category as shown below.

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

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 residual risk rating within our Group are considered significant risks. Results of the assessment are consolidated into a Group report for review and validation with the GRMC and Group CEO. In addition, the most significant risks to the Group are discussed with the GEC to support the monitoring of these risks along with the respective 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 risk categories and control measures and mitigating actions are subsequently defined for each identified risk. The risks, control measures and mitigating actions presented below are not all-inclusive. The sequence in which these risks and mitigating actions are presented does not reflect any order or of importance, likelihood or materiality.

Risk Category	Key Global Risk Description	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.	Group Product Committee ("GPC") manages approval for investments in FE/ GHG/ZEV related compliance ensures governance of program timing and monitors compliance impact related to changes in the long-range plan. Continued reduction of CO2 emissions is achieved through a combination of technologies aligned to the vehicle mix, consumer needs and regulatory framework in each market. Central coordination and oversight of internal checks and conformity activities under senior management to promote consistency in approach and process across our operations. The FCA Code of Conduct clearly and affirmatively requires employees to report issues of non-compliance, in addition, the "Leave No Doubt" program encourages employees, contractors, suppliers and dealers to report any issue which may concern vehicle safety, emissions or regulatory compliance. FCA continuously works to improve on emission compliance tools and implements these tools throughout the organization as appropriate.
Operational	**Customer Satisfaction** Our ability to produce vehicles to meet product quality standards, gain market acceptance and satisfy customer expectations.	Quality and customer satisfaction performance improvement metrics monitored at GEC and Product Committee meetings. World Class Manufacturing ("WCM") principles deployed throughout our manufacturing operations, foster a manufacturing culture that targets improved safety, quality and efficiency. Quality considerations ranging from customer expectations to functional requirements are analyzed from the earliest stages of design. A cross-functional initiative within FCA focuses on managing risks and implementing solutions for new vehicles. The program helps identify and avoid potential issues earlier in the vehicle development process and makes implementing solutions more cost effective.
Operational	**Corporate Cybersecurity** Our ability to protect our systems globally against a security incident or system failure that may lead to a significant business disruption, loss of confidential information, or breach of data privacy resulting in financial and/ or reputational damage.	FCA's dedicated cyber risk insurance coverage is designed on the basis of a comprehensive and thorough analysis of: • the threats of exposure of vital company assets, including the information that must be protected and at which level • policies and procedures in place to reduce the risk of attack in the event of a security breach • plans and procedures in place to neutralize threats and remedy security issues.
Operational	**Interruption of Critical Supplies and Supplier Quality** Our ability to manage our critical supplies to ensure alignment with required expectations, needs and quality standards and prevent interruption resulting in production blockages.	Active monitoring of the financial health of suppliers to mitigate disruption due to financial distress of companies in our supply chain. Monitoring political, environmental and economic events, globally, to anticipate or identify events that could lead to supply chain disruption so that mitigating action can be taken.
Operational / Strategic	**Talent Management - Attraction, Development & Retention of Critical Resources** Our ability to globally manage all aspects of Talent Management - including attraction, development and retention to facilitate internal benchmarking and improvement in order to meet current and future needs.	Convergence of key HR talent management processes, metrics, and reporting, along with adding global HR process oversight and governance, has been initiated in 2019 and included: • Organizational restructuring to reinforce the global governance of Talent Management programs • Consolidation of standardized retention/attrition metrics and reporting, including global views by function with internal and external benchmarks • Monitoring of specific KPIs for key position succession planning and talent development. • Periodic updates provided to the GEC • Development of a consistent employer value proposition for use by each region in attracting talent • Deployment of Regional best practice sharing and integration methodology

Risk Category	Key Global Risk Description	Control / Mitigating Actions
Strategic	**Technology Development and Product Launch** Our ability to develop and launch products with new technologies (e.g., electrification and propulsion, autonomous driving and connected vehicles) to meet regulatory requirements and customer expectations.	GEC and Product Committees' reviews of product plans and commercialization strategies in order to define investment needs in the near and long-term. Regular monitoring at the GEC enforced the review of new technologies, their applications in line with the product launch status and cadence, as well as what is required to successfully execute the programs. Collaborative efforts with strategic partnerships allow leveraging of capabilities and resources to achieve synergies and economies of scale needed to advance technology applications.
Strategic	**Product Portfolio & Technology Strategies** Our ability to create a product portfolio that supports achievement of strategic objectives, including completeness of product range and technological content.	GEC and Product Committees' reviews of product plans and commercialization strategies in order to define investment needs in the near and long-term. Partnerships with major technology players to share resources, including data for validation and reliability testing, as well as underlying investments.
Strategic	**Commercial Policies (Pricing)** Our ability to manage volume, price and market mix to ensure competitive pricing consistent with competitors' achievements and internal targets.	Sales and marketing (including pricing) is monitored by the Commercial Committees.

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 continue to engage the business in key risk areas, benchmark our processes with peer companies and explore opportunities for improvement, in order to strengthen and improve our ERM Governance, monitor risks in a more predictive way and evaluate remediation plans. In an effort to escalate risk awareness, we have facilitated focused risk discussions at the Group level in 2019, to reduce our company risk exposure and enhance our risk response. We also upgraded our current Governance, Risk management and Compliance tool to include the ERM module, to further improve efficiency, enhance our risk monitoring and reporting, and capture additional criteria related to our enterprise risks. Several risk workshops were held with second line risk functions in an effort to achieve synergies through integration and method sharing.

One of the results of this increased integration was reflected in the inclusion of sustainability-related topics, as disclosed in the materiality diagram, in the ERM risk assessment discussion, driving to an alignment with the global focus risks for 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 and refine our processes to identify and escalate risk developments.

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

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 primarily due to our significant investment in product development, property, plant and equipment and the requirements of our collective bargaining agreements and other applicable labor relations regulations. As a result, 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 ("North America"), 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. Our pickup trucks and larger SUVs have historically been more profitable than other vehicles and accounted for approximately 71 percent of our total U.S. retail vehicle shipments in 2019. A shift in consumer demand away from these vehicles within the North America region, and towards compact and mid-size passenger cars, whether in response to higher fuel prices or other factors, could adversely affect our profitability.

Our dependence within the North America region on pickup trucks and larger SUVs remained high in 2019 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. Our dependence on these vehicles is expected to continue given the focus of our business on pickup trucks and SUVs in the North America region. For additional information on factors affecting vehicle profitability, see *GROUP OVERVIEW-Overview of Our Business* and *Trends, Uncertainties and Opportunities.*

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, in periods in which our vehicle shipments decline materially we will suffer a significant negative impact on cash flow and liquidity as we continue to pay suppliers for components purchased in a high volume environment during a period in which we receive lower proceeds from vehicle shipments. If vehicle shipments decline, or if they were to fall short of our assumptions, due to 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 may be adversely affected by global financial markets, general economic conditions, pandemics, changes to and enforcement of government incentive programs as well as other macro developments 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 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 (including as a result of tariffs) or contractions in infrastructure spending, could have negative consequences for the industry in which we operate and, together with the other conditions discussed above, could have a material adverse effect on our business, financial condition and results of operations. For further discussion of risks related to the automotive industry, see "*Risk Factors -- Risks Related to the Industry in which we Operate.*"

We have operations in a number of emerging markets, including Turkey, China, Brazil, Argentina, India and Russia. We are particularly susceptible to risks relating to local political conditions, import and/or export restrictions (including the imposition of tariffs on raw materials we procure and on vehicles we sell), and compliance with local laws and regulations in these markets.

In Brazil, we have historically received and continue to receive certain tax benefits and other government grants, which have favorably affected the results of our operations, and were recently extended through 2025. Expiration of these tax benefits and government grants without their renewal or any change in the amount of such tax benefits or government grants could have a material adverse effect on our business, financial conditions and results of operations.

We are also susceptible to risks relating to epidemics and pandemics of diseases. For example, the recent outbreak of coronavirus, a virus causing potentially deadly respiratory tract infections originating in China, may negatively affect economic conditions regionally as well as globally and may disrupt supply chains and otherwise impact operations. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though expected to be temporary in nature, may continue and increase depending on developments in the virus' outbreak. As of the date hereof, we have temporarily halted production at one of our European plants because of an interruption of critical supplies. The Chinese automobile market has also begun to experience reduced demand. The ultimate severity of the coronavirus outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our end markets and our operations; however, the effect on our results could be material and adverse.

We are also subject to other risks inherent to operating globally. For example, we are subject to multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries. European developments in data and digital taxation may also negatively affect some of our automated driving and infotainment connected services. Unfavorable developments in any one or a combination of these risk areas (which may vary from country to country) could have a material adverse effect on our business, financial condition and results of operations and on our ability to execute planned strategies.

On June 23, 2016, a majority of voters in a national referendum in the United Kingdom (“UK”) voted in favor of the UK leaving (“Brexit”) the European Union (the “EU”). The UK left the EU on January 31, 2020 and pursuant to a negotiated withdrawal agreement, there will be an 11-month transition period under which EU rules will continue to apply in the UK. During this period, the UK and the EU will seek to reach an agreement on their future relationship. There can be no assurance that an agreement with regard to future trade and co-operation will be reached prior to the end of the transition period.

Although we do not believe Brexit will have a direct material impact on our operations or materially impact our tax expense, the form of Brexit remains uncertain and may result in greater restrictions on imports and exports between the UK and EU countries, a fluctuation in currency exchange rates and additional regulatory complexity as well as further global economic uncertainty, all of which could have a material adverse effect on our business, financial condition and results of operations.

There has been a recent and significant increase in activity and speculation regarding tariffs and duties between the U.S. and its trading partners. We manufacture a significant percentage of our vehicles outside the U.S. (particularly in Canada, Mexico and Italy) for import into the U.S. We also manufacture vehicles in the U.S. that are exported to China. Tariffs or duties implemented between the U.S. and its trading partners could have a material adverse effect on our business, financial condition and results of operations. Tariffs or duties that directly impact our products could reduce consumer demand and/or make our products less profitable. In addition, a continued escalation in tariff or duty activity between the U.S. and its major trading partners could negatively impact global economic activity, which could in turn reduce demand for our products.

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

The volume growth and margin expansion strategies reflected in our business plan include the renewal of key products, the launch of white-space products, the implementation of various electrified powertrain applications and partnerships relating to the development of autonomous driving technologies. We have experienced challenges in expanding the product range and global sales of certain brands, in particular, Alfa Romeo. As a result, we have rationalized our product plans, which resulted in the recognition of impairment charges in the third quarter of 2019.

Our strategies have required and will continue to require significant investments in products, powertrains, production facilities and distribution networks. If we are unable to achieve our volume growth and margin expansion goals, we may be unable to earn a sufficient return on these investments which could have a material adverse effect on our business, financial condition and results of operations.

Our 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. In addition, there can be no assurance that vehicles we develop in order to comply with government regulations, particularly those related to fuel efficiency, greenhouse gas and tailpipe emissions standards, will be attractive to consumers or will generate sales in sufficient quantities and at high enough prices to be profitable.

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

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

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

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. Our management team is critical to the execution of our strategic direction and implementation of our business plan.

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.

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

Unlike businesses operating in different industries and/or in different geographical regions, 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 personnel costs quickly in response to changes in market conditions and demand for our products. See *Overview of Our Business - Employees* for a description of these arrangements. 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. In addition, we may be subject to work stoppages in the event that we and our labor unions are unable to agree on collective bargaining agreement terms or have other disagreements. Any such work stoppage could have a material adverse effect on our business, financial condition and results of operations.

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

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

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. For example, in November 2019, we voluntarily recalled more than 700,000 SUVs worldwide due to problems with an electrical connection that could result in a vehicle stall. 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.

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 currently 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 with third parties, including third party financial institutions, to provide financing to our dealers and retail consumers. 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.

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.

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

Our vehicles, as well as vehicles manufactured by other original equipment manufacturers (“OEMs”), contain complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. These electronic control systems, which are increasingly connected to external cloud-based systems, are susceptible to cybercrime, including threats of intentional disruption and theft of personal information. These threats are also likely to increase in terms of sophistication and frequency as the level of connectivity and autonomy in our vehicles increases. 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. In addition, our vehicles are increasingly connected to external cloud-based 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) (the "GDPR") has increased the stringency of European Union data protection requirements and related penalties. Non-compliance with the GDPR can result in fines of the higher of €20 million or 4% of annual worldwide revenue. The requirements of the GDPR have necessitated changes to our existing business practices and systems in order to comply with the GDPR or to address the concerns of our customers or business partners. In addition, the California Consumer Privacy Act of 2018 became effective on January 1, 2020 and provides California residents with new data privacy rights. Several other U.S. states are also considering adopting laws and regulations imposing obligations regarding the handling of personal data. Complying with any new data protection-related regulatory requirements could force us to incur substantial expenses or require us to change our business practices in a manner that has a material adverse effect on our business, financial condition and results of operations.

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

There can be no assurance that we will be able to offset the earnings power lost from the sale of Magneti Marelli.

In October 2018, we announced that we had entered into a definitive agreement with CK Holdings Co., Ltd., a holding company of Calsonic Kansei Corporation, pursuant to which CK Holdings Co., Ltd. would acquire our automotive components business, Magneti Marelli. This transaction was completed in the second quarter of 2019 for consideration of €5.8 billion, subject to certain adjustments, and enabled the payment of an extraordinary dividend of €2 billion at closing.

If the improvement in our capital position resulting from the sale of Magneti Marelli is not sufficient to offset the related loss of revenue and earnings, we could experience 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 the GAC FCA JV locally produces the Jeep Cherokee, Jeep Renegade, Jeep Compass, Jeep Grand Commander and Jeep Commander PHEV 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 arrangements. Further, as these arrangements require cooperation with third party partners, these joint arrangements may not be able to make decisions as quickly as we would if we were operating on our own or may take actions that are different from what we would do on a standalone basis in light of the need to consider our partners' interests. As a result, we may be less able to respond timely to changes in market dynamics, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Industry in which we Operate

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

Substantially all of our revenues are generated in the automotive industry, which is highly competitive, 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, the introduction of new technologies, pricing, fuel economy, reliability, safety, consumer service and financial services offered. Many of our competitors are also better capitalized than us and command larger market shares, which may enable them to compete more effectively in these markets.

If our competitors are able to successfully integrate with one another and we are not able to adapt effectively to increased competition, our competitors' integration could have a material adverse effect on our business, financial condition and results of operations.

In the automotive business, sales to consumers 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, particularly related to new technologies that we have not yet included in our vehicles (for example, technologies related to compliance with evolving emissions regulations). The automotive industry is also subject to the constant renewal of product offerings through frequent launches of new models and the incorporation of new technologies in those models. A negative trend in the automotive industry or our inability to adapt effectively to external market conditions coupled with more limited capital than 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.

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

In certain regions, including North America, financing for new vehicle sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. 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. As a result, a substantial increase in consumer interest rates or tightening of lending standards could have a material adverse effect on our business, financial condition and results of operations.

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

We use a variety of raw materials in our business including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium, as well as energy. Also, as we begin to implement various electrified powertrain applications throughout our portfolio in accordance with our business plan, we will also depend on a significant supply of lithium, nickel and cobalt, which are used in lithium-ion batteries. The prices for these raw materials fluctuate, and market conditions can affect our ability to manage our Cost of revenues. In particular, as production of electric vehicles increases, we may face shortages of raw materials and lithium cells and prices may increase. We may not be successful in managing our exposure to these risks. Substantial increases in the prices for raw materials would increase our operating costs and could reduce profitability if the increased costs cannot be offset by higher vehicle prices or productivity gains. In particular, certain raw materials are sourced from a limited number of suppliers and from a limited number of countries, particularly those needed in catalytic converters and lithium-ion batteries. From time to time these may be susceptible to supply shortages or disruptions. We cannot guarantee that we will be able to maintain arrangements with suppliers that assure access to these raw materials at reasonable prices.

As with raw materials, we are also at risk for price fluctuations, 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, trade restrictions, tariffs, natural or man-made disasters, epidemics or pandemics of diseases, or production difficulties. With respect to the impact of the current outbreak of coronavirus, see “ -- *Our businesses may be adversely affected by global financial markets, general economic conditions, pandemics, changes to and enforcement of government incentive programs as well as other macro developments over which we have little or no control.”* Fluctuations in the price of parts and components can affect our costs and profitability in the manner described above with respect to raw materials. 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. Further, there can be no assurance that trade restrictions and tariffs will not be imposed, and if imposed, tariffs and other trade restrictions may make the cost of required raw materials more expensive or delay or limit our access to these raw materials, each of which could have a material adverse effect on our business, financial condition and results of operations.

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. This risk can increase at points of economic uncertainty such as what has been experienced in LATAM as a result of economic deterioration in Argentina.

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

We operate in numerous markets worldwide and are exposed to risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to 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. 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.

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

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

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, particularly if the acceptance rate for such vehicles is low. For a further discussion of the regulations we are subject to, see *Environmental and Other Regulatory Matters*.

For example, EU regulations governing passenger car and LCV fleet average CO_2 emissions become significantly more stringent in 2020 and provide for material penalties if targets are exceeded. In addition, the U.S. federal government has challenged the jurisdiction of U.S. states such as California to impose their own environmental regulatory requirements on the vehicles that we sell, resulting in uncertainty regarding the applicability of these regulations. Uncertainty regarding these regulations may increase our costs of compliance.

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

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

In the U.S., we remain subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice, Criminal Division. In September 2019, the U.S. Department of Justice filed criminal charges against an employee of FCA US for, among other things, fraud, conspiracy, false statements and violations of the Clean Air Act primarily in connection with efforts to obtain regulatory approval of the vehicles that were the subject of the civil settlements described above. We continue to cooperate with these investigations and present FCA’s positions on concerns raised by these governmental authorities. We may also engage in discussions in an effort to reach an appropriate resolution of these investigations. We are also subject to a number of related private lawsuits.

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

In Europe, we 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 in connection with their review of several of our vehicles.

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

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

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

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

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

We are involved in various disputes, claims, lawsuits, investigations and other legal proceedings relating to several matters, including product liability, warranty, vehicle safety, emissions and fuel economy, product performance, asbestos, personal injury, dealers, suppliers and other contractual relationships, alleged violations of law, environment, securities, labor, antitrust, intellectual property, tax and other matters. We estimate such potential claims and contingent liabilities and, where appropriate, record provisions to address these contingent liabilities. The ultimate outcome of the legal proceedings pending against us is uncertain, and such proceedings could have a material adverse effect on our financial condition or results of operations. Furthermore, additional facts may come to light or we could, in the future, be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our business, financial condition and results of operations. While we maintain insurance coverage with respect to certain claims, not all claims or potential losses can be covered by insurance, and even if claims could be covered by insurance, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims. 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 example, in November 2019, General Motors LLC and General Motors Company (collectively, “GM”) filed a lawsuit in the U.S. District Court for the Eastern District of Michigan against FCA US, FCA NV and certain individuals, claiming violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act, unfair competition and civil conspiracy in connection with allegations that FCA US paid bribes to UAW officials that corrupted the bargaining process with the UAW and as a result FCA US enjoyed unfair labor costs and operational advantages that caused harm to GM. GM also claimed that FCA US had made concessions to the UAW in collective bargaining that the UAW was then able to extract from GM through pattern bargaining which increased costs to GM in an effort to force a merger between GM and FCA NV. We are defending vigorously against this action and we have filed a motion to dismiss all claims.

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

For additional risks regarding certain proceedings, see “*We remain subject to diesel emissions investigations by several governmental agencies and to a number of related private lawsuits, as well as other claims and lawsuits.*”

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. For example, another OEM has been producing a vehicle closely resembling one of our Jeep models for sale in the U.S. We have brought proceedings to stop these practices and while the court's initial ruling has been in our favor, we cannot be certain of the proceeding's final outcome. More generally, despite our efforts, we may be unable to prevent third parties from infringing our intellectual property and using our technology for their competitive advantage. Any such infringement could have a material adverse effect on our business, financial condition and results of operations.

The laws of some countries in which we operate do not offer the same protection of 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.

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 UK 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 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 our 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 are considered to 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 Brexit to affect our tax residency in the UK; however, we are unable to predict with certainty whether the discussion to implement the UK's exit from the EU will ultimately have any impact on this matter.

Risks Related to the FCA-PSA Merger

The exchange ratio will not be adjusted for changes in the value of our common shares or PSA ordinary shares or for developments in our business or the business of PSA before the merger is completed.

Upon the consummation of the merger, PSA shareholders will be entitled to receive 1.742 common shares of the combined company for each PSA ordinary share that they own. This exchange ratio will not be adjusted for changes in the value of our common shares or the value of PSA ordinary shares, or for changes in the relative value of our business or the business of PSA between the date of the combination agreement and the date of the closing of the merger. Share price changes may result from a variety of factors that are beyond our control, including changes in our or PSA's respective businesses, operations or prospects, regulatory considerations, legal proceedings or in the general business, market, industry or economic conditions. Market assessments of the benefits of the merger and of the likelihood that the merger will be completed, and related arbitrage activities, may also have an effect on share prices. If the value of our common shares relative to the value of PSA ordinary shares increases or decreases (or the value of our business increases or decreases relative to the value of the PSA business) prior to the effectiveness of the merger, the market value of the combined company's common shares that shareholders will hold following the merger may be higher or lower than the relative values of their shares on a standalone basis at the date of the combination agreement or the date of this document.

The merger is subject to receipt of antitrust approvals from several competition authorities and the expiration of the applicable waiting period under the Hart Scott Rodino Act (the "HSR Act"). As a condition to obtaining the required antitrust approvals, the relevant regulatory authorities may impose conditions that could have an adverse effect on the combined company or, if such approvals are not obtained, could prevent the consummation of the merger.

Before the merger may be completed, any waiting period (or extension thereof) applicable to the merger must have expired or been terminated, and any competition approvals, consents or clearances required in connection with the merger must have been received, in each case, under the applicable antitrust laws of the EU, under the HSR Act, and under the competition laws of the Federative Republic of Brazil, the Republic of Chile, the United States of Mexico, the People's Republic of China, Japan, the Republic of India, the Republic of South Africa, People's Democratic Republic of Algeria, the Kingdom of Morocco, Israel, the Swiss Confederation, Ukraine, the Russian Federation, the Republic of Serbia, the Republic of Turkey, and, potentially, the Argentine Republic. The consummation of the merger might be delayed due to the time required to fulfill the requests for information by the relevant regulatory authorities. The terms and conditions of any antitrust approvals, consents and clearances that are ultimately granted may impose conditions, terms, obligations or restrictions on the conduct of the combined company's business.

We and PSA are obligated under the combination agreement to take all actions necessary to consummate the merger as soon as reasonably practicable, including the relevant competition approvals and to undertake and comply with such commitments as the regulatory authorities may require as a condition for such competition approvals. As an exception to the foregoing, neither we nor PSA are required to nor may, without the consent of the other party, undertake or comply with any commitments or take any action (i) if any such commitment or action, individually or in the aggregate, would, or would reasonably be expected to, result in a substantial detriment to the combined company or (ii) unless any such commitment or action is conditioned upon the consummation of the merger.

Regulatory authorities may impose conditions, and any such conditions may have the effect of delaying the consummation of the merger or imposing additional material costs on, or materially limiting, the revenues of the combined company following the consummation of the merger. In addition, any such conditions may result in the delay or abandonment of the merger. We and PSA may each terminate the combination agreement if the merger has not been completed by June 30, 2021 as a result of a failure to obtain the required approvals from the applicable antitrust regulatory authorities.

Failure to timely complete the merger could negatively affect our business plans and operations and share price.

The obligation of FCA and PSA to effect the merger is subject to various closing conditions, some of which are beyond our control and the control of PSA and any of which may prevent, delay or otherwise materially adversely affect the consummation of the merger. The consummation of the merger is conditioned upon, among other conditions, (i) the approval of the merger by our shareholders and by the PSA shareholders; (ii) the approval from the NYSE, the Euronext Paris and the MTA for listing of the combined company's common shares; (iii) the effectiveness of our registration statement on Form F-4; (iv) the receipt of the required approvals from antitrust authorities; (v) the receipt of any consents necessary to be obtained in order to consummate the merger; (vi) the receipt of ECB clearance; and (vii) the absence of injunctions or restraints of any governmental entity that prohibit or make illegal the consummation of the merger, but only to the extent that any failure to comply with such prohibition would reasonably be expected to result in a substantial detriment to the combined company. We cannot provide any assurance as to when these conditions will be satisfied or waived, if at all, or that other events will not intervene to delay or result in the failure to complete the merger. Any delay in completing the merger could prevent or delay the combined company from realizing some or all of the anticipated cost savings, synergies, growth opportunities and other benefits that we expect to achieve if the merger is successfully completed within the expected time frame.

The market price of our common shares currently, and in the period prior to termination, if the combination agreement were to be terminated, may reflect a market assumption that the merger will occur. If the merger is not completed for any reason, including as a result of our shareholders and PSA's shareholders failing to approve the merger, our business, cash flows, financial condition or results of operations may be materially adversely affected. Without realizing any of the anticipated benefits of completing the merger, we would be subject to a number of risks, including:

- we may experience negative reactions from the financial markets, including a decline of our share price;
- we may experience negative reactions from our customers, suppliers, regulators and employees and other stakeholders; and

- we may be adversely affected by the substantial commitments of time and resources undertaken by our management team in connection with the merger, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to our business had the merger not been contemplated.

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

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

The combined company will have to devote significant management attention and resources to integrating the business practices and our operations and the operations of PSA. Potential difficulties that the combined company may encounter as part of the integration process include complexities associated with managing the business of the combined company, such as difficulty integrating manufacturing processes, systems and technology, in a seamless manner, as well as integrating the workforces of the two companies. In addition, the integration of our business and PSA's business may result in additional and unforeseen expenses, capital investments and financial risks, such as the incurrence of unexpected write-offs, the possible effect of adverse tax treatments and unanticipated or unknown liabilities relating to PSA or the merger. All of these factors could decrease or delay the expected accretive effect of the merger.

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

The announcement and pendency of the merger could adversely affect our business, cash flows, financial condition or results of operations.

The announcement and pendency of the merger could cause disruptions in and create uncertainty surrounding our business, including with respect to our relationships with existing and future customers, suppliers and employees, which could have an adverse effect on our business, cash flows, financial condition or results of operations, irrespective of whether the merger is completed. Our business relationships may be subject to disruption as customers, suppliers and other persons with whom we have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us or consider entering into business relationships with parties other than us or the combined company. The risk, and adverse effect, of any such disruptions could be exacerbated by a delay in the consummation of the merger.

We will incur significant transaction costs in connection with the merger and, if the merger is consummated, the combined company will incur significant integration costs.

We have incurred, and expect to continue to incur, significant costs in connection with the merger, including the fees of our professional advisors. We may also incur unanticipated costs associated with the transaction and the listings on the NYSE, the Euronext Paris and the MTA of the combined company's common shares as required in connection with the merger, and these unanticipated costs may have an adverse impact on the results of operations of the combined company following the effectiveness of the merger. In addition, if the merger is consummated, the combined company will incur significant integration costs following the consummation of the merger. We cannot provide assurance that the realization of efficiencies related to the integration of our business with the business of PSA will offset the incremental transaction and integration costs in the near term, if at all.

Uncertainties associated with the merger may cause a loss of management personnel or other key employees which could adversely affect the future business and operations of the combined company.

We depend on the experience and industry knowledge of our officers and other key employees to execute our business plan. The combined company’s success after the consummation of the merger will also depend, in part, upon the ability of the combined company to attract and retain key management personnel and other key employees. Current employees may experience uncertainty about their roles within the combined company following the consummation of the merger, which may have an adverse effect on our ability to retain key management and other key personnel.

While the merger is pending, we are subject to restrictions on our business activities.

Under the combination agreement, we are subject to certain restrictions on the conduct of our business and generally must operate in the ordinary course and consistent with past practice (subject to certain exceptions agreed between FCA and PSA in the combination agreement), which may restrict our ability to carry out certain business strategies. These restrictions may prevent us from pursuing otherwise attractive business opportunities, making certain investments or acquisitions, selling assets, engaging in capital expenditures in excess of certain agreed limits, incurring certain indebtedness or making changes to our business prior to the completion of the merger or termination of the combination agreement, as applicable. These restrictions could have an adverse effect on our business, cash flows, financial condition, results of operations or share price.

Certain of our directors and executive officers have benefit arrangements and other interests that may result in their interests in the merger being different from those of other shareholders.

Some of our directors who recommend that shareholders vote in favor of the merger and the transactions contemplated thereby, as well as some of our executive officers, have benefit arrangements that provide them with interests in the merger that may be different from those of our shareholders generally. The receipt of compensation or other benefits in connection with the merger may influence these persons in making their recommendation that shareholders vote in favor of approval of the merger and the transactions contemplated thereby.

We may not have discovered certain liabilities or other matters related to PSA, which may adversely affect the future financial performance of the combined company.

In the course of the due diligence review that we conducted prior to the execution of the combination agreement, we may not have discovered, or may have been unable to properly quantify, issues relating to PSA which may lead the combined company to write-down or write-off assets or incur impairment or other charges that could result in losses that may be significant. In addition, even if the due diligence review we conducted successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Our shareholders would not be compensated for any such losses.

Resales of the combined company's common shares following the merger may cause the market value of the combined company's common shares to decline.

Several reference shareholders of the combined company will be subject to restrictions on share sales for a three year period following the merger, but will be free to sell once those restrictions expire. All other shareholders, which will own the majority of the combined company common shares following the merger, are not subject to any resale restrictions. The resale of such shares in the public market from time to time or the perception that such resales may occur could have the effect of depressing the market value for the combined company's common shares.

Risks Related to Our Liquidity and Existing Indebtedness

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

Our performance depends on, among other things, our ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and possible access to capital markets or other sources of financing. We substantially completed the de-leveraging of our balance sheet in 2018, however 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 generally 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.

Although we have measures in place that are designed to ensure adequate liquidity levels, our liquidity is subject to significant potential absorption if our vehicle shipments decline materially as we operate with negative working capital. For a discussion of these factors, see *FINANCIAL OVERVIEW-Liquidity and Capital Resources*. In addition, the majority of our credit ratings are 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 may be exposed to shortfalls in our pension plans.

Certain of our defined benefit pension plans are currently underfunded. As of December 31, 2019, 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. See Note *2, Basis of preparation-Significant accounting policies—Employee benefits* within the Consolidated Financial Statements included elsewhere in this report.

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

Risks Related to our Common Shares

Our maintenance of multiple 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 exchanges.

Our common shares are listed and traded on both the New York Stock Exchange and the *Mercato Telematico Azionario* 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. In addition, in connection with the FCA-PSA Merger, the combined company will apply for admission to listing and trading of its common shared on Euronext Paris, subject to approval by the competent authorities. A third exchange listing may exacerbate certain of the risks set forth above.

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.

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 2014 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 25, 2020, Exor N.V., which controls FCA, owns 28.66 percent of the FCA common shares, had a voting interest in FCA of 41.74 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 UK for tax purposes, but the relevant tax authorities may treat us as also being tax resident elsewhere.*” in the section *Risks Related to Our Business*, *Strategy and Operations* above.

CORPORATE GOVERNANCE

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 resulted 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 "2014 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 was applicable as from the financial year starting January, 1 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.

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 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).

Pursuant to Article 3 of the Company's articles of association (the "Articles of Association"), the objects for which the Company is established are to carry on, either directly or through wholly or partially-owned companies and entities, activities relating in whole or in any part to passenger and commercial vehicles, transport, mechanical engineering, energy, engines, capital machinery and equipment and relation goods and propulsion, as well as any other manufacturing, commercial, financial or service activity.

Board of Directors

Pursuant to the Company's 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 12, 2019, the number of the Directors was confirmed at twelve, Mr. Palmer was appointed as an additional executive director, while the non-executive director Ms. Simmons decided not to stand for another election. The current slate of Directors was elected on April 12, 2019. The term of office of the current Directors will expire following the Company's 2020 annual general meeting of shareholders at which time the Company's shareholders are expected to re-elect the Directors for a term of approximately one year expiring at the time of the Company's 2021 annual general meeting of shareholders. Each Director may be re-appointed 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 three executive Directors (i.e., the Chairman, the Chief Executive Officer and the Chief Financial 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 CEO.

On certain key industrial matters, the CEO is supported by the GEC, which is responsible for executing the decisions of the CEO and Board of Directors and the day-to-day management of the Company, primarily to the extent it relates to its operational management, including reviewing the operating performance of the businesses and collaborating on certain operational matters.

Set forth below are the names, year of birth and position of each of the persons currently serving as directors of FCA. The business address of each person listed below is c/o FCA, 25 St. James's Street, London SW1A 1HA, United Kingdom. The term of office of the Board of Directors will expire on the next Shareholders' meeting, currently scheduled on April 16, 2020.

Name	Year of Birth	Position
John Elkann	1976	executive director
Michael Manley	1964	executive director
Richard K. Palmer	1966	executive director
John Abbott	1960	non-executive director
Andrea Agnelli	1975	non-executive director
Tiberto Brandolini d'Adda	1948	non-executive director
Glenn Earle	1958	non-executive director
Valerie A. Mars	1959	non-executive director
Ronald L. Thompson	1949	non-executive director
Michelangelo A. Volpi	1966	non-executive director
Patience Wheatcroft	1951	non-executive director
Ermenegildo Zegna	1955	non-executive director

We have determined that the following seven of our twelve Board of Directors members qualify as independent for purposes of NYSE rules, Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Dutch Corporate Governance Code: John Abbott; Glenn Earle; Valerie A. Mars; Ronald L. Thompson; Michelangelo A. Volpi; Patience Wheatcroft and Ermenegildo Zegna. 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 2019, there were 18 meetings of the Board of Directors. The average attendance at those meetings was approximately 89.81 percent.

Summary biographies for the current 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 and he became Chairman of FCA on October 12, 2014. 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 Ferrari N.V. and Ferrari S.p.A., Vice Chairman of GEDI Gruppo Editoriale S.p.A. and a board member of PartnerRe Ltd and of The Economist Group. Mr. Elkann is a member of the Board of Trustees and of the Nominating Committee of the Museum of Modern Art (MoMA). He also serves as Chairman of the Giovanni Agnelli Foundation.

Michael Manley (executive director) - Born in Edenbridge (UK) in 1964, Michael Manley was appointed Chief Executive Officer of Fiat Chrysler Automobiles N.V. on July 21, 2018. In addition, he also served as ad interim Chief Operating Officer for the EMEA region from July to September 2018 and Chief Operating Officer for the North America region from October 2018 to December 2018. Mr. Manley's appointment as Executive Director of FCA was formalized in the extraordinary meeting of shareholders held on September 7, 2018.

Previously, Mr. Manley has served as Head of Jeep brand, Head of Ram brand and Chief Operating Officer for the APAC region. He was also the lead Chrysler Group executive for the international activities of Chrysler outside of North America, where he was responsible for implementing the co-operation agreements for distribution of Chrysler Group products through Fiat’s international distribution network.

Prior to those roles, Mr. Manley was Executive Vice President - International Sales and Global Product Planning Operations. Appointed to this position in December 2008, he was responsible for product planning and all sales activities outside North America.

Mr. Manley joined DaimlerChrysler in 2000 as Director - Network Development, DaimlerChrysler United Kingdom, Ltd., bringing with him extensive experience in the international automobile business at the distributor level.

He holds a Master of Business Administration from Ashridge Management College in Ashridge, England, and a Bachelor of Science in engineering from Southbank University in London, England.

Richard K. Palmer (executive director) - Richard K. Palmer was appointed Chief Financial Officer and a member of the GEC in September 2011. He was also named Head of Business Development in July 2018. On April 12, 2019 he was appointed to the Board of Directors of FCA as an executive member. Previously he also served as Chief Operating Officer Systems and Castings. In his current role, Mr. Palmer is responsible for all financial activities of the Group including control, treasury and tax. Mr. Palmer was Chief Financial Officer of FCA US from June 2009 until 2017. Mr. Palmer joined FCA US from the former Fiat Group Automobiles, where he held the position of Chief Financial Officer beginning in December 2006. In 2003, he joined the Group as Chief Financial Officer of Comau, and in 2005, moved to Iveco in the same role.

Prior to that appointment, he was Finance Manager for several business units at General Electric Oil and Gas. Mr. Palmer spent the first years of his career in audit with Price Waterhouse and later with United Technologies Corporation. Mr. Palmer served as a member of the Board of Directors of R.R. Donnelley & Sons Company from 2013 to September 2016. From October 2016 to September 2019, Mr. Palmer served as member of the Board of Directors of LSC Communications, Inc., which was spun off from R.R. Donnelly and Sons Company.

Mr. Palmer is a Chartered Accountant and member of ICAEW (UK) and holds a Bachelor of Science degree in Microbiology from the University of Warwick (UK). Mr. Palmer was born in Keynsham, England in 1966.

John Abbott (non-executive director) - Born in Nottingham (UK) in 1960, John Abbott was the Downstream Director and a member of the Executive Committee of Royal Dutch Shell plc from October 2013 until December 31, 2019. Based in London, he had Global accountability for, inter alia, manufacturing, chemicals, trading & supply, and marketing.

Mr. Abbott was also a Supervisory Board Member of Raizen, a Shell-Cosan joint venture which owns and operates sugar, ethanol and fuels sales and marketing operations in Brazil.

Since joining Shell in 1981, he has worked in the UK, Singapore, Thailand, the Netherlands, Canada, and the USA, predominantly in the areas of Global Manufacturing and Supply, Trading and Distribution. In 1994, he was seconded to the British Government on a brief assignment to work in the Central Policy and Planning Unit of what was then the Department of the Environment.

In 2006, Mr. Abbott became Vice President Manufacturing Excellence and Support, based in Houston, Texas (USA). Two years later, he became Executive Vice President of Shell's Upstream Americas Heavy Oil business, based in Calgary, Canada.

In 2012, he was appointed Executive Vice President of Global Manufacturing and led a team of 30,000 employees and contractors based at around 30 refineries and chemical sites worldwide.

Mr. Abbott is a mentor in the FTSE 100 cross-company mentoring foundation and Executive Director for Shell's Asian talent council.

He graduated from Birmingham University, UK, with a first-class honors degree in Chemical Engineering. He is a Fellow of the Institution of Chemical Engineers, as well as a chartered engineer and chartered scientist.

Mr. Abbott was appointed to the Board of Directors on April 13, 2018

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 since 2007. 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 professional 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 general partner of Giovanni Agnelli B.V. and a member of the advisory board of BlueGem Capital Partners LLP. Since March 2017 he is the President of "Fondazione del Piemonte per l'Oncologia". He has also been a member of the European Club Association's executive board since 2012 and Chairman since 2017. From 2014 to 2017, 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 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 Mediterranée. 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 an independent member of the Board of Directors of YAFA S.p.A. In addition, from 2015 to December 2019, 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 on October 12, 2014.

Glenn Earle (non-executive director) - Born in Douglas, Isle of Man in 1958, Glenn Earle is the Head of EMEA for Ardea Partners International LLP, a private investment banking advisory firm. He is also a member of the Board of Directors of Affiliated Managers Group, Inc., Deputy Chairman of educational charity Teach First and Chair of The Young Vic. 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 of 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 on October 12, 2014.

Valerie A. 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. In March 2018, Ms. Mars was elected to the board of Ahlstrom-Munksjo, a Finnish/Swedish listed specialty paper business.

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. 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, where she chairs the Audit Committee. She is also Director Emeritus of The Open Space Institute.

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 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 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 Pure Storage (PSTG), Cloud.com (CTRX) and StorSimple (MSFT) and is currently a director of Sonos, Wealthfront, Lookout, Elastic, Confluent, Blue Bottle Coffee, Slack, Zuora and Starburst Data Inc. Mr. Volpi also served as an independent member of the board of Exor N.V. until May 29, 2018.

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 Castilleja School in Palo Alto, CA and was a trustee of the Stanford Business School Trust until 2017.

Mr. Volpi was appointed to the Board of Directors 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 served on the Board of Trustees of the British Museum, until 2018.

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 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 in the U.S., after a retail experience at Bloomingdale's, New York. He is also a member of the boards of Tom Ford International, Camera Nazionale della Moda Italiana, the Council for the United States and Italy, and from 2018 of American luxury brand Thom Browne. In 2011, he was nominated Cavaliere del Lavoro by the President of the Italian Republic.

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 on October 12, 2014.

Composition of the Board of Directors

Pursuant to Dutch law, as from the financial year starting January 1, 2017, FCA should strive to achieve a minimum of 30% male and 30% female representation on its Board of Directors and should explain in its annual report if these criteria are not met. Two of our current twelve Directors are female and therefore female board members represent less than 30% of the total board as is required by Dutch law. The Company appreciates that a diversity of views and expertise is 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, as well as a Profile for Non-Executive Directors. The Diversity Policy stipulates, among other things, a target 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 will continue to take this target into account in the appointment and nomination of executive and non-executive Directors. Nevertheless, the Company believes that the current Board of Directors has the diversity of experience, expertise and backgrounds, and the appropriate independence and judgment to fulfill its responsibilities and execute its duties appropriately.

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 within the section "*REMUNERATION REPORT*" included elsewhere within this report.

Directors' Share Ownership

The table below shows the number of FCA common shares owned by members of the Board of Directors as at February 25, 2020:

Directors Owning FCA Common Shares	Shares	Percent of Class
John Elkann	133,000	—%
Michael Manley	694,406	—%
Richard K. Palmer	415,058	—%
John Abbott	—	—%
Andrea Agnelli	36,102	—%
Tiberto Brandolini d'Adda	25,973	—%
Glenn Earle	34,136	—%
Valerie Mars	25,973	—%
Ronald L. Thompson	25,973	—%
Michelangelo Volpi	—	—%
Patience Wheatcroft	25,973	—%
Ermenegildo Zegna	29,008	—%

No members of senior management beneficially own 1% or more of the Company's common shares.

Board Practices and Committees

Board Regulations

On December 20, 2017, the Board of Directors adopted its current regulations that 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 are 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 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.

Committees

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, with such appointments becoming effective as of the 2014 Merger effective date.

The Audit Committee

On December 20, 2017, the Board of Directors adopted the current charter of the Audit Committee. The Audit Committee is responsible for assisting and advising the Board of Directors’ oversight of, *inter alia*: (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.

The Audit Committee currently 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 Chief Audit, Sustainability and Compliance Officer attend its meetings while the Chief Executive Officer is entitled to attend meetings 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.

Our board of directors has determined that Glenn Earle and Ronald Thompson are "audit committee financial experts". Mr. Earle and Mr. Thompson are independent directors under NYSE standards.

During 2019, 10 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 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 Chief Audit, Sustainability and Compliance Officer 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

On December 20, 2017, the Board of Directors adopted the current charter of the Compensation Committee. The Compensation Committee is responsible for, *inter alia*, 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, of which at most one of them may not be independent under Dutch Corporate Governance Code. Unless decided otherwise by the Compensation Committee, the Chief Human Resources Officer of the Company attends its meetings.

During 2019, 3 meetings of the Compensation Committee were held with 88.89 percent attendance of its members at those meetings. The Compensation Committee reviewed the implementation of the Remuneration Policy and the Remuneration Report and it also reviewed and approved the new LTIP, including its Metrics and targets. Further details of the activities of the Compensation Committee are included in the *REMUNERATION REPORT* section included elsewhere in this report.

The Governance and Sustainability Committee

On December 20, 2017, the Board of Directors adopted the current charter of the Governance and Sustainability Committee. The Governance and Sustainability Committee is responsible for, *inter alia*, 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. Mars. The Governance and Sustainability Committee is elected by the Board of Directors and is comprised of at least three Directors according to its charter. More than half of its members shall be independent under the Dutch Corporate Governance Code and at most one of the members may be an executive Director.

During 2019, the Governance and Sustainability Committee met once with 100 percent attendance of its members at that meeting. The Committee reviewed the Board of Director's and Committee's assessments, the sustainability achievements and objectives and the recommendations for Directors' election.

Indemnification of Directors

Under Dutch law, indemnification provisions may be included in a company's articles of association. Under its Articles of Association, FCA is required to 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 a 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 the 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 has 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 Directors and Officers ("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.

Senior Management

The Group's management is led by FCA's Chief Executive Officer who is supported by a Group Executive Council. From an operational perspective, each of our reportable segments are led by Chief Operating Officers, who are accountable for the profit or loss of the segment and management of segment resources, including industrial and commercial activities. These are supported centrally by corporate functions, including a Chief Financial Officer and General Counsel. With the exception of the General Counsel, each of these members of senior management are members of the GEC.

The regional COOs and leaders of the key corporate functions are:

- Michael Manley as Chief Executive Officer;
- Richard K. Palmer as Chief Financial Officer;
- Pietro Gorlier as Chief Operating Officer EMEA and Global Head of Parts & Service (MOPAR);
- Antonio Filosa as Chief Operating Officer LATAM;
- Mark Stewart as Chief Operating Officer North America;
- Davide Grasso as Chief Operating Officer Maserati; and
- Giorgio Fossati as Corporate General Counsel.

Summary biographies for these individuals are included below. For the biography of Mr. Manley and Mr. Palmer, see above.

Pietro Gorlier - Pietro Gorlier was named Chief Operating Officer (COO) of the EMEA region in October 2018. He has been a member of the GEC and Global Head of Parts & Service (MOPAR) since September 2011. Mr. Gorlier has held other key roles for the Group including being appointed COO of Components in June 2015 and President and Chief Executive Officer - MOPAR Brand Service, Parts and Customer Care, Chrysler Group LLC, in June 2009.

He joined the Chrysler Group from Fiat Group Automobiles S.p.A. and CNH Global N.V., where he previously served as Head of the Network and Owned Dealerships organization. Mr. Gorlier joined the Fiat Group in 1989 as a Market Analyst in Iveco and held various positions in Logistics, After Sales, and Customer Care before joining Fiat Group Automobiles in 2006 in Network Development.

He is a graduate from the University of Turin where he studied economics and business. Mr. Gorlier was born in Turin, Italy in 1962.

Antonio Filosa - Antonio Filosa was named Chief Operating Officer of the LATAM region and a member of the GEC in March 2018. Previously, Mr. Filosa served as the Head of Argentina as well as the Head of Alfa Romeo and Maserati brands for the Latin America region, positions he held since 2016 and 2018, respectively.

Prior to those roles, he was responsible for all Purchasing activities in the LATAM region. Mr. Filosa has held a series of positions with increasing responsibility within the Group including serving as plant manager of the Betim facility. He joined the Group in 1999.

Mr. Filosa holds a master's degree in engineering from Politecnico di Milano (Italy). Mr. Filosa was born in Castellammare di Stabia, Italy in 1973.

Mark Stewart - Mark Stewart was appointed Chief Operating Officer for the North America region and named a member of the Group Executive Council (GEC) on December 6, 2018. Previously, Mr. Stewart was Vice President of Operations for Amazon since 2017. He was the lead executive for customer fulfillment across 200 operations facilities in North America. In this position, he was also responsible for overseeing operations, procurement, construction, and engineering with teams dedicated to pursuing automation, artificial intelligence and advanced robotics and conveyance. Prior to that, Mr. Stewart was Executive Vice President and Chief Operating Officer for ZF TRW Automotive from 2015. He also held a number of positions with increasing responsibility at TRW Automotive, Inc., from 2006. He spent the first years of his career in manufacturing with TRW Inc., and later Tower Automotive, Inc. where he served as Director of Operations and Executive Vice President. Mr. Stewart has been based in the U.S., Belgium, Germany, and China with a variety of experiences in production, quality, and engineering.

He holds a Bachelor of Engineering from Vanderbilt University and a Master of Business Administration from the University of Tennessee. Mr. Stewart was born in Madison (Alabama, USA), in 1967.

Davide Grasso - Davide Grasso was named Chief Operating Officer (COO) of Maserati and appointed a member of the Group Executive Council (GEC) in July 2019. In October 2019 he became CEO of Maserati S.p.A. He is responsible for overall commercial and financial performance and, as COO, drives the operating success of the brand across all global markets. Previously, Mr. Grasso served as Chief Executive Officer for Converse, Inc., a subsidiary of Nike, Inc., where he engineered the iconic brand for long-term sustainable growth. Mr. Grasso has held a series of positions with increasing responsibility within Nike including Chief Marketing Officer. He also has led teams in Europe, the Americas and Asia. He joined Nike in 2001.

Mr. Grasso holds a master’s degree from Bocconi University - Milan Graduate School of Management and a bachelor’s degree in business and economics from the University of Turin. He was born in Turin, Italy in 1963.

Giorgio Fossati - Giorgio Fossati was appointed Corporate General Counsel in November 2014. He is also General Counsel - EMEA. Previously Mr. Fossati was General Counsel of Fiat, a position to which he was appointed in 2011. Previously he had been General Counsel of Fiat Auto since 2002, following other positions of increasing responsibility within the Fiat Legal department. Prior to that, Mr. Fossati worked in positions of increasing responsibility in the legal department at Iveco S.p.A.

Mr. Fossati earned his master’s degree in law from the University of Turin School of Law. Mr. Fossati was born in Orbassano, Italy in 1961.

Articles of Association and Information on FCA Shares

The following is a summary of material information relating to FCA common shares, including summaries of certain provisions of the Articles of Association, the terms and conditions in respect of FCA special voting shares (the “Terms and Conditions of Special Voting Shares”) and the applicable Dutch law provisions in effect at the date of this report. The summaries of the Articles of Association and the Terms and Conditions of Special Voting Shares as set forth in this report are qualified in their entirety by reference to the full text of the Articles of Association and the Terms and Conditions of Special Voting Shares.

Share Capital

The authorized share capital of FCA is forty million Euro (€40,000,000), divided into two billion (2,000,000,000) 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.

On October 29, 2014, the Board of Directors of FCA resolved to authorize the issuance of up to a maximum of 90,000,000 FCA common shares under the framework equity incentive plan which had been adopted before the closing of the 2014 Merger. Any issuance of shares thereunder in the period from 2014 to 2018 was subject to the satisfaction of certain performance and retention requirements. Any issuances to directors was subject to shareholder approval. During 2019 a total of 16,901,711 FCA common shares were issued under the LTIP (framework equity incentive plan).

At December 31, 2014, there were 1,250,000 FCA common shares reserved for issuance under the FCA Non-Executive Directors' Compensation Plan in the following 5 years. During 2015, a total of 83,172 FCA common shares were issued at fair market value, being equal to the average of the highest and lowest sale price of an FCA common share during normal trading hours on the NYSE on the last trading day of the applicable plan year quarter. During 2016, a total of 163,333 FCA common shares were issued at fair market value. During 2017, a total of 54,855 common shares were issued at fair market value. No FCA common shares were issued during 2018 and 2019 following the amendment of the remuneration policy for the Board of Directors, as adopted by the General Meeting of Shareholders held on April, 14, 2017, which introduced cash payments for Non-Executive Directors.

FCA common shares are registered shares represented by an entry in the share register of FCA. The Board of Directors may determine that, for the purpose of trading and transfer of shares on a foreign stock exchange, share certificates shall be issued in such a form as shall comply with the requirements of such a foreign stock exchange. A register of shareholders is maintained by FCA in the Netherlands and a branch register is maintained in the U.S. on FCA's behalf by the Transfer Agent, which serves as branch registrar and transfer agent.

Beneficial interests in FCA common shares that are traded on the NYSE are held through the book-entry system provided by The Depository Trust Company ("DTC") and are registered in FCA's register of shareholders in the name of Cede & Co., as DTC's nominee. Beneficial interests in FCA common shares traded on the MTA are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant in DTC.

Additional information on FCA's equity is contained in Note 26, *Equity*, to the Consolidated Financial Statements included elsewhere in this report.

Directors

Set forth below is a summary of the material provisions of the Articles of Association relating to our Directors. This summary does not restate the Articles of Association in their entirety.

FCA's Directors serve on the Board of Directors for a term of approximately one year, with that term ending on the day that the first annual general meeting of shareholders is held in the following calendar year. FCA's shareholders appoint the directors of the Board of Directors at a general meeting. Each Director may be reappointed for an unlimited number of terms. The general meeting of shareholders determines whether a Director is an executive director or a non-executive director.

FCA has a policy in respect of the remuneration of the members of the Board of Directors. With due observation of the remuneration policy, the Board of Directors may determine the remuneration for directors in respect of the performance of their duties. The Board of Directors must submit plans to award shares or the right to subscribe for shares to the general meeting of shareholders for its approval.

FCA shall not grant the Directors any personal loans or guarantees.

Additional information on the Board of Directors is contained in the *Report of the Non-Executive Directors* included elsewhere in this report.

No Liability to Further Capital Calls

All of the outstanding FCA common shares and special voting shares are fully paid and non-assessable.

Discriminating Provisions

There are no provisions of the Articles of Association that discriminate against a shareholder because of its ownership of a substantial number of shares.

Rights of Pre-Emption

Under Dutch law and the Articles of Association, each FCA shareholder has a right of pre-emption in proportion to the aggregate nominal value of its shareholding upon the issuance of new FCA common shares, or the granting of rights to subscribe for FCA common shares. Exceptions to this right of pre-emption include the issuance of new FCA common shares, or the granting of rights to subscribe for common shares: (i) to employees of FCA or another member of its Group pursuant to an equity incentive plan of FCA; (ii) against payment in kind (contribution other than in cash) and (iii) to persons exercising a previously granted right to subscribe for FCA common shares.

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

The general meeting of shareholders may resolve to limit or exclude the rights of pre-emption upon an issuance of FCA common shares, which resolution requires approval of at least two-thirds of the votes cast, if less than half of the issued share capital is represented at the general meeting of shareholders. The Articles of Association, or the general meeting of shareholders, may also designate the Board of Directors to resolve to limit or exclude the rights of pre-emption in relation to the issuance of FCA common shares. Pursuant to Dutch law, the designation by the general meeting of shareholders may be granted to the Board of Directors for a specified period of time of not more than five years and only if the Board of Directors has also been designated or is simultaneously designated the authority to resolve to issue FCA common shares. The Board of Directors is designated in the Articles of Association as the competent body to exclude or limit rights of pre-emption for an initial period of five years, which may be extended by the general meeting of shareholders with additional periods up to a maximum of five years per period. The current period, extended at the 2019 general meeting of shareholders, will expire on October 11, 2020.

Repurchase of Shares

Upon agreement with the relevant FCA shareholder, FCA may acquire its own shares at any time for no consideration (*om niet*), or, subject to certain provisions of Dutch law and the Articles of Association, for consideration if: (i) FCA's shareholders' equity less the payment required to make the acquisition does not fall below the sum of called-up and paid-in share capital and any statutory reserves; (ii) FCA would thereafter not hold a pledge over FCA common shares, or together with its subsidiaries, hold FCA common shares with an aggregate nominal value exceeding 50 percent of FCA's issued share capital; and (iii) the Board of Directors has been authorized to do so by the general meeting of shareholders.

The acquisition of fully paid-up shares by FCA other than for no consideration (*om niet*) requires authorization by the general meeting of shareholders. Such authorization may be granted for a period not exceeding 18 months and shall specify the number of shares, the manner in which the shares may be acquired and the price range within which shares may be acquired. The authorization is not required for the acquisition of shares for employees of FCA, or another member of its Group, under a scheme applicable to such employees and no authorization is required for repurchase of shares acquired in certain other limited circumstances in which the acquisition takes place by operation of law, such as pursuant to mergers or demergers. Such shares must be officially listed on the price list of an exchange.

At a general meeting of shareholders, the shareholders may resolve to designate the Board of Directors as the competent body to resolve on FCA acquiring any fully paid up FCA common shares other than for no consideration (*om niet*) for a period of up to 18 months.

FCA may, jointly with its subsidiaries, hold FCA shares in its own capital exceeding one-tenth of its issued capital for no more than three years after acquisition of such FCA shares for no consideration (*om niet*) or in certain other limited circumstances in which the acquisition takes place by operation of law, such as pursuant to mergers or demergers. Any FCA shares held by FCA in excess of the amount permitted shall transfer to all members of the Board of Directors jointly at the end of the last day of such a three-year period. Each member of the Board of Directors shall be jointly and severally liable to compensate FCA for the value of the FCA shares at such a time, with interest payable at the statutory rate thereon. The term FCA shares as used in this paragraph shall include depositary receipts for shares and shares in respect of which FCA holds a right of pledge.

No votes may be cast at a general meeting of shareholders on the FCA shares held by FCA or its subsidiaries. In addition, no voting rights may be cast at a general meeting of shareholders in respect of FCA shares for which depositary receipts have been issued that are owned by FCA. Nonetheless, the holders of a right of usufruct or pledge in respect of shares held by FCA and its subsidiaries in FCA's share capital are not excluded from the right to vote on such shares if the right of usufruct or pledge was granted prior to the time such shares were acquired by FCA or its subsidiaries. Neither FCA nor any of its subsidiaries may cast votes in respect of a share on which it or its subsidiaries holds a right of usufruct or pledge. No right of pledge may be established on special voting shares and the voting rights attributable to special voting shares may not be assigned to a usufructuary.

Reduction of Share Capital

Shareholders at a general meeting have the power to cancel shares acquired by FCA or to reduce the nominal value of shares. A resolution to reduce the share capital requires a majority of at least two-thirds of the votes cast at the general meeting of shareholders if less than one-half of the issued capital is present or represented at the meeting. If more than one-half of the issued share capital is present or represented at the general meeting of shareholders, a simple majority of the votes cast is required. Any proposal for a cancellation or reduction of nominal value is subject to general requirements of Dutch law with respect to reductions of share capital.

Transfer of Shares

In accordance with the provisions of Dutch law, pursuant to Article 12 of the Articles of Association, the transfer of FCA shares or the creation of a right *in rem* thereon requires a deed intended for that purpose and, save when the company is a party, written acknowledgment by the Company of the transfer.

The transfer of FCA common shares that have not been entered into a book-entry system will be effected in accordance with Article 12 of the Articles of Association.

Common shares that have been entered into the DTC book-entry system will be registered in the name of Cede & Co. as nominee for DTC and transfers of beneficial ownership of shares held through DTC will be effected by electronic transfer made by DTC participants. Article 12 of the Articles of Association does not apply to the trading of such FCA common shares on a regulated market or the equivalent thereof.

Transfers of shares held outside of DTC (including Monte Titoli S.p.A. as a participant in DTC) or another direct registration system maintained by Computershare US, FCA's transfer agent in New York, or the Transfer Agent, and not represented by certificates are effected by a stock transfer instrument and require the written acknowledgment by FCA. Transfer of registered certificates is effected by presenting and surrendering the certificates to the Transfer Agent. A valid transfer requires the registered certificates to be properly endorsed for transfer as provided for in the certificates and accompanied by proper instruments of transfer and stock transfer tax stamps for, or funds to pay, any applicable stock transfer taxes.

FCA common shares are freely transferable. As described below, special voting shares are generally not transferable.

At any time, a holder of FCA common shares that are registered in the Loyalty Register (i.e. Electing Common Shares or Qualifying Common Shares) wishing to transfer such FCA common shares other than in limited specified circumstances (i.e., transfers to affiliates or to relatives through succession, donation or other transfers) must first request a de-registration of such shares from the Loyalty Register and, if held outside the Regular Trading System, transfer such common shares back into the Regular Trading System. After de-registration from the Loyalty Register, such FCA common shares no longer qualify as Electing Common Shares or Qualifying Common Shares and, as a result, the holder of such FCA common shares is required to offer and transfer the special voting shares associated with such FCA common shares that were previously Qualifying Common Shares to FCA for no consideration (*om niet*) as described in detail in "*Loyalty Voting Structure-Terms and Conditions of the Special Voting Shares-Withdrawal of Special Voting Shares*".

Exchange Controls

Under Dutch law, there are no foreign exchange control restrictions on investments in, or payments on, FCA common shares. There are no special restrictions in the Articles of Association or Dutch law that limit the right of shareholders who are not citizens or residents of the Netherlands to hold FCA common shares or vote.

Annual Accounts and Independent Auditor

FCA's financial year is the calendar year. Pursuant to FCA's deed of incorporation, the first financial year of FCA ended on December 31, 2014. Within four months after the end of each financial year, the Board of Directors will prepare and publish the annual accounts, which must be accompanied by an annual report and an auditor's report, and make those available for inspection at FCA's registered office. All members of the Board of Directors are required to sign the annual accounts and in case the signature of any member is missing, the reason for this must be stated. The annual accounts are to be adopted by the general meeting of shareholders at the annual general meeting, at which meeting the members of the Board of Directors will be discharged from liability for performance of their duties with respect to any matter disclosed in the annual accounts for the relevant financial year insofar this appears from the annual accounts. The annual accounts, the annual report and independent auditor's report are made available through FCA's website to the shareholders for review as from the day of the notice convening the annual general meeting of shareholders.

Payment of Dividends

Information on the payment of dividends is contained in the section "*OTHER INFORMATION*" elsewhere in this report.

Amendments to the Articles of Association, including Variation of Rights

A resolution of the general meeting of shareholders to amend the Articles of Association or to wind up FCA may be approved only if proposed by the Board of Directors and approved by a vote of a majority of at least two-thirds of the votes cast if less than one-half of the issued share capital is present or represented at such a general meeting of shareholders.

The rights of shareholders may be changed only by amending the Articles of Association in compliance with Dutch law.

Dissolution and Liquidation

The general meeting of shareholders may resolve to dissolve FCA upon a proposal of the Board of Directors thereto. A majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is present or represented at the meeting. In the event of dissolution, FCA will be liquidated in accordance with Dutch law and the Articles of Association and the liquidation shall be arranged by the members of the Board of Directors, unless the general meeting of shareholders appoints other liquidators. During liquidation, the provisions of the Articles of Association will remain in force as long as possible.

If FCA is dissolved and liquidated, whatever remains of FCA's equity after all its debts have been discharged shall first be applied to distribute the aggregate balance of share premium reserves and other reserves (other than the special dividend reserve), to holders of FCA common shares in proportion to the aggregate nominal value of FCA common shares held by each holder; secondly, from any balance remaining, an amount equal to the aggregate amount of the nominal value of FCA common shares will be distributed to the holders of FCA common shares in proportion to the aggregate nominal value of FCA common shares held by each of them; thirdly, from any balance remaining, an amount equal to the aggregate amount of the special voting shares dividend reserve will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; fourthly, from any balance remaining, the aggregate amount of the nominal value of the special voting shares will be distributed 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, lastly, any balance remaining will be distributed to the holders of FCA common shares in proportion to the aggregate nominal value of FCA common shares held by each of them.

Liability of Directors

Under Dutch law, the management of a company with a one-tier board structure like FCA is a joint undertaking and each member of the Board of Directors can be held jointly and severally liable to FCA for damages in the event of improper or negligent performance of their duties. Furthermore, members of the Board of Directors can be held liable to third parties based on tort, pursuant to certain provisions of the Dutch Civil Code. All Directors are jointly and severally liable for failure of one or more co-Directors. An individual Director is only exempted from liability if he or she proves that he or she cannot be held seriously culpable for the mismanagement and that he or she has not been negligent in seeking to prevent the consequences of the mismanagement. In this regard a Director may, however, refer to the allocation of tasks between the Directors. In certain circumstances, Directors may incur additional specific civil and criminal liabilities.

Election and Removal of Directors

FCA's Articles of Association provide that FCA's Board of Directors shall be composed of three or more members.

Directors are appointed by a simple majority of the votes validly cast at a general meeting of shareholders. The general meeting of shareholders may at any time suspend or dismiss any Director.

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 2014 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, the execution of which 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.

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 a request, the holder of Qualifying Common Shares shall be considered to have waived his or her 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 totally 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 includes 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 conditions 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.

Terms and Conditions of the Special Voting Shares

The terms and conditions of the special voting shares apply to the issuance, allocation, acquisition, holding, repurchase and transfer of special voting shares in the share capital of FCA and to certain aspects of Electing Common Shares, Qualifying Common Shares and FCA common shares which are, or will be, registered in the Loyalty Register.

Application for Special Voting Shares

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 an FCA shareholder in the Loyalty Register. Such an election shall be effective and registration in the Loyalty Register shall occur as of the end of the calendar month during which the election is made. If such FCA common shares (i.e. Electing Common Shares) have been registered in the Loyalty Register (and are thus blocked from trading in the Regular Trading System) for an uninterrupted period of three years in the name of the same shareholder, the holder of such FCA common shares will be entitled to receive one FCA special voting share for each such FCA common share that has been registered. If at any moment in time such FCA common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder loses its entitlement to hold a corresponding number of FCA special voting shares.

Withdrawal of Special Voting Shares

As described above, a holder of Qualifying Common Shares or Electing Common Shares may request that some or all of its Qualifying Common Shares or Electing Common Shares be de-registered from the Loyalty Register and, if held outside the Regular Trading System, transfer such shares back to the Regular Trading System, which will allow such a shareholder to freely trade its FCA common shares, as described below. From the moment of such a request, the holder of Qualifying Common Shares shall be considered to have waived his rights to cast any votes associated with the FCA special voting shares which were issued and allocated in respect of such Qualifying Common Shares. Any such request would automatically trigger a mandatory transfer requirement pursuant to which the FCA special voting shares will be offered and transferred to FCA for no consideration (*om niet*) in accordance with the Articles of Association and the terms and conditions of the special voting shares. FCA may continue to hold the special voting shares as treasury stock, but will not be entitled to vote through any such treasury stock. Alternatively, FCA may withdraw and cancel the special voting shares, as a result of which the nominal value of such shares will be allocated to the special capital reserves of FCA. Consequently, the loyalty voting feature relating to the relevant Qualifying Common Shares being deregistered from the Loyalty Register will terminate. No shareholder required to transfer special voting shares, pursuant to the terms and conditions, shall be entitled to any consideration for such special voting shares and each shareholder expressly waives any rights in that respect as a condition to participation in the loyalty voting structure.

Change of Control

A Qualifying Shareholder or a shareholder with common shares registered in the Loyalty Register must promptly notify the Company in the event of a change of control and must make a de-registration request with respect to his or her common shares registered in the Loyalty Register. The de-registration request leads to a withdrawal of the special voting shares as described above. A change of control is defined in Article 1.1. of the Articles of Association as including any direct or indirect transfer carried out by a shareholder that is not an individual (*natuurlijk persoon*) through one or a series of related transactions as a result of which (i) a majority of the voting rights of such a 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 a 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 a 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 a 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 vivo* 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 a 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 a 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 defined in the above-mentioned Article of the Articles of Association.

General Meeting of Shareholders and Voting Rights

General Meetings

At least one general meeting of FCA shareholders shall be held every year, which shall be held within six months after the close of the financial year. The purpose of the annual general meeting of shareholders is to discuss, *inter alia*, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of members of the Board of Directors from liability for their management and supervision, and other proposals brought up for discussion by the Board of Directors.

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 deem 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 in writing, stating the matters to be dealt with, that the Board of Directors call a general meeting of FCA shareholders.

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 shall reject the application if he or she is not satisfied that the applicants have previously requested in writing, stating the exact subjects to be discussed, that the Board of Directors 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 an 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 a number of shareholders who, under 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.

Convocation, Agenda, Minutes and Attendance

The agenda of the annual general meeting of FCA shareholders shall contain, *inter alia*, the following items in addition to any other item required by law:

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 of 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 a 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 and secretary of the meeting and signed by them in witness thereof. The minutes of the general meeting of FCA shareholders shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which 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 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 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 a 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 or her name and, to the extent applicable, the number of votes to which he or she 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 during 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.

FCA 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.

Voting Rights at General Meetings

Every share (whether common or special voting) shall confer the right to cast one vote at a general meeting of shareholders. 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 in the Articles of Association. 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. However, pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall 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.

Shareholders' Votes on Certain Transactions

Any important change in the identity or character of FCA must be approved by the general meeting of shareholders, including (i) the transfer to a third party of the business of FCA or practically the entire business of FCA; (ii) the entry into or breaking off of any long-term cooperation of FCA or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry into or breaking off is of far-reaching importance to FCA; and (iii) the acquisition or disposal by FCA or a subsidiary of an interest in the capital of a company with a value of at least one-third of FCA's assets according to the Consolidated Statement of Financial Position with explanatory notes included in the last adopted annual accounts of FCA.

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 current period, extended at the 2019 general meeting of shareholders, will expire on October 11, 2020.

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 a 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 a 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. Refer to the *Rights of Pre-Emption* section elsewhere in this report.

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.

Disclosure of Holdings under Dutch Law

As a result of the listing of the FCA common shares on the MTA, chapter 5.3 of the Dutch Financial Supervision Act ("AFS") applies, pursuant to which any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or actual or potential voting rights in FCA must promptly give written notice to the AFM of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3 percent, 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 40 percent, 50 percent, 60 percent, 75 percent and 95 percent.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) shares and/or voting rights held (or, acquired or disposed of) by such person's controlled entities or by a third party for such person's account; (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; and (v) shares which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire shares.

As a consequence of the above, special voting shares must be added to FCA common shares for the purposes of the above thresholds.

Controlled entities (within the meaning of the AFS) do not themselves have notification obligations under the AFS as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a three percent or larger interest in FCA's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the AFS will become applicable to such former controlled entity.

Special rules apply to the attribution of shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest, a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares; (ii) such person may be obliged to purchase shares on the basis of an option; or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

If a person's capital interest and/or voting rights reaches, exceeds or falls below the above-mentioned thresholds as a result of a change in FCA's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published FCA's notification as described below.

Following the implementation of Directive 2013/50/EU into the AFS, every holder of three percent or more of the issued and outstanding share capital or voting rights whose interest has changed compared to his most recent notification and which holder knows, or should know, that pursuant to this change his interest reaches or crosses a threshold as a result of certain acts (as described above and including the exchange of a financial instrument or a contract pursuant to which the holder is deemed to have issued and outstanding shares or voting rights at his disposal), must notify the AFM of this change.

FCA is required to notify the AFM promptly of any change of one percent or more in its issued and outstanding share capital or voting rights since a previous notification. Other changes in FCA's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

In addition to the above described notification obligations pertaining to capital interest or voting rights, pursuant to Regulation (EU) No 236/2012, as amended, notification must be made of any net short position of 0.2 percent in the issued share capital of FCA, and of every subsequent 0.1 percent above this threshold. Notifications starting at 0.5 percent and every subsequent 0.1 percent above this threshold will be made public via the short selling register of the AFM. Furthermore, gross short positions shall be notified in the event that a threshold is reached, exceeded or fallen below. With regard to gross short positions, the same disclosure thresholds as for holders of capital interests and/or voting rights apply.

Furthermore, each member of the Board of Directors must notify the AFM:

- within two weeks after his/her appointment of the number of shares he/she holds and the number of votes he/she is entitled to cast in respect of FCA's issued and outstanding share capital; and

- subsequently of each change in the number of shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of FCA's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received which can be accessed via *www.afm.nl*. The notifications referred to in this paragraph should be made in writing by means of a standard form or electronically through the notification system of the AFM.

Non-compliance with these disclosure obligations is an economic offense and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by FCA and/or by one or more shareholders who alone or together with others represent at least three percent of the issued and outstanding share capital of FCA or are able to exercise at least three percent of the voting rights. The measures that the civil court may impose include:

- an order requiring appropriate disclosure;

- suspension of the right to exercise the voting rights for a period of up to three years as determined by the court;

- voiding a resolution adopted by the general meeting of shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the general meeting of shareholders until the court makes a decision about such voiding; and

- an order to refrain, during a period of up to five years as determined by the court, from acquiring shares and/or voting rights in FCA.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

Mandatory Bid Requirement

Under Dutch law, any person who, acting alone or in concert with others, directly or indirectly acquires 30 percent or more of FCA's voting rights will be obliged to launch a public offer for all outstanding shares in FCA's share capital. An exception is made for shareholders who, whether alone or acting in concert with others, had an interest of at least 30 percent of FCA's voting rights before the shares were first listed on the MTA and who still maintained such an interest after such first listing. Immediately after the first listing of FCA common shares on the MTA, Exor N.V. held more than 30 percent of FCA's voting rights. Therefore, Exor N.V.'s interest in FCA was grandfathered and the exception that applies to it will continue to apply to it for as long as its holding of shares represents over 30 percent of FCA's voting rights.

Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*, or the "FRSA"), the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from FCA regarding its application of the applicable financial reporting standards and (ii) recommend to us the making available of further explanations. If we do not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber order us to (i) make available further explanations as recommended by the AFM; (ii) provide an explanation of the way we have applied the applicable financial reporting standards to our financial reports; or (iii) prepare our financial reports in accordance with the Enterprise Chamber's instructions.

Compulsory Acquisition

Pursuant to article 2:92a of the Dutch Civil Code, a shareholder who, for its own account, holds at least 95 percent of the issued share capital of FCA may institute proceedings against the other shareholders jointly for the transfer of their shares to it. The proceedings are held before the Dutch Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure. The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one to three expert(s) who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation. A shareholder can only appeal against the judgment of the Enterprise Chamber before the Dutch Supreme Court.

In addition, pursuant to article 2:359c of the Dutch Civil Code, following a public offer, a holder of at least 95 percent of the issued share capital and of voting rights of FCA has the right to require the minority shareholders to sell their shares to it. Any such request must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, pursuant to article 2:359d of the Dutch Civil Code each minority shareholder has the right to require the holder of at least 95 percent of the issued share capital and the voting rights of FCA to purchase its shares in such a case. The minority shareholder must file such a claim with the Enterprise Chamber within three months after the end of the acceptance period of the public offer.

Disclosure of Trades in Listed Securities

Pursuant to the AFS and the Market Abuse Regulation (EU) No 596/2014, each of the members of the Board of Directors and any other person discharging managerial responsibilities within FCA and who in that capacity is authorized to make decisions affecting the future developments and business prospects of FCA and has regular access to inside information relating, directly or indirectly, to FCA (each, an "Insider") must notify the AFM of all transactions, conducted or carried out for his/her own account, relating to FCA common shares, special voting shares or financial instruments, the value of which is (in part) determined by the value of FCA common shares or special voting shares.

In addition, persons who are closely associated with members of the Board of Directors or any of the other Insiders must notify the AFM of all transactions conducted for their own account relating to FCA's shares or financial instruments, the value of which is (in part) determined by the value of FCA's shares. The Market Abuse Regulation designates the following categories of persons: (i) the spouse or any partner considered by applicable law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, among other things, whose managerial responsibilities are discharged by a member of the Board of Directors or any other Insider or by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified forthwith of transactions, effected in either FCA's shares or financial instruments, the value of which is (in part) determined by the value of FCA's shares following the transaction date by means of a standard form. Notifications under the Market Abuse Regulation may however be postponed until the date that the value of the transactions carried out on a person's own account, together with the transactions carried out by the persons associated with that person, reaches or exceeds the amount of €5,000 in the calendar year in question. The AFM keeps a public register of all notifications made pursuant to the AFS and the Market Abuse Regulation.

Non-compliance with these reporting obligations could lead to criminal penalties, administrative fines and cease-and-desist orders (and the publication thereof), imprisonment or other sanctions.

Shareholder Disclosure and Reporting Obligations under U.S. Law

Holders of FCA shares are subject to certain U.S. reporting requirements under the Exchange Act for shareholders owning more than 5 percent of any class of equity securities registered pursuant to Section 12 of the Exchange Act. Among the reporting requirements are disclosure obligations intended to keep investors aware of significant accumulations of shares that may lead to a change of control of an issuer.

If FCA were to fail to qualify as a foreign private issuer in the future, Section 16(a) of the Exchange Act would require FCA's directors and executive officers, and persons who own more than ten percent of a registered class of FCA's equity securities, to file reports of ownership of, and transactions in, FCA's equity securities with the SEC. Such directors, executive officers and ten percent stockholders would also be required to furnish FCA with copies of all Section 16 reports they file.

Disclosure Requirements under Italian law and European Union law

Further disclosure requirements shall apply to FCA under Italian law by virtue of the listing of FCA's shares on the MTA. Summarized below are the most significant requirements to be complied with by FCA in connection with the admission to listing of FCA common shares on the MTA. The breach of the obligations described below may result in the application of fines and criminal penalties (including, for instance, those provided for insider trading and market manipulation).

In particular, the following main disclosure obligations shall apply to FCA:

- the Legislative Decree no. 58/1998, or the Italian Financial Act effective as of the date of this report: article 92 (equal treatment principle), article 114-*bis* (to the extent applicable to Dutch companies, information concerning the allocation of financial instruments to corporate officers, employees and collaborators), article 115 (information to be disclosed to CONSOB) and article 180 and the following (relating to insider trading and market manipulation);

- the applicable law concerning market abuse and, in particular, Regulation (EU) 596/2014 (the "MAR Regulation") and its implementing measures: article 7 (Inside information), article 17 (Public disclosure of inside information) and article 18 (Insider lists) as well as the implementing regulations.

In addition to the above, the applicable provisions set forth under the market rules (including those relating to the timing for the payment of dividends) shall apply to FCA.

It remains understood that the foregoing is based on the current legal framework and, therefore, it may vary following any potential regulatory intervention by the concerned Member States and competent authorities.

Disclosure of Inside Information - Article 17 of the MAR Regulation

Pursuant to the MAR Regulation, FCA shall disclose to the public, without delay, any inside information which: (i) is of a precise nature; (ii) has not been made public; (iii) relates directly to FCA or FCA's common shares; and (iv) if it were made public, would be likely to have a significant effect on the prices of FCA's common shares or on the price of related derivative financial instruments (the "Inside Information"). In this regard,

- "*information shall be deemed to be of a precise nature*" if: (a) it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred, or which may reasonably be expected to occur and (b) it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments (i.e., FCA's common shares) or the related derivative financial instrument. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.

- "*information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments*" shall mean information a reasonable investor would be likely to use as part of the basis of his or her investment decisions.

An intermediate step in a protracted process shall be deemed to be Inside Information if, by itself, it satisfies the criteria of Inside Information as referred to above.

The above disclosure requirement shall be complied with through the publication of a press release by FCA, in accordance with the modalities set forth under the MAR Regulation and Dutch and Italian law, disclosing to the public the relevant Inside Information.

Under specific circumstances, CONSOB may at any time request: (a) FCA to disclose to the public specific information or documentation where deemed appropriate or necessary or alternatively (b) to be provided with specific information or documentation. For this purpose, CONSOB has wide powers to, among other things, carry out inspections or request information to the members of the managing board, the members of the supervisory board or to the external auditor.

FCA shall publish and transmit to CONSOB any information disseminated in any non EU-countries where FCA's common shares are listed (i.e., the U.S.), if this information is significant for the purposes of the evaluation of FCA's common shares listed on the MTA.

FCA may, on its own responsibility, delay disclosure to the public of Inside Information provided that all of the following conditions are met: (a) immediate disclosure is likely to prejudice the legitimate interests of FCA; (b) delay of disclosure is not likely to mislead the public; (c) FCA is able to ensure the confidentiality of that information.

In the case of a protracted process that occurs in stages and that is intended to bring about, or that results in, a particular circumstance or a particular event, FCA may on its own responsibility delay the public disclosure of Inside Information relating to this process, subject to points (a), (b) and (c) above.

Insiders' Register - Article 18 of the MAR Regulation

FCA, as well as persons acting on its behalf or on its account, shall draw up and keep regularly updated, a list of all persons who have access to Inside Information and who are working for them under a contract of employment, or otherwise performing tasks through which they have access to Inside Information, such as advisers, accountants or credit rating agencies (the "insider list").

FCA or any person acting on its behalf or on its account, shall take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

Public Tender Offers

Certain rules provided for under Italian law with respect to both voluntary and mandatory public tender offers shall apply to any offer launched for FCA's common shares. In particular, among other things, the provisions concerning the tender offer price, the content of the offer document and the disclosure of the tender offer will be subject to the supervision by CONSOB and Italian law.

FCA Policies

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 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 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.

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 Code of Conduct is supplemented by Practices aimed to provide specific guidance to all workforce members on how to effectively apply the Principles under 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. Moreover FCA has published on the FCA Website an updated version of the Company Sustainability Guidelines to cover specific business matters detailing FCA's accountability and commitment to a culture of responsibility and integrity.

FCA endeavors 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. 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 the CEO, that is based on a group risk assessment process; allegations received in accordance with the “Ethics Helpline process and procedure”; 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, Sustainability and Compliance Officer (the Chief Audit Executive, or CAE) informs 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 at https://www.fcagroup.com/en-US/group/governance/code_of_conduct/.

Insider Trading Policy

On October 10, 2014, 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 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, the MAR Regulation and its implementing regulations; the Policy was further revised by the Board of Directors on October 2, 2019, effective as of November 4, 2019, to improve its effectiveness and scope.

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 December 20, 2017, the Board of Directors adopted a diversity policy for the Board of Directors (the “Diversity Policy”), as the Company believes that diversity in the composition of the Board of Directors in terms of age, gender, expertise, work and personal background and nationality is an important means of promoting debate, balanced decision-making and independent actions of the Board of Directors. For further information, refer to the section *Composition of the Board of Directors* included elsewhere in this report.

The Company applies the following aspects of diversity 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, are 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 2019 financial year, the targets relating to nationality and age have been realized.

Compliance with Dutch Corporate Governance Code

The Dutch Corporate Governance Code contains principles and best practice provisions that regulate relations between the board and the shareholders (including the general meeting of shareholders). The Dutch Corporate Governance Code is divided into five chapters which address the following topics: (i) long-term value creation; (ii) effective management and supervision; (iii) remuneration; (iv) the general meeting; and (v) one-tier governance structure.

Dutch companies whose shares are listed on a regulated stock exchange or comparable system, such as the NYSE or the MTA, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, in the event that they do not apply a certain provision, to explain the reasons why they have chosen to deviate.

FCA acknowledges the importance of good corporate governance and supports the best practice provisions of the Dutch Corporate Governance Code.

The Dutch Corporate Governance Code was revised in December 2016 and the revised Dutch Corporate Governance Code became effective on January 1, 2018, being applicable retrospectively from the 2017 financial year. Consequently, FCA has reported in 2018 regarding its application of the revised Dutch Corporate Governance Code over the 2017 financial year.

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

- 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.

- 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, with such a 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 the 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 his or her nomination. Since, pursuant to the Articles of Association, the term of office of Directors is approximately one year, with such a 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.

Differences between Dutch Corporate Governance Practices and NYSE Listing Standards

The discussion below summarizes the significant differences between our corporate governance practices and the NYSE standards applicable to U.S. companies, as well as certain ways in which our governance practices (see above section *Compliance with Dutch Corporate Governance Code*) deviate from those suggested in the Dutch Corporate Governance Code.

- The NYSE requires that when an audit committee member of a U.S. domestic listed company serves on four or more audit committees of public companies, the listed company should disclose (either on its website or in its annual proxy statement or annual report filed with the SEC) that the board of directors has determined that this simultaneous service would not impair the director's service to the listed company. Dutch law does not require the Company to make such a determination.

- 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 the 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). Furthermore, the Audit Committee may not be chaired by the Chairperson of the Board or by a former executive of the Company. Currently, the Audit Committee consists of Mr. Earle (Chairman), Mr. Thompson, Ms. Wheatcroft and Ms. Mars.

- In contrast to NYSE rules applicable to U.S. companies which require that external auditors be appointed by the Audit Committee, the general rule under Dutch law is that external auditors are appointed at a general meeting of shareholders. In accordance with the requirements of Dutch law, the appointment and removal of our independent registered public accounting firm must be resolved upon at a general meeting of shareholders. Our Audit Committee is responsible for the recommendation to the shareholders of the appointment and compensation of the independent registered public accounting firm and oversees and evaluates the work of our independent registered public accounting firm.

- NYSE rules require a U.S. listed company to have a compensation committee and a nominating/corporate governance committee composed entirely of independent directors. As a foreign private issuer, we do not have to comply with this requirement, however the Dutch Corporate Governance Code also requires us to have a Compensation Committee and a selection and appointment committee (which we call our Governance and Sustainability Committee). Our Compensation Committee Charter states that a maximum of one member of the Compensation Committee may be non-independent according to the Dutch Corporate Governance Code. All the current members of the Compensation Committee are independent under both the NYSE rules and the Dutch Corporate Governance Code.

- Under NYSE listing standards, shareholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with the limited exceptions set forth in the NYSE rules. As a foreign private issuer, we are permitted to follow our home country laws regarding shareholder approval of compensation plans, and under Dutch law such approval from shareholders is not required for equity compensation plans for employees other than the members of the Board of Directors, and to the extent the authority to grant equity rights has been delegated at a general meeting of shareholders to the Board of Directors. For equity compensation plans for members of the Board of Directors and/or in the event that the authority to issue shares and/or rights to subscribe for shares has not been delegated to the Board of Directors, approval at a general meeting of shareholders is required.

- While NYSE rules do not require listed companies to have shareholders approve or declare dividends, the Dutch Corporate Governance Code requires that a dividend distribution be a separate agenda item at a general meeting of shareholders in which the annual accounts are adopted. In our case, Article 23 of our Articles of Association provides that annual dividends must be resolved upon at a general meeting of shareholders. However, interim dividend distributions can be resolved upon by the Board of Directors, subject to meeting certain criteria listed in Article 23 of our Articles of Association.

Report of the Non-Executive Directors

Introduction

This is the report of the non-executive Directors of the Company over the 2019 financial year 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*" above.

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 enterprises. 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 associated risks.

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*", within "*Board Practices and Committees*" above.

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.

During 2019, there were 18 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 approximately 89.81 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	18/18	-	1/1	-
Michael Manley	18/18	-	-	-
Richard K. Palmer (1)	17/17			
Ronald L. Thompson	17/18	10/10	-	-
Andrea Agnelli	13/18	-	-	-
Tiberto Brandolini d'Adda	18/18	-	-	-
Glenn Earle	18/18	10/10	-	-
Valerie A. Mars	17/18	10/10	-	3/3
Ruth J. Simmons(2)	0/1	-	1/1	-
Michelangelo A. Volpi	11/18	-	-	2/3
Patience Wheatcroft	17/18	10/10	1/1	-
Ermenegildo Zegna	17/18	-	-	3/3
John Abbott	13/18	-	-	-

(1) Mr. Richard K. Palmer was appointed as executive director at the general meeting of shareholders held on Friday, April 12, 2019.
(2) Ms. Ruth J. Simmons decided not to stand for another election at the general meeting of shareholders held on Friday, April 12, 2019

During these meetings, the key topics discussed were, amongst others: the Group's strategy and analysis of strategic options, investments, the Group's financial results and reporting, acquisitions and divestitures, executive compensation, product plan and technological developments, risk management, legal and compliance matters, sustainability, human resources, implementation of the Remuneration Policy, and the Remuneration Report, the new LTIP, including the Metrics and targets and the Stock Ownership and Retention Guidelines.

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 have determined that seven of our twelve Board members qualify as independent for purposes of NYSE rules, Rule 10A-3 of the Exchange Act, and the Dutch Corporate Governance Code.

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.

Whilst FCA acknowledges that it is not in compliance with best practice provision 2.1.7 (iii) of the Dutch Corporate Governance Code on the basis that more than one of its 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 it otherwise meets the independence requirements set forth in best practice provision 2.1.10 of the Dutch Corporate Governance Code.

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 2019, the Governance and Sustainability Committee focused on the periodic assessment of the performance of the Board of Directors, its committees and the individual Directors during the meeting held on February 19. During that meeting, the Governance and Sustainability Committee dealt also with the directors' nomination process and 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.

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 committees 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. No need to amend the size or composition of the Audit Committee, the Governance and Sustainability Committee and the Compensation Committee, nor any reason to amend their charters was identified. 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*", within "*Board Practices and Committees*" above.

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. 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.

REMUNERATION REPORT

The quality of our leadership and their commitment to the Company are fundamental to our success. FCA's global remuneration principles support our business strategy and growth objectives in the diverse and evolving markets in which we compete. Our remuneration policies are designed to appropriately pay-for-performance with an emphasis on creating long-term shareholder value, avoiding arrangements that risk pay for failure. A variety of factors are taken into consideration when evaluating compensation arrangements, including the long-term objectives of the Company and its shareholders and a clear framework of compensation best practices which keep pace with ever-evolving US and European market-specific best practices.

Within the scope of FCA's Remuneration Policy, the remuneration of the Executive Directors is determined by the Board of Directors at the recommendation of the Compensation Committee of the Board of Directors (the "Compensation Committee"). This annual Remuneration Report describes how the pay programs and practices of the Executive Directors were implemented in 2019, in accordance with the Remuneration Policy.

Please note that, as required by changes to Dutch law and Corporate Governance Code, FCA will be presenting an updated Remuneration Policy to its shareholders for approval during its Annual General Meeting ("AGM") in April 2020. Accordingly, this Remuneration Report has been written and formatted to adopt the standardized presentation communicated by the Commission under the European Union Revised Shareholders' Rights Directive.

Going forward, per the revised legislation, the following Remuneration elements will be explicitly addressed in our Remuneration Policy, not the Report. For completeness, they are stated now and detailed herein until the updated Policy is formally presented to and approved by FCA's shareholders:

- Description of Purpose, Vision and Values of the Company;
- Remuneration Principles;
- How we select our Peer Group for Executive Compensation benchmarking;
- Five year Pay Ratio trend;
- Overview of Remuneration Elements including how fixed and variable elements are used and how they relate to each other;
- Stock Related Provisions including a description of policies relating to stock-ownership, retention, claw-back, insider trading;
- Terms of Engagement for Non-Executive Directors; and
- Derogation from the Remuneration Policy

2019 Financial Year - Highlights summary

A key tenet of FCA's Remuneration Policy is pay for performance. The Group reported strong full year 2019 results, while setting a secure path to remain an industry leader. The following highlights some of the key achievements during the year:

- Strong operating results with adjusted EBIT of €6.7 billion and Industrial free cash flows of €2.1 billion; record North America Adjusted EBIT of €6.7 billion, with higher results in LATAM of €0.5 billion;
- Record U.S. Ram brand sales of 703 thousand units, up 18% year over year;
- FCA and PSA signed binding combination agreement for 50/50 merger to create 3rd largest global OEM by revenues and 4th by volume;
- Completed sale of Magneti Marelli with cash proceeds of €5.8 billion and payment of €2.0 billion extraordinary dividend to shareholders;
- New UAW four year collective bargaining agreement in United States, building on Group's commitment to grow U.S. manufacturing operations;
- €1.1 billion ordinary dividend to be paid in Spring 2020, subject to Board and shareholder approval.

The following table highlights the financial metrics in the year:

Financial Metric	2019	Change from 2018
	(€ million, except as otherwise noted)	
Worldwide combined shipments (in thousands of units)	4,418	(9)%
Net revenues	108,187	(2)%
Net profit from continuing operations	2,700	(19)%
Adjusted EBIT(1)	6,668	(1)%
Adjusted EBIT margin(1)	6.2%	+10 bps
Adjusted Net profit(1)	4,297	(9)%
Diluted earnings per share from continuing operations (€ per share)	1.71	(19)%
Adjusted diluted earnings per share(1) (€ per share)	2.73	(9)%
Cash flows from operating activities - continuing operations	10,770	14 %
Industrial free cash flows(1)	2,113	(52)%

(1) Refer to FINANCIAL OVERVIEW - Non-GAAP Financial Measures for additional detail and definitions of these performance metrics.

Remuneration Principles

The guiding principles of our Remuneration Policy direct our efforts 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 long-term value for shareholders and other stakeholders in a manner consistent with our core business and leadership values. FCA's compensation philosophy, 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 will be competitive against the comparable market and set in a manner to attract, retain and motivate expert leaders and highly qualified executives in geographies where we directly compete.
Long-term shareholder value creation	Targets triggering any variable compensation payment should directly align with the interest of shareholders and other stakeholders to promote the long-term success of the Company and constructed to avoid excessive levels of compensation.
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 or reputation.

Director's Total Remuneration in 2019

The following table summarizes the remuneration paid or awarded to the members of the Board of Directors for the year ended December 31, 2019.

Directors of FCA	Office held	Year	Fixed Remuneration: Base salary	Fixed Remuneration: Annual Fee	Fixed Remuneration: Fringe benefits	Variable Remuneration: Short-term incentive(1)	Variable Remuneration: Long-term incentive (2)	Variable Remuneration: Retirement Benefits Expense	Total Remuneration	Proportion of Fixed Remuneration	Proportion of Variable Remuneration
			(€)								
Executive Directors											
ELKANN, John Philipp(3)	Chairman	2019	893,276	—	672,284 (5)	—	2,284,386 (8)	— (11)	3,849,946	41%	59%
		2018	1,693,545	—	875,944	—	—	549,000	3,118,489	82%	18%
MANLEY, Michael	CEO	2019	1,429,241	—	30,389 (6)	1,203,243	8,819,249 (9)	1,798,791 (12), (13)	13,280,913	11%	89%
		2018 (4)	600,442	—	89,817	310,766	1,687,075	292,329	2,980,429	23%	77%
PALMER, Richard(14)	CFO	2019	923,916	—	53,351 (7)	501,128	2,309,323 (10)	247,570 (13)	4,035,288	24%	76%
		2018	—	—	—	—	—	—	—	—%	—%
Non-Executive Directors											
ABBOTT, John	Director	2019	—	178,655	—	—	—	—	178,655	100%	—%
		2018	—	84,677	—	—	—	—	84,677	100%	—%
AGNELLI, Andrea	Director	2019	—	178,655	1,502	—	—	—	180,157	100%	—%
		2018	—	169,355	—	—	—	—	169,355	100%	—%
BRANDOLINI D'ADDA, Tiberto	Director	2019	—	178,655	2,313	—	—	—	180,968	100%	—%
		2018	—	169,355	1,074	—	—	—	170,429	100%	—%
EARLE, Glenn	Director	2019	—	196,521	19,128 (15)	—	—	—	215,649	100%	—%
		2018	—	186,290	18,392	—	—	—	204,682	100%	—%
MARS, Valerie	Director	2019	—	192,054	16,475 (15)	—	—	—	208,529	100%	—%
		2018	—	182,056	8,044	—	—	—	190,100	100%	—%
SIMMONS, Ruth J.(16)	Director	2019	—	91,561	8,274 (15)	—	—	—	99,835	100%	—%
		2018	—	173,588	6,917	—	—	—	180,505	100%	—%
THOMPSON, Ronald L.	Director	2019	—	209,920	10,604 (15)	—	—	—	220,524	100%	—%
		2018	—	198,992	6,917	—	—	—	205,909	100%	—%
VOLPI, Michelangelo A.	Director	2019	—	183,122	6,287 (15)	—	—	—	189,409	100%	—%
		2018	—	173,588	—	—	—	—	173,588	100%	—%
WHEATCROFT, Patience	Director	2019	—	192,054	12,230 (15)	—	—	—	204,284	100%	—%
		2018	—	182,056	11,819	—	—	—	193,875	100%	—%
ZEGNA, Ermenegildo	Director	2019	—	192,054	13,572 (15)	—	—	—	205,626	100%	—%
		2018	—	182,056	9,186	—	—	—	191,242	100%	—%
Total 2019			**3,246,433**	**1,793,251**	**846,409**	**1,704,371**	**13,412,958**	**2,046,361**	**23,049,783**		

(1) The amounts represent the bonus earned for the performance year 2019 which will be paid in 2020.
(2) The amounts represent the Company's 2019 expense relating to grants issued to the Executive Directors under the Long Term Equity Incentive Plan.
(3) Effective January 1, 2019 The Chairman's compensation arrangement was changed to include a reduction in base salary and introduction of a long term variable pay component.
(4) Represents remuneration paid or earned for his CEO service from July 21, 2018 through December 31, 2018.
(5) The stated amount includes the use of transport and insurance premiums.
(6) The stated amount includes the use of transport and financial counseling.
(7) The stated amount includes the use of transport, insurance premiums and tax preparation.
(8) Chairman expense relates to the LTI grant he received in 2019 relating to the 2019 - 2021 performance period
(9) CEO expense includes €1,205,281 relating to the LTI grant he received in 2018 for his CEO service during the period July 21, 2018 through December 31, 2018 and €7,613,968 relating to the LTI grant he received in 2019 relating to the 2019 - 2021 performance period. In 2019, the CEO received the 3rd and final tranche of the equity award granted in 2015 for the 2014 - 2018 performance period for his role prior to becoming CEO. The 2019 expense relating to this grant is included in the aggregate compensation expense for executives with strategic responsibilities in Note 24, Related party transactions, within the Consolidated Financial Statements included elsewhere in this report.
(10) CFO expense relates to the LTI grant he received in 2019 relating to the 2019 - 2021 performance period
(11) Effective January 1, 2019 the Chairman waived his post retirement benefit and a recovery of €1.8 million was recognized in connection with the elimination of this benefit.
(12) Includes one-time expense of €0.9 million relating to his Executive Postretirement Health Care Plan.
(13) Both the CEO and CFO have fully vested post retirement pension benefits that were provided to them prior to their appointments to Executive Directors. The expense relating to this benefit is included in aggregate compensation expense for executives with strategic responsibilities in Note 24, Related party transactions, within the Consolidated Financial Statements included elsewhere in this report.
(14) Represents remuneration paid or earned since his appointment to the Board on April 12, 2019 through December 31, 2019.
(15) 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.
(16) Represents remuneration paid or earned from January 1, 2019 through April 12, 2019. Upon departure from the Board, FCA US legacy Board payments in the amount of €735,894 were delivered in 2019.

1. Remuneration of Executive Directors

Summary Overview of Remuneration Elements

Remuneration of the executive directors' is simple and transparent in design, and consists of the following key elements, all of which have been benchmarked and confirmed by an external compensation consultant:

Element	Description	2019 Application
Annual base salary	Market based fixed cash compensation set competitively to approved multinational peer group	Annual base salary as follows: • Chairman: Effective January 1, 2019 changed from U.S. $2.0 million to U.S.$1.0 million upon introduction of a long-term variable pay component in compensation arrangement • CEO: U.S.$1.6 million, no change as competitive pay was set upon appointment in 2018. • CFO: U.S.$1.43 million, carry-over arrangement approved by the Compensation Committee in 2019 upon his appointment to Executive Director
Short-term incentive ("Annual Bonus")	Annual Bonus payout in cash subject to the achievement of annually pre-established, challenging financial objectives and thus demonstrably linked to the performance of the Company	Three equally weighted metrics were selected to align with business priorities (€ millions): • Adjusted EBIT (7,500) • Adjusted net profit (4,700) • Industrial Free Cash Flow (2,000) Chairman: Not eligible for annual bonus payout CEO: Target annual bonus payout: 150 percent of base salary Maximum annual bonus payout: Capped at 300 percent of base salary. CFO: Legacy arrangement approved by the Compensation Committee in 2019 upon appointment to Executive Director Target annual bonus payout: 100 percent of base salary Maximum annual bonus payout: Capped at 150 percent of base salary. Payout incentive zone: Linear between minimum and target and linear between target and maximum
Long-term incentive ("LTI")	Long-term incentive to align Executive Directors to strategic goals and reward for sustained long-term growth Two components • performance share units • restricted (retention) share units Performance component is subject to the achievement of predetermined challenging performance and market objectives comprised of two equally weighted metrics, relative Total Shareholder Return ("TSR") and Adjusted EBIT Maximum payout: 225 percent of the target number of TSR performance share units granted and 100 percent of the target number of Adjusted EBIT performance share units granted	A new LTI Plan design was approved by the shareholders at the 2019 Annual General Meeting. This new design incorporates annual rolling LTI plan grants directly linked to three year performance periods. With this approach, the intent is to deliver a consistent long-term incentive opportunity vesting annually, providing of course that company and individual performance conditions are met. FCA's previous plan covered a five-year performance period with partial vesting after performance years 3 and 4 if cumulative targets were met, with final cliff vesting after year 5. The new annual rolling nature of the new plan design will eliminate the yearly variability of FCA's previous long-term incentive approach. In 2019, grants were awarded for the first of the 2019-2021 three-year performance period (with a transitional vesting schedule). In 2020, grants will follow for the 2020-2022 cumulative performance period (with cliff vesting in 2023). Chairman: Target annual LTI grant: 300 percent of base salary of which 75% is performance share units and 25% is restricted (retention) share units. In 2019, a grant of 558,480 units was awarded for the 2019 - 2021 performance period. CEO: Target annual LTI grant: 625 percent of base salary of which 75% is performance share units and 25% is restricted (retention) share units. In 2019, a grant of 1,861,440 units was awarded for the 2019 - 2021 performance period. CFO: Target annual LTI grant: 210 percent of base salary of which 66.7% is performance share units and 33.3% is restricted (retention) share units. In 2019, a grant of 558,990 units was awarded for the 2019 - 2021 performance period.

Element	Description	2019 Application
Post Retirement Benefits	The CEO participates in a defined contribution plan for U.S. based salaried employees and has a supplemental retirement benefit and a retiree health care benefit. The Chairman and the CFO participate in a retiree health care benefit plan.	Chairman: Effective January 1, 2019 waived post mandate benefit of 5 times base salary; a recovery of €1.8 million was recognized in connection with the elimination of the post mandate benefit. Eligible for a retiree healthcare plan provided to executives in Italy which provides for a reimbursement of a portion of health care costs incurred in retirement. CEO: Consistent with US CEO compensation benchmarks, a supplemental retirement benefit of three times annual base salary is provided. This benefit requires five years of CEO service for 100% vesting and 3 years of service for 50% vesting. Eligible for Executive Postretirement Health Care Plan which provides healthcare coverage in the United States upon retirement. In 2019, a cost of €1.7 million was recognized in connection with these benefits. CFO: Eligible for a retiree healthcare plan provided to executives in Italy which provides for a reimbursement of a portion of health care costs incurred in retirement.
Other benefits	Executive directors may receive usual and customary fringe benefits such as severance, company cars, medical insurance, accident and disability insurance, tax preparation, financial counseling, tuition reimbursement and tax equalization	Chairman severance: 1 times annual base salary CEO severance: 1 times annual base salary linked to non-compete and other restrictive covenants for 1 year. CFO severance: Carry-over, pre Executive Director arrangement of 2 times base salary linked to non-compete and other restrictive covenants for 2 years. CEO and CFO change of control provision: severance and accelerated vesting of outstanding awards under the Equity Incentive Plan in case of termination following change of control within 24 months by the company (unless for cause) or by the Executive Director for good reason. For 2019, no severance benefits were paid or due to Executive Directors.

Compensation Peer Group

The Company periodically benchmarks its executive compensation programs and the compensation offered to Directors against peer companies and monitors compensation levels and trends in the market.

The Compensation Committee strives to identify a peer group that best reflects all aspects of the Company’s business and considers public listing, industry practices, geographic reach, and revenue proximity, with market capitalization considered as secondary characteristic. Our peer group represents a blend of both U.S. and European Companies in recognition of the relevant talent market for our executives. In addition to including U.S. and European automobile manufacturers, our peer group includes U.S. and European companies that have significant manufacturing and/or engineering operations and a global market presence.

For 2019, the Compensation Committee confirmed that the composition of our 26 company peer group listed below continues to be appropriate for evaluating pay level (and pay practices) for our Executive Directors versus external benchmarks. For 2020, the Committee has updated this peer group to remove Johnson Controls and add ABB.

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	

Short-Term Incentive

For 2019, the Compensation Committee pre-established the annual financial performance goals for the Short Term Incentive based on the Company's 2019 financial plan approved by the Board of Directors in 2018. In addition, the Compensation Committee considered input from the external compensation consultant to ensure the goals are linked to long-term shareholder value creation. The 2019 bonus plan goals were set with challenging hurdles, directly in line with the Group's business plan, and as set forth below.

2019 Performance Metrics[(1)]	**Weight**	**Minimum** (€ millions)	**Target (**€ millions)	**Maximum** (€ millions)
Adjusted EBIT	1/3	6,750	7,500	11,250
Adjusted net profit	1/3	4,230	4,700	7,050
Industrial Free Cash Flows	1/3	1,800	2,000	3,000

(1) Refer to FINANCIAL OVERVIEW - Non-GAAP Financial Measures for additional detail and definitions of these performance metrics.

The target incentive for the annual bonus program for 2019 is 150% of base salary for the CEO and 100% of base salary for the CFO. To earn any incentive, the performance achieved must be at least 90% of the specific target established. For the CEO, to earn the maximum payout of 300% of base salary, actual results must be delivered at 150% of the target performance, or greater, for all the performance metrics. The CFO maximum payout is capped at 150% of base salary. The payout incentive zone is linear between minimum and target and as well as between target and maximum.

Executive Director's 2019 Bonus Company Performance Factor Calculations:

Executive Directors	Target Payout	Corporate Measures	Weight	Minimum (€ millions)	Target (€ millions)	Maximum (€ millions)	Achievement (€ millions)	Actual vs Target	Company Performance Factor[(1)]	Weighted Company Performance Factor
MANLEY, Michael	150% of base salary	Adjusted EBIT	1/3	6,750	7,500	11,250	6,668	88.9%	0.0%	0.0%
		Adjusted Net profit	1/3	4,230	4,700	7,050	4,297	91.4%	57.1%	19.0%
		Industrial Free Cash Flows	1/3	1,800	2,000	3,000	2,113	105.7%	111.3%	37.1%
		Total Annual Bonus (U.S.$ thousands)		$ 1,200	$ 2,400	$ 4,800	**Weighted Company Performance Factor**			**56.1%**
PALMER, Richard	100% of base salary	Adjusted EBIT	1/3	6,750	7,500	11,250	6,668	88.9%	0.0%	0.0%
		Adjusted Net profit	1/3	4,230	4,700	7,050	4,297	91.4%	57.1%	19.0%
		Industrial Free Cash Flows	1/3	1,800	2,000	3,000	2,113	105.7%	105.7%	35.2%
		Total Annual Bonus (U.S.$ thousands)		$ 715	$ 1,430	$ 2,145	**Weighted Company Performance Factor**			**54.2%**

(1) As described above, the Company Performance Factor for the CEO is higher than the CFO as at maximum performance the CEO would receive two times his targeted bonus whereas the CFO would receive one and a half times his targeted bonus.

The Compensation Committee reviews the achievement of the above metrics against the pre-established targets and presents the results to the non-executive Directors, typically in the first quarter of each year with the completion of the year-end earnings release. In 2019, Industrial Free Cash Flow was slightly over achieved, and the 90% minimum threshold for Adjusted Net Profit performance was achieved at 91.4%, however Adjusted EBIT performance fell below the 90% minimum threshold and, therefore, paid nothing.

CEO 2019 Short-term Incentive Calculation

The bonus earned by the CEO for performance year 2019, payable in 2020, was U.S. $ 1,347,000 based on the corresponding weighted company performance factor of 56.1%.

Base Salary		**Bonus Target %**		**Weighted Company Performance Factor**		**Bonus Earned**
$ 1,600,000	X	150%	X	56.1%	=	$ 1,347,000

CFO 2019 Short-term Incentive Calculation

The bonus earned by the CFO for performance year 2019, prorated for his appointment to Executive Director from April 12, 2019 through to December 31, 2019 was U.S. $ 561,000 payable in 2020, based on the corresponding weighted company performance factor of 54.2%.

Base Salary		Bonus Target %		Weighted Company Performance Factor		Prorated percentage[1]		Bonus Earned
$ 1,430,000	X	100%	X	54.2%	X	72.3%	=	$ 561,000

(1) Prorated percentage relates to the period from his appointment to Executive Director, April 12, 2019, through to December 31, 2019

2020 Bonus Plan Goals

The 2020 Bonus Plan goals as approved by the Compensation Committee, are set forth below:

2020 Performance Metrics[1]	Weight	**Minimum** (€ millions)	**Target (**€ millions)	**Maximum** (€ millions)
Adjusted EBIT	1/3	6,300	7,000	10,500
Adjusted net profit	1/3	4,050	4,500	6,750
Industrial Free Cash Flows	1/3	1,800	2,000	3,000

(1) Refer to FINANCIAL OVERVIEW - Non-GAAP Financial Measures for additional detail and definitions of these performance metrics.

Realized Long-Term Incentives

In 2019, the CEO received the pro-rated CEO service units as granted in 2018 and approved by shareholders at the April 12, 2019 AGM under the 2014 - 2018 LTI plan. This grant was made only to recognize the additional duties and corresponding new total compensation package associated with his serving as the Group CEO (as opposed to the Head of Jeep) for the period July 21, 2018 through December 31, 2018. This grant also included a higher ratio of at-risk Performance Share Units, as is typical for LTI plans awarded to the Chief Executive.

For the avoidance of doubt, these awards were fully based on the pre-established goals set for the 2014-2018 LTI Plan and were pro-rated and granted only to align to the associated time period of his appointment as CEO with the mandate to deliver the final months' performance of the five year business plan. The units granted to the previous CEO for this five month time period (which directly corresponded to his LTI percentage of his total compensation package) were forfeited.

As disclosed in the 2018 Remuneration Report, Total Shareholder Return (“TSR”) performance share units were earned at 150% of target by ranking number one amongst the TSR peer group for the cumulative performance period. Adjusted Net profit performance shares were earned at 100% of target as cumulative Adjusted Net profit significantly exceeded the cumulative target. Accordingly, 214,182 shares were delivered to the CEO. This outcome, and delivery of shares in 2019, reflects the successful completion of the Company's 2014 - 2018 Business Plan and the Company's delivery of significant value to its shareholders.

New Long-Term Equity Incentive Plan Grant

A new LTI Plan design was approved by shareholders at the April 12, 2019 Annual General Meeting. This new design incorporates annual rolling LTI plan grants directly linked to three-year performance period. With this approach, the intent is to deliver a consistent long-term incentive opportunity vesting annually, providing of course that performance conditions are met. FCA's previous plan covered a five year performance period with partial vesting after performance year 3 and year 4 if cumulative targets were met, with final cliff vesting after year 5. The annual, rolling nature of the new plan design will eliminate the yearly vesting variability of FCA's previous long-term incentive approach. In 2019, grants were awarded for the first three-year performance period 2019 - 2021 (with a transitional vesting schedule). In 2020, grants will follow for the 2020-2022 cumulative performance period (with cliff vesting in 2023).

Annual awards granted under the new LTI will be comprised of a spilt of performance share units and restricted (retention) share units. The performance based awards vesting under the new LTI plan are conditional on meeting two independent, equally weighted cumulative three year metrics, Adjusted EBIT and Relative TSR. Each metric has minimum and target performance levels; performance below the minimum results in no awards being earned. The 2019 -2021 Cumulative Performance Targets are set forth below,

2019 - 2021 Performance Metrics	Weight	2019 - 2021 Cumulative Performance Targets
Adjusted EBIT (€ billions)	50%	28.2
Relative TSR	50%	Rank 5th out of 16 competitors

As shown in the tables below, the Adjusted EBIT component payout begins at 80% of target achievement and has a maximum payout at 100% for target achievement. The Relative TSR component earns partial vesting if the Company is ranked seventh or better among an industry specific peer group of sixteen, including the Company, and a maximum payout of 225%, if the Company is ranked first among the sixteen companies. The plan allows no payout if the Company is ranked below the median of the designated peer group over the performance period.

Listed below are the Adjusted EBIT and TSR payout scales:

Adjusted EBIT Payout Scale

% Achieved	Payout % of Target
100.0%	**100.0%**
95.0%	87.5%
90.0%	75.0%
85.0%	62.5%
80.0%	50.0%

TSR Payout Scale

FCA Rank	Payout % of Target
1	225.0%
2	180.0%
3	145.0%
4	120.0%
5	**100.0%**
6	75.0%
7	50.0%
8-16	0.0%

Listed below is the Relative TSR peer group:

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	Nissan Motor Co.	KIA Motors
Suzuki Motor Corporation	Mazda Motor Corporation	Tesla Inc.	

Under this new Long-Term Equity Incentive Plan approved by shareholders, the first three-year rolling plan (2019-2021) includes a transitional partial vesting schedule so that participants of the previous five year 2014 - 2018 LTI Plan do not again deliver results for three (or five) years without earning an annual incentive payout opportunity. New hires eligible for a long-term incentive will not receive any such transitional vesting opportunity. Providing a partial incentive vesting 'bridge' to previous plan participants (who waited five years for full LTI plan vesting with FCA's prior plan) was deemed critical to ensuring key talent is retained. The tables below illustrate the previous five year 2014 - 2018 LTI approach, the new annual rolling LTI grant approach and the associated three-year cliff vesting as well as the one-time transitional partial vesting for plan participants switching between the two LTI plan designs. (Note that full payout of this transitional vesting opportunity does not occur until after performance year 2021 is complete).

2014- 2018 Vesting Schedule

	2014	2015	2016	2017	2018	2019
	Performance Period					
2014 - 2018 Plan		**Grant** PSU's and RSU's		1/3 vests	1/3 vests	1/3 vests

New Annual Rolling Approach Vesting Schedule

	Year 1	Year 2	Year 3	Year 4	Year 5
	Performance Period				
Three Year Plan #1	**Grant** PSU's and RSU's			Cliff Vests	
		Performance Period			
Three Year Plan #2		**Grant** PSU's and RSU's			Cliff Vests

2019 - 2021 Transitional Partial Vesting Schedule

	2019	2020	2021	2022
	Performance Period			
2019 - 2021 Plan	**2019 Grant** PSU's and RSU's	1/3 vests	1/3 vests	1/3 vests

As noted in the Summary Overview of Remuneration Elements, the Executive Directors received a grant in 2019 under the new LTI plan. The actual payout that the Executive Directors may realize on the performance share units depends on the achievement of critical financial and relative stock performance targets established by the Compensation Committee for the 2019-2021 performance period. The maximum opportunity of these new equity awards is 820,269 units for the Chairman, 2,733,990 units for the CEO, and 791,904 units for the CFO.

The Compensation Committee reviews the results and achievement of metrics and presents the results to the non-Executive Directors typically in the first quarter of each year with the completion of the year-end earnings release. In 2019, the 88.9% of the Adjusted EBIT target was achieved resulting in a payout of 72.27% of the target Adjusted EBIT performance share units. In addition, the Company ranked 6th among the 16 Relative TSR peer group resulting in a payout of 75% of the target Relative TSR performance share units.

Adjusted EBIT Payout Scale

% Achieved	Payout % of Target
100.0%	**100.0%**
95.0%	87.5%
90.0%	75.0%
85.0%	62.5%
80.0%	50.0%

TSR Payout Scale

FCA Rank	Payout % of Target
1	225.0%
2	180.0%
3	145.0%
4	120.0%
5	**100.0%**
6	75.0%
7	50.0%
8-16	0.0%

Subject to the achievement or satisfaction of the terms and conditions of the award agreements, the number of units to be delivered in 2020 to the Executive Directors based on this 2019 achievement is 165,435 to the Chairman, 551,409 to the CEO and 170,122 to the CFO.

Share Plans Granted to Directors

The following table provides an overview of the share plans held by the Executive Directors for the year ended December 31, 2019:

Name of Director, Position	Specification of Plan	Performance Period	Grant Date[1]	Vesting Date	Opening Balance	Shares Granted	Market Value on Grant Date	Shares Awarded Due to Performance	Shares Vested[3]	Shares Subject to a Performance Condition	Shares Awarded and Unvested	Share-Based Compensation Expense[2]
ELKANN, John Philipp, Chairman	2019 LTI RSU	2019 - 2021	May 15, 2019	May 1, 2020 May 1, 2021 May 1, 2022	—	139,620	€ 1,844,006	—	—	—	139,620	€ 622,462
	2019 LTI PSU	2019 - 2021	May 15, 2019	May 1, 2020 May 1, 2021 May 1, 2022	—	418,860	€ 5,532,017	—	—	418,860	418,860	€ 1,661,924
MANLEY, Michael, CEO	2014 - 2018 LTI RSU	2014-2018	September 27, 2018	May 8, 2019	45,091	—	€ 821,493	—	45,091	—	—	€ 156,978
	2014 - 2018 LTI PSU	2014-2018	September 27, 2018	May 8, 2019	135,273	—	€ 2,464,497	33,818	169,091	135,273	—	€ 1,048,303
	2019 LTI RSU	2019 - 2021	May 15, 2019	May 1, 2020 May 1, 2021 May 1, 2022	—	465,360	€ 6,146,158	—	—	—	465,360	€ 2,074,696
	2019 LTI PSU	2019 - 2021	May 15, 2019	May 1, 2020 May 1, 2021 May 1, 2022	—	1,396,080	€ 18,438,473	—	—	1,396,080	1,396,080	€ 5,539,272
PALMER, Richard, CFO	2019 LTI RSU	2019 - 2021	May 15, 2019	May 1, 2020 May 1, 2021 May 1, 2022	—	186,330	€ 2,460,920	—	—	—	186,330	€ 830,708
	2019 LTI PSU	2019 - 2021	May 15, 2019	May 1, 2020 May 1, 2021 May 1, 2022	—	372,660	€ 4,921,839	—	—	372,660	372,660	€ 1,478,615

(1) In 2019, the Board approved holding requirements for Executive Directors effective for grants issued after January 1, 2020. The grants issued in 2018 and 2019 are not subject to these holding requirements.
(2) In 2019, the CEO received the 3rd and final tranche of the equity award granted in 2015 for the 2014 - 2018 performance period for his role prior to becoming CEO. The 2019 expense relating to this grant is included in the aggregate compensation expense for executives with strategic responsibilities in Note 24, Related party transactions, within the Consolidated Financial Statements included elsewhere in this report.
(3) The fair market value of the shares that vested on May 8, 2019 was €2,931,078.

In December 2019, the Compensation Committee, in accordance with the terms of the LTI plan, approved a conversion factor of 1.107723 that was applied to outstanding awards under the Long Term Incentive Plan to make equity award holders whole for the resulting diminution in the value of an FCA common share as a result of the payment of an extraordinary cash distribution to holders of FCA common shares on May 30, 2019. The number of shares granted has been adjusted as follows:

Name of Director, Position	Specification of Plan	Performance Period	Grant Date	Shares Granted	Conversion Factor	Dilution Adjustment	Number of Adjusted Shares
ELKANN, John Philipp, Chairman	2019 LTI RSU	2019 - 2021	May 15, 2019	139,620	1.107723	15,040	154,660
	2019 LTI PSU	2019 - 2021	May 15, 2019	418,860	1.107723	45,121	463,981
MANLEY, Michael, CEO	2019 LTI RSU	2019 - 2021	May 15, 2019	465,360	1.107723	50,130	515,490
	2019 LTI PSU	2019 - 2021	May 15, 2019	1,396,080	1.107723	150,390	1,546,470
PALMER, Richard, CFO	2019 LTI RSU	2019 - 2021	May 15, 2019	186,330	1.107723	20,072	206,402
	2019 LTI PSU	2019 - 2021	May 15, 2019	372,660	1.107723	40,144	412,804

Stock Ownership

Our Board recognizes the critical role that executive stock ownership and retention has in aligning the interests of management with those of shareholders. In 2019, the Board approved stock ownership and retention guidelines for Executive Directors.

The Chairman and CEO are subject to stock ownership guidelines which require owning shares with an aggregate value of not less than six (6) times base salary. The CFO is subject to stock ownership guidelines which requires owning shares with an aggregate value of not less than three (3) times base salary. Executive Directors are required to meet their required level of ownership prior to February 21, 2024 (five years from the date of Board approval) and, once achieved, maintain their required level until the Executive Director ceases to be subject to these ownership guidelines or becomes subject to a lower ownership level.

The Chairman and CEO are required to retain one hundred percent (100%) of net, after-tax shares of Common stock issued upon vesting and settlement of any equity awards granted until the fifth (5th) anniversary of the grant date of such award. The CFO, in accordance with his carry-over pre-Executive Director arrangement is required to retain fifty percent (50%) of any net, after- tax shares of Common stock issued upon vesting and settlement of any equity awards granted until the ownership guidelines are met. These retention requirements apply to Common stock issued upon vesting and settlement of any equity awards granted after January 1, 2020.

Remuneration to Former Executive Directors

Pursuant to our former CEO's employment agreement and as described in the 2018 Remuneration Report, the remaining pro-rated long-term incentive award was delivered in 2019. As a result of overachievement of performance objectives for the 2014 - 2018 performance period a total of 1,951,457 units were delivered. This represented the maximum amount of 125% of the pro-rated award. Other payments will be made consistent with obligations set forth in Mr. Marchionne's employment agreement, including his post mandate benefit of 5 x base compensation.

2. 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. 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 entitled to certain automobile perquisites, which are subject to taxes for the imputed income on the purchase or lease of Company vehicles.

3. Recoupment of Incentive Compensation (Claw back Policy)

The Company is dedicated to maintaining and enhancing a culture focused on integrity and accountability. Employment agreements with members of management, including its executive officers, and also the Equity Incentive Plan ("EIP"), allow the Company to recover, or clawback, incentive compensation, including the ability to retroactively adjust 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, 2017, 2018 and 2019 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 ("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. In the financial year 2019, no situation occurred which variable remuneration has been, or had to be, reclaimed.

4. 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 by specified individuals to defined window periods which follow the Company's quarterly earnings releases.

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).

5. Compliance with the Remuneration Policy

The remuneration paid to executive and non-executive directors for 2019 was done in line with the applicable remuneration policy. We refer to the paragraphs on *Summary Overview of Remuneration Elements*, *Short Term Incentive Calculations 2019* and *Long Term Incentive Calculations* 2019 above, for an elaboration on how the remunerations in the Remuneration Report contribute to the long-term performance of the Company.

6. Terms of engagement

The Executive Directors are employed by the Company on the basis of an employment agreement for an indefinite period of time and are employed at will, meaning either party can terminate the employment relationship at any time. They are appointed in their Corporate role for a period of approximately one year (i.e. until the general meeting in the calendar year following the year of appointment).

7. Derogations and deviations from the Remuneration Policy

For 2019, no derogations or deviations were made to the applicable remuneration policy.

8. Internal Pay Ratios and Comparative Information

Internal Pay Ratios

The Compensation Committee considers internal pay ratios within the Company when setting the Executive Directors' compensation. In line with the newly released guidance provided under the Dutch Corporate Governance Code and the Dutch Civil Code, the CEO pay ratio and five year average employee compensation are to be disclosed in the annual Remuneration Report. Last year, FCA voluntarily reported our CEO pay ratio as our US peers began disclosing in 2018 per SEC guidelines. In accordance with SEC guidelines, the median compensated employee's total direct compensation was used last year to compare to the CEO's targeted total direct compensation. This year, the basis of the CEO pay ratio uses recently disclosed Dutch methodology of average employee compensation, including all labor costs.

To meet the new five year trend of average employee compensation requirement, total personnel costs reported in the annual report (refer to Note 8, *Other information by nature* within the Consolidated financial statements included elsewhere in this report) less any Executive Director compensation divided by the average headcount reported in the annual report (refer to Note 8, *Other information by nature* within the Consolidated financial statements included elsewhere in this report) less any Executive Directors who are included in the total average headcount was utilized and is illustrated below:

Employees excluding Executive Directors	**2019**	**2018**	**2017**	**2016[(1)]**	**2015[(1)]**	**5 year average**
Personnel Costs (€ billions)	11.4	11.7	11.7	13.2	13.4	12.3
Average number of employees	198,770	203,120	197,038	235,480	236,558	214,193
Average employee compensation (€)	**57,353**	**57,601**	**59,379**	**56,056**	**56,646**	**57,407**

(1) These amounts reflect the Personnel Cost and Average number of employees as per the 2016 annual report on Form 20-F as filed with the SEC, and have not been restated to exclude the results of Magneti Marelli following the classification of Magneti Marelli as a discontinued operation.

A five-year trend of the CEO's pay ratio as required is shown below:

	2019[(1)]	**2018[(2)]**	**2017[(3)]**	**2016[(3)]**	**2015[(3)]**	**5 year average**
CEO Compensation (€)						
Current CEO	13,280,913	2,980,429	—	—	—	
Former CEO	—	10,966,555	15,209,696	13,066,520	13,929,560	
	13,280,913	13,946,984	15,209,696	13,066,520	13,929,560	13,886,735
Average employee compensation (€)	57,353	57,601	59,379	56,056	56,646	57,407
CEO Pay Ratio	**232**	**242**	**256**	**233**	**246**	**242**

(1) Total reported in 2019 Director's total remuneration in 2019 for the CEO
(2) Total reported in 2018 Directors Compensation table for former and current CEO
(3) Total reported in 2017, 2016 and 2015 annual report in the Director's Compensation table plus pension and retirement savings costs for former CEO.

Comparative Table over Remuneration and Company Performance

In line with the new guidance provided under the Dutch Corporate Governance Code and the Dutch Civil Code, the performance of the company, the annual change of remuneration of each director, and of the average employee remuneration other than directors from 2015 to 2019 financial years is disclosed in the following table.

There was no change in the Chairman's remuneration from 2015 through 2018 as the Chairman's compensation arrangement consisted of a base salary and did not include variable compensation. As previously noted, the Chairman's compensation arrangement changed in 2019 to include a reduction in annual fee and the introduction of a long term incentive component representing 75% of his total targeted remuneration. The change in CEO remuneration in 2018 versus 2019 is largely a result of 2019 representing his first full year of remuneration given his appointment to CEO in July 21, 2018. As previously noted, Directors remuneration consists of an annual fee and does not include variable compensation. Year over year changes are a result of coming or leaving the Board or a Committee.

Company Performance	**2019**	**2019 vs. 2018**	**2018 vs. 2017**	**2017 vs. 2016**	**2016 vs. 2015**
			Annual Change Higher/(Lower)		
Net revenues (€ million)	108,187	(2,225)	4,682	(68)	(61)
Net profit/(loss) from continuing operations (€ million)	2,700	(630)	39	1,578	1,728
Diluted earnings/(loss) per share from continuing operations (€)	1.71	(0.41)	0.01	0.99	1.13

Directors Remuneration(1), (2)	**Position**	**2019**	**2019 vs. 2018**	**2018 vs. 2017**	**2017 vs. 2016**	**2016 vs. 2015**
				Annual Change (€) Higher/(Lower)		
ELKANN, John Philipp(3)	Chairman	3,177,662	1,391,110	—	—	—
MANLEY, Michael(4)	CEO	11,446,462	8,710,757	—	—	—
PALMER, Richard	CFO	3,734,367	—	—	—	—
ABBOTT, John(5)	Director	178,655	89,328	89,328	—	—
AGNELLI, Andrea	Director	178,655	—	—	—	—
BRANDOLINI D'ADDA, Tiberto	Director	178,655	—	—	—	—
EARLE, Glenn	Director	196,521	—	—	—	—
MARS, Valerie	Director	192,054	—	—	—	—
SIMMONS, Ruth J.(5)	Director	91,561	(91,561)	—	—	—
THOMPSON, Ronald L.	Director	209,920	—	—	—	—
VOLPI, Michelangelo A.(5)	Director	183,122	—	91,561	91,561	—
WHEATCROFT, Patience	Director	192,054	—	—	—	—
ZEGNA, Ermenegildo(5)	Director	192,054	—	4,464	4,464	—

Average employee remuneration	**2019**	**2019 vs. 2018**	**2018 vs. 2017**	**2017 vs. 2016**	**2016 vs. 2015**
			Annual Change (€) Higher/(Lower)		
Average employee remuneration	57,353	(248)	(1,778)	3,323	(590)

(1) Amounts included in 2019 and the year over year annual change are base salary, annual fee, short-term incentive and long-term incentive only. Amounts relating to fringe benefits and post retirement benefits expense have been excluded.
(2) Board of Directors base salary, annual fee, short-term incentive and long-term incentive are paid in U.S. dollars and presented in the annual Remuneration Report in Euros. For purposes of determining annual change, amounts reported in prior years have been restated to reflect a constant average exchange rate throughout the period reported. The rate used for translation was the average Euro to U.S. dollars for the year ended December 31, 2019 of €1.119.
(3) From 2015 - 2018, Chairman received an annual fee of $2,000,000 and no variable compensation. The change in 2018 vs 2019 is due a change in the Chairman's compensation arrangement to include a reduction in fixed annual fee and introduction of a long-term variable pay component representing 75% of total targeted compensation.
(4) 2019 vs 2018 change is a result of 2018 remuneration relates to his CEO service from July 21, 2018 through December 31, 2018.
(5) Year over year change a result of coming on or leaving the Board or a Committee.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision, and with the participation, of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2019 pursuant to Exchange Act Rule 13a-15(b). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with IFRS.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with IFRS.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, using the criteria set forth in the "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of December 31, 2019, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. That report is included herein.

Changes in Internal Control

No change to our internal control over financial reporting occurred during the year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Fiat Chrysler Automobiles N.V.

Opinion on Internal Control over Financial Reporting

We have audited Fiat Chrysler Automobiles N.V.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Fiat Chrysler Automobiles N.V. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of Fiat Chrysler Automobiles N.V. as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2019, and the related notes, and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ EY S.p.A.

Turin, Italy
February 25, 2020

FINANCIAL STATEMENTS

FCA CONSOLIDATED FINANCIAL STATEMENTS

FIAT CHRYSLER AUTOMOBILES N.V. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Fiat Chrysler Automobiles N.V.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Fiat Chrysler Automobiles N.V. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, as well as International Financial Reporting Standards as adopted by the European Union.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The Critical Audit Matters communicated below are matters arising from the current period audit of financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of Critical Audit Matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the Critical Audit Matters below, providing separate opinions on the Critical Audit Matters or on the accounts or disclosures to which they relate.

Valuation of goodwill and other non-current assets with indefinite useful lives, with particular reference to APAC and LATAM goodwill

Description of the Matter

At December 31, 2019, the recorded amount of goodwill and other non-current assets with indefinite useful lives was €11,065 million and €3,192 million, respectively. These amounts have primarily been allocated to the Company's four cash generating units ('CGU') that align with the car mass market operating segments (North America, APAC, LATAM and EMEA) as set out in notes 2 and 9 of the consolidated financial statements. The amount of goodwill allocated to APAC and LATAM was €1,174 million and €563 million, respectively.

Auditing management's annual goodwill impairment test was complex and highly judgmental due to the significant estimation required to determine the Value-In-Use ('VIU') of the CGUs. In particular, the determination of the VIU was sensitive to significant assumptions, such as changes in the discount rate, revenue growth rate, operating margin and terminal value, which are affected by expectations about future market or economic conditions, particularly those in APAC and LATAM.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill and other non-current assets with indefinite useful lives impairment assessment process, including controls over management's review of the significant assumptions described above.

To test the determination of the VIU of the Company's CGUs, we performed audit procedures that included, among others, evaluating the CGUs identified in the current year and testing the allocation of assets and liabilities to the carrying value of each CGU. We assessed the impairment methodology applied by the Company and obtained an understanding of the analysis performed by management for the purposes of the impairment assessment. We assessed the cash flow forecasts for each CGU as compared to the Group's business plan for the period 2018-2022, including comparisons to industry forecasts and sector data, and evaluated the historical accuracy of the Company's forecasts by comparison to actual results. We assessed the operational margins, discount rates and long-term growth rates applied within the model, with the support of valuation specialists, by performing independent calculations and sensitivity analyses for each CGU, as well as the adequacy of the disclosures made by the Company in this area, in particular those related to reasonably possible changes in key assumptions that could lead to an impairment of goodwill.

Income taxes - recoverability of the Italian deferred tax assets

Description of the Matter

At December 31, 2019, the Company had deferred tax assets on deductible temporary differences of €5,711 million which were recognized and €1,113 million which were not recognized. At the same date the Company also had deferred tax assets in respect of tax losses carried forward of €918 million which were recognized and €3,943 million which were not recognized. The recognized and unrecognized amounts related to Italy were €705 million and €2,558 million, respectively. The disclosures in relation to income taxes are included in note 7 of the consolidated financial statements.

Auditing the Company's recognition and recoverability of the deferred tax assets in Italy was complex because it involves material amounts, judgments and estimates in relation to future taxable profits and hence the capacity to utilize available tax assets in this tax jurisdiction.

How We Addressed the Matter in Our Audit

The procedures performed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's income taxes process, including controls over management's review of the significant assumptions described above.

We evaluated the forecast periods selected in determining the likelihood of the Group generating sufficient future taxable profits to support the recognition of the Italian deferred tax assets, including the Company's assumptions and sensitivity analysis in relation to the likelihood of generating sufficient future taxable income, taking into account local tax regulations. We evaluated the historical accuracy of management's forecasting of taxable profits for the Italian tax jurisdiction by comparison to actual results, the accuracy of the forecast models and consistency of the projections with the forecasts used for the purposes of the goodwill and other non-current assets with indefinite and definite useful lives impairment analysis by the Company and results from other areas of our audit. We involved tax professionals to assist in evaluating the key assumptions and methodologies developed by management in this area. We assessed the adequacy of the disclosures made by the Company in respect of recoverability of deferred taxes.

Provision for North America product warranty and recall campaigns

Description of the Matter	At December 31, 2019, the provisions for product warranty and recall campaigns amounted to €6,306 million with the most significant amounts related to the North America segment. The Company establishes provisions for product warranty obligations, including the estimated cost of service and recall actions in the North America region, at the time the vehicle is sold. The estimated future costs of these actions, which are recorded in cost of sales in the consolidated income statement, 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. The disclosures on warranty provisions are included in notes 2 and 20 to the consolidated financial statements. Auditing management's provision for product warranty and recall campaign was complex due to numerous uncertainties, especially related to the North America 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. 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.
How We Addressed the Matter in Our Audit	The procedures designed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's warranty process. We involved actuarial specialists to assist us to evaluate and test the Company's methodology, the assumptions developed by management in determining the warranty provisions, and to perform sensitivity analyses and calculate an independent range of reasonably probable outcomes for the North America product warranty and recall campaigns provision, including evaluating current year development against expectations. We performed other audit procedures to evaluate the data applied in the model including, among others, (i) vouching of the warranty payments made in the year and (ii) obtaining external third-party confirmations in respect of the completeness and accuracy of current year claims. We assessed the adequacy of the disclosures made by the Company in this area.

Recoverability of non-current assets with definite useful lives with reference to EMEA

Description of the Matter	At December 31, 2019, the non-current assets with definite useful lives amounted to €41,055 million. Non-current assets with definite useful lives include property, plant and equipment (€28,608 million) and intangible assets (€12,447 million). Intangible assets with definite useful lives mainly consist of capitalized development expenditures. The Company 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 Company's current business plan, of the CGUs to which the assets relate. The disclosures on non-current assets with definite useful lives are included in notes 2, 10 and 11 of the consolidated financial statements. Auditing management's assessment of the recoverability of non-current assets with definite useful lives with reference to EMEA was complex and highly judgmental due to the size and the uncertainty and potential volatility of the forecast volumes, contribution margin and other factors, such as new laws and regulations, used in estimating future cash flows of the CGUs to which the assets relate. Any change in these assumptions used could materially affect the recoverability of EMEA non-current assets with definite useful lives.
How We Addressed the Matter in Our Audit	The procedures designed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's non-current assets with definite useful lives impairment assessment process, including controls over management's review of the significant assumptions described above. To test the determination of the recoverable amount of the CGUs, we involved valuation specialists to assist in evaluating the methodology used by the Company, including the impairment test model developed and the discount rates (Weighted Average Cost of Capital) applied, by performing independent calculations and sensitivity analyses for each CGUs. We evaluated the key assumptions applied in determining the recoverable amount and evaluated the CGUs identified, tested the allocation of assets to the carrying value of each CGU and assessed the cash flow forecasts for each CGU, including comparisons to industry forecasts and sector data. We tested the reconciliation of these cash flow forecasts for each CGU to the EMEA regional business plan used in the impairment analysis of goodwill and other non-current assets with indefinite useful lives. We evaluated the historical accuracy of the Company's forecasts by comparison to actual results and assessed the adequacy of the disclosures made by the Company in this area.

/s/ EY S.p.A.

We have served as the Company's auditor since 2012.
Turin, Italy
February 25, 2020

FIAT CHRYSLER AUTOMOBILES N.V. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(in € million, except per share amounts)

	Note	Years ended December 31,		
		2019	**2018**	**2017**
Net revenues	4	€ 108,187	€ 110,412	€ 105,730
Cost of revenues		93,164	95,011	89,710
Selling, general and other costs		6,455	7,318	7,177
Research and development costs	5	3,612	3,051	2,903
Result from investments:		209	235	399
Share of the profit of equity method investees	12	208	240	400
Other income from investments		1	(5)	(1)
Reversal of a Brazilian indirect tax liability	22	—	—	895
Gains on disposal of investments		15	—	76
Restructuring costs		154	103	86
Net financial expenses	6	1,005	1,056	1,345
Profit before taxes		**4,021**	**4,108**	**5,879**
Tax expense	7	1,321	778	2,588
Net profit from continuing operations		**2,700**	**3,330**	**3,291**
Profit from discontinued operations, net of tax	3	3,930	302	219
Net profit		**€ 6,630**	**€ 3,632**	**€ 3,510**
Net profit attributable to:				
Owners of the parent		€ 6,622	€ 3,608	€ 3,491
Non-controlling interests		8	24	19
		€ 6,630	€ 3,632	€ 3,510
Net profit from continuing operations attributable to:				
Owners of the parent		€ 2,694	€ 3,323	€ 3,281
Non-controlling interests		6	7	10
		€ 2,700	€ 3,330	€ 3,291
Earnings per share:	27			
Basic earnings per share		€ 4.23	€ 2.33	€ 2.27
Diluted earnings per share		€ 4.22	€ 2.30	€ 2.24
Earnings per share for Net profit from continuing operations:	27			
Basic earnings per share		€ 1.72	€ 2.15	€ 2.14
Diluted earnings per share		€ 1.71	€ 2.12	€ 2.11

The accompanying notes are an integral part of the Consolidated Financial Statements.

FIAT CHRYSLER AUTOMOBILES N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in € million)

	Note	Years ended December 31, 2019	2018	2017
Net profit (A)		**€ 6,630**	**€ 3,632**	**€ 3,510**
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:	26			
(Losses)/gains on remeasurement of defined benefit plans		(63)	317	(72)
Share of (losses)/gains on remeasurement of defined benefit plans for equity method investees		(5)	—	2
Gains/(losses) on equity instruments measured at fair value through other comprehensive income		6	(4)	14
Related tax impact		7	(76)	(18)
Items relating to discontinued operations, net of tax		(9)	2	5
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods (B1)		**(64)**	**239**	**(69)**
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:	26			
(Losses)/gains on cash flow hedging instruments		(191)	(9)	129
Exchange gains/(losses) on translating foreign operations		268	126	(1,982)
Share of Other comprehensive (loss) for equity method investees		(15)	(103)	(121)
Related tax impact		50	(6)	(12)
Items relating to discontinued operations, net of tax		9	(91)	60
Total items that may be reclassified to the Consolidated Income Statement in subsequent periods (B2)		**121**	**(83)**	**(1,926)**
Total Other comprehensive income/(loss), net of tax (B1)+(B2)=(B)		**57**	**156**	**(1,995)**
Total Comprehensive income (A)+(B)		**€ 6,687**	**€ 3,788**	**€ 1,515**
Total Comprehensive income attributable to:				
Owners of the parent		€ 6,676	€ 3,763	€ 1,491
Non-controlling interests		11	25	24
		€ 6,687	**€ 3,788**	**€ 1,515**
Total Comprehensive income attributable to owners of the parent:				
Continuing operations		€ 2,749	€ 3,558	€ 1,212
Discontinued operations		3,927	205	279
		€ 6,676	**€ 3,763**	**€ 1,491**

The accompanying notes are an integral part of the Consolidated Financial Statements.

FIAT CHRYSLER AUTOMOBILES N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in € million)

		At December 31,	
	Note	**2019**	**2018**
Assets			
Goodwill and intangible assets with indefinite useful lives	9	€ 14,257	€ 13,970
Other intangible assets	10	12,447	11,749
Property, plant and equipment	11	28,608	26,307
Investments accounted for using the equity method	12	2,009	2,002
Other financial assets	13	340	362
Deferred tax assets	7	1,689	1,814
Other receivables	15	2,376	1,484
Tax receivables	15	94	71
Prepaid expenses and other assets		535	266
Other non-current assets		757	556
Total Non-current assets		**63,112**	**58,581**
Inventories	14	9,722	10,694
Assets sold with a buy-back commitment		1,626	1,707
Trade and other receivables	15	6,628	7,188
Tax receivables	15	372	419
Prepaid expenses and other assets		524	418
Other financial assets	13	670	615
Cash and cash equivalents	17	15,014	12,450
Assets held for sale	3	376	4,801
Total Current assets		**34,932**	**38,292**
Total Assets		**€ 98,044**	**€ 96,873**
Equity and liabilities			
Equity	26		
Equity attributable to owners of the parent		€ 28,537	€ 24,702
Non-controlling interests		138	201
Total Equity		**28,675**	**24,903**
Liabilities			
Long-term debt	21	8,025	8,667
Employee benefits liabilities	19	8,507	7,875
Provisions	2,20	5,027	5,413
Other financial liabilities	16	124	3
Deferred tax liabilities	7	1,628	937
Tax liabilities	2,22	278	149
Other liabilities	22	2,426	2,452
Total Non-current liabilities		**26,015**	**25,496**
Trade payables		21,616	19,229
Short-term debt and current portion of long-term debt	21	4,876	5,861
Employee benefit liabilities	19	544	595
Provisions	2,20	8,978	10,394
Other financial liabilities	16	194	204
Tax liabilities	2,22	122	203
Other liabilities	22	6,788	7,057
Liabilities held for sale	3	236	2,931
Total Current liabilities		**43,354**	**46,474**
Total Equity and liabilities		**€ 98,044**	**€ 96,873**

The accompanying notes are an integral part of the Consolidated Financial Statements.

FIAT CHRYSLER AUTOMOBILES N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(in € million)

	Note	Years ended December 31, 2019	2018	2017
Cash flows from operating activities:				
Net profit from continuing operations		€ 2,700	€ 3,330	€ 3,291
Amortization and depreciation		5,445	5,507	5,474
Net losses on disposal of tangible and intangible assets		19	1	16
Net gains on disposal of investments		(15)	—	(76)
Other non-cash items	29	1,541	129	(197)
Dividends received		156	75	102
Change in provisions	2	(1,744)	842	464
Change in deferred taxes		864	457	1,075
Change due to assets sold with buy-back commitments and GDP vehicles		(65)	158	(11)
Change in inventories		1,017	1,399	(1,596)
Change in trade receivables		100	19	(157)
Change in trade payables		2,020	(1,240)	937
Change in other liabilities, payables and receivables	2	(1,268)	(1,213)	358
Cash flows (used in)/from operating activities - discontinued operations		(308)	484	705
Total		**10,462**	**9,948**	**10,385**
Cash flows used in investing activities:				
Investments in property, plant and equipment and intangible assets		(8,385)	(5,392)	(8,105)
Investments in joint ventures, associates and unconsolidated subsidiaries		(2)	(3)	(9)
Proceeds from the sale of tangible and intangible assets		53	47	54
Net change in receivables from financing activities		336	(676)	(836)
Change in securities		(235)	(75)	174
Other changes		55	(7)	(4)
Net cash proceeds from disposal of discontinued operations		5,348	—	—
Cash flows used in investing activities - discontinued operations		(155)	(632)	(570)
Total		**(2,985)**	**(6,738)**	**(9,296)**
Cash flows used in financing activities:	29			
Repayment of notes		(1,480)	(1,850)	(2,235)
Proceeds of other long-term debt		329	935	811
Repayment of other long-term debt		(1,163)	(2,852)	(3,421)
Net change in short-term debt and other financial assets/liabilities		(782)	1,062	561
Distributions paid		(3,056)	(1)	(1)
Other changes		—	11	(2)
Cash flows from/(used in) financing activities - discontinued operations		325	(90)	(186)
Total		**(5,827)**	**(2,785)**	**(4,473)**
Translation exchange differences		212	106	(1,296)
Total change in Cash and cash equivalents		**1,862**	**531**	**(4,680)**
Cash and cash equivalents at beginning of the period		**12,450**	**12,638**	**17,318**
Add: Cash and cash equivalents at beginning of the period included within Assets held for sale		719	—	—
Total change in Cash and cash equivalents		1,862	531	(4,680)
Less: Cash and cash equivalents at end of the period - included within Assets held for sale		17	719	—
Cash and cash equivalents at end of the period	17	**€ 15,014**	**€ 12,450**	**€ 12,638**

The accompanying notes are an integral part of the Consolidated Financial Statements.

FIAT CHRYSLER AUTOMOBILES N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in € million)

	Attributable to owners of the parent								
	Share capital	Other reserves	Cash flow hedge reserve	Currency translation differences	Financial Assets measured at FVOCI	Remeasure-ment of defined benefit plans	Cumulative share of OCI of equity method investees	Non-controlling interests	Total
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**
Impact from the adoption of IFRS 15 and IFRS 9	—	21	—	—	—	—	—	—	21
At January 1, 2018	**19**	**20,942**	**68**	**970**	**3**	**(810)**	**(352)**	**168**	**21,008**
Capital increase	—	—	—	—	—	—	—	11	11
Distributions	—	—	—	—	—	—	—	(1)	(1)
Share-based compensation	—	82	—	—	—	—	—	—	82
Net profit	—	3,608	—	—	—	—	—	24	3,632
Other comprehensive income/(loss)	—	—	(22)	41	(4)	243	(103)	1	156
Other changes[(1)]	—	18	(1)	—	—	—	—	(2)	15
At December 31, 2018	**19**	**24,650**	**45**	**1,011**	**(1)**	**(567)**	**(455)**	**201**	**24,903**
Impact from the adoption of IFRS 16	—	—	—	—	—	—	—	—	—
At January 1, 2019	**19**	**24,650**	**45**	**1,011**	**(1)**	**(567)**	**(455)**	**201**	**24,903**
Distributions	—	(3,056)	—	—	—	—	—	(29)	(3,085)
Share-based compensation	1	114	—	—	—	—	—	—	115
Net profit	—	6,622	—	—	—	—	—	8	6,630
Other comprehensive income/(loss)	—	—	(138)	270	6	(64)	(20)	3	57
Sale of Magneti Marelli	—	(109)	(6)	97	—	109	—	(47)	44
Other changes[(1)]	—	24	(15)	—	—	—	—	2	11
At December 31, 2019	**€ 20**	**€ 28,245**	**€ (114)**	**€ 1,378**	**€ 5**	**€ (522)**	**€ (475)**	**€ 138**	**€ 28,675**

(1) Includes €15 million (€1 million at December 31, 2018) of deferred hedging gains transferred to inventory, net of tax.

The accompanying notes are an integral part of the Consolidated Financial Statements.

1. Principal activities

On January 29, 2014, the Board of Directors of Fiat S.p.A. 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 S.p.A. into its 100 percent owned direct subsidiary Fiat Investments N.V. (the “2014 Merger”) became effective. The 2014 Merger, which took the form of a reverse merger, resulted in Fiat Investments N.V. being the surviving entity and it 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 2014 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 2014 Merger.

The Group and its subsidiaries, of which the most significant is FCA US LLC (“FCA US”, formerly known as Chrysler Group LLC), together with its subsidiaries, are engaged in the design, engineering, manufacturing, distribution and sale of automobiles and light commercial vehicles, engines, transmission systems, metallurgical products and production systems. In addition, the Group is also involved in certain other activities, including (mainly captive) services, which represent an insignificant portion of the Group's business. Refer to Note 3, *Scope of consolidation* for information on the presentation of Magneti Marelli as a discontinued operation.

FCA has filed a list of subsidiaries and associated companies, prepared in accordance with Sections 379 and 414, Book 2, Dutch Civil Code, at the Dutch trade register of Amsterdam.

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 (“U.S.”).

2. Basis of preparation

Authorization of Consolidated Financial Statements and compliance with International Financial Reporting Standards

The Consolidated Financial Statements, together with the notes thereto, of FCA as of and for the year ended December 31, 2019 were authorized for issuance by the Board of Directors on February 25, 2020 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” 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 for the measurement of certain financial instruments as required, 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 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 Equity attributable to the owners of the parent.

Subsidiaries are deconsolidated from the date on 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 or significant influence is obtained. On acquisition, any excess of the investment over the 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, 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 arising 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 type of joint arrangement whereby the parties that have joint control 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 an 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, if earlier, when the asset or disposal group meets the criteria to be classified as held for sale. When the asset or disposal group is classified as a discontinued operation, the comparative information is reclassified within the Consolidated Income Statement and the Consolidated Statement of Cash Flows as if the asset or disposal group had been discontinued from the start of the earliest comparative period presented. In addition, when an asset or disposal group is classified as held for sale, depreciation and amortization cease.

The classification, presentation and measurement requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* outlined above 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 used in their respective primary economic environments. 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 as 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 arising 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 in preparing the Consolidated Statement of Cash Flows to translate the cash flows of foreign subsidiaries.

The principal exchange rates used to translate other currencies into Euro were as follows:

	2019		**2018**		**2017**	
	Average	**At December 31,**	**Average**	**At December 31,**	**Average**	**At December 31,**
U.S. Dollar (U.S.$)	1.119	1.123	1.181	1.145	1.130	1.199
Brazilian Real (BRL)	4.413	4.516	4.308	4.444	3.605	3.973
Chinese Renminbi (CNY)	7.735	7.821	7.808	7.875	7.629	7.804
Canadian Dollar (CAD)	1.485	1.460	1.529	1.561	1.465	1.504
Mexican Peso (MXN)	21.557	21.220	22.705	22.492	21.329	23.661
Polish Zloty (PLN)	4.298	4.257	4.261	4.301	4.257	4.177
Argentine Peso (ARS)(1)	67.258	67.258	43.074	43.074	18.683	22.595
Pound Sterling (GBP)	0.878	0.851	0.885	0.895	0.877	0.887
Swiss Franc (CHF)	1.112	1.085	1.155	1.127	1.112	1.170

(1) From July 1, 2018, Argentina's economy was considered to be hyperinflationary. Transactions after July 1, 2018 for entities with the Argentinian Peso as the functional currency were translated using the spot rate at the end of the period.

Intangible assets

Goodwill

Goodwill represents the excess of the fair value of consideration paid in a business combination over the fair value of net tangible and identifiable intangible assets acquired. 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, projected 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 when the related asset is available for use, generally from the beginning of production, over the expected life cycle of the models (generally 5-6 years) or powertrains (generally 10-12 years) developed.

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 asset 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 expensed to the Consolidated Income Statement.

Refer to *New standards and amendments effective January 1, 2019* below for additional information on the adoption of IFRS 16 - *Leases* (“IFRS 16”), including the impact on finance and operating leases which had been previously recognized in accordance with IAS 17 - *Leases* (“IAS 17”).

Depreciation

During the years ended December 31, 2019, 2018 and 2017, assets depreciated on a straight-line basis over their estimated useful lives used the following depreciation rates:

	Depreciation rates
Buildings	3% - 10%
Plant, machinery and equipment	3% - 33%
Other assets	5% - 33%

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 in the year ended December 31, 2019 and 2018 was €213 million and €155 million, respectively.

Impairment of long-lived assets

Annually, or more frequently if facts or circumstances indicate otherwise, 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 primarily include trade receivables, receivables from financing activities, investments in other companies, derivative financial instruments, cash and cash equivalents, and debt securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents.

Financial liabilities primarily consist of debt, derivative financial instruments, trade payables and other liabilities.

Receivables from dealer financing activities are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a component of the portfolio of the Group's 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 according to market and payment terms, which range from two to twelve months.

Classification and measurement

The classification of a financial asset is dependent on the Group's business model for managing such financial assets and their contractual cash flows. The Group considers whether the contractual cash flows represent solely payments of principal and interest that are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss ("FVPL").

Financial asset cash flow business model	Initial measurement(1)	Measurement category(3)
Solely to collect the contractual cash flows (Held to Collect)	Fair Value including transaction costs	Amortized Cost(2)
Collect both the contractual cash flows and generate cash flows arising from the sale of assets (Held to Collect and Sell)	Fair Value including transaction costs	Fair value through other comprehensive income ("FVOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	FVPL

(1) A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price.
(2) 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.
(3) On initial recognition, the Group may irrevocably designate a financial asset at FVPL that otherwise meets the requirements to be measured at amortized cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Factors considered by the Group in determining the business model for a group of financial assets include:

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations;
- how the asset's performance is evaluated and reported to key management personnel; and
- how risks are assessed and managed and how management is compensated.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, commercial paper and certificate of deposits 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 that can generally be liquidated on demand and are measured at FVPL. Cash at banks and Other cash equivalents are measured at amortized cost.

Investments in other companies are measured at fair value. Equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value, as permitted by IFRS 9 - *Financial Instruments* ("IFRS 9"). The Group may irrevocably elect to present subsequent changes in the investment's fair value in Other comprehensive income ("OCI") upon the initial recognition of an equity investment that is not held to sell. This election is made on an investment-by-investment basis. Generally, any dividends from these investments are recognized in Other income from investments within Result from investments when the Group's right to receive payment is established. Other net gains and losses are recognized in OCI and will not be reclassified to the Consolidated Income Statement in subsequent periods. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value in OCI.

Impairment of financial assets

The Group's credit risk differs in relation to the type of activity. In particular, receivables from financing activities, such as dealer and retail financing 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, whereas trade receivables arising from the sale of vehicles and spare parts, are mostly exposed to the direct risk of counterparty default. These risks are mitigated by different kinds of securities received and the fact that collection exposure is spread across a large number of counterparties.

The IFRS 9 impairment requirements are based on a forward-looking expected credit loss ("ECL") model. ECL is a probability-weighted estimate of the present value of cash shortfalls.

The calculation of the amount of ECL is based on the risk of default by the counterparty, which is determined by taking into account the information available at the end of each reporting period as to the counterparty's solvency, the fair value of any guarantees and the Group's historical experience. The Group considers a financial asset to be in default when: (i) the borrower is unlikely to pay its obligations in full and without consideration of compensating guarantees or collateral (if any exist); or (ii) the financial asset is more than 90 days past due.

The Group applies two impairment models for financial assets as set out in IFRS 9: the simplified approach and the general approach. The table below indicates the impairment model used for each of our financial asset categories. Impairment losses on financial assets are recognized in the Consolidated Income Statement within the corresponding line items, based on the classification of the counterparty.

Financial asset	IFRS 9 impairment model
Trade receivables	Simplified approach
Receivables from financing activities	General approach
Other receivables	General approach

In order to test for impairment, individually significant receivables and receivables for which collectability is at risk are assessed individually, while all other receivables are grouped into homogeneous risk categories based on shared risk characteristics such as instrument type, industry or geographical location of the counterparty.

The simplified approach for determining the lifetime ECL allowance is performed in two steps:

- All trade receivables that are in default, as defined above, are individually assessed for impairment; and

- A general reserve is recognized for all other trade receivables (including those not past due) based on historical loss rates.

The Group applies the general approach as determined by IFRS 9 by assessing at each reporting date whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The Group considers receivables to have experienced a significant increase in credit risk when certain quantitative or qualitative indicators have been met or the borrower is more than 30 days past due on its contractual payments.

The “three-stages” for determining and measuring the impairment based on changes in credit quality since initial recognition are summarized below:

Stage	Description	Time period for measurement of ECL
Stage 1	A financial instrument that is not credit-impaired on initial recognition	12-month ECL
Stage 2	A financial instrument with a significant increase in credit risk since initial recognition	Lifetime ECL
Stage 3	A financial instrument that is credit-impaired or has defaulted	Lifetime ECL

Considering forward-looking economic information, ECL is determined by projecting the probability of default, exposure at default and loss given default for each future contractual period and for each individual exposure or collective portfolio. The discount rate used in the ECL calculation is the stated effective interest rate or an approximation thereof. Each reporting period, the assumptions underlying the ECL calculation are reviewed and updated as necessary. Since adoption, there have been no significant changes in estimation techniques or significant assumptions that led to material changes in the ECL allowance.

The gross carrying amount of a financial asset is written-off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that a debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

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). In accordance with IFRS 9, derivative financial instruments are recognized on the basis of the settlement date and, upon initial recognition, are measured at fair value less (in case a financial asset is not measured at FVPL) transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, all derivative financial instruments are measured at fair value. Furthermore, derivative financial instruments qualify for hedge accounting when (i) there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge at inception of the hedge and (ii) the hedge is expected to be effective.

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 attributable to a particular risk that 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). When the hedged forecasted transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in Other comprehensive income/(loss) are reclassified and included in the initial measurement of the cost of the non-financial asset. The effective portion of any gain or loss is recognized in 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 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.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure the hedge relationships meet the effectiveness requirements (including the existence of an economic relationship between the hedged item and hedging instrument). The Group enters into hedge relationships where the critical terms of the hedging instrument match closely or exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. In the event there was a hedge relationship where the critical terms of the hedged item do not match closely or perfectly with the critical terms of the hedging instrument, the Group would perform a quantitative assessment to assess effectiveness.

Ineffectiveness is measured by comparing the cumulative changes in fair value of the hedging instrument and cumulative change in fair value of the hedged item arising from the designated risk. The primary potential sources of hedge ineffectiveness are mismatches in timing or the critical terms of the hedged item and the hedging instrument.

The hedge ratio is the relationship between the quantity of the derivative and the hedged item. The Group's derivatives have the same underlying quantity as the hedged items, therefore the hedge ratio is expected to be one for one.

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 fair value measurements.

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 requiring first loss cover (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), 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 IFRS 9 for the derecognition of the assets since the risks and rewards connected with ownership of the financial asset are not substantially 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. These types of receivables are classified as held-to-collect, since the business model is consistent with the Group's continuing recognition of the receivables.

Inventories

Raw materials, semi-finished products and finished goods inventories 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, which is 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 in the period in which they are identified.

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 defined benefit 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 is 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 defined benefit cost are recognized as follows:

- Service cost is recognized in the Consolidated Income Statement by function and is presented within the relevant line items (Cost of revenues, Selling, general and other costs, and Research and development costs);

- Net interest expense on the defined benefit liability/(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

- Remeasurement components of the net obligation, 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 remeasurement 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. Remeasurement components on other long term employee benefits are recognized in the Consolidated Income Statement in the period in which they arise.

Share-based compensation

The Group has several 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.

For equity-settled transactions, the cost is determined by the fair value at the date when the grant is determined with reference to the grant-date share price and, where applicable, using a Monte Carlo simulation model. Refer to Note 18 -*Share-based compensation* for further information.

Share-based compensation expense is recognized within *Selling, general and other costs* within the Consolidated Income Statement, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled ("vesting period"). The cumulative expense is recognized for equity-settled transactions at each reporting date using the graded vesting method and reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The expense, or credit, in the Consolidated Income Statement for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. Any incremental expense between the original grant and the modified grant, measured at the date of modification, is recognized over the modified vesting terms. Where an award is cancelled by the entity or by the counterparty, any unrecognized element of the fair value of the award is expensed immediately through the Consolidated Income Statement.

For cash-settled transactions, a liability is recognized for the fair value measured initially and at each reporting date up to and including the settlement date. The fair value is expensed over the period until the vesting date, with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Revenue recognition

Revenue is recognized when control of our vehicles, services or parts has been transferred and the Group's performance obligations to our customers have been satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The timing of when the Group transfers the goods or services to the customer may differ from the timing of the customer's payment. The Group recognizes a contract liability when it invoices an amount to a customer prior to the transfer of the goods or services provided. When the Group gives our customers the right to return eligible goods, the Group estimates the expected returns based on an analysis of historical experiences. Sales, value added and other taxes that the Group collects on behalf of others concurrently with revenue generating activities are excluded from revenue and are recognized within the Other liabilities and the Tax liabilities line items in the Consolidated Statement of Financial Position. Incidental items that are immaterial in the context of the contract are recognized as expense.

The Group also enters into contracts with multiple performance obligations. For these contracts, the Group allocates revenue from the transaction price to the distinct goods and services in the contract on a relative standalone selling price basis. To the extent that the Group sells the good or service separately in the same market, the standalone selling price is the observable price at which the Group sells the good or service separately. For all other goods or services, the Group estimates the standalone selling price using a cost-plus-margin approach.

Sales of goods

The Group has determined that our customers from the sale of vehicles and service parts are generally dealers, distributors or fleet customers. Transfer of control, and therefore revenue recognition, generally corresponds to the date when the vehicles or service parts are made available to the customer, or when the vehicles or service parts are released to the carrier responsible for transporting them to the customer. This is also the point at which invoices are issued, with payment for vehicles typically due immediately and payment for service parts typically due in the following month. For component part sales, revenue recognition is consistent with that of service parts. The Group also sells tooling, with control transferring at the point in time when the customer accepts the tooling.

The cost of incentives, if any, is estimated at the inception of a contract at the expected amount that will ultimately be paid and is recognized as a reduction to revenue at the time of the sale. If a vehicle contract transaction has multiple performance obligations, the cost of incentives is allocated entirely to the vehicle as the intent of the incentives is to encourage sales of vehicles. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognized as an adjustment to revenue in the period of the change. Refer to the *Use of estimates - Sales incentives* for more information on these programs.

New vehicle sales through Guaranteed Depreciation Program ("GDP") are recognized as revenue when control of the vehicle transfers to the fleet customer, except in situations where the Group issues a put option for which there is a significant economic incentive to exercise, as discussed below. Upon recognition of the vehicle revenue, the Group establishes a liability equal to the estimated amount of any residual value guarantee.

The Group also sells vehicles where, in addition to guaranteeing the residual value, the contract includes a put option whereby the fleet customer can require the Group to repurchase the vehicles. For these types of arrangements, the Group assesses whether a significant economic incentive exists for the customer to exercise its put option. If the Group determines that a significant economic incentive does not exist for the customer to exercise its put option, then revenue is recognized when control of the vehicle transfers to the fleet customer and a liability is recognized equal to the estimated amount of the residual value guarantee. If the Group determines that a significant economic incentive exists, then the arrangement is accounted for similarly to a repurchase obligation, as described in *Lease installments from assets sold with buy-back commitments*.

Services provided

When control of a good transfers to the customer prior to the completion of shipping activities for which the Group is responsible, this represents a separate performance obligation for which the shipping revenue is recognized when the shipping service is complete. Other revenues from services provided are primarily comprised of maintenance plans and extended warranties, and also include connectivity services, and are recognized over the contract period in proportion to the costs expected to be incurred based on our historical experience. These services are either included in the selling price of the vehicle or separately priced. Revenue for services is allocated based on the estimated stand-alone selling price. Costs associated with the sale of contracts are deferred and are subsequently amortized to expense consistent with how the related revenue is recognized. The Group had €224 million of deferred service contract costs at December 31, 2019 (€200 million at December 31, 2018) and recognized €68 million of amortization expense during the year ended December 31, 2019 (€88 million during the year ended December 31, 2018).

Contract revenues

Revenue from construction contracts, which is comprised of industrial automation systems, included within “Other activities”, is recognized as revenue over the contract period in proportion to the costs expected to be incurred based on our historical experience. A loss is recognized if the sum of the expected costs for services under the contract exceeds the transaction price.

Lease installments from assets sold with buy-back commitments

Vehicle sales to fleet customers can include a repurchase obligation, whereby the Group is required to repurchase the vehicles at a given point in time. The Group accounts for such sales as an operating lease. Upon the transfer of vehicles to the fleet customer, the Group records a liability equal to the proceeds received within Other liabilities in the Consolidated Statement of Financial Position. The difference between the proceeds received and the guaranteed repurchase amount is recognized as revenue over the contractual term on a straight-line basis. The cost of the vehicle is recorded within Assets sold with a buy-back commitment in the Consolidated Statement of Financial Position and the difference between the cost of the vehicle and the estimated residual value is recognized within Cost of revenues in the Consolidated Income Statement over the contractual term.

Interest income of financial services activities

Interest income, which is primarily generated from the Group by providing dealer and retail financing, is recognized using the effective interest method.

Cost of revenues

Cost of revenues comprises expenses incurred in the manufacturing and distribution of vehicles and parts. The most significant element is the cost of materials and components and the remaining costs include labor (consisting of direct and indirect wages), transportation costs, depreciation of property, plant and equipment and amortization of other intangible assets relating to production. 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 (€48 million, €75 million and €68 million for the years ended December 31, 2019, 2018 and 2017, respectively). Cost of revenues also included €195 million, €293 million and €397 million related to the decrease in value for assets sold with buy-back commitments for the years ended December 31, 2019, 2018 and 2017, 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 same periods as 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 which are 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 for 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 when it is probable that this temporary difference will not reverse in the foreseeable future, except when it is able to control the timing of the reversal of the temporary difference. 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. Refer to *Use of estimates - Recoverability of deferred tax assets* for additional detail.

Current income taxes and deferred taxes are offset when they relate to the same taxation jurisdiction 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.

Refer to *New standards and amendments effective January 1, 2019* and *Change in accounting policy - IFRIC 23* below for detail on the application of IFRIC 23, *Uncertainty over Income Tax Treatment* and the related reclassification of prior year comparatives.

Refer to Note 7**,** *Tax expense*, for additional information on tax expense and deferred tax assets.

Fair Value Measurement

Fair value for measurement and disclosure purposes is determined as the consideration 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 own 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 certain 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 requires 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 management's best judgment of elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

Estimates and underlying assumptions 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.

Items requiring estimates for which there is a risk that a material difference may arise in the future in respect of the carrying amounts of assets and liabilities 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 which are funded. 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.

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 by taking into consideration parameters of a financial nature such as discount rates, the rate 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 3.3 percent and 4.3 percent at December 31, 2019 and 2018, respectively.

At December 31, 2019, the effect on the defined benefit obligation of a decrease or increase in the discount rate, holding all other assumptions constant, is as follows:

	Effect on pension benefit obligation increase/(decrease) in Net liability
	(€ million)
10 basis point decrease in discount rate	298
10 basis point increase in discount rate	(292)

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 post-retirement benefits to certain hourly and salaried employees. Upon retirement, these employees may become eligible for a continuation of certain benefits. Benefits and eligibility rules may be modified periodically.

These other post-employment 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, 2019, the effect of a decrease or increase 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	29	46
10 basis point / (100 basis point for TFR) increase in discount rate	(29)	(40)
100 basis point decrease in health care cost trend rate	(39)	—
100 basis point increase in health care cost trend rate	46	—

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 North America 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 CGUs 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 as well as emerging technology changes, such as electrification and autonomous driving. Our business plan could change in response to these evolving requirements and emerging technologies or in relation to any future business plans or strategies developed as part of partnerships and collaborations. As we continue to assess the potential impacts of these evolving requirements, emerging technologies or future plans and strategies, and of operationalizing and implementing the strategic targets set out in the business plan, including reallocation of our resources, the recoverability of certain of our assets or CGUs may be impacted in future periods. For example, our product development strategies may be affected by regulatory changes as well as changes in the expected costs of implementing electrification, including the cost of batteries. As relevant circumstances change, we expect to adjust our product plans which may result in changes to the expected use of certain of the Group's vehicle platforms.

These uncertainties could result in either impairments of, or reductions to the expected useful lives of, these platforms, or both. Any change in recoverability would be accounted for at the time such change to the business plan occurs. For the years ended December 31, 2019, 2018 and 2017, the impairment tests performed compared the carrying amount of the assets included in the respective CGUs to their value in use. The value in use of the CGUs was determined using a discounted cash flow methodology based on estimated pre-tax future cash flows attributable to the CGUs and a pre-tax discount rate reflecting a current market assessment of the time value of money and the risks specific to the CGUs.

During the year ended December 31, 2019, impairment losses totaling €1,589 million were recognized. Of the total impairment charges, €1,376 million was recognized in relation to the rationalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo resulted in the recognition of asset impairment charges for certain platforms, composed of €563 million of Property, plant and equipment recognized within *Cost of revenues* and €813 million of previously capitalized development costs recognized within *Research and development costs* and excluded from Adjusted EBIT. Of these charges, €435 million relates to the EMEA segment, €148 million relates to the Maserati segment and the remaining €793 million is not allocated to a specific region as the platform assets that have been impaired are used to produce Alfa Romeo vehicles sold in several of our regions.

During the year ended December 31, 2018, impairment losses totaling €297 million were recognized. The most significant component of this impairment loss was in EMEA, primarily resulting from changes in product plans in connection with the 2018-2022 business plan. It was determined that the carrying amount of the CGUs exceeded their value in use and accordingly, an impairment charge of €262 million was recognized in EMEA, €16 million in North America, €11 million in APAC and €8 million in LATAM.

During the year ended December 31, 2017, impairment losses totaling €219 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, certain of FCA Venezuela's assets were impaired to their fair value using a market approach, resulting in an impairment loss of €21 million.

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 from the acquisition of FCA US has been allocated to the North America, EMEA, APAC and LATAM operating segments.

Due to the identification of indicators of impairment primarily as a result of rationalization of product portfolio plans, mainly for Europe in the A-segment as well for Alfa Romeo, the goodwill allocated to the EMEA operating segment was tested for impairment at September 30, 2019. Information regarding the allocation of Goodwill between FCA's reportable segments is provided in Note 9, *Goodwill and intangible assets with indefinite useful lives*.

The assumptions used in the goodwill impairment test for EMEA as of September 30, 2019, represent management's best estimate for the period under consideration.

- The estimate of the recoverable amount for purposes of performing the EMEA goodwill impairment test was determined using value in use at September 30, 2019 and was based on the following assumptions:

  - The expected future cash flows covering the period from 2019 through 2022. These expected cash flows reflect the current expectations regarding economic conditions and market trends as well as the EMEA specific initiatives for the period 2019 to 2022. These cash flows relate to the EMEA operating segment in its current condition when preparing the financial statements and exclude the estimated cash flows that might arise from future restructuring plans or other structural changes. Key assumptions used in estimating the future cash flows are those related to volumes, sales mix, profit margins, expected conditions regarding market trends and segment, brand and model market share for the respective operating segment over the period considered.

  - 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. The long-term EBIT margins have been set considering the margins incorporated into the business plan, and considering peer profitability commonly achieved in the region in the long-term.

  - Pre-tax cash flows have been discounted using a pre-tax discount rate which reflects the current market assessment of the time value of money for the period being considered, and the risks related to those cash flows of the Group. The pre-tax Weighted Average Cost of Capital ("WACC") applied for the EMEA operating segment was 10.8 percent.

The value estimated as described above was determined to be in excess of the carrying amount of the EMEA operating segment. As such, no impairment charge was recognized for the goodwill allocated to the EMEA operating segment for the year ended December 31, 2019.

The goodwill and intangible assets with indefinite useful lives allocated to the other operating segments (North America, LATAM and APAC) were tested for impairment on October 1, 2019, which is the date the Group annually tests goodwill for impairment.

The assumptions used in the impairment test for the regions tested 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 value in use for the year ended December 31, 2019 (fair value less costs of disposal for the year ended December 31, 2018) and was based on the following assumptions:

- The expected future cash flows covering the period from 2019 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 2019 to 2022. These cash flows relate to the respective CGUs in their current 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 APAC operating segment, for the year ended December 31, 2018, expected future cash flows were sensitive to certain assumptions, primarily the expected margins for the terminal period, such that a reduction of 0.7 percent at December 31, 2018 in the margin for the terminal period would have reduced the fair value down to its carrying amount. While the assumptions used were considered reasonable and achievable and represented the best estimate of expected conditions in the operating segment, management has been and continues to be actively implementing measures to improve operating results by addressing commercial performance and cost structure to allow the achievement of the expected margins and cash flow in APAC. During 2019, the APAC region has become less sensitive to changes in the terminal period EBIT Margin as a result of ongoing actions FCA is taking to improve the competitiveness of its business in China. However, the recoverability of the assets within the APAC region are dependent upon achieving profitable results, which have not been achieved in recent periods.

    - The LATAM operating segment, for the year ended December 31, 2019, expected future cash flows have become sensitive to the expected margins for the terminal period taking into consideration the expectations for the region as well as the economic uncertainties in Argentina, such that a reduction of 90 basis points in the margin for the terminal period would reduce the recoverable value down to its carrying amount. The expected future cash flows include the extension of certain tax benefits through 2025 and other government grants, which were signed into law in Brazil during the fourth quarter of 2018.

- 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. The long-term EBIT margins have been set considering historical margins, the margins incorporated into the five-years plan, and other market data, as adjusted for the stage in the economic cycle of the regions and any specific circumstances (for example, in LATAM, the long-term EBIT margin has been adjusted to assume no extension of the Brazilian tax benefits beyond 2025).

- For the year ended December 31, 2019, pre-tax cash flows have been discounted using a pre-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 pre-tax WACC ranged from approximately 9.8 percent to approximately 15.4 percent. The pre-tax WACC was calculated using the Capital Asset Pricing Model technique.

The values estimated as described above were determined to be in excess of the carrying amount 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, 2019.

There were no impairment charges resulting from the impairment tests performed for the years ended December 31, 2018 and 2017.

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 based on the most recent business plan. Moreover, the Group estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these deferred tax assets could be recovered. The estimates and assumptions used in the assessment are subject to uncertainty especially as it relates to the Group's future performance as compared to the business plan, particularly in LATAM and EMEA. Therefore, changes in current estimates due to unanticipated events could have a significant impact on our Consolidated Financial Statements. Refer to Note 7, *Tax expense* for additional detail.

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, thereby 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 related 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 North America, 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 subject 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 matters, alleged violations of law, labor, dealer, supplier and other contractual relationships, intellectual property rights, product warranties and environmental matters. Some of these proceedings allege defects in specific component parts or systems (including airbags, seats, seat belts, brakes, ball joints, transmissions, engines and fuel systems), in various vehicle models or allege general design defects relating to vehicle handling and stability, sudden unintended movement or crashworthiness. These proceedings seek recovery for damage to property, personal injuries or wrongful death and in some cases include a claim for exemplary or punitive damages. 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 that 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. A provision 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 provisions 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 proceedings 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 January 1, 2019

IFRS 16 - Leases

The cumulative effect of the changes made to our Consolidated Statement of Financial Position as of January 1, 2019 for the adoption of IFRS 16 is as follows:

(€ million)	At December 31, 2018 (as previously reported)[1]	IFRS 16 Adoption Effect	At January 1, 2019 (as adjusted)
Assets			
Non-current assets			
Property, plant and equipment	€ 26,307	€ 1,069	€ 27,376
Prepaid expenses and other assets	266	(3)	263
Non-current assets not impacted by IFRS 16 adoption	*32,008*	—	*32,008*
Total Non-current assets	**58,581**	**1,066**	**59,647**
Current assets			
Prepaid expenses and other assets	418	(2)	416
Assets held for sale	4,801	261	5,062
Current assets not impacted by IFRS 16 adoption	*33,073*	—	*33,073*
Total Current assets	**38,292**	**259**	**38,551**
Total Assets	**€ 96,873**	**€ 1,325**	**€ 98,198**
Equity			
Total Equity	**€ 24,903**	**€ —**	**€ 24,903**
Liabilities			
Non-current liabilities			
Long-term debt[1]	8,667	903	9,570
Other liabilities	2,452	(3)	2,449
Non-current liabilities not impacted by IFRS 16 adoption	*14,377*	—	*14,377*
Total Non-current liabilities	**25,496**	**900**	**26,396**
Current liabilities			
Short-term debt and current portion of long-term debt[2]	5,861	166	6,027
Other liabilities	7,057	(2)	7,055
Liabilities held for sale	2,931	261	3,192
Current liabilities not impacted by IFRS 16 adoption	*30,625*	—	*30,625*
Total Current liabilities	**46,474**	**425**	**46,899**
Total Equity and liabilities	**€ 96,873**	**€ 1,325**	**€ 98,198**

(1) Refer to Change in accounting policy - IFRIC 23 below for detail on the reclassification of the 2018 comparative.
(2) Amounts at December 31, 2018, include €261 million of finance lease liabilities previously recognized in accordance with IAS 17. Refer to Note 21, Debt.

As a result of the adoption of IFRS 16, the Group will recognize deferred tax assets and liabilities arising on lease liabilities and right-of-use assets, respectively, which largely offset. The net impact to deferred tax assets on adoption as at January 1, 2019 was nil. The net deferred tax impact for the year ended December 31, 2019 is immaterial.

IFRS 16 requires lessees to recognize assets and liabilities under an on-balance sheet model that is similar to finance lease accounting under IAS 17. IFRS 16 is effective from January 1, 2019 (the date of adoption). The Group adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment to the Group's opening equity balance on January 1, 2019, which was nil. The comparative period has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2019.

Transition

The following practical expedients have been made upon transition to IFRS 16:

- Contracts that were previously identified as leases by applying IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease*, have not been re-assessed under IFRS 16.

- For leases with a remaining lease term less than 12 months from the date of adoption, or leases of low-value assets, we have not recognized right-of-use assets and lease liabilities.

- A single discount rate was applied to portfolios of leases with similar characteristics at the date of adoption. Lease liabilities were discounted at their respective incremental borrowing rates as at January 1, 2019 and the weighted average of the discount rates used was 5.7 percent.

- In measuring the right-of-use assets at the date of adoption, the initial direct costs were excluded.

For leases classified as finance leases under IAS 17, the carrying amounts of the right-of-use assets and lease liabilities at January 1, 2019 were determined as the carrying amounts of the lease assets and lease liabilities under IAS 17 immediately before that date.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, where FCA is a lessor, we continue to classify our leases as operating leases or finance leases and account for them accordingly.

The following reconciliation to the opening balance for the lease liabilities as at January 1, 2019 is based upon the operating lease obligations as at December 31, 2018 (excluding discontinued operations):

		(€ million)
Future lease obligations as at December 31, 2018[(1)]	**€**	**1,642**
Recognition exemption for:		
Short-term leases		(102)
Leases of low-value assets		(27)
Gross lease liabilities at January 1, 2019		**1,513**
Effect of discounting using the incremental borrowing rate at January 1, 2019		(444)
Present value of lease liabilities at January 1, 2019		**1,069**
Present value of finance lease liabilities under IAS 17 at December 31, 2018		261
Lease liabilities as a result of the initial application of IFRS 16 as at January 1, 2019	**€**	**1,330**

(1) Includes future minimum lease payments under non-cancellable lease contracts of €1,027 million and extension and termination options reasonably certain to be exercised of €615 million.

Leases (policy applicable from January 1, 2019)

As a Lessee

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This policy is applied to contracts entered into, or modified, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Except for real estate properties, the Group has elected not to separate non-lease components and will account for the lease and non-lease components as a single lease component.

Right-of-use asset

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-to-use asset is determined based on the nature of the asset, taking into consideration the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain corresponding remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is determined considering macro-economic factors such as the risk free rate based on the relevant currency and term, as well as FCA specific factors contributing to FCA’s credit spread, including the impact of security. The Group primarily uses the incremental borrowing rate as the discount rate for its lease liabilities.

Lease payments used to measure the lease liability include the following, if appropriate:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate applicable as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- if reasonably certain to exercise, the exercise price under a purchase option, or lease payments in an optional renewal period; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in *Property, plant and equipment* and lease liabilities in *Long-term debt* and *Short-term debt and current portion of long-term debt* in the Consolidated Statement of Financial Position.

The Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases and low-value leases for all classes of leased assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If the risks and rewards are substantially transferred, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Effect of IFRS 16

Refer to Note 8, *Other information by nature*, Note 11, *Property, plant and equipment*, Note 21, *Debt* and Note 29, *Explanatory notes to the Consolidated Statement of Cash Flows* for additional detail on amounts recognized in accordance with IFRS 16.

Refer to Note 3, *Scope of consolidation* for detail on amounts relating to discontinued operations.

Other new standards and amendments

The following amendments and interpretations, which were effective from January 1, 2019, were adopted by the Group. The adoption of these amendments did not have a material impact on the 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 Group applied IFRIC 23 from January 1, 2019 under the retrospective approach with no impact to equity on the date of initial application.

  In September 2019, the IFRIC finalized its agenda decision regarding the presentation of liabilities or assets related to uncertain tax treatments which have been recognized through applying IFRIC 23. The agenda decision concluded that uncertain tax liabilities should be presented as current tax liabilities, or deferred tax liabilities, and uncertain tax assets as current tax assets, or deferred tax assets. Refer to *Change in accounting policy - IFRIC 23* below.

- 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.

- 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.

- In December 2017, the IASB issued *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.

- 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 for plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019.

New standards and amendments 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:

- 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 do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.

- In October 2018, the IASB issued amendments to IFRS 3 - *Business Combinations* which change the definition of a business to enable entities to determine whether an acquisition is a business combination or an asset acquisition. The amendments are effective for annual periods beginning on or after January 1, 2020 with earlier adoption permitted. We do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.

- In October 2018, the IASB issued amendments to its definition of material in IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies*, *Changes in Accounting Estimates* clarifying the definition of materiality to aid in application. The amendments are effective for annual periods beginning on or after January 1, 2020 with earlier adoption permitted. We do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.

- In September 2019, the IASB issued *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*, which modifies some specific hedge accounting requirements to provide relief from the potential effects of uncertainty caused by IBOR reform. In addition, the amendments require companies to provide additional information to investors about hedging relationships directly affected by these uncertainties. The amendment is effective for annual periods beginning on or after January 1, 2020, with earlier adoption permitted. We do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.

- In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, which affects the requirements in IAS 1 for the presentation of liabilities, including clarifying one of the criteria for classifying a liability as non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. We are currently evaluating the impact of adoption on our Consolidated Financial Statements.

Change in accounting policy - IFRIC 23

As a result of the implementation of IFRIC 23 and the agenda decision issued by the IFRIC in September 2019, the Group has changed its accounting policy in respect of the classification of uncertain tax positions, to present uncertain tax liabilities as current tax liabilities and uncertain tax assets as current tax assets. In accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has retrospectively reclassified its comparatives for 2018 and 2017, reclassifying amounts previously recorded within *Provisions* to *Tax liabilities* (previously reported as *Tax payables*). There was no impact on the Consolidated Income Statements for the years ended December 31, 2018 or 2017 as a result of this change.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At December 31, 2018 (as previously reported)	Adjustment	At December 31, 2018 (as reclassified)
		(€ million)	
Provisions	€ 5,561	€ (148)	€ 5,413
Tax liabilities	1	148	149
Non-current liabilities not impacted by reclassification	*19,934*	—	*19,934*
Total Non-current liabilities	**€ 25,496**	**€ —**	**€ 25,496**
Provisions	€ 10,483	€ (89)	€ 10,394
Tax liabilities	114	89	203
Current liabilities not impacted by reclassification	*35,877*	—	*35,877*
Total Current liabilities	**€ 46,474**	**€ —**	**€ 46,474**

	At December 31, 2017 (as previously reported[(1)]	Adjustment[(2)]	At December 31, 2017 (as reclassified)
		(€ million)	
Provisions	€ 5,770	€ (240)	€ 5,530
Tax liabilities	74	240	314
Non-current liabilities not impacted by reclassification	*22,199*	—	*22,199*
Total Non-current liabilities	**€ 28,043**	**€ —**	**€ 28,043**
Provisions	€ 9,009	€ (39)	€ 8,970
Tax liabilities	309	39	348
Current liabilities not impacted by reclassification	*37,951*	—	*37,951*
Total Current liabilities	**€ 47,269**	**€ —**	**€ 47,269**

	At January 1, 2017 (as previously reported)[(1)]	Adjustment[(2)]	At January 1, 2017 (as reclassified)
		(€ million)	
Provisions	€ 6,520	€ (194)	€ 6,326
Tax liabilities	25	194	219
Non-current liabilities not impacted by reclassification	*28,976*	—	*28,976*
Total Non-current liabilities	**€ 35,521**	**€ —**	**€ 35,521**
Provisions	€ 9,317	€ (18)	€ 9,299
Tax liabilities	162	18	180
Current liabilities not impacted by reclassification	*39,990*	—	*39,990*
Total Current liabilities	**€ 49,469**	**€ —**	**€ 49,469**

(1) All amounts include Magneti Marelli.
(2) Total adjustments related to Magneti Marelli amounted to €52 million at December 31, 2017 and €43 million at January 1, 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31, 2018 (as previously reported)	Adjustment	For the year ended December 31, 2018 (as reclassified)
		(€ million)	
Change in provisions	€ 913	€ (71)	€ 842
Change in other liabilities, payables and receivables(1)	(1,284)	71	(1,213)
Cash flows from operating activities - discontinued operations	484	—	484
Cash flows from operating activities - continuing operations not impacted by reclassification	*9,835*	—	*9,835*
Total Cash flows from operating activities	**€ 9,948**	**€ —**	**€ 9,948**

	For the year ended December 31, 2017 (as previously reported)	Adjustment	For the year ended December 31, 2017 (as reclassified)
		(€ million)	
Change in provisions	€ 545	€ (81)	€ 464
Change in other liabilities, payables and receivables(1)	277	81	358
Cash flows from operating activities - discontinued operations	705	—	705
Cash flows from operating activities - continuing operations not impacted by reclassification	*8,858*	—	*8,858*
Total Cash flows from operating activities	**€ 10,385**	**€ —**	**€ 10,385**

(1) Previously reported as Change in other payables and receivables

3. Scope of consolidation

The following table sets forth a list of the principal subsidiaries of FCA, which are grouped by our reportable segments, as well as our holding and other companies:

Name	Country	Percentage Interest Held
North America		
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
Alfa Romeo (Shanghai) Automobiles Sales Co. Ltd.	People’s Republic of China	100.00
EMEA		
FCA Italy S.p.A.	Italy	100.00
FCA Poland Spólka 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.S.	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
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 SENC[1]	Luxembourg	100.00

(1) Previously named Fiat Chrysler Finance Europe S.A.

Magneti Marelli Discontinued Operations and Disposal

On April 5, 2018, the FCA Board of Directors announced that it had authorized FCA management to develop and implement a plan to separate the Magneti Marelli business from the Group and to distribute shares of a new holding company for Magneti Marelli to the shareholders of FCA.

At September 30, 2018, the separation within the next twelve months became highly probable and Magneti Marelli operations met the criteria to be classified as a disposal group held for sale. It also met the criteria to be classified as a discontinued operation pursuant to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations.*

On October, 22, 2018, FCA announced that it has entered into a definitive agreement to sell its Magneti Marelli business to CK Holdings Co., Ltd. On May 2, 2019, FCA completed the sale of Magneti Marelli for consideration of €5,772 million (including €5,774 million cash consideration, contingent consideration receivable with a fair value of €70 million, contingent consideration payable by FCA of €16 million, costs relating to the transaction of €16 million and a preliminary purchase price adjustment of approximately €40 million) subject to customary final confirmation of purchase price adjustments by the buyer.

The following table shows the calculation of the gain on sale on the Magneti Marelli transaction:

		At May 2, 2019
		(€ million)
Intangible assets	€	788
Property, plant and equipment		2,146
Financial receivables		10
Cash and cash equivalents		426
Other assets		2,055
Debt		(782)
Trade and other payables		(1,942)
Other liabilities		(791)
Net assets sold	**€**	**1,910**
Consideration		5,772
Reclassification of amounts in OCI relating to Magneti Marelli[1]		(91)
Gain on sale attributable to FCA	**€**	**3,771**

(1) Excluding amounts related to remeasurement of defined benefit plans.

Refer to the Consolidated Statement of Cash flows for the year ended December 31, 2019, for the aggregate cash flows arising from the sale of Magneti Marelli, which consists of the cash consideration received net of the cash and cash equivalents transferred in the sale, as disclosed in the table above.

The presentation of the Magneti Marelli business is as follows:

- The operating results of Magneti Marelli have been excluded from the Group's continuing operations and are presented net of taxes as a single line item within the Consolidated Income Statement up to the completion of the sale transaction on May 2, 2019 and for the years ended December 31, 2018 and 2017. In order to present the financial effects of a discontinued operation, revenues and expenses arising from intercompany transactions were eliminated except for those revenues and expenses that are considered to continue after the disposal of the discontinued operation. However, no profit or loss is recognized for intercompany transactions within the Consolidated Income Statement.

- The assets and liabilities of Magneti Marelli have been classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at December 31, 2018.

- Cash flows arising from Magneti Marelli up to the completion of the sale transaction on May 2, 2019, have been presented separately as discontinued cash flows from operating, investing and financing activities within the Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017. These cash flows represent those arising from transactions with third parties.

- In accordance with the IFRS 5, depreciation and amortization on the assets of Magneti Marelli ceased as at September 30, 2018. The impact of ceasing depreciation of the property, plant and equipment and amortization of the intangible assets of Magneti Marelli was €134 million for the period up to the completion of the sale transaction on May 2, 2019 (€96 million for the year ended December 31, 2018), net of tax of €27 million (€20 million for the year ended December 31, 2018).

- The operating results from discontinued operations includes €5 million of interest on lease liabilities for the year ended December 31, 2019.

- Total expenses recognized in the operating results from discontinued operations relating to short-term leases and low-value assets leases amounted to €6 million and €2 million, respectively, for the period up to the completion of the sale transaction on May 2, 2019.

The following table represents the assets and liabilities of the Magneti Marelli business which were classified as held for sale at December 31, 2018:

	At December 31, 2018[(1)]		
	Total	**Current**	**Non-current**
	(€ million)		
Assets classified as held for sale			
Intangible assets	€ 717	€ —	€ *717*
Property, plant and equipment	1,793	—	*1,793*
Deferred tax assets	127	—	*127*
Inventories	766	*766*	—
Trade and other receivables	545	*492*	*53*
Cash and cash equivalents	719	*719*	—
Other assets	129	*27*	*102*
Total Assets held for sale[(2)]	**€ 4,796**		
Liabilities classified as held for sale			
Debt	€ 177	€ *64*	€ *113*
Employee benefits liabilities	300	*55*	*245*
Provisions	210	*100*	*110*
Deferred tax liabilities	99	—	*99*
Trade and other payables	1,788	*1,788*	—
Other liabilities	357	*305*	*52*
Total Liabilities held for sale	**€ 2,931**		

(1) Amounts presented are not representative of the financial position of Magneti Marelli on a stand-alone basis; amounts are net of transactions between Magneti Marelli and other companies of the Group.
(2) Assets held for sale as presented on the face of the Consolidated Statement of Financial Position at December 31, 2018, includes €5 million not related to the Magneti Marelli business.

The following table summarizes the operating results of Magneti Marelli up to the completion of the sale transaction on May 2, 2019, that were excluded from the Consolidated Income Statement for the years ended December 31, 2019, 2018 and 2017:

	Years ended December 31,		
	2019[(1)]	**2018[(1)]**	**2017[(1)]**
	(€ million)		
Net revenues	€ 1,657	€ 4,998	€ 5,204
Expenses	1,447	4,493	4,798
Net financial expenses	5	85	124
Profit before taxes from discontinued operations	**205**	**420**	**282**
Tax expense	44	118	63
Profit after taxes from discontinued operations	**161**	**302**	**219**
Add: Gain on sale attributable to FCA	3,771	—	—
Less: Tax expense on gain on sale	2	—	—
Profit from discontinued operations, net of taxes	**€ 3,930**	**€ 302**	**€ 219**

(1) Amounts presented are not representative of the income statement of Magneti Marelli on a stand-alone basis; amounts are net of transactions between Magneti Marelli and other companies of the Group.

We have elected to present both the tax on the gain after the participation exemption of €55 million and the corresponding utilization of tax losses as a net nil impact within *Profit from discontinued operations, net of tax.*

Plastic Components and Automotive Modules Business Held for Sale

During the year ended December 31, 2019, certain entities within our plastic components and automotive modules business met the criteria to be presented as held for sale. On January 31, 2020, the Group entered into agreements for the sale of several of the groups of assets within our plastic components and automotive modules businesses for a total sale price of approximately €47.5 million.

Teksid Cast Iron Components Business Held for Sale

During December 2019, FCA announced that it had entered into an agreement with Tupy S.A. for the sale of FCA's global cast iron automotive components business, which is operated through FCA's subsidiary Teksid S.p.A.

The proposed sale includes Teksid's cast iron production facilities in Brazil, Mexico, Poland and Portugal, in addition to Teksid's interest in a joint venture in China and as a result the related assets of €325 million and liabilities of €212 million met the criteria to be presented as held for sale. The agreement values the business at €210 million enterprise value. Consideration, subject to customary purchase price adjustments, will be paid at closing expected in the second half of 2020. The proposed transaction is subject to customary closing conditions, including the receipt of antitrust approvals.

Teksid's aluminum business is not included in the transaction and will remain part of the Group.

Acquisition of the Assets of Vari-Form Inc.

During the year ended December 31, 2019, FCA N.V., through subsidiaries in Canada, Mexico and Italy, entered into asset purchase agreements for the assets of Vari-Form, a vehicle component manufacturer. The most significant element of these transactions was in Canada for an amount of U.S.$62 million (€55 million), the majority of which was allocated to goodwill, recognized within the North America segment.

Itedi S.p.A Held for Sale

On June 27, 2017, the 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, was completed. The merger transaction 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.

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.

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 U.S. Dollar obligations, as well as the deteriorating economic conditions, which constrained the ability to maintain normal production in Venezuela, we concluded we were no longer able to exert control over our Venezuelan 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"), resulting 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 has been accounted for at cost in subsequent periods.

The following significant transactions with non-controlling interests occurred:

2019

- There were no significant transactions with non-controlling interests.

2018

- There were no significant transactions with non-controlling interests.

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.

4. Net revenues

Net revenues were as follows:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Revenues from:			
Sales of goods	€ 103,019	€ 104,990	€ 102,029
Services provided	3,961	3,871	2,182
Contract revenues	672	958	935
Lease installments from assets sold with a buy-back commitment	362	394	421
Interest income of financial services activities	173	199	163
Total Net revenues	**€ 108,187**	**€ 110,412**	**€ 105,730**

Net revenues by geographical area were as follows:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Net revenues in:			
North America[1]	€ 73,848	€ 73,405	€ 67,500
Brazil	7,423	6,452	5,982
Italy	7,259	8,815	8,407
France	3,021	3,204	3,121
Germany	2,519	2,755	2,804
China	1,753	1,974	3,562
Spain	1,200	1,397	1,306
United Kingdom	995	1,136	1,267
Argentina	861	1,384	1,791
Japan	839	718	735
Turkey	739	896	1,244
Australia	320	418	496
Other countries	7,410	7,858	7,515
Total Net revenues	**€ 108,187**	**€ 110,412**	**€ 105,730**

(1) Refers to the geographical area and not our North America reporting segment.

Net revenues attributed by segment for the years ended December 31, 2019 and 2018 were as follows:

2019	Mass-Market Vehicles North America	LATAM	APAC	EMEA	Maserati	Other activities	Total
	(€ million)						
Revenues from:							
Sales of goods	€ 70,809	€ 8,059	€ 2,674	€ 19,275	€ 1,563	€ 639	€ 103,019
Services provided	2,388	297	27	950	29	270	3,961
Construction contract revenues	—	—	—	—	—	672	672
Revenues from goods and services	**73,197**	**8,356**	**2,701**	**20,225**	**1,592**	**1,581**	**107,652**
Lease installments from assets sold with a buy-back commitment	140	—	—	222	—	—	362
Interest income from financial services activities	—	93	61	19	—	—	173
Total Net revenues	**€ 73,337**	**€ 8,449**	**€ 2,762**	**€ 20,466**	**€ 1,592**	**€ 1,581**	**€ 108,187**

2018	Mass-Market Vehicles North America	LATAM	APAC	EMEA	Maserati	Other activities	Total
	(€ million)						
Revenues from:							
Sales of goods	€ 69,908	€ 7,756	€ 2,560	€ 21,516	€ 2,606	€ 644	€ 104,990
Services provided	2,287	270	21	945	39	309	3,871
Construction contract revenues	—	—	—	—	—	958	958
Revenues from goods and services	**72,195**	**8,026**	**2,581**	**22,461**	**2,645**	**1,911**	**109,819**
Lease installments from assets sold with a buy-back commitment	158	—	—	235	—	1	394
Interest income from financial services activities	—	116	65	18	—	—	199
Total Net revenues	**€ 72,353**	**€ 8,142**	**€ 2,646**	**€ 22,714**	**€ 2,645**	**€ 1,912**	**€ 110,412**

The Group recognized a net decrease in Net revenues of €4 million during the year ended December 31, 2019 (net decrease in Net revenues of €14 million during the year ended December 31, 2018) from performance obligations satisfied in the prior year. This was primarily due to changes in the estimated cost of sales incentive programs occurring after the Group had transferred control of vehicles to the dealers.

5. Research and development costs

Research and development costs were as follows:

	Years ended December 31, 2019	2018	2017
	(€ million)		
Research and development expenditures expensed	€ 1,305	€ 1,448	€ 1,506
Amortization of capitalized development expenditures	1,358	1,456	1,294
Impairment and write-off of capitalized development expenditures	949	147	103
Total Research and development costs	**€ 3,612**	**€ 3,051**	**€ 2,903**

Refer to Note 2, *Basis of Preparation - Use of estimates - Recoverability of non-current assets with definite useful lives* for detail on the impairment and write-off of capitalized development expenditures during the years ended December 31, 2019, 2018 and 2017.

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 Net financial expenses:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Interest income and other financial income	**€ 261**	**€ 249**	**€ 220**
Financial expenses:			
Interest expense and other financial expenses:	784	929	1,084
Interest expense on notes	*370*	*422*	*568*
Interest expense on borrowings from bank	*181*	*259*	*350*
Other interest cost and financial expenses	*233*	*248*	*166*
Interest on lease liabilities(1)	88	—	—
Write-down of financial assets	21	6	21
Losses on disposal of securities	2	6	5
Net interest expense on employee benefits provisions	298	276	304
Total Financial expenses	**1,193**	**1,217**	**1,414**
Net expenses from derivative financial instruments and exchange rate differences	73	88	151
Total Financial expenses and Net expenses from derivative financial instruments and exchange rate differences	**1,266**	**1,305**	**1,565**
Net Financial expenses	**€ 1,005**	**€ 1,056**	**€ 1,345**

(1) Interest on lease liabilities previously recognized in accordance with IAS 17 during the years ended December 31, 2018 and 2017, was not material for reclassification.

7. Tax expense

The following table summarizes Tax expense:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Current tax expense	€ 435	€ 592	€ 832
Deferred tax expense	872	520	1,776
Tax expense/(benefit) relating to prior periods	14	(334)	(20)
Total Tax expense	**€ 1,321**	**€ 778**	**€ 2,588**

The applicable tax rate used to determine 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 19.0 percent in 2019 (19.0 percent in 2018 and 19.25 percent in 2017) and income taxes recognized was as follows:

	Years ended December 31,		
	2019	**2018**	**2017**
		(€ million)	
Theoretical income taxes	€ 766	€ 781	€ 1,126
Tax effect on:			
Recognition and utilization of previously unrecognized deferred tax assets	(159)	—	(161)
Permanent differences	(411)	(416)	(397)
Tax credits	(112)	(135)	(23)
Deferred tax assets not recognized and write-downs	976	633	1,053
Differences between foreign tax rates and the theoretical applicable tax rate and tax holidays	171	207	970
Taxes relating to prior years	14	(334)	(20)
Tax rate changes	9	—	(22)
Withholding tax	41	41	78
Other differences	20	(15)	(8)
Total Tax expense, excluding IRAP[(1)]	**1,315**	**762**	**2,596**
Effective tax rate	*32.7 %*	*18.5 %*	*44.2 %*
IRAP (current and deferred)	6	16	(8)
Total Tax expense	**€ 1,321**	**€ 778**	**€ 2,588**

(1) Local income tax due in Italy

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 33 percent in 2019 from 19 percent in 2018 was primarily related to (i) non-recurring benefit recognized for U.S. prior years' tax positions finalized in 2018; and (ii) no corresponding tax benefit for primarily all of the impairment charges of €1,376 million recognized in relation to the rationalization of product portfolio plans (refer to *Cost of Revenues* above) due to partial recognition of deferred tax assets in Italy.

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,	
	2019	**2018**
	(€ million)	
Deferred tax assets	€ 1,689	€ 1,814
Deferred tax liabilities	(1,628)	(937)
Total Net deferred tax assets	**€ 61**	**€ 877**

The decrease in Net deferred tax assets at December 31, 2019 from December 31, 2018 was mainly due to a net decrease of €831 million consisting of an increase in deferred tax liabilities in North America related to provisions, acceleration of tax depreciation and amortization on capital expenditures, partially offset by utilization of U.S. tax credit carryforwards, and decrease of €179 million of the recognized deferred tax asset in Italy partially offset by the recognition of previously unrecognized deferred tax assets in the UK of €151 million.

The significant components of Deferred tax assets and liabilities and their changes during the years ended December 31, 2019 and 2018 were as follows:

	At January 1, 2019[(1)]	Recognized in Consolidated Income Statement	Recognized in Equity	Transferred to Assets/(Liabilities) Held for Sale	Translation differences and other changes	At December 31, 2019
			(€ million)			
Deferred tax assets arising on:						
Provisions	€ 4,127	€ (470)	€ —	€ 10	€ 6	€ 3,673
Provision for employee benefits	1,487	(41)	1	1	22	1,470
Lease liabilities[(1)]	260	106	—	(1)	4	369
Intangible assets	166	(15)	—	—	—	151
Impairment of financial assets	155	(1)	—	—	12	166
Inventories	246	(56)	—	—	(2)	188
Allowances for doubtful accounts	96	13	—	—	(4)	105
Other	685	(22)	(4)	1	42	702
Total Deferred tax assets	**€ 7,222**	**€ (486)**	**€ (3)**	**€ 11**	**€ 80**	**€ 6,824**
Deferred tax liabilities arising on:						
Accelerated depreciation	€ (2,296)	€ (33)	€ —	€ (1)	€ —	€ (2,330)
Capitalized development assets	(2,440)	(129)	—	—	(32)	(2,601)
Other Intangible assets and Intangible assets with indefinite useful lives	(912)	36	—	—	(72)	(948)
Right-of-use assets[(1)]	(260)	(101)	—	—	(4)	(365)
Provision for employee benefits	(91)	(9)	22	—	1	(77)
Other	(424)	156	38	—	(17)	(247)
Total Deferred tax liabilities	**€ (6,423)**	**€ (80)**	**€ 60**	**€ (1)**	**€ (124)**	**€ (6,568)**
Deferred tax asset arising on tax loss carry-forwards	€ 4,963	€ 106	€ —	€ 12	€ (220)	€ 4,861
Unrecognized deferred tax assets	(4,885)	(407)	—	(20)	256	(5,056)
Total Net deferred tax assets	**€ 877**	**€ (867)**	**€ 57**	**€ 2**	**€ (8)**	**€ 61**

(1) Net deferred tax assets at January 1, 2019 has been adjusted for the deferred tax impact arising from Right-of-use assets and Lease liabilities following the adoption of IFRS 16. Refer to Note 2., Basis of preparation for additional information on the adoption of IFRS 16.

	At January 1, 2018	Recognized in Consolidated Income Statement	Recognized in Equity	Transferred to Assets/(Liabilities) Held for Sale	Translation differences and other changes	At December 31, 2018
			(€ million)			
Deferred tax assets arising on:						
Provisions	€ 3,848	€ 240	€ —	€ (55)	€ 94	€ 4,127
Provision for employee benefits	1,828	(280)	(77)	(31)	47	1,487
Intangible assets	192	(24)	—	(2)	—	166
Impairment of financial assets	169	(1)	—	(13)	—	155
Inventories	252	22	—	(24)	(4)	246
Allowances for doubtful accounts	122	(6)	—	(7)	(13)	96
Other	387	48	4	(77)	323	685
Total Deferred tax assets	**€ 6,798**	**€ (1)**	**€ (73)**	**€ (209)**	**€ 447**	**€ 6,962**
Deferred tax liabilities arising on:						
Accelerated depreciation	€ (1,891)	€ (386)	€ —	€ 29	€ (48)	€ (2,296)
Capitalized development expenditures	(2,116)	(103)	—	81	(302)	(2,440)
Other Intangible assets and Intangible assets with indefinite useful lives	(849)	(20)	—	2	(45)	(912)
Provision for employee benefits	(50)	(2)	(1)	3	(41)	(91)
Other	(314)	(103)	5	86	(98)	(424)
Total Deferred tax liabilities	**€ (5,220)**	**€ (614)**	**€ 4**	**€ 201**	**€ (534)**	**€ (6,163)**
Deferred tax asset arising on tax loss carry-forwards	€ 4,718	€ 708	€ —	€ (328)	€ (135)	€ 4,963
Unrecognized deferred tax assets	(4,680)	(662)	(12)	308	161	(4,885)
Total Net deferred tax assets	**€ 1,616**	**€ (569)**	**€ (81)**	**€ (28)**	**€ (61)**	**€ 877**

The Italian tax authorities commenced an audit of Fiat S.p.A in 2017 and on October 22, 2019, issued to the Company a final audit report related to the 2014 Merger. On December 23, 2019, this matter was settled with the Italian tax authorities. Under the terms of the settlement, the value of FCA North America, consisting primarily of the underlying value of Chrysler Group LLC at the time of the 2014 Merger, is increased by €2.5 billion which results in an additional taxable gain of €2.5 billion in 2014 for Italian tax purposes. The €2.5 billion Italian taxable gain is offset by €400 million (tax-effected €96 million) of previously forfeited Italian tax loss carryforwards that could only be used to offset income arising from the 2014 Merger and of available, unrecognized Italian tax loss carryforwards of €2.1 billion (tax-effected €504 million). As a result, there is no cash tax or tax expense impact to FCA as a result of the settlement and the unrecognized Italian tax loss carryforwards are reduced by €2.1 billion (tax-effected €504 million). Refer below for additional information regarding the recognized and unrecognized Italian net deferred tax assets.

As of December 31, 2019, the Group had total Deferred tax assets on deductible temporary differences of €6,824 million (€6,962 million at December 31, 2018), of which €1,113 million was not recognized (€898 million at December 31, 2018). As of December 31, 2019, the Group also had Deferred tax assets on tax loss carry-forwards of €4,861 million (€4,963 million at December 31, 2018), of which €3,943 million was not recognized (€3,987 million at December 31, 2018).

As of December 31, 2019, the Group had net recognized and unrecognized deferred tax assets of €3,263 million (€3,370 million at December 31, 2018) in Italy primarily attributable to Italian tax loss carry-forwards that can be carried forward indefinitely. A deferred tax asset is recognized for Italian tax loss carry-forwards to the extent the realization of the related tax benefit is supported through achievement of the Group's business plan. The Group continues to recognize Italian Net deferred tax assets of €705 million (€884 million at December 31, 2018) as the Group considers it probable that we will have sufficient taxable income in the future that will allow realization of these net deferred tax assets. The utilization of Italian tax loss carry-forwards for which currently no deferred tax asset is recognized is subject to future sustained profitability, as well as, the achievement of taxable income in periods which are beyond the Group's business plan and therefore this utilization is uncertain. As a result, €2,558 million of Net deferred tax assets in Italy were not recognized as of December 31, 2019 (€2,486 million at December 31, 2018).

As of December 31, 2019, the Group had net recognized and unrecognized deferred tax assets of €1,888 million (€1,532 million at December 31, 2018) in Brazil primarily attributable to Brazilian tax loss carry-forwards that can be carried forward indefinitely. A deferred tax asset is recognized for Brazilian tax loss carry-forwards to the extent the realization of the related tax benefit is supported through achievement of the Group's business plan. The Group continues to recognize Brazilian Net deferred tax assets of €131 million (€133 million at December 31, 2018) as the Group considers it probable that we will have sufficient taxable income in the future that will allow realization of these net deferred tax assets. The utilization of Brazilian tax loss carry-forwards for which currently no deferred tax asset is recognized is subject to future sustained profitability, as well as, the achievement of taxable income in periods which are beyond the Group's business plan and therefore this utilization is uncertain. As a result, €1,757 million of Net deferred tax assets in Brazil, which include Brazil tax losses, were not recognized as of December 31, 2019 (€1,399 million at December 31, 2018).

As of December 31, 2019, the Group had net recognized and unrecognized deferred tax assets of €151 million (€162 million at December 31, 2018) in the UK primarily attributable to UK tax loss carry-forwards that can be carried forward indefinitely. A deferred tax asset is recognized for the UK tax loss carried forwards to the extent the realization of the related tax benefit is supported through generation of taxable income. The Group recognizes UK Net deferred tax assets of €151 million (nil at December 31, 2018) as the Group considers it probable that we will have sufficient taxable income in the future that will allow realization of these net deferred tax assets.

The realization of these deferred tax assets is sensitive to the assumptions and judgments used in the determination of the taxable income in the future, as well as, our ability to affect tax planning strategies, as necessary. In Brazil, the continued realization of our recognized deferred tax assets is dependent on our ability to generate taxable income in the future, particularly in the periods after certain tax benefits and the government incentives expire. The deferred tax assets in the UK may be impacted by future reorganizations or changes in tax residency. Certain jurisdictions within EMEA in which the Group operates may begin to generate profits or taxable income in the future. While we have not yet recognized all deferred tax assets in these jurisdictions, it is possible our assessment of realizability could change, resulting in the recognition of additional deferred tax assets in our Balance Sheet and the related income tax benefit in our Income Statement. Refer to Note 2, *Basis of Preparation - Use of estimates - Recoverability of deferred tax assets* for additional detail.

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, 2019, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiration, were as follows:

	At December 31, 2019	Year of expiration					
		2020	2021	2022	2023	Beyond 2023	Unlimited/ Indeterminable
	(€ million)						
Temporary differences and tax losses relating to corporate taxation:							
Deductible temporary differences	€ 27,294	€ 3,701	€ 3,019	€ 2,834	€ 3,068	€ 14,340	€ 332
Taxable temporary differences	(26,931)	(2,623)	(2,664)	(2,689)	(2,746)	(13,054)	(3,155)
Tax losses	18,135	71	83	90	185	1,500	16,206
Amounts for which deferred tax assets were not recognized	(18,089)	(560)	(107)	(31)	(597)	(2,885)	(13,909)
Temporary differences and tax losses relating to corporate taxation	**€ 409**	**€ 589**	**€ 331**	**€ 204**	**€ (90)**	**€ (99)**	**€ (526)**
Temporary differences and tax losses relating to local taxation (i.e. IRAP in Italy):							
Deductible temporary differences	€ 9,674	€ 1,145	€ 648	€ 574	€ 1,083	€ 6,171	€ 53
Taxable temporary differences	(7,896)	(724)	(706)	(706)	(762)	(4,895)	(103)
Tax losses	4,985	1	—	1	—	5	4,978
Amounts for which deferred tax assets were not recognized	(6,290)	(410)	(69)	(10)	(503)	(638)	(4,660)
Temporary differences and tax losses relating to local taxation	**€ 473**	**€ 12**	**€ (127)**	**€ (141)**	**€ (182)**	**€ 643**	**€ 268**

8. Other information by nature

Personnel costs for the continuing operations of the Group for the years ended December 31, 2019, 2018 and 2017 amounted to €11.4 billion, €11.7 billion and €11.7 billion, respectively, and included costs that were capitalized mainly in connection with product development activities.

For the years ended December 31, 2019, 2018 and 2017, the continuing operations of the Group had an average number of employees of 198,772, 203,122 and 197,040, respectively.

Amounts relating to IFRS 16 recognized in Profit before taxes

Amounts recognized within *Profit before taxes* for the year ended December 31, 2019 were as follows:

	Year ended December 31, 2019
	(€ million)
Depreciation of right-of-use assets	€ 346
Interest expense on lease liabilities	88
Variable lease payments not included in the measurement of lease liabilities	3
Income from sub-leasing right-of-use assets	(85)
Expenses relating to short-term leases and to leases of low-value assets	186
Gains arising from sale and leaseback transactions	(91)
Total expense recognized in Net profit from continuing operations	**€ 447**

The impact of adoption of IFRS 16 on our Consolidated Income Statement for the year ended December 31, 2019 was immaterial.

9. Goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives at December 31, 2019 and 2018 are summarized below:

	Goodwill				
	Gross amount	*Accumulated impairment losses*	Total Goodwill	Brands	Total Goodwill and intangible assets with indefinite useful lives
			(€ million)		
At January 1, 2018	**€ *10,850***	**€ *(454)***	**€ 10,396**	**€ 2,994**	**€ 13,390**
Transfers to Assets held for sale	*(96)*	*33*	(63)	—	(63)
Translation differences and Other	*500*	*1*	501	142	643
At December 31, 2018	***11,254***	***(420)***	**10,834**	**3,136**	**13,970**
Additions	*34*	—	34	—	34
Transfers to Assets held for sale	*(11)*	—	(11)	—	(11)
Translation differences and Other	*162*	*46*	208	56	264
At December 31, 2019	**€ *11,439***	**€ *(374)***	**€ 11,065**	**€ 3,192**	**€ 14,257**

Translation differences in 2019 and 2018 primarily related to foreign currency transaction of 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 North America segment. These rights are protected legally through registration with government agencies and through their 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 North America segment.

Goodwill

At December 31, 2019, Goodwill included €11,008 million from the acquisition of FCA US (€10,801 million at December 31, 2018) and €34 million from the acquisition of Vari-Form (refer to Note 3, *Scope of consolidation*). At December 31, 2018, €63 million of goodwill was classified within Assets held for sale as a result of Magneti Marelli meeting the held for sale criteria (refer to 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, 2019, 2018 and 2017. Refer to Note 2, *Basis of preparation - Use of estimates* for discussion of the assumptions and judgments relating to goodwill impairment testing.

The following table summarizes the allocation of Goodwill between FCA's reportable segments:

	At December 31,	
	2019	2018
	(€ million)	
North America	€ 9,059	€ 8,855
APAC	1,174	1,152
LATAM	563	552
EMEA	269	264
Other activities	—	11
Total Goodwill	**€ 11,065**	**€ 10,834**

10. Other intangible assets

	Capitalized development expenditures	Patents, concessions, licenses and credits	Other intangible assets	Total
		(€ million)		
Gross carrying amount at January 1, 2018	**€ 19,899**	**€ 3,583**	**€ 804**	**€ 24,286**
Additions	2,235	639	93	2,967
Divestitures	(568)	(224)	(89)	(881)
Transfer to Assets held for sale	(1,553)	(132)	(131)	(1,816)
Translation differences and other changes	215	133	(41)	307
At December 31, 2018	**20,228**	**3,999**	**636**	**24,863**
Additions	2,889	600	67	3,556
Divestitures	(338)	(127)	(82)	(547)
Transfer to Assets held for sale	—	(3)	(16)	(19)
Translation differences and other changes	147	103	(5)	245
At December 31, 2019	**22,926**	**4,572**	**600**	**28,098**
Accumulated amortization and impairment losses at January 1, 2018	**10,202**	**2,029**	**513**	**12,744**
Amortization	1,543	379	50	1,972
Impairment losses and asset write-offs	153	—	—	153
Divestitures	(553)	(30)	(89)	(672)
Transfer to Assets held for sale	(973)	(98)	(91)	(1,162)
Translation differences and other changes	31	82	(34)	79
At December 31, 2018	**10,403**	**2,362**	**349**	**13,114**
Amortization	1,358	426	48	1,832
Impairment losses and asset write-offs	949	—	4	953
Divestitures	(337)	(2)	(8)	(347)
Transfer to Assets held for sale	—	(3)	(13)	(16)
Translation differences and other changes	46	72	(3)	115
At December 31, 2019	**12,419**	**2,855**	**377**	**15,651**
Carrying amount at December 31, 2018	**€ 9,825**	**€ 1,637**	**€ 287**	**€ 11,749**
Carrying amount at December 31, 2019	**€ 10,507**	**€ 1,717**	**€ 223**	**€ 12,447**

Capitalized development expenditures include both internal and external costs that are directly attributable to the internal product development process, 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 2019, €953 million of impairment losses and asset write-offs were recognized, including a total of €813 million of impairment losses and asset write-offs resulting from rationalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo resulted in the recognition of asset impairment charges for certain platforms. In 2018, a total of €153 million impairment losses and asset write-offs were recognized. Refer to Note 2, *Basis of Preparation - Use of estimates - Recoverability of non-current assets with definite useful lives* for additional detail regarding the assumptions and judgments used when testing these assets for impairment.

Translation differences primarily related to foreign currency translation of the U.S. Dollar to the Euro.

Amortization of capitalized development expenditures is recognized within Research and development costs within the 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, 2019 and 2018, the Group had contractual commitments for the purchase of intangible assets amounting to €1,419 million (refer to Note 25, *Guarantees granted, commitments and contingent liabilities* for further information on the Group's contractual commitments for the purchase of regulatory emission credits) and €215 million, respectively.

11. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property under IAS 40 - *Investment Property*. The Group leases assets including land, industrial buildings, plant machinery and equipment, and other assets.

	Land	Industrial buildings	Plant, machinery and equipment	Other assets	Advances and tangible assets in progress	Total
	(€ million)					
Gross carrying amount at January 1, 2018	€ **885**	€ **8,494**	€ **51,053**	€ **3,003**	€ **2,812**	€ **66,247**
Additions	7	183	1,976	84	811	3,061
Divestitures	(11)	(16)	(872)	(40)	(5)	(944)
Translation differences	(10)	(34)	123	57	47	183
Transfer to Assets held for sale	(21)	(401)	(3,870)	(294)	(299)	(4,885)
Other changes	1	113	1,607	56	(1,838)	(61)
At December 31, 2018	**851**	**8,339**	**50,017**	**2,866**	**1,528**	**63,601**
IFRS 16 adoption effect	26	888	77	78	—	1,069
Balance at January 1, 2019	**877**	**9,227**	**50,094**	**2,944**	**1,528**	**64,670**
Additions	33	274	1,587	222	3,287	5,403
Divestitures	(40)	(46)	(1,135)	(124)	(3)	(1,348)
Change in the scope of consolidation	—	—	63	—	1	64
Translation differences	8	96	507	45	19	675
Transfer to Assets held for sale	(15)	(149)	(502)	(17)	(23)	(706)
Other changes	36	25	857	(4)	(886)	28
At December 31, 2019	**899**	**9,427**	**51,471**	**3,066**	**3,923**	**68,786**
Accumulated depreciation and impairment losses at January 1, 2018	**37**	**3,298**	**32,082**	**1,800**	**16**	**37,233**
Depreciation	—	283	3,303	262	—	3,848
Divestitures	(5)	—	(851)	(34)	—	(890)
Impairment losses and asset write-offs	—	—	140	—	4	144
Translation differences	—	(1)	89	30	—	118
Transfer to Assets held for sale	—	(204)	(2,663)	(223)	(2)	(3,092)
Other changes	—	(11)	(68)	20	(8)	(67)
At December 31, 2018	**32**	**3,365**	**32,032**	**1,855**	**10**	**37,294**
IFRS 16 adoption effect	—	—	—	—	—	—
Balance at January 1, 2019	**32**	**3,365**	**32,032**	**1,855**	**10**	**37,294**
Depreciation	3	411	2,876	323	—	3,613
Divestitures	(2)	(32)	(1,098)	(115)	—	(1,247)
Impairment losses and asset write-offs	—	2	618	16	—	636
Change in the scope of consolidation	—	—	11	—	—	11
Translation differences	—	29	305	25	—	359
Transfer to Assets held for sale	(3)	(107)	(384)	(17)	(1)	(512)
Other changes	—	9	19	(4)	—	24
At December 31, 2019	**30**	**3,677**	**34,379**	**2,083**	**9**	**40,178**
Carrying amount at December 31, 2018	€ **819**	€ **4,974**	€ **17,985**	€ **1,011**	€ **1,518**	€ **26,307**
Carrying amount at December 31, 2019	€ **869**	€ **5,750**	€ **17,092**	€ **983**	€ **3,914**	€ **28,608**

Included within the total €28,608 million Property, plant and equipment amounts presented above are owned property, plant and equipment of €26,987 million and right-of-use assets of €1,621 million.

Changes in Right-of-use assets are as follows:

	Land		Industrial buildings		Plant, machinery and equipment		Other assets		Total
					(€ million)				
Balance at December 31, 2018	**€**	**—**	**€**	**197**	**€**	**129**	**€**	**—**	**€**	**326**
IFRS 16 adoption effect		26		888		77		78		1,069
Balance at January 1, 2019(1)		**26**		**1,085**		**206**		**78**		**1,395**
Depreciation		(3)		(150)		(100)		(93)		(346)
Additions		11		167		236		163		577
Change in the scope of consolidation		—		18		26		—		44
Translation differences		1		24		2		1		28
Other		(28)		(24)		(21)		(4)		(77)
Balance at December 31, 2019	**€**	**7**	**€**	**1,120**	**€**	**349**	**€**	**145**	**€**	**1,621**

(1) The opening balance as of January 1, 2019 includes €326 million of assets previously recognized in accordance with IAS 17.

For the year ended December 31, 2019, the Group recognized a total of €636 million of impairment losses and asset write-offs, including a total of €563 million resulting from rationalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo resulted in the recognition of asset impairment charges for certain platforms. Refer to Note 2, *Basis of Preparation - Use of estimates - Recoverability of non-current assets with definite useful lives* for additional detail regarding the assumptions and judgments used when testing these assets for impairment.

For the year ended December 31, 2018, the Group recognized a total of €144 million of impairment losses and asset write-offs, primarily in EMEA, resulting from changes in product plans in connection with the 2018-2022 business plan. Refer to Note 2, *Basis of Preparation - Use of estimates - Recoverability of non-current assets with definite useful lives* for additional detail regarding the assumptions and judgments used when testing these assets for impairment.

These impairment charges were recognized within Cost of revenues in the Consolidated Income Statement for the years ended December 31, 2019, and 2018.

In 2019, translation differences of €316 million primarily reflected the foreign currency transaction impacts of U.S. Dollar to the Euro, partially offset by the Brazilian Real. In 2018, translation differences of €65 million primarily reflected the strengthening of the U.S Dollar against Euro partially offset by the weakness of the Brazilian Real.

The carrying amounts of Property, plant and equipment of the Group (excluding the Right-of-Use assets described above) reported as pledged as security for debt and other commitments, primarily relating to our operations in Brazil, are summarized as follows:

	At December 31,			
	2019		2018	
	(€ million)			
Land and industrial buildings pledged as security for debt	€	777	€	892
Plant and machinery pledged as security for debt and other commitments		855		1,241
Other assets pledged as security for debt and other commitments		5		81
Total Property, plant and equipment pledged as security for debt and other commitments	**€**	**1,637**	**€**	**2,214**

At December 31, 2019 and 2018, the Group had contractual commitments for the purchase of Property, plant and equipment amounting to €1,255 million and €539 million, respectively.

12. Investments accounted for using the equity method

The following table summarizes Investments accounted for using the equity method:

	At December 31,			
	2019		2018	
	(€ million)			
Joint ventures	€	1,871	€	1,866
Associates		94		96
Other		44		40
Total Investments accounted for using the equity method	**€**	**2,009**	**€**	**2,002**

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,			
	2019	2018	2019		2018	
Joint ventures	Ownership percentage		(€ million)			
FCA Bank S.p.A.	50.0%	50.0%	€	1,501	€	1,360
Tofas-Turk Otomobil Fabrikasi A.S.	37.9%	37.9%		240		233
GAC Fiat Chrysler Automobiles Co.	50.0%	50.0%		107		216
Others				23		57
Total			**€**	**1,871**	**€**	**1,866**

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. 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. On July 19, 2019, FCA and Crédit Agricole Consumer Finance agreed to extend the term until December 31, 2024. The agreement will be automatically renewed unless notice of non-renewal is provided no later than three years before end of the term. A notice of non-renewal would trigger certain put and call rights.

The financial statements of FCA Bank as at and for the year ended December 31, 2019 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 2020 FCA Consolidated Financial Statements when available.

The following tables include summarized financial information relating to FCA Bank:

	At June 30, 2019		At December 31, 2018	
	(€ million)			
Financial assets	€	26,995	€	26,180
Of which: Cash and cash equivalents		*767*		*363*
Other assets		4,889		4,356
Financial liabilities		27,133		26,265
Other liabilities		1,643		1,393
Equity (100%)		3,108		2,878
Net assets attributable to owners of the parent		3,058		2,829
Carrying amount of interest in FCA Bank				
Group's share of net assets		1,529		1,415
Elimination of unrealized profits and other adjustments		(28)		(55)
Carrying amount of interest in FCA Bank[1]	**€**	**1,501**	**€**	**1,360**

(1) Amounts as at December 31, 2019 and 2018 respectively.

	Six months ended June 30		Years ended December 31,			
	2019		2018		2017	
	(€ million)					
Interest and similar income	€	466	€	903	€	855
Interest and similar expenses		(117)		(242)		(266)
Income tax expense		(75)		(159)		(139)
Profit from continuing operations		238		388		383
Net profit		238		388		383
Net profit attributable to owners of the parent (A)		236		383		378
Other comprehensive income/(loss) attributable to owners of the parent (B)		(8)		(5)		(8)
Total Comprehensive income attributable to owners of the parent (A+B)	€	228	€	378	€	370
Group's share of net profit[1]	**€**	**229**	**€**	**192**	**€**	**189**

(1) Amounts for the years ended December 31, 2019, 2018 and 2017 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, 2019, the fair value of the Group's interest in Tofas was €764 million (€531 million at December 31, 2018).

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 included 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,		
	2019	2018	2017
	(€ million)		
Joint Ventures	€ 200	€ 221	€ 381
Associates	(2)	6	9
Other	10	13	10
Total Share of the profit of equity method investees	**€ 208**	**€ 240**	**€ 400**

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,		
	2019	2018	2017
	(€ million)		
Joint ventures:			
(Loss)/profit from continuing operations	€ (28)	€ 27	€ 192
Net (loss)/profit	**(28)**	**27**	**192**
Other comprehensive loss	(19)	(91)	(105)
Total Other comprehensive (loss)/income	**€ (47)**	**€ (64)**	**€ 87**
Associates:			
(Loss)/income from continuing operations	€ (2)	€ 6	€ 9
Net (loss)/income	**(2)**	**6**	**9**
Other comprehensive loss	—	(3)	(3)
Total Other comprehensive (loss)/income	**€ (2)**	**€ 3**	**€ 6**

13. Other Financial assets

Other financial assets consisted of the following:

	Note	At December 31,					
		2019			2018		
		Current	Non-current	Total	Current	Non-current	Total
		(€ million)					
Derivative financial assets	16	€ 93	€ 5	€ 98	€ 283	€ 14	€ 297
Debt securities measured at fair value through profit or loss	23	233	—	233	230	—	230
Debt securities measured at amortized cost		297	2	299	61	2	63
Equity instruments measured at fair value through other comprehensive income	23	—	37	37	—	31	31
Equity instruments mandatorily designated at fair value through profit and loss	23	47	12	59	41	2	43
Financial receivables		—	242	242	—	252	252
Collateral deposits[1]	23	—	42	42	—	61	61
Total Other financial assets		**€ 670**	**€ 340**	**€ 1,010**	**€ 615**	**€ 362**	**€ 977**

(1) Collateral deposits are held in connection with derivative transactions and debt obligations.

14. Inventories

	At December 31,	
	2019	2018
	(€ million)	
Finished goods and goods for resale	€ 5,600	€ 6,776
Work-in-progress, raw materials and manufacturing supplies	3,928	3,783
Amount due from customers for contract work	194	135
Total Inventories	**€ 9,722**	**€ 10,694**

The amount of inventory write-downs recognized primarily within Cost of revenues during the years ended December 31, 2019, 2018 and 2017 was €647 million, €669 million and €626 million, respectively.

Additionally, during the year ended December 31, 2018, impairments of Inventory totaling €129 million were recognized in APAC in connection with the accelerated adoption of new emission standards in China and slower than expected sales.

The Construction contracts, net asset/(liability) relates to the design and production of industrial automation systems and related products and is summarized as follows:

	At December 31,	
	2019	2018
	(€ million)	
Aggregate amount of costs incurred and recognized profits (less recognized losses) to date	€ 826	€ 954
Less: Progress billings	715	912
Construction contracts, net asset/(liability)	**111**	**42**
Construction contract assets	194	135
Less: Construction contract liabilities (Note 22)	83	93
Construction contracts, net asset/(liability)	**€ 111**	**€ 42**

Changes in the Group's construction contracts, net asset/(liability) for the year ended December 31, 2019, were as follows:

	At January 1, 2019	Advances received from customers	Amounts recognized within revenue	At December 31, 2019
		(€ million)		
Construction contracts, net asset/(liability)	**€ 42**	€ (603)	€ 672	**€ 111**

The entire amount of Construction contracts, net asset/(liability) is expected to be recognized as revenue in the following 12 months.

15. Trade, other receivables and Tax receivables

The following table summarizes Trade, other receivables and Tax receivables by due date:

	At December 31,									
	2019					2018				
	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	€ 2,064	€ —	€ —	€ —	€ 2,064	€ 2,048	€ —	€ —	€ —	€ 2,048
Receivables from financing activities	2,855	294	6	300	3,155	3,304	297	13	310	3,614
Other receivables	1,709	695	1,381	2,076	3,785	1,836	1,086	88	1,174	3,010
Total Trade and other receivables	**€ 6,628**	**€ 989**	**€ 1,387**	**€ 2,376**	**€ 9,004**	**€ 7,188**	**€ 1,383**	**€ 101**	**€ 1,484**	**€ 8,672**
Tax receivables	**€ 372**	**€ 51**	**€ 43**	**€ 94**	**€ 466**	**€ 419**	**€ 53**	**€ 18**	**€ 71**	**€ 490**

Trade receivables

Trade receivables are shown net of an ECL allowance, which is calculated using the simplified approach. Changes in the allowance for trade receivables were as follows:

	At January 1, 2019	Provision	Use and other changes	Transferred to Assets held for sale	At December 31, 2019
			(€ million)		
ECL allowance - Trade receivables	**€ 247**	€ 32	€ (42)	€ —	**€ 237**

Trade receivables of an immaterial amount were written off during the year ended December 31, 2019, and are still subject to enforcement activities.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

	At December 31,					
	2019			2018		
	Current and less than 90 days past due	90 days or more past due	Total	Current and less than 90 days past due	90 days or more past due	Total
	(€ million)					
Gross amount	€ 1,989	€ 293	€ 2,282	€ 1,920	€ 310	€ 2,230
ECL allowance	(53)	(184)	(237)	(65)	(182)	(247)
Carrying amount	**€ 1,936**	**€ 109**	**€ 2,045**	**€ 1,855**	**€ 128**	**€ 1,983**

In addition to the amounts above, a further €19 million at December 31, 2019 (€65 million at December 31, 2018) of trade receivables were measured at FVPL. Refer to Note 23, *Fair value measurement.*

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,	
	2019	2018
	(€ million)	
Dealer financing	€ 2,317	€ 2,654
Retail financing	613	601
Finance leases	3	3
Other	222	356
Total Receivables from financing activities	**€ 3,155**	**€ 3,614**

Receivables from financing activities are shown net of an ECL allowance. Changes in the allowance for receivables from financing activities were as follows:

	At January 1, 2019	Provision	Use and other changes	Transferred to Assets held for sale	At December 31, 2019
	(€ million)				
ECL allowance - Receivables from financing activities	**€ 27**	€ 68	€ (72)	€ —	**€ 23**

Receivables from financing activities of an immaterial amount were written off during the year ended December 31, 2019, and are still subject to enforcement activities.

The following table provides information about the exposure to credit risk and ECLs for receivables from financing activities:

	At December 31,							
	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(€ million)							
Gross amount	€ 2,369	€ 194	€ 35	€ 2,598	€ 2,465	€ 168	€ 35	€ 2,668
ECL allowance	(10)	(2)	(11)	(23)	(13)	(2)	(12)	(27)
Carrying amount	**€ 2,359**	**€ 192**	**€ 24**	**€ 2,575**	**€ 2,452**	**€ 166**	**€ 23**	**€ 2,641**

In addition to the amounts above, a further €580 million at December 31, 2019 (€973 million at December 31, 2018) of receivables from financing activities were measured at FVPL. Refer to Note 23, *Fair value measurement*.

Other receivables

At December 31, 2019, Other receivables primarily consisted of tax receivables for VAT and other indirect taxes of €2,866 million (€2,149 million at December 31, 2018).

As disclosed in Note 22, *Other liabilities and Tax liabilities*, during 2017, the Brazilian Supreme Court ruled that state value added tax should be excluded from the basis for calculating a federal tax on revenue, a decision which was subsequently appealed. In March 2019, a final and definitive favorable decision was made in respect of the COFINS over ICMS element of the litigation, relating to amounts previously paid but not recovered for the period between May 2004 to December 2014. During 2019, total credits and the related receivable of €164 million were recognized, which were excluded from Adjusted EBIT (refer to Note 28, *Segment reporting*).

Transfer of financial assets

At December 31, 2019, the Group had receivables due after that date amounting to €7,301 million (€8,523 million at December 31, 2018) which had been transferred without recourse and which were derecognized in accordance with IFRS 9 – *Financial Instruments*. The transfers related to trade receivables and other receivables for €5,777 million (€6,847 million at December 31, 2018) and receivables from financing activities for €1,524 million (€1,676 million at December 31, 2018). These amounts included receivables of €4,686 million (€5,517 million at December 31, 2018), mainly due from the sales network, transferred to FCA Bank, our jointly controlled financial services company.

At December 31, 2019 and 2018, the carrying amount of transferred financial assets not derecognized and the related liabilities were as follows:

	At December 31,					
	2019			2018		
	Trade receivables	Receivables from financing activities	Total	Trade receivables	Receivables from financing activities	Total
	(€ million)					
Carrying amount of assets transferred and not derecognized	€ 11	€ 140	**€ 151**	€ 30	€ 427	**€ 457**
Carrying amount of the related liabilities (Note 21)	€ 11	€ 140	**€ 151**	€ 30	€ 427	**€ 457**

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,			
	2019		2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	(€ million)			
Fair value hedges:				
Interest rate risk - interest rate swaps	€ —	€ —	€ —	€ —
Total Fair value hedges	**—**	**—**	**—**	**—**
Cash flow hedges:				
Currency risks - forward contracts, currency swaps and currency options	34	(81)	149	(75)
Interest rate risk - interest rate swaps	—	(180)	22	(16)
Interest rate and currency risk - combined interest rate and currency swaps	—	—	17	—
Commodity price risk – commodity swaps and commodity options	21	(6)	41	(59)
Total Cash flow hedges	**55**	**(267)**	**229**	**(150)**
Net investment hedges:				
Currency risks - forward contracts, currency swaps and currency options	—	—	—	—
Total Net investment hedges	**—**	**—**	**—**	**—**
Derivatives for trading	**43**	**(51)**	**68**	**(57)**
Total Fair value of derivative financial assets/(liabilities)	**€ 98**	**€ (318)**	**€ 297**	**€ (207)**
Financial derivative assets/(liabilities) - current	€ 93	€ (194)	€ 283	€ (204)
Financial derivative assets/(liabilities) - non-current	€ 5	€ (124)	€ 14	€ (3)

The following table summarizes the outstanding notional amounts of the Group's derivative financial instruments by due date:

	At December 31,							
	2019				2018			
	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	€ 11,259	€ 30	€ —	€ 11,289	€ 12,782	€ 75	€ —	€ 12,857
Interest rate risk management	1,105	1,700	—	2,805	1,630	1,144	—	2,774
Interest rate and currency risk management	9	22	—	31	236	34	—	270
Commodity price risk management	523	27	—	550	919	28	—	947
Other derivative financial instruments	—	14	—	14	—	14	—	14
Total Notional amount	**€ 12,896**	**€ 1,793**	**€ —**	**€ 14,689**	**€ 15,567**	**€ 1,295**	**€ —**	**€ 16,862**

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 and the gains and losses arising from the respective hedged items are summarized as follows:

	Years ended December 31,		
	2019	**2018**	**2017**
		(€ million)	
Currency risk			
Net gains/(losses) on qualifying hedges	€ —	€ —	€ 104
Fair value changes in hedged items	—	—	(104)
Interest rate risk			
Net (losses) on qualifying hedges	—	(2)	(9)
Fair value changes in hedged items	—	2	10
Net gains/(losses)	**€ —**	**€ —**	**€ 1**

At December 31, 2019, there were no outstanding fair value hedges.

Cash flow hedges

Amounts recognized in the Consolidated Income Statement mainly relate to currency risk management and, to a lesser extent, 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 the Cash flow hedge reserve within Other comprehensive (loss)/income and will be subsequently 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 the Cash flow hedge reserve is recognized in the Consolidated Income Statement according to the timing of the cash flows of the underlying notes.

In 2017, the Group entered in interest rate swaps in order to hedge against the increase in interest rates in relation to future debt issuances. In 2019 and in 2018, the maturity dates for a portion of these interest rate swaps were extended. The swaps are designated as a cash flow hedge. For the year ended December 31, 2019 losses of €167 million (for the year ended December 31, 2018 gains of €31 million and for the year ended December 31, 2017 losses of €3 million) relating to such derivatives were recognized in the Cash flow hedge reserve within Other comprehensive (loss)/income. For the year ended December 31, 2019 net losses of €17 million related to ineffectiveness were recognized in the Consolidated Income Statement (net gains of €5 million for the year ended December 31, 2018. There was no ineffectiveness for the year ended December 31, 2017).

The Group reclassified gains/(losses) arising on Cash flow hedges, net of the tax effect, from Other comprehensive income and Inventories to the Consolidated Income Statement as follows:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Currency risk			
(Decrease)/increase in Net revenues	€ (27)	€ 100	€ 8
Increase in Cost of revenues	(29)	(17)	(96)
Net financial income/(expenses)	4	2	(22)
Result from investments	1	24	28
Interest rate risk			
Result from investments	(2)	1	(1)
Net financial expenses	—	—	(3)
Commodity price risk			
Decrease in Cost of revenues	7	29	28
Ineffectiveness and discontinued hedges	(33)	(5)	4
Tax (benefit)/expense	(3)	(36)	27
Items relating to discontinued operations, net of tax	2	9	1
Total recognized in the Consolidated Income Statement	**€ (80)**	**€ 107**	**€ (26)**

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, 2019, net loss of €50 million related to net investment hedges were recognized in Currency translation differences within Other comprehensive (loss)/income. At December 31, 2019, there were no outstanding net investment hedges.

For the year ended December 31, 2018, net gains of €17 million related to net investment hedges were recognized in Currency translation differences within Other comprehensive (loss)/income.

For the year ended December 31, 2017, gains of €15 million related to net investment hedges were recognized in Currency translation differences within Other comprehensive (loss)/income.

There was no ineffectiveness for the years ended December 31, 2019, 2018 and 2017.

Derivatives for trading

At December 31, 2019, 2018 and 2017, 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).

Information on the Group's risk management strategy and additional information on the Group's hedging activities is provided in Note 30, *Qualitative and quantitative information on financial risks.*

17. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	At December 31,	
	2019	2018
	(€ million)	
Cash at banks	€ 5,166	€ 4,774
Money market securities	2,293	4,352
Other cash equivalents	7,555	3,324
Total Cash and cash equivalents	**€ 15,014**	**€ 12,450**

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

2019-2021 Long Term Incentive Plan

In December 2018, the Company's Board of Directors approved the 2019-2021 Long-Term Incentive Plan ("2019-2021 LTIP"), under the framework equity incentive plan. Refer to Note 26, *Equity* for further information on the framework equity incentive plan. During May 2019, FCA awarded a total of 9.5 million Performance Share Units ("PSU") and 5.9 million Restricted Share Units ("RSU") to eligible employees under the 2019-2021 LTIP.

The PSU awards, which represent the right to receive FCA common shares, have an Adjusted EBIT target as well as a total shareholder return ("TSR") target, with each weighted at 50 percent and settled independently of the other. Half of the awards will vest based on our achievement of the targets for Adjusted EBIT ("2019 PSU Adjusted EBIT awards"), covering a three year period from 2019 to 2021 and will have a payout ranging from 0 percent to 100 percent. The remaining half of the PSU awards ("2019 PSU TSR awards") will vest based on market conditions over a three year performance period from January 2019 through December 2021, with a payout scale ranging from 0 percent to 225 percent. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 9.5 million units. If the performance goals for the respective periods are met, one third of the total PSU awards will vest in the second quarter of 2020, a cumulative two-thirds in the second quarter of 2021 and a cumulative 100 percent in the second quarter of 2022.

The RSU awards ("2019 RSU awards"), which represent the right to receive FCA common shares, will vest in three equal tranches in the second quarter of each year 2020, 2021 and 2022.

Additional Grants

In addition to the grants above, during May and July 2019 FCA also awarded 0.9 million PSUs to certain key employees of the Company. The PSU awards, which represent the right to receive FCA common shares, have the same financial performance goals as the 2019 PSU Adjusted EBIT awards and 2019 PSU TSR awards, as described above. These awards will vest in one tranche in the second quarter of 2022 if the respective performance goals for the period January 1, 2019 to December 31, 2021 are achieved.

During May and July 2019, FCA also awarded an additional 0.4 million RSUs to certain key employees of the Company. These additional awards will vest in one tranche in the second quarter of 2022.

2017-2021 Long Term Incentive Plan

During the year ended December 31, 2018, FCA awarded a total of 2.40 million PSUs and 0.58 million RSUs to certain key employees under the 2017-2021 Long-Term Incentive Plan, and under the framework equity incentive plan.

The PSU awards, which represent the right to receive FCA common shares, include a TSR target. These awards granted during 2018 ("2018 PSU TSR awards") were to vest based upon market conditions covering a five year performance period from January 2017 through December 2021. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 2.40 million units. The original vesting schedule allowed for one third of the total PSU TSR awards to vest in the first quarter of 2020, a cumulative two-thirds in the first quarter of 2021 and a cumulative 100 percent in the first quarter of 2022 if the respective performance goals for the years 2017 to 2019, 2017 to 2020 and 2017 to 2021 were achieved.

Part of the PSU TSR awards granted in May 2019 ("Replacement awards") were considered to be a replacement of certain of the 2018 PSU TSR awards. Under the modified terms of the 2018 PSU TSR awards, 60 percent of the 2018 PSU TSR awards were replaced with the Replacement awards and the remaining 40 percent of 2018 PSU TSR awards will vest at target during the second quarter of 2020.

The RSU awards, which represent the right to receive FCA common shares, one third of the award has vested in 2019, with the remaining two-thirds vesting in 2020 and 2021.

2016-2018 Long Term Incentive Plan

During the year ended December 31, 2017, FCA awarded a total of 2.26 million PSUs and 2.29 million RSUs to certain key employees under the 2016-2018 Long-Term Incentive Plan, and under the framework equity incentive plan.

The PSU awards, which represented the right to receive FCA common shares, had financial performance goals that included a net income target as well as total shareholder return target, with each weighted at 50 percent and settled independently of the other. Half of the award vested based on our achievement of the targets for net income ("2017 PSU NI awards") covering a three year period from 2016 to 2018 and had a payout scale ranging from 0 percent to 100 percent. The remaining half of the PSU awards ("2017 PSU TSR awards") are based on market conditions and had a payout scale ranging from 0 percent to 150 percent. The PSU TSR awards performance period covered a two year period starting in December 2016 through 2018. Accordingly, the total number of shares that were issued did vary from the original award of 2.26 million units. The PSU awards have vested in 2019 with the achievement of the performance goals for the years 2016 to 2018.

The RSU awards, which represent the right to receive FCA common shares, have vested in two equal tranches in 2018 and 2019.

2014-2018 Long Term Incentive Plan

During the year ended December 31, 2015, FCA awarded a total of 14.71 million PSU and 5.20 million RSU awards to certain key employees under the 2014-2018 Long Term Incentive Plan ("2014-2018 LTIP"), and under the framework equity incentive plan.

The PSU awards, which represented the right to receive FCA common shares, had financial performance goals covering a five year period from 2014 to 2018. The performance goals included a net income target as well as a TSR target, with each weighted at 50 percent and settled independently of the other. Half of the awards vested based on our achievement of the targets for net income and had a payout scale ranging from 0 percent to 100 percent ("2015 PSU NI awards"). The remaining half of the awards are based on market conditions and had a payout scale ranging from 0 percent to 150 percent ("2015 PSU TSR awards"). Accordingly, the total number of shares that were issued did vary from the original award of 14.71 million shares. One third of the total PSU awards vested in 2017, a cumulative two-thirds of the total PSU awards vested in the first quarter of 2018 with the achievement of the performance goal for the years 2014 to 2017 and a cumulative 100 percent vested in 2019 with the achievement of the performance goals for the years 2014 to 2018.

The RSUs, which represent the right to receive FCA common shares, vested in three equal tranches. One third of the awards vested in the first quarter of 2017, and a cumulative two-thirds of the awards vested in the first quarter 2018 with the remaining tranche vested in the first quarter of 2019.

Additional Grants

In addition to the above, during the year ended December 31, 2016, FCA awarded 0.09 million RSUs to certain key employees of the Company under the 2014-2018 LTIP, which represented the right to receive FCA common shares. Half of the awards vested in the first quarter of 2018 and the remaining half of these awards vested in the first quarter of 2019.

In addition to the above, during the year ended December 31, 2018, FCA awarded an additional 0.1 million PSU awards and 0.05 million RSU awards to certain key employees, under the 2014-2018 LTIP. The PSU awards, which represented the right to receive FCA common shares, had the same financial performance goals as the 2015 PSU NI awards and the 2015 PSU TSR awards, as described above. A cumulative 100 percent has vested in the first quarter of 2019 with the achievement of the performance goals for the years 2014 to 2018. The RSUs, which represent the right to receive FCA common shares, have vested in the first quarter of 2019.

Other Restricted Share Unit Grants

During the year ended December 31, 2019, FCA awarded 0.8 million RSUs to certain key employees of the Company, which represent the right to receive FCA common shares. A portion of these awards vested in 2019, with the remaining portion expecting to be vested in 2020, 2021 and 2022 in accordance with the award agreements.

PSU NI Awards

Changes during 2019, 2018 and 2017 for the PSU NI awards under the framework equity incentive plan were as follows:

	2019		2018		2017	
	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	**4,568,830**	**€ 6.14**	**8,803,826**	**€ 5.89**	**11,379,445**	**€ 5.65**
Anti-dilution adjustment	25,516	4.91	32,855	5.87	65,751	5.62
Granted	—	—	71,136	9.73	1,136,250	7.91
Vested	(4,295,593)	6.24	(3,857,502)	5.58	(3,758,870)	5.65
Canceled	—	—	—	—	—	—
Forfeited	(36,369)	6.62	(481,485)	6.27	(18,750)	7.91
Outstanding shares unvested at December 31	**262,384**	**€ 4.91**	**4,568,830**	**€ 6.14**	**8,803,826**	**€ 5.89**

The vesting of the 2017 PSU NI awards and the 2015 PSU NI awards has been 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 commenced on January 1, 2016 for the 2017 PSU NI awards and 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.

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.

PSU Adjusted EBIT Awards

Changes during 2019 for the PSU Adjusted EBIT awards under the framework equity incentive plan were as follows:

	2019	
	PSU Adjusted EBIT	**Weighted average fair value at the grant date (€)**
Outstanding shares unvested at January 1	**—**	**€ —**
Anti-dilution adjustment	524,308	10.18
Granted	5,182,071	11.26
Vested	—	—
Canceled	—	—
Forfeited	(145,740)	11.28
Outstanding shares unvested at December 31	**5,560,639**	**€ 10.19**

The fair values of the PSU Adjusted EBIT awards that were granted during the year ended December 31, 2019 were measured using the FCA stock price on the grant date, adjusted for expected dividends at a constant yield as PSU awards do not have the right to receive ordinary dividends prior to vesting.

PSU TSR Awards

Changes during 2019, 2018 and 2017 for the PSU TSR awards under the framework equity incentive plan were as follows:

	2019		2018		2017	
	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	**6,926,413**	**€ 11.42**	**8,803,827**	**€ 10.58**	**11,379,446**	**€ 10.64**
Anti-dilution adjustment	644,588	10.60	32,855	10.54	65,750	10.58
Granted	5,189,237	11.58	2,473,637	13.15	1,136,250	10.84
Vested	(4,295,594)	10.67	(3,857,502)	10.51	(3,758,869)	10.63
Canceled	(1,385,046)	12.99	—	—	—	—
Forfeited	(282,107)	11.94	(526,404)	11.50	(18,750)	10.84
Outstanding shares unvested at December 31	**6,797,491**	**€ 10.61**	**6,926,413**	**€ 11.42**	**8,803,827**	**€ 10.58**

The weighted average fair value of the PSU TSR awards granted during the years ended December 31, 2018, 2017 and 2015 were calculated using a Monte Carlo simulation model. The weighted average fair value of the PSU TSR awards granted during the year ended December 31, 2019 were calculated using a Monte Carlo Simulation, adjusted for expected dividends at a constant yield as PSU awards do not have the right to receive ordinary dividends prior to vesting.

In accordance with IFRS 2 - *Share-based Payment*, the 2018 PSU TSR awards were modified and remeasured at the grant date of the Replacement awards, using a Monte Carlo Simulation. Only the incremental amount, which is the difference between the fair value of the 2018 PSU TSR and the fair value of the Replacement awards, will be recognized as an expense over the term of the Replacement awards.

The key assumptions utilized to calculate the grant date fair values for the PSU TSR awards issued are summarized below:

Key assumptions	2019 PSU TSR Awards Range	2018 PSU TSR Awards Range	2017 PSU TSR Awards Range	2015 PSU TSR Awards Range
Grant date stock price	€ 13.10	€ 18.79	€9.74 - €10.39	€13.44 - €15.21
Expected volatility	39 %	41 %	44 %	37% - 39%
Dividend yield	5 %	— %	— %	—%
Risk-free rate	(0.7)%	(0.3)%	(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.

Restricted Share Units

Changes during 2019, 2018 and 2017 for the RSU awards under the framework equity incentive plan were as follows:

	2019		2018		2017	
	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	**4,290,986**	**€ 10.47**	**7,600,313**	**€ 9.17**	**7,969,623**	**€ 8.69**
Anti-dilution adjustment	761,529	10.49	28,299	9.12	46,189	8.64
Granted	7,160,764	11.35	627,081	18.54	2,293,940	10.43
Vested	(3,347,345)	9.93	(3,690,050)	9.09	(2,671,939)	8.64
Canceled	—	—	—	—	—	—
Forfeited	(712,895)	10.05	(274,657)	10.28	(37,500)	10.39
Outstanding shares unvested at December 31	**8,153,039**	**€ 10.51**	**4,290,986**	**€ 10.47**	**7,600,313**	**€ 9.17**

The weighted average fair value of the RSU awards that were granted in December 31, 2018, 2017, 2016 and 2015, were measured using the FCA stock price on the grant date. The weighted average fair value of the RSU awards that were granted during the year ended December 31, 2019 were measured using the FCA stock price on the grant date, adjusted for expected dividends at a constant yield as RSU awards do not have the right to receive ordinary dividends prior to vesting.

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 December 2019, the Compensation Committee approved a conversion factor of 1.107723 that was applied to outstanding awards under the Long Term Incentive Plan to make equity award holders whole for the resulting diminution in the value of an FCA common share as a result of the payment of an extraordinary cash distribution to holders of FCA common shares on May 30, 2019. 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.

In January 2018, as a result of the distribution of the Company's entire interest in GEDI Gruppo Editoriale S.p.A. to holders of FCA common shares on July 2, 2017, the Compensation Committee approved a conversion factor of 1.003733 that was applied to outstanding awards under the Long Term Incentive 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.

Similarly, 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 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 the 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, the 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:

	2019 Anti-dilution adjustment	2018 Anti-dilution adjustment	2017 Anti-dilution adjustment	2016 Anti-dilution adjustment
PSU Awards:				
Number of awards - as adjusted	12,620,514	17,673,363	22,890,392	22,717,024
Key assumptions - as adjusted:				
Grant date stock price - for PSU NI, PSU TSR and PSU Adjusted EBIT	€8.79 - €16.96	€5.71 - €10.35	€8.66 - €9.79	€8.71 - €9.85
RSU Awards:				
Number of awards - as adjusted	8,153,039	7,628,612	8,015,812	8,023,472

Share-based Compensation Expense

Total expense for the PSU awards and RSU awards of approximately €92 million, €54 million and €85 million was recorded for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019, the Group had unrecognized compensation expense related to the non-vested PSU awards and RSU awards of approximately €112 million based on current forfeiture assumptions, which will be recognized over a weighted-average period of 1.6 years.

19. Employee benefits liabilities

Employee benefits liabilities consisted of the following:

	At December 31,					
	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Pension benefits	€ 38	€ 5,024	€ 5,062	€ 34	€ 4,475	€ 4,509
Health care and life insurance plans	132	2,157	2,289	134	2,082	2,216
Other post-employment benefits	63	730	793	82	737	819
Other provisions for employees	311	596	907	345	581	926
Total Employee benefits liabilities	**€ 544**	**€ 8,507**	**€ 9,051**	**€ 595**	**€ 7,875**	**€ 8,470**

The Group continuing operations recognized a total expense of €1,508 million for defined contribution and state plans for the year ended December 31, 2019 (€1,518 million in 2018 and €1,472 million in 2017).

The following table summarizes the fair value of defined benefit obligations and the fair value of related plan assets:

	At December 31,	
	2019	2018
	(€ million)	
Present value of defined benefit obligations:		
Pension benefits	€ 25,024	€ 22,767
Health care and life insurance plans	2,289	2,216
Other post-employment benefits	793	819
Total present value of defined benefit obligations (a)	**28,106**	**25,802**
Fair value of plan assets (b)	20,729	18,819
Asset ceiling (c)	18	13
Total net defined benefit plans (a - b + c)	**7,395**	**6,996**
of which:		
Net defined benefit liability (d)	*8,144*	*7,544*
Defined benefit plan asset	*(749)*	*(548)*
Other provisions for employees (e)	**907**	**926**
Total Employee benefits liabilities (d + e)	**€ 9,051**	**€ 8,470**

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 are made in excess of those legally required 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, 2019, the combined credit balances for the U.S. and Canada qualified pension plans were approximately €2.1 billion, and the usage of the credit balances to satisfy minimum funding requirements is subject to the plans maintaining certain funding levels. During the year ended December 31, 2019, 2018 and 2017, the Group made pension contributions in the U.S. and Canada totaling €48 million, €724 million and €124 million, respectively, including an accelerated discretionary contribution in September 2018 of €670 million ($800 million) to certain of our U.S. pension plans, which resulted in tax benefits (refer to Note 7, *Tax expense* for further information). The Group's contributions to pension plans for 2020 are expected to be €970 million, of which €940 million relate to the U.S. and Canada, with €895 million being discretionary contributions and €45 million which will be made to satisfy minimum funding requirements.

The expected benefit payments for pension plans are as follows:

	Expected benefit payments
	(€ million)
2020	€ 1,524
2021	€ 1,483
2022	€ 1,472
2023	€ 1,460
2024	€ 1,465
2025-2029	€ 7,282

The following table summarizes changes in the pension plans:

	2019				2018			
	Obligation	Fair value of plan assets	Asset ceiling	Liability/ (Asset)	Obligation	Fair value of plan assets	Asset ceiling	Liability/ (Asset)
	(€ million)							
At January 1	**€ 22,767**	**€ (18,819)**	**€ 13**	**€ 3,961**	**€ 25,528**	**€ (21,218)**	**€ 14**	**€ 4,324**
Included in the Consolidated Income Statement	1,111	(713)	—	398	1,189	(680)	—	509
Included in Other comprehensive income:								
Actuarial (gains)/losses from:								
Demographic and other assumptions	(359)	—	—	(359)	(196)	—	—	(196)
Financial assumptions	2,773	—	—	2,773	(1,530)	—	—	(1,530)
Return on assets	—	(2,454)	—	(2,454)	—	1,530	—	1,530
Changes in the effect of limiting net assets	—	—	3	3	—	—	(1)	(1)
Changes in exchange rates	618	(564)	2	56	792	(584)	—	208
Other:								
Employer contributions	—	(48)	—	(48)	—	(756)	—	(756)
Plan participant contributions	2	(2)	—	—	2	(2)	—	—
Benefits paid	(1,520)	1,506	—	(14)	(1,568)	1,556	—	(12)
Settlements paid	(394)	394	—	—	(1,187)	1,187	—	—
Transfer to Liabilities held for sale	—	—	—	—	(268)	126	—	(142)
Other changes	26	(29)	—	(3)	5	22	—	27
At December 31	**€ 25,024**	**€ (20,729)**	**€ 18**	**€ 4,313**	**€ 22,767**	**€ (18,819)**	**€ 13**	**€ 3,961**

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Current service cost	€ 156	€ 172	€ 169
Interest expense	969	925	1,083
Interest income	(795)	(759)	(907)
Other administration costs	82	79	94
Past service costs/(credits) and (gains)/losses arising from settlements/curtailments	(14)	92	(3)
Items relating to discontinued operations	—	—	6
Total recognized in the Consolidated Income Statement	**€ 398**	**€ 509**	**€ 442**

During the year ended December 31, 2019, the Group entered into a buyout relating to its Canadian salaried defined benefit plan. A total of €325 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €6 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2019.

During the year ended December 31, 2019, the Group also 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 €69 million was paid in December 2019 to those participants that accepted the offer. The plan amendment resulted in a settlement gain of €20 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2019.

During the year ended December 31, 2018, the Group settled a portion of the supplemental retirement plan in North America, resulting in a refund of excess assets of €22 million. The corresponding settlement charge of €78 million was recognized within Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2018.

During the year ended December 31, 2018, the Group also entered into an annuity buyout relating to two of its U.S. defined benefit plans. A total of €841 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €12 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2018.

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.

The fair value of plan assets by class was as follows:

	At December 31,			
	2019		2018	
	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	**€ 699**	**€ 681**	**€ 672**	**€ 615**
U.S. equity securities	1,407	1,405	1,286	1,284
Non-U.S. equity securities	781	781	784	757
Commingled funds	1,596	422	1,833	606
Equity instruments	**3,784**	**2,608**	**3,903**	**2,647**
Government securities	3,179	1,191	2,717	916
Corporate bonds (including convertible and high yield bonds)	5,553	—	4,944	—
Other fixed income	1,536	174	1,307	86
Fixed income securities	**10,268**	**1,365**	**8,968**	**1,002**
Private equity funds	2,297	—	2,066	—
Commingled funds	65	62	56	53
Real estate funds	1,349	3	1,392	3
Hedge funds	2,072	38	1,676	26
Investment funds	**5,783**	**103**	**5,190**	**82**
Insurance contracts and other	**195**	**66**	**86**	**12**
Total fair value of plan assets	**€ 20,729**	**€ 4,823**	**€ 18,819**	**€ 4,358**

Non-U.S. equity securities are invested broadly in developed international and emerging markets. Fixed income securities are debt instruments primarily comprised of long-term U.S. Treasury and global government bonds, as well as U.S., developed international and emerging market companies' debt securities diversified by sector, geography and through a wide range of market capitalizations. Private equity funds include those in limited partnerships that invest primarily in the equity of companies that are not publicly traded on a stock exchange. Private debt funds include those in limited partnerships that invest primarily in the debt of companies and real estate developers. 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 pension assets relative to pension liabilities and to ensure that 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 monitored and 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 FCA shares 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 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, manager 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. Operating risks are mitigated through ongoing oversight of external investment managers' style adherence, team strength, firm health and internal controls.

The weighted average assumptions used to determine defined benefit obligations were as follows:

	At December 31,					
	2019			2018		
	U.S.	Canada	UK	U.S.	Canada	UK
Discount rate	3.3 %	3.1 %	2.0 %	4.4 %	3.8 %	2.8 %
Future salary increase rate	— %	3.5 %	2.7 %	— %	3.5 %	3.0 %

The average duration of U.S. and Canadian liabilities was approximately 11 years and 13 years, respectively. The average duration of UK pension liabilities was approximately 17 years.

Health care and life insurance plans

Liabilities arising from these unfunded 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. The expected benefit payments for unfunded health care and life insurance plans are as follows:

	Expected benefit payments	
	(€ million)	
2020	€	132
2021	€	131
2022	€	129
2023	€	129
2024	€	128
2025-2029	€	633

Changes in net defined benefit obligations for healthcare and life insurance plans were as follows:

	2019	2018
	(€ million)	
Present value of obligations at January 1	**€ 2,216**	**€ 2,279**
Included in the Consolidated Income Statement	115	110
Included in Other comprehensive income:		
Actuarial (gains)/losses from:		
- Demographic and other assumptions	(215)	37
- Financial assumptions	251	(161)
Effect of movements in exchange rates	57	81
Other:		
Benefits paid	(135)	(128)
Transfer to Liabilities held for sale	—	(2)
Present value of obligations at December 31	**€ 2,289**	**€ 2,216**

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31,		
	2019	2018	2017
		(€ million)	
Current service cost	€ 20	€ 22	€ 22
Interest expense	96	88	98
Past service costs/(credits) and losses/(gains) arising from settlements	(1)	—	—
Total recognized in the Consolidated Income Statement	**€ 115**	**€ 110**	**€ 120**

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,			
	2019		2018	
	U.S.	Canada	U.S.	Canada
Discount rate	3.4 %	3.1 %	4.4 %	3.8 %
Salary growth	1.5 %	1.0 %	1.5 %	1.0 %
Weighted average ultimate healthcare cost trend rate	4.4 %	4.0 %	4.4 %	4.0 %

The average duration of the U.S. and Canadian liabilities was approximately 12 years and 17 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 2019 plan valuation was 5.3 percent (6.4 percent in 2018). The annual rate was assumed to decrease gradually to 3.9 percent through 2039 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 2019 plan valuation was 4.4 percent (4.4 percent in 2018). The annual rate was assumed to decrease gradually to 4.0 percent through 2040 and remain at that level thereafter.

Other post-employment benefits

Other post-employment benefits comprises other employee benefits granted to Group employees in Europe and includes the Italian employee severance indemnity (*trattamento di fine rapporto*, or "TFR") obligation required under Italian Law, amounting to €584 million at December 31, 2019 and €664 million at December 31, 2018.

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 governing 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 obligation 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 TFR obligation 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:

	2019	2018
	(€ million)	
Present value of obligations at January 1	**€ 819**	**€ 987**
Included in the Consolidated Income Statement	20	23
Included in Other comprehensive income:		
Actuarial (gains)/losses from:		
- Demographic and other assumptions	11	2
- Financial assumptions	41	(5)
Effect of movements in exchange rates	3	(3)
Other:		
Benefits paid	(90)	(50)
Transfer to Liabilities held for sale	(20)	(98)
Other changes	9	(37)
Present value of obligations at December 31	**€ 793**	**€ 819**

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Current service cost	€ 6	€ 9	€ 9
Interest expense	12	14	11
Past service costs/(credits) and losses/(gains) arising from settlements	1	—	—
Items relating to discontinued operations	1	—	3
Total recognized in the Consolidated Income Statement	**€ 20**	**€ 23**	**€ 23**

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 2019 was 0.6 percent (1.4 percent in 2018). The average duration of the Italian TFR is approximately 8 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and legal 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:

	At December 31,					
	2019			2018[1]		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Product warranty and recall campaigns	€ 2,406	€ 3,900	€ 6,306	€ 2,745	€ 4,015	€ 6,760
Sales incentives	5,479	—	5,479	5,999	—	5,999
Legal proceedings and disputes[1]	303	222	525	760	280	1,040
Commercial risks	441	120	561	442	272	714
Restructuring	72	34	106	134	31	165
Other risks	277	751	1,028	314	815	1,129
Total Provisions	**€ 8,978**	**€ 5,027**	**€ 14,005**	**€ 10,394**	**€ 5,413**	**€ 15,807**

(1) Refer to Note 2, Basis of preparation.

Changes in Provisions were as follows:

	At January 1, 2019	Additional provisions	Settlements	Unused amounts	Translation differences	Transfer to Liabilities held for sale	Other changes	At December 31, 2019
	(€ million)							
Product warranty and recall campaigns	€ 6,760	€ 3,059	€ (3,655)	€ —	€ 145	€ —	€ (3)	€ 6,306
Sales incentives	5,999	14,864	(15,573)	63	131	—	(5)	5,479
Legal proceedings and disputes[1]	1,040	167	(680)	(24)	16	(18)	24	525
Commercial risks	714	353	(408)	(28)	12	(18)	(64)	561
Restructuring costs	165	118	(111)	(50)	1	(1)	(16)	106
Other risks	1,129	355	(334)	(63)	7	(17)	(49)	1,028
Total Provisions	**€ 15,807**	**€ 18,916**	**€ (20,761)**	**€ (102)**	**€ 312**	**€ (54)**	**€ (113)**	**€ 14,005**

(1) Refer to Note 2, Basis of preparation.

Product warranty and recall campaigns

At December 31, 2019, the Product warranty and recall campaigns provision decreased slightly primarily due to lower volumes in North America. During the year ended December 31, 2018, an additional amount of €114 million was accrued in relation to costs for recall campaigns related to Takata airbag inflators, net of recovery. 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

As described within Note 2, *Basis of preparation - Use of estimates*, 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.

Legal proceedings and disputes

As described within Note 2, *Basis of preparation - Use of estimates*, 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 outflows for the Legal proceedings and disputes provision is also uncertain.

During the year ended December 31, 2019, approximately €0.5 billion of payments were made for civil, environmental and consumer claims related to U.S. diesel emissions matters accrued in 2018 (refer to Note 25, *Guarantees granted, commitments and contingent liabilities*).

None of the provisions within the total Legal proceedings and disputes provision are individually significant except for the remaining portion of the provision of €748 million recognized during the year ended December 31, 2018, for costs related to final settlements reached on civil, environmental and consumer claims related to U.S. diesel emissions matters (refer to Note 25, *Guarantees granted, commitments and contingent liabilities*).

Commercial risks

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 2022.

On July 12, 2019, the U.S. Department of Transportation’s National Highway Traffic Safety Administration (“NHTSA”) announced a final rule that retained the current fine rate applicable to automobile manufacturers that fail to meet Corporate Average Fuel Economy (“CAFE”) standards through achievement of the targeted fleet fuel efficiency or remittance of CAFE credits. Prior to this final rule, FCA recorded a provision for estimated CAFE civil fines relating to 2019 model year vehicles for which CAFE credits were not expected to be available at the previously announced civil fine rate. As a result of the announced final rule, under IAS 37, the reduction of the civil fine rate resulted in a change in the estimated provision of €158 million relating to 2019 model year vehicles sold prior to March 31, 2019, which has been recognized as a reduction to *Cost of revenues* within the Consolidated Income Statement for the year ended December 31, 2019.

Restructuring costs

During the year ended December 31, 2019, a total provision for €118 million was recognized primarily for workforce restructuring costs, of which €56 million was recognized within LATAM, €36 million within EMEA and €23 million within North America (refer to Note 28, *Segment reporting*).

Other risks

Other risks includes, 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 2022.

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):

	At December 31,									
	2019					2018				
	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	€ 1,450	€ 4,942	€ —	€ 4,942	€ 6,392	€ 1,598	€ 4,977	€ 1,250	€ 6,227	€ 7,825
Borrowings from banks[1]	2,097	1,511	88	1,599	3,696	2,928	1,987	190	2,177	5,105
Asset-backed financing (Note 15)	151	—	—	—	151	457	—	—	—	457
Lease liabilities	360	705	575	1,280	1,640	56	131	74	205	261
Other debt[1]	818	204	—	204	1,022	822	45	13	58	880
Total Debt	**€ 4,876**	**€ 7,362**	**€ 663**	**€ 8,025**	**€ 12,901**	**€ 5,861**	**€ 7,140**	**€ 1,527**	**€ 8,667**	**€ 14,528**

(1) Borrowings from banks and Other debt as previously reported included €261 million of finance lease liabilities recognized in accordance with IAS 17. These amounts have been reclassified into the line item Lease liabilities at December 31, 2018. Refer to Note 2., Basis of preparation for additional information on the adoption of IFRS 16.

Notes

The following table summarizes the notes outstanding at December 31, 2019 and 2018:

	Currency	Face value of outstanding notes (million)	Coupon %	Maturity	At December 31, 2019	2018
Medium Term Note Programme:					(€ million)	
Fiat Chrysler Finance Europe SENC[1]	CHF	250	3.125	September 30, 2019	—	222
Fiat Chrysler Finance Europe SENC[2]	EUR	1,250	6.750	October 14, 2019	—	1,250
Fiat Chrysler Finance Europe SENC[2]	EUR	1,000	4.750	March 22, 2021	1,000	1,000
Fiat Chrysler Finance Europe SENC[2]	EUR	1,350	4.750	July 15, 2022	1,350	1,350
FCA NV[2]	EUR	1,250	3.750	March 29, 2024	1,250	1,250
Other[3]	EUR	7			7	7
Total Medium Term Note Programme					**3,607**	**5,079**
Other Notes:						
FCA NV[2]	U.S.$	1,500	4.500	April 15, 2020	1,335	1,310
FCA NV[2]	U.S.$	1,500	5.250	April 15, 2023	1,335	1,310
Total Other Notes					**2,670**	**2,620**
Hedging effect, accrued interest and amortized cost valuation					115	126
Total Notes					**€ 6,392**	**€ 7,825**

(1) Listing on the SIX Swiss Exchange was obtained.
(2) Listing on the Irish Stock 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 €3.6 billion were outstanding at December 31, 2019 (€5.1 billion at December 31, 2018). Notes under the MTN Programme are issued, or otherwise guaranteed, by FCA NV. From time to time, we may 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, 2019 were due to the repayment at maturity:

- in September 2019 of a note with a principal amount of CHF 250 million; and
- in October 2019 of a note with a principal amount of €1,250 million.

Changes in notes issued under the MTN Programme during the year ended December 31, 2018 were due to the repayment at maturity:

- in March 2018 of a note with a principal amount of €1,250 million; and
- in July 2018 of a note with a principal amount of €600 million.

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 the case that 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 a 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, 2019, 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 the case that any security interest upon assets of FCA NV is granted in connection with other notes or debt securities having the same ranking, such a 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, 2019, 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. 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.

Borrowings from banks

FCA US Tranche B Term Loans

On November 13, 2018, FCA US prepaid the U.S.$1,009 million (€893 million) outstanding principal and accrued interest on its Tranche B term loan maturing December 31, 2018 (the "Tranche B Term Loan due 2018"). The prepayment was made with cash on hand and resulted in a €1 million loss on extinguishment.

At December 31, 2017, €836 million, including accrued interest, was outstanding under FCA US's Tranche B Term Loan maturing December 31, 2018. On February 24, 2017, FCA US prepaid the U.S.$1,826 million (€1,721 million) outstanding principal and accrued interest on 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 resulted in a €3 million loss on extinguishment. On April 12, 2017, FCA US amended the credit agreement that governs the Tranche B Term Loan due 2018, reducing 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. For the years ended December 31, 2018 and 2017, interest was accrued based on LIBOR.

European Investment Bank Borrowings

FCA has financing agreements with the European Investment Bank ("EIB") for a total of €0.4 billion outstanding at December 31, 2019 (€0.7 billion outstanding at December 31, 2018), which included the residual debt due under the following facilities:

- €500 million (amortizing in installments up to 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; and

- €420 million (maturing in June 2022), entered into in June 2018 to support research and development projects to be implemented by FCA during the period 2018-2020.

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 €1.8 billion at December 31, 2019 (€2.3 billion at December 31, 2018). 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 has provided the Group with the opportunity to fund large investments in Brazil with loans of sizeable amounts at attractive rates. At December 31, 2019, outstanding subsidized loans amounted to €1.1 billion (€1.4 billion at December 31, 2018), of which approximately €0.8 billion (€1.0 billion at December 31, 2018) related to the construction of the plant in Pernambuco (Brazil), which was supported by subsidized credit lines totaling Brazilian Real ("BRL") 6.5 billion (€1.5 billion). Approximately €0.1 billion (€0.1 billion at December 31, 2018) of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2019.

Revolving Credit Facilities

In March 2019, the Group amended its syndicated revolving credit facility originally signed in June 2015 and previously amended in March 2017 and March 2018 (as amended, the “RCF”). The amendment extended the RCF’s final maturity to March 2024. The RCF is available for general corporate purposes and for the working capital needs of the Group and 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. This amendment was accounted for as a debt modification and, as a result, the new costs associated with the March 2019 amendment as well as the remaining unamortized debt issuance costs related to the original €5.0 billion RCF and the previous March 2017 and March 2018 amendments are amortized over the life of the amended RCF.

In the March 2018 amendment, the amended RCF's final maturity was extended to March 2023. The amendment was accounted for as a debt modification and, as a result, the new costs associated with the March 2018 amendment as well as the remaining unamortized debt issuance costs related to the original €5.0 billion RCF and the previous March 2017 amendment, are amortized over the life of the amended RCF.

The covenants of the RCF include financial covenants as well as negative pledge, *pari passu*, cross-default and change of control clauses. Failure to comply with these covenants, and in certain cases if not suitably remedied, can lead to the requirement of early repayment of any outstanding amounts. As of December 31, 2019, FCA was in compliance with the covenants of the RCF.

At December 31, 2019, 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, 2018, undrawn committed credit lines totaling €7.7 billion included the €6.25 billion RCF and approximately €1.5 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, 2019, the Mexico Bank Loan had an outstanding balance of €0.2 billion (€0.3 billion at December 31, 2018). As of December 31, 2019, 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 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, 2019, 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 the IFRS 9 derecognition requirements and are recognized with assets of the same amount of €151 million at December 31, 2019 (€457 million at December 31, 2018) 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 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 the National Automobile, Aerospace, Transportation and General Workers Union of Canada “CAW” (now part of Unifor), which represented employees, retirees and dependents.

Other debt also includes funds raised from financial services companies, primarily in Latin America, and deposits from dealers in Brazil and China.

Lease liabilities

The following table summarizes the Group's current and non-current lease liabilities:

Lease liabilities included in the Statement of Financial Position

	At December 31, 2019	
	(€ million)	
Long-term debt (non-current)	€	1,280
Short-term debt and current portion of long-term debt (current)	€	360

Maturity analysis - contractual undiscounted cash flows

	At December 31, 2019	
	(€ million)	
Due within one year	€	430
Due between one and five years		905
Due beyond five years		811
Total undiscounted lease liabilities	**€**	**2,146**

In addition, the Group has entered into commitments relating to leases not yet commenced of €399 million, of which the most significant related to the investments in manufacturing facilities in Michigan, USA. In addition to the above, the Group entered into non-cancellable short term leases, which have not been classified as lease liabilities, of €28 million which is expected to be settled within the next 12 months.

Debt secured by assets

At December 31, 2019, debt secured by assets of the Group amounted to €674 million (€834 million at December 31, 2018), excluding the Lease liabilities as described above, mainly related to subsidized financing in Latin America, Mexico and India.

The total carrying amount of assets acting as security for loans for the Group amounted to €1,637 million, excluding the Right-of-use assets as described in Note 11, *Property, plant and equipment*, at December 31, 2019 (€2,214 million at December 31, 2018).

22. Other liabilities and Tax liabilities

Other liabilities consisted of the following:

	At December 31,					
	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Payables for GDP and buy-back agreements	€ 2,210	€ —	€ 2,210	€ 2,362	€ —	€ 2,362
Accrued expenses and deferred income	769	674	1,443	783	697	1,480
Indirect tax payables	501	14	515	681	16	697
Payables to personnel	1,008	15	1,023	956	16	972
Social security payables	258	4	262	265	4	269
Construction contract liabilities (Note 14)	83	—	83	93	—	93
Service contract liability	621	1,530	2,151	568	1,521	2,089
Other	1,338	189	1,527	1,349	198	1,547
Total Other liabilities	**€ 6,788**	**€ 2,426**	**€ 9,214**	**€ 7,057**	**€ 2,452**	**€ 9,509**

Other liabilities (excluding Accrued expenses, Deferred income and Service contract liability) by due date were as follows:

	At December 31,									
	2019					2018				
	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, deferred income and service contract liability)	**€ 5,398**	€ 201	€ 21	**€ 222**	**€ 5,620**	**€ 5,706**	€ 221	€ 13	**€ 234**	**€ 5,940**

Payables for GDP and buy-back agreements relate 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.

Accrued expenses and deferred income includes the remaining portion of government grants that will be recognized as income in the Consolidated Income Statement over the same periods as the related costs which they are intended to offset.

On March 15, 2017, the Brazilian Supreme Court ruled that state value added tax should be excluded from the basis 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. At December 31, 2017, 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 believed a risk of economic outflow was still greater than remote. On August 18, 2018, the litigation concerning PIS over ICMS had its final and definitive favorable decision. At September 30, 2018, the Group determined that the likelihood of economic outflow related to such indirect taxes was no longer probable and the total liability of €54 million accrued and paid would be recovered.

In March 2019, a final and definitive favorable decision was made in respect of the COFINS over ICMS element of the litigation, relating to amounts previously paid but not recovered for the period between May 2004 to December 2014. During the year ended December 31, 2019, total credits and the related receivable of €164 million were recognized, which were excluded from Adjusted EBIT (refer to Note 28, *Segment reporting*). On December 17, 2019, the Brazilian courts indicated that it would render a decision on the Brazilian government's appeal regarding the 2017 Supreme Court's decision with respect to the calculation of the state value added tax in the basis for federal tax on revenue on April 1, 2020. During the three months ended September 30, 2019, the Brazilian courts indicated they would render a judgment on December 5, 2019. We continue to believe our position is supported by both the facts and the receipt of final and definitive rulings from the courts. However, due to the uncertainty of the Supreme Court's application of the government's appeal and request for modulation, and due to Brazil's current heightened political and economic uncertainty, we continue to believe that the risk of economic outflow is greater than remote.

Service contract liability

The service contract liability is mainly comprised of maintenance plans and extended warranties. Changes in the Group's service contract liability for the year ended December 31, 2019, were as follows:

	At January 1, 2019	Advances received from customers	Amounts recognized within revenue	Transfers to Assets/(Liabilities) held for sale	Other Changes	At December 31, 2019
			(€ million)			
Service contract liability	**€ 2,089**	€ 839	€ (721)	€ —	€ (56)	**€ 2,151**

Of the total Service contract liability at December 31, 2019, the Group expects to recognize approximately €514 million in 2020, €483 million in 2021, €403 million in 2022 and €751 million thereafter.

Tax liabilities

Tax liabilities by due date were as follows:

	At December 31,									
	2019					2018[1]				
	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 liabilities[1]	**€ 122**	€ 276	€ 2	**€ 278**	**€ 400**	**€ 203**	€ 149	€ —	**€ 149**	**€ 352**

(1) Refer to Note 2, Basis of preparation.

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, based on observable and unobservable inputs, for financial assets and liabilities that are measured at fair value on a recurring basis:

		At December 31,							
		2019				2018			
	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(€ million)							
Debt securities and equity instruments measured at FVOCI	13	€ 3	€ 21	€ 13	€ 37	€ 3	€ 15	€ 13	€ 31
Debt securities and equity instruments measured at FVPL	13	277	—	15	292	270	—	3	273
Derivative financial assets	16	—	98	—	98	—	256	41	297
Collateral deposits	13	42	—	—	42	61	—	—	61
Receivables from financing activities	15	—	—	580	580	—	—	973	973
Trade receivables	15	—	19	—	19	—	65	—	65
Other receivables	15	—	—	69	69	—	—	—	—
Money market securities	17	2,293	—	—	2,293	4,352	—	—	4,352
Total Assets		**€ 2,615**	**€ 138**	**€ 677**	**€ 3,430**	**€ 4,686**	**€ 336**	**€ 1,030**	**€ 6,052**
Derivative financial liabilities	16	—	318	—	318	—	205	2	207
Total Liabilities		**€ —**	**€ 318**	**€ —**	**€ 318**	**€ —**	**€ 205**	**€ 2**	**€ 207**

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, as described below:

- the fair value of forward contracts, swaps and options hedging currency risk is determined by using valuation techniques common in the financial markets and taking market parameters at the balance sheet date (in particular, exchange rates, interest rates and volatility rates);
- 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 valuation techniques common in the financial markets and taking market parameters at the balance sheet date (in particular, underlying prices, interest rates and volatility rates).

The fair value of money market securities 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 fair value of Receivables from financing activities, which are classified in Level 3 of the fair value hierarchy, has been estimated using discounted cash flow models. The most significant inputs used in 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.

The fair value of Other receivables, which relates to the contingent consideration receivable from the sale of Magneti Marelli (refer to Note 3, *Scope of consolidation*), is classified in Level 3 of the fair value hierarchy and has been estimated using discounted cash flow models. The most significant inputs used in this measurement are market discount rates.

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. In 2019, €14 million of derivative financial assets and liabilities were transferred from Level 3 to Level 2 in the fair value hierarchy primarily as a result of a change in valuation input for certain precious metals to utilize observable inputs.

The following table provides a reconciliation of the changes in items measured at fair value and categorized within Level 3:

	Receivables from financing activities	Debt securities and equity instruments	Derivative financial assets/(liabilities)	Other receivables
	(€ million)			
At January 1, 2019	€ 973	€ 16	€ 39	€ —
Gains/(Losses) recognized in Consolidated Income Statement	—	1	56	(1)
Losses recognized in Other comprehensive income/(loss)	—	—	(15)	—
Issues/Settlements	(393)	—	(66)	70
Purchases/Sales	—	11	—	—
Transfers from Level 3	—	—	(14)	—
At December 31, 2019	**€ 580**	**€ 28**	**€ —**	**€ 69**

	Receivables from financing activities	Debt securities and equity instruments	Derivative financial assets/(liabilities)	Other receivables
	(€ million)			
At January 1, 2018	€ 700	€ 45	€ 29	€ —
Gains/(Losses) recognized in Consolidated Income Statement	—	(1)	30	—
Gains recognized in Other comprehensive income/(loss)	—	—	9	—
Issues/Settlements	273	—	(29)	—
Transfers to Assets/(Liabilities) held for sale	—	(28)	—	—
At December 31, 2018	**€ 973**	**€ 16**	**€ 39**	**€ —**

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, €15 million was recognized within Cash flow reserves and no amounts were recognized within Currency translation differences.

Assets and liabilities not measured at fair value on recurring basis

The carrying value of debt securities measured at amortized cost, financial receivables, current receivables and payables is a reasonable approximation of fair value as the present value of future cash flows does not differ significantly from the carrying amount.

The carrying value of Cash at banks and Other cash equivalents usually approximates fair value due to the short maturity of these instruments (refer to Note 17, *Cash and cash equivalents*).

The following table provides the carrying amount and fair value of financial assets and liabilities not measured at fair value on a recurring basis:

		At December 31,			
		2019		2018	
	Note	Carrying amount	Fair Value	Carrying amount	Fair Value
		(€ million)			
Dealer financing		€ 1,737	€ 1,736	€ 1,681	€ 1,682
Retail financing		613	608	601	584
Finance lease		3	3	3	3
Other receivables from financing activities		222	222	356	355
Total Receivables from financing activities[1]	15	**€ 2,575**	**€ 2,569**	**€ 2,641**	**€ 2,624**
Asset backed financing		€ 151	€ 151	€ 457	€ 457
Notes		6,392	6,900	7,825	8,152
Borrowings from banks & Other debt		4,718	4,724	5,985	5,968
Lease liabilities		1,640	1,640	261	261
Total Debt	21	**€ 12,901**	**€ 13,415**	**€ 14,528**	**€ 14,838**

(1) Amount excludes receivables measured at FVPL

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 in 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, 2019, €6,893 million and €7 million of notes were classified within Level 1 and Level 2, respectively. At December 31, 2018, €8,145 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 adjustment using unobservable inputs is categorized within Level 3. At December 31, 2019, €3,865 million and €859 million of Other Debt was classified within Level 2 and Level 3, respectively. At December 31, 2018, €5,241 million and €988 million of Other Debt was classified within Level 2 and Level 3, respectively.

The fair value of Lease liabilities classified within Level 3 of the fair value hierarchy has been estimated using discounted cash flow models that require significant adjustments using unobservable inputs. At December 31, 2019, €1,640 million of Lease liabilities were classified within Level 3, of which €75 million were previously classified within Level 2. At December 31, 2018, €75 million and €186 million of Lease liabilities were classified within Level 2 and Level 3, respectively.

24. Related party transactions

In accordance with IAS 24 - *Related Party Disclosures*, the related parties of the Group are determined as those 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 28.66 percent common shares shareholding interest and 41.74 percent voting power at December 31, 2019), which include Ferrari N.V. and CNH Industrial N.V. (“CNHI”). Related parties also include associates, joint ventures and unconsolidated subsidiaries of the Group, members of the FCA Board of Directors, executives with strategic responsibilities and certain members of their families.

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 purchase of powertrain systems for light commercial vehicles from CNHI;
- the sale of powertrain and other components to the companies of CNHI;
- the provision of services (accounting, payroll, tax administration, information technology and security) to the companies of CNHI;
- the sale of vehicles to the leasing and renting subsidiaries of the joint ventures FCA Bank and Koç Fiat Kredi;
- the sale of engines, other components and production systems to and the purchase of light commercial vehicles from Sevel S.p.A., a 50 percent owned joint operation with Groupe PSA, based in Atessa, Italy;
- the purchase of light commercial vehicles and passenger cars from the joint venture Tofas;
- the provision of services and the sale of goods to the GAC FCA JV;
- the purchase of vehicles from, the provision of services and the sale of goods to the joint operation Fiat India Automobiles Private Limited; and
- the sale of automotive lighting and automotive components, which was included within discontinued operations, to Ferrari N.V.

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 IFRS 9 – *Financial Instruments*.

The amounts for significant transactions with related parties recognized in the Consolidated Income Statements were as follows:

	Years ended December 31,											
	2019				2018				2017			
	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	€ 728	€ 2,086	€ 9	€ —	€ 926	€ 2,572	€ 7	€ —	€ 1,287	€ 2,779	€ 9	€ —
Sevel S.p.A.	205	1	5	—	402	1	4	—	392	—	5	—
FCA Bank	1,686	23	(19)	52	1,611	28	(21)	56	1,715	26	(20)	36
GAC FCA JV	151	—	(36)	—	419	11	(49)	—	569	—	(105)	—
Fiat India Automobiles Limited	2	—	—	—	2	—	—	—	25	1	—	—
Other	2	—	—	(1)	27	6	(4)	1	35	2	(4)	2
Total joint arrangements	**2,774**	**2,110**	**(41)**	**51**	**3,387**	**2,618**	**(63)**	**57**	**4,023**	**2,808**	**(115)**	**38**
Total associates	**17**	**186**	**(1)**	**—**	**30**	**229**	**(2)**	**(1)**	**73**	**52**	**(3)**	**(1)**
CNHI	357	332	11	—	501	326	6	—	526	329	2	—
Ferrari N.V.	30	144	1	—	64	218	4	—	82	320	1	—
Directors and Key Management	—	—	82	—	—	—	77	—	—	—	114	—
Other	5	—	37	—	2	—	26	—	1	—	26	—
Total CNHI, Ferrari, Directors and other	**392**	**476**	**131**	**—**	**567**	**544**	**113**	**—**	**609**	**649**	**143**	**—**
Total unconsolidated subsidiaries	**6**	**7**	**4**	**—**	**7**	**8**	**4**	**1**	**61**	**8**	**3**	**1**
Total transactions with related parties	**€ 3,189**	**€ 2,779**	**€ 93**	**€ 51**	**€ 3,991**	**€ 3,399**	**€ 52**	**€ 57**	**€ 4,766**	**€ 3,517**	**€ 28**	**€ 38**
Total for the Group	**€ 108,187**	**€ 93,164**	**€ 6,455**	**€ 1,005**	**€ 110,412**	**€ 95,011**	**€ 7,318**	**€ 1,056**	**€ 105,730**	**€ 89,710**	**€ 7,177**	**€ 1,345**

Assets and liabilities from significant transactions with related parties were as follows:

	At December 31,									
	2019					2018				
	Trade and other receivables	Trade payables	Other liabilities	Asset-backed financing	Debt(1)	Trade and other receivables	Trade payables	Other liabilities	Asset-backed financing	Debt (1)
	(€ million)									
Tofas	€ 18	€ 171	€ 39	€ —	€ —	€ 11	€ 176	€ 40	€ —	€ —
Sevel S.p.A.	28	—	1	—	13	20	—	2	—	11
FCA Bank	278	139	151	141	181	395	258	232	449	28
GAC FCA JV	62	11	—	—	—	63	22	1	—	—
Fiat India Automobiles Limited	1	—	8	—	—	0	—	6	—	—
Other	—	—	—	—	—	19	1	—	—	—
Total joint arrangements	**387**	**321**	**199**	**141**	**194**	**508**	**457**	**281**	**449**	**39**
Total associates	**45**	**41**	**8**	**—**	**—**	**34**	**33**	**10**	**—**	**—**
CNHI	49	87	11	—	—	53	71	12	—	—
Ferrari N.V.	12	49	—	—	—	25	45	3	—	—
Other	4	13	—	—	—	2	2	—	—	—
Total CNHI, Ferrari N.V. and other	**65**	**149**	**11**	**—**	**—**	**80**	**118**	**15**	**—**	**—**
Total unconsolidated subsidiaries	**16**	**9**	**1**	**—**	**22**	**17**	**7**	**1**	**—**	**26**
Total originating from related parties	**€ 513**	**€ 520**	**€ 219**	**€ 141**	**€ 216**	**€ 639**	**€ 615**	**€ 307**	**€ 449**	**€ 65**
Total for the Group	**€ 9,004**	**€ 21,616**	**€ 9,214**	**€ 151**	**€ 12,750**	**€ 8,672**	**€ 19,229**	**€ 9,509**	**€ 457**	**€ 14,071**

(1) Relating to Debt excluding Asset-backed financing, refer to Note, 21 Debt.

Commitments and Guarantees

As of December 31, 2019, the Group had a take-or-pay commitment with Tofas with future minimum expected obligations as follows:

	(€ million)	
2020	€	280
2021	€	257
2022	€	153

We provided guarantees to FCA Bank related to certain dealer financing arrangements FCA Bank has with dealers. The amount of the guarantees outstanding at December 31, 2019 was approximately €19 million. The fair value of these guarantees is immaterial due to the value of vehicles in the dealers' stock pledged to FCA.

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,					
	2019		**2018**		**2017**	
	(€ thousand)					
Directors[(1)]	€	23,050	€	18,830	€	29,861
Total Compensation	**€**	**23,050**	**€**	**18,830**	**€**	**29,861**

(1) Including the notional compensation cost arising from long-term share-based compensation granted to the Chairman, the Chief Executive Officer and the Chief Financial Officer.

Refer to Note 18, *Share-based compensation*, for information related to the special recognition award granted to the former 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 €59 million for 2019 (€58 million in 2018 and €81 million in 2017), which, in addition to base compensation, included:

- approximately €30 million in 2019 (approximately €28 million in 2018 and approximately €49 million in 2017) for share-based compensation expense;
- approximately €6 million in 2019 (approximately €7 million in 2018 and approximately €8 million in 2017) for short-term employee benefits; and
- approximately €7 million in 2019 (€10 million in 2018 and €9 million in 2017) for pension and similar benefits.

25. Guarantees granted, commitments and contingent liabilities

Guarantees granted

At December 31, 2019, the Group had pledged guarantees on the debt or commitments of third parties totaling €8 million (€7 million at December 31, 2018), as well as guarantees of €3 million on related party debt (€3 million at December 31, 2018).

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, non-refundable 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, 2019, €45 million (U.S.$50 million) remained in deferred revenue.

On June 28, 2019, FCA US entered into an amendment (the “Amendment”) to the SCUSA Agreement. The Amendment modified certain terms of the agreement, with the remaining term unchanged through to February 2023, and in connection with its execution, SCUSA made a one-time, nonrefundable, non-contingent, cash payment of U.S.$60 million (€53 million) to FCA US as part of a negotiated resolution of open matters. The amount was recognized within Selling, general and other costs in the Consolidated Income Statement for the year ended December 31, 2019. The duration of the agreement remains unchanged to February 2023.

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 Financiaro 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, 2019, the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €188 million (U.S.$211 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 nil at December 31, 2019.

Arrangements with key suppliers

From time to time and 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, 2019 were as follows for the Group's continuing operations:

	(€ million)	
2020	€	982
2021	€	594
2022	€	216
2023	€	27
2024	€	45
2025 and thereafter	€	—

Other commitments, arrangements and contractual rights

Regulatory emission credits

During the year ended December 31, 2019, FCA entered into multi-year non-cancellable agreements for purchases of regulatory emissions credits in various jurisdictions. At December 31, 2019, these agreements represent total commitments of €1.2 billion after fulfillment of commitments during the year ended December 31, 2019 and the reduction in the commitments due to the CAFE civil fine rate (refer to Note 20, *Provisions*). The purchased credits are expected to be used for compliance years through 2022.

FCA Bank joint venture agreement

On July 19, 2019, FCA and Crédit Agricole Consumer Finance agreed to extend their 50:50 joint venture, FCA Bank, until December 31, 2024. The agreement will be automatically renewed unless notice of non-renewal is provided no later than three years before end of the term. A notice of non-renewal would trigger certain put and call rights.

UAW Labor Agreement

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

Italian labor agreement

In March 2019, the Group renewed its labor agreement with Italian trade unions for Italian employees, which had previously expired on December 31, 2018. The agreement is valid for the period 2019-2022 and applies to the Group's 66,000 employees in Italy, primarily providing for a 2 percent annual increase in contractual compensation and an enhancement of the annual performance-based bonus linked to the achievement of productivity and efficiency targets forming part of the World Class Manufacturing (“WCM”) program.

In April 2015, the previous four-year compensation agreement was signed by FCA companies within the automobiles business in Italy. The compensation agreement was subsequently included into the 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 incentivized 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 for the EMEA region, including the activities of the premium brands Alfa Romeo and Maserati.

A total of €75 million, €72 million and €105 million related to the additional variable elements above was recorded as an expense included within Net profit from continuing operations for the years ended December 31, 2019, 2018 and 2017, respectively.

Canada labor agreement

FCA entered into a 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 agreement expires September 2020.

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 €5 million and a total of €3 million has been recognized within Provisions related to these obligations as of December 31, 2019 (€160 million and €50 million as of December 31, 2018, respectively). 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

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

Emissions Matters

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

In the U.S., we remain subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission (the "SEC") and the DoJ, Criminal Division. In September 2019, the DoJ filed criminal charges against an employee of FCA US for, among other things, fraud, conspiracy, false statements and violations of the Clean Air Act primarily in connection with efforts to obtain regulatory approval of the vehicles that were the subject of the civil settlements described above. We continue to cooperate with these investigations and present FCA's positions on concerns raised by these governmental authorities. We may also engage in discussions in an effort to reach an appropriate resolution of these investigations. At this time, we cannot predict whether or when any settlement may be reached or the ultimate outcome of these investigations and we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss. We also remain subject to a number of related private lawsuits (the "Non Opt-Out Litigation").

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

In Europe, we 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 in connection with their review of several of our vehicles.

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

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

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

The results of the unresolved governmental inquiries and private litigation cannot be predicted at this time and these inquiries and litigation may lead to further enforcement actions, penalties or damage awards, any of which may have a material adverse effect on our business, financial condition and results of operations. It is also possible that these matters and their ultimate resolution may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles and consequently could have a material adverse effect on our business, financial condition and results of operations. At this stage, we are unable to evaluate the likelihood that a loss will be incurred with regard to the unresolved inquiries and Non Opt-Out Litigation or estimate a range of possible loss.

U.S. Sales Reporting Investigations

On July 18, 2016, we confirmed that the SEC 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 DoJ. 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.

On September 27, 2019, the SEC announced the resolution of its investigation which included our agreement to pay an amount that is not material to the Group. We have also cooperated with a DoJ investigation into the same issues, the outcome of which remains uncertain. Any resolution of that matter may involve the payment of penalties and other sanctions. At this time, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss in connection with that investigation.

As previously reported, two putative securities class action lawsuits were filed 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. These lawsuits were consolidated into a single action and on October 4, 2018, we entered into an agreement in principle to settle the consolidated litigation, subject to court approval, for an amount that is not material to the Group. On June 5, 2019, the Court granted final approval to this settlement.

National Training Center

In connection with an on-going government investigation into matters at the UAW-Chrysler National Training Center, the DoJ 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. Several of the individual defendants have entered guilty pleas and some have claimed in connection with those pleas that they conspired with FCA US in violation of the Taft-Hartley Act. We continue to cooperate with this investigation and are in discussions with the DOJ about a potential resolution of its investigation. The outcome of those discussions is uncertain; however, any resolution may involve the payment of penalties and other sanctions. At this time, we cannot predict whether or when any settlements may be reached or, if no settlement is reached, the ultimate outcome of any litigation. As such, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Several putative class action lawsuits have been filed against FCA US in U.S. federal court alleging harm to UAW workers as a result of these acts. Those actions have been dismissed both at the trial court stage and on appeal. Three plaintiffs in these lawsuits also filed charges alleging unfair labor practices with the U.S. National Labor Relations Board (the "Board"). The Board issued a complaint regarding these allegations and is seeking a cease and desist order as well as the posting of a notification with respect to the alleged practices. At this stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

General Motors Litigation

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

We are defending vigorously against this action and, on January 24, 2020, we filed a motion to dismiss all claims. However, at this stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

U.S. Import Duties

Historically, we have paid a 2.5 percent duty on Ram ProMaster City light commercial vehicles imported into the U.S. as passenger vehicles and later converted into cargo vans rather than the 25 percent duty applicable to vehicles that are imported into the U.S. as cargo vans. In litigation between a competitor and U.S. Customs and Border Protection ("CBP") involving similar vehicles, the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit") ruled in June 2019 that vehicles previously imported by the competitor are subject to the 25 percent duty. In October 2019, the Federal Circuit declined to rehear the case and the competitor announced its intent to appeal the matter to the U.S. Supreme Court.

We believe there are facts that distinguish our case from that of the competitor. However, if CBP prevails against the competitor, it may seek to recover increased duties for our prior imports, plus interest, and may assert a claim for penalties. At this stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

26. Equity

Share capital

At December 31, 2019, the authorized share capital of FCA was 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, 2019, fully paid-up share capital of FCA amounted to €20 million (€19 million at December 31, 2018) and consisted of 1,567,519,274 common shares and of 408,941,767 special voting shares, all with a par value of €0.01 each (1,550,617,563 common shares and 408,941,767 special voting shares, all with a par value of €0.01 each at December 31, 2018).

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, 2019:

	Common Shares	Special Voting Shares	Total
Balance at January 1, 2019	**1,550,617,563**	**408,941,767**	**1,959,559,330**
Shares issued to Key management	16,901,711	—	16,901,711
Balance at December 31, 2019	**1,567,519,274**	**408,941,767**	**1,976,461,041**

Long Term Incentive Plans

On October 29, 2014, the Board of Directors of FCA ("Board of Directors") resolved to authorize the issuance of up to a maximum of 90 million common shares under the equity incentive plan and the long-term incentive program which had been adopted before the closing of the 2014 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*).

On December 19, 2018, the Board of Directors resolved to allocate up to a maximum of 50 million common shares under the 2019 - 2021 LTIP (refer to Note 18, *Share-based compensation*), under which equity awards can be granted to eligible individuals. Any issuance of shares during the period from 2019 to 2021 is subject to the satisfaction of certain performance and retention requirements and any issuances to directors are subject to FCA shareholders' approval (refer to Note 18, *Share-based compensation*).

Pursuant to the Articles of Association, the Board of Directors is irrevocably authorized to issue shares (common and special voting shares) and to grant rights to subscribe for shares in the capital of the Company. This authorization is up to a maximum aggregate amount of shares as set out in the Articles of Association, as amended from time to time, and limits or excludes the right of pre-emption with respect to common shares. The Board of Directors' authorization is for a period of five years from October 12, 2014, and expired on October 11, 2019.

On April 12, 2019, the Annual General Meeting of Shareholders ("AGM") resolved to authorize, under certain conditions, the Board of Directors to issue common and special voting shares, to grant rights to subscribe for common and special voting shares, and to limit or exclude pre-emptive rights for common shares. This authorization is for a period of eighteen months up to and including October 11, 2020, starting from the date on which the current authorization expired, October 12, 2019.

Furthermore, the AGM renewed the existing authorization of the Board of Directors, for a period of eighteen months from the date of the AGM, to repurchase up to a maximum of 10 percent of the Company's common shares issued as of the date of the AGM. Pursuant to the authorization, which does not entail any obligation for the Company but is designed to provide additional flexibility, the Board of Directors may repurchase common shares in compliance with applicable regulations, subject to certain maximum and minimum price thresholds.

Other reserves:

Other reserves comprised the following:

- legal reserves of €14,206 million at December 31, 2019 (€13,842 million at December 31, 2018) determined in accordance with Dutch law and primarily relating to development expenditures capitalized by subsidiaries and their earnings, subject to certain restrictions on distributions to FCA;
- capital reserves of €6,034 million at December 31, 2019 (€5,920 million at December 31, 2018);
- retained earnings, after the separation of the legal reserve, of positive €2,286 million (positive €1,836 million at December 31, 2018); and
- profit attributable to owners of the parent of €6,622 million for the year ended December 31, 2019 (€3,608 million for the year ended December 31, 2018).

Other comprehensive income

Other comprehensive income was as follows:

	Years ended December 31,		
	2019	2018	2017
	(€ million)		
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:			
(Losses)/gains on remeasurement of defined benefit plans	€ (63)	€ 317	€ (72)
Share of gains/(losses) on remeasurement of defined benefit plans for equity method investees	(5)	—	2
Gains/(losses) on equity instruments measured at fair value through other comprehensive income	6	(4)	14
Items relating to discontinued operations	(9)	1	8
Total Items that will not be reclassified to the Consolidated Income Statement (B1)	**(71)**	**314**	**(48)**
Items that may be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains/(Losses) on net investment hedging instruments	—	—	—
Gains/(losses) on cash flow hedging instruments arising during the period	(269)	99	47
Gains/(losses) on cash flow hedging instruments reclassified to the Consolidated Income Statement	78	(108)	82
Total Gains/(losses) on cash flow hedging instruments	**(191)**	**(9)**	**129**
Foreign exchange gains/(losses)	268	126	(1,982)
Share of Other comprehensive income/(loss) for equity method investees arising during the period	(16)	(77)	(94)
Share of Other comprehensive income/(loss) for equity method investees reclassified to the Consolidated Income Statement	1	(26)	(27)
Total Share of Other comprehensive (loss)/income for equity method investees	**(15)**	**(103)**	**(121)**
Items relating to discontinued operations	9	(91)	58
Total Items that may be reclassified to the Consolidated Income Statement (B2)	**71**	**(77)**	**(1,916)**
Total Other comprehensive income (B1)+(B2)=(B)	**—**	**237**	**(1,964)**
Tax effect	57	(82)	(30)
Tax effect - discontinued operations	—	1	(1)
Total Other comprehensive income, net of tax	**€ 57**	**€ 156**	**€ (1,995)**

Gains and losses arising from the remeasurement of defined benefit plans primarily 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,								
	2019			2018			2017		
	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 remeasurement of defined benefit plans	€ (63)	€ 7	€ (56)	€ 317	€ (76)	€ 241	€ (72)	€ (18)	€ (90)
Gains/(Losses) on cash flow hedging instruments	(191)	50	(141)	(9)	(6)	(15)	129	(12)	117
Gains/(losses) on equity instruments measured at fair value through other comprehensive income	6	—	6	(4)	—	(4)	14	—	14
Foreign exchange (losses)/gains	268	—	268	126	—	126	(1,982)	—	(1,982)
Share of Other comprehensive income/(loss) for equity method investees	(20)	—	(20)	(103)	—	(103)	(119)	—	(119)
Items relating to discontinued operations	—	—	—	(90)	1	(89)	66	(1)	65
Total Other comprehensive income	**€ —**	**€ 57**	**€ 57**	**€ 237**	**€ (81)**	**€ 156**	**€ (1,964)**	**€ (31)**	**€ (1,995)**

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.

Dividends proposed, declared and paid

The Board of Directors intends to recommend to the Annual General Meeting of Shareholders an annual ordinary dividend distribution to holders of FCA common shares of €0.70 per common share (a total distribution of approximately €1.1 billion). The distribution, from the Company's 2019 profits, will be subject to the approval by the Annual General Meeting of Shareholders, which is scheduled to be held on April 16, 2020.

If the dividend proposal is approved by shareholders, FCA common shares will be traded ex-dividend as of April 20, 2020 at the NYSE and the MTA. In compliance with the listing requirements of the NYSE and the MTA, the dividend record date will be April 21, 2020. The payment of the dividend is expected to be on May 5, 2020.

Prior to the 2018 dividend that was declared and paid, no dividends have been declared or paid by FCA in the preceding three years. Proposed dividends on ordinary shares are not recognized as a liability as at December 31, 2019.

On April 12, 2019, the AGM approved the payment of an ordinary annual dividend of €0.65 per common share, equivalent to an aggregate distribution of approximately €1 billion, which was paid on May 2, 2019 to shareholders of record on both MTA and NYSE on April 24, 2019, with an ex-dividend date of April 23, 2019.

On May 2, 2019, FCA announced that its Board of Directors had approved an extraordinary cash distribution of €1.30 per common share, equivalent to a total distribution of approximately €2 billion, paid on May 30, 2019 to shareholders of record on May 21, 2019, with an ex-dividend date of May 20, 2019.

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 2014 Merger, FCA issued 408,941,767 special voting shares with a nominal value of €0.01 each to those eligible shareholders of Fiat S.p.A. who had elected to participate in the loyalty voting structure upon completion of the 2014 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 an FCA shareholder in the Loyalty Register. Only a minimal dividend accrues to the special voting shares, which is 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, 2019, 2018 and 2017 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.

The following tables provide the amounts used in the calculation of basic earnings per share:

		Years ended December 31,					
			2019		2018		2017
Net profit attributable to owners of the parent	million	€	6,622	€	3,608	€	3,491
Weighted average number of shares outstanding	thousand		1,564,114		1,548,439		1,535,988
Basic earnings per share	€	**€**	**4.23**	**€**	**2.33**	**€**	**2.27**

		Years ended December 31,					
			2019		2018		2017
Net profit from continuing operations attributable to owners of the parent	million	€	2,694	€	3,323	€	3,281
Weighted average number of shares outstanding	thousand		1,564,114		1,548,439		1,535,988
Basic earnings per share from continuing operations	€	**€**	**1.72**	**€**	**2.15**	**€**	**2.14**

		Years ended December 31,					
			2019		2018		2017
Net profit from discontinued operations attributable to owners of the parent	million	€	3,928	€	285	€	210
Weighted average number of shares outstanding	thousand		1,564,114		1,548,439		1,535,988
Basic earnings per share from discontinued operations	€	**€**	**2.51**	**€**	**0.18**	**€**	**0.14**

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, 2019, 2018 and 2017 (Note 18, *Share-based compensation*), as determined using the treasury stock method.

For the year ended December 31, 2019, the theoretical effect that would arise if some of the RSU awards granted in 2018 and some of the PSU TSR awards granted in 2019 (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 year ended December 31, 2018.

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.

The following tables provide the amounts used in the calculation of diluted earnings per share:

		Years ended December 31,		
		2019	**2018**	**2017**
Net profit attributable to owners of the parent	million	€ 6,622	€ 3,608	€ 3,491
Weighted average number of shares outstanding	thousand	1,564,114	1,548,439	1,535,988
Number of shares deployable for share-based compensation	thousand	6,736	19,400	20,318
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,570,850	1,567,839	1,556,306
Diluted earnings per share	€	**€ 4.22**	**€ 2.30**	**€ 2.24**

		Years ended December 31,		
		2019	**2018**	**2017**
Net profit from continuing operations attributable to owners of the parent	million	€ 2,694	€ 3,323	€ 3,281
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,570,850	1,567,839	1,556,306
Diluted earnings per share from continuing operations	€	**€ 1.71**	**€ 2.12**	**€ 2.11**

		Years ended December 31,		
		2019	**2018**	**2017**
Net profit from discontinued operations attributable to owners of the parent	million	€ 3,928	€ 285	€ 210
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,570,850	1,567,839	1,556,306
Diluted earnings per share from discontinued operations	€	**€ 2.50**	**€ 0.18**	**€ 0.13**

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, or whose information is considered useful for the users of the financial statements. The Group's reportable segments include the four regional mass-market vehicle operating segments (North America, LATAM, APAC and EMEA) and the Maserati global luxury brand operating segment, which are described as follows:

- North America designs, engineers, develops, manufactures and distributes vehicles. North America 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 the dealer network and 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.

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.

During 2019, our previously reported “NAFTA” segment was renamed “North America” in response to the expected ratification of the United States–Mexico–Canada Agreement (“USMCA”). Other than the change of name, no other changes were made to the segment.

The results of our Magneti Marelli business were previously reported within the Components segment along with our industrial automation systems design and production business and our cast iron and aluminum components business. Following the classification of Magneti Marelli as a discontinued operation for the years ended December 31, 2019, 2018 and 2017 (refer to Note 3, *Scope of consolidation*), the remaining activities within Components segment are no longer considered a separate reportable segment as defined by IFRS 8 and are reported within “Other activities” below.

Other activities include the results of our industrial automation systems design and production business and our cast iron and aluminum components business, as well as the activities and businesses that are not operating segments under IFRS 8 – *Operating Segments.* Refer to Note 3, *Scope of consolidation* for detail on the announced sale of Teksid's cast iron automotive components business). 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, 2019, 2018 and 2017:

	Mass-Market Vehicles							
2019	**North America**	**LATAM**	**APAC**	**EMEA**	**Maserati**	**Other activities**	**Unallocated items & eliminations**	**FCA**
				(€ million)				
Revenues	€ 73,357	€ 8,461	€ 2,814	€ 20,571	€ 1,603	€ 3,009	€ (1,628)	€ 108,187
Revenues from transactions with other segments	(20)	(12)	(52)	(105)	(11)	(1,428)	1,628	—
Revenues from third party customers	**€ 73,337**	**€ 8,449**	**€ 2,762**	**€ 20,466**	**€ 1,592**	**€ 1,581**	**€ —**	**€ 108,187**
Net profit from continuing operations								**€ 2,700**
Tax expense								€ 1,321
Net financial expenses								€ 1,005
Adjustments:								
Impairment expense and supplier obligations(1)(5)	€ 98	€	€	€ 441	€ 210	€	€ 793	€ 1,542
Restructuring costs, net of reversals(2)(5)	€ 23	€ 127	€	€ (9)	€ 3	€	€ 10	€ 154
Gains on disposal of investments	€	€	€	€	€	€ (15)	€	€ (15)
Brazilian indirect tax - reversal of liability/recognition of credits(3)	€	€ (164)	€	€	€	€	€	€ (164)
Other(4)(5)	€ 45	€ 4	€ (4)	€ (7)	€ 8	€ 7	€ 72	€ 125
Adjusted EBIT	**€ 6,690**	**€ 501**	**€ (36)**	**€ (6)**	**€ (199)**	**€ (173)**	**€ (109)**	**€ 6,668**
Share of profit of equity method investees	€	€	€ (126)	€ 318	€	€ 15	€ 1	€ 208

(1) Impairment expense recognized in the year ended December 31, 2019 for EMEA, Maserati and also not allocated to a specific region. Additionally, impairment expense recognized in previous quarters in North America and Maserati, as well as supplier obligations of €6 million in EMEA.

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

(3) Gains in relation to the recognition of credits for amounts paid in prior years in relation to indirect taxes in Brazil (refer to Note 15, Trade and other receivables in the Consolidated Financial Statements).

(4) Other costs, primarily relating to litigation proceedings (refer to Note 25, Guarantees granted, commitments and contingent liabilities in the Consolidated Financial Statements).

(5) During the year ended December 31, 2019 impairment charges of €1,589 million were recorded, classified within Impairment expense and supplier obligations, Restructuring costs, net of reversals and Other above. These comprised €636 million of Property, plant and equipment (refer to Note 11, Property, plant and equipment in the Consolidated Financial Statements included elsewhere in this report) and €953 million of Other intangible assets (refer to Note 10, Other intangible assets in the Consolidated Financial Statements included elsewhere in this report).

2018	Mass-Market Vehicles North America	LATAM	APAC	EMEA	Maserati	Other activities	Unallocated items & eliminations	FCA
				(€ million)				
Revenues	€ 72,384	€ 8,152	€ 2,703	€ 22,815	€ 2,663	€ 2,888	€ (1,193)	€ 110,412
Revenues from transactions with other segments	(31)	(10)	(57)	(101)	(18)	(976)	1,193	—
Revenues from third party customers	**€ 72,353**	**€ 8,142**	**€ 2,646**	**€ 22,714**	**€ 2,645**	**€ 1,912**	**€ —**	**€ 110,412**
Net profit from continuing operations								**€ 3,330**
Tax expense								€ 778
Net financial expenses								€ 1,056
Adjustments:								
Charge for U.S. diesel emission matters[1]	€	€	€	€	€	€	€ 748	€ 748
Impairment expense and supplier obligations[2]	€ 16	€ 8	€ 11	€ 307	€	€	€ 11	€ 353
China inventory impairment[3]	€	€	€ 129	€	€	€	€	€ 129
Costs for recall, net of recovery - airbag inflators[4]	€ 114	€	€	€	€	€	€	€ 114
U.S. special bonus payment[5]	€ 109	€	€	€	€	€ 2	€	€ 111
Restructuring costs, net of reversals[6]	€	€ (28)	€ —	€ 123	€ —	€ 8	€ —	€ 103
Employee benefits settlement losses[7]	€ 92	€	€	€	€	€	€	€ 92
Port of Savona (Italy) fire and flood[8]	€	€ —	€ —	€ 2	€ 11	€ 30	€ —	€ 43
(Recovery of)/costs for recall - contested with supplier[9]	€ (50)	€	€	€	€	€	€	€ (50)
North America capacity realignment[10]	€ (60)	€ —	€ —	€ —	€ —	€ —	€	€ (60)
Brazil indirect tax - reversal of liability/recognition of credits[11]	€	€ (54)	€	€	€	€ (18)	€	€ (72)
Other	€ 1	€ —	€ —	€ 30	€ —	€ 12	€ 20	€ 63
Adjusted EBIT	**€ 6,230**	**€ 359**	**€ (296)**	**€ 406**	**€ 151**	**€ (40)**	**€ (72)**	**€ 6,738**
Share of profit of equity method investees	€ —	€ —	€ (67)	€ 284	€ —	€ 22	€ 1	**€ 240**

(1) A provision of €748 million was recognized for costs related to final settlements reached on civil, environmental and consumer claims related to U.S. diesel emissions matters. Refer to Note 25, Guarantees granted, commitments and contingent liabilities;
(2) Impairment expense of €297 million and supplier obligations of €56 million, primarily in EMEA, resulting from changes in product plans in connection with the 2018-2022 business plan;
(3) Impairment of inventory in connection with acceleration of new emissions standards in China and slower than expected sales. Refer to Note 14, Inventories;
(4) Accrual in relation to costs for recall campaigns related to Takata airbag inflators, net of recovery;
(5) Special bonus payment of $2,000 to approximately 60,000 employees in North America as a result of the U.S. Tax Cuts and Jobs Act;
(6) Restructuring costs primarily consisting of €123 million in EMEA, partially offset by the reversal of €28 million of previously recorded restructuring costs in LATAM;
(7) Charges arising on settlement of a portion of a supplemental retirement plan and an annuity buyout in North America. Refer to Note 19, Employee benefits liabilities;
(8) Costs in relation to the Port of Savona (Italy) flood and fire;
(9) Recovery of amounts accrued in 2016 in relation to costs for recall contested with a supplier;
(10) Reduction of costs in relation to the North America capacity realignment which were accrued in 2015;
(11) Credits recognized related to indirect taxes in Brazil.

2017	Mass-Market Vehicles North America	LATAM	APAC	EMEA	Maserati	Other activities	Unallocated items & eliminations	FCA
	(€ million)							
Revenues	€ 66,094	€ 8,004	€ 3,250	€ 22,700	€ 4,058	€ 3,248	€ (1,624)	€ 105,730
Revenues from transactions with other segments	(47)	(10)	(32)	(116)	(21)	(1,398)	1,624	—
Revenues from third party customers	**€ 66,047**	**€ 7,994**	**€ 3,218**	**€ 22,584**	**€ 4,037**	**€ 1,850**	**€ —**	**€ 105,730**
Net profit from continuing operations								**€ 3,291**
Tax expense								€ 2,588
Net financial expenses								€ 1,345
Adjustments:								
Reversal of a Brazilian indirect tax liability[(1)]	€	€	€	€	€	€	€	€ (895)
Impairment expense[(2)]	€	€ 77	€	€ 142	€	€	€	€ 219
Recall campaigns - airbag inflators[(3)]	€ 29	€ 73	€	€	€	€	€	€ 102
Restructuring costs/(reversal)[(4)]	€ (1)	€ 75	€	€	€	€ 11	€ 1	€ 86
Deconsolidation of Venezuela[(5)]	€	€ 42	€	€	€	€	€	€ 42
North America capacity realignment[(6)]	€ (38)	€	€	€	€	€	€	€ (38)
Tianjin (China) port explosion, net of insurance recoveries[(7)]	€	€	€ (68)	€	€	€	€	€ (68)
Gain on disposal of investments[(8)]	€	€	€	€	€	€ (27)	€ (49)	€ (76)
Other	€ (1)	€	€ 1	€	€	€ 12	€ 1	€ 13
Adjusted EBIT	**€ 5,227**	**€ 151**	**€ 172**	**€ 735**	**€ 560**	**€ (98)**	**€ (138)**	**€ 6,609**
Share of profit of equity method investees	€ —	€ —	€ 75	€ 306	€ —	€ 18	€ 1	**€ 400**

(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 North America 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.

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, 2019	2018
	(€ million)	
North America[(1)]	€ 40,097	€ 35,493
Italy	10,711	11,478
Brazil	4,064	4,125
Poland	684	937
Serbia	495	571
Other countries	1,320	1,456
Total Non-current assets (other than financial instruments, deferred tax assets and post-employment benefits assets)	**€ 57,371**	**€ 54,060**

(1) Refers to the geographical area and not our North America reporting segment.

29. Explanatory notes to the Consolidated Statement of Cash Flows

Non-cash items

For the year ended December 31, 2019, Other non-cash items of €1,541 million primarily included €1,589 million impairment expense (refer to Note 2, *Basis of preparation - Use of estimates*).

For the year ended December 31, 2018, Other non-cash items of €129 million primarily included €297 million of impairments, partially offset by €240 million related to the revaluation of investments accounted for by using the equity method and other amounts that were not individually material.

For the year ended December 31, 2017, Other non-cash items of €(197) million primarily included €400 million related to the revaluation of investments accounted for by using the equity method, partially offset by €219 million of impairments and other amounts that were not individually material.

Operating activities

For the year ended December 31, 2019, net cash from operating activities of €10,462 million was primarily the result of: (i) net profit from continuing operations of €2,700 million adjusted to: (1) to add back €5,445 million for depreciation and amortization expense, (2) €1,589 million of impairments (refer to Note 2, *Basis of preparation - Use of estimates*), (3) a €864 million change in deferred taxes, (3) a €1,744 million net decrease in provisions, including €0.5 billion of payments for civil, environmental and consumer claims related to U.S. diesel emissions matters accrued in 2018, and warranty and incentive payments which exceeded the related accruals in North America, (4) €308 million of cash used by operating activities of discontinued operations and (5) for the positive effect of the change in working capital of €1,869 million, which was primarily driven by (i) an increase of €2,020 million in trade payables primarily in North America, largely due to capital expenditures, (ii) a decrease of €1,017 million in inventories primarily in EMEA and LATAM, which were partially offset by (iii) an increase of €1,268 million in other receivables net of other liabilities and payables, reflecting primarily higher indirect tax receivables in LATAM and lump sum payments of €446 million (U.S.$499 million) made in relation to the ratification of the UAW four-year collective bargaining agreement (refer to Note 25, Guarantees granted, commitments and contingent liabilities).

For the year ended December 31, 2018, net cash from operating activities of €9,948 million was primarily the result of: (i) net profit from continuing operations of €3,330 million adjusted to add back €5,507 million for depreciation and amortization expense; in addition to (ii) a net increase of €842 million in provisions primarily due to a provision of €748 million recognized for costs related to final settlements reached on civil, environmental and consumer claims related to U.S. diesel emissions matters; (iii) an increase of €457 million in net deferred tax assets, mainly due to increased deferred tax liabilities in North America; and (iv) cash flow from operating activities of discontinued operations for €484 million. These positive impacts were partially offset by negative effect of the change in working capital of €1,035 million primarily driven by (a) decrease in trade payables of €1,240 million related to lower production volumes in EMEA in December 2018 compared to the same month in 2017 in addition to lower capital expenditure, (b) decrease in other liabilities and payables net of receivables of €1,213 million mainly as a result of higher indirect tax receivable in LATAM, decreased income tax payable in North America and lower advances from customers in LATAM and EMEA, and (c) decrease in inventories of €1,399 million due to inventory management actions across all the regions.

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 €3,291 million adjusted to add back €5,474 million for depreciation and amortization expense, in addition to a net decrease of €1,075 million in deferred tax assets mainly related to LATAM, and other non-cash items of €197 million; (ii) €102 million dividends received mainly from our equity method investments; and (iii) the negative effect of the change in working capital of €458 million primarily driven by (a) €1,596 million increase in inventories related to ramp-up of new models at year end, including the Alfa Romeo Stelvio and the Jeep Wrangler, as well as volume increases in LATAM and Maserati, and (b) increase in trade receivables of €157 million, which were partially offset by (c) increase in trade payables of €937 million primarily related to increased production volumes in North America and LATAM in the fourth quarter of 2017 as compared to the same period in 2016, and (d) a €358 million positive impact from increases in other liabilities, payables and receivables, primarily related to tax payables and higher deferred revenue.

Refer to Note 2, *Basis of preparation - Change in accounting policy - IFRIC 23* for detail on the reclassification of the 2018 and 2017 comparatives.

Investing activities

For the year ended December 31, 2019, net cash used in investing activities of €2,985 million was primarily the result of (i) €8,385 million of capital expenditures, including €2,889 million of capitalized development expenditures, and (ii) €155 million of cash flows used by discontinued operations. These were partially offset by (iii) €5,774 million proceeds from the disposal of Magneti Marelli, net of €426 million in cash and cash equivalents held by Magneti Marelli at the time of the disposal, and (iv) a decrease in receivables from financing activities of €336 million, mainly attributable to lower volumes of financing in EMEA partially offset by an increase in LATAM.

For the year ended December 31, 2018, net cash used in investing activities of €6,738 million was primarily the result of (i) €5,392 million of capital expenditures, including €2,079 million of capitalized development expenditures primarily related to North America and EMEA, that supported investments in existing and future products, including investments in electrification and autonomous driving, and (ii) a €676 million net increase in receivables from financing activities primarily related to the increase in the lending portfolio of the financial services activities in LATAM, EMEA and in APAC.

For the year ended December 31, 2017, net cash used in investing activities of €9,296 million was primarily the result of (i) €8,105 million of capital expenditures, including €2,431 million of capitalized development expenditures primarily related to North America and EMEA, that supported investments in existing and future products, including investments in electrification and autonomous driving, and (ii) an €836 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 CNHI, which were recognized in the line Change in securities within the Statement of Cash Flows.

Financing activities

For the year ended December 31, 2019**,** net cash used in financing activities of €5,827 million resulted primarily from dividends paid of €3,056 million, including the extraordinary dividend of €2,038 million related to the disposal of Magneti Marelli, the repayment of debt in Brazil of €684 million, and the repayment of notes at maturity with a principal amount of €1,480 million that were issued through the MTN Programme.

For the year ended December 31, 2018, net cash used in financing activities of €2,785 million was primarily the result of; (i) the voluntary prepayment in November 2018 of the outstanding principal and accrued interest of U.S.$1,009 million (€893 million) of FCA US's tranche B term loan maturing December 31, 2018 (the "Tranche B Term Loan due 2018"); and (ii) the repayment at maturity of two 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 €1,250 million and one with a principal amount of €600 million.

For the year ended December 31, 2017, net cash used in financing activities 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) of FCA US's Tranche B Term Loan due 2017; (ii) the repayment of three notes 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;* and (iii) the repayment of other long-term debt, net of proceeds, of a principal amount of €889 million.

The following is a reconciliation of liabilities arising from financing activities for the year ended December 31, 2019 and 2018:

	Years ended December 31,	
	2019	2018
	(€ million)	
Total Debt at January 1[(1)]	**€ 15,597**	**€ 17,971**
Add: Derivative (assets)/liabilities and collateral at January 1	(151)	(206)
Total Liabilities from financing activities at January 1	**€ 15,446**	**€ 17,765**
Cash flows	(3,096)	(2,795)
Foreign exchange effects	9	(226)
Fair value changes	327	(136)
Changes in scope of consolidation	43	(3)
Transfer to (Assets)/Liabilities held for sale	(82)	(177)
Other changes[(2)]	432	(51)
Total Liabilities from financing activities at December 31	**€ 13,079**	**€ 14,377**
Less: Derivative (assets)/liabilities and collateral at December 31	178	(151)
Total Debt at December 31	**€ 12,901**	**€ 14,528**

(1) Total debt at January 1, 2019 has been adjusted to include Lease liabilities of €1,069 million from the adoption of IFRS 16. Refer to Note 2., Basis of preparation for additional information on the adoption of IFRS 16.
(2) Other changes above includes €622 million of non-cash movements relating to the recognition of additional lease liabilities in accordance with IFRS during the year ended December 31, 2019.

Interest expense and taxes paid

During the years ended December 31, 2019, 2018 and 2017, the Group paid interest of €860 million and received interest of €325 million, €1,024 million and €308 million, and €1,190 million and €299 million, respectively. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

During the years ended December 31, 2019, 2018 and 2017, the Group made income tax payments, net of refunds, totaling €341 million, €750 million and €533 million, respectively.

Amounts relating to IFRS 16 recognized in Consolidated Statement of Cash Flows

During the year ended December 31, 2019, the total cash outflow for leases recognized in accordance with IFRS 16 was €381 million, of which €299 million related to cash payments for the principal portion of lease liabilities (recognized within Cash flows from financing activities in the Consolidated Statement of cash flows) and €82 million related to cash payments for interest expense related to lease liabilities (recognized within Cash flows from operating activities in the Consolidated Statement of cash flows).

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

Overall, the credit risk regarding the Group's trade receivables and receivables from financing activities is concentrated mainly in North America, EMEA and LATAM.

The maximum credit risk to which the Group is potentially exposed at December 31, 2019 is represented by the carrying amounts of financial assets in the financial statements as discussed in Note 15, *Trade, other receivables and Tax receivables* 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*.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group monitors these exposures and establishes credit lines with single or homogeneous categories of counterparties.

Dealers and final customers for which the Group provides financing are subject to specific assessments of their creditworthiness under a detailed scoring system. To mitigate this risk, the Group could obtain financial and non-financial guarantees. 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.

For further information regarding the exposure to credit risk and ECLs of Trade receivables, other receivables and financial receivables at December 31, 2019 and 2018, refer to Note 15, *Trade, other receivables and tax receivables*.

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 funds that are measured at fair value, there was no exposure to sovereign debt securities at December 31, 2019 and 2018 which might lead to significant risk of repayment.

Liquidity risk

Liquidity risk is the risk 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 from various funding sources.

Certain notes issued by FCA and its treasury subsidiaries include covenants which may be affected by circumstances related to certain subsidiaries; 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.

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 liabilities* 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, interest rate risk and commodity price 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 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 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 2019 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) at December 31, 2019 resulting from a 10 percent change in the exchange rates would have been approximately €991 million (€704 million at December 31, 2018).

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, 2019, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately €68 million (approximately €83 million at December 31, 2018).

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, 2019, 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 €23 million (€25 million at December 31, 2018).

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, 2019, a hypothetical 10 percent change in the price of the commodities at that date would have caused a fair value loss of €55 million (€91 million at December 31, 2018). 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.

OTHER INFORMATION

ADDITIONAL INFORMATION FOR NETHERLANDS CORPORATE GOVERNANCE

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 article 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 the Board of Directors in the case of interim distributions of profits, 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, *Equity* 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 December 31, 2019, the issued share capital of the Company consisted of 1,567,519,274 common shares, representing 79.3 percent of the aggregate issued share capital, and 408,941,767 special voting shares, representing 20.7 percent 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 section "*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 percent 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 depositary 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, with such a 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. At the annual general meeting of shareholders held on April 12, 2019, the designation of the Board of Directors as the competent body to issue shares and rights to subscribe for shares and to limit or limit pre-emption rights in connection therewith was extended up to and including October 11, 2020. The authorization to issue common shares and to grant rights to subscribe for common shares is limited to: (i) 10 percent of the issued common shares for general corporate purposes as per the date of the 2019 annual general meeting of shareholders (April 12, 2019), which can be used for any and all purposes, plus (ii) an additional 10 percent of the issued common shares as per such date if the issuance occurs on the occasion of the acquisition of an enterprise or a corporation, or, if such issuance and/or the granting of rights to subscribe for common shares is otherwise necessary in the opinion of the Board of Directors. The authorization to limit or exclude pre-emption rights is limited to the percentages applicable to the authorization to issue common shares and to grant rights to subscribe for common shares. At the same annual general meeting, the Board of Directors was also authorized to issue special voting shares and to grant rights to subscribe for special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's articles of association for a period up to and including October 11, 2020. 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. In addition, the Board of Directors has been authorized to acquire common shares in the capital of the Company, either through purchase on a stock exchange, through a public tender offer, offer for exchange or otherwise, up to a maximum number of shares equal to 10 percent of the Company's issued common shares as per the date of the 2019 annual general meeting of Shareholders (April 12, 2019) at a purchase price per share between, on the one hand, an amount equal to the par value of the shares and, on the other hand, an amount equal to 110 percent of the market price of the shares on the New York Stock Exchange and/or the Mercato Telematico Azionario (as the case may be); the market price being the average of the highest price on each of the five days of trading prior to the date on which the acquisition is made, as shown in the Official Price List of the New York Stock Exchange and/or the Mercato Telematico Azionario (as the case may be), for a period of 18 months from the date of the 2019 annual general meeting of shareholders (April 12, 2019) and therefore up to and including October 11, 2020.

j. The Company is not a party to any significant agreements which will take effect, be altered or 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 twenty-four (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 therein).

The disclosures set out under f., g. and j. above, are subject to the announcement by the Company, dated December 17, 2019, that the Company and Peugeot S.A. ("Groupe PSA") signed a binding combination agreement (the "Combination Agreement") providing for a 50/50 merger of the businesses of the Company and Groupe PSA. The press release is available on the Company's website at: https://www.fcagroup.com/en-US/media_center/fca_press_release/Pages/home.aspx. Completion of the proposed merger is expected to take place in 12-15 months from signing of the Combination Agreement, subject to customary closing conditions. Under the proposed articles of association of the combined company, it is foreseen that no shareholder would have the power to exercise more than 30% of the votes cast at shareholders' meetings. It is also foreseen that there will be no carryover of existing double voting rights but that new double voting rights will accrue after a three-year holding period after completion of the proposed merger. Furthermore, in connection with the proposed merger, a 3-year lock-up and a 7-year standstill applies with respect to certain shareholdings of certain shareholders, as further set out in the press release referred to above.

ADDITIONAL INFORMATION FOR U.S. LISTING PURPOSES

Contractual Obligations

The following table summarizes payments due under our significant contractual commitments as of December 31, 2019:

	Payments due by period				
(€ million)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt[1]	€ 8,948	€ 2,197	€ 3,717	€ 2,945	€ 89
Interest on Long-term debt[2]	1,066	383	526	156	1
Lease liabilities[3]	2,146	430	488	417	811
Short-term leases and Low-value assets obligations[4]	79	45	27	7	—
Unconditional minimum purchase obligations[5]	1,864	982	810	72	—
Purchase obligations[6]	3,794	2,837	956	1	—
Pension contribution requirements[7]	75	75	—	—	—
Total	**€ 17,972**	**€ 6,949**	**€ 6,524**	**€ 3,598**	**€ 901**

(1) Amounts presented relate to the principal amounts of long-term debt and exclude the related interest expense that will be paid when due, fair value adjustments, discounts, premiums and loan origination fees. For additional information see Note 21, Debt, within the Consolidated Financial Statements included elsewhere in this report.
(2) Amounts include interest payments based on contractual terms and current interest rates on our debt. Interest rates based on variable rates included above were determined using the current interest rates in effect at December 31, 2019.
(3) Lease liabilities consist mainly of industrial buildings and plant, machinery and equipment used in our business. The amounts reported include all future cash outflows included in the undiscounted lease liabilities. See Note 21, Debt, within the Consolidated Financial Statements included elsewhere in this report.
(4) Short-term leases and Low-value assets mainly relate to leases for commercial and industrial properties, machinery and equipment used in our business. The amounts reported above include the minimum rental and payment commitments due under such leases.
(5) Unconditional minimum purchase obligations relate to our unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services from suppliers with fixed and determinable price provisions. From time to time, in the ordinary course of our business, we enter into various arrangements with key suppliers in order to establish strategic and technological advantages.
(6) Purchase obligations are comprised of (i) the repurchase price guaranteed to certain customers on sales with a buy-back commitment in an aggregate amount of €1,329 million, (ii) commitments to purchase tangible fixed assets, mainly in connection with planned capital expenditure of various group companies, in an aggregate amount of approximately €1,255 million, and (iii) commitments to purchase intangible assets relating to regulatory emissions credits for an aggregate amount of approximately €1,210 million.
(7) Pension contribution requirements are based on the estimate of our minimum funding requirements under our funded pension plans. We may elect to make contributions in excess of the minimum funding requirements. The Group contributions to pension plans for 2020 are expected to be €970 million, of which €940 million relate to the U.S. and Canada, with €895 million being discretionary contributions and €45 million will be made to satisfy minimum funding requirements. Our minimum funding requirements after 2020 will depend on several factors, including investment performance and interest rates. Therefore, the above excludes payments beyond 2020, since we cannot predict with reasonable reliability the timing and amounts of future minimum funding requirements. Refer to Note 19, Employee benefits liabilities, within the Consolidated Financial Statements included elsewhere in this report for expected benefit payments for the Group's pension plans and for the Group's unfunded health care and life insurance plans.

Product warranties, recall campaigns and product liabilities

The contractual obligations set forth above do not include payments for product warranty and recall campaign costs. We issue various types of product warranties under which we generally guarantee the performance of products delivered for a certain period of time. The estimated future costs of product warranties 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. We also periodically initiate voluntary service and recall actions to address various customer satisfaction, safety and emissions issues related to the vehicles that we sell. In North America, 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 it is determined a specific recall campaign is approved and is announced. Estimates of the future costs of all 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 costs of these services and recall actions may require us to make expenditures in excess of established reserves over an extended period of time and in a range of amounts that cannot be reasonably estimated. At December 31, 2019, our product warranty and recall campaigns provision was €6,306 million.

Significant Vehicle Assembly Plants

The following table provides information about our significant vehicle assembly plants as of December 31, 2019, excluding joint ventures, of which the largest by region are Belvidere (U.S.), Betim (Brazil) and Cassino (Italy).

Each of the assembly plants listed below have a covered area of more than 100,000 square meters:

Country	Location
North America	
U.S.	Belvidere, Illinois
U.S.	Jefferson North, Michigan
U.S.	Sterling Heights, Michigan
U.S.	Toledo North, Ohio
U.S.	Toledo Supplier Park, Ohio
U.S.	Warren Truck, Michigan
Mexico	Toluca, Estado de México
Mexico	Saltillo Truck, Coahuila
Mexico	Saltillo Van, Coahuila
Canada	Brampton, Ontario
Canada	Windsor, Ontario
LATAM	
Brazil	Betim, Minas Gerais
Brazil	Goiana, Pernambuco
Argentina	Cordoba
EMEA	
Italy	Cassino
Italy	Melfi
Italy	Pomigliano
Italy	Turin (Mirafiori)
Poland	Tychy
Serbia	Kragujevac

We have three vehicle assembly plants for Maserati in Italy (including two plants owned by FCA Italy), thirteen plants for Comau and six for Teksid, (including four classified as held for sale, refer to Note 3, *Scope of consolidation* included within the Consolidated financial statements included elsewhere in this report).

In February 2019, the Group announced plans to invest a total of $4.5 billion in five of its existing Michigan plants and to work with the State of Michigan and the City of Detroit on building a new assembly plant within the city limits. The move is expected to increase capacity to meet growing demand for Jeep and Ram brands, including production of two new Jeep branded white-space products, as well as electrified models. The State of Michigan and the City of Detroit have committed to provide various financial incentives, including tax incentives, in connection with these plans.

In September 2019, the Group announced further details on its planned €5 billion investment program for Italy, with investments towards all-new Maserati models to be developed, electrified and produced in Italy at Modena, Cassino and Turin (Mirafiori and Grugliasco). An investment of approximately €800 million was announced for the construction of the new production line for a new Maserati utility vehicle at Cassino, scheduled to open at the end of the first quarter of 2020, with the first pre-series cars expected to roll off the production line by 2021. An investment of €800 million was also announced for the Turin production hub, where the all-new GranTurismo and GranCabrio will be produced.

Our Share Information

On October 13, 2014, our common shares began trading on the NYSE under the symbol “FCAU” and on the MTA under the symbol “FCA”. Prior to October 13, 2014, our ordinary shares were listed and traded on the MTA under the symbol “Fiat”.

Dividend Policy

Refer to Note 26, *Equity* within the Consolidated Financial Statements included elsewhere in this report for additional detail on the proposed annual ordinary dividend distribution to holders of FCA common shares.

For additional information on distribution of profits, refer to *ADDITIONAL INFORMATION FOR NETHERLANDS CORPORATE GOVERNANCE - Dividends* above.

Principal Accountant Fees and Services

EY S.p.A., the member firms of Ernst & Young and their respective affiliates (collectively, the “Ernst & Young Entities”) were appointed to serve as our independent registered public accounting firm for the years ended December 31, 2019 and 2018. We incurred the following fees from the Ernst & Young Entities for professional services for the years ended December 31, 2019 and 2018, respectively:

	Years Ended December 31,	
(€ thousands)	2019	2018
Audit fees	€ 16,670	€ 18,607
Audit-related fees	138	50
Tax fees	54	346
Total	**€ 16,862**	**€ 19,003**

“Audit fees” are the aggregate fees billed by the Ernst & Young Entities for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. “Audit-related fees” are fees charged by the Ernst & Young Entities for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit fees”. This category comprises fees for the audit of employee benefit plans and pension plans, agreed-upon procedure engagements and other attestation services subject to regulatory requirements.

Audit Committee’s pre-approval policies and procedures

Our Audit Committee nominates and engages our independent registered public accounting firm to audit our consolidated financial statements. Our Audit Committee has a policy requiring management to obtain the Audit Committee’s approval before engaging our independent registered public accounting firm to provide any other audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, which is designed to ensure that such engagements do not impair the independence of our independent registered public accounting firm, the Audit Committee reviews and pre-approves (if appropriate) specific audit and non-audit services in the categories Audit Services, Audit-Related Services, Tax Services, and any other services that may be performed by our independent registered public accounting firm.

Taxation

Material U.S. Federal Income Tax Consequences

This section describes the material U.S. federal income tax consequences of owning FCA stock. It applies solely to persons that hold shares as capital assets for U.S. federal income tax purposes. This section does not apply to members of a special class of holders subject to special rules, including:

- a dealer in securities or foreign currencies;
- a regulated investment company;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a bank, financial institution, or insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10 percent or more, by vote or value, of FCA;
- a person that holds shares as part of a straddle or a hedging, conversion, or other risk reduction transaction for U.S. federal income tax purposes;
- a person that acquired shares pursuant to the exercise of employee stock options or otherwise as compensation; or
- a person whose functional currency is not the U.S. Dollar.

This section is based on the Internal Revenue Code of 1986, as amended, the Code, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on applicable tax treaties, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity treated as a partnership for U.S. federal income tax purposes holding shares should consult its tax advisors with regard to the U.S. federal income tax treatment of the ownership of FCA stock.

No statutory, judicial or administrative authority directly discusses how the ownership of FCA stock should be treated for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of the ownership of FCA stock are uncertain. Shareholders should consult their own tax advisors regarding the U.S. federal, state and local and foreign and other tax consequences of owning and disposing of FCA stock in their particular circumstances.

For the purposes of this discussion, a “U.S. Shareholder” is a beneficial owner of shares that is:

- an individual that is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

Tax Consequences of Owning FCA Stock

Taxation of Dividends

Under the U.S. federal income tax laws, and subject to the discussion of PFIC taxation below, a U.S. Shareholder must include in its gross income the gross amount of any dividend paid by FCA to the extent of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Dividends will be taxed as ordinary income to the extent that they are paid out of FCA's current or accumulated earnings and profits. Dividends paid to a non-corporate U.S. Shareholder by certain "qualified foreign corporations" that constitute qualified dividend income are taxable to the shareholder at the preferential rates applicable to long-term capital gains provided that the shareholder holds the shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. For this purpose, stock of FCA is treated as stock of a qualified foreign corporation if FCA is eligible for the benefits of an applicable comprehensive income tax treaty with the United States or if such stock is listed on an established securities market in the United States. The common shares of FCA are listed on the NYSE and FCA expects to be eligible for the benefits of such a treaty. Accordingly, subject to the discussion of PFIC taxation below, dividends FCA pays with respect to the shares will constitute qualified dividend income, assuming the holding period requirements are met.

A U.S. Shareholder must include any foreign tax withheld from the dividend payment in this gross amount even though the shareholder does not in fact receive the amount withheld. The dividend is taxable to a U.S. Shareholder when the U.S. Shareholder receives the dividend, actually or constructively.

The dividend will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. Shareholder's basis in the shares of FCA stock, causing a reduction in the U.S. Shareholder's adjusted basis in FCA stock, and thereafter as capital gain.

Subject to certain limitations, any non-U.S. tax withheld and paid over to a non-U.S. taxing authority is eligible for credit against a U.S. Shareholder's U.S. federal income tax liability except to the extent a refund of the tax withheld is available to the U.S. Shareholder under non-U.S. tax law or under an applicable tax treaty. The amount allowed to a U.S. Shareholder as a credit is limited to the amount of the U.S. Shareholder's U.S. federal income tax liability that is attributable to income from sources outside the U.S. and is computed separately with respect to different types of income that the U.S. Shareholder receives from non-U.S. sources. Subject to the discussion below regarding Section 904(h) of the Code, dividends paid by FCA will be foreign source income and depending on the circumstances of the U.S. Shareholder, will be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to a U.S. Shareholder.

Under Section 904(h) of the Code, dividends paid by a foreign corporation that is treated as 50 percent or more owned, by vote or value, by U.S. persons may be treated as U.S. source income (rather than foreign source income) for foreign tax credit purposes, to the extent the foreign corporation earns U.S. source income. In certain circumstances, U.S. Shareholders may be able to choose the benefits of Section 904(h)(10) of the Code and elect to treat dividends that would otherwise be U.S. source dividends as foreign source dividends, but in such a case the foreign tax credit limitations would be separately determined with respect to such "resourced" income. In general, therefore, the application of Section 904(h) of the Code may adversely affect a U.S. Shareholder's ability to use foreign tax credits. FCA does not believe that it is 50 percent or more owned by U.S. persons, but this conclusion is a factual determination and is subject to change; no assurance can therefore be given that FCA may not be treated as 50 percent or more owned by U.S. persons for purposes of Section 904(h) of the Code. U.S. Shareholders are strongly urged to consult their own tax advisors regarding the possible impact if Section 904(h) of the Code should apply.

Taxation of Capital Gains

Subject to the discussion of PFIC taxation below, a U.S. Shareholder that sells or otherwise disposes of its FCA common shares will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. Dollar value of the amount that the U.S. Shareholder realizes and the U.S. Shareholder's tax basis in those shares. Capital gain of a non-corporate U.S. Shareholder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will be U.S. source income or loss for foreign tax credit limitation purposes. The deduction of capital losses is subject to limitations.

Loyalty Voting Structure

NO STATUTORY, JUDICIAL OR ADMINISTRATIVE AUTHORITY DIRECTLY DISCUSSES HOW THE RECEIPT, OWNERSHIP OR DISPOSITION OF SPECIAL VOTING SHARES SHOULD BE TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES AND AS A RESULT, THE U.S. FEDERAL INCOME TAX CONSEQUENCES ARE UNCERTAIN. ACCORDINGLY, WE URGE U.S. SHAREHOLDERS TO CONSULT THEIR TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE RECEIPT, OWNERSHIP AND DISPOSITION OF SPECIAL VOTING SHARES.

If a U.S. Shareholder receives special voting shares after requesting all or some of the number of its FCA common shares be registered on the Loyalty Register, the tax consequences of the receipt of special voting shares is unclear. While distributions of stock are tax-free in certain circumstances, the distribution of special voting shares would be taxable if it were considered to result in a "disproportionate distribution." A disproportionate distribution is a distribution or series of distributions, including deemed distributions, that have the effect of the receipt of cash or other property by some shareholders of FCA and an increase in the proportionate interest of other shareholders of FCA in FCA's assets or earnings and profits. It is possible that the distribution of special voting shares to a U.S. Shareholder that has requested all or some of the number of its FCA common shares be registered on the Loyalty Register and a distribution of cash in respect of FCA common shares could be considered together to constitute a "disproportionate distribution." Unless FCA has not paid cash dividends in the 36 months prior to a U.S. Shareholder's receipt of special voting shares and FCA does not intend to pay cash dividends in the 36 months following a U.S. Shareholder's receipt of special voting shares, FCA intends to treat the receipt of special voting shares as a distribution that is subject to tax as described above in "Consequences of Owning FCA Stock—Taxation of Dividends." The amount of the dividend should equal the fair market value of the special voting shares received. For the reasons stated above, FCA believes and intends to take the position that the value of each special voting share is minimal. However, because the fair market value of the special voting shares is factual and is not governed by any guidance that directly addresses such a situation, the IRS could assert that the value of the special voting shares (and thus the amount of the dividend) as determined by FCA is incorrect.

Ownership of Special Voting Shares

FCA believes that U.S. Shareholders holding special voting shares should not have to recognize income in respect of amounts transferred to the special voting shares dividend reserve that are not paid out as dividends. Section 305 of the Code may, in certain circumstances, require a holder of preferred shares to recognize income even if no dividends are actually received on such shares if the preferred shares are redeemable at a premium and the redemption premium results in a "constructive distribution." Preferred shares for this purpose refer to shares that do not participate in corporate growth to any significant extent. FCA believes that Section 305 of the Code should not apply to any amounts transferred to the special voting shares dividend reserve that are not paid out as dividends so as to require current income inclusion by U.S. Shareholders because, among other things, (i) the special voting shares are not redeemable on a specific date and a U.S. Shareholder is only entitled to receive amounts in respect of the special voting shares upon liquidation, (ii) Section 305 of the Code does not require the recognition of income in respect of a redemption premium if the redemption premium does not exceed a de minimis amount and, even if the amounts transferred to the special voting shares dividend reserve that are not paid out as dividends are considered redemption premium, the amount of the redemption premium is likely to be "de minimis" as such term is used in the applicable Treasury Regulations. FCA therefore intends to take the position that the transfer of amounts to the special voting shares dividend reserve that are not paid out as dividends does not result in a "constructive distribution," and this determination is binding on all U.S. Shareholders of special voting shares other than a U.S. Shareholder that explicitly discloses its contrary determination in the manner prescribed by the applicable regulations. However, because the tax treatment of the loyalty voting structure is unclear and because FCA's determination is not binding on the IRS, it is possible that the IRS could disagree with FCA's determination and require current income inclusion in respect of such amounts transferred to the special voting shares dividend reserve that are not paid out as dividends.

Disposition of Special Voting Shares

The tax treatment of a U.S. Shareholder that has its special voting shares redeemed for zero consideration after removing its common shares from the Loyalty Register is unclear. It is possible that a U.S. Shareholder would recognize a loss to the extent of the U.S. Shareholder's basis in its special voting shares, which should equal (i) if the special voting shares were received in connection with the 2014 Merger, the basis allocated to the special voting shares, and (ii) if the special voting shares were received after the requisite holding period on the Loyalty Register, the amount that was included in income upon receipt. Such loss would be a capital loss and would be a long-term capital loss if a U.S. Shareholder has held its special voting shares for more than one year. It is also possible that a U.S. Shareholder would not be allowed to recognize a loss upon the redemption of its special voting shares and instead a U.S. Shareholder should increase the basis in its FCA common shares by an amount equal to the basis in its special voting shares. Such basis increase in a U.S. Shareholder's FCA common shares would decrease the gain, or increase the loss, that a U.S. Shareholder would recognize upon the sale or other taxable disposition of its FCA common shares.

THE U.S. FEDERAL INCOME TAX TREATMENT OF THE LOYALTY VOTING STRUCTURE IS UNCLEAR AND U.S. SHAREHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS IN RESPECT OF THE CONSEQUENCES OF ACQUIRING, OWNING, AND DISPOSING OF SPECIAL VOTING SHARES.

PFIC Considerations—Consequences of Holding FCA Stock

FCA believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, but this conclusion is based on a factual determination made annually and thus is subject to change. As discussed in greater detail below, if shares of FCA stock were to be treated as stock of a PFIC, gain realized (subject to the discussion below regarding a mark-to-market election) on the sale or other disposition of shares of FCA stock would not be treated as capital gain, and a U.S. Shareholder would be treated as if such U.S. Shareholder had realized such gain and certain "excess distributions" ratably over the U.S. Shareholder's holding period for its shares of FCA stock and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, a U.S. Shareholder's shares of FCA stock would be treated as stock in a PFIC if FCA were a PFIC at any time during such U.S. Shareholder's holding period in the shares. Dividends received from FCA would not be eligible for the special tax rates applicable to qualified dividend income if FCA were treated as a PFIC in the taxable years in which the dividends are paid or in the preceding taxable year (regardless of whether the U.S. holder held shares of FCA stock in such year) but instead would be taxable at rates applicable to ordinary income.

FCA would be a PFIC with respect to a U.S. Shareholder if for any taxable year in which the U.S. Shareholder held shares of FCA stock, after the application of applicable "look-through rules":

- 75 percent or more of FCA's 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

- 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.

Because the determination whether a foreign corporation is a PFIC is primarily factual and there is little administrative or judicial authority on which to rely to make a determination, the IRS might not agree that FCA is not a PFIC. Moreover, no assurance can be given that FCA would not become a PFIC for any future taxable year if there were to be changes in FCA's assets, income or operations.

If FCA were to be treated as a PFIC for any taxable year (and regardless of whether FCA remains a PFIC for subsequent taxable years), each U.S. Shareholder that is treated as owning FCA stock for purposes of the PFIC rules (i) would be liable to pay U.S. federal income tax at the highest applicable income tax rates on (a) ordinary income upon the receipt of excess distributions (the portion of any distributions received by the U.S. Shareholder on FCA stock in a taxable year in excess of 125 percent of the average annual distributions received by the U.S. Shareholder in the three preceding taxable years or, if shorter, the U.S. Shareholder's holding period for the FCA stock) and (b) on any gain from the disposition of FCA stock, plus interest on such amounts, as if such excess distributions or gain had been recognized ratably over the U.S. Shareholder's holding period of the FCA stock, and (ii) may be required to annually file Form 8621 with the IRS reporting information concerning FCA.

If FCA were to be treated as a PFIC for any taxable year and provided that FCA common shares are treated as "marketable stock" within the meaning of applicable Treasury Regulations, which FCA believes will be the case, a U.S. Shareholder may make a mark-to-market election. Under a mark-to-market election, any excess of the fair market value of the FCA common shares at the close of any taxable year over the U.S. Shareholder's adjusted tax basis in the FCA common shares is included in the U.S. Shareholder's income as ordinary income. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. In addition, the excess, if any, of the U.S. Shareholder's adjusted tax basis at the close of any taxable year over the fair market value of the FCA common shares is deductible in an amount equal to the lesser of the amount of the excess or the amount of the net mark-to-market gains that the U.S. Shareholder included in income in prior years. A U.S. Shareholder's tax basis in FCA common shares would be adjusted to reflect any such income or loss. Gain realized on the sale, exchange or other disposition of FCA common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of FCA common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Shareholder. It is not expected that the special voting shares would be treated as "marketable stock" and eligible for the mark-to-market election.

The adverse consequences of owning stock in a PFIC could also be mitigated if a U.S. Shareholder makes a valid "qualified electing fund" election, or QEF election, which, among other things, would require a U.S. Shareholder to include currently in income its pro rata share of the PFIC's net capital gain and ordinary earnings, based on earnings and profits as determined for U.S. federal income tax purposes. Because of the administrative burdens involved, FCA does not intend to provide information to its shareholders that would be required to make such election effective.

A U.S. Shareholder which holds FCA stock during a period when FCA is a PFIC will be subject to the foregoing rules for that taxable year and all subsequent taxable years with respect to that U.S. Shareholder's holding of FCA stock, even if FCA ceases to be a PFIC, subject to certain exceptions for U.S. Shareholders which made a mark-to-market or QEF election. U.S. Shareholders are strongly urged to consult their tax advisors regarding the PFIC rules, and the potential tax consequences to them if FCA were determined to be a PFIC.

Medicare Tax on Net Investment Income

A U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8 percent tax, the Medicare tax, on the lesser of (i) the U.S. person's "net investment income" (or undistributed net investment income in the case of an estate or trust) for the relevant taxable year and (ii) the excess of the U.S. person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between U.S.$125,000 and U.S.$250,000, depending on the individual's circumstances). A shareholder's net investment income generally includes its dividend income and its net gains from the disposition of shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If a shareholder is a U.S. person that is an individual, estate or trust, the shareholder is urged to consult the shareholder's tax advisors regarding the applicability of the Medicare tax to the shareholder's income and gains in respect of the shareholder's investment in FCA stock.

Information with Respect to Foreign Financial Assets

Owners of “specified foreign financial assets” with an aggregate value in excess of U.S.$50,000, (and in some cases, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons; (ii) financial instruments and contracts that have non-U.S. issuers or counterparties; and (iii) interests in foreign entities. U.S. Shareholders are urged to consult their tax advisors regarding the application of this legislation to their ownership of FCA stock.

Backup Withholding and Information Reporting

Information reporting requirements for a non-corporate U.S. Shareholder, on IRS Form 1099, will apply to:

- dividend payments or other taxable distributions made to such U.S. Shareholder within the U.S.; and
- the payment of proceeds to such U.S. Shareholder from the sale of FCA stock effected at a U.S. office of a broker.

Additionally, backup withholding (currently at a 24 percent rate) may apply to such payments to a non-corporate U.S. Shareholder that:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that such U.S. Shareholder has failed to report all interest and dividends required to be shown on such U.S. Shareholder’s federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

A person may obtain a refund of any amounts withheld under the backup withholding rules that exceed the person’s income tax liability by properly filing a refund claim with the IRS.

Material Netherlands Tax Consequences

This section describes solely the principal Dutch tax consequences of the acquisition, ownership and disposal of FCA common shares and, if applicable, FCA special voting shares by Non-Resident holders of such shares (as defined below). It does not purport to describe every aspect of Dutch taxation that may be relevant to a particular holder of FCA common shares and, if applicable, FCA special voting shares. Tax matters are complex and the tax consequences to a particular holder of FCA common shares and, if applicable, FCA special voting shares will depend in part to such holder’s circumstances. Shareholders and any potential investor should consult their own tax advisors regarding the Dutch tax consequences of acquiring, owning and disposing of FCA common shares and, if applicable, FCA special voting shares in their particular circumstances.

Where in this section English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this section the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands.

This section also assumes that the board shall control the conduct of the affairs of FCA and shall procure that FCA is organized in accordance with the facts, based upon which the competent authorities of the United Kingdom and The Netherlands have ruled that FCA should be treated as solely resident of the United Kingdom for the application of the tax treaty as concluded between the United Kingdom and The Netherlands. A change in facts and circumstances based upon which the ruling was issued may invalidate the contents of this section, which will not be updated to reflect any such change.

This section is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Form. The law upon which this description is based is subject to change, possibly with retroactive effect. Any such change may invalidate the contents of this description, which will not be updated to reflect such change.

Where in this Dutch taxation section reference is made to “a holder of FCA common shares and, if applicable, FCA special voting shares”, that concept includes, without limitation:

1. an owner of one or more FCA common shares and/or FCA special voting shares who in addition to the title to such FCA common shares and/or FCA special voting shares, has an economic interest in such FCA common shares and/or FCA special voting shares;

2. a person who or an entity that holds the entire economic interest in one or more FCA common shares and/or FCA special voting shares;

3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more FCA common shares and/or FCA special voting shares, within the meaning of 1. or 2. above; or

4. a person who is deemed to hold an interest in FCA common shares and/or FCA special voting shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

Scope of the summary

The summary of Dutch taxes set out in this section “Material Dutch tax consequences” only applies to a holder of FCA common shares and, if applicable FCA special voting shares who is a Non-Resident holder of such shares. For the purpose of this summary a holder of FCA common shares and, if applicable FCA special voting shares is a Non-Resident holder of such shares if such holder is neither a resident nor deemed to be resident in The Netherlands for purposes of Dutch income tax or corporation tax as the case may be.

Please note that this summary does not describe the tax considerations for holders of FCA common shares and, if applicable FCA special voting shares who:

i. are individuals and derive benefits from FCA common shares and, if applicable FCA special voting shares that are a remuneration or deemed to be a remuneration in connection with past, present or future employment performed in The Netherlands or management activities and functions or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*) of a Netherlands resident entity by such holder or certain individuals related to such holder (as defined in The Dutch Income Tax Act 2001); or

ii. if for Dutch tax purposes taxable as a corporate entity and resident of Aruba, Curacao or Saint Martin.

Taxes on income and capital gains

A Non-Resident holder (as defined above) of FCA common shares and, if applicable, FCA special voting shares will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived by such holder from such holder’s FCA common shares and, if applicable, FCA special voting shares, including any capital gain realized on the disposal thereof, unless:

1. such holder derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, which enterprise either is managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and such holder’s FCA common shares and, if applicable, FCA special voting shares are attributable to such enterprise; or

2. such holder is an individual and such holder derives benefits from FCA common shares and, if applicable, FCA special voting shares that are taxable as benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands. Such holder may, inter alia, derive, or be deemed to derive, benefits from FCA common shares and, if applicable, FCA special voting shares that are taxable as benefits from miscellaneous activities if such holder’s investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge or comparable forms of special knowledge.

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dividend withholding tax

FCA is generally required to withhold Dutch dividend withholding tax at a rate of 15 percent from dividends distributed by it. However, the competent authorities of the United Kingdom and The Netherlands have ruled that FCA is resident of the United Kingdom for the application of the tax treaty as concluded between The Netherlands and the United Kingdom. Consequently, payments made by FCA on the common shares and or the special voting shares to non-resident shareholders may be made free from Dutch dividend withholding tax.

Gift and inheritance taxes

If a holder of FCA common shares and, if applicable, FCA special voting shares disposes of FCA common shares and, if applicable, FCA special voting shares by way of gift, in form or in substance, or if a holder of FCA common shares and, if applicable, FCA special voting shares who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

i. the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or

ii. the donor made a gift of FCA common shares and, if applicable, FCA special voting shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of FCA common shares and, if applicable, FCA special voting shares made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

Value Added Tax

No Dutch value added tax will arise in respect of any payment in consideration for the issue of FCA common shares and, if applicable, FCA special voting shares.

Registration taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by a holder in respect of or in connection with (i) the subscription, issue, placement or allotment of FCA common shares and, if applicable, FCA special voting shares, (ii) the enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of FCA common shares and, if applicable, FCA special voting shares or the performance by FCA of FCA's obligations under such documents, or (iii) the transfer of FCA common shares and, if applicable, FCA special voting shares.

Material UK Tax Consequences

This section describes the material United Kingdom tax consequences of the ownership of FCA common shares for U.S. Shareholders. It does not purport to be a complete analysis of all potential UK tax consequences of holding FCA common shares. This section is based on current UK tax law and what is understood to be the current practice of H.M. Revenue and Customs, as well as on applicable tax treaties. This law and practice and these treaties are subject to change, possibly on a retroactive basis.

This section applies only to shareholders of FCA that are U.S. Shareholders, that are not resident or domiciled in the UK, that are not individuals temporarily non-resident in the UK for a period of up to five years, that hold their shares as an investment (other than through an individual savings account), and that are the absolute beneficial owner of both the shares and any dividends paid on them. This section does not apply to members of any special class of shareholders subject to special rules, such as:

- a pension fund;
- a charity;
- persons acquiring their shares in connection with an office or employment;
- a dealer in securities;
- an insurance company; or
- a collective investment scheme.

In addition, this section may not apply to:

- any shareholders that, either alone or together, with one or more associated persons, such as personal trusts and connected persons, control directly or indirectly at least ten percent of the voting rights or of any class of share capital of FCA; or
- any person holding shares as a borrower under a stock loan or an interim holder under a repo.

Shareholders should consult their own tax advisors on the UK tax consequences of owning and disposing of FCA common shares in their particular circumstances.

Tax Consequences of Owning FCA Common Shares

Taxation of Dividends

Dividend payments may be made without withholding or deduction for or on account of UK income tax.

A U.S. Shareholder will not be liable to account for income or corporation tax in the UK on dividends paid on the shares unless the shareholder carries on a trade (or profession or vocation) in the UK and the dividends are either a receipt of that trade or, in the case of corporation tax, the shares are held by or for a UK permanent establishment through which the trade is carried on (unless, if certain conditions are met, the trade is carried on through an independent broker or investment manager).

Taxation of Capital Gains

A disposal of FCA common shares by a shareholder that is not resident in the United Kingdom for tax purposes will not give rise to a chargeable gain or allowable loss unless that shareholder carries on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment (excluding, if certain conditions are met, an independent broker or investment manager) and has used, held or acquired FCA common shares for the purposes of that trade, profession or vocation or that branch, agency or permanent establishment.

Stamp Duty and Stamp Duty Reserve Tax

No liability to UK stamp duty or Stamp Duty Reserve Tax (“SDRT”) will arise on the issue of FCA common shares to shareholders. FCA will not maintain any share register in the UK and, accordingly, (i) UK stamp duty will not normally be payable in connection with a transfer of common shares, provided that the instrument of transfer is executed and retained outside the UK and no other action is taken in the UK by the transferor or transferee, and (ii) no UK SDRT will be payable in respect of any agreement to transfer FCA common shares.

Tax Consequences of Participating in the Loyalty Voting Structure

A U.S. Shareholder that would not be subject to tax on dividends or capital gains in respect of FCA common shares will not be subject to tax in respect of the special voting shares.

FCA will not maintain any share register in the UK and, accordingly, no liability to UK stamp duty or SDRT will arise to shareholders on the issue or repurchase of special voting shares.

Exhibits

Exhibit Number	Description of Documents
1.1	English translation of the Articles of Association of Fiat Chrysler Automobiles N.V. (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to Registration Statement on Form F-1, filed with the SEC on December 4, 2014, File No. 333-199285)
1.2	English translation of the Deed of Incorporation of Fiat Chrysler Automobiles N.V. (incorporated by reference to Exhibit 3.2 to Registration Statement on Form F-4, filed with the SEC on July 3, 2014, File No. 333-197229)
2.1	Terms and Conditions of the Global Medium Term Notes (incorporated by reference to Exhibit 4.1 to Registration Statement on Form F-4, filed with the SEC on July 3, 2014, File No. 333-197229)
2.2	Deed of Guarantee, dated as of March 19, 2013, by Fiat S.p.A. in favor of the Relevant Account Holders and the holders for the time being of the Global Medium Term Notes and the interest coupons appertaining to the Global Medium Term Notes (incorporated by reference to Exhibit 4.2 to Registration Statement on Form F-4, filed with the SEC on July 3, 2014, File No. 333-197229)
2.3	Indenture, dated as of April 14, 2015, between Fiat Chrysler Automobiles N.V. and The Bank of New York Mellon, as Trustee, relating to senior debt securities (incorporated by reference to Exhibit 4.1 to Report on Form 6-K, filed with the SEC on April 16, 2015, File No. 001-36676)
2.4	Form of 4.500% Global Security for Exchange Notes due 2020 (incorporated by reference to Exhibit 4.3 to Registration Statement on Form F-4, filed with the SEC on May 19, 2015, File No. 333-204303)
2.5	Form of 5.250% Global Security for Exchange Notes due 2023 (incorporated by reference to Exhibit 4.4 to Registration Statement on Form F-4, filed with the SEC on May 19, 2015, File No. 333-204303)
2.6	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Exchange Act
	Certain long-term debt instruments, none of which relates to indebtedness that exceeds 10% of the consolidated assets of Fiat Chrysler Automobiles N.V., have not been filed as exhibits to this Form 20-F. Fiat Chrysler Automobiles N.V. agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument defining the rights of holders of long-term debt of Fiat Chrysler Automobiles N.V. and its consolidated subsidiaries.
4.1	Fiat Chrysler Automobiles N.V. Equity Incentive Plan (incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-8, filed with the SEC on January 12, 2015, File No. 333-201440)
4.2	Fiat Chrysler Automobiles N.V. Remuneration Policy (incorporated by reference to Exhibit 4.3 to Registration Statement on Form S-8, filed with the SEC on January 12, 2015, File No. 333-201440)
4.3	Combination Agreement, dated as of December 17, 2019, by and between Fiat Chrysler Automobiles N.V. and Peugeot S.A.
4.4	Undertaking Letter, dated December 17, 2019, by and between Exor N.V. and Fiat Chrysler Automobiles N.V.
4.5	Undertaking Letter, dated December 17, 2019, by and among Establissements Peugeot Freres, FFP and Peugeot S.A.
4.6	Undertaking Letter, dated December 17, 2019, by and among Dongfeng Motor Group Company Ltd., Dongfeng Motor (Hong Kong) International Co Ltd. and Peugeot S.A.
4.7	Undertaking Letter, dated December 17, 2019, by and among Bpifrance Participations, Lion Participations and Peugeot S.A.
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12.1	Section 302 Certification of the Chief Executive Officer
12.2	Section 302 Certification of the Chief Financial Officer
13.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

FORM 20-F CROSS REFERENCE

The table below sets out the location within the document of the information required by the SEC for annual reports on Form 20-F. The exact location is included in the column "Cross Reference". The column "Page" refers to the starting page of the section (or sub-section) for reference only.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

FIAT CHRYSLER AUTOMOBILES N.V.

(Registrant)

By: /s/ Richard K. Palmer

Name: Richard K. Palmer

Title: Chief Financial Officer and Director

Date: February 25, 2020

Exhibit 2.6

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

COMMON SHARES

The following description is a summary of the material information relating to FCA's common shares, including summaries of certain provisions of FCA's articles of association (the "Articles of Association"), the terms and conditions in respect of FCA's special voting shares (the "Terms and Conditions of Special Voting Shares") and the applicable Dutch law provisions in effect at the date hereof. The summaries of the Articles of Association and the Terms and Conditions of Special Voting Shares as set forth herein are qualified in their entirety by reference to the full text of the Articles of Association and the Terms and Conditions of the Special Voting Shares. In this summary, 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 (the "2014 Merger", at which time Fiat Investments N.V. was renamed Fiat Chrysler Automobiles N.V., or "FCA NV"), or any one or more of them, as the context may require.

Share Capital

The authorized share capital of FCA is forty million Euro (€40,000,000), divided into two billion (2,000,000,000) 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.

On October 29, 2014, the Board of Directors of FCA (the "Board of Directors") resolved to authorize the issuance of up to a maximum of 90,000,000 FCA common shares under the framework equity incentive plan which had been adopted before the closing of the 2014 Merger. Any issuance of shares thereunder in the period from 2014 to 2018 was subject to the satisfaction of certain performance and retention requirements. Any issuances to directors was subject to shareholder approval. During 2019 a total of 16,901,711 FCA common shares were issued under the LTIP (framework equity incentive plan).

At December 31, 2014, there were 1,250,000 FCA common shares reserved for issuance under the FCA Non-Executive Director's Compensation Plan in the following 5 years. During 2015, a total of 831,172 FCA common shares were issued at fair market value, being equal to the average of the highest and lowest sale price of an FCA common share during normal trading hours on the NYSE on the last trading day of the applicable plan year quarter. During 2016, a total of 163,333 FCA common shares were issued at fair market value. During 2017, a total of 54,855 common shares were issued at fair market value. No FCA common shares were issued during 2018 or 2019 following the amendment of the remuneration policy for the Board of Directors, as adopted by the General Meeting of Shareholders held on April 14, 2017, which introduced cash payments for Non-Executive Directors.

FCA common shares are registered shares represented by an entry in the share register of FCA. The Board of Directors may determine that, for the purpose of trading and transfer of shares on a foreign stock exchange, share certificates shall be issued in such a form as shall comply with the requirements of such a foreign stock exchange. A register of shareholders is maintained in the Netherlands and a branch register is maintained in the U.S. on FCA's behalf by the Transfer Agent, which serves as branch registrar and transfer agent.

Beneficial interests in FCA's common shares that are traded on the New York Stock Exchange ("NYSE") are held through the book-entry system provided by The Depository Trust Company ("DTC") and are registered in FCA's register of shareholders in the name of Cede & Co., as DTC's nominee. Beneficial interests in FCA common shares traded on the *Mercato Telematico Azionario* ("MTA") are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant of DTC.

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 2014 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, the execution of which 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.

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 a request, the holder of Qualifying Common Shares shall be considered to have waived his or her 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 totally 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 includes 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 conditions 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.

Terms and Conditions of the Special Voting Shares

The terms and conditions of the special voting shares apply to the issuance, allocation, acquisition, holding, repurchase and transfer of special voting shares in the share capital of FCA and to certain aspects of Electing Common Shares, Qualifying Common Shares and FCA common shares which are, or will be, registered in the Loyalty Register.

Application for Special Voting Shares

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 an FCA shareholder in the Loyalty Register. Such an election shall be effective and registration in the Loyalty Register shall occur as of the end of the calendar month during which the election is made. If such FCA common shares (i.e. Electing Common Shares) have been registered in the Loyalty Register (and are thus blocked from trading in the Regular Trading System) for an uninterrupted period of three years in the name of the same shareholder, the holder of such FCA common shares will be entitled to receive one FCA special voting share for each such FCA common share that has been registered. If at any moment in time such FCA common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder loses its entitlement to hold a corresponding number of FCA special voting shares.

Withdrawal of Special Voting Shares

As described above, a holder of Qualifying Common Shares or Electing Common Shares may request that some or all of its Qualifying Common Shares or Electing Common Shares be de-registered from the Loyalty Register and, if held outside the Regular Trading System, transfer such shares back to the Regular Trading System, which will allow such a shareholder to freely trade its FCA common shares, as described below. From the moment of such a request, the holder of Qualifying Common Shares shall be considered to have waived his rights to cast any votes associated with the FCA special voting shares which were issued and allocated in respect of such Qualifying Common Shares. Any such request would automatically trigger a mandatory transfer requirement pursuant to which the FCA special voting shares will be offered and transferred to FCA for no consideration (om niet) in accordance with the Articles of Association and the terms and conditions of the special voting shares. FCA may continue to hold the special voting shares as treasury stock, but will not be entitled to vote through any such treasury stock. Alternatively, FCA may withdraw and cancel the special voting shares, as a result of which the nominal value of such shares will be allocated to the special capital reserves of FCA. Consequently, the loyalty voting feature relating to the relevant Qualifying Common Shares being deregistered from the Loyalty Register will terminate. No shareholder required to transfer special voting shares, pursuant to the terms and conditions, shall be entitled to any consideration for such special voting shares and each shareholder expressly waives any rights in that respect as a condition to participation in the loyalty voting structure.

Change of Control

A Qualifying Shareholder or a shareholder with common shares registered in the Loyalty Register must promptly notify the Company in the event of a change of control and must make a de-registration request with respect to his or her common shares registered in the Loyalty Register. The de-registration request leads to a withdrawal of the special voting shares as described above. A change of control is defined in Article 1.1. of the Articles of Association as including any direct or indirect transfer carried out by a shareholder that is not an individual (natuurlijk persoon) through one or a series of related transactions as a result of which (i) a majority of the voting rights of such a 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 a 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 a 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 a 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 vivo 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 a 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 a 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 defined in the above-mentioned Article of the Articles of Association.

No Liability to Further Capital Calls

All of the outstanding FCA common shares are fully paid and non-assessable.

Discriminating Provisions

There are no provisions of the Articles of Association that discriminate against a shareholder because of its ownership of a substantial number of shares.

Additional Issuances and Rights of Preference

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 current period, extended at the 2019 general meeting of shareholders, will expire on October 11, 2020.

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 a 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 a 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. Refer to the Rights of Pre-Emption section elsewhere in this report.

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.

Rights of Pre-Emption

Under Dutch law and the Articles of Association, each FCA shareholder has a right of pre-emption in proportion to the aggregate nominal value of its shareholding upon the issuance of new FCA common shares, or the granting of rights to subscribe for FCA common shares. Exceptions to this right of pre-emption include the issuance of new FCA common shares, or the granting of rights to subscribe for common shares: (i) to employees of FCA or another member of its Group pursuant to an equity incentive plan of FCA; (ii) against payment in kind (contribution other than in cash) and (iii) to persons exercising a previously granted right to subscribe for FCA common shares.

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

The general meeting of shareholders may resolve to limit or exclude the rights of pre-emption upon an issuance of FCA common shares, which resolution requires approval of at least two-thirds of the votes cast, if less than half of the issued share capital is represented at the general meeting of shareholders. The Articles of Association, or the general meeting of shareholders, may also designate the Board of Directors to resolve to limit or exclude the rights of pre-emption in relation to the issuance of FCA common shares. Pursuant to Dutch law, the designation by the general meeting of shareholders may be granted to the Board of Directors for a specified period of time of not more than five years and only if the Board of Directors has also been designated or is simultaneously designated the authority to resolve to issue FCA common shares. The Board of Directors is designated in the Articles of Association as the competent body to exclude or limit rights of pre-emption for an initial period of five years, which may be extended by the general meeting of shareholders with additional periods up to a maximum of five years per period. The current period, extended at the 2019 general meeting of shareholders, will expire on October 11, 2020.

Repurchase of Shares

Upon agreement with the relevant FCA shareholder, FCA may acquire its own shares at any time for no consideration (om niet), or, subject to certain provisions of Dutch law and the Articles of Association, for consideration if: (i) FCA's shareholders' equity less the payment required to make the acquisition does not fall below the sum of called-up and paid-in share capital and any statutory reserves; (ii) FCA would thereafter not hold a pledge over FCA common shares, or together with its subsidiaries, hold FCA common shares with an aggregate nominal value exceeding 50 percent of FCA's issued share capital; and (iii) the Board of Directors has been authorized to do so by the general meeting of shareholders.

The acquisition of fully paid-up shares by FCA other than for no consideration (om niet) requires authorization by the general meeting of shareholders. Such authorization may be granted for a period not exceeding 18 months and shall specify the number of shares, the manner in which the shares may be acquired and the price range within which shares may be acquired. The authorization is not required for the acquisition of shares for employees of FCA, or another member of its Group, under a scheme applicable to such employees and no authorization is required for repurchase of shares acquired in certain other limited circumstances in which the acquisition takes place by operation of law, such as pursuant to mergers or demergers. Such shares must be officially listed on the price list of an exchange.

At a general meeting of shareholders, the shareholders may resolve to designate the Board of Directors as the competent body to resolve on FCA acquiring any fully paid up FCA common shares other than for no consideration (om niet) for a period of up to 18 months.

FCA may, jointly with its subsidiaries, hold FCA shares in its own capital exceeding one-tenth of its issued capital for no more than three years after acquisition of such FCA shares for no consideration (om niet) or in certain other limited circumstances in which the acquisition takes place by operation of law, such as pursuant to mergers or demergers. Any FCA shares held by FCA in excess of the amount permitted shall transfer to all members of the Board of Directors jointly at the end of the last day of such a three-year period. Each member of the Board of Directors shall be jointly and severally liable to compensate FCA for the value of the FCA shares at such a time, with interest payable at the statutory rate thereon. The term FCA shares as used in this paragraph shall include depositary receipts for shares and shares in respect of which FCA holds a right of pledge.

No votes may be cast at a general meeting of shareholders on the FCA shares held by FCA or its subsidiaries. In addition, no voting rights may be cast at a general meeting of shareholders in respect of FCA shares for which depositary receipts have been issued that are owned by FCA. Nonetheless, the holders of a right of usufruct or pledge in respect of shares held by FCA and its subsidiaries in FCA's share capital are not excluded from the right to vote on such shares if the right of usufruct or pledge was granted prior to the time such shares were acquired by FCA or its subsidiaries. Neither FCA nor any of its subsidiaries may cast votes in respect of a share on which it or its subsidiaries holds a right of usufruct or pledge. No right of pledge may be established on special voting shares and the voting rights attributable to special voting shares may not be assigned to a usufructuary.

Reduction of Share Capital

Shareholders at a general meeting have the power to cancel shares acquired by FCA or to reduce the nominal value of shares. A resolution to reduce the share capital requires a majority of at least two-thirds of the votes cast at the general meeting of shareholders if less than one-half of the issued capital is present or represented at the meeting. If more than one-half of the issued share capital is present or represented at the general meeting of shareholders, a simple majority of the votes cast is required. Any proposal for a cancellation or reduction of nominal value is subject to general requirements of Dutch law with respect to reductions of share capital.

Transfer of Shares

In accordance with the provisions of Dutch law, pursuant to Article 12 of the Articles of Association, the transfer of FCA shares or the creation of a right in rem thereon requires a deed intended for that purpose and, save when the company is a party, written acknowledgment by the Company of the transfer.

The transfer of FCA common shares that have not been entered into a book-entry system will be effected in accordance with Article 12 of the Articles of Association.

Common shares that have been entered into the DTC book-entry system will be registered in the name of Cede & Co. as nominee for DTC and transfers of beneficial ownership of shares held through DTC will be effected by electronic transfer made by DTC participants. Article 12 of the Articles of Association does not apply to the trading of such FCA common shares on a regulated market or the equivalent thereof.

Transfers of shares held outside of DTC (including Monte Titoli S.p.A. as a participant in DTC) or another direct registration system maintained by Computershare US, FCA's transfer agent in New York, or the Transfer Agent, and not represented by certificates are effected by a stock transfer instrument and require the written acknowledgment by FCA. Transfer of registered certificates is effected by presenting and surrendering the certificates to the Transfer Agent. A valid transfer requires the registered certificates to be properly endorsed for transfer as provided for in the certificates and accompanied by proper instruments of transfer and stock transfer tax stamps for, or funds to pay, any applicable stock transfer taxes.

FCA common shares are freely transferable. As described below, special voting shares are generally not transferable.

At any time, a holder of FCA common shares that are registered in the Loyalty Register (i.e. Electing Common Shares or Qualifying Common Shares) wishing to transfer such FCA common shares other than in limited specified circumstances (i.e., transfers to affiliates or to relatives through succession, donation or other transfers) must first request a de-registration of such shares from the Loyalty Register and, if held outside the Regular Trading System, transfer such common shares back into the Regular Trading System. After de-registration from the Loyalty Register, such FCA common shares no longer qualify as Electing Common Shares or Qualifying Common Shares and, as a result, the holder of such FCA common shares is required to offer and transfer the special voting shares associated with such FCA common shares that were previously Qualifying Common Shares to FCA for no consideration (om niet) as described above in "*Loyalty Voting Structure-Terms and Conditions of the Special Voting Shares-Withdrawal of Special Voting Shares*".

Exchange Controls

Under Dutch law, there are no foreign exchange control restrictions on investments in, or payments on, FCA common shares. There are no special restrictions in the Articles of Association or Dutch law that limit the right of shareholders who are not citizens or residents of the Netherlands to hold FCA common shares or vote.

Payment of Dividends

FCA NV may make distributions to the shareholders and other persons entitled to the distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up portion of the share capital and the reserves that must be maintained in accordance with Dutch law. No distribution of profits may be made to FCA NV itself for shares that FCA NV holds in its own share capital.

FCA NV may only make a distribution of dividends to the shareholders after the adoption of its statutory annual accounts demonstrating that such distribution is legally permitted. The FCA NV Board of Directors may determine that other freely distributable distributions shall be made, in whole or in part, from FCA NV'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 FCA NV and provided further that the policy of FCA NV on additions to reserves and dividends is duly observed.

Holders of special voting shares will not receive any dividend in respect of the special voting shares, however FCA NV maintains a separate dividend reserve for the special voting shares for the sole purpose of the allocation of the mandatory minimal profits that accrue to the special voting shares. This allocation establishes a reserve for the amount that would otherwise be paid. The special voting shares do not carry any entitlement to any other reserve. Any distribution out of the special dividend reserve or the partial or full release of such reserve requires a prior proposal from the FCA NV Board of Directors and a subsequent resolution of the meeting of holders of special voting shares.

Insofar as the profits have not been distributed or allocated to the reserves, they may, by resolution of the general meeting of shareholders, be distributed as dividends on the FCA NV common shares only. The general meeting of shareholders may resolve, on the proposal of the FCA NV Board of Directors, to declare and distribute dividends in U.S. Dollar. The FCA NV Board of Directors may decide, subject to the approval of the general meeting of shareholders and the FCA NV Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares, that a distribution shall, wholly or partially, 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.

The right to dividends and distributions will lapse if the dividends or distributions are not claimed within five years following the day after the date on which they first became payable. Any dividends or other distributions made in violation of the FCA Articles of Association or Dutch law will have to be repaid by the shareholders who knew or should have known, of such violation.

Voting Rights at General Meetings

Every share (whether common or special voting) shall confer the right to cast one vote at a general meeting of shareholders. 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 in the Articles of Association. 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. However, pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall 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.

Shareholder Votes on Certain Transactions

Any important change in the identity or character of FCA must be approved by the general meeting of shareholders, including (i) the transfer to a third party of the business of FCA or practically the entire business of FCA; (ii) the entry into or breaking off of any long-term cooperation of FCA or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry into or breaking off is of far-reaching importance to FCA; and (iii) the acquisition or disposal by FCA or a subsidiary of an interest in the capital of a company with a value of at least one-third of FCA's assets according to the Consolidated Statement of Financial Position with explanatory notes included in the last adopted annual accounts of FCA.

Amendments to the Articles of Association, including Variation of Rights

A resolution of the general meeting of shareholders to amend the Articles of Association or to wind up FCA may be approved only if proposed by the Board of Directors and approved by a vote of a majority of at least two-thirds of the votes cast if less than one-half of the issued share capital is present or represented at such a general meeting of shareholders.

The rights of shareholders may be changed only by amending the Articles of Association in compliance with Dutch law.

Dissolution and Liquidation

The general meeting of shareholders may resolve to dissolve FCA upon a proposal of the Board of Directors thereto. A majority of at least two-thirds of the votes cast shall be required if less than one-half of the issued capital is present or represented at the meeting. In the event of dissolution, FCA will be liquidated in accordance with Dutch law and the Articles of Association and the liquidation shall be arranged by the members of the Board of Directors, unless the general meeting of shareholders appoints other liquidators. During liquidation, the provisions of the Articles of Association will remain in force as long as possible.

If FCA is dissolved and liquidated, whatever remains of FCA's equity after all its debts have been discharged shall first be applied to distribute the aggregate balance of share premium reserves and other reserves (other than the special dividend reserve), to holders of FCA common shares in proportion to the aggregate nominal value of FCA common shares held by each holder; secondly, from any balance remaining, an amount equal to the aggregate amount of the nominal value of FCA common shares will be distributed to the holders of FCA common shares in proportion to the aggregate nominal value of FCA common shares held by each of them; thirdly, from any balance remaining, an amount equal to the aggregate amount of the special voting shares dividend reserve will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; fourthly, from any balance remaining, the aggregate amount of the nominal value of the special voting shares will be distributed 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, lastly, any balance remaining will be distributed to the holders of FCA common shares in proportion to the aggregate nominal value of FCA common shares held by each of them.

Disclosure of Holdings under Dutch Law

As a result of the listing of the FCA common shares on the MTA, chapter 5.3 of the Dutch Financial Supervision Act ("AFS") applies, pursuant to which any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or actual or potential voting rights in FCA must promptly give written notice to the AFM of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3 percent, 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 40 percent, 50 percent, 60 percent, 75 percent and 95 percent.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) shares and/or voting rights held (or, acquired or disposed of) by such person's controlled entities or by a third party for such person's account; (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; and (v) shares which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire shares.

As a consequence of the above, special voting shares must be added to FCA common shares for the purposes of the above thresholds.

Controlled entities (within the meaning of the AFS) do not themselves have notification obligations under the AFS as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a three percent or larger interest in FCA's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the AFS will become applicable to such former controlled entity.

Special rules apply to the attribution of shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest, a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares; (ii) such person may be obliged to purchase shares on the basis of an option; or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

If a person's capital interest and/or voting rights reaches, exceeds or falls below the above-mentioned thresholds as a result of a change in FCA's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published FCA's notification as described below.

Following the implementation of Directive 2013/50/EU into the AFS, every holder of three percent or more of the issued and outstanding share capital or voting rights whose interest has changed compared to his most recent notification and which holder knows, or should know, that pursuant to this change his interest reaches or crosses a threshold as a result of certain acts (as described above and including the exchange of a financial instrument or a contract pursuant to which the holder is deemed to have issued and outstanding shares or voting rights at his disposal), must notify the AFM of this change.

FCA is required to notify the AFM promptly of any change of one percent or more in its issued and outstanding share capital or voting rights since a previous notification. Other changes in FCA's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

In addition to the above described notification obligations pertaining to capital interest or voting rights, pursuant to Regulation (EU) No 236/2012, as amended, notification must be made of any net short position of 0.2 percent in the issued share capital of FCA, and of every subsequent 0.1 percent above this threshold. Notifications starting at 0.5 percent and every subsequent 0.1 percent above this threshold will be made public via the short selling register of the AFM. Furthermore, gross short positions shall be notified in the event that a threshold is reached, exceeded or fallen below. With regard to gross short positions, the same disclosure thresholds as for holders of capital interests and/or voting rights apply.

Furthermore, each member of the Board of Directors must notify the AFM:

- within two weeks after his/her appointment of the number of shares he/she holds and the number of votes he/she is entitled to cast in respect of FCA's issued and outstanding share capital; and

- subsequently of each change in the number of shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of FCA's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received which can be accessed via www.afm.nl. The notifications referred to in this paragraph should be made in writing by means of a standard form or electronically through the notification system of the AFM.

Non-compliance with these disclosure obligations is an economic offense and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by FCA and/or by one or more shareholders who alone or together with others represent at least three percent of the issued and outstanding share capital of FCA or are able to exercise at least three percent of the voting rights. The measures that the civil court may impose include:

- an order requiring appropriate disclosure;

- suspension of the right to exercise the voting rights for a period of up to three years as determined by the court;

- voiding a resolution adopted by the general meeting of shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the general meeting of shareholders until the court makes a decision about such voiding; and

- an order to refrain, during a period of up to five years as determined by the court, from acquiring shares and/or voting rights in FCA.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

Mandatory Bid Requirement

Under Dutch law, any person who, acting alone or in concert with others, directly or indirectly acquires 30 percent or more of FCA's voting rights will be obliged to launch a public offer for all outstanding shares in FCA's share capital. An exception is made for shareholders who, whether alone or acting in concert with others, had an interest of at least 30 percent of FCA's voting rights before the shares were first listed on the MTA and who still maintained such an interest after such first listing. Immediately after the first listing of FCA common shares on the MTA, Exor N.V. held more than 30 percent of FCA's voting rights. Therefore, Exor N.V.'s interest in FCA was grandfathered and the exception that applies to it will continue to apply to it for as long as its holding of shares represents over 30 percent of FCA's voting rights.

Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act (Wet toezicht financiële verslaggeving, or the "FRSA"), the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from FCA regarding its application of the applicable financial reporting standards and (ii) recommend to us the making available of further explanations. If we do not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber order us to (i) make available further explanations as recommended by the AFM; (ii) provide an explanation of the way we have applied the applicable financial reporting standards to our financial reports; or (iii) prepare our financial reports in accordance with the Enterprise Chamber's instructions.

Compulsory Acquisition

Pursuant to article 2:92a of the Dutch Civil Code, a shareholder who, for its own account, holds at least 95 percent of the issued share capital of FCA may institute proceedings against the other shareholders jointly for the transfer of their shares to it. The proceedings are held before the Dutch Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure. The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one to three expert(s) who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation. A shareholder can only appeal against the judgment of the Enterprise Chamber before the Dutch Supreme Court.

In addition, pursuant to article 2:359c of the Dutch Civil Code, following a public offer, a holder of at least 95 percent of the issued share capital and of voting rights of FCA has the right to require the minority shareholders to sell their shares to it. Any such request must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, pursuant to article 2:359d of the Dutch Civil Code each minority shareholder has the right to require the holder of at least 95 percent of the issued share capital and the voting rights of FCA to purchase its shares in such a case. The minority shareholder must file such a claim with the Enterprise Chamber within three months after the end of the acceptance period of the public offer.

Disclosure of Trades in Listed Securities

Pursuant to the AFS and the Market Abuse Regulation (EU) No 596/2014, each of the members of the Board of Directors and any other person discharging managerial responsibilities within FCA and who in that capacity is authorized to make decisions affecting the future developments and business prospects of FCA and has regular access to inside information relating, directly or indirectly, to FCA (each, an "Insider") must notify the AFM of all transactions, conducted or carried out for his/her own account, relating to FCA common shares, special voting shares or financial instruments, the value of which is (in part) determined by the value of FCA common shares or special voting shares.

In addition, persons who are closely associated with members of the Board of Directors or any of the other Insiders must notify the AFM of all transactions conducted for their own account relating to FCA's shares or financial instruments, the value of which is (in part) determined by the value of FCA's shares. The Market Abuse Regulation designates the following categories of persons: (i) the spouse or any partner considered by applicable law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, among other things, whose managerial responsibilities are discharged by a member of the Board of Directors or any other Insider or by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified forthwith of transactions, effected in either FCA's shares or financial instruments, the value of which is (in part) determined by the value of FCA's shares following the transaction date by means of a standard form. Notifications under the Market Abuse Regulation may however be postponed until the date that the value of the transactions carried out on a person's own account, together with the transactions carried out by the persons associated with that person, reaches or exceeds the amount of €5,000 in the calendar year in question. The AFM keeps a public register of all notifications made pursuant to the AFS and the Market Abuse Regulation.

Non-compliance with these reporting obligations could lead to criminal penalties, administrative fines and cease-and-desist orders (and the publication thereof), imprisonment or other sanctions.

Shareholder Disclosure and Reporting Obligations under U.S. Law

Holders of FCA shares are subject to certain U.S. reporting requirements under the Exchange Act for shareholders owning more than 5 percent of any class of equity securities registered pursuant to Section 12 of the Exchange Act. Among the reporting requirements are disclosure obligations intended to keep investors aware of significant accumulations of shares that may lead to a change of control of an issuer.

If FCA were to fail to qualify as a foreign private issuer in the future, Section 16(a) of the Exchange Act would require FCA's directors and executive officers, and persons who own more than ten percent of a registered class of FCA's equity securities, to file reports of ownership of, and transactions in, FCA's equity securities with the SEC. Such directors, executive officers and ten percent stockholders would also be required to furnish FCA with copies of all Section 16 reports they file.

Disclosure Requirements under Italian law and European Union law

Further disclosure requirements shall apply to FCA under Italian law by virtue of the listing of FCA's shares on the MTA. Summarized below are the most significant requirements to be complied with by FCA in connection with the admission to listing of FCA common shares on the MTA. The breach of the obligations described below may result in the application of fines and criminal penalties (including, for instance, those provided for insider trading and market manipulation).

In particular, the following main disclosure obligations shall apply to FCA:

- the Legislative Decree no. 58/1998, or the Italian Financial Act effective as of the date of this report: article 92 (equal treatment principle), article 114-bis (to the extent applicable to Dutch companies, information concerning the allocation of financial instruments to corporate officers, employees and collaborators), article 115 (information to be disclosed to CONSOB) and article 180 and the following (relating to insider trading and market manipulation);

- the applicable law concerning market abuse and, in particular, Regulation (EU) 596/2014 (the "MAR Regulation") and its implementing measures: article 7 (Inside information), article 17 (Public disclosure of inside information) and article 18 (Insider lists) as well as the implementing regulations.

In addition to the above, the applicable provisions set forth under the market rules (including those relating to the timing for the payment of dividends) shall apply to FCA.

It remains understood that the foregoing is based on the current legal framework and, therefore, it may vary following any potential regulatory intervention by the concerned Member States and competent authorities.

Disclosure of Inside Information - Article 17 of the MAR Regulation

Pursuant to the MAR Regulation, FCA shall disclose to the public, without delay, any inside information which: (i) is of a precise nature; (ii) has not been made public; (iii) relates directly to FCA or FCA's common shares; and (iv) if it were made public, would be likely to have a significant effect on the prices of FCA's common shares or on the price of related derivative financial instruments (the "Inside Information"). In this regard,

- "*information shall be deemed to be of a precise nature*" if: (a) it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred, or which may reasonably be expected to occur and (b) it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments (i.e., FCA's common shares) or the related derivative financial instrument. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.

- "*information which, if it were made public, would be likely to have a significant effect on the prices of financial instruments, derivative financial instruments*" shall mean information a reasonable investor would be likely to use as part of the basis of his or her investment decisions.

An intermediate step in a protracted process shall be deemed to be Inside Information if, by itself, it satisfies the criteria of Inside Information as referred to above.

The above disclosure requirement shall be complied with through the publication of a press release by FCA, in accordance with the modalities set forth under the MAR Regulation and Dutch and Italian law, disclosing to the public the relevant Inside Information.

Under specific circumstances, CONSOB may at any time request: (a) FCA to disclose to the public specific information or documentation where deemed appropriate or necessary or alternatively (b) to be provided with specific information or documentation. For this purpose, CONSOB has wide powers to, among other things, carry out inspections or request information to the members of the managing board, the members of the supervisory board or to the external auditor.

FCA shall publish and transmit to CONSOB any information disseminated in any non EU-countries where FCA's common shares are listed (i.e., the U.S.), if this information is significant for the purposes of the evaluation of FCA's common shares listed on the MTA.

FCA may, on its own responsibility, delay disclosure to the public of Inside Information provided that all of the following conditions are met: (a) immediate disclosure is likely to prejudice the legitimate interests of FCA; (b) delay of disclosure is not likely to mislead the public; (c) FCA is able to ensure the confidentiality of that information.

In the case of a protracted process that occurs in stages and that is intended to bring about, or that results in, a particular circumstance or a particular event, FCA may on its own responsibility delay the public disclosure of Inside Information relating to this process, subject to points (a), (b) and (c) above.

Insiders' Register - Article 18 of the MAR Regulation

FCA, as well as persons acting on its behalf or on its account, shall draw up and keep regularly updated, a list of all persons who have access to Inside Information and who are working for them under a contract of employment, or otherwise performing tasks through which they have access to Inside Information, such as advisers, accountants or credit rating agencies (the "insider list").

FCA or any person acting on its behalf or on its account, shall take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

Public Tender Offers

Certain rules provided for under Italian law with respect to both voluntary and mandatory public tender offers shall apply to any offer launched for FCA's common shares. In particular, among other things, the provisions concerning the tender offer price, the content of the offer document and the disclosure of the tender offer will be subject to the supervision by CONSOB and Italian law.

Exhibit 4.3

Execution Version

COMBINATION AGREEMENT

by and between

FIAT CHRYSLER AUTOMOBILES N.V.

and

PEUGEOT S.A.

Dated as of December 17, 2019

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COMBINATION AGREEMENT

This COMBINATION AGREEMENT (this "Agreement"), dated as of December 17, 2019, is by and between FIAT CHRYSLER AUTOMOBILES N.V., a Dutch public limited liability company (*naamloze vennootschap*) ("FCA"), and PEUGEOT S.A., a French *société anonyme* ("PSA" and, together with FCA, the "Parties" and each, individually, a "Party").

RECITALS

WHEREAS, each of FCA and PSA desire to effect a strategic combination of their businesses through a combination transaction involving a cross-border merger of PSA into FCA, with the resulting company as from the consummation of the cross-border merger being referred to as "DutchCo" (the "Combination");

WHEREAS, following consultation with the applicable employee representative bodies required to be informed and consulted by FCA or PSA, as applicable, prior to execution and delivery of this Agreement (collectively, the "Works Councils"), the last of the opinions, whether positive or negative, of each of the Works Councils with respect to the Combination and the other transactions contemplated by this Agreement (collectively, the "Transactions") has been obtained; and

WHEREAS, capitalized terms used but not otherwise defined in this Agreement or in the Annexes hereto have the meanings ascribed to such terms in Schedule I (*Defined Terms*).

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, the Parties agree as follows:

ARTICLE I

THE COMBINATION

Section 1.1 The Combination. Simultaneously at the Effective Time (i) each issued and outstanding ordinary share, par value €1.00 per share, of PSA (each, a "PSA Share") shall be exchanged for 1.742 (the "Exchange Ratio") common shares, par value €0.01 per share, of DutchCo (each, a "DutchCo Share") in the Combination, (ii) each issued and outstanding common share, par value €0.01 per share, of FCA (each, a "FCA Share") shall remain unchanged as a DutchCo Share, and (iii) the FCA Special Voting Shares held by Exor N.V. ("Exor") shall be purchased by FCA for no consideration (*om niet*). The Combination shall otherwise be carried out as and shall have the effects set forth in Annex I (*Combination Mechanics*).

ARTICLE II

GOVERNING DOCUMENTS AND

ADDITIONAL MATTERS CONCERNING DUTCHCO

Section 2.1. Governing Documents In each case effective at 01.00 Central European Time on the day immediately following the day in which the Combination occurs, unless a later time or date is mutually agreed upon in writing by PSA and FCA (the "Governance Effective Time"), DutchCo shall take all necessary action to adopt:

(a) the Articles of Association of DutchCo by notarial deed, substantially in the form attached hereto as Exhibit A-1 and as otherwise set forth in this Agreement (the "DutchCo Articles of Association");

(b) the terms and conditions of the special voting shares of DutchCo in the form attached hereto as Exhibit A-2, which shall be on terms equivalent to those currently in place at FCA as a result of which DutchCo's shareholders would be eligible to exercise one (1) additional vote for each eligible DutchCo Share held without interruption for a three (3)-year period (subject to the limitations set forth in Section 2.2); and

(c) the Regulations for the Board of Directors of DutchCo (the "DutchCo Board"), substantially in the form attached hereto as Exhibit B.

Without limiting the generality of the foregoing, FCA shall submit to the next general meeting of the shareholders of FCA a decision to suspend the right of any such shareholders to register additional DutchCo Shares in the loyalty register of FCA.

Section 2.2 DutchCo Voting. The DutchCo Articles of Association shall provide that no shareholder, acting alone or in concert, together with votes exercised by affiliates of such shareholder or pursuant to proxies or other arrangements conferring the right to vote, may cast 30% or more of the votes cast at any general meeting of shareholders of DutchCo, including after giving effect to any voting rights exercisable through DutchCo special voting shares (any such shares at or in excess of the 30% voting cap, "Excess Shares"); provided, that (i) this restriction may be removed by the affirmative vote of the holders of two-thirds of the issued and outstanding DutchCo Shares (for the avoidance of doubt, without giving effect to any voting rights exercisable through DutchCo special voting shares, and subject to the aforementioned 30% voting cap) and (ii) this restriction shall lapse upon any Person holding more than 50% of the issued and outstanding DutchCo Shares (other than DutchCo special voting shares) as a result of a tender offer for DutchCo Shares, it being specified that Bpifrance Participations S.A. ("BPI"), Dongfeng Motor Group Co. Ltd. ("Dongfeng Motor"), Établissements Peugeot Frères and FFP (together, "EPF/FFP") or Exor, or any Person affiliated with, or acting in concert with, any such shareholders, shall only be entitled to launch a tender offer for DutchCo Shares in accordance with the terms of the applicable Letter Agreement. The aforementioned 30% voting cap shall be implemented in the DutchCo Articles of Association through a suspension of the votes attached to any Excess Shares.

Section 2.3 Additional Matters Concerning DutchCo.

(a) *Exchange Listings.* FCA and PSA shall cause the DutchCo Shares to be approved for listing on the Euronext Paris, the New York Stock Exchange ("NYSE"), and the *Mercato Telematico Azionario* managed by the Borsa Italiana S.p.A. ("*Borsa Italiana*") prior to the closing of the Combination (the "Closing").

(b) *Inclusion in Indices*. FCA and PSA shall seek the inclusion of the DutchCo Shares in the CAC 40, the FTSE MIB and any other leading stock indices to be agreed between the Parties, in each case to the extent eligible.

(c) *DutchCo Name*. DutchCo shall be named by mutual agreement of the Parties with effect from the Governance Effective Time. The existing names of FCA and PSA and their constituent parts as well as FCA's and PSA's respective brands shall not form part of the name of DutchCo.

(d) *Headquarters and Residency*. DutchCo shall have its place of effective management and tax residency in The Netherlands, with effect from the Governance Effective Time (or such other date as the Parties may agree sufficiently in advance of the Closing). DutchCo shall have operational headquarters in the greater Paris Area (France) for EMEA, in Auburn Hills (Michigan, USA) for North America, and in Turin (Italy) for premium and luxury vehicles. The parties intend that each of

the historical major automotive brands of the parties shall continue to be managed primarily from the country of origin of each such brand.

(e) *Other Operational Matters*. No plant closures in any of the principal jurisdictions where the Parties operate are expected to result from the Combination. DutchCo shall remain committed to working with trade unions around the world in a cooperative manner and shall otherwise respect the existing rights and benefits of PSA and FCA employees as required under applicable Law.

ARTICLE III

BOARD OF DUTCHCO

Section 3.1 Board of Directors.

(a) Unless otherwise agreed by FCA and PSA, the DutchCo Board (single tier) shall initially be composed of 11 members, including the following initial directors as of the Governance Effective Time:

(i) the CEO of DutchCo;
(ii) two (2) Independent Directors nominated by FCA;
(iii) two (2) Independent Directors nominated by PSA;
(iv) two (2) directors nominated by Exor;
(v) one (1) director nominated by BPI (or EPF/FFP, as contemplated by Section 3.2(c));
(vi) one (1) director nominated by EPF/FFP; and
(vii) two (2) employee representatives as contemplated by Section 3.4.

(b) The foregoing nominations of the initial directors of DutchCo shall be (i) made prior to the date of each of the FCA Shareholders' Meeting and PSA Shareholders' Meeting and (ii) set forth in each of the FCA Shareholder Circular and PSA Information Document. For purposes of this Agreement, "Independent Director" shall mean a director meeting the independence requirements under the Dutch Corporate Governance Code and, with respect to members of the Audit Committee, also meeting the independence requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and NYSE.

(c) DutchCo shall follow the Dutch Corporate Governance Code and applicable international best practices (except, in each case, as otherwise agreed by the Parties), and shall ensure that (i) a majority of the non-executive members of the DutchCo Board qualifies as Independent Directors, and (ii) the members of the DutchCo Board have appropriate diversity in expertise, geography and gender.

Section 3.2 Binding Nominations

(a) Subject to the remainder of this Section 3.2, the Parties intend that the rights of Exor, EPF/FFP and BPI to nominate the number of directors in Section 3.1 based on their shareholding in DutchCo shall also apply to the future and successive terms of office of the DutchCo Board and be reflected in the DutchCo Articles of Association through a binding nomination mechanism pursuant to Article 2:133 of the Dutch Civil Code. The rights set forth in this Section 3.2 are personal to the applicable shareholder receiving such rights and are not transferable and may not be cancelled or terminated other than pursuant to the terms of this Agreement or the DutchCo Articles of Association without the approval of the beneficiary thereof, and there shall be no reinstatement of any such rights once lost pursuant to the terms of this Section 3.2.

(b) If the number of DutchCo Shares held by BPI, and/or any of its Reference Affiliate, or EPF/FFP, and/or any of its Reference Affiliates, falls below the number of shares corresponding to 5% of the issued and outstanding DutchCo Shares, such shareholder shall no longer be entitled to nominate a director. In such event, any director nominated by BPI or EPF/FFP, as the case may be, shall be required to resign as promptly as reasonably practicable after the number of DutchCo Shares held by such shareholder falls below such threshold.

(c) If, at Closing, at any time within the six (6) years following the Closing or on the sixth (6th) anniversary of the Closing, both (i) the number of DutchCo Shares held by EPF/FFP and/or their Reference Affiliates increases to a number of shares corresponding to 8% or more of the issued and outstanding DutchCo Shares and (ii) the number of DutchCo Shares held by BPI and/or its Reference Affiliates falls below the number of shares corresponding to 5% of the issued and outstanding DutchCo Shares, then EPF/FFP shall be entitled to nominate a second director to the DutchCo Board in replacement of the BPI nominee (after which the provisions of Section 3.2(e) shall apply *mutatis mutandis*).

(d) As an exception to Section 3.2(b) and Section 3.2(c), if, at Closing or at any time within the six (6) years following the Closing:

(i) the number of DutchCo Shares held by BPI and its Reference Affiliates, on the one hand, or EPF/FFP and its Reference Affiliates, on the other hand, represents between 4% and 5% of the issued and outstanding DutchCo Shares;

(ii) either BPI or EPF/FFP has not lost its right to nominate a director in accordance with Section 3.2(b); and

(iii) the number of DutchCo Shares held by BPI, EPF/FFP and their respective Reference Affiliates represents, in aggregate, 8% or more of the issued and outstanding DutchCo Shares,

the shareholder which holds the stake referred to in (i) shall maintain its right to nominate a director to the DutchCo Board until the sixth (6th) anniversary of the Closing, it being specified that such director shall be required to resign on such sixth (6th) anniversary; provided that, while BPI is entitled to nominate a director pursuant to this Section 3.2(d), EPF/FFP shall not be entitled to nominate a second director pursuant to Section 3.2(c). For the avoidance of doubt, if on the sixth (6th) anniversary of the Closing the conditions set forth in subparagraphs (i) and (ii) of Section 3.2(c) are satisfied, EPF/FFP shall be entitled to nominate a second director to the DutchCo Board in replacement of the BPI nominee (after which the provisions of Section 3.2(e) shall apply *mutatis mutandis*).

(e) Exor's right to nominate representative(s) within the DutchCo Board shall decrease in the event Exor and/or its Reference Affiliates reduce their equity ownership in DutchCo as follows:

(i) if the number of shares held by Exor and/or its Reference Affiliates falls below the number of shares corresponding to 8% of the issued and outstanding DutchCo Shares, Exor shall be entitled to nominate one (1) director instead of two (2);

(ii) if the number of shares held by Exor and/or its Reference Affiliates falls below the number of shares corresponding to 5% of the issued and outstanding DutchCo Shares, Exor shall no longer be entitled to nominate a director; and

(iii) in each case, the director designated by Exor (in its sole discretion) for resignation from amongst the directors nominated by Exor shall be required to resign as promptly as reasonably practicable after the number of DutchCo Shares held by Exor and/or its Reference Affiliates falls below the applicable threshold.

(f) Any event or series of events (including any issue of new shares) other than a transfer (including transfer under universal title) of PSA Shares or DutchCo Shares, such event or series of events shall be disregarded for the purpose of determining whether the applicable shareholder reaches the relevant threshold(s).

Section 3.3 Term of the DutchCo Board. Except as provided otherwise in Section 4.2 with respect to the Chairman, the CEO, the Senior Independent Director and the Vice-Chairman, the initial term of office of the DutchCo Board members shall be four (4) years (ending at the first annual general meeting of shareholders of DutchCo held after the 4th anniversary of the Closing). Following the applicable initial term, the members of the DutchCo Board shall be elected for successive two (2)-year terms.

Section 3.4 Employee Representatives. The Parties intend that each of the FCA Shareholders' Meeting and PSA Shareholders' Meeting will decide, in accordance with applicable Law, to waive the setting up of and negotiation with the special negotiating body and to be subject to the standard rules for employee participation on the DutchCo Board as applied under Dutch Law. The two (2) employee representatives on the initial DutchCo Board shall be appointed in accordance with the procedure provided in the DutchCo Articles of Association and shall meet established standards of experience appropriate for service on the board of directors of a global automaker. The employee representatives on the DutchCo Board shall not hold a mandate within an employee representative body or be an officer or a representative of any labor or union organization and, if applicable, shall resign from any such position prior to their appointment. For the first term of office commencing on the Governance Effective Time, one such employee representative shall be nominated through a process involving one or more bodies representing FCA employees prior to the Closing and one such employee representative shall be nominated by a body representing PSA employees prior to the Closing. In case of vacancy during such initial term, the same process will be used to nominate his/her replacement, unless a global body representing all employees of DutchCo and its Subsidiaries is in place and may nominate the replacement. Following the first term of office, the Parties and DutchCo intend that the employee representation on the DutchCo Board shall be determined through nomination by a global body representing all employees of DutchCo and its Subsidiaries with representation that meets established standards appropriate for service on the board of directors of a global automaker, as determined by the Governance Committee of the DutchCo Board in consultation with such body.

Section 3.5 Vacancy.

(a) In case of a vacancy of any director nominated by Exor, EPF/FFP or BPI, as applicable, at any time, the subsequent director shall be designated by such shareholder for the remainder of such term (in accordance with the nomination rules set forth in the DutchCo Articles of Association) at the next meeting of the shareholders of DutchCo.

(b) PSA and FCA shall each be permitted prior to Closing to designate prior to the Governance Effective Time one board alternate who would qualify as an Independent Director (which individual designated as such an alternate may be substituted by PSA or FCA, as applicable, from time to time prior to the Governance Effective Time). In the event of a vacancy on the DutchCo Board during the initial term of office caused by the departure of an Independent Director originally nominated by PSA or FCA, as the case may be, the applicable board alternate designated by PSA or FCA, as the case may be, would fill such vacancy on the DutchCo Board and each committee of the DutchCo Board of which the

departing Independent Director was a member. If the applicable alternate is no longer available to be substituted for the departing Independent Director pursuant to the foregoing during the initial term of office, the remaining member of the DutchCo Board who is an Independent Director originally nominated by PSA or FCA (including any Independent Director who was substituted for any such departing Independent Director during the initial term of office), as applicable, together with the director(s) appointed by the former shareholders of the Party that initially nominated the departing Independent Director, shall nominate the person whose appointment will be submitted to the general meeting of the shareholders of DutchCo to replace the departing Independent Director originally nominated by PSA or FCA.

Section 3.6 Board Committees. The committees of the DutchCo Board shall consist of the Governance Committee and the Remuneration Committee, each of which shall be chaired by an Independent Director, and the Audit Committee, which shall be comprised solely of Independent Directors. The Parties shall mutually agree upon the members of each of the Governance Committee, Remuneration Committee and Audit Committee, as well as the chairs of each such committee. The Chair of the Governance Committee shall be selected from among the Independent Directors nominated by PSA (or his or her replacement) and the Chair of the Remuneration Committee shall be selected from among the Independent Directors nominated by FCA (as his or her replacement), in each case after consultation between the Parties.

ARTICLE IV

INITIAL GOVERNANCE OF DUTCHCO

Section 4.1 Initial Management of DutchCo. The Parties agree that the following positions shall be filled by the following individuals from the Governance Effective Time:

(a) Chairman: John Elkann;
(b) CEO: Carlos Tavares;
(c) Vice Chairman: a director nominated by EPF/FFP; and
(d) Senior Independent Director: an Independent Director nominated by PSA.

Section 4.2 Term. The initial term of office of each of the Chairman, CEO, Senior Independent Director and Vice Chairman shall be five (5) years, in each case beginning at the Governance Effective Time.

Section 4.3 Powers and Authority. The Chairman, CEO and Senior Independent Director shall have the respective powers and delegations of authority set forth on Annex II (*Powers and Authority*). The Vice Chairman shall act as a non-executive director with no additional power or authority.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.1 Representation and Warranties.

(a) Each Party hereby represents and warrants to the other Party that the representations and warranties contained in (i) Annex III (*Representations and Warranties*) (other than as set forth in Sections 1.1(a), (b) and (c) of Annex III) are true and accurate (without giving effect to any limitation as to “materiality” or “Material Adverse Effect” set forth therein) on the date hereof (except to the extent that any such representation and warranty expressly refers to an earlier date, in which case such statement shall be true and correct as of such earlier date), except for any failures to be true and accurate that would not, individually or in the aggregate, constitute or would reasonably be expected to constitute, a Material Adverse Effect with respect to the PSA Group, the FCA Group or Combined Group, as applicable;

(ii) Sections 1.1(a) and (b) of Annex III are true and accurate on the date hereof (except to the extent any such representation and warranty expressly speaks as of an earlier date, in which case such statement shall be true and correct as of such earlier date) in all material respects; and (iii) Section 1.1(c)(i) or (ii), as applicable, of Annex III is true and accurate on the date hereof (except to the extent any such representation and warranty expressly speaks as of an earlier date, in which case such statement shall be true and correct as of such earlier date) in all but *de minimis* respects.

(b) Each Party shall be deemed to reiterate such representations and warranties on the Closing Date (giving effect to the foregoing exceptions) as a condition to the Closing.

(c) The representations and warranties shall not survive the Closing.

ARTICLE VI

COVENANTS

Section 6.1 Interim Covenants.

(a) Between the date hereof and the Closing, each Party shall, and shall cause each of its Subsidiaries and, to the extent reasonably permitted pursuant to applicable governance rights (by Law or Contract), each of its Non-Consolidated Ventures to:

(i) conduct its activities in all material respects in the ordinary course of business consistent with past practice (the "Ordinary Course");

(ii) without limiting the generality of the immediately preceding subparagraph, not take any of the actions listed in Section 1.1 of Annex IV (*Interim Operating Covenants*), except (A) as otherwise expressly contemplated by this Agreement or expressly agreed in writing between the Parties, (B) as set forth in Section 1.2 of Annex IV (*Interim Operating Covenants*), or (C) as publicly announced by such Party prior to the date hereof (except with respect to the Comau Spin-Off), without the consent of the other Party (which shall not unreasonably be withheld, delayed or conditioned), such consent to be requested in accordance with the notice provisions of Section 9.10 of this Agreement;

(iii) use its commercially reasonable efforts to preserve intact its business organizations and maintain in all material respects its relationships with material customers, suppliers and others having significant business dealings with it; and

(iv) not take any action that would reasonably be likely to cause any of its representations and warranties in Annex III (*Representations and Warranties*) to be untrue in any material respect as of any date any such representations and warranties are made or deemed to be made, or prevent, impair or materially delay the consummation of the Combination and the other Transactions.

(b) As an exception to the provisions of paragraph (a) above, the Parties agree that Faurecia shall not be treated as a Subsidiary of PSA for the purpose of this Section 6.1.

(c) Notwithstanding the foregoing, each Party may undertake any action contemplated by this Agreement, to the extent required by applicable Law, or to the extent required by an enforceable decision of a Regulatory Authority. Subject to applicable Law, the relevant Party shall promptly inform the other Party in advance of taking any such action, reasonably consult with and consider in good faith the

input of the other Party prior to taking such action and comply with the foregoing and Annex IV (*Interim Operating Covenants*) to the greatest extent reasonably practicable in taking such action.

(d) Nothing contained in this Agreement shall be interpreted to give FCA, directly or indirectly, the right to control PSA or any of its Subsidiaries or direct the business or operation of PSA or any of its Subsidiaries prior to the Effective Time. Nothing contained in this Agreement shall be interpreted to give PSA, directly or indirectly, the right to control FCA or any of its Subsidiaries or direct the business or operation of FCA or any of its Subsidiaries prior to the Effective Time.

Section 6.2 Consents. As promptly as reasonably practicable following the execution of this Agreement, the Parties shall initiate the processes relating to the Consents, and comply with the other undertakings, set forth in Annex V (*Covenants Related to Consents*).

Section 6.3 Support for the Combination. The Parties shall seek to obtain required shareholder votes as promptly as reasonably practicable (taking into consideration legal, tax and accounting constraints), align their respective shareholder meeting dates to the maximum extent possible, and comply with the other undertakings set forth in Annex VI (*Preparation of Prospectus and Other Filings*). EPF/FFP, BPI and Dongfeng Motor, each in its capacity as a shareholder of PSA, and Exor, in its capacity as a shareholder of FCA, have each entered into a letter agreement with PSA or FCA, as applicable, setting forth certain undertakings by each such shareholder in connection with the Combination and the governance of DutchCo (each, a "Letter Agreement").

Section 6.4 Exclusivity; Acquisition Proposals. From the date of this Agreement until the earlier of (i) the Closing Date and (ii) the termination of this Agreement in accordance with the terms hereof, each Party shall comply with the provisions set forth in Annex VII (*Acquisition Proposals*).

Section 6.5 Permitted Distributions.

(a) FCA Dividend. FCA intends to make a cash distribution of €5.50 billion (the "FCA Dividend") payable to its shareholders prior to the Closing.

(b) Faurecia Distribution. PSA intends to distribute to its shareholders by special or interim dividend all of the shares held by PSA in Faurecia ("Faurecia") prior to the Closing (the "Faurecia Distribution") with no material changes in any currently existing commercial arrangements between PSA and Faurecia, other than amendments to commercial arrangements between PSA and Faurecia in the Ordinary Course.

(c) Comau. Promptly following the Closing, DutchCo intends to allocate to its shareholders through a demerger or similar transaction all the shares held by DutchCo in Comau (the "Comau Spin-Off") or implement other value-creating alternative structures, including the sale of all the shares held by DutchCo in Comau (the "Comau Alternative Transaction"). In connection with the Comau Spin-Off, Comau shares shall be listed on a single appropriate securities exchange. FCA shall, prior to the Closing, work diligently to prepare for the Comau Spin-Off and the Comau Alternative Transaction to enable the Comau Spin-Off or the Comau Alternative Transaction to be completed promptly following the Closing, including by establishing the perimeter, capital structure and governance of Comau in consultation with PSA and, in the context of the Comau Spin-Off, preparing all necessary documentation for the listing of Comau shares on the appropriate securities exchange.

(d) Ordinary Dividends. The 2020 Ordinary Dividend paid by each Party to its shareholders shall be equal to €1.1 billion; provided, that if the amount actually available for distribution by either Party as an ordinary dividend (the "Distributable Amount") is less than €1.1 billion, then the 2020

Ordinary Dividend to be paid by each Party to its shareholders shall be reduced to the lowest maximum Distributable Amount of either Party. The Parties acknowledge that a portion of the amount which would otherwise have been paid by PSA as part of the 2020 Ordinary Dividend or the 2021 Ordinary Dividend pursuant to this paragraph may be paid at the time of the Faurecia Distribution. If the Closing has not occurred or if this Agreement has not been terminated before the 2021 annual general meetings of PSA and FCA, the Parties shall agree to pay the same 2021 Ordinary Dividend, such dividend, which may be different from the 2020 Ordinary Dividend, being determined on the basis of the respective Distributable Amount of the Parties.

Section 6.6 Employee-Related Matters; Indemnification. Each Party shall, and shall cause each of its Subsidiaries to, comply with the specific undertakings relating to the current and former directors and employees of PSA and FCA set forth in Annex VIII (*Employee-Related Matters; Indemnification*).

Section 6.7 Implementation; Cooperation.

(a) The Parties shall negotiate in good faith and use their reasonable best efforts to finalize all agreements, take all actions, and do all things necessary to implement the Combination in accordance with this Agreement. Without limiting the generality of the foregoing, the Parties shall (i) comply with the undertakings set forth in Annex VI (*Preparation of Prospectus and Other Filings*) in relation with the preparation of the cross-border merger terms, and required prospectus and other filings, and the convening of required shareholders' meetings and (ii) appoint one or more independent accountants to issue the statements as required pursuant to section 2:328 and section 2:333g of the Dutch Civil Code and Article L. 236-10 of the French Commercial Code, which shall include a statement on the fairness of the Exchange Ratio and a report assessing the value of the net assets transferred to DutchCo.

(b) Each Party shall cooperate to keep the other Party reasonably and timely informed about any material matters, facts or events relating to such Party or its Subsidiaries and provide the other Party or its advisors with any documents (including internal reports) that may be reasonably requested by the other Party or its advisors, provided that any sensitive information relating to any material litigation shall be shared on a confidential basis.

Section 6.8 Confidentiality/Announcement.

(a) Except as otherwise expressly set forth herein or as required by applicable Law, the existence and content of this Agreement are strictly confidential and subject to the confidentiality agreement between the Parties in effect as of the date hereof (the "Confidentiality Agreement"). As an exception to the foregoing, the existence or content of this Agreement may be disclosed:

(i) by a Party to the extent required to allow it to satisfy its commitments under this Agreement;

(ii) by a Party to the extent strictly necessary to allow it to comply with any applicable legal or statutory requirement to make any announcement or to provide information to any competent authority, any Self-Regulatory Organization, or any of its labor representatives or committees;

(iii) by a Party to its affiliates, managers, employees, advisors and statutory auditors on a need-to-know basis (provided that such Party shall be responsible for any such Person's compliance with the terms of the Confidentiality Agreement as if such Person was a party thereto);

(iv) in case of a dispute arising out of or in connection with this Agreement, by the Parties to the extent reasonably necessary to the arbiter of such dispute;

(v) by PSA to EPF/FFP, BPI and Dongfeng Motor (provided that each such Party is subject to confidentiality obligations consistent with this Section 6.8); and

(vi) by FCA to Exor (provided that such Party is subject to confidentiality obligations consistent with this Section 6.8);

in each case, such disclosure being made in a manner that, to the extent feasible, preserves the confidentiality of this Agreement.

(b) If a Party is required by any applicable Law to make any announcement or to provide information to any authority, such Party shall (to the extent permitted by Law) promptly notify the other Party in writing, which notification shall include the nature of the legal requirement and the extent of the required disclosure, and shall cooperate with the other Party's reasonable requests to preserve the confidentiality of this Agreement consistent with applicable Law.

(c) FCA and PSA shall jointly announce the entry into this Agreement on the basis of a mutually agreed press statement and cooperate with one another in good faith in connection with any public statements and investor relations activities regarding the Combination, as further set forth in, and subject to the terms of, the Confidentiality Agreement.

Section 6.9 Financing and Indebtedness. The Parties shall cooperate to mutually determine and implement any necessary or appropriate arrangements, in anticipation of the consummation of the Combination, regarding each Party's financing agreements, indentures and other documents relating to indebtedness of the Parties, including arrangements by way of amendments, consents, redemption, payoff, new financing or otherwise, with respect to retaining or refinancing a Party's indebtedness.

Section 6.10 Incentive Plans. The Parties shall enter into a separate agreement with respect to any future grants of equity or other long-term cash incentive awards with the objective being that any grants of equity or other long-term cash incentive awards between the date hereof and the Closing will be consistent (including in value) with those issued by the respective Parties in the Ordinary Course. For the avoidance of doubt, such separate agreement shall not require either Party to grant equity incentive awards for any year that have an aggregate grant date value that is less than the aggregate grant date value awarded by such Party under the most recent incentive program.

Section 6.11 Tax Matters. The Parties shall cooperate to cause the Tax treatment of the Transactions for Tax purposes to be the Intended Tax Treatments and to efficiently migrate the tax residency of DutchCo to The Netherlands (including any preparatory step in that respect) in accordance with Section 2.3(d) above. Each of FCA and PSA shall notably exchange any information reasonably necessary and participate in any discussion with any Tax authority relating to the Intended Tax Treatments, the migration of the tax residence of DutchCo to the Netherlands (and preparatory steps) and more generally any aspect of the Transactions which requires a discussion with a Tax authority. Prior to the date hereof, FCA has established a branch in France and shall maintain until the Effective Time such branch to which the PSA assets and liabilities shall be allocated for income Tax purposes as a result of the Combination, and each of FCA and PSA shall cooperate to that effect.

Section 6.12 Transaction Litigation. In the event that any stockholder litigation related to this Agreement or the Transactions is brought against FCA or PSA or any members of the FCA Board or PSA Board, as applicable, from and following the date of this Agreement and prior to the Closing (such litigation,

“Transaction Litigation”), each Party shall as promptly as reasonably practicable notify the other Party of such Transaction Litigation and shall keep the other Party reasonably informed with respect to the status thereof. Without limiting in any way the Parties’ obligations under Annex V (*Covenants Related to Consents*), each of FCA and PSA shall give the other the opportunity to participate in the defense or settlement of any Transaction Litigation, and no such settlement shall be agreed to without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed). Without limiting the Parties’ obligations under Annex V (*Covenants Related to Consents*), each of FCA and PSA shall cooperate, shall cause their respective Subsidiaries to cooperate, and shall use its commercially reasonable efforts to cause its Representatives to cooperate, in the defense of such Transaction Litigation.

Section 6.13 European Company. PSA shall cease the process of transforming PSA into a European Company (*Société Européenne*) as promptly as reasonably practicable following the date hereof.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1 Conditions Precedent. The respective obligations of FCA and PSA to effect the Combination are subject to the satisfaction or, to the extent permitted by applicable Law, waiver (by both Parties in writing) prior to the Closing of the conditions set forth in Annex IX (*Conditions Precedent*), in accordance with the provisions of such Annex.

Section 7.2 No Material Adverse Effect. Each of FCA and PSA shall not be required to effect the Combination if a Material Adverse Effect has occurred with respect to the other Party prior to the Closing which continues to exist as of the Closing. Such condition may be waived in writing only by FCA in the event of a Material Adverse Effect with respect to PSA and only by PSA in the event of a Material Adverse Effect with respect to FCA.

ARTICLE VIII

TERMINATION

Section 8.1 Termination. This Agreement may only be terminated as set forth in Annex X (*Termination*), with the effect of any such termination being as set forth in such Annex. In the event a Party envisages to terminate this Agreement in accordance with the terms of this Section 8.1 and Annex X, the officers at the highest level of both Parties shall meet in person to discuss, in good faith, and seek to find any alternative solution before the delivery of any termination notice by a Party.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Costs. Each Party shall bear its own financial, legal, accounting and other costs in connection with the Combination and the other Transactions. The Parties shall share equally in any material filing or similar fees in connection with any governmental or self-regulatory review, registration, approval, permit or license, stock exchange listing or similar requirements with respect to the Combination and the other Transactions.

Section 9.2 Specific Performance. Each Party agrees and acknowledges the right of the other Party to seek and obtain any remedy that may be available to it under applicable law, including damages, it being specified that each Party shall always be entitled to the remedies of injunction and specific performance for any threatened or actual breach of the provisions of this Agreement. Without limiting the generality of the foregoing, each Party agrees and acknowledges that the provisions of Annex VII

(*Acquisition Proposals*) and Annex X (*Termination*) shall in no way limit the ability of a Party to require the other Party to comply with its obligations under this Agreement.

Section 9.3 Governing Law. This Agreement and any matter, claim or dispute arising out of or relating to this Agreement, whether contractual or non-contractual, shall be governed by and construed in accordance with the Laws of The Netherlands.

Section 9.4 Jurisdiction. Any dispute or claim arising out of or relating to this Agreement shall be referred to and finally resolved by three (3) arbitrators under the Rules of Arbitration of the International Chamber of Commerce; provided, that the foregoing shall be without prejudice to the right of each Party to seek interim or conservatory relief before a competent court in The Netherlands, whether before or after the commencement of any arbitration. Each Party shall appoint one arbitrator and such two (2) arbitrators appointed by the Parties shall appoint the presiding arbitrator upon consultation of the Parties. The place of arbitration shall be Geneva, Switzerland, and the language of arbitration shall be English.

Section 9.5 Counterparts. This Agreement may be executed in separate counterparts, each such counterpart being deemed to be an original instrument, and both such counterparts shall together constitute the same agreement. A signed copy of this Agreement delivered by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.

Section 9.6 Modification or Amendment. Subject to applicable Law, and except as otherwise provided in this Agreement, this Agreement may be amended, modified or supplemented only by a written instrument executed and delivered by the Parties, whether before or after approval of the matters presented in connection with the Transactions to the PSA or FCA shareholders, as applicable; provided that, after any such approval, no amendment shall be made for which applicable law or the rules of any relevant stock exchange requires further approval by such shareholders without such further approval.

Section 9.7 Extension; Waiver. At any time prior to the Closing, subject to applicable Law, the Parties may (a) extend the time for the performance of any of the obligations or other acts of the other Party, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement, (c) waive compliance with any covenants and agreements contained in this Agreement or (d) waive the satisfaction of any of the conditions contained in this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

Section 9.8 No Third-Party Beneficiaries. Except as provided in Section 1.2 of Annex VIII (*Employee-Related Matters; Indemnification*), this Agreement is not intended to, and does not, confer upon any Person other than the Parties who are signatories hereto any rights or remedies hereunder. The Parties further agree that the rights of third-party beneficiaries under Section 1.2 of Annex VIII (*Employee-Related Matters; Indemnification*) shall not arise unless and until the Closing occurs.

Section 9.9 Fulfillment of Obligations. Whenever this Agreement requires a Subsidiary of FCA or PSA to take any action, such requirement shall be deemed to include an undertaking on the part of FCA or PSA, as appropriate, to cause such Subsidiary to take such action. Any obligation of one Party to any other Party under this Agreement which obligation is performed, satisfied or properly fulfilled by an affiliate of such Party shall be deemed to have been performed, satisfied or fulfilled by such Party.

Section 9.10 Notice. All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the Party for whom it is intended, if delivered by registered or certified mail, return receipt requested, or by an international courier

service, or if sent by email (provided confirmation of receipt of the email is issued to the sender of the notice):

if to PSA:

Peugeot S.A.
Rueil Management Centre
7, rue Henri Ste Claire Deville
92563 Rueil-Malmaison
Attention: Grégoire Olivier / Mark Rollinger
Email: gregoire.olivier@mpsa.com / mark.rollinger@mpsa.com

with a copy (which shall not constitute notice) to:

Bredin Prat S.A.S.
53 Quai d'Orsay
75007 Paris, France
Attention: Benjamin Kanovitch / Kate Romain
Email: bk@bredinprat.com / kateromain@bredinprat.com

if to FCA:

Fiat Chrysler Automobiles N.V.
25 St. James's Street
London SW1A 1HA
United Kingdom
Attention: Richard Palmer / Giorgio Fossati
Email: richard.palmer@fcagroup.com / giorgio.fossati@fcagroup.com

with a copy (which shall not constitute notice) to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004

51 Rue la Boétie
75008 Paris, France

Attention: Scott D. Miller / Olivier de Vilmorin
Email: millersc@sullcrom.com / devilmorino@sullcrom.com

Any notice given by mail or international courier service shall be effective when delivered. Any notice given by email after 17:00 (in the place of receipt) on a Business Day or on a day that is not a Business Day shall be deemed received on the following Business Day.

Section 9.11 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to

other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 9.12 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by a Party without the prior written consent of the other Party. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and assigns.

Section 9.13 Entire Agreement. This Agreement (including the Exhibits, Annexes and Schedule hereto) and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the Parties, with respect to the subject matter hereof. The Parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Parties as of the date first written above.

FIAT CHRYSLER AUTOMOBILES N.V.

By: /s/ Mike Manley

Name: Mike Manley

Title: Chief Executive Officer

PEUGEOT S.A.

By: /s/ Carlos Tavares

Name: Carlos Tavares

Title: President of the Management Board

[*Signature Page to the Combination Agreement*]

EXHIBIT A-1

FORM OF DUTCHCO ARTICLES OF ASSOCIATION

UNOFFICIAL TRANSLATION
DRAFT DEED OF AMENDMENT
ARTICLES OF ASSOCIATION
[DUTCHCO]

ARTICLES OF ASSOCIATION

1. Definitions

1.1 In these Articles of Association the following words shall have the following meanings:

accountant: a chartered accountant (*registeraccountant*) or other accountant referred to in Section 2:393 DCC, or an organisation in which such accountants work together;

Affiliate: with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract (including as management or advisory company of a Person, it being further specified for the avoidance of doubt that a fund shall be deemed to be controlled by its management company) or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing;

Board of Directors: the board of directors of the company;

Bpifrance: Bpifrance Participations S.A.;

Chairman: an executive Director designated as chairman;

Change of Control: in respect of any shareholder that is not an individual, any direct or indirect transfer of shares in the capital of such shareholder in one or a series of related transactions 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 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 of the voting rights at meetings of the board of directors, management board or similar governing body of such shareholder, has been transferred to the transferee of such shares, provided that 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 controlling person, (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 vivo donation or other transfer to a spouse or a relative up to and including the fourth degree, (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;

Chief Executive Officer: an executive Director designated as chief executive officer / CEO;
class A special voting share: a class A special voting share in the share capital of the company;
class B special voting share: a class B special voting share in the share capital of the company;
common share: a common share in the share capital of the company;
Concert: a group of Persons comprising (i) a Person and (ii) any Person(s) Acting in Concert with such Person;
Director: a member of the Board of Directors;
DCC: the Dutch Civil Code;
Defaulting Person: has the meaning ascribed to it in Article 15.4;
Effective Date: the date on which the cross-border statutory merger (*grensoverschrijdende juridische fusie*) pursuant to which Peugeot S.A. (as disappearing entity) has merged into the company became effective;
Excess Concert: any Concert holding Excess Shares;
Excess Shares: has the meaning ascribed to it in Article 16.2;
electing common shares: common shares registered in the Loyalty Register for the purpose of becoming Qualifying Common Shares;
EPF: Establissements Peugeot Freres S.A.;
EPF/FFP: EPF and FFP taken together, provided that, if EPF ceases to be an Affiliate of FFP, EPF/FFP shall refer to FFP only;
Exor: EXOR N.V.;
FFP: FFP S.A.;
Final Registration Date: the seventh (7th) day prior to the day of the general meeting, unless determined otherwise by the Board of Directors;
general meeting: the body of the company consisting of shareholders entitled to vote, together with usufructuaries and pledgees to whom voting rights attributable to shares accrue or a meeting of shareholders and other Persons entitled to attend meetings of shareholders (as the case may be);
group company: a group company as referred to in Section 2:24b DCC;
Global Works Council: the global employee representation body to be set up by the company after the Effective Date;
Information Request Notice: has the meaning ascribed to it in Article 15.3;
Interest: a percentage of the company's issued share capital and/or voting rights in respect thereof held by the relevant Person or Concert, or at the relevant Person's or Concert's disposal, or deemed to be at such Person's or Concert's disposal (*(geacht) te beschikken*) within the meaning of Chapter 5.3.4 WFT, for the purpose of this definition including but not limited to shares and voting rights as defined in Section 5:33(1) WFT, but not taking into account such part of the Interest of a Person in respect of which such Person is exempt under Section 5:46 WFT (including, for the avoidance of doubt, the Interest of Cede & Co), and provided that in calculating the percentage of the Interest of a Concert the various interests referred to in Section 5:45

WFT of the members of such Concert related to shares in the company's capital or voting rights will be counted only once to the extent they relate to the same share(s) or voting right(s);

in writing: by letter, by telecopier, by e-mail, or by a legible and reproducible message otherwise sent (including electronically), provided that the identity of the sender can be reasonably established;

Loyalty Register: the register kept by or on behalf of the company for the registration of electing common shares, including any Qualifying Common Shares;

Loyalty Transferee: (i) with respect to any shareholder that is not an individual, any Affiliate of such shareholder (including any successor of such shareholder) that is beneficially owned in substantially the same manner (including percentage) as the beneficial ownership of the transferring shareholder or the beneficiary company as part of a statutory demerger (*splitsing*) of such shareholder and (ii) with respect to any shareholder that is an individual, any transferee of common shares following succession or the liquidation of assets between spouses or the inheritance, inter vivo donation or other transfer to a spouse or a relative up to and including the fourth degree;

Maximum Voting Threshold: thirty percent (30%) of votes that could be cast at a general meeting, calculated and based solely on the registrations for that general meeting on the day following the Final Registration Date for that general meeting as included in the notice convening that general meeting;

Person: any individual (*natuurlijk persoon*), firm, legal entity (in whatever form and wherever formed or incorporated), governmental entity, joint venture, association or partnership (including, without limitation, any shareholder);

Person Acting in Concert: any Person with whom another Person: (a) is (or is deemed to be) acting in concert in relation to the company according to the definition of persons acting in concert of Section 1:1 WFT, and/or (b) has a relationship as described in Section 5:45 (1 through 10) WFT in relation to shares in the company's capital and/or voting rights in respect thereof, and in respect of whom Section 5:45 (1 through 10) WFT applies, for the purpose of this subparagraph b. including Persons exempt under Section 5:45(11) WFT and excluding Persons to the extent they are exempt under Section 5:46 WFT;

Person(s) with Voting Rights: has the meaning assigned thereto in Article 24.12;

Qualifying Common Shares: with respect to any shareholder, the number of electing common shares that has for an uninterrupted period of at least three (3) years rightfully been registered in the Loyalty Register in the name of such shareholder or its Loyalty Transferee(s), and continue to be so registered. For the avoidance of doubt, it is not necessary that specific common shares satisfy the requirements as referred to in the previous sentence in order for a number of common shares to qualify as Qualifying Common Shares; accordingly, it is permissible for common shares to be substituted into the Loyalty Register for different common shares without affecting the total number of Qualifying Common Shares or the total number of common shares that would become Qualifying Common Shares after an uninterrupted period of at least

three (3) years after registration in the Loyalty Register held by the shareholder or its Loyalty Transferee(s);
Qualifying Shareholder: a holder of one or more Qualifying Common Shares;
Record Date: has the meaning assigned thereto in Article 24.12;
Reference Affiliate: means, (i) with respect to Exor, any Affiliate thereof, (ii) with respect to EPF, any Affiliate of EPF or FFP and (iii), with respect to Bpifrance, Lion Participations S.A.S. and any Affiliate of Bpifrance SA that is controlled by Bpifrance SA, in each case including only such Affiliates (x) to which Exor, EPF, FFP, Bpifrance or Lion Participations S.A.S., as the case may be, had transferred shares of Peugeot S.A. or common shares, or (y) which have acquired shares of Peugeot S.A. or shares, in both (x) and (y) after December 17, 2019; it being specified that (i) if EPF ceases to control FFP, FFP and its Affiliates shall no longer be Reference Affiliates of EPF and (ii) if Bpifrance SA ceases to control Lion Participations S.A.S., Lion Participations S.A.S and its affiliates shall no longer be Reference Affiliates of Bpifrance;
Senior Independent Director: the non-executive Director designated as senior independent Director and who shall serve as the chair of the Board of Directors referred to under Dutch law;
share: a share in the share capital of the company; unless the contrary is apparent, this shall include each common share and each special voting share;
shareholder: a holder of one or more shares; unless the contrary is apparent, this shall include each holder of common shares and/or special voting shares;
special voting share: a class A special voting share or class B special voting share in the share capital of the company;
subsidiary: a subsidiary of the company as referred to in Section 2:24a DCC;
Suspended Rights: has the meaning ascribed to it in Article 16.3;
SVS Conditions: has the meaning ascribed to it in Article 5.2;
SVS Foundation: [Stichting [•] SVS] **Note to draft**: Name of the SVS Foundation to be determined.;
Transferor: has the meaning ascribed to it in Article 16.5;
Transferor Excess Shares: has the meaning ascribed to it in Article 16.5;
Transferred Group: the relevant shareholder together with its Affiliates, if any, over which control was transferred as part of the same change of control transaction within the meaning of the definition of Change of Control;
Voting Restriction Notice: has the meaning ascribed to it in Article 16.2;
WFT: the Financial Supervision Act (*Wet op het financieel toezicht*).

1.1 References to Articles shall be deemed to refer to articles of these Articles of Association, unless the contrary is apparent. References to a "Concert" shall, where applicable, be interpreted as referring to all members of such Concert jointly; similar phrases and references shall be interpreted accordingly.

1.2 Any reference to a gender includes all genders.

2. Name and corporate seat

2.1 The name of the company is: [**[•] N.V.**]

2.2 The company may also be referred to as [•].

2.3 The company has its corporate seat in Amsterdam, the Netherlands.

2.4 The place of effective management of the company shall be a place in the Netherlands, unless another place outside the Netherlands is designated as the place of effective management by resolution of the general meeting approved in accordance with the provision of Article 30.1.

3. Objects

3.1 The objects for which the company is established are to carry on, either directly or through wholly or partially-owned companies and entities, activities relating in whole or in any part to passenger and commercial vehicles, transport, mechanical engineering, energy, engines, capital machinery and equipment and related goods and propulsion, as well as any other manufacturing, commercial, financial or service activity.

3.2 Within the scope and for the achievement of the purposes mentioned in Article 3.1, the company may:

(a) operate in, among other areas, the mechanical, electrical, electro mechanical, thermo mechanical, electronic, nuclear, chemical, mining, steel and metallurgical industries, as well as in telecommunications, civil, industrial and agricultural engineering, publishing, information services, tourism and other service industries;

(b) acquire shareholdings and interests in companies and enterprises of any kind or form and purchase, sell or place shares, debentures, bonds, promissory notes or other securities or evidence of indebtedness;

(c) provide financing to companies and entities it wholly or partially owns and carry on the technical, commercial, financial and administrative coordination of their activities;

(d) provide or arrange for the provision (including through partially owned entities) of financing for distributors, dealers, retail customers, vendors and other business partners and carry on the technical, commercial, financial and administrative coordination of their activities;

(e) purchase or otherwise acquire, on its own behalf or on behalf of companies and entities it wholly or partially owns, the ownership or right of use of intangible assets providing them for use by those companies and entities;

(f) promote and ensure the performance of research and development activities, as well as the use and exploitation of the results thereof;

(g) undertake, on its own behalf or on behalf of companies and entities it wholly or partially owns, any investment, real estate, financial, commercial, or partnership transaction whatsoever, including the assumption of loans and financing in general and the granting to third parties of endorsements, surety ships and other guarantees, including real security; and

(h) undertake and perform any management or support services or any other activity ancillary, preparatory or complementary to any of the above.

4. Share capital and shares

4.1 The authorized share capital of the company amounts to [ninety] million euro (EUR [90,000,000]), [divided into [four] billion five hundred million ([4,500,000,000]) common shares, [[•]] [([•])] class A special voting shares with a nominal value of one eurocent (EUR 0.01) each and [[•]] ([[•]]) class B special voting shares with a nominal value of one eurocent (EUR 0.01) each]. **Note to draft**: This draft assumes that only Exor will retransfer its special voting shares to the company on the Effective Date. Accordingly, some special voting shares remain outstanding after the Effective Date. To include the additional flexibility with respect to special voting shares to be issued after the Effective Date, we have incorporated two classes of special voting shares, being the class A special voting shares and the class B special voting shares. Class A special voting shares will be SVS issued under the new terms and conditions, and, accordingly, can be cancelled in accordance with Clause 10. As this has not been stipulated with respect to the existing special voting shares, these shares will be converted into Class B special voting shares (which cannot be cancelled in accordance with Clause 10).

4.2 When shares are subscribed for, the nominal value thereof and, if the shares are subscribed at a higher amount, the difference between such amounts, shall be paid-up, without prejudice to the provision of Section 2:80 paragraph 2 DCC. Where shares of a particular class are subscribed at a higher amount than the nominal value, the difference between such amounts shall be carried to the share premium reserve of that class of shares.

4.3 Upon the establishment of a right of pledge on a common share or the creation or transfer of a right of usufruct on a common share, the right to vote may be vested in the pledgee or the usufructuary, with due observance of the relevant provisions of Dutch law.

4.4 Both the holder of one or more common shares without voting right and the pledgee or usufructuary of one or more common shares with voting right shall have the rights conferred by law upon holders of depositary receipts issued with a company’s cooperation for shares in its share capital.

4.5 No right of pledge can be established on a special voting share.

4.6 The voting rights attributable to a special voting share that is subject to an usufruct vest in the shareholder concerned.

4.7 The usufructuary of one or more special voting shares shall not have the rights conferred by law upon holders of depositary receipts issued with a company's cooperation for shares in its share capital.

4.8 The company may cooperate in the issuance of registered depositary receipts for common shares, but only pursuant to a resolution to that effect of the Board of Directors. Each holder of such depositary receipts shall have the rights conferred by law or by the applicable depositary agreement upon holders of depositary receipts issued with a company’s cooperation for shares in its share capital.

5. Option right SVS Foundation

5.1 The SVS Foundation has the right to subscribe for a number of special voting shares up to the number of special voting shares included in the company's authorized share capital from time to time.

5.2 Pursuant to Article 28.1, special voting shares issued to the SVS Foundation are issued out of the special capital reserve.

5.3 The Board of Directors may implement Article 5.1 in further detail through an agreement, instrument or otherwise and the terms of such implementation may be amended by the Board of Directors.

6. Holding requirement in respect of special voting shares

6.1 Special voting shares may only be held by a Qualifying Shareholder, the SVS Foundation and the company itself. A Qualifying Shareholder cannot hold more than one (1) special voting share for each Qualifying Common Share held by such shareholder. Other than as provided in the Articles 9.8 and 9.9, there shall be no limit on the number of special voting shares that may be held by the SVS Foundation and the company.

6.2 The Board of Directors shall set the terms and conditions relating to the issuance, allocation, acquisition, holding, repurchase and transfer of special voting shares (the "**SVS Conditions**"). The SVS Conditions may be amended pursuant to a resolution by the Board of Directors, provided, however, that any amendment that is not merely technical and is material to shareholders that are registered in the Loyalty Register, will be subject to the approval of the general meeting unless such amendment is required to ensure compliance with applicable law or regulations or the listing rules of any securities exchange on which the common shares are listed.

6.3 In the event of a Change of Control in respect of a Qualifying Shareholder or in the event that a Qualifying Shareholder requests that some or all of its Qualifying Common Shares be de-registered from the Loyalty Register in accordance with Article 12.5, or transfers some or all of its Qualifying Common Shares to any other party (other than a Loyalty Transferee):

(a) a corresponding number of Qualifying Common Shares of such shareholder shall be de-registered from the Loyalty Register with immediate effect and as a consequence shall no longer qualify as Qualifying Common Shares;

(b) such shareholder shall be obliged to immediately offer and transfer a number of special voting shares equal to the number of Qualifying Common Shares referred to in Article 6.3(a) to the company and any and all voting rights attached to such special voting shares will be suspended upon the issue of a notice by the company.

6.4 In the event of a Change of Control in respect of a shareholder who is registered in the Loyalty Register but is not yet a Qualifying Shareholder with respect to one or more of its common shares, a corresponding number of common shares of such shareholder shall be de-registered from the Loyalty Register with immediate effect.

6.5 In respect of special voting shares offered to the company pursuant to Article 6.3, the offering shareholder and the company shall determine the consideration, if any. Pursuant to Section 2:87a(3) DCC, a shareholder may request the company to engage an independent expert to determine the consideration, if any, for the offered special voting shares. The independent expert shall be selected by the company.

7. Issuance of shares

7.1 The general meeting or alternatively the Board of Directors, if it has previously been designated to do so by the general meeting, shall have authority to resolve on any

issuance of shares. The general meeting 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. For a period of three (3) years effective as per the Effective Date, the Board of Directors shall irrevocably be authorized to issue common shares or to grant rights to subscribe for common shares up to in aggregate (i) ten percent (10%) of the issued common shares for general corporate purposes as of the Effective Date, plus (ii) an additional ten percent (10%) of the issued common shares shares as of such date, if the issuance and/or the granting of rights to subscribe for common shares occurs in connection with of the acquisition of an enterprise or a corporation, or, if such issuance and/or the granting of rights to subscribe for common shares is otherwise necessary in the opinion of the Board of Directors.

7.2 The general meeting or the Board of Directors if so designated in accordance with Article 7.1, shall decide on the price and the further terms and conditions of issuance, with due observance of what is required in relation thereto in the law and in these Articles of Association.

7.3 If the Board of Directors is designated to have authority to decide on the issuance of shares by the general meeting, such designation shall specify the class of shares and the maximum number of shares that can be issued under such designation. When making such designation the duration thereof, which shall not be for more than five (5) years, shall be resolved upon at the same time. The designation may be extended from time to time for periods not exceeding five (5) years from the date of such extension. The designation may not be withdrawn unless otherwise provided in the resolution in which the designation is made.

7.4 Within eight (8) days after the passing of a resolution of the general meeting to issue shares or to designate the Board of Directors as provided in Article 7.1, the company shall deposit the complete text of such resolution at the office of the Dutch trade register. Within eight (8) days after the end of each quarter of the financial year, the company shall notify the Dutch trade register of each issuance of shares which occurred during such quarter. Such notification shall state the number of shares issued and their class. Failure to duly make such notification shall neither affect the authority of the general meeting or the Board of Directors to issue shares nor the validity of the shares issued.

7.5 What has been provided in Articles 7.1 up to and including 7.4 shall *mutatis mutandis* be applicable to the granting of rights to subscribe for shares, but shall not be applicable to the issuance of shares to Persons exercising a previously granted right to subscribe for shares.

7.6 Payment for shares shall be made in cash unless another form of contribution has been agreed. Payment in a currency other than euro may only be made with the consent of the company. Payment in a currency other than euro will discharge the obligation to pay up the nominal value to the extent that the amount paid can be freely exchanged into an amount in euro equal to the nominal value of the relevant shares. The rate of exchange on the day of payment will be decisive, unless the company requires payment against the rate of exchange on a specified date which is not more

than two (2) months before the last day on which payment for such shares is required to be made, provided that such shares will be admitted to trading on a regulated market or multilateral trading facility as referred to in Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or a regulated market or multilateral trading facility of a state, which is not a European Union member state, which is comparable thereto.

7.7 The Board of Directors is expressly authorized to enter into the legal acts referred to in Section 2:94 DCC, without the prior consent of the general meeting.

8. Right of pre-emption

8.1 Subject to Article 8.9 and the remainder of this Article 8, 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 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 to be issued to employees of the company or of a group company pursuant to any option plan of the company.

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

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

8.4 The general meeting or the Board of Directors, as the case may be, shall decide when passing the resolution to issue 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.

8.5 The company shall give notice of an issuance of shares that is subject to a right of pre-emption and of the period during which such right may be exercised by announcement in the Dutch State Gazette and in a nationally distributed newspaper.

8.6 The right of pre-emption may be exercised during a period of at least two (2) weeks after the announcement in the Dutch State Gazette.

8.7 Subject to Article 8.9, the right of pre-emption may be limited or excluded by a resolution of the general meeting or a resolution of the Board of Directors if the Board of Directors has been designated to do so by the general meeting and provided the Board of Directors has also been authorized to resolve on the issuance of shares. In the proposal to the general meeting to limit or exclude pre-emption rights the reasons for the proposal and a substantiation of the proposed issuance price shall be explained in writing. With respect to designation of the Board of Directors the provisions of the last three sentences of Article 7.3 shall apply *mutatis mutandis*.

8.8 For a resolution of the general meeting to limit or exclude the right of pre-emption or to designate the Board of Directors as authorized to do so, an absolute majority of the votes cast is required to approve such resolution, provided, however, that if less than one half of the issued share capital is represented at the meeting, then a majority of at least two thirds of the votes cast is required to adopt such resolution. Within eight (8) days from the resolution the company shall deposit a complete text thereof at the office of the Dutch trade register.

8.9 For a period of three (3) years as of the Effective Date, the Board of Directors shall irrevocably be authorized to limit or exclude the right of pre-emption as set out in this Article 8 (including Article 8.10) in connection with the authorization of the Board of Directors as set out in Article 7.1.

8.10 When rights are granted to subscribe for common shares the shareholders shall also have a right of pre-emption with respect to such rights; what has been provided hereinbefore in this Article 8 shall apply *mutatis mutandis*. Shareholders shall have no right of pre-emption in respect of shares that are issued to anyone who exercises a previously acquired right.

9. Acquisition or disposal by the company of shares in its own share capital

9.1 The company shall at all times have the authority to acquire fully paid-up shares in its own share capital, provided that such acquisition is made for no consideration (*om niet*).

9.2 The company shall also have authority to acquire fully paid-up shares in its own share capital or depositary receipts thereof for consideration, if:

(a) the general meeting has authorized the Board of Directors to make such acquisition - which authorization shall be valid for no more than eighteen (18) months and has specified the number of shares which may be acquired, the manner in which they may be acquired and the (criteria to establish the) limits within which the price must be set;

(b) the company's equity, after deduction of the acquisition price of the relevant shares, is not less than the sum of the paid-in and called up portions of the share capital and the reserves that have to be maintained pursuant to Dutch law and these Articles of Association; and

(c) the aggregate nominal value of the shares to be acquired and the shares in its share capital the company already holds, holds as pledgee or are held by a subsidiary, does not amount to more than one half of the issued share capital.

9.3 The company's equity as shown in the last confirmed and adopted balance sheet, after deduction of the acquisition price for shares in the share capital of the company, the amount of the loans as referred to in Section 2:98c DCC and distributions from profits or reserves to any other Persons that became due by the company and its subsidiaries after the date of the balance sheet, shall be decisive for purposes of Article 9.2 subs (b) and (c). If more than six (6) months have elapsed since the end of a financial year without the annual accounts having been adopted, an acquisition in accordance with Article 9.2 shall not be allowed until such time as the annual accounts shall be adopted.

9.4 No authorization shall be required if the company acquires its own shares for the purpose of transferring the same to employees of the company or a group company under a scheme applicable to such employees. Such own shares must be officially listed on a price list of a stock exchange.

9.5 Articles 9.1 and 9.2 shall not apply to shares which the company acquires under universal title of succession (*algemene titel*).

9.6 Any acquisition by the company of shares that have not been fully paid up shall be

void, unless such shares are acquired under universal title of succession (*algemene titel*).

9.7 Any disposal of shares held by the company will require a resolution of the Board of Directors. Such resolution shall also stipulate any conditions of the disposal.

9.8 The company may, jointly with its subsidiaries, hold shares in its own capital exceeding one-tenth of its issued capital for no more than three years after acquisition of shares for no consideration or under universal title of succession. Any shares held by the company in excess of the amount permitted shall transfer to the Directors jointly at the end of the last day of such three year period. Each Director shall be jointly and severally liable to compensate the company for the value of the shares at such time, with interest at the statutory rate thereon from such time. For the purpose of this Article 9.8 the term shares shall include depositary receipts for shares and shares in respect of which the company holds a right of pledge.

9.9 Article 9.8 shall apply correspondingly to shares and depositary receipt for shares acquired by the company in accordance with Article 9.4 without the authorization of the general meeting and held by the company for more than one year after acquisition thereof.

10. Reduction of the issued share capital

10.1 The general meeting shall have the authority to pass a resolution to reduce the issued share capital by:

(a) cancelling (i) shares which the company holds in its own share capital or of which the company holds the issued depositary receipts or (ii) all issued class A special voting shares; or

(b) reducing the nominal value of the shares by means of an amendment to these Articles of Association. The shares to which such resolution relates shall be stated in the resolution and it shall also be stated therein how the resolution shall be implemented.

10.2 Subject to Article 10.3, a resolution to reduce the share capital shall require an absolute majority of the votes cast in a general meeting, provided, however, that such resolution shall require a majority of at least two-thirds of the votes cast in a general meeting if less than one half of the issued capital is represented at the meeting.

10.3 A resolution to cancel all issued class A special voting shares shall require a majority of at least two-thirds of the votes cast in a general meeting, subject to approval of the meeting of holders of the class A special voting shares.

10.4 Cancellation of class A special voting shares shall take place without the repayment of the nominal value of the special voting shares, which nominal value shall be added to the special capital reserve.

10.5 Any reduction of the nominal value of the common shares without repayment must be made *pro rata* on all common shares. Any reduction of the nominal value of the special voting shares shall take place without repayment.

10.6 A partial repayment on common shares shall only be allowed in implementation of a resolution to reduce the nominal value of the common shares. Such a repayment must be made in respect of all common shares on a *pro rata* basis. The *pro rata* requirement

may be waived with the consent of all the holders of common shares.

10.7 The notice convening a general meeting at which a resolution to reduce the share capital is to be passed shall state the purpose of the reduction of the share capital and the manner in which effect is to be given thereto. Section 2:123 paragraphs 1 and 2 DCC shall apply *mutatis mutandis*.

10.8 The company shall deposit the resolutions referred to in Article 10.1 at the office of the Dutch trade register and shall publish a notice of such deposit in a nationally distributed daily newspaper; what has been provided in Section 2:100 paragraphs 2 up to and including 6 DCC shall be applicable to the company.

11. Shares and share certificates

11.1 The shares shall be registered shares and they shall for each class be numbered as the Board of Directors shall determine.

11.2 The Board of Directors may resolve that, at the request of the shareholder, share certificates shall be issued in respect of common shares in such denominations as the Board of Directors shall determine, which certificates are exchangeable at the request of the shareholder.

11.3 Share certificates shall not be provided with dividend coupons or a talon.

11.4 Each share certificate carries the number(s), if any, of the common share(s) in respect of which they were issued.

11.5 The exchange referred to in Article 11.2 shall be free of charge.

11.6 Share certificates shall be signed by a Director. The Board of Directors may resolve that the signature shall be replaced by a facsimile signature.

11.7 The Board of Directors may determine that for the purpose of trading and transfer of common shares at a foreign stock exchange, share certificates shall be issued in such form as shall comply with the requirements of such foreign stock exchange.

11.8 On a request in writing by the party concerned and upon provision of satisfactory evidence as to title, replacement share certificates may be issued in respect of share certificates which have been mislaid, stolen or damaged, on such conditions, including, without limitation, the provision of indemnity to the company as the Board of Directors shall determine.

11.9 The costs of the issuance of replacement share certificates may be charged to the applicant. As a result of the issuance of replacement share certificates the original share certificates will become void and the company will have no further obligation with respect to such original share certificates. Replacement share certificates will bear the numbers of the documents they replace.

12. Register of shareholders and Loyalty Register

12.1 The Board of Directors shall appoint a registrar who shall keep a register of shareholders in which the name and address of each shareholder shall be entered, the number and class of shares held by each of them, and, in so far as applicable, the further particulars referred to in Section 2:85 DCC.

12.2 The registrar shall be authorized to keep the register of shareholders in an electronic form and to keep a part of the register of shareholders outside the Netherlands if required to comply with applicable foreign legislation or the rules of a stock exchange

where the common shares are listed.

12.3 The Board of Directors shall determine the form and contents of the register of shareholders with due observance of the provisions of Articles 12.1 and 12.2 and Section 2:85 DCC.

12.4 The registrar shall separately administer a Loyalty Register which does not form part of the company's register of shareholders. The registrar shall enter in the Loyalty Register the name and address of shareholders who have requested the Board of Directors to be registered in such register in order to become eligible to acquire special voting shares, recording the entry date and number and amount of common shares in respect of which the relevant request was made.

12.5 A holder of common shares that are included in the Loyalty Register may at any time request to de-register from the Loyalty Register some or all of its common shares included therein.

12.6 The register of shareholders and Loyalty Register shall be kept up to date regularly.

12.7 Upon request and free of charge, the registrar shall provide shareholders and those who have a right of usufruct or pledge in respect of such shares with an extract from the register of shareholders and Loyalty Register in respect of their registration.

12.8 The registrar shall be authorized to disclose information and data contained in the register of shareholders and Loyalty Register and/or have the same inspected to the extent that this is requested to comply with applicable legislation or rules of a stock exchange where the shares are listed from time to time.

13. Transfer of shares

13.1 The transfer of shares or of a restricted right thereto shall require an instrument intended for such purpose and, save when the company itself is a party to such legal act, the written acknowledgement by the company of the transfer. The acknowledgement shall be made in the instrument or by a dated statement on the instrument or on a copy or extract thereof mentioning the acknowledgement signed as a true copy by the notary or the transferor, or in the manner referred to in Article 13.2 Service of such instrument or such copy or extract on the company shall be considered to have the same effect as an acknowledgement.

13.2 Without prejudice to Article 12.1, if a share certificate has been issued for a common share, the shareholder must surrender such share certificate to the company before transferring such common shares.
The company may acknowledge the transfer by making an annotation on such share certificate as proof of the acknowledgement or by replacing the surrendered certificate by a new share certificate registered in the name of the transferee.

13.3 The Board of Directors may resolve, with due observation of the statutory requirements, that Article 13.1 shall not apply to the common shares that are registered in the part of the shareholders register which is kept outside the Netherlands by a registrar appointed by the Board of Directors, and that the property law aspects of such common shares are governed by the requirements of the relevant foreign stock exchange.

14. Transfer restrictions in respect of special voting shares

14.1 Common shares are freely transferable. A transfer of special voting shares other than pursuant to Article 6.3 may only be effected with due observance of Articles 6.1 and 14.

14.2 A shareholder who wishes to transfer one or more special voting shares shall require the approval of the Board of Directors, except (i) if the corresponding Qualifying Common Shares are transferred to a Loyalty Transferee, in which case the corresponding special voting shares must be transferred to such Loyalty Transferee, (ii) for any transfer of special voting shares from the SVS Foundation to a Qualifying Shareholder or (iii) for any transfer of special voting shares from a shareholder to the company.

14.3 If the Board of Directors grants the approval, or if approval is deemed to have been granted as provided for in Article 14.4, the transfer must be effected within three (3) months of the date of such approval or deemed approval.

14.4 If the Board of Directors does not grant the approval, then the Board of Directors should at the same time provide the requesting shareholder with the names of one or more prospective purchasers who are prepared to purchase all the special voting shares referred to in the request for approval, against payment in cash. If the Board of Directors does not grant the approval but at the same time fails to designate prospective purchasers, then approval shall be deemed to have been granted. The approval shall likewise be deemed granted if the Board of Directors has not made a decision in respect of the request for approval within six (6) weeks upon receipt of such request.

14.5 The requesting shareholder and the prospective purchaser accepted by him shall determine the purchase price referred to in Article 14.4 by mutual agreement. If they do not reach agreement on the purchase price, Article 6.5 shall apply *mutatis mutandis*.

15. Notification obligation

15.1 The Maximum Voting Threshold for a general meeting shall be published by the company on its website the day following the Final Registration Date for that general meeting as mentioned in the notice convening that general meeting. Each Person with Voting Rights shall, following the publication of the Maximum Voting Threshold for a general meeting, be required to notify the company in writing if such Person with Voting Rights, alone or together with any Person(s) Acting in Concert with him, would be able to exercise, directly or indirectly, voting rights on shares reaching or exceeding the Maximum Voting Threshold.

15.2 Notifications pursuant to Article 15.1 must be made forthwith (*onverwijld*).

15.3 Upon written request of the company to a Person with Voting Rights required to notify the company pursuant to Article 15.1 (for the purpose of this Article, an "**Information Request Notice**"), that Person with Voting Rights must, within three (3) days after the date of the Information Request Notice, provide the company with such information and/or documentation which the company may reasonably request in order to ascertain the composition, nature and size of the Interest of that Person with Voting Rights and the Person(s) Acting in Concert with him (if any).

15.4 If the company becomes aware that a Person with Voting Rights has failed to comply with any obligation imposed by this Article 14, the company may issue a written notice setting out that the Person with Voting Rights is in default under this Article 14 (the "**Defaulting Person**"). For as long as the Defaulting Person has not complied with its obligations under this Article 14, the right to attend and vote at general meetings with respect to all of such Person's shares shall be suspended. Article 16.5 shall apply *mutatis mutandis* with respect to the common shares held by such Person with Voting Rights.

15.5 For the purpose of Articles 15.3 and 15.4 the reference to "written" also includes the posting of a notice on the company's website.

16. Voting restrictions

16.1 No Person with Voting Rights, alone or together with any Person(s) Acting in Concert with him, may be able to exercise, directly or indirectly, voting rights on shares at a general meeting reaching or exceeding the Maximum Voting Threshold for that general meeting.

16.2 If a Person with Voting Rights, alone or together with any Person(s) Acting in Concert with him, would be able to exercise, directly or indirectly, voting rights on shares reaching or exceeding the Maximum Voting Threshold (the "**Excess Shares**"), the company shall prior to that general meeting issue a written voting restriction notice to such Person with Voting Rights (the "**Voting Restriction Notice**").

16.3 Upon receipt of a Voting Restriction Notice, the right of the relevant Person with Voting Rights to attend and vote at the relevant general meeting with respect to such Person's Excess Shares (the "**Suspended Rights**") shall automatically be suspended. The Voting Restriction Notice shall identify the shares of the Person with Voting Rights that qualify as Excess Shares.

16.4 The Suspended Rights will resume immediately after closing of the relevant general meeting, provided that the company shall determine prior to the next general meeting whether each Person with Voting Rights complies with the obligations set out in Article 16.1.

The company shall be entitled to take all appropriate actions to ensure that the suspension of the Suspended Rights is effective until the Suspended Rights resume in accordance with the provisions above.

If Excess Shares are held by Persons that are a member of an Excess Concert, the suspension of the Suspended Rights shall, to the extent possible, be effective proportional to their respective holdings, which proportionality will be discretionally determined by the company based on the information available to the company (and the company may rely on the available information without further investigation).

16.5 If a Person with Voting Rights wishes to dispose of all or part of its common shares that qualify as Excess Shares (such a Person, a "**Transferor**" and the common shares that qualify as Excess Shares, the "**Transferor Excess Shares**"), it will be able to do so through the public market as long as the common shares are admitted to trading on a regulated market or multilateral trading facility, as referred to in Section 1:1 WFT or an exchange or system of a non-member state that is comparable to a regulated

market or multilateral trading facility. Each Person that wish to acquire all or part of the Transferor Excess Shares through the public market shall qualify as a candidate purchaser (*gegadigde*) as referred to Section 2:87b(2) DCC. A Transferor that intends to dispose of its Transferor Excess Shares may request the company to engage an independent expert to determine and confirm that the sale price that can be realised through the public market for the Transferor Excess Shares is equal to the value of the Transferor Excess Shares. The independent expert shall be selected by the company. In addition, if (i) the common shares are no longer admitted to trading on a regulated market or multilateral trading facility, as referred to in Section 1:1 WFT or an exchange or system of a non-member state that is comparable to a regulated market or multilateral trading facility or (ii) the Transferor prefers to engage the company in the disposal process, a Transferor may request the company to assist that Transferor in connection with the disposal of the Transferor Excess Shares. Upon receipt of such request, the company shall be authorized to engage one or more professionals (including, without limitation, brokers and placement agents) in connection with such proposed disposal of the Transferor Excess Shares. The company shall designate within a period of three (3) months following the request of the Transferor one or more candidate purchaser (*gegadigde*) as referred to Section 2:87b(2) DCC (which may include the company) that are willing to acquire the Transferor Excess Shares for a price equal to the value of the Transferor Excess Shares determined by one or more independent experts selected by the company.

16.6 For the purpose of Article 16.2 the reference to "written" also includes the posting of a notice on the company's website.

17. Exemption

17.1 Article 15, 16, 17 and 18 shall lapse following a resolution passed to that effect by the meeting of holders of common shares with a majority of at least two-thirds of the votes cast (for the avoidance of doubt, without giving effect to any votes exercisable through special voting shares).

17.2 Articles 15, 16, 17 and 18 shall lapse if a Person has made a public offer for the common shares, in accordance with applicable laws, and acquired more than fifty percent (50%) of the issued common shares as a result of such public offer. The percentage referred to in the previous sentence shall be deemed to include any common shares already held by such Person taken together with its Affiliates.

18. Legal title shareholder voting restrictions

18.1 In this Article 18, the following words shall have the following meanings:

Excess Shareholder: a Person that, alone or together with any Person Acting in Concert with him, may be able to exercise, directly or indirectly, voting rights on shares at a general meeting reaching or exceeding the Maximum Voting Threshold for that general meeting;

Excess Shareholder Shares: shares held by a shareholder that are part of the Interest of an Excess Shareholder that would qualify as Excess Shares (as defined in Article 16), if (i) Articles 16 and 17 would have been applicable with respect to such

Excess Shareholder and (ii) with respect to all shares that are part of the Interest of that Excess Shareholder;

Exempted Excess Shareholder Shares: Excess Shareholder Shares that are part of the Interest of an Excess Shareholder that would be exempted from Article 16 based on the exemption referred to in Article 17.1, if (i) Articles 16 and 17 would have been applicable with respect to such Excess Shareholder and (ii) with respect to all shares that are part of the Interest of that Excess Shareholder;

Legal Title Excess Shareholder: a shareholder holding common shares that qualify as LTES Excess Shares;

LTES Excess Shares: Excess Shareholder Shares excluding any Exempted Excess Shareholder Shares;

LTES Suspended Rights: has the meaning ascribed to it in Article 18.5; and

LTES Voting Restriction Notice: has the meaning ascribed to it in Article 18.4.

18.2 A shareholder is not allowed to be a Legal Title Excess Shareholder.

18.3 If a shareholder qualifies as a Legal Title Excess Shareholder, the Company may issue a voting restriction notice to such Legal Title Excess Shareholder (the "**LTES Voting Restriction Notice**").

18.4 Upon receipt of the Voting Restriction Notice by a Legal Title Excess Shareholder, the right of that Legal Title Excess Shareholder to attend and vote at general meetings with respect to the common shares that qualify as LTES Excess Shares shall automatically be suspended (the suspended rights, the "**LTES Suspended Rights**").

18.5 Once the relevant Legal Title Excess Shareholder has complied with his obligations under Article 18.3, as determined by the company, the LTES Suspended Rights will resume as of such moment.

18.6 The company shall be entitled to take all appropriate actions to ensure that the suspension of the LTES Suspended Rights is effective until the LTES Suspended Rights resume in accordance with Article 18.5.

19. Board of Directors: appointment, suspension and dismissal

19.1 The company shall have a Board of Directors, consisting of three (3) or more Directors, comprising both Directors having responsibility for the day-to-day management of the company (executive Directors) and Directors not having such day-to-day responsibility (non-executive Directors), in each case subject to the allocation of tasks among executive Directors and non-executive Directors in accordance with article 20.3. The Board of Directors as a whole will be responsible for the strategy of the company. The majority of the Directors shall consist of non-executive Directors.

19.2 Subject to Articles 19.1 and 19.3, the Board of Directors shall determine the number of Directors.

19.3 The general meeting shall appoint the Directors and takes into account the following, subject to Articles 19.5, 19.6 and 19.7:

(a) two (2) Directors shall be appointed upon a binding nomination by Exor, provided that if, (i) Exor and its Reference Affiliates jointly hold less than eight percent (8%) but no less than five percent (5%) of the issued and outstanding common shares, one (1) Director shall be appointed upon a binding

nomination by Exor and (ii) Exor and its Reference Affiliates jointly hold less than five percent (5%) of the issued and outstanding common shares, Exor shall not have a right to make any binding nomination of Directors and the rigths of Exor under this Article 19.3(a) shall lapse;

(b) one (1) Director shall be appointed upon a binding nomination by EPF/FFP, provided that if, within six (6) years after the Effective Date or on the sixth (6th) anniversary of the Effective Date, (i) EPF, FFP and their respective Reference Affiliates jointly hold eight percent (8%) or more of the issued and outstanding common shares and (ii) the rights of Bpifrance under Article 19.3(c) and (d) have lapsed, two (2) Directors shall be appointed upon a binding nomination by EPF/FFP and provided further that if, (A) EPF, FFP and their respective Reference Affiliates jointly cease to hold eight percent (8%) or more, but still hold no less than five percent (5%) of the issued and outstanding common shares, one (1) Director shall be appointed upon a binding nomination by EPF/FFP and (B) EPF, FFP and their respective Reference Affiliates jointly hold less than five percent (5%) of the issued and outstanding common shares, EPF/FFP shall not have a right to make any binding nomination of Directors and the rights of EPF/FFP under this Article 19.3(b) shall lapse;

(c) one (1) Director shall be appointed upon a binding nomination by Bpifrance, provided that if, Bpifrance and its Reference Affiliates jointly hold less than five percent (5%) of the issued and outstanding common shares, Bpifrance shall not have a right to make any binding nomination of Directors and the rights of Bpifrance under this Article 19.3(c) shall lapse;

(d) one (1) Director shall be appointed upon a binding nomination by (i) EPF/FFP, provided that EPF, FFP and their Reference Affiliates jointly hold more than four percent (4%) but less than five percent (5%) of the issued and outstanding common shares or (ii) Bpifrance, provided that Bpifrance and its Reference Affiliates jointly hold more than four percent (4%) but less than five percent (5%) of the issued and outstanding common shares, if:

    (a) (i) the rights of EPF/FFP under Article 19.3(b) or (ii) the rights of Bpifrance under Article 19.3(c) have not lapsed; and

    (b) EPF/FFP, Bpifrance and their respective Reference Affiliates jointly hold eight percent (8%) or more of the issued and outstanding common shares.

provided that, while a director is nominated by Bpifrance pursuant to this Article 19.3(d), EPF/FFP shall not have the right to nominate a second director pursuant to Article 19.3(b). For the avoidance of doubt, if on the sixth (6th) anniversary of the Effective Date, the conditions set forth in Article 19.3(b) are satisfied, EPF/FFP shall be entitled to nominate a second director in replacement of the Bpifrance nominee in accordance with Article 19.3(b).

(e) two (2) non-executive Directors shall be appointed upon a nomination by the Global Works Council for a term of four (4) years starting from the Effective

Date. In the event of a vacancy during the term referred to in the previous sentence, the Global Works Council may make a nomination for a person to fill the vacancy for the remainder of the term aforementioned.

19.4 Upon written request of the company, and in order to make the binding nominations, each Person as referred to under Article 19.3(a) up to (d) must - within ten (10) days upon written request of the company, which request must be received by the Person concerned at least fifteen (15) days prior to the deadline for making a binding nomination - provide the Board of Directors with:

(a) documentation evidencing the ownership of common shares by the Person concerned and its Reference Affiliates (and, in case of EPF, or FFP and its Reference Affiliates), if and to the extent the common shares of that Person or Reference Affiliates are not registered in the shareholders register or Loyalty Register of the company in the name of that Person or Reference Affiliate; and

(b) such other information and/or documentation which the company may reasonably request in order to ascertain that a Person is indeed a Reference Affiliate of the Person concerned as well as the nature of the interest in the common shares held by the Person concerned and its Reference Affiliates.

For as long as the Person concerned has not complied with providing the information referred to under this Article 19.4, the right to make a binding nomination for the appointment of one or more Directors shall be suspended. If the previous sentence applies, the Board of Directors shall make a binding nomination *in lieu* of the persons listed in Article 19.3.

19.5 The binding nomination right of a Person as referred to under Article 19.3(a) up to (d) lapses upon a Change of Control of such Person.

19.6 If a Person and its Reference Affiliates (and, in case of EPF, FFP and their Reference Affiliates) no longer reach the relevant threshold(s) as referred to under Article 19.3(a) up to (d) as a result of any event or series of events (including any issue of new shares) other than a transfer (including transfer under universal title) of common shares held by such Person or its Reference Affiliates (and, in case of EPF, FFP and their Reference Affiliates) such event or series of events shall be disregarded for the purpose of determining whether that Person reaches the relevant threshold(s).

The binding nomination right of Bpifrance or EPF/FFP, if applicable, as referred to in Article 19.3(d) shall lapse six (6) years after the Effective Date.

19.7 Once lapsed in accordance with this Article 19, the binding nomination right of a Person as referred to under Article 19.3(a) up to (d) cannot be reinstated.

19.8 The general meeting may at all times overrule a binding nomination for the appointment of a Director by a two-thirds majority of the votes cast, with such two-thirds majority of the votes cast representing more than half of the issued share capital. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination shall result in the appointment of the candidate, unless the nomination is overruled. A second meeting as referred to in Section 2:120(3) DCC cannot be convened. Each time a binding nomination is overruled, the relevant shareholder(s)

of the company, as referred to under Article 19.3(a) up to (d), or the Board of Directors, as the case may be, may make a new binding nomination for such vacancy.

19.9 The general meeting shall at all times have power to suspend or to dismiss any Director. A resolution of the general meeting to suspend or dismiss a Director appointed upon a binding nomination shall require a majority of at least two-thirds of the votes cast, with such two-thirds majority of the votes cast representing more than half of the issued share capital, unless the person who made the binding nomination for such director supports the suspension or dismissal (as the case may be). A second meeting as referred to in Section 2:120(3) of the Dutch Civil Code cannot be convened.

19.10 Subject to Article 19.3(e) and the second sentence of this Article 19.10, the term of office of Directors will be for a period of two (2) years, unless the board of directors determines otherwise, provided that his term of office shall lapse immediately after the close of the first annual general meeting held after two (2) years have lapsed since his appointment.

A Director appointed upon a binding nomination by a Person as referred to under Article 19.3(a) up to (d) will resign at the earlier of (i) the end of the term referred to in the previous sentence, (ii) ten (10) days after the date that Person and its Reference Affiliates (and, in case of EPF, FFP and their Reference Affiliates) no longer reach the relevant threshold(s) as referred to under Article 19.3(a) up to (c) or (iii) only with respect to a Director appointed upon a binding nomination as referred to under Article 19.3(d), six years after the Effective Date.

If as a result of resignations or other reasons the majority of the Directors appointed is no longer in office, a general meeting will be convened on an urgent basis by the Directors still in office for the purpose of appointing a new Board of Directors. In such case, the term of office of all Directors in office that are not reappointed at that general meeting will be deemed to have expired at the end of the relevant meeting. Each Director may be reappointed for an unlimited number of terms.

19.11 The company shall have a policy in respect of the remuneration of the Directors. Such remuneration policy shall be adopted by the general meeting with an absolute majority of the votes cast.

19.12 With due observation of the remuneration policy referred to in Article 19.11 and the provisions of law, including those in respect of allocation of responsibilities between executive and non-executive Directors, the Board of Directors may determine the remuneration for the Directors in respect of the performance of their duties, provided that nothing herein contained shall preclude any Directors from serving the company or any subsidiary or related company thereof in any other capacity and receiving compensation therefor and provided further that the executive Directors may not participate in the decision-making regarding the determination of the remuneration for the executive Directors.

19.13 The Board of Directors shall submit to the general meeting for its approval plans to award shares or the right to subscribe for shares. The plans shall at least set out the number of shares and rights to subscribe for shares that may be awarded to the Board

of Directors and the criteria that shall apply to the award or any change thereto.

19.14 Failure to obtain the approval of the general meeting required under Article 19.13 shall not affect the powers of representation of the Board of Directors.

20. Management, regulations and decision-making

20.1 The Board of Directors shall exercise its duties, including the oversight of the company, subject to the limitations contained in these Articles of Association.

20.2 The chairman of the Board of Directors as referred to by law shall be a non-executive Director and shall have the title Senior Independent Director. The Board of Directors may grant other titles to the Directors. The Board of Directors may furthermore appoint or delegate the appointment of a Secretary, who need not be selected from among its members.

The Board of Directors shall draw up board regulations to deal with matters that concern the Board of Directors internally.

20.3 The regulations shall include an allocation of tasks amongst the executive Directors and non-executive Directors and may provide for general or specific delegation of powers.

The regulations shall contain provisions concerning the manner in which meetings of the Board of Directors are called and held, including the decision-making process. Subject to Article 2.4, these regulations may 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.

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

20.5 A Director may be represented by a co-Director if authorized in writing; provided that a Director may not act as proxy for more than one co-Director.

20.6 All resolutions shall be adopted by the favorable vote of the majority of the Directors present or represented at the meeting, unless provided otherwise in the regulations. Each Director shall have one (1) vote.

20.7 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 to the resolution being adopted in this way prior to the adoption of the resolution.

20.8 The Board of Directors shall require the approval of the general meeting for resolutions concerning an important change in the company's identity or character, including in any case:

(a) the transfer to a third party of the business of the company or practically the entire business of the company;

(b) the entry into or breaking off of any long-term cooperation of the company or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry or breaking off is of far-reaching importance to the company;

(c) the acquisition or disposal by the company or a subsidiary of an interest in the share capital of a company with a value of at least one/third of the company's assets according to the consolidated balance sheet with explanatory notes included in the last adopted annual accounts of the company.

20.9 Failure to obtain the approval required under Article 20.8 shall not affect the powers of representation of the Board of Directors.

20.10 In the event of receipt by the Board of Directors of a third party offer to acquire a business or one or more subsidiaries for an amount in excess of the threshold referred to in Article 20.8 sub (c), the Board of Directors shall, if and when such bid is made public, at its earliest convenience or otherwise in compliance with applicable law issue a public position statement in respect of such offer.

20.11 Subject to Article 19.10, if the office(s) of one or more Directors be vacated or if one or more Directors be otherwise unavailable, the remaining Directors or the remaining Director shall have the full power of the Board of Directors without interruption, provided however that in such event the Board of Directors shall have power to designate one or more Persons to temporarily assist the remaining Director(s) to manage the company. If the offices of all Directors be vacated or if all Directors be otherwise unable to act, the management shall temporarily be vested in the Person or Persons whom the general meeting shall appoint for that purpose.

20.12 A Director shall not participate in deliberations and the decision-making process in the event of a direct or indirect personal conflict of interest between that Director and the company and the enterprise connected with it. If there is such personal conflict of interest in respect of all Directors, the preceding sentence does not apply and the Board of Directors shall maintain its authority, subject to the approval of the general meeting.

21. Committees

21.1 The Board of Directors shall have power to appoint any committees, composed of Directors and officers of the company and of group companies.

21.2 The Board of Directors shall determine the specific functions, tasks and procedures, as well as the duration of any of the committees referred to in this Article 21.

22. Representation

22.1 The general authority to represent the company shall be vested in the Board of Directors and the Chief Executive Officer acting individually.

22.2 The Board of Directors or the Chief Executive Officer may also confer authority to represent the company, jointly or severally, to one or more individuals (*procuratiehouders*) who would thereby be granted powers of representation with respect to such acts or categories of acts as the Board of Directors or the Chief Executive Officer may determine and shall notify to the Dutch trade register. Such authority may be revoked provided that any authority conferred by the Board of Directors may be revoked only by the Board of Directors.

23. Indemnity

23.1 The company shall indemnify any and all of its Directors, officers, former Directors, former officers (including former directors and officers of Peugeot S.A., which has

merged into the company) 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, who were or are made a party or are threatened to be made a party to or are involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (each a **Proceeding**), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, against any and all liabilities, damages, reasonable and documented expenses (including reasonably incurred and substantiated attorneys' fees), financial effects of judgments, fines, penalties (including excise and similar taxes and punitive damages) and amounts paid in settlement in connection with such Proceeding by any of them. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise.

23.2 Indemnification under this Article 23 shall continue as to any Person who has ceased to serve in the capacity which initially entitled such Person to indemnity under Article 23.1 related to and arising from such Person's activities while acting in such capacity. No amendment, modification or repeal of this Article 23 shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal.

23.3 Notwithstanding Article 23.1 hereof, no indemnification shall be made in respect of any claim, issue or matter as to which such Person shall be adjudged by the competent court or, in the event of arbitration, by an arbiter, in a final and non-appealable decision, to be liable for gross negligence or wilful misconduct in the performance of such Person's duty to the company.

23.4 The right to indemnification conferred in this Article 23 shall include a right to be paid or reimbursed by the company for any and all reasonable and documented expenses incurred by any Person entitled to be indemnified under this Article 23 who was, or is threatened, to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to such Person's ultimate entitlement to indemnification; provided, however, that such Person shall undertake to repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified under this Article 23.

24. General meeting

24.1 At least one (1) general meeting shall be held every year, which meeting shall be held within six (6) months after the close of the financial year.

24.2 Furthermore, general meetings shall be held in the case referred to in Section 2:108a DCC and as often as the Board of Directors, the Chairman, the Senior Independent Director or the Chief Executive Officer deems it necessary to hold them, without prejudice to what has been provided in Article 24.3.

24.3 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, 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. The interim provisions judge 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.

24.4 General meetings 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, no later than on the forty-second (42nd) day before the day of the meeting.

24.5 All convocations of general meetings and all announcements, notifications and communications to shareholders and other Persons entitled to attend the meeting 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. Any communication to be addressed to the general meeting by virtue of law or these 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.

24.6 In addition to Article 24.5, convocations of general meetings may be sent to shareholders and other Persons entitled to attend the meeting through the use of an electronic means of communication to the address provided by such shareholders and other Persons to the company for this purpose.

24.7 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.

24.8 An item proposed in writing by such number of shareholders and other Persons entitled to attend the meeting who, by 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 or a proposed resolution, including the reasons for putting the relevant item on the agenda, no later than on the sixtieth (60th) day before the day of the meeting.

24.9 The agenda of the annual general meeting shall contain, *inter alia*, the following items:

(a) non-binding advisory vote on the remuneration report;
(b) adoption of the annual accounts;
(c) granting of discharge to the Directors in respect of the performance of their duties in the relevant financial year;
(d) if applicable, the appointment of Directors;
(e) discussion of the policy of the company on additions to reserves and on dividends, if any;
(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 Article 24.8.

24.10 The Board of Directors shall provide the general meeting 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.

24.11 If a right of approval is granted to the general meeting by law or these Articles of Association (for instance as referred to in Article 19.13 and Article 20.8) or the Board of Directors requests a delegation of powers or authorization (for instance as referred to in Article 7), the Board of Directors shall inform the general meeting by means of a circular or explanatory notes to the agenda of all facts and circumstances relevant to the approval, delegation or authorization to be granted.

24.12 For the purpose of Articles 24 and 25, 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 (such Persons with the right to vote (including, for the avoidance of doubt, shareholders with voting rights), "**Persons with Voting Rights**" and each a "**Person with Voting Rights**"). In addition to the Record Date, the notice of the meeting shall further state the manner in which shareholders and other Persons entitled to attend the meeting may have themselves registered, the Final Registration Date for that general meeting and the manner in which the right to vote or attend the meeting can be exercised.

24.13 If a proposal to amend these Articles of Association is to be dealt with, a copy of that proposal, in which the proposed amendments are stated verbatim, shall be made available for inspection to the shareholders and other Persons entitled to attend the meeting, at the office of the company and on the website of the company, as from the day the general meeting is called until after the close of that meeting. Upon request, each of them shall be entitled to obtain a copy thereof, without charge.

25. Meetings of holders of shares of a specific class

25.1 Meetings of holders of a specific class must be held as frequently and whenever such a meeting is required by virtue of any statutory regulation or any regulation in these Articles of Association.

25.2 In deviation of Article 24.4, meetings of holders of a specific class may be convened no later than on the sixth (6th) day before the day of the meeting.

25.3 The provisions of Article 24, except for Articles 24.1, 24.4 (when it concerns the notice period) and 24.9, apply *mutatis mutandis* to the meeting of holders of shares of a specific class.

26. Chairman, minutes, rights, admittance and voting

26.1 The general meeting shall be presided over by the Chairman or, in his absence, by the Senior Independent Director, or in the absence of both the Chairman and the Senior Independent Director, by the Person chosen by the Board of Directors to act as chairman for such meeting.

26.2 One of the Persons present designated for that purpose by the chairman of the meeting shall act as secretary of the meeting and take minutes of the business transacted. The minutes shall be adopted by the chairman of the meeting and the

secretary of the meeting and signed by them in witness thereof.

26.3 The minutes of the general meeting shall be made available, on request, to the shareholders no later than three (3) months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three (3) months. The minutes shall then be adopted in the manner as described in Article 26.2.

26.4 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.

26.5 As a prerequisite to attending the meeting and, to the extent applicable, exercising voting rights, the shareholders and other Persons 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.

26.6 Shareholders and other Persons entitled to attend the meetings may procure 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.

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

26.8 For each general meeting, the Board of Directors may decide that shareholders and other Persons entitled to attend the meeting shall be entitled to attend, address and exercise voting rights at such meeting through the use of electronic means of communication, provided that shareholders and other Persons 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 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 two sentences applies and the procedure for exercising the rights referred to in that sentence shall be stated in the notice.

26.9 Prior to being allowed admittance to a meeting, a shareholder and each other Person entitled to attend the meeting, or their 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 Article 26.8 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.

26.10 The chairman of the meeting may determine the time for which shareholders and others entitled to attend the general meeting may speak if he considers this desirable with a view to the order by 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.

26.11 Every share (whether common or special voting) shall confer the right to cast one (1) vote.

Shares in respect of which the 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.

26.12 All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified in these Articles of Association or the DCC.

Blank votes shall not be counted as votes cast.

26.13 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.

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

26.15 No voting rights shall be exercised in the general meeting for shares or depositary receipts thereof owned by the company or by a subsidiary. 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.

26.16 Without prejudice to the other provisions of this Article 26, 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 favour of and against a resolution, as well as the number of abstentions.

27. Audit

27.1 The general meeting shall appoint an accountant to examine the annual accounts drawn up by the Board of Directors, to report thereon to the Board of Directors, and to express an opinion with regard thereto.

27.2 If the general meeting fails to appoint the accountant as referred to in Article 27.1, this appointment shall be made by the Board of Directors.

27.3 To the extent permitted by law, the appointment provided for in Article 27.1 may be cancelled by the general meeting and if the appointment has been made by the Board of Directors, by the Board of Directors.

27.4 If present, the accountant may be questioned by the general meeting in relation to the accountant's statement on the fairness of the annual accounts. The accountant shall therefore be invited to attend the general meeting convened for the adoption of the annual accounts.

28. Financial year, annual accounts and distribution of profits

28.1 The financial year of the company shall coincide with the calendar year.

28.2 The Board of Directors shall annually close the books of the company as at the last day of every financial year and shall within four (4) months thereafter draw up annual accounts consisting of a balance sheet, a profit and loss account and explanatory notes. Within such four (4) month period the Board of Directors shall publish the annual accounts, including the accountant's certificate, the management report and any other information that would need to be made public in accordance with the applicable provisions of law and the requirements of any stock exchange on which common shares are listed.

28.3 The company shall publish its annual accounts and management report and the other documents referred to in Section 2:392 DCC in the English language and in accordance with Section 2:394 DCC.

28.4 If the activity of the company or the international structure of its group justifies the same as determined by the Board of Directors, its annual accounts or its consolidated accounts may be prepared in a foreign currency.

28.5 The annual accounts shall be signed by all the Directors; should any signature be missing, then this shall be mentioned in the annual accounts, stating the reason.

28.6 The company shall ensure that the annual accounts, the management report and the other data referred to in Article 28.2 and the statements are available at its office as from the date on which the general meeting at which they are intended to be dealt with is called, as well as on the website of the company. The shareholders and those entitled to attend general meetings shall be permitted to inspect these documents at the company's office and to obtain copies thereof free of charge.

28.7 The general meeting shall adopt the annual accounts.

29. Reserves and profits

29.1 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. Without prejudice to the next sentence, no distribution shall be made from 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 favour of the share premium reserve.

29.2 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. Distributions from the special dividend reserve shall be made exclusively to

the holders of special voting shares in proportion to the aggregate nominal value of their special voting shares. 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.

29.3 From the profits, shown in the annual accounts, as adopted, such amounts shall be reserved as the Board of Directors may determine.

29.4 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 special voting shares outstanding at the end of the financial year to which the annual accounts pertain. 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.

29.5 Any profits remaining thereafter shall be at the disposal of the general meeting for distribution of profits on the common shares only, subject to the provision of Article 29.8.

29.6 Subject to a prior proposal of the Board of Directors, the general meeting may declare and pay distributions of profits and other distributions in United States Dollars. Furthermore, subject to the approval of the general meeting 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 7, the Board of Directors may decide that a distribution shall be made other than in cash, including, without limitation, in the form of shares or that shareholders shall be given the option to receive a distribution either in cash or other than in cash.

29.7 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 these 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.

29.8 The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.

29.9 The Board of Directors shall have power to declare one or more interim distributions, provided that the requirements of Article 29.7 are duly observed as evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 paragraph 4 DCC, taking into account Article 29.4, and provided further that the policy of the company on additions to reserves and distributions of profits is duly observed. The provisions of Articles 29.2 and 29.3 shall apply *mutatis mutandis*.

29.10 The Board of Directors may determine that distributions are made from the company's share premium reserve or from any other reserve (other than the special capital reserve, to which Article 25.2 applies), provided that payments from the reserves other than the special dividend reserve may only be made to the holders of common shares.

29.11 Distributions of profits and other distributions shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the general meeting, or in the case of interim distributions, the Board of Directors shall determine.

29.12 Distributions of profits and other distributions, which have not been collected within five (5) years and one (1) day after the same have become payable, shall become the property of the company.

30. Amendment of the Articles of Association

30.1 A resolution to amend these Articles of Association can only be passed by a general meeting pursuant to a prior proposal of the Board of Directors with an absolute majority of the votes cast, provided that a resolution to amend Articles 2.3 or 2.4 of these Articles of Association shall require a majority of at least two-thirds of the votes cast.

30.2 A specific right of Exor, EPF/FFP, and/or Bpifrance, as the case may be, set out in these Articles of Association, cannot be amended without the prior written approval of Exor, EPF/FFP, and/or Bpifrance, as the case may be, until the date such right has lapsed as described in these Articles of Association. For so long as any of Exor, EPF/FFP, or Bpifrance benefits from any specific right under these Articles of Association, any amendment of this Article 30.2 shall require its prior written consent.

31. Dissolution and winding-up

31.1 A resolution to dissolve the company can only be passed by a general meeting pursuant to a prior proposal of the Board of Directors. In the event a resolution is passed to dissolve the company, the Directors shall become liquidators (*vereffenaars*) of the dissolved company’s property, unless the general meeting resolves otherwise.

31.2 The general meeting shall appoint and decide on the remuneration of the liquidators.

31.3 Until the winding-up of the company has been completed, these Articles of Association shall to the extent possible, remain in full force and effect.

31.4 Whatever remains of the company's equity after all its debts have been discharged:

(a) shall first be applied to distribute the aggregate balance of share premium reserves and other reserves than the special voting shares dividend reserve of the company to the holders of common shares in proportion to the aggregate nominal value of the common shares held by each of them;

(b) secondly, from any balance remaining, an amount equal to the aggregate amount of the nominal value of the common shares will be distributed to the holders of common shares in proportion to the aggregate nominal value of common shares held by each of them;

(c) thirdly, from any balance remaining, an amount equal to the aggregate amount of the special voting shares dividend reserve will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them;

(d) fourthly, from any balance remaining, the aggregate amount of the nominal value of the special voting shares will be distributed 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

(e) lastly, the balance remaining will be distributed to the holders of the common shares in proportion to the aggregate nominal value of common shares held by each of them.

31.5 After the company has ceased to exist the books and records of the company shall remain in the custody of the Person designated for that purpose by the liquidators for the period provided by law.

31.6 In addition, the liquidation shall be subject to the relevant provisions of Book 2, Title 1, DCC.

32. Transitional provision.

Until the Board of Directors has deposited a declaration at the Dutch Trade Register that the Global Works Council has been installed, Article 19.3 paragraph (e) shall read as follows:

19.3 (e) one (1) non-executive Director shall be appointed upon a nomination by the [•] and one (1) non-executive Director shall be appointed upon a nomination by the [•], each for a term of four (4) years as of the Effective Date. In the event of a vacancy during the term referred to in the previous sentence, the relevant works council may make a nomination for a person to fill the vacancy for the remainder of the term aforementioned.

33. Transitional provision.

33.1 If Exor and its Reference Affiliates jointly held less than five percent (5%) of the issued and outstanding common shares at the Effective Date, Exor shall not have any rights under Article 19.3(a).

33.2 If EPF, FFP and their respective Reference Affiliates jointly held less than five percent (5%) of the issued and outstanding common shares at the Effective Date, EPF/FFP shall not have any rights under Article 19.3(b).

33.3 If Bpifrance and its Reference Affiliates jointly held less than five percent (5%) of the issued and outstanding common shares at the Effective Date, Bpifrance shall not have any rights under Article 19.3(c).

EXHIBIT A-2

FORM OF TERMS AND CONDITIONS OF SPECIAL VOTING SHARES OF DUTCHCO

[•] N.V.
SPECIAL VOTING SHARES - TERMS AND CONDITIONS [TBD any amendments in connection with the listing on Euronext (Paris).]

These terms and conditions will apply to the issuance, allocation, acquisition, holding, repurchase and transfer of special voting and common shares in the share capital of [•] N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands, and its address at [•].

1 DEFINITIONS AND INTERPRETATION

1.1 In these terms and conditions the following words and expressions shall have the following meanings, except if the context requires otherwise:

Affiliate	with respect to any specified person, any other person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing;
Agent	the bank, depositary or trust appointed by the Board from time to time and in relation to the relevant jurisdiction in which Company's shares are listed for trading;
Articles of Association	the articles of association of the Company as in effect from time to time;
Board	the board of directors of the Company;
Broker	the financial institution or broker at which the relevant Shareholder operates his securities account;
Business Day	a calendar day which is not a Saturday or a Sunday or a public holiday in the State of New York, France, the Netherlands or any jurisdiction in which the Company's shares are listed for trading;
Change of Control	has the meaning set out in the Articles of Association;
Change of Control Notification	a notification to be made by a Qualifying Shareholder in respect of whom a Change of Control has occurred,

in accordance with the form annexed hereto as Exhibit E;

Class A Special Voting Shares class A special voting shares in the share capital of the company;

Class B Special Voting Shares class B special voting shares in the share capital of the company;

Common Shares common shares in the share capital of the Company;

Company [•] N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands, and its address at [•];

Compensation Amount has the meaning set out in clause 10;

Deed of Allocation a private deed of allocation (onderhandse akte van toekenning) of Special Voting Shares, substantially in the form as annexed hereto as Exhibit B;

Deed of Withdrawal a private deed of repurchase and transfer (onderhandse akte van inkoop en overdracht) of Special Voting Shares, substantially in the form as annexed hereto as Exhibit D;

De-Registration Form a form to be completed by a Shareholder requesting to de-register some or all of his Common Shares from the Loyalty Register, substantially in the form as annexed hereto as Exhibit C;

De-Registration Request has the meaning set out in clause 7.1;

DTC The Depository Trust Company;

Effective Date the date on which the cross border statutory merger (grensoverschrijdende juridische fusie) pursuant to which PSA (as disappearing entity) has merged into the Company became effective;

Electing Common Shares Common Shares registered in the Loyalty Register for the purpose of becoming Qualifying Common Shares in accordance with the Articles of Association;

Election Forms a form to be completed by a Shareholder requesting the Company to register some or all of his Common Shares in the Loyalty Register, substantially in the form as annexed hereto as Exhibit A;

Euronext (Paris)	[•];
Loyalty Intermediary Account	any securities account designated by the Company for the purpose of keeping in custody the Common Shares registered in the Loyalty Register;
Loyalty Register	has the meaning set out in the Articles of Association;
Loyalty Transferee	has the meaning set out in the Articles of Association;
MT	Monte Titoli S.p.A., the Italian central securities depositary;
Power of Attorney	a power of attorney pursuant to which a Shareholder irrevocably authorizes and instructs the Agent to represent such Shareholder and act on such Shareholder's behalf in connection with any issuance, allocation, acquisition, transfer and/or repurchase of any Special Voting Shares and/or Common Shares in accordance with and pursuant to these Terms and Conditions, as referred to in clause 4.4;
PSA	Peugeot S.A.;
Qualifying Common Shares	with respect to any Shareholder, the number of Electing Common Shares that has for an uninterrupted period of at least three (3) years, been registered in the Loyalty Register in the name of such Shareholder or its Loyalty Transferee(s) and continue to be so registered. For the avoidance of doubt, it is not necessary that specific Common Shares satisfy the requirements as referred to in the preceding sentence in order for a number of Common Shares to qualify as Qualifying Common Shares; accordingly, it is permissible for Common Shares to be substituted into the Loyalty Register for different Common Shares without affecting the total number of Qualifying Common Shares or the total number of Common Shares that would become Qualifying Common Shares after an uninterrupted period of at least three (3) years after registration in the Loyalty Register, held by the Shareholder or its Loyalty Transferee(s);
Qualification Date	has the meaning as set out in clause 5.1;
Qualifying Shareholder	a holder of one or more Qualifying Common Shares;
Reference Price	the average closing price of a Common Share on the New York Stock Exchange calculated on the basis of the period of 20 trading days prior to the day of the breach as

	referred to in clause 10 or, if such day is not a Business Day, the preceding Business Day;
Regular Trading System	the system maintained and operated by DTC or the direct registration system maintained by the Agent, as applicable;
Request	has the meaning as set out in clause 4.1;
Shareholder	a holder of one or more Common Shares;
Special Voting Shares	Class A Special Voting Shares and Class B Special Voting Shares in the share capital of the Company;
SVS Foundation	[Stichting [•] SVS]; **Note to draft**: Name of SVS Foundation to be determined.
Terms and Conditions	the terms and conditions established by this deed as they currently read and may be amended from time to time.

1.2 In these Terms and Conditions, unless the context requires otherwise:

(a) references to a ***person*** shall be construed so as to include any individual, firm, legal entity (wherever formed or incorporated), governmental entity, joint venture, association or partnership;

(b) the headings are inserted for convenience only and shall not affect the construction of this agreement;

(c) the singular shall include the plural and *vice versa*;

(d) references to one gender include all genders; and

(e) references to times of the day are to local time in the relevant jurisdiction unless otherwise stated.

2 PURPOSE OF SPECIAL VOTING SHARES

The purpose of the Special Voting Shares is to reward long-term ownership of Common Shares and to promote stability of the Company's shareholder base.

3 ROLE OF AGENT

3.1 The Agent shall on behalf of the Company and the SVS Foundation manage, organize and administer the Loyalty Register and process the issuance, allocation, acquisition, sale, repurchase and transfer of Special Voting Shares and the transfer of Common Shares in accordance with these Terms and Conditions. In this respect, the Agent will represent the Company and the SVS Foundation and process and sign on behalf of the Company and the SVS Foundation all

relevant documentation in respect of the Loyalty Intermediary Account, the Loyalty Register, the Special Voting Shares and the Common Shares, including - without limitation - deeds, confirmations, acknowledgements, transfer forms and entries in the Company's register of shareholders.

3.2 In accordance with the Power of Attorney (as referred to in clause 4.4), the Agent shall accept instructions from Shareholders to act on their behalf in connection with the issuance, allocation, acquisition, sale, repurchase and transfer of Special Voting Shares and the transfer of Common Shares in accordance with these Terms and Conditions.

3.3 The Board shall ensure that up-to-date contact details of the Agent will be published on the Company's corporate website.

4 APPLICATION FOR SPECIAL VOTING SHARES - LOYALTY REGISTER

4.1 Subject to clause 4.2, a Shareholder may at any time opt to become eligible for Special Voting Shares by requesting the Agent, acting on behalf of the Company, to register all or some of his Common Shares in the Loyalty Register. Such a request (a ***Request***) will need to be made by the relevant Shareholder through its Broker, by submitting (i) a duly completed Election Form and (ii) a confirmation from the relevant Shareholder's Broker that such Shareholder holds title to the number of Common Shares included in the Request.

4.2 During the period starting the day after the annual general meeting of the Company to be held in 2020 until the Effective Date, no Shareholder can opt to become eligible for Special Voting Shares, nor the Agent, acting on behalf of the Company can register all or some of the Common Shares in the Loyalty Register as set out in clause 4.1. [**Note to draft**: Subject to shareholder approval to be voted on at the AGM 2020.]

4.3 In respect of any number of Common Shares which are registered in the direct registration system maintained by the Agent, a Request may also be made by a Shareholder directly to the Agent, acting on behalf of the Company (i.e. not through the intermediary services of a Broker), provided, however, that the Agent may in such case set additional rules and procedures to validate any such Request, including - without limitation - the verification of the identity of the relevant Shareholder, the evidence with respect to such Shareholder's title to the number of Common Shares, included in the Request and the authenticity of such Shareholder's submission.

4.4 Together with the Election Form, the relevant Shareholder must submit a duly signed Power of Attorney, irrevocably instructing and authorizing the Agent to act on his behalf and to represent him in connection with the issuance, allocation, acquisition, sale, transfer and repurchase of Special Voting Shares and the transfer of a designated number of Common Shares from the Regular Trading System or to the Loyalty Intermediary Account (as applicable), and *vice versa*, in accordance with and pursuant to these Terms and Conditions, and to sign on

behalf of the relevant Shareholder all relevant documentation in respect of the Loyalty Intermediary Account, the Loyalty Register, the Special Voting Shares and the Common Shares, including - without limitation - deeds, confirmations, acknowledgements, transfer forms and entries in the Company's register of shareholders.

4.5 The Company and the Agent may establish an electronic registration system in order to allow for the submission of Requests by email or other electronic means of communication. The Company will publish the procedure and details of any such electronic facility, including registration instructions, on its corporate website.

4.6 Upon receipt of the Election Form, the Broker confirmation, if applicable, as referred to in clause 4.1 and the Power of Attorney, the Agent will examine the same and use its reasonable efforts to inform the relevant Shareholder, through his Broker, as to whether the Request is accepted or rejected (and, if rejected, the reasons why) within ten Business Days of receipt of the above-mentioned documents. The Agent may reject a Request for reasons of incompleteness or incorrectness of the Election Form, the Power of Attorney or the Broker confirmation, if applicable, as referred to in clause 4.1 or in case of serious doubts with respect to the validity or authenticity of such documents. If the Agent requires further information from the relevant Shareholder in order to process the Request, then such Shareholder shall provide all necessary information and assistance required by the Agent in connection therewith.

4.7 If the Request is accepted, then the designated number of Common Shares will be taken out of the Regular Trading System or transferred to the Loyalty Intermediary Account (as applicable) and will be registered in the Loyalty Register in the name of the requesting Shareholder (and not in the name of any custodian, Broker, bank or nominee).

4.8 Without prejudice to clause 4.9, the transfer of Common Shares from the Regular Trading System or to the Loyalty Intermediary Account (as applicable) and the registration of Common Shares in the Loyalty Register will not affect the nature of such shares, nor any of the rights attached thereto. All Common Shares will continue to be part of the class of common shares in which they were issued, and any stock exchange listing or registration with the U.S. Securities and Exchange Commission shall continue to apply to such shares. All Common Shares shall be identical in all respects.

4.9 Once any number of Common Shares is included in the Loyalty Register by a Shareholder:

(a) such Shareholder shall not, directly or indirectly, sell, dispose of, trade or transfer such number of Common Shares, or otherwise grant any right or interest therein (other than to a Loyalty Transferee of such Shareholder);

(b) such Shareholder may create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Common Shares or any interest in any such Common Shares, provided that the voting rights in

respect of such Common Shares remain with such Shareholder at all times; and

(c) such Shareholder wanting to, directly or indirectly, sell, dispose of, trade or transfer such number of Common Shares (other than to a Loyalty Transferee), or create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Common Shares or any interest in any such Common Shares without maintaining the voting rights in respect of such Common Shares, will need, either directly or through such Shareholder's Broker pursuant to a power of attorney, to submit a De-Registration Request as referred to in clause 7.1.

4.10 In addition to the procedures referred to in clauses 3.1 and 4.4, the Company and the Agent will establish a procedure with DTC and MT to facilitate the transfer of Common Shares in accordance with these Terms and Conditions.

5 SVS FOUNDATION

5.1 The SVS Foundation has the right to subscribe for newly issued Special Voting Shares up to the number of Special Voting Shares included in the Company's authorized share capital from time to time.

5.2 The SVS Foundation shall not exercise its option right or hold Special Voting Shares other than to facilitate the arrangement of Special Voting Shares as set forth in the Articles of Association and these Terms and Conditions.

6 ALLOCATION OF SPECIAL VOTING SHARES

6.1 As per the date on which a number of Common Shares has been registered in the Loyalty Register in the name of one and the same Shareholder or a Loyalty Transferee of such Shareholder for an uninterrupted period of three years (the ***Qualification Date***), such number of Common Shares will become Qualifying Common Shares and the holder thereof will be entitled to receive one Special Voting Share in respect of each of such Qualifying Common Shares and therefore any transfer of such number of Common Shares between such Shareholder and any Loyalty Transferee shall not be deemed to interrupt the three year period referred to in this clause 5.1.

6.2 On the Qualification Date, the Agent will, on behalf of both the Company, the SVS Foundation and the relevant Qualifying Shareholder, process the execution of a Deed of Allocation pursuant to which such number of Special Voting Shares will be allocated to the Qualifying Shareholder as will correspond to the number of newly Qualifying Common Shares.

6.3 Any allocation of Special Voting Shares to a Qualifying Shareholder will be effectuated for no consideration (*om niet*) and be subject to these Terms and Conditions. The par value of newly issued Special Voting Shares will be funded out of, and debited to, the part of the reserves of the Company that is labelled "Special Capital Reserve".

6.4 [As per the Effective Date, only Class A Special Voting Shares will be allocated to a Qualifying Shareholder.]

7 CANCELLATION OF ALL SPECIAL VOTING SHARES

7.1 Subject to clause 7.2, all Class A Special Voting Shares may be cancelled by the Company at any time.

7.2 Cancellation of the Class A Special Voting Shares requires a resolution of the general meeting of the Company. The resolution of the general meeting of the Company is subject to the approval of the meeting of holders of Class A Special Voting Shares, as further set out in the articles of association of the Company.

7.3 Cancellation of all Class A Special Voting Shares shall take place without the repayment of the nominal value of the Class A Special Voting Shares.

8 DE-REGISTRATION - WITHDRAWAL OF SPECIAL VOTING SHARES

8.1 A Shareholder with Common Shares registered in the Loyalty Register may at any time request the Agent acting on behalf of the Company to de-register some or all of such Common Shares registered in the Loyalty Register and, to the extent that the relevant Common Shares are held outside the Regular Trading System, to transfer such Common Shares back to the Regular Trading Register. Such a request (a ***De-Registration Request***) must be made by the relevant Shareholder through its Broker, by submitting a duly completed De-Registration Form.

8.2 A De-Registration Request may also be made by a Shareholder directly to the Agent acting on behalf of the Company (i.e. not through the intermediary services of a Broker); provided, however, that the Agent may in such case set additional rules and procedures to validate any such De-Registration Request, including - without limitation - the verification of the identity of the relevant Shareholder and the authenticity of such Shareholder's submission.

8.3 By means of and immediately upon a Shareholder submitting the De-Registration Form, such Shareholder shall have waived all rights to cast any votes that accrue to the Special Voting Shares concerned in the De-Registration Form.

8.4 Upon receipt of the duly completed De-Registration Form, the Agent will examine the same and procure that such number of Common Shares as specified in the De-Registration Form will be transferred from the Loyalty Intermediary Account, or, if the relevant Common Shares are held outside the Regular Trading System, to the Regular Trading System, as promptly as practicable, but in any event within three Business Days of receipt of the De-Registration Form.

8.5 Upon de-registration from the Loyalty Register, such Common Shares will no longer qualify as Electing Common Shares or Qualifying Common Shares, as the case may be, and the holder of the relevant shares will no longer be entitled to hold a corresponding number of Special Voting Shares allocated in respect of

any such Common Shares which qualify as Qualifying Common Shares and will be bound to offer and transfer such number of Special Voting Shares to the Company, and the Company will accept and acquire such number of Special Voting Shares, for no consideration (*om niet*).

8.6 The offering and transfer of the Special Voting Shares referred to in clause 8.5 by the relevant Shareholder to the Company and the repurchase and acquisition of such shares by the Company will be processed by the Agent on behalf of both the Company and the relevant Shareholder, by execution of a Deed of Withdrawal.

8.7 Upon completion of the repurchase of Special Voting Shares as referred to in clauses 8.5 and 8.6, the Company may proceed with the withdrawal and cancellation of such shares or, alternatively, continue to hold such shares as treasury stock until their disposal in accordance with the Articles of Association and these Terms and Conditions.

8.8 If the Company determines (in its discretion) that a Shareholder has taken any action a principal purpose of which is to avoid the application of clause 4.9 under (b) regarding transfer restrictions, clause 9 regarding transfer restrictions or clause 10 regarding a Change of Control of such Shareholder, the Company may instruct the Agent to transfer such Shareholder's number of Common Shares registered in the Loyalty Register from the Loyalty Intermediary Account, or, if the relevant Common Shares are held outside the Regular Trading System, to the Regular Trading System and such Shareholder shall immediately be deemed to have (i) waived all rights to cast any votes that accrue to any Special Voting Shares allocated in respect of such number of Common Shares and (ii) transferred such Special Voting Shares allocated in respect thereof to the Company for no consideration (*om niet*).

8.9 For the avoidance of doubt, no Shareholder required to transfer Special Voting Shares pursuant to clause 8.5 or clause 8.8 shall be entitled to any purchase price referred to in the articles 6.5 or 14.5 of the Articles of Association for such Special Voting Shares and each Shareholder waives its rights in that respect, which waiver the Company hereby accepts and authorizes the Agent to take any and all actions in respect of the Common Shares and Special Voting Shares to give effect to the Terms and Conditions.

9 TRANSFER RESTRICTIONS

9.1 In view of the purpose of the Special Voting Shares (as set out in clause 2) and the obligation of a Shareholder to re-transfer his Special Voting Shares to the Company as referred to in clauses 8.5, 8.8 and 10, 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.

Notwithstanding the foregoing, upon any transfer of Qualifying Common Shares to a Loyalty Transferee in accordance with the terms hereof, the associated Special Voting Shares shall also be transferred to such Loyalty Transferee.

10 CHANGE OF CONTROL

10.1 Upon the occurrence of a Change of Control in respect of a Qualifying Shareholder or a Shareholder with Common Shares registered in the Loyalty Register, such Shareholder must promptly notify the Agent and the Company thereof, by submitting a Change of Control Notification, and must make a De-Registration Request as referred to in clauses 8.1 and 8.2.

10.2 The procedures described in clauses, 8.3, 8.4, 8.5, 8.6, 8.7 and 8.9 will apply accordingly to the De-Registration Request submitted pursuant to clause 10.1.

10.3 Notwithstanding that the Agent and the Company have not received a Change of Control Notification, upon the Company becoming aware that a Change of Control has occurred, the Company may provide the Agent with notice thereof and instruct the Agent to transfer such Shareholder's shares registered in the Loyalty Register from the Loyalty Intermediary Account, or, if the relevant Common Shares are held outside the Regular Trading System, to the Regular Trading System, in which case the procedures of clauses 8.8 and 8.9 will apply *mutatis mutandis*.

11 BREACH, COMPENSATION PAYMENT

In the event of a breach of any of the covenants set out in clauses 4.9, 8.3, 8.5, 9.1 and 10.1, the relevant Shareholder shall without prejudice to the Company's right to request specific performance, be bound to pay to the Company an amount equal to the Reference Price multiplied by the number of Special Voting Shares that are affected by the relevant breach (the ***Compensation Amount***).

The above-mentioned obligation to pay the Compensation Amount shall constitute a penalty clause (*boetebeding*) as referred to in article 6:91 of the Dutch Civil Code. The Compensation Amount payment shall be deemed to be in lieu of, and not in addition to, any liability (*schadevergoedingsplicht*) of the relevant Shareholder towards the Company in respect of the relevant breach - so that the provisions of this clause 10 shall be deemed to be a "liquidated damages" clause (*schadevergoedingsbeding*) and not a "punitive damages" clause (*strafbeding*).

The provisions of article 6:92, paragraphs 1 and 3 of the Dutch Civil Code shall, to the maximum extent possible, not apply.

12 LOYALTY REGISTER

The Agent, acting on behalf of the Company, shall keep the Loyalty Register up to date.

13 AMENDMENT OF THESE TERMS AND CONDITIONS

13.1 These Terms and Conditions have been set by the Board on [•] and have been approved by the general meeting of the Company on [•] and became effective on the Effective Date.

13.2 These Terms and Conditions may be amended pursuant to a resolution by the Board, provided, however, that any amendment that is not merely technical and is material to Shareholders that are registered in the Loyalty Register, will be subject to the approval of the general meeting of the Company unless such amendment is required to ensure compliance with applicable law or regulations or the listing rules of any securities exchange on which the Common Shares are listed.

13.3 Any amendment of the Terms and Conditions shall require a private deed to that effect.

13.4 The Company shall publish any amendment of these Terms and Conditions on the Company's corporate website and notify the Qualifying Shareholders of any such amendment through their Brokers.

14 COSTS

All costs of the Agent in connection with these Terms and Conditions, any Power of Attorney and any Deed of Allocation and Deed of Withdrawal, shall be for the account of the Company. Any other costs shall be for the account of the relevant Shareholder.

15 GOVERNING LAW, DISPUTES

15.1 These Terms and Conditions are governed by and construed in accordance with the laws of the Netherlands.

15.2 Any dispute in connection with these Terms and Conditions and/or the Special Voting Shares and/or Common Shares and/or Qualifying Common Shares will be brought before the courts of Amsterdam, the Netherlands.

EXHIBIT A
ELECTION FORM

- Election Form with regard to Common Share traded on New York Stock Exchange (NYSE)
- Election Form with regard to Common Share traded on Mercato Telematico Azionario (MTA)
- Election Form with regard to Common Share traded on Euronext (Paris) [To be included]

•
PO BOX •
•

Date:

Company: [•] N.V. Registration:
Holder Account:
Number:
Document I.D.:
Our Reference:

Dear Shareholder:

Please read, complete and sign this **Election Form** in accordance with the instructions contained herein, to elect to receive special voting shares in the capital of [•] N.V. (the **Company**).

This Election Form should be read in conjunction with the Special Voting Shares Terms and Conditions, which documentation is available on the investor relations page on the corporate website of the Company www.•.com.

Please send the completed Election Form to: Computershare
PO Box •
•

By submitting this Election Form you are hereby requesting to obtain special voting shares in the share capital of the Company.
If you do not correctly complete this Election Form or if this Election Form is not received by Computershare, the common shares in the share capital of the Company for which you elect registration will not be registered in the loyalty register of the Company.

Questions can be directed to toll free within the US: [855-807-3164] or outside the US: [732-491-0514]. Our telephone representatives are available on business days between the hours of 8:30 a.m. and 5:00 p.m. EST. Our automated phone system is available 24 hours a day, 7 days a week, but it is only appropriate for getting routine information.

Sincerely,

Service Representative

Enclosure: Election form (Form code)

ELECTION FORM
FOR THE REGISTRATION OF COMMON SHARES IN THE SHARE CAPITAL OF [•] N.V. (THE 'COMPANY')
ON THE UNITED STATES LOYALTY REGISTER

Return this completed Election Form accompanied by your DRS Statement to:
Computershare
P.O. Box •
•

Registered Owner:
Registered Owner Address:
Account Number:
Issue ID:

NUMBER OF COMMON SHARES IN THE SHARE CAPITAL OF THE COMPANY FOR WHICH YOU ELECT TO RECEIVE SPECIAL VOTING SHARES IN THE SHARE CAPITAL OF THE COMPANY

Please print the number of common shares in the share capital of the Company held in your name as to which you elect to be registered in the loyalty register (the Loyalty Register) of the Company.

Number of common shares: ……………………	(the **Electing Common Shares**).

If this form is completed improperly, then such holder(s) will not be considered to have made a proper election.

If the Electing Common Shares are currently held with a broker in DTC the broker must first withdraw the Electing Common Shares from DTC and register the Electing Common Shares in the shareholder's name. The shareholder will be sent a DRS statement. The shareholder must then send the DRS statement and this completed election form to Computershare Inc.

If the number of Electing Common Shares is less than the number of common shares in the share capital of the Company in your account a new DRS statement will be generated reflecting the transaction.

DECLARATION AND POWER OF ATTORNEY

By returning this Election Form, duly completed, you irrevocably and unconditionally:

(a) agree to be bound by the Special Voting Shares Terms and Conditions, as may be amended from time to time, as published on the Company's website; and

(b) authorize and instruct Computershare Inc. to represent you and act on your behalf in connection with any issuance, allocation, acquisition, transfer and/or repurchase of any special voting share in the capital of the Company and the registration in the Loyalty Register and the Company's shareholders' register of the Electing Common Shares in the name of the shareholder in accordance with and pursuant to the Special Voting Shares Terms and Conditions.

GOVERNING LAW, DISPUTES

This Election Form is governed by and construed in accordance with the laws of the Netherlands. Any dispute in connection with this Election Form will be brought before the courts of Amsterdam, the Netherlands.

DIRECTION TO DIRECTLY REGISTER COMMON SHARES IN THE SHARE CAPITAL OF THE COMPANY UPON ELECTION

The Electing Common Shares as to which registration in the Loyalty Register is requested and the special voting shares in the share capital of the Company WILL NOT be DTC eligible. All such Electing Common Shares and special voting shares in the share capital of the Company will be uncertificated and registered only in the books of the Company in accordance with the instructions below. A statement of holdings will be sent to the Loyalty Register shareholder.

____________________________	____________________________
Signature of holder(s)	Capacity if applicable
____________________________	____________________________
Name of holder(s)	Date

This form must be signed by the registered holder(s) exactly as such name(s) appear on the Company's shareholder register. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the necessary documentation and information above, including full title.

Return this completed Election Form accompanied by your DRS Statement to:
Computershare
P.O. Box •
•

ELECTION FORM
FOR THE REGISTRATION OF COMMON SHARES IN THE SHARE CAPITAL OF [•] N.V. (THE 'COMPANY')
IN THE LOYALTY REGISTER (ITALIAN BRANCH)

To: Computershare S.p.A., [Via Nizza 262/73, Torino, Italy,] as Agent for the Company. To be advanced by fax:•
or by e-mail to •.

Disclaimer

This Election Form shall be completed and signed in accordance with the instructions contained herein, to elect to receive special voting shares (the **Special Voting Shares**) in the share capital of the Company.
This Election Form should be read in conjunction with the Special Voting Shares - Terms and Conditions, which documentation is available on the corporate website of the Company (www.•.com).

By submitting this Election Form duly completed and signed to the Agent above, you are hereby electing to obtain Special Voting Shares and the common shares (the **Common Shares**) in the share capital of the Company for which you elect registration will be registered in the loyalty register (the **Loyalty Register**) of the Company.

Data of electing shareholder who requests registration of his Common Shares in the Loyalty Register (Italian Branch) in order to receive Special Voting Shares

Name and surname or Corporate name ....
Date of birth .../..../...... Place of birth .... Tax code ....
Address or registered seat ....
Tel. .... Email .... (the **Electing Shareholder**).
(if the signing party acts on behalf of the Electing Shareholder, please fill in the following table including data relating to the signing party)
Name and surname or ....In the quality of..
Date of birth .../..../...... Place of birth ....
Address or registered seat ....
Tel. .... Email ....

Number of Common Shares in relation to which the registration in the Loyalty Register is requested in order to receive Special Voting Shares

No. of Common Shares ....Average book value (for Italian residents tax purposes)................
Depositary Intermediary... Security Account no, ...
Refer for payment of dividends (bank) ....
IBAN .... BIC/SWIFT Code ....

Declaration and power of attorney

The Electing Shareholder, through the transmission of this Election Form, duly completed, irrevocably and unconditionally:
a) agrees to be bound by the Special Voting Terms and Conditions, as may be amended from time to time, published on the Company's website;
b) authorizes and irrevocably instructs Computershare S.p.A. as Agent who acts also behalf of the Company, to represent the Electing Shareholder and acts on his/her/its behalf in connection with any issuance, allocation, acquisition, transfer and/or repurchase of any Special Voting Share, the transfer of the Common Shares to the Loyalty Intermediary Account (as defined in the Special Voting Shares Terms and Conditions) and the registration in the Loyalty Register in the name of the Electing Shareholder of the Common Shares as to which such registration is requested in accordance with and pursuant to the Special Voting Shares Terms and Conditions:

Governing law and disputes

This Election Form is governed by and construed in accordance with the laws of the Netherlands. Any dispute in connection with this Election Form will be brought before the courts of Amsterdam, the Netherlands, as provided by Special Voting Shares Terms and Conditions.

The Electing Shareholder (*signature*) ____________________________________

Depositary intermediary

The depositary intermediary:

a) confirms the number of Company Shares owned by the Electing Shareholder at the date of this Election Form;

b) accepts that the Common Shares will be registered in the Loyalty Intermediary Account managed by the Company and the Special Voting Shares will be uncertificated and registered only on the books of the Company.

Tel. .... e-mail ....

The Depositary Intermediary (*Stamp and signature*) ___________________________________

EXHIBIT B

DEED OF ALLOCATION

[insert date]

PRIVATE DEED OF ALLOCATION

relating to the allocation of special voting shares in the capital of [•] N.V.

PRIVATE DEED OF ALLOCATION OF SPECIAL VOTING SHARES IN THE CAPITAL OF [•] N.V. ON ACCOUNT OF THE SPECIAL CAPITAL RESERVE

dated [•]

PARTIES:

(1) [**[***insert name***]**, a company [organised/incorporated] under the laws of [*], having its office address [*] (the ***Shareholder***)] [OR] [[*insert first name, last name*], born in [city, country] on [date], residing at [address] (the ***Shareholder***)];

(2) Stichting [•] SVS (the ***SVS Foundation***); and

(3) [•] N.V., a company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands having its corporate seat in Amsterdam, the Netherlands, and its office address at [•], (the ***Company***).

WHEREAS:

(A) This deed concerns an issue of Class A Special Voting Shares in the share capital of the Company as described in clause 6 of the terms and conditions with respect to the special voting shares published on the website of the Company (www.•.com) (the ***Special Voting Shares Terms and Conditions***). Capitalized terms used but not defined in this deed will have the meaning as set out in the Special Voting Shares Terms and Conditions.

(B) [*] [(*)] of the Shareholder's Common Shares have been registered in the Loyalty Register for an uninterrupted period of three (3) years in accordance with clause 6.1 of the Special Voting Shares Terms and Conditions and therefore such Common Shares have become Qualifying Common Shares as per this date.

(C) The SVS Foundation has the right, based on the Company's articles of association, [as further described in the option agreement between the SVS Foundation and the Company], to subscribe for newly issued Special Voting Shares and, in connection with [•] Shareholder's Common Shares becoming Qualifying Common Shares, it has exercised the right to acquire [•] Class A Special Voting Shares (the ***Shareholder Special Voting Shares***).

(D) In order to implement the Special Voting Shares Terms and Conditions, the Company now wishes to issue the Shareholder Special Voting Shares to the SVS Foundation and, subsequently, the SVS Foundation wishes to transfer the Shareholder Special Voting Shares to the Shareholder.

(E) The Company, the SVS Foundation and the Shareholder will hereby effect the issue and allocation of the Shareholder Special Voting Shares on the terms set out below.

IT IS AGREED:

1 ISSUE

1.1 The Company hereby issues the Shareholder Special Voting Shares to the SVS Foundation on the terms set out in the Special Voting Shares Terms and Conditions (as may be amended from time to time) and in this deed. The SVS Foundation hereby accepts the Shareholder Special Voting Shares from the Company.

1.2 The Company shall register the Shareholder Special Voting Shares in its shareholders' register. No share certificates shall be issued for the Shareholder Special Voting Shares.

1.3 The Company shall make note of this issuance in the Loyalty Register.

2 OBLIGATION TO PAY

The Shareholder Special Voting Shares are issued at par and therefore against an obligation to pay in the aggregate of [€0.01 x the Shareholder Special Voting Shares] euro (€ [*]) and will be fully paid up in cash on account of the special capital reserve of the Company.

3 TRANSFER

The SVS Foundation hereby transfers the Shareholder Special Voting Shares to the Shareholder on the terms set out in the Special Voting Shares Terms and Conditions and in this deed and the Shareholder accepts the same.

4 SHARE TRANSFER RESTRICTIONS

The transfer of the Shareholder Special Voting Shares from the SVS Foundation to the Shareholders is not restricted under the Company's articles of association.

5 RESCISSION

The Company and the Shareholder waive their right to rescind the agreement contained in this deed or to demand rescission thereof in accordance with Section 6:265 of the Dutch Civil Code.

6 ACKNOWLEDGEMENT

The Company acknowledges the transfer of the Shareholder Special Voting Shares and shall register the transfer in its shareholders' register.

7 GOVERNING LAW

This deed shall be governed by, and interpreted in accordance with, the laws of the Netherlands.

SIGNATURE

This deed is signed by duly authorised representatives of the parties:

SIGNED by [insert name Agent]	) SIGNATURE:	
for and on behalf of	)	______________________
[*]	)	
	)	
	)	
	)	
	) NAME:	______________________

SIGNED	) SIGNATURE:	______________________
for and on behalf of	)	
SVS Foundation	)	
	)	
	)	
	)	
	) NAME:	______________________

SIGNED	) SIGNATURE:	______________________
for and on behalf of	)	
[•] N.V.	)	
	)	
	)	
	)	
	) NAME:	______________________

EXHIBIT C

DE-REGISTRATION FORM

- De-Registration Form with regard to Common Shares registered through Computershare Trust Company N.A.

- De-Registration Form with regard to Common Shares registered through Computershare S.p.A. (previously named Servizio Titoli S.p.A.)

- De-Registration Form with regard to Common Shares registered through [•]
  Note to draft: Euronext (Paris) De-registration form to be included.

l
PO BOX l
l

Date:

Company: [•] N.V.
Registration:
Holder Account:
Number:
Document I.D.:
Our Reference:

Dear Shareholder:

Please read, complete and sign this **De-Registration Form** in accordance with the instructions contained herein, to request de-registration of your common shares in the share capital of N.V. (the **Company**) registered in the loyalty register of the Company. This De-Registration Form should be read in conjunction with the Special Voting Shares Terms and Conditions, which documentation is available on the investor relations page on the corporate website of the Company www.•.com. Please send the completed De-Registration Form to: Computershare PO Box l l

Questions can be directed to toll free within the US: [855-807-3164] or outside the US: [732-491-0514]. Our telephone representatives are available on business days between the hours of 8:30 a.m. and 5:00 p.m. EST. Our automated phone system is available 24 hours a day, 7 days a week, but it is only appropriate for getting routine information.

Sincerely,

Service Representative

Enclosure: De-Registration form (Form code)

DE-REGISTRATION FORM
RELATING TO A REQUEST FOR DE-REGISTRATION OF COMMON SHARES IN THE SHARE CAPITAL OF [•] N.V. (THE 'COMPANY') FROM THE LOYALTY REGISTER

Return this completed De-Registration Form to:
Computershare
P.O. Box l
l

Registered Owner:
Registered Owner Address:
Account Number:
Issue ID:

NUMBER OF COMMON SHARES IN THE SHARE CAPITAL OF THE COMPANY THAT YOU REQUEST TO BE DE-REGISTERED FROM THE LOYALTY REGISTER OF THE COMPANY

Please print the number of common shares in the share capital of the Company that you request to be de-registered from the loyalty register (the **Loyalty Register**) of the Company.

Number of common shares to be de-registered: ……...… (the **De-Registration Common Shares**).

The name(s) of holder(s) must be exactly as the registered name(s) that appear(s) on the Loyalty Register.

If this form is completed improperly, then such holder(s) will not be considered to have made a proper de-registration.

DECLARATION AND POWER OF ATTORNEY

By returning this De-Registration Form, duly completed, you irrevocably and unconditionally instruct and authorize Computershare Inc., acting on behalf of the Company, to transfer the De-Registration Common Shares registered in the Loyalty Register back to the system maintained and operated by the Depository Trust Company or the direct registration system maintained by the bank, depositary or trust appointed by the board of directors of the Company from time to time and in relation to the relevant jurisdiction in which Company's shares are listed for trading, as applicable, and to sign any documentation required to effect such transfer.

ACKNOWLEDGEMENT

By returning this De-Registration Form, duly signed, you acknowledge that pursuant to the Special Voting Shares Terms and Conditions:

(a) as from the date hereof, your De-Registration Common Shares included in this De-Registration Form will no longer be registered in the Loyalty Register;

(b) you are no longer entitled to hold or acquire the special voting shares in the share capital of the Company in respect of your De-Registration Common Shares included in this De-Registration Form;

(c) Computershare Inc. shall transfer to the Company such number of special voting shares in the share capital of the Company as equals the number of De-Registration Common Shares included in this De-Registration Form for no consideration; and

(d) as from the date hereof, to the extent you hold special voting shares in the share capital of the Company, you are considered to have waived the voting rights attached to these special voting shares, effected by this De-Registration Form.

GOVERNING LAW, DISPUTES

This De-Registration Form is governed by and construed in accordance with the laws of the Netherlands. Any dispute in connection with this De-Registration Form will be brought before the courts of Amsterdam, the Netherlands.

____________________________________	____________________________________
Signature of holder(s)	Capacity if applicable
____________________________________	____________________________________
Name of holder(s)	Date

This form must be signed by the registered holder(s) exactly as such name(s) appear on the Company's Loyalty Register. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the necessary documentation and information above, including full title.

Return this completed De-Registration Form to:
Computershare
P.O. Box l
l

DE-REGISTRATION FORM
FOR DE-REGISTRATION OF COMMON SHARES IN THE SHARE CAPITAL OF [•] N.V. (THE 'COMPANY')
FROM THE LOYALTY REGISTER (ITALIAN BRANCH)

To: Computershare S.p.A., [Via Nizza 262/73, Torino, Italy,] as Agent for the Company
To be advanced by fax: • or by e-mail to "•".

Disclaimer

This De-Registration Form shall be completed and signed in accordance with the instructions contained herein, to request deregistration of the common shares (the **Common Shares**) in the share capital of the Company registered in the loyalty register (the **Loyalty Register**) of the Company.
This De-Registration Form should be read in conjunction with the Special Voting Shares - Terms and Conditions, which documentation is available on the corporate website of the Company (www.•.com).

1 Data of registered shareholder in the Loyalty Register (Italian Branch)

Name and surname or Corporate name ………………………………………………………………………….….……….. Date of birth …/…./…… Place of birth ……………………………………………. Tax code ………………………………… Address or registered seat ……………………………………………………………………………………………….…… Tel. ……………………..…… E-mail ………………. ………………………………………… (the **Registered Shareholder**).
(if the signing party acts on behalf of the Registered Shareholder, please fill in the following table including data relating to the signing party) Name and surname ……………………………..…………………..…… In the quality of …………………………………… Date of birth …/…./…... Place of birth ………………………………………… Tax code ………………….…………… Tel. ……………………..…… E-mail ………………. …………………………………………..

2. Number of Common Shares in relation to which the De-Registration from the Loyalty Register is requested

No. of Common Shares …………………………. Average book value (for Italian residents tax purpose) ………………….. Depositary intermediary to whom crediting the shares …….…………………………..……………………………………. ABI ……………. CAB …………. Shareholder Security Account …………………………..……. MT Account………….

3. Acknowledgment, representations and undertakings

The Registered Shareholder, through the submission of this De-Registration Form duly completed, irrevocably and unconditionally instructs and authorizes the Agent Computershare S.p.A., who acts also on behalf of the Company, to transfer from the Loyalty Intermediary Account (as defined in the Special Voting Shares Terms and Conditions) to and credit the above indicated intermediary with the Common Shares to be de-registered, and pursuant the Special Voting Shares Terms and Conditions, acknowledges:
a) as from the date hereof, the Common Shares included in this De-Registration Form will no longer be registered in the Loyalty Register;
b) to be no longer entitled to hold or acquire the special voting shares in the share capital of the Company in respect of the Common Shares included in this De-Registration Form;
c) the Agent, who acts also on behalf of the Company, shall transfer to the Company such number of special voting shares in the share capital of the Company as equals the number of Common Shares included in this De-Registration Form for no consideration; and
d) as from the date hereof, to the extent you hold special voting shares in the share capital of the Company, you are considered to have waived the voting rights attached to these special voting shares, effected by this De-Registration Form.

4. Governing law and disputes

This Election Form is governed by and construed in accordance with the laws of the Netherlands. Any dispute in connection with this Election Form will be brought before the courts of Amsterdam, the Netherlands, as provided by Special Voting Shares Terms and Conditions.

The Registered Shareholder	(*signature*)	______________________________
The Depositary Intermediary	(*stamp and signature*)	______________________________

EXHIBIT D

DEED OF WITHDRAWAL

[insert date]

PRIVATE DEED OF REPURCHASE AND TRANSFER

relating to the repurchase and transfer of Special Voting Shares
in the capital of [•] N.V.

PRIVATE DEED OF REPURCHASE AND TRANSFER OF SPECIAL VOTING SHARES IN THE CAPITAL OF [•] N.V.

dated [*]

PARTIES:

(1) [**[***insert name***]**, a company [organised/incorporated] under the laws of [*], having its office address [*] (the ***Shareholder***)] [OR] [[*insert first name, last name*], born in [city, country] on [date], residing at [address] (the ***Shareholder***)]; and

(2) [•] N.V., a company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands having its corporate seat in Amsterdam, the Netherlands, and its office address at l (the ***Company***).

WHEREAS:

(A) The Shareholder has acquired [*] [(*)] [Class A][Class B] Special Voting Shares by private deed on [insert date], pursuant to and in accordance with the terms and conditions with respect to the special voting shares published on the website of the Company (www.l.com) (the ***Special Voting Shares Terms and Conditions***). Capitalized terms used but not defined in this deed will have the meaning as set out in the Special Voting Shares Terms and Conditions.

(B) Based on the Special Voting Shares Terms and Conditions, the Shareholder is bound to offer and transfer [•] [Class A][Class B] Special Voting Shares (the ***Repurchased Shares***) to the Company, and the Company will accept and acquire such number of [Class A][Class B] Special Voting Shares, for no consideration (*om niet*).]

(C) On [*], the board of directors of the Company approved and authorised the repurchase of the Repurchased Shares by the Company (the ***Resolution***).

(D) The Company and the Shareholder will hereby effect the repurchase and transfer of the Repurchased Shares for no consideration (*om niet*) in accordance with Section 2:98 and Section 2:86c of the Dutch Civil Code (***DCC***) on the terms set out below.

IT IS AGREED:

1 **REPURCHASE AND TRANSFER**

The Company hereby repurchases the Repurchased Shares from the Shareholder on the terms set out in the Special Voting Shares Terms and Conditions, the Resolution and in this deed and the Shareholder accepts the same. The Shareholder hereby transfers the Repurchased Shares to the Company for no consideration (*om niet*) and the Company accepts the same.

2 SHARE TRANSFER RESTRICTIONS

The transfer of the Repurchased Shares from a shareholder to the Company is not restricted under the Company's articles of association.

3 WARRANTY

3.1 The Shareholder warrants to the Company that it is the sole owner of the Repurchased Shares, that the Repurchased Shares are unencumbered, and that it has full power, right and authority to transfer the Repurchased Shares to the Company.

3.2 The Company accepts the warranty given in the previous paragraph.

4 NACHGRÜNDUNG

Section 2:94c of the DCC does not apply to the transfer of the Repurchased Shares.

5 RESCISSION

The Company and the Shareholder waive their right to rescind the agreement contained in this deed or to demand rescission thereof in accordance with Section 6:265 of the DCC.

6 ACKNOWLEDGEMENT

The Company acknowledges the transfer of the Repurchased Shares and shall register the transfer in its shareholders’ register.

7 GOVERNING LAW

This deed shall be governed by, and interpreted in accordance with, the laws of the Netherlands.

SIGNATURE

This deed is signed by duly authorised representatives of the parties:

SIGNED by [insert name Agent]	) SIGNATURE:	______________________
for and on behalf of	)	
[*]	)	
	)	
	)	
	)	
	) NAME:	______________________

SIGNED by [insert name	) SIGNATURE:	______________________
Agent] for and on behalf of [*]	)	
[•] N.V.	)	
	)	
	)	
	)	
	) NAME:	______________________

EXHIBIT E

CHANGE OF CONTROL NOTIFICATION

CHANGE OF CONTROL NOTIFICATION

TO NOTIFY [•] N.V. OF THE OCCURRENCE OF A CHANGE OF CONTROL RELATING TO THE HOLDER OF COMMON SHARES REGISTERED IN THE LOYALTY REGISTER

Please read, complete and sign this Change of Control Notification in accordance with the instructions contained herein.

This Change of Control Notification should be read in conjunction with the Special Voting Shares Terms and Conditions, which are available on the corporate website of N.V. (the ***Company***), www.l.com. Capitalized terms used but not defined in this notification will have the same meaning as set out in the Special Voting Shares Terms and Conditions.

Please send the duly completed Change of Control Notification together with a duly completed De-Registration Form, which is available on the corporate website of the Company, www.l.com, to [*insert name Agent*].

1 DECLARATION OF CHANGE OF CONTROL

I hereby declare that a Change of Control has occurred in relation to the undersigned, as holder of Common Shares registered in the Loyalty Register of the Company. This Change of Control Notification is accompanied by the attached duly completed De-Registration Form in relation to all Common Shares as stated under Paragraph 4 of this Change of Control Notification.

DATE AND CAUSE OF CHANGE OF CONTROL

Date on which the Change of Control occurred.	Date: ___________________________________
Cause of Change of Control.	____ ____ ____

PERSONAL DETAILS OF HOLDER

Name(s) of Holder(s):
____
____
Address: ____
City: ____ Zip Code:________________________________

Country:

Capacity, if applicable (full title):

Phone Number:

E-mail address:

(This change of control notification must be signed by the registered holder(s) exactly as such name(s) appear(s) in the Loyalty Register of the Company).

If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the necessary information above, including full title.

NUMBER OF COMMON SHARES REGISTERED IN THE LOYALTY REGISTER

Aggregate number of Common Shares registered in the Loyalty Register of the Company in your name.	Common Shares:

GOVERNING LAW, DISPUTES

This Change of Control Notification is governed by and construed in accordance with the laws of the Netherlands. Any dispute in connection with this Change of Control Notification will be brought before the courts of Amsterdam, the Netherlands.

SIGNATURE

____

Shareholder’s signature

____
Name of shareholder

Date: _______________________

PLEASE RETURN THIS CHANGE OF CONTROL NOTIFICATION TO
____________ [*insert name of Agent*] AT THE BELOW MENTIONED ADDRESS

[INSERT ADDRESS [AND FACSIMILE NUMBER] FOR AGENT]

EXHIBIT B

FORM OF REGULATIONS FOR THE DUTCHCO BOARD

[•] N.V.

Regulations of the Board of Directors

Article 20.2 of the articles of association of [•] N.V. (the "Company") requires that the board of directors of the Company (the "Board of Directors") establishes board regulations to deal with matters that concern the Board of Directors internally.

Therefore, the Board of Directors has adopted these regulations on [•].

Capitalized terms used but not defined in these regulations shall have the meaning set forth in the articles of association of the Company.

I. MEETINGS OF THE BOARD OF DIRECTORS

1. Time and Place of Meetings

Meetings of the Board of Directors may be held at such time and place as the Board of Directors, the Chairman, the Chief Executive Officer or the Senior Independent Director may from time to time determine.

The person or persons authorized to call meetings of the Board of Directors may establish the time and place of any such meeting, provided that meetings of the Board of Directors will be held in The Netherlands except if, due to good cause, such meeting cannot take place in The Netherlands.

2. Notice of Meetings

Notice of each meeting of the Board of Directors shall be given by the Chairman, the Chief Executive Officer, the Senior Independent Director or the Secretary, to each Director at his or her usual place of business or residence. The notice of the meeting shall state the time and place of the meeting and the business expected to be considered at the meeting.

Notice of regular meetings shall be given at least three days before the date of the meeting. Notice of special meetings may be given 24 hours prior to such meeting in case of emergency. Any such notice period may be shortened at the discretion of the Chairman, the Senior Independent Director or the Chief Executive Officer for good cause, and the taking of any such action by such individual shall be conclusive evidence that it was taken for good cause.

A meeting of the Board of Directors may be held at any time without notice if all the Directors are present or if those not present waive notice either before or after the meeting.

Notice of each meeting of the Board of Directors shall be given either by (i) personal delivery, (ii) postal delivery in the form of first-class or overnight mail (with postage or other charges thereon prepaid) or other equivalent service available at the point of mailing, (iii) courier service, or (iv) telecopy, electronic mail or other similar transmission. If sent by first-class mail or other equivalent service, such notice shall be deemed adequately delivered when deposited in the mails at least three days before the first day of the required period of notice. If by overnight mail

or courier service, such notice shall be deemed adequately delivered when the notice is delivered to the overnight mail or courier service at least 24 hours before the first day of the required period of notice. If by telecopy, electronic mail or other similar transmission, such notice shall be deemed adequately delivered when the notice is transmitted.

3. Organization and Responsibilities

(a) General

The Board of Directors shall appoint one of its non-executive Directors who is also an Independent Director as referred to in Section I.8 as "*voorzitter*" of the Board of Directors. That person shall be referred to as the "Senior Independent Director". The Senior Independent Director, or in his or her absence, 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.

The Board of Directors shall determine the number of Directors, taking into account 2 executive Directors.

The Board of Directors may grant to any individual Directors, whether executive or non-executive, the titles of Chairman, Chief Executive Officer and Vice Chairman.

During the first 5-year period after the Effective Date, the Chairman will be John Elkann, the CEO will be Carlos Tavares and the Vice Chairman will be [•].

It is the responsibility of the non-executive Directors to oversee 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 should also focus on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of the financial reporting. It is also the responsibility of the non-executive Directors to determine the remuneration of the executive Directors and to nominate candidates for the Director appointments (excluding candidates that will be nominated in accordance with article 19.3 of the articles of association of the Company). 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.

The Board of Directors may determine an allocation of responsibilities among Directors, provided that non-executive Directors will not be involved in the day-to-day management of the business. If the Chairman is an executive Director, his/her role as executive Director will be exclusively as described in paragraph 3(b) below. The Board of Directors may also determine, in accordance with article 20.3 of the articles of association of the Company, that one or more Directors can lawfully adopt resolutions (*rechtsgeldig besluiten*) concerning matters belonging to his or their duties within the meaning of Section 2:129a paragraph 3 of the Dutch Civil Code, such duties to be determined by a resolution of the Board of Directors, and that the provisions of the Sections I.6, I.9 and I.10 of these regulations shall apply correspondingly to such resolutions, provided that any Directors that adopt any resolutions within the meaning of Section 2:129a paragraph 3 of the Dutch Civil Code will have to inform the other Directors thereof within a reasonable time.

For avoidance of doubt, nothing in these regulations is intended or shall be interpreted to

restrict the direct access that any shareholder entitled to nominate board representatives in accordance with article 19.3 of the articles of association of the Company shall have to any of the Chairman, the Senior Independent Director and the CEO.

The Secretary or, in his or her absence, any person designated by the Senior Independent Director or the Chairman shall act as secretary of any meeting of the Board of Directors.

The minutes of meetings of the Board of Directors shall be confirmed by the Senior Independent Director or the Chairman and by the Secretary, signed by them and filed with the minutes of the proceedings of the Board of Directors.

The original copies of such minutes shall be kept in the Netherlands.

(b) Specific powers of the Chairman

In addition to the Chairman's powers set out in these regulations, if the Chairman is an executive director, s/he will be consulted and work together with the CEO on that basis on important strategic matters affecting the Company:

- Budget/long-term strategic planning;
- Mergers and acquisition transactions, including significant joint-ventures, investments and divestments;
- Strategic evolution of the brand portfolio and significant product investment;
- Appointments, succession planning and compensation for key positions in the Global Executive Committee;
- Institutional relationships, including relationships with key governmental stakeholders, particularly on matters of strategic significance;
- Significant public relations matters and major communication events/topics;
- Interaction with principal shareholders and key partners; and
- Providing leadership to the Board of Directors and, in crisis circumstances, to the executive management on governance matters and ad hoc crisis management,

in each case, without prejudice to the powers of the Board of Directors.

If the Chairman is an executive director, he/she shall not carry the title of "Executive Chairman".

(c) Specific powers of the CEO

In addition to his/her powers set out in the Articles of Association and these regulations, the CEO will be responsible for the management of the Company in accordance with the Dutch Civil Code and will be vested with full authority to represent the Company individually.

4. Replacement of the independent Directors originally nominated by PSA or FCA

If, during the first 4-year period following the Effective Date, an alternate director appointed by the general meeting upon designation by Peugeot S.A. ("PSA") or Fiat Chrysler Automobiles

N.V. ("FCA") cannot replace a departing director originally nominated by PSA or FCA respectively, the remaining member of the Board of Directors who was originally nominated by PSA or FCA (including any independent director who was substituted for any such departing independent director during the initial term of office), as applicable, together with the director(s) appointed by the former shareholders of the entity that initially nominated the departing independent director, shall nominate the person whose appointment will be submitted to the general meeting to replace the departing independent director originally nominated by PSA or FCA.

5. Proxy

A Director may be represented at a meeting of the Board of Directors only by another Director duly authorized in writing, and such authorization shall constitute presence by proxy at such meeting. A Director may not act as a proxy for more than one other Director.

6. Participation

Directors in office shall use their best efforts to be physically present at the meetings of the Board of Directors.

By exception, Directors may participate in a meeting of the Board of Directors by means of telephone or video conference or similar communications equipment, provided that all persons participating in the meeting can hear, and be heard by, one another, and participation in a meeting in such a manner shall constitute presence in person at such meeting.

The person or persons authorized to call meetings of the Board of Directors shall ensure that such meetings are scheduled sufficiently in advance to enable a majority of Directors to be physically present at the place of such meetings.

7. Conflict of Interest

A Director shall not participate in discussions and decision making with respect to a matter in relation to which he or she has a direct or indirect personal interest which 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 in the Board of Directors. In addition, the Board of Directors as a whole may determine that there is such a strong *appearance* of a Conflict of Interest of a Director in relation to a specific matter, that it would be inappropriate for such Director to participate in discussions and the decision making process with respect to such matter.

A Director shall promptly report any Conflict of Interest to the Chairman (or to the Senior Independent Director or another Director in case of the Chairman) and shall provide all relevant information concerning such Conflict of Interest.

8. Determination of independence

At least annually, each Director shall assess in good faith whether 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.

Each Director shall inform the Board of Directors through the Senior Independent Director or the Secretary 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 an annual questionnaire circulated by or on behalf of the Secretary that is designed to elicit information regarding such Director’s business and other relationships relevant to the independence determination.

Based on each Director’s assessment described above and such Director’s responses to the annual D&O questionnaires, the Board of Directors shall make a determination annually regarding whether such Director is “independent” under the Dutch Corporate Governance Code and the applicable rules of the Euronext Paris, New York Stock Exchange and the *Mercato Telematico Azionario* managed by the Borsa Italiana S.p.A. (each Director that, based on the determination of the Board of Directors, qualifies as "independent", an "**Independent Director**"). These annual determinations shall be conclusive, absent a change in circumstances from those disclosed to the Board of Directors or a material omission from such disclosures, that necessitates a change in such determination and each Director shall promptly inform the Senior Independent Director (or another Director in the case of the Senior Independent Director) of any such change in circumstances that is material to such determination.

9. Quorum

Except as otherwise required by applicable law or the Company’s articles of association, the presence either in person or by proxy of a majority of the total number of Directors then in office shall be required and constitute a quorum for the transaction of business, including the adoption of resolutions. If at any meeting of the Board of Directors a quorum is not present, the Directors present or the presiding Director may adjourn the meeting, without notice other than adjournment at the meeting, until a quorum shall be present.

10. Board Action at Meeting

The vote of the majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

As an exception to the foregoing, the approval of any amendment of the regulations of the Board of Directors or any decision of the Board of Directors that relates to the powers and authority of the Chairman, the CEO, the Senior Independent Director or the Vice-Chairman, including to amend the provisions of this paragraph, requires a two-third majority of the votes cast at a meeting at which a quorum is present.

Each Director shall have one vote and no Director shall have a casting vote on any decision.

Resolutions shall be recorded in the minutes of a meeting pursuant to the last paragraph of Section I.3 above.

11. Board Action Without Meeting

Resolutions may be adopted by the Board of Directors without convening a meeting if all Directors shall have expressed their opinions in writing, unless one or more Directors shall object in writing against a resolution being adopted in this way prior to the adoption of the resolution. A resolution shall in this case be adopted if the majority of all Directors then in office shall have

executed a written consent in favor of the adoption of the resolution concerned. The Secretary, or, in his or her absence, any assistant secretary shall file any such resolution with the minutes of the proceedings of the Board of Directors.

12. Agenda for Meetings

The Senior Independent Director and the Chairman, in consultation with the Chief Executive Officer, will establish the agenda for each meeting of the Board of Directors. Each Director may suggest the inclusion of items of business on the agenda.

13. Materials Distributed in Advance

Information material to the understanding of the items of business to be considered at a meeting of the Board of Directors shall generally be distributed to Directors in advance of the meeting to allow reasonable time for review prior to the meeting. The Directors acknowledge, however, that in exceptional circumstances the distribution of such materials prior to a meeting may not be practicable or advisable.

14. "In Writing" Defined

The expression "in writing" as used herein shall include any message transmitted by letter, by telecopier, by e-mail, or by a legible and reproducible message otherwise sent (including electronically), provided that the identity of the sender can be reasonably established.

II. MEETINGS OF COMMITTEES OF THE BOARD OF DIRECTORS

1. Board Committees

The Board of Directors shall appoint from among its qualified members an audit committee (the "**Audit Committee**"), a governance committee (the "**Governance Committee**"), and a remuneration committee (the "**Remuneration Committee**") provided that the Audit Committee shall be composed solely of Independent Directors as referred to in Section I.8. Each of the Governance Committee and the Remuneration Committee shall be chaired by an independent Director. The Board of Directors may also establish any other standing or ad hoc committees as it may deem appropriate from time to time.

2. Time and Place of Meetings

Meetings of committees of the Board of Directors shall be held at such time and place as the chairperson of the committee or a majority of the members of the committee may from time to time determine, provided that meetings of each committee of the Board of Directors will be held in The Netherlands except if, due to good cause, such meeting cannot take place in The Netherlands.

3. Notice of Meetings

Notice of each meeting of a committee of the Board of Directors shall be given by the chairperson of the committee or by the Secretary to each committee member at his or her usual place of business or residence. The notice of the meeting shall state the time and place of the meeting and the business expected to be considered at the meeting.

Notice of meetings of committees of the Board of Directors shall be given at least three days

before the date of the meeting. Notice of special meetings may be given at least 24 hours prior to such meeting in case of emergency. Such notice period may be shortened at the discretion of the chairperson of the committee for good cause and the taking of any such action shall be conclusive evidence that it was for good cause.

A meeting of a committee of the Board of Directors may be held at any time without notice if all committee members are present or if those not present waive notice either before or after the meeting.

Notice of each meeting of a committee of the Board of Directors shall be given either by (i) personal delivery, (ii) postal delivery in the form of first-class or overnight mail (with postage or other charges thereon prepaid) or other equivalent service available at the point of mailing, (iii) courier service or (iv) telecopy, electronic mail or other similar transmission. If sent by first- class mail or other equivalent service, such notice shall be deemed adequately delivered when deposited in the mails at least three days before the first day of the required period of notice. If by overnight mail or courier service, such notice shall be deemed adequately delivered when the notice is delivered to the overnight mail or courier service at least 24 hours prior to the required period of notice. If by telecopy, electronic mail or other similar transmission, such notice shall be deemed adequately delivered when the notice is transmitted.

4. Organization

The chairperson of a committee of the Board of Directors or, in his or her absence, a committee member chosen by a majority of the committee members present at a meeting shall preside at, and act as chairperson of, any meeting of such committee, provided that (i) the Audit Committee, the Governance Committee and the Remuneration Committee will each be chaired by an Independent Director and (ii) the Senior Independent Director or a former executive Director cannot serve as chairman of the Audit Committee.

The minutes of meetings of a committee of the Board of Directors shall be confirmed by the chairperson and the secretary of the meeting (if any), signed by them and filed with the minutes of the proceedings of the committee.

The original copies of such minutes shall be kept in The Netherlands.

5. Participation

Members of a committee of the Board of Directors shall use their best efforts to be physically present at the meetings of such committee.

By exception, members of a committee of the Board of Directors may participate in a meeting of such committee by means of telephone or video conference or similar communications equipment by means of which all persons participating in the meeting can hear, and be heard by, one another, and participation in such a manner in a meeting shall constitute presence in person at such meeting.

The person or persons authorized to call meetings of a committee shall ensure that such meetings are scheduled sufficiently in advance to enable a majority of the members of the committee

to be physically present at the place of such meetings.

6. Quorum

Except as otherwise required by applicable law, the articles of association of the Company or the resolution of the Board of Directors designating the committee, the presence in person of a majority of the total number of members of a committee of the Board of Directors (and if the committee consists of an even number of members, at least one-half) shall be required and constitute a quorum for the transaction of business, including the adoption of resolutions. If any meeting of a committee of the Board of Directors a quorum is not present, the committee members present or the chairperson may adjourn the meeting, without notice other than adjournment at the meeting, until a quorum shall be present.

Whenever a quorum cannot be secured for any meeting of a committee of the Board of Directors from the members of such committee, the member or members thereof present and not disqualified from voting may unanimously appoint one or more non-executive Directors who are not regular members of the committee to act at the meeting in the place of any absent or disqualified member or members of the committee.

7. Committee Action at Meeting

The vote of the majority of the members of a committee of the Board of Directors present at any meeting at which a quorum is present shall be the act of the committee. Each committee member shall have one vote.

Resolutions shall be recorded in the minutes of a meeting pursuant to the last paragraph of Section II.4 above.

8. Committee Action Without Meeting

Resolutions may be adopted by a committee of the Board of Directors without convening a meeting if all committee members shall have expressed their opinions in writing, unless one or more committee members shall object against a resolution being adopted in this way prior to the adoption of the resolution. A resolution shall in this case be adopted if the majority of all committee members shall have executed a written consent in favor of the adoption of the resolution concerned. The Secretary or, in his or her absence, any assistant secretary shall file any such resolution with the minutes of the proceedings of the committee.

9. Agenda for Meetings

The chairperson of a committee of the Board of Directors, in consultation with other committee members and appropriate members of management, will establish the agenda for each meeting of the committee.

10. Materials Distributed in Advance

Information material to the understanding of the items of business to be considered at a meeting of a committee of the Board of Directors shall generally be distributed to committee members in advance of the meeting to allow reasonable time for review prior to the meeting. The committee members acknowledge, however, that from time to time the distribution of such

materials prior to a meeting may not be practicable or advisable.

11. "In Writing" Defined

The expression "in writing" as used herein shall include any message transmitted by letter, by telecopier, by e-mail, or by a legible and reproducible message otherwise sent (including electronically), provided that the identity of the sender can be reasonably established.

III. RELATIONSHIP WITH THE GENERAL MEETING OF SHAREHOLDERS

1. Convocation

General meetings of shareholders shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands, and shall be called by the Board of Directors, the Chairman, the Senior Independent Director or the Chief Executive Officer, in such manner as is required to comply with the law and the applicable stock exchange regulations and in accordance with the articles of association of the Company.

2. Information to be provided to the general meeting of shareholders

The agenda of the annual general meeting of shareholders shall contain, inter alia, the items specifically included in the articles of association of the Company. The Board of Directors shall provide the general meeting of 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.

If a right of approval is granted to the general meeting of shareholders by law or the articles of association of the Company or the Board of Directors requests a delegation of powers or authorization, the Board of Directors shall inform the general meeting of shareholders by means of a circular or explanatory notes to the agenda of the material facts relevant to the approval, delegation or authorization to be granted.

The Board of Directors is responsible for the corporate governance structure of the Company and must give account to the general meeting of shareholders in relation to such structure. The Board of Directors shall adopt a policy in respect of bilateral contacts with the general meeting of shareholders and the Company's shareholders.

IV. EMPLOYEE REPRESENTATIVES ON THE BOARD OF DIRECTORS

The employee representatives on the Board of Directors shall be appointed in accordance with the procedure provided in the Company's articles of association and shall meet established standards of experience appropriate for service on the Board of Directors of a global automaker. The employee representatives on the Board of Directors shall not hold a mandate within an employee representative body or be an officer or a representative of any labor or union organization and, if applicable, shall resign from any such position prior to their appointment.

ANNEX I

COMBINATION MECHANICS

Section 1.1 The Combination. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with Dutch law ("Dutch Law") and French law ("French Law"), as applicable, at the Effective Time, the Combination shall occur pursuant to which PSA shall be merged with and into FCA, the separate existence of PSA shall thereupon cease and FCA shall be the surviving entity in the Combination (which, from and after the Combination, shall be referred to in this Agreement as DutchCo). The Combination shall have the effects set forth in this Agreement, the Cross-Border Merger Terms and the applicable provisions of the Dutch Merger Regulations and the French Merger Regulations. In particular and without prejudice to applicable French Law and Dutch Law, the Cross-Border Merger Terms shall provide that the Combination will enter into effect retroactively as from the first day of the calendar year during which the Effective Time occurs (the "Retroactive Effective Date"), so that (i) DutchCo will be deemed to have had the use of all the assets (*genot*) of PSA as from the Retroactive Effective Date, (ii) all transactions of PSA as from the Retroactive Effective Date will be treated as being those of DutchCo and (iii) all of the profits and losses derived from such transactions for the period starting as from the Retroactive Effective Date will be deemed realized by DutchCo.

Section 1.2 Closing. The Closing shall take place on the second Friday after satisfaction or (to the extent permitted by applicable Law) waiver of the conditions set forth in this Agreement (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or (to the extent permitted by applicable Law) waiver of such conditions) (such date, the "Closing Date"), at De Brauw Blackstone Westbroek, Amsterdam office, before a Dutch Civil Law Notary selected by PSA and FCA (the "Dutch Civil Law Notary"), unless another time, date or place is mutually agreed upon in writing by PSA and FCA.

Section 1.3 Effective Time. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing on the Closing Date, FCA and PSA shall have the Dutch Civil Law Notary execute a deed of cross-border merger with respect to the Combination (the "Deed of Merger"). The Parties shall make or cause to be made all filings and recordings required by Dutch Law and French Law in connection with the Combination, including the filing of the Deed of Merger with the Trade Register in the Netherlands (*Handelsregister*), as required in accordance with applicable Law as promptly as practicable following the effectiveness of the Combination. The Combination shall become effective with the time of 00.00 Central European Time (unless another time is mutually agreed upon in writing by PSA and FCA) following the date on which the Deed of Merger is executed (such time being the "Effective Time").

Section 1.4 Effect of the Combination on PSA Shares.

(a) As of the Effective Time, as a result of the Combination and without any action on the part of FCA, PSA, or the holders of any capital stock of FCA or PSA:

(i) DutchCo shall allot, for each issued and outstanding PSA Share at the Effective Time, the Exchange Ratio of a fully paid and non-assessable DutchCo Share (the "Merger Consideration"), other than PSA Shares held by PSA, which shall not receive the Merger Consideration; and

(ii) all such PSA Shares shall no longer be outstanding, shall be automatically canceled and retired and shall cease to exist, and each book-entry position with depositary intermediaries (including Société Générale Securities Services, the PSA Group registrar) participating in the centralized depositary and clearing system managed by Euroclear (the "PSA Depositary") previously representing the PSA Shares shall thereafter represent the DutchCo Shares allotted for such PSA Shares in the Combination in accordance with Section 1.4 of this Annex I. The holders

of such book-entry positions with depositary intermediaries participating in the PSA Depositary previously evidencing such PSA Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to PSA and such PSA Shares as of the Effective Time, except the right to receive upon the surrender thereof the Merger Consideration in accordance with this Section 1.4 of this Annex I and except as otherwise provided by Law. Such book-entry positions previously representing PSA Shares shall be exchanged for book-entry positions representing whole DutchCo Shares issued as Merger Consideration, without interest. As of the Effective Time, each DutchCo Share allotted as Merger Consideration shall be entitled to the same rights, preferences and privileges as other DutchCo Shares, including dividend rights, and no special voting shares of DutchCo shall be allotted by DutchCo as Merger Consideration in the Combination. No fractional DutchCo Shares shall be issued for PSA Shares, but in lieu thereof, the provisions of Section 1.7 of this Annex I shall apply.

(b) In the event that between the date of this Agreement and the Effective Time the outstanding PSA Shares or FCA Shares shall have been changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination, consolidation or exchange of shares, or any similar event shall have occurred, then any number or amount contained herein (including the Exchange Ratio) which is based upon the number of PSA Shares or FCA Shares, as the case may be, shall be appropriately adjusted to provide to the shareholders of both PSA and FCA the same economic effect as contemplated by this Agreement prior to such event.

Section 1.5 Effect of the Combination on Equity Awards.

(a) *Effect of the Combination on PSA Equity Warrants*. At the Effective Time, each of the 39,727,324 outstanding equity warrants giving entitlement to subscribe for PSA Shares, on the basis of one PSA Share for one equity warrant, at an exercise price of €1.00 per PSA Share, between July 31, 2022 and July 31, 2026 (the "PSA Equity Warrants"), shall, except to the extent they have been cancelled prior to the Effective Time, automatically and without any required action on the part of the holder thereof, cease to represent an equity warrant giving entitlement to subscribe PSA Shares and shall be converted into one (1) equity warrant (a "DutchCo Equity Warrant") giving entitlement to subscribe a number of DutchCo Shares equal to the exercise ratio of the PSA Equity Warrant in effect immediately prior to the Effective Time, multiplied by the Exchange Ratio, at an exercise price per DutchCo Equity Warrant equal to €1.00. Except as specifically set forth above, following the Effective Time, each such DutchCo Equity Warrant shall continue to be governed by the same terms and conditions (including vesting and exercisability terms) as were applicable to such PSA Equity Warrant immediately prior to the Effective Time.

(b) *Effect of the Combination on PSA Performance Shares*. At the Effective Time, each outstanding equity incentive award with respect to PSA Shares that is subject to performance conditions, vesting or other restrictions under the PSA Share Plans (a "PSA Performance Share") shall, automatically and without any required action on the part of the holder thereof, cease to represent an equity incentive award denominated in PSA Shares and shall be converted into a restricted stock unit award denominated in DutchCo Shares (a "DutchCo RSU"). The number of DutchCo Shares that will be subject to each such DutchCo RSU shall be equal to the product (with the number of DutchCo Shares underlying the DutchCo RSUs for each individual rounded down to the nearest whole number without any cash compensation paid or due to the relevant beneficiaries for fractional units) of (x) the number of PSA Shares subject to such PSA Performance Share immediately prior to the Effective Time (the "PSA Granted Shares") multiplied by (y) the Exchange Ratio. Except as specifically provided herein or otherwise agreed between the Parties, following the Effective Time, each DutchCo RSU exchanged for such PSA Performance Shares shall continue to be governed by the same terms and conditions (including service-based vesting terms, but not performance-based vesting terms) as were applicable to the relevant PSA Share Plan immediately prior to the Effective Time.

(c) *Actions Regarding PSA Equity Awards*.

(i) *PSA Actions*. The management board of PSA and PSA Board, as applicable, shall adopt any resolutions and take any actions that are necessary to (x) at or prior to the Effective Time, effectuate the treatment of the PSA Equity Warrants and PSA Performance Shares (together, the "PSA Equity Awards") pursuant to Section 1.5(a) and (b) of this Annex I and (y) as from the date hereof, cease to allocate new PSA Equity Awards under the PSA Share Plans in effect on the date hereof except as agreed by the Parties. Such actions shall include seeking the consent of the holders of PSA Performance Shares to the extent reasonably required in order to effectuate the treatment of such awards pursuant to Section 1.5(b) of this Annex I in compliance with the terms of the applicable PSA Share Plans. More generally, PSA shall take all actions necessary to ensure that from and after the Effective Time, DutchCo shall not be required to deliver PSA Shares or other capital stock of PSA to any Person pursuant to or in settlement of PSA Equity Awards.

(ii) *FCA Actions*. FCA (including, for the avoidance of doubt, as DutchCo) shall take all actions that are necessary for the assumption of the PSA Equity Awards pursuant to Section 1.5(a) and (b) of this Annex I, including the reservation, issuance and listing of DutchCo Shares as necessary to effect the transactions contemplated by Section 1.5 of this Annex I.

(d) *Effect of the Combination on FCA Equity Awards*. Except as specifically provided herein or otherwise agreed between the Parties, following the Effective Time, each FCA Equity Award shall continue to be governed by the same terms and conditions (including service-based vesting terms, but not performance-based vesting terms) as were applicable to the relevant FCA Equity Award immediately prior to the Effective Time.

(e) *Actions Regarding FCA Equity Awards*. At or prior to the Effective Time, the FCA Board (or a committee thereof) shall adopt any resolutions and take any actions that are necessary to effectuate the treatment of the FCA Equity Awards contemplated by Section 1.5(d) of this Annex I. FCA shall take all actions necessary to ensure that from and after the Effective Time, DutchCo will not be required to deliver FCA Shares or other capital stock of FCA to any Person pursuant to or in settlement of FCA Equity Awards.

Section 1.6 Exchange of Shares. PSA Shares shall be exchanged for DutchCo Shares in accordance with the Cross-Border Merger Terms, the rules and procedures of any depositary or clearing agency through which such shares are held or traded, and applicable Law.

Section 1.7 No Fractional Shares. No fractional DutchCo Shares shall be allotted to shareholders of PSA as part of the Merger Consideration. As soon as reasonably practicable after the Effective Time, with respect to each holder of PSA Shares that would, but for this Section 1.7 of this Annex I, otherwise receive a fractional entitlement to a DutchCo Share as part of the Merger Consideration (after taking into account all PSA Shares then held by such holder), an intermediary appointed by DutchCo shall aggregate all such fractional entitlements and sell such shares in the market for cash. Following such sale, such intermediary shall deliver or cause to be delivered to each such holder a share of the cash consideration received net of transaction costs in respect of such sale proportionate to the amount of fractional entitlements of such holder. The Parties agree that each holder who benefits from a fractional entitlement to a DutchCo Share may waive this right or any cash consideration in respect thereto.

Section 1.8 No Further Ownership Rights in PSA Shares. All DutchCo Shares allotted in the Combination in accordance with the terms of this Annex I (including any cash paid pursuant to Section 1.7 of this Annex I) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to PSA Shares. At the Effective Time, the share transfer books of PSA shall be closed, and there shall be no further registrations of transfers of PSA Shares thereafter on the records of PSA.

Section 1.9 Withholding. Each of FCA (including, for the avoidance of doubt, as DutchCo) and PSA shall be entitled to deduct and withhold from any amount payable pursuant to this Agreement (except as provided in Section 1.5 of Annex X (*Effect of Termination and Abandonment*)) such amounts as it is required to deduct and withhold with respect to the making of such payment under applicable Tax Law. To the extent that amounts are so withheld and paid over to the appropriate Tax authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the recipient in respect of which such deduction and withholding was made.

ANNEX II

POWERS AND AUTHORITY

1. Chairman

a. In addition to the Chairman's powers set out in the Regulations for the DutchCo Board, if the Chairman is an executive director, he/she will be consulted and work together with the CEO on that basis on important strategic matters affecting DutchCo:
   - budget/long-term strategic planning;
   - Mergers and acquisition transactions, including significant joint-ventures, investments and divestments;
   - Strategic evolution of the brand portfolio and significant product investment;
   - Appointments, succession planning and compensation for key positions in the Global Executive Committee;
   - Institutional relationships, including relationships with key governmental stakeholders, particularly on matters of strategic significance;
   - Significant public relations matters and major communication events/topics;
   - Interaction with principal shareholders and key partners; and
   - Providing leadership to the DutchCo Board and, in crisis circumstances, to the executive management on governance matters and ad hoc crisis management,

in each case, without prejudice to the powers of the DutchCo Board.

If the Chairman is an executive director, he/she shall not carry the title of "Executive Chairman".

2. CEO

a. In addition to his/her powers set out in the DutchCo Articles of Association and the Regulations for the DutchCo Board, the CEO will be responsible for the management of DutchCo in accordance with the Dutch Civil Code and will be vested with full authority to represent DutchCo individually.

3. Senior Independent Director

a. The DutchCo Board will designate a Senior Independent Director who shall act as the *voorzitter* under Dutch Law.

b. The Senior Independent Director shall be vested with the powers to convene the DutchCo Board and the general meetings of shareholders of DutchCo.

c. The Senior Independent Director will preside over the meetings of the DutchCo Board. He/she shall also be entitled to choose the secretary in the absence of the statutory secretary, sign the minutes of the meetings of the DutchCo Board and determine the agenda of board meetings after consultation with the Chairman and the CEO.

ANNEX III

REPRESENTATIONS AND WARRANTIES

Section 1.1 Representations and Warranties of FCA and PSA. (1) Except as fairly disclosed in any report, schedule, form, statement or other document of FCA filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC") on or prior to the Business Day immediately preceding the date hereof and publicly available on the date hereof and on or after December 31, 2018 on the SEC's Electronic Data Gathering, Analysis and Retrieval System (EDGAR) (collectively, the "FCA Reports") (other than disclosures in the "Risk Factors" or "Forward Looking Statements" sections of any FCA Reports or any other disclosure in any FCA Report to the extent that such disclosure is predictive or forward-looking in nature), and (2) except as fairly disclosed in any report, schedule, form, statement or other document of PSA, whether or not filed with the French financial markets authority (*Autorité des marchés financiers*) (the "AMF") and made publicly available pursuant to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 or the laws and regulations implementing Directive 2004/109/CE of the European Parliament and of the Council of 15 December 2004 (as amended notably by Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013) on or prior to the Business Day immediately preceding the date hereof and on or after December 31, 2018 (collectively, the "PSA Reports") (other than disclosures in the "Risk Factors" section of any PSA Report or any other disclosure in any PSA Report to the extent that such disclosure is predictive or forward-looking in nature), each of FCA and PSA hereby represents and warrants to the other as set forth in this Section 1.1 of this Annex III; provided that any representation or warranty in this Section 1.1 of this Annex III that relates (i) specifically to FCA or its Subsidiaries shall be deemed to be a representation or warranty made only by FCA to PSA or (ii) specifically to PSA or its Subsidiaries shall be deemed to be a representation or warranty made only by PSA to FCA.

(a) Organization, Standing and Power. Such Party and each of its Subsidiaries is duly organized and validly existing under the Laws of its jurisdiction of organization and has all requisite corporate, limited liability company or partnership power and authority to own, lease or otherwise hold its properties and assets and to conduct its business as presently conducted. Such Party and its each of its Subsidiaries is duly qualified or licensed to do business and is in good standing (where such concept is recognized under applicable Law) in each jurisdiction where the nature of its business or the ownership, leasing or operation of its properties makes such qualification or licensing necessary.

(b) Authority; Execution and Delivery; Enforceability. Such Party and each of its Subsidiaries has all requisite power and authority to execute, deliver and perform this Agreement and the other agreements contemplated in connection with the Combination (the "Transaction Agreements"), to which such Party is, or will be, a party and to consummate the Combination and comply with the provisions of the Transaction Agreements. The execution, delivery and performance by such Party and its Subsidiaries of the Transaction Agreements to which it is, or will be, a party and the consummation by each of it and its Subsidiaries of the Combination and compliance with the provisions of the Transaction Agreements has been or will be duly authorized by all requisite action on its part and the part of its equity holders. This Agreement has been duly executed and delivered by such Party, and each other Transaction Agreement to which it and any of its Subsidiaries will be a party will have been duly executed and delivered by it or such Subsidiary on or prior to the Closing, and, assuming the due authorization, execution and delivery by each of the other Parties hereto other than it and its Subsidiaries (or, in the case of any other Transaction Agreement, applicable parties thereto other than it and its Subsidiaries), this Agreement constitutes, and each other Transaction Agreement to which such Party is, or will be, a party will constitute after the Closing the legal, valid and binding obligation of it and its applicable Subsidiaries, enforceable against it and each applicable Subsidiary in accordance with its terms, except as may be limited by the applicable bankruptcy and insolvency rules.

(c) Capitalization.

(i) The authorized capital stock of FCA consists of 2,000,000,000 FCA Shares and 2,000,000,000 special voting shares, par value €0.01 per share, of FCA (the "FCA Special Voting Shares"). At the close of business on November 30, 2019, (A) 1,567,519,274 FCA Shares were issued and outstanding, (B) 408,941,767 FCA Special Voting Shares were issued and outstanding (and 73,614,605 FCA Special Voting Shares were issuable upon completion of the uninterrupted three (3) year period for a corresponding number of FCA Shares), (C) no FCA Shares were held in treasury by FCA, and (D) 25,343,654 FCA Shares were reserved and remaining available for issuance pursuant to the FCA Equity Incentive Plan (the "FCA Share Plan"), of which (1) 11,480,574 and 17,924,667 shares were issuable upon the settlement or vesting of outstanding FCA PSUs (assuming achievement of applicable performance goals at target and maximum value, respectively), and (2) 7,418,987 shares were issuable upon the settlement or vesting of outstanding FCA RSUs. From the close of business on November 30, 2019 to the date of this Agreement, there have been no issuances by FCA of shares of capital stock or voting securities of, or other equity interests in, FCA, other than the issuance of FCA Shares upon the vesting or settlement of FCA PSUs and FCA RSUs, in each case outstanding at the close of business on November 30, 2019 or granted in accordance with this Agreement and in accordance with their terms. Each of the outstanding shares of capital stock or other equity interests in FCA are duly authorized, validly issued, fully paid and non-assessable. Except as set forth in this Section 1.1(c)(i) of this Annex III, there are no preemptive rights, options or other commitments or rights of any kind that obligate FCA to issue or sell any shares of capital stock or other equity interests of FCA or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity interests of FCA, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(ii) The capital stock of PSA consists of 904,828,213 PSA Shares. At the close of business on November 30, 2019, (A) 904,828,213 PSA Shares were issued and outstanding, (B) 353,254,072 PSA Shares have accrued double voting rights pursuant to Article L. 225-123 of the French Commercial Code, and the maximum number of votes entitled to be exercised at a meeting of PSA shareholders at which the holders of all outstanding PSA Shares are present is 1,248,138,550, (C) 9,943,735 PSA Shares were held in treasury by PSA, (D) 39,727,324 PSA Shares were issuable upon exercise of the PSA Equity Warrants and 8,578,500 PSA Shares were issuable upon settlement of outstanding PSA Performance Shares (assuming achievement of applicable performance goals at target value), and (E) 9,943,735 PSA Shares were reserved and remaining available for delivery pursuant to the PSA Share Plans (including future PSA share plans). From the close of business on November 30, 2019 to the date of this Agreement, there have been no issuances by PSA of shares of capital stock or voting securities of, or other equity interests in, PSA other than the issuance of PSA Shares upon the vesting or settlement of PSA Equity Awards in accordance with their terms. Each of the outstanding shares of capital stock or other equity interests in PSA are duly authorized, validly issued, fully paid and non-assessable. Except as set forth in this Section 1.1(c)(ii) of this Annex III or pursuant to the PSA Equity Awards, there are no preemptive rights, options or other commitments or rights of any kind that obligate PSA to issue or sell any shares of capital stock or other equity interests of PSA or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity interests of PSA, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

(d) No Contravention; Consents. The execution, delivery and performance by such Party and its Subsidiaries of each Transaction Agreement to which it is, or will be, a party do not, and the consummation of the Combination and compliance with the provisions of such Transaction Agreements will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the

loss of a benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements (including any penalty or increased payment obligations) of any person under any provision of (w) the certificate of incorporation, articles of association, limited liability company agreement, bylaws or similar organizational documents ("Organizational Documents") of it and its Subsidiaries, (x) any Law or order promulgated by any Governmental Entity or (y) any Contract to which such Party or any of its Subsidiaries is a party or bound, in each case applicable to it or any of its Subsidiaries or their respective properties or assets, other than, in the case of clauses (x) and (y) above, any such conflicts, violations, defaults, rights, losses or entitlements, individually or in the aggregate, as have not had and would not reasonably be expected to have a Material Adverse Effect.

(e) Public Information. As of their respective dates (or if amended prior to the date hereof, as of the date of such amendment), the latest Annual Report on Form 20-F (in the case of FCA) and the latest *Document de Reference* (in the case of PSA) complied in all material respects with the requirements under applicable Law and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Since the date of such Party's latest audited financial statements, there has been no Material Adverse Effect with respect to such Party.

(f) Financial Statements; Internal Controls.

(i) Such Party's last annual and interim consolidated financial statements (x) have been prepared on the basis of IFRS and in accordance with the accounting policy of the group applied on a consistent basis during the periods involved (except as may be expressly disclosed in the notes thereto or, in the case of interim financial statements, for normal and recurring year-end adjustments), and (y) give a true and fair view of the financial position and of the profit, loss, cash flow and changes in equity of it and its consolidated subsidiaries at the dates and for the periods indicated therein.

(ii) Such Party and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (w) transactions are executed in accordance with management's general or specific authorizations, (x) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability, (y) access to assets is permitted only in accordance with management's general or specific authorization, and (z) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(g) Compliance with Laws. Such Party and each of its Subsidiaries is and has been since January 1, 2017 in compliance with all applicable Laws, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect.

(h) Litigation. There is no action or group of actions in any national, federal, state or local court pending or, to such Party's knowledge, threatened in writing against or affecting such Party or any of its Subsidiaries that, individually or in the aggregate, has had or would be reasonably expected to have a Material Adverse Effect, nor is there any order promulgated by any Governmental Entity outstanding against it or any of its Subsidiaries that, individually or in the aggregate, has had or would be reasonably expected to have a Material Adverse Effect.

(i) Suppliers. To such Party's knowledge, the benefits of any relationship with any of the suppliers of it and its Subsidiaries will continue following the Closing in substantially the same manner as prior to the date of this Agreement, except as, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(j) Compliance with Contracts. Neither such Party nor any of its Subsidiaries is in breach or in default of, nor has it violated, any Contract to which it or any of its Subsidiaries is a party or by which it or any of its Subsidiaries or any of their respective properties is bound or affected, except for any such conflicts, defaults or violations that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

(k) Labor Disputes and Compliance. No employment dispute, slowdown, work stoppage or disturbance involving the employees of such Party or any of its Subsidiaries exists or, to its knowledge, is imminent or threatened in writing, in each case, which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect. Since January 1, 2017, such Party and its Subsidiaries have complied with applicable employment legislation, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect.

(l) Anti-Bribery. To such Party's knowledge, since January 1, 2017, neither such Party nor any of its Subsidiaries, nor any director, officer, employee or agent thereof, acting on its, his or her own behalf or on behalf of any of the foregoing persons, (A) has offered, promised, authorized the payment of, or paid, any money, or the transfer of anything of value, directly or indirectly, to or for the benefit of: (x) any employee, official, agent or other representative of any foreign government or department, agency or instrumentality thereof, or of any public international organization; or (y) any foreign political party or official thereof or candidate for foreign political office for the purpose of influencing any act or decision of such recipient in the recipient's official capacity, or inducing such recipient to use his, her or its influence to affect any act or decision of such foreign government or department, agency or instrumentality thereof or of such public international organization, or securing any improper advantage, in the case of both (x) and (y) above in order to assist it or any of its Subsidiaries to obtain or retain business for, or to direct business to, either it or any of its Subsidiaries and under circumstances that would subject it or any of its Subsidiaries to material liability under any applicable Laws relating to corruption, bribery, ethical business conduct, money laundering, political contributions, gifts and gratuities, or lawful expenses; or (B) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.K. Bribery Act 2010 or any other applicable anti-bribery or anti-corruption Laws, including, but not limited to, any applicable Law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or any other applicable anti-bribery or anti-corruption Laws of jurisdictions in which the Parties or any of its Subsidiaries operate. Such Party and each of its Subsidiaries have instituted and maintain and enforce policies and procedures designed to promote and achieve compliance with anti-corruption Laws.

(m) Anti-Money Laundering. Such Party's operations, to such Party's knowledge, are and have been conducted at all times since January 1, 2017 in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the applicable money laundering statutes of all jurisdictions where it and its Subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any Governmental Entity.

(n) Sanctions. Neither such Party nor its Subsidiaries, their respective directors and senior executive or any officers with the ability to control the operation of such Party or any of such Subsidiaries, is currently the subject or the target of any sanctions administered or enforced by the U.S. government, the United Nations Security Council, the European Union and its member States or Her Majesty's Treasury (collectively, "Sanctions") applicable to such Party or its Subsidiaries, nor is it or any of its Subsidiaries located, incorporated, organized, resident or engaged in any business or dealings in a country or territory that is the subject or the target of Sanctions or with any Person who is subject to or the target of Sanctions, in each case in respect of Sanctions that are applicable to such Party or its relevant Subsidiaries.

(o) Brokers and Other Advisors; Transaction Compensation. No broker, finder, other investment banker or financial advisor , other than (x) FCA's obligations to Goldman Sachs International, UBS, JPMorgan, Citi, Bank of America Merrill Lynch, Barclays and d'Angelin & Co, and (y) PSA's obligations to Messier Maris & Associés, Morgan Stanley and Perella Weinberg Partners, the fees and expenses of which shall be paid by the relevant Party, is entitled to any broker's, finder's or financial advisor's fee or commission in connection with the Combination based upon arrangements made by or on behalf of such Party. No director, officer or employee of PSA or FCA (or their respective Subsidiaries) is entitled to receive any bonus or other compensation payable directly as a result of the Combination, in each case other than as disclosed to and/or agreed between the Parties in a separate agreement.

(p) Products. Since January 1, 2017, there has not been, and there is no pending or, to such Party's knowledge, threatened in writing, and there are no facts or circumstances which would reasonably be expected to result in, any recall or investigation of, or with respect to, the use of or exposure to any its products (including any part or component thereof, a "Product") required by any Governmental Entity, except, in each case, which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect. Since January 1, 2017, neither it nor any of its Subsidiaries has received any notice of any actual or alleged violation of any applicable Law in connection with Product recall, Product safety, Product defect or the content of Product materials, or of any actual or alleged failure of any Product to meet applicable manufacturing, quality or labeling standards established by applicable Law, except, in each case, which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect.

(q) Tax Matters.

(i) Neither FCA nor PSA directly (or through one or more entities treated as partnerships or disregarded entities for U.S. federal income tax purposes) owns shares or other equity interests in any Subsidiary that is considered as a U.S. person within the meaning of Section 7701 of the Internal Revenue Code of 1986, as amended (the "IR Code").

(ii) No Tax liability has arisen or will arise as a result of (i) one or several entities of the FCA Group or one or several entities of the PSA Group not having timely and duly paid Taxes due in accordance with applicable Laws or (ii) any tax audit or litigation with a Tax authority with respect to one or several entities of the FCA Group or one or several entities of the PSA Group, in each case (unless specifically reserved for in FCA or PSA, as applicable, last annual and interim consolidated financial statements) which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

(r) Environmental Matters. Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect, (i) the Party and its Subsidiaries are, and since January 1, 2017, have been, in compliance with, and hold, and since January 1, 2017, have held, all Permits required for it and its Subsidiaries to conduct their respective operations as currently conducted under all applicable Laws relating to contamination, pollution, the protection of human health from exposure to hazardous substances, natural resources or the environment ("Environmental Laws"), (ii) the Party and its Subsidiaries have not received any written notice, claim, demand, action, suit, complaint, proceeding or other communication by any Person alleging any violation of, or any liability under, any Environmental Laws (an "Environmental Claim"), and have no knowledge of any pending or threatened Environmental Claim, (iii) no hazardous, dangerous or toxic substance, has been generated, transported, treated, stored, installed, disposed of, arranged to be disposed of, released or threatened to be released at, on, from or under any of the properties or facilities currently or formerly owned, leased or otherwise used by the Party or its Subsidiaries, or otherwise in connection with its or its Subsidiaries' operations, in each case in violation of, or in a manner or to a location that could reasonably be expected to give rise to liability under, Environmental Laws, and (iv) to such Party's knowledge, in respect of vehicles

produced since January 1, 2017, no fines or other costs are reasonably expected to be required to comply with vehicle emissions standards or fuel efficiency standards under Environmental Laws.

(s) Intellectual Property and IT Systems.

(i) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect, any registered intellectual property owned or purported to be owned by the Party and its Subsidiaries is subsisting and to such Party's knowledge, is valid and enforceable.

(ii) To such Party's knowledge, it owns and controls, or otherwise possesses adequate rights to use, all intellectual property used in the conduct of its business as of the date hereof, except where the failure to own and control or have the right to use, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect. To such Party's knowledge, neither it nor any of its Subsidiaries is now infringing any intellectual property rights of others in any respect, except for such infringements that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect. Neither such Party nor any of its Subsidiaries has received any written notice that it is violating or has violated the trademarks, patents, copyrights, inventions, trade secrets, proprietary information and technology, know-how, formulae, rights of publicity or other intellectual property rights of any third party, except for such matters which, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

(iii) Each material license to which such Party or any of its Subsidiaries is a party is the legal, valid and binding obligation of the parties thereto, enforceable against such parties in accordance with its terms, except for any unenforceability that, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect. To its knowledge, no default thereunder by any such Party has occurred, nor does any defense, offset, deduction, or counterclaim exist thereunder in favor of any such Party which has had or would reasonably be expected to have a Material Adverse Effect.

(iv) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect, all employees and independent contractors of such Party and its Subsidiaries who have developed or created intellectual property within the scope of their employment or engagement have entered into appropriate written assignment agreements, assigning all of their right, title and interest in any such intellectual property to such Party or its Subsidiaries.

(v) Except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect, (i) such Party takes reasonable actions to maintain, enforce and protect its material intellectual property in accordance with customary industry practice, (ii) such Party takes reasonable actions in accordance with customary industry practice to protect the confidentiality of non-public information relating to its material intellectual property, (iii) such Party takes reasonable actions in accordance with customary industry practice to protect its material software, websites and other systems (and the information therein) from unauthorized access or use, and (iv) such Party takes reasonable actions in accordance with customary industry practice to implement backup and disaster recovery technology processes and a business continuity plan.

(vi) Except as, individually or in the aggregate, have not had and would not be reasonably expected to have a Material Adverse Effect, to such Party's knowledge, the IT systems (i) operate and perform in accordance with their documentation and functional specification and otherwise as required by such Party and its Subsidiaries in connection with the conduct of their

businesses, and (ii) since January 1, 2017, have not malfunctioned or failed in a manner that has had an adverse impact on such Party.

Section 1.2 No Other Representations or Warranties. Except for the representations and warranties in this Annex III, none of FCA, PSA, or any other Person makes any express or implied representation or warranty with respect to FCA, PSA, or any of their respective affiliates or any of their respective businesses, operations, assets, liabilities, conditions (financial or otherwise) or prospects in connection with this Agreement or the Transactions, and each Party hereby disclaims any such other representations or warranties. In particular, without limiting the foregoing, and except for the representations and warranties made by such Party in this Annex III, neither Party nor any other Person makes or has made any representation or warranty to the other Party or any of its affiliates or Representatives with respect to (and shall have no indemnification obligation or other liability in respect of) (i) any financial projection, forecast, estimate, budget or prospect information relating to such Party, any of its affiliates or any of their respective businesses, or (ii) any oral or written information made available to the other Party or any of its affiliates or Representatives in the course of their evaluation of such Party, the negotiation of this Agreement or in the course of the Transactions.

ANNEX IV

INTERIM OPERATING COVENANTS

Section 1.1 Interim Covenants.

(a) set aside or make any dividend, distribution or other payments (whether in cash, securities or other property) related to capital events or in respect of capital stock or other equity interests (other than the payment of the ordinary dividends in accordance with this Agreement or payable by direct or indirect Subsidiaries of such Party to such Party or between such Subsidiaries in the Ordinary Course);

(b) amend its Organizational Documents, except as otherwise required by applicable Law or ministerial changes, or effect a split or reclassification or other adjustment of its capital stock or other equity interests or a recapitalization thereof (other than internal reorganizations of such Party's Subsidiaries (including dissolutions or liquidations thereof) that do not adversely impact the Transactions (including by preventing, impairing or delaying the Closing) or the Intended Tax Treatments);

(c) make or change any material Tax election or adopt or change any material method of Tax accounting, or settle or compromise any Tax claim or proceeding resulting in a Tax liability (including as a result of the loss or reduction of Tax attributes and including via surrender of a tax refund) if such Tax liability is in excess of €250 million, unless and to the extent such Tax liability (or loss or reduction of Tax attributes) is specifically reserved for in the financial statements of the relevant Party (or Subsidiary) for the fiscal year ending December 31, 2018 or any subsequently published interim financial statements on or prior to the date hereof;

(d) except for the withholding or disposition of shares of capital stock or other equity interests (i) in connection with the forfeiture of FCA Equity Awards or PSA Equity Awards, as applicable, or (ii) to satisfy withholding Tax obligations with respect to the FCA Equity Awards or PSA Equity Awards, as applicable, in each case, outstanding on or awarded prior to the date hereof or otherwise granted in accordance with this Agreement and, in accordance with the terms of such awards, repurchase, redeem or otherwise acquire any shares of its capital stock or other equity interests, as applicable, or any securities convertible into or exchangeable or exercisable for any shares of its capital stock or other equity interests, as applicable;

(e) acquire (including by merger, consolidation, combination or acquisition of equity interests or assets) any entity, business or division thereof, or any equity interest (other than acquisitions of portfolio assets and acquisitions in the Ordinary Course) in a transaction (or series of related transactions) that would be reasonably likely, individually or in the aggregate, to prevent, impair or materially delay the Closing, or where the consideration paid or received (including non-cash equity consideration and indebtedness assumed) represents an individual amount exceeding €250 million and in aggregate €500 million, other than transactions solely among wholly owned Subsidiaries of a Party;

(f) except in connection with internal reorganizations entered into in the Ordinary Course solely among such Party's Subsidiaries or otherwise pursuant to contracts in existence as of the date hereof, which, in each case, will not adversely affect the Intended Tax Treatments, issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of any (i) equity interest or securities convertible into or exchangeable or exercisable for, (ii) options, warrants, calls, commitments or rights of any kind to acquire, capital stock or other equity interests, (iii) any bonds, debentures, notes or other obligations, or (iv) any equity interest of, or similar interest in, a joint venture or similar arrangement to which it is a party, in each case, except (A) in respect of capital stock or securities convertible into or exchangeable or exercisable for capital stock with a fair value or sale price in excess of €250 million of any Subsidiary of a Party, or (B) shares issuable or transferable pursuant to the FCA Equity

Awards or PSA Equity Awards outstanding on or awarded prior to the date hereof or otherwise granted in accordance with this Agreement;

(g) sell, lease, license, transfer, exchange, mortgage (including securitizations), pledge, dispose of (whether by way of merger, consolidation, sale of stock or assets, or otherwise) or encumber any material portion of its assets, including the capital stock or other equity securities of its Subsidiaries, not in the Ordinary Course and with a fair value or sale price, individually or in the aggregate, in excess of €250 million (other than transactions between such Party and any of its direct or indirect wholly owned Subsidiaries or transaction between such Subsidiaries);

(h) sell, lease, license, transfer, exchange, mortgage (including securitizations), pledge, dispose of (whether by way of merger, consolidation, sale of stock or assets, or otherwise), let lapse, abandon or encumber any material intellectual property, other than non-exclusive licenses, covenants not to sue, releases, waivers or other rights under intellectual property rights, in each case, granted in the Ordinary Course (other than transactions solely between a Party and any of its direct or indirect wholly owned Subsidiaries or transactions solely between such Subsidiaries);

(i) discharge or satisfy any indebtedness in excess of €500 million, other than the discharge or satisfaction of any indebtedness when due in accordance with its terms as of the date hereof or indebtedness by and between a Party and a direct or indirect Subsidiary thereof or between such Subsidiaries;

(j) except (i) in connection with refinancings of existing indebtedness for borrowed money upon market terms and conditions, (ii) for drawdowns of credit facilities outstanding as of the date hereof (or refinancings of such credit facilities permitted under clause (i)) in the Ordinary Course, including working capital needs and capital expenditure requirements, (iii) for an amount not to exceed €1,000 million, (iv) as to FCA, for the purpose of financing the FCA Dividend, or (v) by and between a Party and a direct or indirect Subsidiary thereof or between such Subsidiaries, incur, create, assume or otherwise become liable for any indebtedness for borrowed money (including any guarantee of such indebtedness) or issue any debt securities or change the material terms of any existing indebtedness for borrowed money;

(k) other than as (x) is required by the terms of a Benefit Plan or Collective Bargaining Agreement, in each case, as outstanding on the date hereof or as adopted or modified in accordance with this Agreement, as may be required by applicable Law or under any enhanced restrictions on executive compensation agreed to with a Regulatory Authority or (y) is agreed between the Parties in a separate agreement, (i) increase the compensation or benefits of any of its employees (except for increases in salary or wages in the Ordinary Course with respect to employees who are not legal representatives, directors or officers) or grant or pay any bonus or other compensation to any directors, officers or employees in relation to the Transaction, (ii) grant any severance, retention or termination pay to any of its employee not provided under any Benefit Plan, (iii) establish, adopt, enter into, amend or terminate any Benefit Plan (including any change to any actuarial or other assumption used to calculate funding obligations with respect to any Benefit Plan or change to the manner in which contributions to any Benefit Plan are made or the basis on which such contributions are determined), (iv) grant any awards under any Benefit Plan (including any equity or equity-based awards), (v) increase or promise to increase or provide for the funding under any Benefit Plan, (vi) forgive any loans to any of its employees or (vii) exercise any discretion to accelerate the time of payment or vesting of any compensation or benefits under any Benefit Plan;

(l) petition any competent court or other authority, propose or recommend the passing of a resolution for the liquidation, dissolution or winding-up of it or any of its Subsidiaries;

(m) except in the Ordinary Course (including as a result of the expiration of any such agreements) or as required by applicable Law, adopt, enter into, amend or terminate in any material respect any material Collective Bargaining Agreement (it being agreed that, for the purpose of this clause (m), the

Parties shall each inform and consult with one another regarding any Collective Bargaining Agreement that it (or its Subsidiaries) negotiates, enters into, amends, or terminates in respect of (i) any bargaining union that represents more than 10,000 employees or (ii) any Collective Bargaining Agreement that covers more than 10,000 employees, in each case as relevant under applicable Law);

(n) enter into any agreement or arrangement that grants "most favored nation" status to any counterparty or contains "exclusivity," "non-compete" or other similar provisions outside of the Ordinary Course or, in any case, that would materially restrict following the Closing the business of DutchCo or any of its successors and its Subsidiaries taken as a whole;

(o) enter into any purchase orders, commitments or agreements, in each case for capital expenditures, outside of the Ordinary Course exceeding €250 million in the aggregate in connection with any single project or group of related projects (other than those contemplated in the applicable Company's current business plan or budget);

(p) enter into any Contract with any of its shareholders or their affiliates, other than (i) in the Ordinary Course and (ii) transactions solely between a Party and any of its direct or indirect wholly owned Subsidiaries or transactions solely between such Subsidiaries;

(q) enter into or amend any Contract with Faurecia, or have any other dealing with Faurecia, other than in the Ordinary Course;

(r) adopt any change in financial accounting principles, policies or practices, except to the extent that any such changes are required by IFRS;

(s) agree to any settlement or compromise of any liability, dispute, proceeding or litigation which would result in a payment or liability by the Party or any of its Subsidiaries in excess of €500 million, unless and to the extent such payment or liability is specifically reserved for in the financial statements of the relevant Party (or Subsidiary) for the fiscal year ending December 31, 2018 or any subsequently published interim financial statements on or prior to the date hereof;

(t) take any action that is reasonably expected to prevent, impair or materially delay the consummation of the Combination or any of the other Transactions (including the satisfaction of the conditions set forth in Annex IX (*Conditions Precedent*)); and

(u) authorize or enter into an agreement, arrangement or understanding to do any of the foregoing set forth in Section 1.1(a) through (t) of this Annex IV if FCA or PSA, as applicable, would be prohibited by the terms of Section 1.1(a) through (t) of this Annex IV from doing the foregoing.

Section 1.2 Exceptions to Interim Covenants. Notwithstanding anything herein to the contrary, the following actions shall be permitted to be taken by FCA or PSA, as applicable, between the date hereof and the Closing:

(a) *FCA*.

(i) The FCA Dividend may be paid.

(ii) FCA may take all actions necessary or desirable to prepare for the Comau Spin-Off or the Comau Alternative Transaction in accordance with the terms of this Agreement, including establishing the perimeter, capital structure and governance of Comau, preparing all documentation and Permits (including, in connection with the Comau Spin-Off, for the listing of Comau shares on a single appropriate securities exchange), obtaining any approvals, authorizations

or other Permits, adopting resolutions, and entering into Contracts, in each case, with respect to the Comau Spin-Off.

(iii) FCA may implement the transactions and other actions referred to as Project A, Project B, Project C, Project D, Project E, Project F, Project G and Project H in a separate letter communicated by FCA to PSA on the date hereof.

(b) *PSA*.

(i) The Faurecia Distribution may be made (provided that there shall be no material changes in any currently existing commercial arrangements between PSA and Faurecia as a result of the Faurecia Distribution, other than amendments to commercial arrangements between PSA and Faurecia in the Ordinary Course).

(ii) PSA may sell its interest in Gefco or in CAPSA (provided that the proceeds of any such sale shall not be distributed by PSA prior to the Closing).

(iii) PSA may repurchase from Dongfeng Motor or its Affiliates 32,000,000 PSA Shares and cancel such PSA Shares (provided that PSA may substitute one or several third parties for the purchase of all or part of such PSA Shares held by Dongfeng Motor, in which case it may cancel only the portion of such PSA Shares it shall have acquired itself).

(iv) PSA may take all actions necessary or desirable to cease the process of transforming PSA into a European Company (*Société Européenne*) in accordance with this Agreement, including submitting a resolution to such effect to the next annual general meeting of shareholders of PSA.

(v) PSA may acquire an interest (including a majority interest) in a joint venture company established with Punch Powertrain in the sector of power transmission for MHEV/PHEV vehicles.

(vi) PSA may acquire an interest (including a majority interest) in ACC, a European battery company.

(vii) PSA may acquire the entire share capital or a majority interest in a Canadian entity involved in the business of the distribution spare parts (*Project Apollo*).

(viii) PSA may acquire an interest (including a majority interest) in a French company involved autonomous shuttle (*Project Cab*).

(ix) PSA may sell two plants in China producing vehicles (*Project F99*).

(x) PSA may amend its existing coexistence agreement with EPF/FFP relating to the PSA name.

ANNEX V

COVENANTS RELATED TO CONSENTS

Section 1.1 Regulatory Filings and Other Actions.

(a) *Regulatory Filings*. Other than with respect to the ECB Clearance (which is covered in Section 1.2 of this Annex V), FCA and PSA shall take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part to consummate and make effective the Combination and the other Transactions as soon as reasonably practicable, including (i) preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, authorizations and other Permits (including the Competition Approvals) (collectively, "Consents") necessary to be obtained (if any) in order to consummate the Combination and the other Transactions, (ii) subject to Section 1.1(b) of this Annex V, offering and complying with such commitments to the relevant Regulatory Authorities as would be necessary to enable the Regulatory Authorities to grant the Consents and (iii) subject to Section 1.1(b) of this Annex VI, the execution and delivery of any additional instruments necessary to consummate the Transactions and to fully carry out the purposes of this Agreement.

(b) *No Substantial Detriment*. Nothing in this Agreement shall require FCA or PSA to, and neither FCA nor PSA may, without the consent of the other Party, offer or comply with any commitment to any Person, Governmental Entity or Self-Regulatory Organization, or take any action (i) with respect to any assets, businesses or interests other than those of DutchCo, FCA, PSA or their respective Subsidiaries and Non-Consolidated Ventures; (ii) if any such commitment or action, individually or in the aggregate, would, or would reasonably be expected to, result in a Substantial Detriment; or (iii) without limiting clause (ii) above, unless any such commitment or action is conditioned on the consummation of the Combination and the other Transactions.

(c) *Prior Review of Certain Information*. Subject to applicable Law relating to the sharing of information and to the extent practicable, and other than with respect to the ECB Clearance (which is covered in Section 1.2 of this Annex V), FCA and PSA shall cooperate with each other and provide the other or its counsel with a reasonable advance opportunity to review and comment upon, and shall consider in good faith the views of the other Party in connection with, all submissions, filings and written or verbal communications (and any documents submitted therewith) intended to be submitted to, any Governmental Entity or Self-Regulatory Organization (if applicable), in connection with the Combination and the other Transactions. Each of the Parties agrees not to participate in any substantive meeting or discussion with any Governmental Entity or Self-Regulatory Organization in connection with the Combination or the other Transactions unless it has provided the other Party with reasonable advance notice of the discussion or meeting and the opportunity to participate therein unless prohibited by the Governmental Entity or Self-Regulatory Organization, as applicable. FCA and PSA shall keep each other apprised of all material written and verbal discussions with any Governmental Entity or Self-Regulatory Organization in respect of any filings, investigation or other inquiry in connection with the Combination and the other Transactions.

(d) *Furnishing of Information*. FCA and PSA each shall, upon request by the other and subject to applicable Laws relating to the sharing of information and other than with respect to the ECB Clearance (which is covered in Section 1.2 of this Annex V), promptly furnish the other with a copy of all notices or other communications received or provided by FCA or PSA, as the case may be, from or to any Governmental Entity or Self-Regulatory Organization (if applicable) (or a description thereof, in the case of oral communications), and shall promptly furnish the other with all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of FCA or

PSA or any of their respective Subsidiaries to any Person or any Governmental Entity or Self-Regulatory Organization in connection with the Transactions.

(e) *Status Updates and Notice*. Subject to applicable Law and the instructions of any Governmental Entity or any Self-Regulatory Organization (if applicable) and other than with respect to the ECB Clearance (which is covered in Section 1.2 of this Annex V), each of FCA and PSA shall keep the other apprised of the status of matters relating to completion of the Transactions and promptly notify the other Party of any development which is material or potentially material to the issuance of any Consent. FCA and PSA shall regularly review with each other the progress of any filings, investigation or other inquiry by a Governmental Entity or Self-Regulatory Organization, and discuss with each other the scope, timing and tactics of any such actions in relation thereto with a view to obtaining approval from (or expiration or termination of any applicable waiting period with regard to or any investigation by) the applicable Governmental Entity or Self-Regulatory Organization at the earliest reasonable opportunity. Without limiting the foregoing, each of FCA and PSA shall give notice to the other Party within one (1) Business Day after becoming aware of the same, of the issuance of any Consents (including non-confidential copies, if any, of the Consent as soon as received from the relevant Regulatory Authority).

(f) *Treatment of Sensitive/Privileged Information.* Notwithstanding anything to the contrary contained herein, for any information exchanged under Section 1.1 of this Annex V, it is understood that FCA and PSA may, as each deems advisable and necessary, reasonably designate any commercially or competitively sensitive material provided to the other Party under Section 1.1 of this Annex V or any subsection thereof as "outside counsel only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and shall not be disclosed by such outside counsel to employees, officers, or directors of the recipient unless express permission (in writing) is obtained in advance from the source of the materials (FCA or PSA, as the case may be) or its legal counsel; provided, further, that materials provided pursuant to Section 1.1 of this Annex V or any subsection thereof may, to the extent permitted by Law or the Governmental Entity or Self-Regulatory Organization concerned, be redacted (i) to remove references concerning the valuation of the Transactions, (ii) as necessary to comply with contractual arrangements with third parties, and (iii) as necessary to address reasonable privilege concerns. The Parties agree to treat information protected from disclosure under the attorney-client privilege, work product doctrine, joint defense privilege or any other privilege pursuant to Section 1.1 of this Annex V in a manner so as to preserve the applicable privilege.

Section 1.2 ECB Clearance.

(a) Subject to Section 1.1(b) of this Annex V, FCA and PSA shall cooperate with each other and shall (and cause their respective Subsidiaries to) take or cause to be taken all actions, and do or cause to be done, as promptly as practicable, all things, necessary, proper or advisable under this Agreement and applicable Law, in particular pursuant to the *Arrêté du 4 décembre 2017 relatif à l'agrément, aux modifications de situation et au retrait de l'agrément des établissements de crédit*, to obtain the approval of the Transactions from the European Central Bank (including as a result of the expiration of the applicable waiting periods) (the "ECB Clearance").

(b) Without limiting the obligations imposed by Section 1.2(a) of this Annex V:

(i) Each of FCA and PSA shall submit or cause to be submitted no later than fifty (50) Business Days following the execution and delivery of this Agreement, a joint notice of the Transactions to the French banking regulator (*L'Autorité de contrôle prudentiel et de resolution)* ("ACPR").

(ii) Subject to applicable Law (including regarding restricted disclosure of information on classified contracts), each of FCA and PSA shall (A) permit counsel for the other Party reasonable opportunity to review in advance, and consider in good faith the views of each other

Party in connection with, any proposed written or verbal communication to the ACPR or the European Central Bank; and (B) not participate in any substantive meeting or discussion, either in person or by telephone, with the ACPR or the European Central Bank in connection with the Transactions without consulting with the other Party in advance and, to the extent not prohibited by such Governmental Entity, giving the other Party the opportunity to attend and participate.

(iii) Each of FCA and PSA shall provide the ACPR or the European Central Bank with any additional or supplemental information that they request during the ECB Clearance review process as promptly as practicable, and in all cases within the amount of time allowed by the ACPR or the European Central Bank.

(iv) PSA and FCA shall, and shall cause their Subsidiaries to, take any and all actions necessary to avoid, eliminate and resolve any and all impediments under applicable Law that may be asserted by the European Central Bank, the ACPR or any other Person or Governmental Entity with respect to the ECB Clearance and to obtain all consents, approvals and waivers in connection with the ECB Clearance; provided that PSA and FCA shall not be obligated to take any action (i) unless such action is expressly conditioned upon the consummation of the Transactions and (ii) if such action is reasonably expected to have, individually or in the aggregate, a Substantial Detriment.

(v) In addition, if any action or proceeding is instituted (or threatened) challenging the granting of the ECB Clearance or otherwise delay or prohibit the consummation of the Transactions, PSA, FCA and their Subsidiaries shall take any and all actions necessary to contest and defend any such claim, cause of action, or proceeding to avoid entry of, or to have vacated, lifted, reversed, repealed, rescinded, or terminated, any decree, order, judgment, or injunction (whether temporary, preliminary, or permanent) that prohibits, prevents, or restricts consummation of the Transactions.

Section 1.3 Access. Subject to the Confidentiality Agreement and applicable Law, each of FCA and PSA shall (and shall cause its Subsidiaries to) afford the other and the other's authorized representatives ("Representatives") reasonable access, during normal business hours throughout the period prior to the Closing, to its employees, properties, books and records and, during such period, each shall (and shall cause its Subsidiaries to) furnish promptly to the other all information concerning its business, properties and personnel as may reasonably be requested in order to facilitate the Parties' integration and operational transition efforts or as otherwise deemed appropriate by the Parties; provided that no investigation pursuant to this Section 1.3 of this Annex V shall affect or be deemed to modify any representation or warranty made by FCA or PSA in this Agreement; provided, further, that the foregoing shall not require FCA or PSA to disclose (i) any privileged information of FCA or PSA, as applicable, or any of its Subsidiaries that would, as determined in good faith by the relevant Party after consultation with outside counsel, waive the protection of attorney-client privilege, (ii) any information that FCA or PSA, as applicable, determines, in good faith (in their sole discretion), is subject to an obligation of confidentiality, commercially or competitively sensitive or otherwise inappropriate to disclose to the other Party (such as the disclosure of trade secrets of third parties), (iii) any information that would result in a violation of applicable Law, or (iv) result in the disclosure of any Personal Information that would expose the Party to a material risk of liability. In the event that a Party objects to any request submitted pursuant to and in accordance with this Section 1.3 of this Annex V and withholds information on the basis of the foregoing clauses (i) through (iv), the applicable Party shall inform the other Party as to the general nature of what is being withheld and the Parties shall use commercially reasonable efforts to make appropriate substitute arrangements to permit reasonable disclosure that does not suffer from any of the foregoing impediments, including through the use of commercially reasonable efforts to (A) obtain the required consent or waiver of any third party required to provide such information and (B) implement appropriate and mutually agreeable measures to permit the disclosure of such information in a manner to remove the basis for the objection, including by arrangement of appropriate clean room procedures, redaction or entry into a

customary joint defense agreement with respect to any information to be so provided, if the Parties determine that doing so would reasonably permit the disclosure of such information without violating applicable Law or jeopardizing such privilege. All requests for information made pursuant to this Section 1.3 of this Annex V shall be directed to the individual(s) designated by FCA or PSA, as applicable. All such information shall be governed by the terms of the Confidentiality Agreement.

ANNEX VI

PREPARATION OF PROSPECTUS AND OTHER FILINGS

Section 1.1 Preparation of Required Documentation.

(a) As promptly as practicable after the date of this Agreement, FCA and PSA shall prepare or cause to be prepared the Cross-Border Merger Terms for the Combination in accordance with Directive (EU) 2017/1132 of 14 June 2017 relating to certain aspects of company law (codification), as amended from time to time, and, in the case of FCA, the Dutch Merger Regulations and, in the case of PSA, the French Merger Regulations (the "Cross-Border Merger Terms") for the approval by the PSA Board and the FCA Board in accordance with Dutch Law and French Law, as applicable. The Cross-Border Merger Terms shall be in English, French and Dutch (unless French or Dutch is not required under applicable Law) and give effect to the Combination on the terms and subject to the conditions set forth in this Agreement as may be required under the Dutch Merger Regulations and the French Merger Regulations, and shall include such other provisions consistent with this Agreement to the extent customary or legally required for transactions of the type of the Combination under Dutch Law and French Law, and any other applicable Law in the European Economic Area, as applicable.

(b) As promptly as practicable following the completion of the Cross-Border Merger Terms, and in accordance with applicable Law, the PSA Board and the FCA Board shall approve the Cross-Border Merger Terms and the transactions contemplated thereby. Contemporaneously with the filing and publishing of the PSA Information Document pursuant to Section 1.1(d) of this Annex VI, but not earlier than six months prior to the then reasonably expected Closing Date, the Parties shall publish the information required pursuant to Article R. 236-15 of the French Commercial Code (*Code de Commerce*) and Article 2:333e of the Dutch Civil Code, respectively, in the *Bulletin officiel des annonces civiles et commerciales* in France, in a legal gazette in the department of the registered office of PSA and in the *Staatscourant* in the Netherlands, and cause the Cross-Border Merger Terms (and any other document required by applicable Law) to be filed with each of the Clerk of the Commercial Court of Nanterre (*Greffe du Tribunal de Commerce de Nanterre*) and Trade Registry in the Netherlands and made available at their registered office, and thereafter make a public announcement of the filings in a Dutch daily newspaper, all before the date that is at least one month before the date of the PSA Shareholders' Meeting (collectively, the "Merger Terms Publication"). Following the Merger Terms Publication, PSA or FCA, as applicable, shall promptly notify the other Party upon receipt of notice of any pending or threatened opposition rights proceeding initiated by any creditors, holders of bonds (obligations), whether or not redeemable or convertible, or warrants (collectively, "Creditors") of PSA or FCA pursuant to French Law or Dutch Law (whether during the one-month period following the Merger Terms Publication or otherwise). Such notice shall describe in reasonable detail the nature of such opposition rights proceeding. With respect to any such opposition rights proceeding, the provisions of Section 6.12 of this Agreement shall apply *mutatis mutandis*.

(c) As promptly as practicable following after the date of this Agreement, PSA and FCA shall each appoint one or more independent accountants to issue the statements as required pursuant to section 2:328 and section 2:333g of the Dutch Civil Code and Article L. 236-10 of the French Commercial Code, which includes a statement on the fairness of the Exchange Ratio and a report assessing the value of the net assets transferred to DutchCo.

(d) As promptly as practicable after the date of this Agreement, FCA and PSA shall prepare, and FCA shall file with the SEC, a registration statement on Form F-4 (together with any supplements or amendments thereto, the "Registration Statement") to register the offer and sale of the DutchCo Shares pursuant to the Combination. PSA and FCA shall each cause the Registration Statement to become effective under the Securities Act of 1933, as amended, and rules and regulations promulgated thereunder (the "Securities Act") as promptly as practicable following such filing (including by responding to comments of the SEC), and shall also satisfy prior to the effective date of the Registration Statement any

applicable French, Dutch, Italian, U.S. or other applicable securities Laws in connection with the issuance of DutchCo Shares pursuant to the Combination. As promptly as reasonably practicable in accordance with applicable Law: (w) FCA and PSA shall prepare, and PSA shall file and publish as may be required by the AMF and in accordance with applicable French Law, an information document (*document d'information*) (which may be based on the Registration Statement or consist of the passported Admission Prospectus) relating to the Combination and which shall be presented to the PSA Shareholders' Meeting (together with any amendments thereof or supplements thereto, the "PSA Information Document"); (x) FCA and PSA shall prepare and FCA shall make available at FCA's registered office in Amsterdam, the Netherlands, Explanatory Notes to the Agenda of the FCA Shareholders' Meeting, including any documentation required or conducive for the shareholders of FCA (which may be based on the Registration Statement or consist of the Admission Prospectus) to be adequately informed about the Transactions (together with any amendments thereof or supplements thereto, the "FCA Shareholder Circular"); (y) FCA shall prepare, and file with the NYSE, a listing application (the "NYSE Listing Application") for the listing of DutchCo Shares on the NYSE; and (z) FCA and PSA shall prepare, and FCA shall file for the purpose of admission of the DutchCo Shares to trading on the regulated markets of Euronext Paris and the *Borsa Italiana*, (i) a listing prospectus (the "Admission Prospectus") with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the "AFM") in accordance with applicable Law, (ii) an application with the AFM for notification of the Admission Prospectus and "passport" procedure of the Admission Prospectus to the relevant authority in each of France and Italy and (iii) an application with Euronext Paris and the *Borsa Italiana* for admission to listing on the regulated market of Euronext Paris and the *Borsa Italiana*, to the extent required (the applications referenced in clauses (ii) and (iii), collectively the "EU Listing Applications"). Subject to applicable Law, each of FCA and PSA shall furnish all information concerning itself (including its Subsidiaries and Non-Consolidated Ventures) as may be reasonably necessary or appropriate in connection with such actions and the preparation of the Registration Statement, the PSA Information Document, the FCA Shareholder Circular, the NYSE Listing Application, the Admission Prospectus and the EU Listing Applications (collectively the "Securities Filings"), provided that neither Party shall use any such information for any other purpose without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed) or if doing so would violate or cause a violation of applicable securities Laws. Each of FCA and PSA shall provide each other with a reasonable opportunity to review each Security Filing and any amendments or supplements thereto (which comments shall be reasonably considered by the Party making such Security Filing) prior to their filing. No filing of, or amendment or supplement to, such Security Filing shall be made by FCA or PSA, without the prior written consent of FCA and PSA, as applicable (which consent shall not be unreasonably withheld, conditioned or delayed). Subject to applicable Law, FCA and PSA agree that the information relating to FCA and PSA and their respective businesses (including their respective Subsidiaries and Non-Consolidated Ventures) included in the Securities Filings shall be identical in terms of content to the maximum practicable extent. Each Party agrees to correct promptly any information provided by it for use in the Securities Filings if and to the extent that such information shall have become false or misleading in any material respect or as otherwise required by applicable Law. The Parties shall notify each other promptly of the receipt of any comments from the SEC or its staff or any request by any other Governmental Entity for amendments or supplements to any Security Filing, and will supply each other with copies of any related correspondence to the extent permitted by applicable Law. FCA shall promptly advise PSA of the time of effectiveness of the Form F-4 (and of any supplements or amendments thereto), the issuance of any stop order relating thereto or the suspension of the qualification of the DutchCo Shares for offering or sale in any jurisdiction, and each of FCA and PSA shall use its commercially reasonable efforts to have any such stop order or suspension lifted, reversed or otherwise terminated. FCA and PSA also agree to cooperate in connection with any financing or treasury activities including with respect to the preparation of any prospectus, registration statement, offering memoranda or similar information document necessary or appropriate for any financings.

(e) Each of FCA and PSA shall also take any other action (other than qualifying to do business generally in any jurisdiction in which it is not now so qualified) required to be taken under the Securities Act, the Exchange Act, any applicable French, Dutch, Italian or other applicable securities Laws

or any applicable state securities or "blue sky" laws and the rules and regulations thereunder, in connection with the Transactions and the issuance and listing of the DutchCo Shares.

(f) FCA shall take, in accordance with applicable Law, the applicable rules and regulations of the SEC, the NYSE, the *Borsa Italiana*, and the Organizational Documents of FCA, all actions necessary to convene a meeting of its shareholders (the "FCA Shareholders' Meeting") as promptly as practicable after the later of (x) the expiration of any Creditor rights opposition period following the Merger Terms Publication under Dutch Law and (y) the date which is forty (40) Business Days after the date on which the Registration Statement is declared effective. The FCA Board shall make the FCA Recommendation, use its best efforts to obtain the FCA Requisite Vote (including recommending through the FCA Board the obtaining of the FCA Requisite Vote), and include the FCA Recommendation in the FCA Shareholder Circular and the Registration Statement. In the event that, on or subsequent to the date hereof and prior to the FCA Shareholders' Meeting (including any adjournment thereof in accordance with this Agreement), the FCA Board (1) determines to make no recommendation for the Combination, (2) fails to include the FCA Recommendation in the FCA Shareholder Circular or the Registration Statement, (3) withdraws, modifies or qualifies (or publicly proposes or publicly resolves to withdraw, modify or qualify) its recommendation for the Combination in a manner that is adverse to PSA, or (4) fails to recommend against any Acquisition Proposal structured as a public offer (*openbaar bod*) (or any material modification thereto) within five Business Days after commencement of such offer (or such material modification) (any of the actions set forth in the foregoing clauses (1) through (4), a "Change in FCA Recommendation"), which Change in FCA Recommendation shall be made only in accordance with Section 1.1(d) of Annex VII (*Acquisition Proposals*), then PSA shall have a right to terminate this Agreement in accordance with Section 1.4(a) of Annex X (*Termination by PSA*). Any Change in FCA Recommendation shall not limit or modify the obligation of FCA to convene the FCA Shareholders' Meeting pursuant to this Section 1.1(f) of this Annex VI, and, if this Agreement is not otherwise terminated by either FCA or PSA in accordance with the terms hereof, the Cross-Border Merger Terms and the transactions contemplated thereby and by this Agreement shall be submitted to the shareholders of FCA at the FCA Shareholders' Meeting for the purpose of obtaining the FCA Requisite Vote.

(g) PSA shall take, in accordance with applicable Law, the applicable rules and regulations of the AMF and Euronext Paris and the Organizational Documents of PSA, all action necessary to convene a meeting of its shareholders (the "PSA Shareholders' Meeting") as promptly as practicable after the later of (x) the expiration of any Creditor rights opposition period following the Merger Terms Publication under French Law or Dutch Law and (y) the date which is forty (40) Business Days after the date on which the Registration Statement is declared effective. The PSA Board shall make the PSA Recommendation and include the PSA Recommendation in the PSA Information Document and the Registration Statement. In the event that on or subsequent to the date hereof and prior to the PSA Shareholders' Meeting (including any adjournment thereof in accordance with this Agreement), the PSA Board (1) determines to make no recommendation for the Combination, (2) fails to include the PSA Recommendation in the PSA Information Document or the Registration Statement, (3) withdraws, modifies or qualifies (or publicly proposes or publicly resolves to withdraw, modify or qualify) its recommendation for the Combination in a manner that is adverse to FCA, or (4) fails to recommend against any Acquisition Proposal structured as a tender or exchange offer (or any material modification thereto) within five Business Days after the "déclaration de conformité" of the AMF in respect of such offer (any of the actions set forth in the foregoing clauses (1) through (4), a "Change in PSA Recommendation"), which Change in PSA Recommendation shall be made only in accordance with Section 1.1(d) of Annex VII (*Acquisition Proposals*), then FCA shall have a right to terminate this Agreement in accordance with Section 1.3(a) of Annex X (*Termination by FCA*). Any Change in PSA Recommendation shall not limit or modify the obligation of PSA to convene the PSA Shareholders' Meeting pursuant to this Section 1.1(g) of this Annex VI, and, if this Agreement is not otherwise terminated by either FCA or PSA in accordance with the terms hereof, the Cross-Border Merger Terms and the transactions contemplated thereby and by this Agreement shall be submitted to the shareholders of PSA at the PSA Shareholders' Meeting for the purpose of obtaining the PSA Requisite Vote.

(h) FCA and PSA shall each use their best efforts to cause the FCA Shareholders' Meeting and the PSA Shareholders' Meeting to be held on or near the same date. Each Party agrees (i) to provide the other reasonably detailed periodic updates concerning results of voting or proxy solicitation, on a timely basis and (ii) to give written notice to the other Party one day prior to the FCA Shareholders' Meeting or the PSA Shareholders' Meeting, as applicable, and on the day of, but prior to the FCA Shareholders' Meeting or the PSA Shareholders' Meeting, as applicable, indicating whether as of such date the FCA Requisite Vote or the PSA Requisite Vote, as applicable, have been obtained.

ANNEX VII

ACQUISITION PROPOSALS

Section 1.1 Acquisition Proposals.

(a) Without limiting any of such Party's other obligations under this Agreement, each of FCA and PSA agrees that, from and after the date hereof until the earlier of the Closing and the termination of this Agreement in accordance with its terms, neither it nor any of its Subsidiaries nor any of their respective officers, directors or employees, and each of them shall instruct and cause its and its Subsidiaries' Representatives not to, directly or indirectly, (i) initiate, solicit, encourage, facilitate, or induce any inquiry or the making, submission or announcement of, any proposal or offer that constitutes, or could reasonably be expected to result in, an Acquisition Proposal, (ii) subject to Section 1.1(b) of this Annex VII, have any discussion with any Person relating to any Acquisition Proposal (other than to decline to engage in discussions), engage in any negotiations concerning an Acquisition Proposal, or facilitate any effort or attempt to make an Acquisition Proposal, (iii) subject to Section 1.1(b) of this Annex VII, provide any information or data to any Person in relation to an Acquisition Proposal, (iv) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal, or (v) approve or recommend, propose publicly to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, memorandum of understanding, merger agreement, acquisition agreement, business combination agreement or other similar agreement or propose publicly or agree to do any of the foregoing related to any Acquisition Proposal.

(b) Notwithstanding anything in this Agreement to the contrary, (I) each of FCA and PSA or their respective Boards shall be permitted to (x) in the case of FCA, comply with Rule 14d-9 and Rule 14e-2 of the Exchange Act and the applicable rules and regulations of the AFM and *Borsa Italiana*, and (y) in the case of PSA, comply with the General Regulations (*Règlement général*) of the AMF, provided that neither clause (x) nor clause (y) shall in any way eliminate or modify the effect that any such action would otherwise have under this Agreement (it being understood that a "stop, look and listen" or similar communication suggesting to stockholders to await further information shall not be deemed to be a Change in FCA Recommendation or Change in PSA Recommendation, as applicable), and (II) if at any time following the date hereof and (x) in the case of FCA, prior to the receipt of the FCA Requisite Vote and (y) in the case of PSA, prior to the receipt of the PSA Requisite Vote, (i) FCA or PSA, as applicable, has received a *bona fide* written Acquisition Proposal from a third party that did not result from a violation of Section 1.1 of this Annex VII, which the FCA Board or the PSA Board, as applicable, determines in good faith constitutes, or could reasonably be expected to result in, a Superior Proposal and (ii) the FCA Board or the PSA Board, as applicable, determines in good faith that failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law, then FCA or PSA, as applicable, may (A) furnish information (including non-public information) to such Person that has delivered the *bona fide* written Acquisition Proposal and (B) engage in discussions or negotiations with such Person with respect to the Acquisition Proposal; provided that (1) prior to so furnishing such information or engaging in any such discussion or negotiations, as the case may be, the applicable Party receives from such Person an executed confidentiality agreement on terms no less restrictive, in the aggregate, than those contained in the Confidentiality Agreement and (2) any non-public information concerning FCA or PSA, as applicable, provided or made available to such Person shall, to the extent not previously provided or made available to FCA or PSA, as applicable, be provided or made available to such Party as promptly as reasonably practicable (and in no event later than 24 hours) after it is provided or made available to such Person. For purposes of Section 1.1 of this Annex VII, references to "Board" means, in relation to FCA, the FCA Board and, in relation to PSA, the PSA Board.

(c) From and after the date hereof, FCA or PSA, as applicable, shall promptly (and in any event within 24 hours), notify the other Party in the event that it receives (i) any Acquisition Proposal or a written indication by any Person that it is considering making an Acquisition Proposal, or (ii) any

inquiry or request for discussions or negotiations regarding any Acquisition Proposal. FCA or PSA, as applicable, shall notify the other Party (orally and in writing) as promptly as reasonably practicable (and in any event within 24 hours) of the identity of such Person and provide a copy of such Acquisition Proposal, indication, inquiry or request or any amendments thereto (or, where no such copy is available, a reasonably detailed description of such Acquisition Proposal, indication, inquiry or request). Subject to applicable Law, FCA or PSA, as applicable, shall keep the other Party informed on a reasonably current basis of the status of any Acquisition Proposal, indication, inquiry or request, and any material developments, discussions and negotiations related thereto.

(d) Notwithstanding anything in this Agreement to the contrary, at any time prior to the earlier of (i) receipt of the FCA Requisite Vote or the PSA Requisite Vote as the case may be, and (ii) the termination of this Agreement in accordance with its terms, the FCA Board shall be entitled to effect a Change in FCA Recommendation and the PSA Board shall be entitled to effect a Change in PSA Recommendation, in each case, if such Party receives an Acquisition Proposal that did not result from a breach of Section 1.1(a) of this Annex VII (and as to which the Party recipient of the Acquisition Proposal complied with Section 1.1(b) and Section 1.1(c) of this Annex VII) which the applicable Board reasonably determines in good faith constitutes a Superior Proposal; provided, however, that the FCA Board shall be entitled to effect a Change in FCA Recommendation or the PSA Board shall be entitled to effect a Change in PSA Recommendation, in each case, only to the extent such Board has first complied with its obligations under Section 1.1(e) of this Annex VII and then reasonably determines in good faith that the failure to effect such a Change in FCA Recommendation or Change in PSA Recommendation, as applicable, would be inconsistent with the directors' fiduciary duties under applicable Law.

(e) The FCA Board shall not be entitled to effect a Change in FCA Recommendation unless FCA has provided PSA with a written notice (the "Change in FCA Recommendation Notice") that FCA intends to take such action, which notice includes, as applicable, an un-redacted copy of the Superior Proposal that is the basis of such action (including the identity of the Person making the Superior Proposal). During the five Business Day period following PSA's receipt of the Change in FCA Recommendation Notice, FCA shall, and shall cause its Representatives to, negotiate with PSA in good faith (to the extent PSA desires to negotiate) to make such adjustments in the terms and conditions of this Agreement so that such Superior Proposal ceases to constitute a Superior Proposal; and following the end of the five Business Day period, the FCA Board shall determine in good faith, taking into account any changes to this Agreement proposed in writing by PSA in response to the Change in FCA Recommendation Notice or otherwise, whether the Superior Proposal giving rise to the Change in FCA Recommendation Notice continues to constitute a Superior Proposal. Any amendment to the financial terms or any other material amendment of such Superior Proposal shall require a new Change in FCA Recommendation Notice and FCA shall be required to comply again with the requirements of this Section 1.1(e) of this Annex VII; provided, however, that for purposes of this sentence, references to the five (5) Business Day period above shall be deemed to be references to a three Business Day period. The PSA Board shall not be entitled to effect a Change in PSA Recommendation unless PSA has provided FCA with a written notice (the "Change in PSA Recommendation Notice") that PSA intends to take such action, which notice includes, as applicable, an un-redacted copy of the Superior Proposal that is the basis of such action (including the identity of the Person making the Superior Proposal). During the five Business Day period following FCA's receipt of the Change in PSA Recommendation Notice, PSA shall, and shall cause its Representatives to, negotiate with FCA in good faith (to the extent FCA desires to negotiate) to make such adjustments in the terms and conditions of this Agreement so that such Superior Proposal ceases to constitute a Superior Proposal; and following the five Business Day period, the PSA Board shall determine in good faith, taking into account any changes to this Agreement proposed in writing by FCA in response to the Change in PSA Recommendation Notice or otherwise, whether the Superior Proposal giving rise to the Change in PSA Recommendation Notice continues to constitute a Superior Proposal. Any amendment to the financial terms or any other material amendment of such Superior Proposal shall require a new Change in PSA Recommendation Notice and PSA shall be required to comply again with the requirements of this Section

1.1(e) of this Annex VII; provided, however, that for purposes of this sentence, references to the five Business Day period above shall be deemed to be references to a three Business Day period.

(f) Each of FCA and PSA agrees that it will, and will cause its Representatives and its Subsidiaries and such Subsidiaries' Representatives to, immediately cease and cause to be terminated any activities, discussions or negotiations existing as of the date of this Agreement with any parties with respect to any Acquisition Proposal. Nothing in Section 1.1 of this Annex VII shall (x) permit FCA or PSA to terminate this Agreement (except as specifically provided in Annex X (*Termination*)) or (y) affect any other obligation of FCA or PSA under this Agreement, except as otherwise expressly set forth in this Agreement. Unless this Agreement shall have been earlier terminated, neither FCA nor PSA shall submit to the vote of its shareholders or recommend to its shareholders any Acquisition Proposal (other than the Transactions).

(g) During the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of the termination of this Agreement in accordance with its terms and the Closing, FCA and PSA, as applicable, shall not terminate, amend, modify or waive any provision of any confidentiality, "standstill" or similar agreement to which FCA and PSA, as applicable, or any of their respective Subsidiaries is a party and shall fully enforce such provisions (provided that the foregoing shall not prohibit PSA from waiving compliance with the "standstill" provision of the existing shareholders agreement between EPF/FFP and PSA consistent with the terms of the applicable Letter Agreement).

ANNEX VIII

EMPLOYEE-RELATED MATTERS; INDEMNIFICATION

Section 1.1 Employee Matters.

(a) The Parties agree that (i) the employees of FCA and its Subsidiaries at the Closing who continue to remain employed with DutchCo (the "FCA Continuing Employees") and (ii) the employees of PSA and its Subsidiaries at the Closing who continue to remain employed with DutchCo (the "PSA Continuing Employees") shall, during the period commencing at the Closing and ending on December 31, 2021, be provided with a base salary or base wage, severance benefit protections, and pension and welfare benefits that are no less favorable, in the aggregate, than those provided to such FCA Continuing Employees or PSA Continuing Employees, as applicable, immediately prior to the Closing.

(b) Prior to making any material written communications to the employees of FCA or PSA pertaining to compensation or benefit matters that are affected by the Transactions, each Party shall provide the other Party with a copy of the intended communication, the other Party shall have a reasonable period of time to review and comment on the communication, and the relevant Party shall consider any such comments in good faith.

(c) Nothing contained in this Agreement is intended to (i) be treated as an amendment of any particular Benefit Plan or Collective Bargaining Agreement, (ii) prevent FCA, PSA, DutchCo or any of their respective affiliates from amending or terminating any of their respective Benefit Plans in accordance with their terms, (iii) prevent FCA, PSA, DutchCo or any of their respective affiliates, after the Closing, from terminating the employment of any FCA Continuing Employee or PSA Continuing Employee or (iv) create any third-party beneficiary rights in any employee of FCA, PSA or any of their Subsidiaries, any beneficiary or dependent thereof, or any collective bargaining or other representative thereof, with respect to the compensation, terms and conditions of employment or benefits that may be provided to any FCA Continuing Employee or PSA Continuing Employee by FCA, PSA, DutchCo or any of their respective affiliates or under any Benefit Plan which FCA, PSA, DutchCo or any of their respective affiliates may maintain.

Section 1.2 Indemnification; Directors' and Officers' Insurance.

(a) From and after the Closing, DutchCo shall indemnify and hold harmless each present and former director and officer of each Party or any of its Subsidiaries (in each case, when acting in such capacity), determined as of the Closing (the "Indemnified Parties"), against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the Closing and related to their respective roles as director or officer of the relevant Party or its relevant Subsidiary, whether asserted or claimed prior to, at or after the Closing; provided that the Person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Person is not entitled to indemnification.

(b) Any Indemnified Party wishing to claim indemnification under Section 1.2(a) of this Annex VIII, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify DutchCo thereof, but the failure to so notify shall not relieve DutchCo of any liability it may have to such Indemnified Party except to the extent such failure materially prejudices DutchCo. The existing procedural requirements with respect to any indemnification claims shall continue to apply.

(c) Prior to the Closing, each Party shall (and if such Party is unable to, DutchCo shall) effective as of the Effective Time, obtain and fully pay for "tail" insurance policies with a claims period of

at least six years from and after the Closing from an insurance carrier with the same or better credit rating as such Party's current insurance carrier with respect to directors' and officers' liability insurance and fiduciary liability insurance (collectively, "D&O Insurance") with benefits and levels of coverage at least as favorable as such Party's existing policies with respect to matters existing or occurring at or prior to the Closing (including in connection with this Agreement or the Transactions). If such Party and DutchCo for any reason fail to obtain such "tail" insurance policies as of the Closing, DutchCo shall continue to maintain in effect for a period of at least six years from and after the Closing the D&O Insurance in place as of the date of this Agreement with benefits and levels of coverage at least as favorable as provided in such Party's existing policies as of the date of this Agreement.

(d) The provisions of Section 1.2 of this Annex VIII are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties. The rights of the Indemnified Parties under Section 1.2 of this Annex VIII shall be in addition to any rights such Indemnified Parties may have under any applicable Organizational Documents, Contract or Law.

ANNEX IX

CONDITIONS PRECEDENT

Section 1.1 Conditions Precedent.

(a) Shareholder Approvals. The FCA Requisite Vote shall have been obtained at the FCA Shareholders' Meeting and the PSA Requisite Vote shall have been obtained at the PSA Shareholders' Meeting.

(b) Exchange Listings. The DutchCo Shares to be issued to the holders of the PSA Shares pursuant to this Agreement and otherwise in connection with the Combination pursuant to this Agreement (including the DutchCo Shares to be reserved for issuance in connection with the Combination) shall have been authorized for listing on Euronext Paris, the NYSE, and the *Borsa Italiana* (to the extent applicable).

(c) Registration Statement and Admission Prospectus. The Registration Statement shall have been declared effective by the SEC under the Securities Act, and shall not be the subject of any stop order suspending the effectiveness of the Registration Statement. All necessary Consents of the AFM with respect to the Admission Prospectus shall have been obtained, and the AFM, upon request of FCA or DutchCo, shall have validly provided notice of the Admission Prospectus (as well as a translation into Italian and French of the summary of the Admission Prospectus, to the extent required by applicable Laws) to each of the AMF, the *Commissione Nazionale per le Società e la Borsa* and the European Securities and Markets Authority pursuant to Article 25 of the Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017.

(d) Competition Approvals and Other Approvals.

(i) All waiting periods (and any extension thereof) in connection with the Competition Approvals shall have expired or been terminated and (to the extent applicable) all of the Competition Approvals shall have been granted, and shall be in full force and effect.

(ii) There shall have been obtained or made the Consents (other than (i) the Competition Approvals that are governed by paragraph (d)(i) above and (ii) such Consents, including competition clearances other than the Competition Approvals, for which the failure to be obtained or made would not, individually or in the aggregate, have a Substantial Detriment) of any Governmental Entity required of PSA, FCA or any of their respective Subsidiaries to consummate the Transactions and such Consents shall (1) have been obtained on terms that, individually or in the aggregate, would not reasonably be expected to have a Substantial Detriment, and (2) be in full force and effect.

(e) ECB Clearance. The ECB Clearance shall have been obtained.

(f) Pre-Combination Items. Each of the Pre-Combination Certificates shall have been issued.

(g) No Injunctions or Restraints. No Governmental Entity having jurisdiction over the Parties or their respective businesses or assets shall have enacted, issued, promulgated, enforced or entered any Law that prohibits or makes illegal the consummation of the Combination or the other Transactions but only to the extent failure to comply with such prohibition(s) or decision(s), individually or in the aggregate, would reasonably be expected to have a Substantial Detriment.

ANNEX X

TERMINATION

Section 1.1 Termination by Mutual Consent. This Agreement may be terminated by mutual written consent of FCA and PSA at any time prior to the Closing.

Section 1.2 Termination by Either Party. This Agreement may be terminated by either FCA or PSA at any time prior to the Closing:

(a) if the Closing shall not have occurred by June 30, 2021 (such date, the "Longstop Date"), whether such date is before or after the date of the receipt of the FCA Requisite Vote or the PSA Requisite Vote; provided, however, that the Longstop Date may be extended for only one (1) additional 90-day period at the option of either FCA and PSA (each in its sole discretion) if the only conditions that have not been satisfied (other than those conditions that have been waived in writing, and those conditions that by their nature can only be satisfied at or immediately prior to the Closing) at the Longstop Date are one or more of the conditions set forth in Section 1.1(g) of Annex IX (*Conditions Precedent*) (solely as it relates to any Competition Approvals or the ECB Clearance) and Section 1.1(d)(i) or (e) of Annex IX (*Conditions Precedent*); provided, further, that neither (x) the right to extend the Longstop Date pursuant to this Section 1.2(a) of this Annex X nor (y) the right to terminate this Agreement pursuant to this Section 1.2(a) of this Annex X, may be exercised by any Party whose failure to perform any material covenant or obligation under this Agreement has been the primary cause of, or primarily resulted in, the failure of a condition to the consummation of the Combination to be satisfied on or before the Longstop Date;

(b) if (i) the FCA Requisite Vote shall not have been obtained after a vote of the FCA shareholders has been taken and completed at the FCA Shareholders' Meeting or at any adjournment or postponement thereof in accordance with this Agreement, or (ii) the PSA Requisite Vote shall not have been obtained after a vote of the PSA shareholders has been taken and completed at the PSA Shareholders' Meeting or at any adjournment or postponement thereof in accordance with this Agreement; provided that the right to terminate this Agreement pursuant to this paragraph (b) may not be exercised by any Party whose failure to perform any material covenant or obligation under this Agreement has been the primary cause of, or primarily resulted in, the failure to obtain the FCA Requisite Vote or PSA Requisite Vote on or before the Longstop Date;

(c) if any Governmental Entity responsible for granting a Consent required under Section 1.1(d) of Annex IX (*Conditions Precedent*) has (1) denied such Consent in writing and such denial has become final, binding and non-appealable, or (2) issued, promulgated, enforced or entered any order or decision permanently restraining, enjoining or otherwise prohibiting consummation of the Combination that has become final and non-appealable, or (3) enacted, issued, promulgated, enforced or entered any order or decision that requires a Party or any of its Subsidiaries to take or commit to take any actions constituting, or that would reasonably be expected to result in, a Substantial Detriment, or would otherwise constitute or reasonably be expected to result in a Substantial Detriment, in each case, that has become final and non-appealable, or (4) indicated to the Parties definitively that it will grant the relevant Consent only if a Party or any of its Subsidiaries takes, or commits to take, any actions constituting, or that would reasonably be expected to result in, a Substantial Detriment; provided that the Party seeking to terminate this Agreement pursuant to this Section 1.2(c) of this Annex X shall have complied with its obligations under Annex V (*Covenants Related to the Consents*) to (x) prevent the denial of such Consent, (y) prevent the entry of and to remove such order or decision, or (z) cause the relevant Regulatory Authority to grant the relevant Consent without a Party or any of its Subsidiaries taking, or committing to take, any actions constituting, or that would reasonably be expected to result in, a Substantial Detriment, as applicable; provided, further, that the right to terminate this Agreement pursuant to this Section 1.2(c) of this Annex X may not be exercised by any Party whose failure to perform any material covenant or obligation under this

Agreement has been the primary cause of, or primarily resulted in, such denial or order or decision, as applicable.

Section 1.3 Termination by FCA. This Agreement may be terminated by FCA by written notice to PSA at any time prior to the Closing:

(a) if the PSA Board shall have effected a Change in PSA Recommendation;

(b) if the PSA Board shall have failed to hold a vote of the shareholders of PSA in order to obtain the PSA Requisite Vote prior to March 31, 2021;

(c) (i) if PSA (A) willfully breaches or fails to perform any of its covenants or agreements contained in this Agreement in any material respect (and such breach is not curable prior to the Longstop Date, or if curable prior to the Longstop Date, has not been cured within the earlier of (x) thirty (30) days after the giving of notice thereof by FCA to PSA or (y) three (3) Business Days prior to the Longstop Date) or (B) breaches or fails to perform any of its covenants or agreements in this Agreement in a manner that would be reasonably likely to prevent or materially delay completion of the Transactions or result in a Substantial Detriment; or (ii) if any of the representations or warranties of PSA contained in (A) Annex III (other than as set forth in Sections 1.1(a), (b) and (c) of Annex III) fails to be true and correct where such failure to be true and correct, individually or in the aggregate, (x) constitutes a Material Adverse Effect with respect to PSA or a Substantial Detriment or (y) would reasonably be expected to prevent, impair or materially delay the consummation of the Combination, (B) Section 1.1(a) or (b) of Annex III fails to be true and correct in any material respect (and such failure to be true and correct is not curable prior to the Longstop Date, or if curable prior to the Longstop Date, has not been cured within the earlier of (x) thirty (30) days after the giving of notice thereof by FCA to PSA or (y) three (3) Business Days prior to the Longstop Date), or (C) Section 1.1(c)(ii) of Annex III fails to be true and correct in all but *de minimis* respects; provided, however, that the right to terminate this Agreement pursuant to this Section 1.3(c) of this Annex X shall not be available if FCA is then in material breach of any of its representations, warranties, covenants or other agreements hereunder; or

(d) in the event of a Material Adverse Effect with respect to PSA.

Section 1.4 Termination by PSA. This Agreement may be terminated by PSA by written notice to FCA at any time prior to the Closing:

(a) if the FCA Board shall have effected a Change in FCA Recommendation;

(b) if the FCA Board shall have failed to hold a vote of the shareholders of FCA in order to obtain the FCA Requisite Vote prior to March 31, 2021;

(c) (i) if FCA (A) willfully breaches or fails to perform any of its covenants or agreements contained in this Agreement in any material respect (and such breach is not curable prior to the Longstop Date, or if curable prior to the Longstop Date, has not been cured within the earlier of (x) thirty (30) days after the giving of notice thereof by PSA to FCA or (y) three (3) Business Days prior to the Longstop Date) or (B) breaches or fails to perform any of its covenants or agreements in this Agreement in a manner that would be reasonably likely to prevent or materially delay completion of the Transactions or result in a Substantial Detriment; or (ii) if any of the representations or warranties of FCA contained in (A) Annex III (other than as set forth in Sections 1.1(a), (b) and (c) of Annex III) fails to be true and correct where such failure to be true and correct, individually or in the aggregate, (x) constitutes a Material Adverse Effect with respect to PSA or a Substantial Detriment or (y) would reasonably be expected to prevent, impair or materially delay the consummation of the Combination, (B) Section 1.1(a) or (b) of Annex III fails to be true and correct in any material respect (and such failure to be true and correct is not curable prior to the Longstop Date, or if curable prior to the Longstop Date, has not been cured within the earlier

of (x) thirty (30) days after the giving of notice thereof by PSA to FCA or (y) three (3) Business Days prior to the Longstop Date), or (C) Section 1.1(c)(i) of Annex III fails to be true and correct in all but *de minimis* respects; provided, however, that the right to terminate this Agreement pursuant to this Section 1.4(c) of this Annex X shall not be available if PSA is then in material breach of any of its representations, warranties, covenants or other agreements hereunder; or

(d) in the event of a Material Adverse Effect with respect to FCA.

Section 1.5 Effect of Termination and Abandonment.

(a) *Effect of Termination and Abandonment*. In the event of termination of this Agreement pursuant to this Annex X, this Agreement (other than as set forth in this Section 1.5(a) of this Annex X and other than the provisions of Article IX (*Miscellaneous*)) shall become void and of no effect with no liability on the part of any Party (or of any of its directors, officers, employees, agents, legal and financial advisors or other Representatives); provided, however, that no such termination shall relieve any PSA or FCA, as the case may be, from paying the FCA Termination Payment or the PSA Termination Payment and shall be without prejudice to any and all remedies available at law (including, for the avoidance of doubt, any breach of this Agreement leading to such FCA Termination Payment or PSA Termination Payment, as applicable); provided, further, that in the event of termination, the Parties shall cooperate with each other in connection with the withdrawal of any applications to or termination of proceedings before any Governmental Entity in connection with the Transactions. The Parties agree that the provisions of article 6:92, paragraphs 1, 2 and 3 of the Dutch Civil Code shall, to the maximum extent possible, not apply. Each Party hereby waives any (potential) right it may have to request mitigation of such liability in any manner (in legal proceedings or otherwise).

(b) *Termination Payment Payable by FCA.*

(i) In the event that this Agreement is terminated by PSA pursuant to Section 1.4(a) of this Annex X (*Change in FCA Recommendation*), then FCA shall, within two (2) Business Days of such termination, pay or cause to be paid to PSA an amount equal to €500 million (exclusive of any applicable value-added tax) (the "FCA Termination Payment") by wire transfer of same-day funds.

(ii) In the event that this Agreement is terminated by either FCA or PSA pursuant to Section 1.2(b)(i) of this Annex X (*FCA Requisite Vote Not Obtained*), then FCA shall, within two (2) Business Days of such termination, pay or cause to be paid to PSA €250 million (exclusive of any applicable value-added tax) by wire transfer of same-day funds.

(iii) In the event that this Agreement is terminated by PSA pursuant to Section 1.4(b) of this Annex X (*FCA Shareholders' Meeting Longstop Date*), then FCA shall, within two (2) Business Days of such termination, pay or cause to be paid to PSA the FCA Termination Payment by wire transfer of same-day funds.

(iv) In the event that this Agreement is terminated by PSA pursuant to Section 1.3(c) of this Annex X (*FCA Material Breach*) as a result of a material breach of FCA's obligations set forth in this Agreement, then FCA shall, within two (2) Business Days of such termination, pay or cause to be paid to PSA the FCA Termination Payment by wire transfer of same-day funds.

(c) *Termination Payment Payable by PSA.*

(i) In the event that this Agreement is terminated by FCA pursuant to Section 1.3(a) of this Annex X (*Change in PSA Recommendation*), then PSA shall, within two (2) Business Days of such termination, pay or cause to be paid to FCA an amount equal to €500 million (exclusive of

any applicable value-added tax) (the "PSA Termination Payment") by wire transfer of same-day funds.

(ii) In the event that this Agreement is terminated by either FCA or PSA pursuant to Section 1.2(b)(ii) of this Annex X (*PSA Requisite Vote Not Obtained*), then PSA shall, within two (2) Business Days of such termination, pay or cause to be paid to FCA €250 million (exclusive of any applicable value-added tax) by wire transfer of same-day funds.

(iii) In the event that this Agreement is terminated by FCA pursuant to Section 1.3(b) of this Annex X (*PSA Shareholders' Meeting Longstop Date*), then PSA shall, within two (2) Business Days of such termination, pay or cause to be paid to FCA the PSA Termination Payment by wire transfer of same-day funds.

(iv) In the event that this Agreement is terminated by FCA pursuant to Section 1.3(c) of this Annex X (*PSA Material Breach*) as a result of a material breach of PSA's obligations set forth in this Agreement, then PSA shall, within two (2) Business Days of such termination, pay or cause to be paid to FCA the PSA Termination Payment by wire transfer of same-day funds.

(d) *Taxation of Payments*. If a Party is liable to account for value-added tax in connection with any payment by the other Party under Section 1.5 of this Annex X, the other Party shall pay an amount equal to that value-added tax to the first Party in addition on receipt of a valid value-added tax invoice. If, at any time, any applicable Law requires a Party to this Agreement to make any deduction or withholding from any sums payable under Section 1.5 of this Annex X, the amount so due shall be increased to the extent necessary to ensure that, after the making of that deduction or withholding, the recipient of the payment receives, on the due date for the payment, a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made, provided that Section 1.5(d) of this Annex X shall not require an increased payment to be made to the extent that (i) the requirement to make such deduction or withholding would not have arisen but for the recipient of the payment only being entitled to the payment as a result of an assignment to it of rights under this Agreement and (ii) the recipient of the payment does not benefit from the provisions of an applicable tax treaty. To the extent permitted by applicable Laws, the Parties shall reasonably cooperate in mitigating any deduction or withholding required in respect of any payment under Section 1.5 of this Annex X, including by issuing any valid exemption certificate or other applicable valid documentation that should eliminate or reduce such deduction or withholding. If a Party is required in accordance with the foregoing to make an increased payment and the Party that is the recipient of the increased payment subsequently determines in good faith that it has effectively obtained and utilized a Tax credit corresponding to such increased payment, the Party that is the recipient of the increased payment shall pay an amount to the other Party, which it determines will leave it in the same after-Tax position it would have been in, had the payment of the increased amount not been required to be made.

SCHEDULE I

DEFINED TERMS

"2020 Ordinary Dividend" means the total amount of ordinary dividend (taking into account any advance payment of dividends if applicable) paid by a Party with respect to the fiscal year of such Party ending on December 31, 2019.

"2021 Ordinary Dividend" means the total amount of ordinary dividend (taking into account any advance payment of dividends if applicable) paid by a Party with respect to the fiscal year of such Party ending on December 31, 2020.

"ACPR" has the meaning set forth in Section 1.2(b)(i) of Annex V.

"Acquisition Proposal", with respect to FCA or PSA, as applicable, means any offer or proposal for, or any indication of interest in, (i) any combination, sale, transfer, tender offer, share exchange, merger, consolidation, or similar transaction involving all or a substantial portion of the shares or assets of FCA, PSA or any of their respective material Subsidiaries, (ii) an acquisition or purchase by any third party of the voting securities of, or equity interest in, FCA, PSA or any of their respective material Subsidiaries or significant investees, and (iii) any other transaction that would reasonably be expected to prevent, impair or delay the consummation of the Combination or any of the other Transactions.

"Admission Prospectus" has the meaning set forth in Section 1.1(d) of Annex VI.

"AFM" has the meaning set forth in Section 1.1(d) of Annex VI.

"Agreement" has the meaning set forth in the Preamble to this Agreement.

"AMF" has the meaning set forth in Section 1.1 of Annex III.

"Benefit Plan" means any benefit and compensation plan, contract, policy or arrangement covering current or former employees of a Party and its Subsidiaries and current or former directors or consultants of such Party and its Subsidiaries, whether or not in writing and whether or not funded, in each case, that is sponsored or maintained by, or required to be contributed to, or with respect to any potential liability is borne by such Party and its Subsidiaries. Benefit Plans include, but are not limited to, health, welfare, pension, retirement, profit-sharing, deferred compensation, stock option, change in control, retention, equity or equity-based compensation, stock purchase, employee stock ownership, severance pay, vacation, bonus or other incentive plans, medical, retiree medical, vision, dental or other health plans, life insurance plans, other employee benefit plans or fringe benefit plans.

"*Borsa Italiana*" has the meaning set forth in Section 2.3(a) of this Agreement.

"BPI" has the meaning set forth in Section 2.2 of this Agreement.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in (i) Amsterdam, the Netherlands, (ii) Paris, France, (iii) London, England, (iv) New York, State of New York, and (v) Milan, Italy.

"Change in FCA Recommendation" has the meaning set forth in Section 1.1(f) of Annex VI.

"Change in FCA Recommendation Notice" has the meaning set forth in Section 1.1(e) of Annex VII.

"Change in PSA Recommendation" has the meaning set forth in Section 1.1(g) of Annex VI.

"Change in PSA Recommendation Notice" has the meaning set forth in Section 1.1(e) of Annex VII.

"Closing" has the meaning set forth in Section 2.3(a) of this Agreement.

"Closing Date" has the meaning set forth in Section 1.2 of Annex I.

"Collective Bargaining Agreement" means any collective bargaining agreement or other agreement with a labor union, works council or similar labor organization or other representative of any employees of a Party or such Party's Subsidiaries.

"Comau Alternative Transaction" has the meaning set forth in Section 6.5(c) of this Agreement.

"Comau Spin-Off" has the meaning set forth in Section 6.5(c) of this Agreement.

"Combination" has the meaning set forth in the Recitals to this Agreement.

"Combined Group" means, collectively, following the consummation of the Combination, DutchCo and its Subsidiaries and Non-Consolidated Ventures.

"Competition Approvals" means, collectively, (i) approval or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, (ii) approval under the EUMR or the relevant national competition authorities in the European Union in the event of referral of all or any part of the Combination pursuant to Article 9 of the EUMR, and (iii) the merger control or competition law approvals in the following jurisdictions: the Federative Republic of Brazil, the Republic of Chile, the United States of Mexico, the People's Republic of China, Japan, the Republic of India, the Republic of South Africa, People's Democratic Republic of Algeria, Kingdom of Morocco, Israel, the Swiss Confederation, Ukraine, the Russian Federation, the Republic of Serbia, the Republic of Turkey, the United Kingdom (in the event that the UK Competition and Markets Authority considers that the approval of the Combination under the EUMR does not apply with respect to the United Kingdom), and, if prior to Closing the antitrust pre-merger approval in the Argentine Republic is mandatory so that the consummation of the Combination without the prior approval of the Argentine Antitrust Authority would breach the Argentina Antitrust Law, the Argentine Republic.

"Confidentiality Agreement" has the meaning set forth in Section 6.8(a) of this Agreement.

"Consents" has the meaning set forth in Section 1.1(a) of Annex V.

"Contract" means, with respect to any Person, any agreement, indenture, loan agreement, undertaking, note or other debt instrument, contract, lease, mortgage, deed of trust, permit, license, understanding, arrangement, commitment or other obligation, written or oral, to which such Person or any of its Subsidiaries is a party or by which any of them may be bound or to which any of their properties may be subject, other than any Benefit Plan.

"Creditors" has the meaning set forth in Section 1.1(b) of Annex VI.

"Cross-Border Merger Terms" has the meaning set forth in Section 1.1(a) of Annex VI.

"D&O Insurance" has the meaning set forth in Section 1.2(c) of Annex VIII.

"Deed of Merger" has the meaning set forth in Section 1.3 of Annex I.

"Distributable Amount" has the meaning set forth in Section 6.5(d) of this Agreement.

"Dongfeng Motor" has the meaning set forth in Section 2.2 of this Agreement.

"Dutch Civil Law Notary" has the meaning set forth in Section 1.2 of Annex I.

"Dutch Law" has the meaning set forth in Section 1.1 of Annex I.

"Dutch Merger Regulations" means Sections 2:333b *et seq*. of the Dutch Civil Code.

"DutchCo" has the meaning set forth in the Recitals to this Agreement.

"DutchCo Articles of Association" has the meaning set forth in Section 2.1(a) of this Agreement.

"DutchCo Board" has the meaning set forth in Section 2.1(c) of this Agreement.

"DutchCo Equity Warrant" has the meaning set forth in Section 1.5(a) of Annex I.

"DutchCo RSU" has the meaning set forth in Section 1.5(b) of Annex I.

"DutchCo Share" has the meaning set forth in Section 1.1 of this Agreement and shall exclude, for the avoidance of doubt, any special voting shares issued by DutchCo.

"ECB Clearance" has the meaning set forth in Section 1.2(a) of Annex V.

"Effective Time" has the meaning set forth in Section 1.3 of Annex I.

"EMEA" means Europe, the Middle East and Africa.

"Environmental Claim" has the meaning set forth in Section 1.1(r) of Annex III.

"Environmental Laws" has the meaning set forth in Section 1.1(r) of Annex III.

"EPF/FFP" has the meaning set forth in Section 2.2 of this Agreement.

"EU Listing Applications" has the meaning set forth in Section 1.1(d) of Annex VI.

"EUMR" means Council Regulation (EC) 139/2004 of the European Union.

"Excess Shares" has the meaning set forth in Section 2.2 of this Agreement.

"Exchange Act" has the meaning set forth in Section 3.1(b) of this Agreement.

"Exchange Ratio" has the meaning set forth in Section 1.1 of this Agreement.

"Exor" has the meaning set forth in Section 1.1 of this Agreement.

"Faurecia" has the meaning set forth in Section 6.5(b) of this Agreement.

"Faurecia Distribution" has the meaning set forth in Section 6.5(b) of this Agreement.

"FCA" has the meaning set forth in the Preamble to this Agreement.

"FCA Board" means the Board of Directors of FCA.

"FCA Continuing Employees" has the meaning set forth in Section 1.1(a) of Annex VIII.

"FCA Dividend" has the meaning set forth in Section 6.5(a) of this Agreement.

"FCA Equity Awards" means, together, the FCA RSUs and FCA PSUs.

"FCA Group" means FCA and its Subsidiaries and its Non-Consolidated Ventures, taken as a whole.

"FCA PSU" means each FCA performance share unit under the FCA Share Plan.

"FCA Recommendation" means the recommendation of the FCA Board that the FCA shareholders approve the Cross-Border Merger Terms and the transactions contemplated thereby and by this Agreement.

"FCA Reports" has the meaning set forth in Section 1.1 of Annex III.

"FCA Requisite Vote" means the approval of (A) the Cross-Border Merger Terms and the Combination by the affirmative vote of the holders of (i) a majority of the votes cast at the FCA Shareholders' Meeting (provided that one half or more of the issued share capital of FCA is represented at the FCA Shareholders' Meeting) or (ii) if less than one half of the issued share capital of FCA is represented at the FCA Shareholders' Meeting, at least two-thirds of the votes cast at the FCA Shareholders' Meeting, (B) any amendment of the Organizational Documents of FCA by the holders of FCA Shares required to implement the Transactions, including the approval of any changes and amendments to the articles of association of FCA contemplated by this Agreement, (C) any decision by the holders of FCA Shares required to appoint the members of the DutchCo Board whose appointment is contemplated by this Agreement and (D) any other actions required by applicable Law or the Organizational Documents of FCA to implement the Transactions.

"FCA RSU" means each outstanding FCA restricted share unit under the FCA Share Plan.

"FCA Share" has the meaning set forth in Section 1.1 of this Agreement.

"FCA Share Plan" has the meaning set forth in Section 1.1(c)(i) of Annex III.

"FCA Shareholder Circular" has the meaning set forth in Section 1.1(d) of Annex VI.

"FCA Shareholders' Meeting" has the meaning set forth in Section 1.1(f) of Annex VI.

"FCA Special Voting Shares" has the meaning set forth in Section 1.1(c)(i) of Annex III.

"FCA Termination Payment" has the meaning set forth in Section 1.5(b)(i) of Annex X.

"French Law" has the meaning set forth in Section 1.1 of Annex I.

"French Merger Regulations" means Articles L. 236-25 *et seq*. of the French Commercial Code.

"Governance Effective Time" has the meaning set forth in the Section 2.1 of this Agreement.

"Governmental Entity" means any governmental or regulatory authority, agency, commission or body, any court, or any other governmental or regulatory entity, whether French, Dutch, Italian, U.S., European, national or supra-national, state or local, including Regulatory Authorities.

"IFRS" means the International Financial Reporting Standards issued by the International Accounting Standards Board, as well as adopted by the European Union.

"Indemnified Parties" has the meaning set forth in Section 1.2(a) of Annex VIII.

"Independent Director" has the meaning set forth in Section 3.1(b) of this Agreement.

"Intended French Tax Treatment" means, collectively, (a) the favorable corporate income tax merger regime provided for by Article 210 A of the French Tax Code, (b) the transfer tax regime applying to mergers pursuant to Article 816 of the French Tax Code, (c) the roll-over regime provided for by Articles 38-7 *bis* and 150-0 B of the French Tax Code, (d) the regime provided for by Article 115-1 and 121 of the French Tax Code, (e) the VAT regime provided for by Article 257 *bis* of the French Tax Code or similar VAT regime in any relevant country, (f) the exemption from financial transaction tax as set forth by Article 235 ter ZD II 5° of the French Tax Code, (g) the benefit of article 223 L-6-c and 223-I-5 of the French Tax Code and (h) the transfer of the French Tax losses carried forward of the existing PSA French Tax consolidated group pursuant to Article 223 I-6 and 1649 *nonies* of the French Tax Code.

"Intended Tax Treatments" means the Intended French Tax Treatment and the Intended U.S. Tax Treatment.

"Intended U.S. Tax Treatment" means that DutchCo is not treated as a domestic corporation or a "surrogate foreign corporation", as such term is defined in Section 7874(a)(2)(B) of the IR Code, for U.S. federal income Tax purposes as a result of the Transactions.

"IR Code" has the meaning set forth in Section 1.1(q)(i) of Annex III.

"Law" (and, collectively, "Laws") means any supra-national, national, federal, state or local law, constitution, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, writ, franchise, variance, exemption, approval, license or permit in force in the Netherlands, France, Italy, the U.S. or elsewhere, together with applicable treaty or directive.

"Letter Agreement" has the meaning set forth in Section 6.3 of this Agreement.

"Longstop Date" has the meaning set forth in Section 1.2(a) of Annex X.

"Material Adverse Effect" on FCA or PSA, as applicable, means any facts, circumstances, changes, events or developments (including any material worsenings of any existing fact, circumstance or event) that, individually or in the aggregate, materially adversely affect (or is reasonably likely to materially adversely affect) the business, financial condition or results of operations, taken as a whole, of the FCA Group or the PSA Group (or in each case the Combined

Group), respectively; provided that the following, alone or in combination, shall not in and of itself or themselves constitute a Material Adverse Effect:

(A) any change or development in general economic or regulatory, legislative or political conditions or securities, credit, financial or other capital markets conditions, in each case in any jurisdiction;

(B) any change or development affecting the global automotive industry generally;

(C) any change or development to the extent resulting from any failure of the FCA Group, the PSA Group or the Combined Group, respectively, to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts and circumstances giving rise to such failure may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Effect);

(D) any change in the market price, credit rating (with respect to such Party or its securities) or trading volume of such Party's securities (it being understood that the facts and circumstances giving rise to such change may be deemed to constitute, and may be taken into account in determining whether there has been, a Material Adverse Effect);

(E) any change in applicable Law, regulation or IFRS (or any authoritative interpretation thereof) of general applicability;

(F) geopolitical conditions, the outbreak or escalation of hostilities, any acts of war (whether or not declared) or terrorism, or any escalation or worsening of any such acts of war or terrorism threatened or underway as of the date of this Agreement; or

(G) any hurricane, tornado, flood, earthquake or other weather or natural disaster;

provided, further, that, with respect to clauses (A), (B), (E), (F) and (G), such change or development shall be taken into account in determining whether a Material Adverse Effect has occurred or is reasonably likely to occur to the extent (and only to the extent) it disproportionately affects the FCA Group or the PSA Group (or in each case the Combined Group), respectively.

"Merger Consideration" has the meaning set forth in Section 1.4(a)(i) of Annex I.

"Merger Terms Publication" has the meaning set forth in Section 1.1(b) of Annex VI.

"Non-Consolidated Ventures" means, as to FCA or PSA, the entities that are accounted for in the consolidated financial statement of the relevant Party by the equity method or as joint operations and recognized in proportion to the share of assets, liabilities, revenue and expenses controlled by the relevant Party.

"North America" means the United States, Canada and Mexico.

"NYSE" has the meaning set forth in Section 2.3(a) of this Agreement.

"NYSE Listing Application" has the meaning set forth in Section 1.1(d) of Annex VI.

"Ordinary Course" has the meaning set forth in Section 6.1(a)(i) of this Agreement.

"Organizational Documents" has the meaning set forth in Section 1.1(d) of Annex III.

"Party" or "Parties" has the meaning set forth in the Preamble to this Agreement.

"Permits" means, collectively, the permits, registrations, licenses, filings, notices, reports, franchises, variances, classifications, qualifications, exemptions, orders and other authorizations, consents and approvals.

"Person" means any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or Self-Regulatory Organization or other entity of any kind or nature.

"Personal Information" means any information that identifies or could reasonably be used to identify an individual and any other personal information that is subject to any applicable Law or privacy policies and includes "personal data" as defined in Article 4(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016.

"Pre-Combination Certificates" means (i) a "pre-merger" certificate (such certificate being the *attestation de conformité* pursuant to Articles L. 236-29 and R. 236-17 of the French *Code de Commerce*) from the Clerk of the Commercial Court of Nanterre (*greffe du Tribunal de Commerce de Nanterre*) attesting to the proper completion of the pre-Combination acts and formalities under French Law and (ii) a "pre-merger" certificate, to the extent required, from the Dutch Civil Law Notary attesting to the proper completion of the pre-Combination acts and formalities under Dutch Law.

"Product" has the meaning set forth in Section 1.1(p) of Annex III.

"PSA" has the meaning set forth in the Preamble to this Agreement.

"PSA Board" means the Supervisory Board of PSA.

"PSA Continuing Employees" has the meaning set forth in Section 1.1(a) of Annex VIII.

"PSA Depositary" has the meaning set forth in Section 1.4(a)(ii) of Annex I.

"PSA Equity Awards" has the meaning set forth in Section 1.5(c)(i) of Annex I.

"PSA Equity Warrants" has the meaning set forth in Section 1.5(a) of Annex I.

"PSA Granted Shares" has the meaning set forth in Section 1.5(b) of Annex I.

"PSA Group" means PSA and its Subsidiaries and its Non-Consolidated Ventures, taken as a whole.

"PSA Information Document" has the meaning set forth in Section 1.1(d) of Annex VI.

"PSA Performance Share" has the meaning set forth in Section 1.5(b) of Annex I.

"PSA Recommendation" means the recommendation of the PSA Board that the PSA shareholders approve the Cross-Border Merger Terms and the transactions contemplated thereby and by this Agreement.

"PSA Reports" has the meaning set forth in Section 1.1 of Annex III.

"PSA Requisite Vote" means the approval of (A) the Cross-Border Merger Terms and the Combination by the affirmative vote of the holders of two-thirds of the voting rights attached to the PSA Shares present or represented at a meeting of the shareholders of PSA at which at least twenty-five percent of the PSA Shares are present or represented upon first convening, or one-fifth of the PSA Shares are present or represented upon second convening and (B) any other actions required by applicable Law and the Organizational Documents of PSA to be approved by the holders of PSA Shares to implement the Transactions.

"PSA Share" has the meaning set forth in Section 1.1 of this Agreement.

"PSA Share Plans" means (i) the PSA Performance Share Plan of June 2, 2016, (ii) the PSA Performance Share Plan of April 10, 2017, (iii) the PSA Performance Share Plan of April 9, 2018, (iv) the PSA Performance Share Plan of May 20, 2019 and (v) any similar performance share plan implemented prior to the Closing in accordance with this Agreement.

"PSA Shareholders' Meeting" has the meaning set forth in Section 1.1(g) of Annex VI.

"PSA Termination Payment" has the meaning set forth in Section 1.5(c)(i) of Annex X.

"Reference Affiliate" means the affiliates of any party to a Letter Agreement to which such party has transferred FCA shares or PSA shares (after the date hereof and prior to the Closing) or DutchCo Shares (following the Closing) or which have acquired FCA Shares, PSA Shares or DutchCo Shares after the date hereof, in each case in accordance with the terms of the applicable Letter Agreement.

"Registration Statement" has the meaning set forth in Section 1.1(d) of Annex VI.

"Regulatory Authority" means any and all relevant Dutch, French, Italian, U.S., European Union and other regulatory agencies or authorities, in each case only to the extent that such agency or authority has authority and jurisdiction in the particular context.

"Representatives" has the meaning set forth in Section 1.3 of Annex V.

"Retroactive Effective Date" has the meaning set forth in Section 1.1 of Annex I.

"Sanctions" has the meaning set forth in Section 1.1(n) of Annex III.

"SEC" has the meaning set forth in Section 1.1 of Annex III.

"Securities Act" has the meaning set forth in Section 1.1(d) of Annex VI.

"Securities Filings" has the meaning set forth in Section 1.1(d) of Annex VI.

"Self-Regulatory Organization" means any Dutch, French, Italian, U.S. or other jurisdiction's commission, board, agency or body that is not a Governmental Entity but is charged with the supervision or regulation of brokers, dealers, securities underwriting or trading, stock exchanges, commodities exchanges, electronic communication networks, insurance companies or agents, investment companies or investment advisers, including the NYSE, Euronext Paris and the *Borsa Italiana*.

"Subsidiary" means, with respect to any Person, any entity, whether incorporated or unincorporated, of which at least a majority of the securities or ownership interests having by their terms voting power to elect a majority of the board of directors or other Persons performing similar

functions is directly or indirectly owned or controlled by such Person or by one or more of its respective Subsidiaries (including a subsidiary (*dochtermaatschappij*) within the meaning of Section 2:24a of the Dutch Civil Code).

"Substantial Detriment" means, individually or in the aggregate, a material adverse impact (or is reasonably likely to have a material adverse impact) on the value of the Combined Group after the Closing (taking into account the Parties' contemplated plans for combining the businesses of PSA and FCA after the Closing and the value reasonably expected to be realized in connection with the Combination) or the imposition (or the reasonably likely imposition) of criminal penalties or sanctions.

"Superior Proposal" means, with respect to FCA or PSA, as applicable, a *bona fide* written Acquisition Proposal that did not result from a breach of Section 1.1(a) of Annex VII (*Acquisition Proposals*) for or in respect of two-thirds or more of the outstanding issued share capital of FCA or PSA, as applicable, or all or substantially all of the assets of FCA and its Subsidiaries, on a consolidated basis, or PSA and its Subsidiaries, on a consolidated basis, as applicable, in each case on terms that the FCA Board or the PSA Board, as applicable, determines in good faith, taking into account, among other things, (i) all legal, financial, regulatory, timing and other aspects of the Acquisition Proposal and this Agreement reasonably deemed relevant by the FCA Board or the PSA Board, as applicable (including conditions to, expected timing and risks of consummation of, and the ability of the Party making such proposal to obtain financing for such Acquisition Proposal, if applicable), (ii) in the case of FCA, all other factors that the FCA Board is permitted to consider pursuant to Dutch Law, (iii) in the case of PSA, the corporate interest (*intérêt social*) of PSA and all other factors that the PSA Board is permitted to consider pursuant to French Law, and (iv) any improved terms that the other Party may have offered pursuant to Section 1.1 of Annex VII (*Acquisition Proposals*), are substantially more favorable to FCA and PSA and their respective shareholders and other stakeholders, as the case may be, than the Transactions (after taking into account any such improved terms), if applicable; provided that the PSA Board and FCA Board, as applicable, may not, given the substantial strategic benefits of the Transactions, so determine an Acquisition Proposal to be substantially more favorable unless it constitutes at least a 10% premium to the value reasonably expected to be realized by such Party's shareholders through the Transactions.

"Tax" (including the plural form "Taxes" and, with correlative meaning, the terms "Taxable" and "Taxation") means all taxes, customs, tariffs, imposts, levies, duties, fees or other like assessments or charges of any kind imposed by a Governmental Entity, together with all interest, penalties and additions imposed with respect to such amounts.

"Transaction Agreements" has the meaning set forth in Section 1.1(b) of Annex III.

"Transaction Litigation" has the meaning set forth in Section 6.12 of this Agreement.

"Transactions" has the meaning set forth in the Recitals to this Agreement.

"Works Councils" has the meaning set forth in the Recitals to this Agreement.

Exhibit 4.4

Execution Version

EXOR N.V.
Naamloze vennootschap with a share capital of 2,410,000 euros
Gustav Mahlerplein 25
1082 MS Amsterdam, The Netherlands
Commercial Register No. 64236277

FIAT CHRYSLER AUTOMOBILES N.V.
25 St. James's Street
London SW1A 1HA
United Kingdom

To: Mike Manley

December 17, 2019

Strictly Confidential

Object: Undertaking letter

Dear Sir,

Reference is made to (i) the Combination Agreement entered into on the date hereof between Peugeot S.A. ("**PSA**") and Fiat Chrysler Automobiles N.V. ("**FCA**" and together with PSA, the "**Companies**") relating to the proposed combination of their businesses through a cross-border merger, a copy of which, including its schedules, is attached as **Schedule 1** (the "**Combination Agreement**") and (ii) the Reference Shareholders Undertakings (as defined below), each executed on the date hereof.

Capitalized terms used but not defined in this letter agreement (this "**Undertaking**") shall have the meanings ascribed to them in the Combination Agreement.

Exor N.V. (the "**Undersigned**"), having reviewed and in furtherance of the Combination Agreement, which notably sets forth the future governance of the DutchCo and certain rights for the Undersigned in respect of the DutchCo Board, and the Reference Shareholders Undertakings, has agreed to make certain commitments vis-à-vis the Companies in the context of the proposed Combination as well as the Reference Shareholder Undertakings. These commitments are set out in this Undertaking.

The Undersigned owns, controls or has the power to vote 449,410,092 common shares of FCA as of the date hereof. Other than as described in the preceding sentence, neither the Undersigned nor any of its Affiliated Entities (as defined below) own, control or have the power to vote any shares in FCA, or any securities convertible or exchangeable into or giving the right to receive or acquire any shares in FCA.

A. Support of the Combination

The Undersigned, in its capacity as shareholder of FCA, hereby irrevocably and unconditionally undertakes to, and to cause its representative(s) to:

(i) transfer to FCA at the Closing the FCA Special Voting Shares held by the Undersigned for no consideration (*om niet*);

(ii) appear in person or by proxy at each and every meeting of the shareholders of FCA at which any of the Transactions is proposed for approval and cause all shares owned or controlled by it or as to which it has the power to vote to be counted as present in accordance with any procedures applicable to such meeting whether for purposes of determining the presence of a quorum or otherwise;

(iii) vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the Transactions that is submitted to the shareholders;

(iv) vote (or cause to be voted) against (A) any other transaction, proposal, agreement or action made in opposition to or which is inconsistent with the Transactions, including any Acquisition Proposal that is submitted to the shareholders, and (B) any other action, agreement or transaction that is intended to, that would be reasonably expected to, or the effect of which would be reasonably expected to, impede, delay, discourage or adversely affect the Transactions or the performance by the Undersigned of its obligations under this Undertaking;

(v) vote in favor of the adoption of any relevant governance document (*e.g*, articles of association and board internal rules) of DutchCo and any decision submitted to the governance bodies or shareholders of FCA which, in each case, implement the governance set forth in the Combination Agreement.

(vi) in case of a vacancy of an independent director nominated by a Company prior to the end of his/her initial 4-year term (the "**Former Director**"), vote or cause to be voted all shares owned or controlled by it or as to which it has the power, to appoint as director of DutchCo (A) the alternate selected by the Company that had selected the Former Director, or (B) if no such alternate is able to fill the position, the candidate nominated by the remaining director initially chosen pursuant to the Combination Agreement by the Company that had nominated the Former Director and the director(s) nominated by the former shareholders (prior to the Closing) of the Company that initially nominated the Former Director.

If as a result of any Transfer of DutchCo Shares, the Undersigned is no longer entitled to nominate one member of the DutchCo Board as set forth in the Combination Agreement, the Undersigned shall cause such relevant member of the DutchCo Board to immediately resign from his/her position as a member of the DutchCo Board.

Until the Closing, the Undersigned, directly or indirectly, shall, and shall cause its representatives:

(i) not to (a) solicit, initiate or encourage any Acquisition Proposal or (b) enter into, continue or participate in any discussions or negotiations with a third party regarding any Acquisition Proposal;

(ii) cease and cause to be terminated the participation of any of its representatives in all discussions or negotiations with any person conducted prior the date hereof with respect to any proposal that constitutes or would reasonably be expected to lead to an Acquisition Proposal; and

(iii) not accept, approve, recommend or enter into any agreement, in respect of an Acquisition Proposal.

It is expressly provided that the Undersigned shall continue to comply with the undertakings set out in this Section A notwithstanding any change in the view or recommendation of the FCA board of directors with respect to the Combination.

B. Transfer of securities

For purposes of this Undertaking, "**Transfer**" means, directly or indirectly, to sell, transfer, assign, pledge or otherwise dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other agreement with respect to any sale, transfer, assignment, pledge or other disposition.

1. Standstill

The Undersigned undertakes, from the date hereof until the seventh (7th) anniversary of the Closing, not to acquire, and to cause its Affiliated Entities not to acquire, PSA Shares, FCA shares, or DutchCo Shares, directly or indirectly, alone or in concert with any other person, if as a result of such acquisition its aggregate shareholding in DutchCo, taken together with the shareholding of its Affiliated Entities, calculated on the basis of the outstanding number of DutchCo Shares, becomes or would become higher than 14.5%; provided that any repurchase and/or cancellation of PSA Shares or FCA Shares, prior to the Closing, or DutchCo Shares, after the Closing, shall be disregarded in calculating the number of DutchCo Shares outstanding for purposes of this sentence. The Undersigned undertakes not to, directly or indirectly, solicit proxies for general meetings of shareholders of any of the Companies and/or DutchCo and agrees to keep its shares in the registered form and to notify the relevant Company promptly of any modification of its shareholding and number of voting rights. For purposes of this Undertaking, "**Affiliated Entities**" shall mean with respect to any person, any person directly or indirectly controlled by such person, any person that directly or indirectly controls such person, or any person under common control with such person; provided that with respect to a fund, the management company directly or indirectly managing or advising such fund shall be deemed to control such fund.

After Closing, the Undersigned acknowledges that it may be released from the standstill obligation with respect to DutchCo Shares with the consent of the DutchCo Board, provided that such consent shall not be adopted without the favorable vote of each of the directors nominated by the other reference shareholders of the Companies that remain bound by their Reference Shareholders Undertakings.

After the Closing, DutchCo agrees to release the Undersigned from its standstill obligation, as provided in this Section C-1, in the event (a) the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the ordinary share capital and voting rights in the surviving entity of the merger), or (b) a person or group not acting in concert with the Undersigned formally files an offer to acquire 50% or more of the outstanding DutchCo Shares by means of a tender or exchange offer.

2. Lock-up

Subject to the third and fourth paragraphs of this section C-2, between the date hereof and until the earlier of (i) the Closing or (ii) the expiration or termination of this Undertaking in accordance with the terms hereof, the Undersigned shall not, and shall cause its Affiliated Entities not to, Transfer shares or any voting right or power in any shares or other securities giving access, immediately or in the future, to the capital of FCA; provided that the foregoing shall not prevent the conversion of such securities into the right to receive the merger consideration as contemplated by the Combination Agreement. Any attempted Transfer of shares or any interest therein in violation of this paragraph shall be null and void.

Subject to the third and fourth paragraphs of this section C-2, the Undersigned undertakes that it shall not Transfer any of its DutchCo securities during the period from the date of the Closing to the third (3rd) anniversary of the Closing.

The Undersigned shall be free to Transfer (for the avoidance of doubt including during the lock-up period) any FCA securities or DutchCo Shares to any of its Affiliated Entities, provided that the transferee agrees to be bound by the same obligations as those imposed on the Undersigned. The Undersigned shall procure that the transferee must transfer back to the Undersigned (or to another Affiliated Entity of the Undersigned), all such FCA securities or DutchCo Shares, should the transferee cease to be an Affiliated Entity of the Undersigned.

After the Closing, DutchCo agrees to release the Undersigned from its lock-up obligation provided in this Section C-2 in the event the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of the DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the share capital and voting rights in the surviving entity of the merger).

To the extent permitted under applicable legal requirements, the Undersigned shall use its best efforts to:

(i) provide to DutchCo notice of any contemplated Transfer of DutchCo securities at least four (4) business days prior to the Transfer, such notice to identify (*x*) the type of Transfer, and (*y*) the transferee of such shares (to the extent known); and

(ii) inform and discuss with DutchCo's management any contemplated transfer of DutchCo securities on the market with a view to minimizing impact on share price.

C. No acting in concert

The Undersigned undertakes not to act in concert (*handelen in onderling overleg*) with any other shareholder vis-à-vis FCA and DutchCo (other than with Affiliated Entities).

For the avoidance of doubt, it is specified that nothing in this Section C of this Undertaking shall prevent the Undersigned from entering into any agreement with another shareholder of FCA or DutchCo to the extent the parties to such agreement do not act in concert vis-à-vis FCA or DutchCo.

D. Binding effect of the Undertaking after the Closing

The Undersigned acknowledges that, after the Closing, it will continue to be bound by the terms of the Undertaking vis-à-vis DutchCo which will have all rights to enforce such obligations from and after the Closing.

E. Specific performance

The Undersigned and the Company (by countersigning this Undertaking), agree and acknowledge the right of the other signatory to seek and obtain any remedy (including specific performance or an injunction to vote or take other actions) that may be available to it under applicable law including damages, it being specified that the Undersigned and the Company shall always be entitled to the remedies of injunction and specific performance for any threatened or actual breach of the provisions of this Undertaking.

PSA shall be an express third party beneficiary of this Undertaking and shall be entitled to enforce the provisions of this Undertaking as if it were a party hereto, including the rights set forth in the immediately preceding sentence, to the extent FCA fails to enforce such provisions in a timely manner, and this Undertaking shall not be amended without the prior written consent of PSA.

F. Company's undertakings

By countersigning this Undertaking, FCA (and after the Closing, DutchCo):

(i) represents and warrants that a similar undertaking letter has been signed by PSA with each of its reference shareholders (together with this Undertaking, the "**Reference Shareholders Undertakings**"), an execution copy of which being attached in **Schedule 2**; and

(ii) undertakes vis-à-vis the Undersigned to enforce the terms of the Reference Shareholders Undertakings against each of such reference shareholders and not waive any rights or remedies, prior to, in furtherance of, or following the Closing.

FCA agrees that it shall not, without the prior approval of FCA's board of directors: (A) amend the Combination Agreement in a manner that, with respect to the Undersigned, adversely modifies (i) the governance of DutchCo (including the composition of its governance bodies and the attributions of the latter), (ii) the long stop date, (iii) economic terms of the Combination, or (iv) the rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing, (B) make or forego a claim in respect of, or waive any rights under, the Combination Agreement, or (C) grant any authorization contemplated by the Combination to deviate from covenants thereunder which, in each of cases (B) and (C) adversely affects any of the items referred to in (A)(i) to (A)(iv).

In the event a director position becomes vacant and if no general meeting is scheduled within the next three (3) months, DutchCo shall convene a general meeting in order to replace the departing director.

G. Miscellaneous

The commitments of the Undersigned set forth in this Undertaking shall terminate:

(i) If FCA (before the Closing) or the Company (after the Closing) materially breaches its obligations hereunder and such breach, if susceptible of being cured, is not cured within thirty (30) days following notification to the Company thereof, or

(ii) If the economic terms of the Combination, the long stop date of the Combination Agreement, the rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing or the governance rights of the Undersigned are adversely affected as a result of an amendment or waiver of the rights of the Company under the Combination Agreement (unless such amendment or waiver has been approved by FCA's board of directors and the representatives of the Undersigned thereon did not vote against such amendment or waiver).

In addition, the provisions of this Undertaking shall expire and be of no further effect or force upon:

(i) the date on which the Combination Agreement is terminated before Closing; or

(ii) in the event the Closing occurs under the Combination Agreement, upon the seventh (7th) anniversary following the Closing.

This Undertaking and any disputes arising out of or in connection with this Undertaking shall be governed and construed in accordance with the law of The Netherlands, without giving effect to any choice or conflict of law provision or rule that would require the application of laws of any jurisdiction other than the Netherlands. Any dispute or claim arising out of or relating to this Undertaking will be referred to and finally resolved, (i) before Closing, by three (3) arbitrators under the Rules of Arbitration of the International Chamber of Commerce, with place of arbitration will be Geneva, Switzerland, and English as language of arbitration, and (ii) after Closing, by the Netherlands Commercial Court *(Rechtspraak)*.

Yours sincerely,

/s/ John Elkann

Exor N.V.
Represented: by Mr. J. Elkann
Title: Chairman and CEO

Countersigned by

/s/ Mike Manley

Fiat Chrysler Automobiles N.V.
Represented by Mike Manley

SCHEDULE 1

COMBINATION AGREEMENT

SCHEDULE 2

OTHER REFERENCE SHAREHOLDERS LETTERS

Exhibit 4.5

Execution Version

ETABLISSEMENTS PEUGEOT FRERES
Société anonyme with a share capital of 10,839,200 euros
66, avenue Charles de Gaulle
92200 Neuilly-sur-Seine, France
875 750 317 R.C.S. Nanterre

FFP
Société anonyme with a share capital of 24,922,589 euros
66, avenue Charles de Gaulle
92200 Neuilly-sur-Seine, France
562 075 390 R.C.S. Nanterre

PEUGEOT S.A.
7, rue Henri Saint-Claire Deville
92500 Rueil-Malmaison
France

To: Carlos Tavares

December 17, 2019

Strictly Confidential

Object: Undertaking letter

Dear Sir,

Reference is made to (i) the Combination Agreement entered into on the date hereof between Peugeot S.A. ("**PSA**") and Fiat Chrysler Automobiles N.V. ("**FCA**" and together with PSA, the "**Companies**") relating to the proposed combination of their businesses through a cross-border merger, a copy of which, including its schedules, is attached as **Schedule 1** (the "**Combination Agreement**") and (ii) the Reference Shareholders Undertakings (as defined below), each executed on the date hereof.

Capitalized terms used but not defined in this letter agreement (this "**Undertaking**") shall have the meanings ascribed to them in the Combination Agreement.

Établissements Peugeot Frères ("**EPF**") and FFP (together, the "**Undersigned**"), having reviewed and in furtherance of the Combination Agreement, which notably sets forth the future governance of the DutchCo and certain rights for the Undersigned in respect of the DutchCo Board, and the Reference Shareholders Undertakings, have agreed to make certain commitments vis-à-vis the Companies in the context of the proposed Combination as well as the Reference Shareholder Undertakings. These commitments are set out in this Undertaking.

EPF and FFP are acting jointly and severally and shall be deemed to be one collective party in respect of their rights and obligations set forth in this Undertaking.

The Undersigned owns, controls or has the power to vote 110,622,220 common shares of PSA as of the date hereof. Other than as described in the preceding sentence, neither the Undersigned nor any of its Affiliated Entities (as defined below) own, control or have the power to vote any shares in PSA, or any securities convertible or exchangeable into or giving the right to receive or acquire any shares in PSA.

A. Support of the Combination

The Undersigned, in its capacity as direct or indirect shareholder of PSA, and after the Closing in its capacity as direct or indirect shareholder of DutchCo, hereby irrevocably and unconditionally undertakes to, and to cause its representative(s) to:

(i) appear in person or by proxy at each and every meeting of the shareholders of PSA at which any of the Transactions is proposed for approval and cause all shares owned or controlled by it or as to which it has the

power to vote to be counted as present in accordance with any procedures applicable to such meeting whether for purposes of determining the presence of a quorum or otherwise;

(ii) vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the Transactions that is submitted to the shareholders;

(iii) vote (or cause to be voted) against (A) any other transaction, proposal, agreement or action made in opposition to or which is inconsistent with the Transactions, including any Acquisition Proposal that is submitted to the shareholders, and (B) any other action, agreement or transaction that is intended to, that would be reasonably expected to, or the effect of which would be reasonably expected to, impede, delay, discourage or adversely affect the Transactions or the performance by the Undersigned of its obligations under this Undertaking;

(iv) vote in favor of the adoption of any relevant governance document (*e.g*, articles of association and board internal rules) of DutchCo and any decision submitted to the governance bodies or shareholders of FCA which, in each case, implement the governance set forth in the Combination Agreement.

(v) in case of a vacancy of an independent director nominated by a Company prior to the end of his/her initial 4-year term (the "**Former Director**"), vote or cause to be voted all shares owned or controlled by it or as to which it has the power, to appoint as director of DutchCo (A) the alternate selected by the Company that had selected the Former Director, or (B) if no such alternate is able to fill the position, the candidate nominated by the remaining director initially chosen pursuant to the Combination Agreement by the Company that had nominated the Former Director and the director(s) nominated by the former shareholders (prior to the Closing) of the Company that initially nominated the Former Director.

If as a result of any Transfer of DutchCo Shares, the Undersigned is no longer entitled to nominate one member of the DutchCo Board as set forth in the Combination Agreement, the Undersigned shall cause such relevant member of the DutchCo Board to immediately resign from his/her position as a member of the DutchCo Board.

Until the Closing, the Undersigned, directly or indirectly, shall, and shall cause its representatives:

(i) not to (a) solicit, initiate or encourage any Acquisition Proposal or (b) enter into, continue or participate in any discussions or negotiations with a third party regarding any Acquisition Proposal;

(ii) cease and cause to be terminated the participation of any of its representatives in all discussions or negotiations with any person conducted prior the date hereof with respect to any proposal that constitutes or would reasonably be expected to lead to an Acquisition Proposal; and

(iii) not accept, approve, recommend or enter into any agreement, in respect of an Acquisition Proposal.

It is expressly provided that the Undersigned shall continue to comply with the undertakings set out in this Section A notwithstanding any change in the view or recommendation of the PSA supervisory board with respect to the Combination.

B. Existing shareholder' agreement

The Undersigned shall continue to comply with the terms of the shareholders' agreement entered into between the reference shareholders of PSA on April 28, 2014 (as may be amended from time to time by the parties thereto) ("**2014 PSA SHA**") until the Closing. However, PSA, duly authorized by its Supervisory Board, hereby agrees that as an exception to the 2014 PSA SHA, EPF/FFP shall be authorized to acquire up to 5% of the outstanding PSA Shares prior to the Closing.

The Undersigned hereby irrevocably agrees that such shareholders' agreement shall be terminated automatically with effect on and as of the Closing.

C. Transfer of securities

For purposes of this Undertaking, "**Transfer**" means, directly or indirectly, to sell, transfer, assign, pledge or otherwise dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other agreement with respect to, any sale, transfer, assignment, pledge or other disposition.

1. Standstill

The Undersigned undertakes, from the date hereof until the seventh (7th) anniversary of the Closing, not to acquire, and to cause its Affiliated Entities not to acquire, PSA Shares, FCA Shares or DutchCo Shares, directly or indirectly, alone or in concert with any other person, if as a result of such acquisition its aggregate shareholding in DutchCo, taken together with the shareholding of its Affiliated Entities, calculated on the basis of the outstanding number of DutchCo Shares, becomes or would become higher than 6.1%; provided that any repurchase and/or cancellation of PSA Shares or FCA Shares, prior to the Closing, or DutchCo Shares, after the Closing, shall be disregarded in calculating the number of DutchCo Shares outstanding for purposes of this sentence. The Undersigned undertakes not to, directly or indirectly, solicit proxies for general meetings of shareholders of any of the Companies and/or DutchCo and agrees to keep its shares in the registered form and to notify the relevant Company promptly of any modification of its shareholding and number of voting rights. For purposes of this Undertaking, "**Affiliated Entities**" shall mean with respect to any person, any person directly or indirectly controlled by such person, any person that directly or indirectly controls such person, or any person under common control with such person; provided that with respect to a fund, the management company directly or indirectly managing or advising such fund shall be deemed to control such fund.

After Closing, the Undersigned acknowledges that it may be released from the standstill obligation with respect to DutchCo Shares with the consent of the DutchCo Board, provided that such consent shall not be adopted without the favorable vote of each of the directors nominated by the other reference shareholders of the Companies that remain bound by their Reference Shareholders Undertakings.

As an exception to the foregoing, the Undersigned may acquire additional PSA shares (prior to the Closing) or DutchCo shares (following the Closing), up to a total of such additional shares representing 2.5% of the ordinary share capital of DutchCo or 5% of the share capital of PSA (the "**Acquired Shares**"); provided that such acquisition(s) shall be made solely by way of acquisition of shares from Bpifrance Participations and/or DMHK (or their relevant Affiliated Entities) or through acquisition(s) on the market, and provided further that such acquisition(s) on the market shall not represent more than 1% of the DutchCo Shares or 2% of the share capital of PSA plus, if applicable, the percentage of DutchCo Shares (or PSA shares) sold by BPI to buyers other than the Undersigned or any of its Affiliates after the date hereof.

After the Closing, DutchCo agrees to release the Undersigned from its standstill obligation, as provided in this Section C-1, in the event (a) the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the ordinary share capital and voting rights in the surviving entity of the merger), or (b) a person or group not acting in concert with the Undersigned formally files an offer to acquire 50% or more of the outstanding DutchCo Shares by means of a tender or exchange offer.

2. Lock-up

Subject to the third, fourth and fifth paragraphs of this section C-2, between the date hereof and until the earlier of (i) the Closing or (ii) the expiration or termination of this Undertaking in accordance with the terms hereof, the Undersigned shall not, and shall cause its Affiliated Entities not to, Transfer shares or any voting right or power in any shares or other securities giving access, immediately or in the future, to the capital of PSA; provided that the foregoing shall not prevent the conversion of such securities into the right to receive the merger consideration as contemplated by the Combination Agreement. Any attempted Transfer of shares or any interest therein in violation of this paragraph shall be null and void.

Subject to the third, fourth and fifth paragraphs of this section C-2, the Undersigned undertakes that it shall not Transfer any of its DutchCo securities during the period from the date of the Closing to the third (3rd) anniversary of the Closing.

As an exception to the first two paragraphs of this Section C-2, the Undersigned may pledge all or part of the Acquired Shares, and any transfer of ownership of the Acquired Shares resulting from the enforcement of the pledge shall not constitute a breach of this Section C-2.

The Undersigned shall be free to Transfer (for the avoidance of doubt including during the lock-up period) any PSA securities or any DutchCo securities to any of its Affiliated Entities, provided that the transferee agrees to be bound by the same obligations as those imposed on the Undersigned. The Undersigned shall procure that the transferee must transfer back to the Undersigned (or to another Affiliated Entity of the Undersigned), all such PSA or DutchCo securities, should the transferee cease to be an Affiliated Entity of the Undersigned.

After the Closing, DutchCo agrees to release the Undersigned from its lock-up obligation provided in this Section C-2 in the event the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of the DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the share capital and voting rights in the surviving entity of the merger).

To the extent permitted under applicable legal requirements, the Undersigned shall use its best efforts to:

(i) provide to DutchCo notice of any contemplated Transfer of DutchCo securities at least four (4) business days prior to the Transfer, such notice to identify (*x*) the type of Transfer, and (*y*) the transferee of such shares (to the extent known); and

(ii) inform and discuss with DutchCo's management any contemplated transfer of DutchCo securities on the market with a view to minimizing impact on share price.

D. No acting in concert

The Undersigned undertakes not to act in concert (*handelen in onderling overleg*) with any other shareholder vis-à-vis PSA and DutchCo (other than with Affiliated Entities); provided that EPF and FFP (and their Affiliated Entities) may act in concert with each other.

For the avoidance of doubt, it is specified that nothing in this section D of this Undertaking shall prevent the Undersigned from entering into any agreement with another shareholder of PSA or DutchCo to the extent the parties to such agreement do not act in concert vis-à-vis PSA or DutchCo.

E. Assignment of the Undersigned undertakings

The Undersigned acknowledges that the rights and obligations of PSA arising from this Undertaking will transfer to DutchCo by operation of law as a result of the Combination. For the avoidance of doubt, the Undersigned agrees to be bound by the terms of the Undertaking vis-à-vis DutchCo which will have all rights to enforce such obligations from and after the Closing.

As a condition to the Undersigned's undertakings hereunder, the Company undertakes to cause FCA/DutchCo to reiterate this letter on the Closing in a form such that the rights and obligations of PSA shall be assumed by, and will become enforceable by and against, DutchCo.

F. Specific performance

The Undersigned and the Company (by countersigning this Undertaking), agree and acknowledge the right of the other signatory to seek and obtain any remedy (including specific performance or an injunction to vote or take other actions) that may be available to it under applicable law including damages, it being specified that the Undersigned and the Company shall always be entitled to the remedies of injunction and specific performance for any threatened or actual breach of the provisions of this Undertaking.

FCA shall be an express third party beneficiary of this Undertaking and shall be entitled to enforce the provisions of this Undertaking as if it were a party hereto, including the rights set forth in the immediately preceding sentence, to the extent PSA fails to enforce such provisions in a timely manner, and this Undertaking shall not be amended without the prior written consent of FCA.

G. Company's undertakings

By countersigning this Undertaking, PSA (and after the Closing, DutchCo):

(i) represents and warrants that a similar undertaking letter has been signed by PSA with each of its reference shareholders and by FCA with its reference shareholder, Exor N.V. (together with this Undertaking, the "**Reference Shareholders Undertakings**"), an execution copy of which being attached in **Schedule 2**; and

(ii) undertakes vis-à-vis the Undersigned to enforce the terms of the Reference Shareholders Undertakings against each of such reference shareholders and not waive any rights or remedies, prior to, in furtherance of, or following the Closing.

PSA agrees that it shall not, without the prior approval of PSA's supervisory board: (A) amend the Combination Agreement in a manner that, with respect to the Undersigned, adversely modifies (i) the governance of DutchCo (including the composition of its governance bodies and the attributions of the latter), (ii) the long stop date, (iii) economic terms of the Combination or (iv) the rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing, (B) make or forego a claim in respect of, or waive any rights under, the Combination Agreement, or (C) grant any authorization contemplated by the Combination to deviate from covenants thereunder which, in each of cases (B) and (C) adversely affects any of the items referred to in (A)(i) to (A)(iv).

In the event a director position becomes vacant and if no general meeting is scheduled within the next three (3) months, DutchCo shall convene a general meeting in order to replace the departing director.

H. Miscellaneous

The commitments of the Undersigned set forth in this Undertaking shall terminate:

(i) If PSA (before the Closing) or the Company (after the Closing) materially breaches its obligations hereunder and such breach, if susceptible of being cured, is not cured within thirty (30) days following notification to the Company thereof, or

(ii) If the economic terms of the Combination, the long stop date of the Combination Agreement, the rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing or the governance rights of the Undersigned are adversely affected as a result of an amendment or waiver of the rights of the Company under the Combination Agreement (unless such amendment or waiver has been approved by the supervisory board of PSA and the representatives of the Undersigned thereon did not vote against such amendment or waiver).

In addition, the provisions of this Undertaking shall expire and be of no further effect or force upon:

(i) the date on which the Combination Agreement is terminated before Closing; or

(ii) in the event the Closing occurs under the Combination Agreement, upon the seventh (7th) anniversary following the Closing.

This Undertaking and any disputes arising out of or in connection with this Undertaking shall be governed and construed in accordance with the law of the Netherlands, without giving effect to any choice or conflict of law provision or rule that would require the application of laws of any jurisdiction other than the Netherlands. Any dispute or claim arising out of or relating to this Undertaking will be referred to and finally resolved, (i) before Closing, by three (3) arbitrators

under the Rules of Arbitration of the International Chamber of Commerce, with place of arbitration will be Geneva, Switzerland, and English as language of arbitration, and (ii) after Closing, by the Netherlands Commercial Court *(Rechtspraak)*.

Yours sincerely,

/s/ Jean-Philippe Peugeot

Établissements Peugeot Frères
Represented by Jean-Philippe Peugeot

/s/ Robert Peugeot

FFP
Represented by Robert Peugeot

Countersigned by

/s/ Carlos Tavares

Peugeot S.A.
Represented by Carlos Tavares

[*SIGNATURE PAGE - UNDERTAKING LETTER (EPF/FFP)*]

SCHEDULE 1

COMBINATION AGREEMENT

SCHEDULE 2

OTHER REFERENCE SHAREHOLDERS LETTERS

Exhibit 4.6

Execution Version

DONGFENG MOTOR GROUP COMPANY LTD.
A company with a share capital of RMB 8,616,120,000
Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone
Wuhan, Hubei Province, PRC
Registration number: 914200007581510645
(“**DFG**”)

DONGFENG MOTOR (HONG KONG) INTERNATIONAL CO LTD.
A company with a share capital of RMB 6,000,000
2/F, Kam Chung Comm Bldg, 19-21 Hennessy Road
Wanchai, Hong Kong
Registration number: 2063146
(“**DMHK**”)

PEUGEOT S.A.
7, rue Henri Saint-Claire Deville
92500 Rueil-Malmaison
France

To: Carlos Tavares

December 17, 2019

Strictly Confidential

Object: Undertaking letter

Dear Sir,

Reference is made to (i) the Combination Agreement entered into on the date hereof between Peugeot S.A. (“**PSA**”) and Fiat Chrysler Automobiles N.V. (“**FCA**” and together with PSA, the “**Companies**”) relating to the proposed combination of their businesses through a cross-border merger, a copy of which, including its schedules, is attached as **Schedule 1** (the “**Combination Agreement**”) and (ii) the Reference Shareholders Undertakings (as defined below), each executed on the date hereof.

Capitalized terms used but not defined in this letter agreement (this “**Undertaking**”) shall have the meanings ascribed to them in the Combination Agreement.

DFG and DMHK (the “**Undersigned**”), having reviewed and in furtherance of the Combination Agreement, which notably sets forth the future governance of the DutchCo, and the Reference Shareholders Undertakings, have agreed to make certain commitments vis-à-vis the Companies in the context of the proposed Combination as well as the Reference Shareholder Undertakings. These commitments are set out in this Undertaking.

DFG and DMHK are acting jointly and severally and shall be deemed to be one collective party in respect of their rights and obligations set forth in this Undertaking.

The Undersigned owns, controls or has the power to vote 110,622,220 common shares of PSA as of the date hereof. Other than as described in the preceding sentence, neither the Undersigned nor any of its Affiliated Entities (as defined below) own, control or have the power to vote any shares in PSA, or any securities convertible or exchangeable into or giving the right to receive or acquire any shares in PSA.

A. Support of the Combination

The Undersigned, in its capacity as direct or indirect shareholder of PSA, hereby irrevocably and unconditionally undertakes to, and to cause its representative(s) to:

(i) appear in person or by proxy at each and every meeting of the shareholders of PSA at which any of the Transactions is proposed for approval and cause all shares owned or controlled by it or as to which it has the power to vote to be counted as present in accordance with any procedures applicable to such meeting whether for purposes of determining the presence of a quorum or otherwise;

(ii) vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the Transactions that is submitted to the shareholders;

(iii) vote (or cause to be voted) against (A) any other transaction, proposal, agreement or action made in opposition to or which is inconsistent with the Transactions, including any Acquisition Proposal, that is submitted to the shareholders of PSA, and (B) any other action, agreement or transaction that is intended to, that would be reasonably expected to, or the effect of which would be reasonably expected to, impede, delay, discourage or adversely affect the Transactions or the performance by the Undersigned of its obligations under the Undertaking; provided that, in each case, the Undersigned may seek guidance from the CEO of PSA on whether the Undersigned is required to vote (or cause to be voted) against any such transaction, proposal, agreement or action in accordance with this sub-paragraph (iii); and

(iv) vote in favor of the adoption of any relevant governance document (*e.g.*, articles of association and board internal rules) of DutchCo and any decision submitted to the governance bodies or shareholders of FCA which, in each case, implement the governance set forth in the Combination Agreement.

Until the Closing, the Undersigned, directly or indirectly, shall, and shall cause its representatives:

(i) not to (a) solicit, initiate or encourage any Acquisition Proposal or (b) enter into, continue or participate in any discussions or negotiations with a third party regarding any Acquisition Proposal;

(ii) cease and cause to be terminated the participation of any of its representatives in all discussions or negotiations with any person conducted prior the date hereof with respect to any proposal that constitutes or would reasonably be expected to lead to an Acquisition Proposal; and

(iii) not accept, approve, recommend or enter into any agreement, in respect of an Acquisition Proposal.

It is expressly provided that the Undersigned shall continue to comply with the undertakings set out in this Section A notwithstanding any change in the view or recommendation of the PSA supervisory board with respect to the Combination.

B. Existing shareholder' agreement

The Undersigned shall continue to comply with the terms of the shareholders' agreement entered into between the reference shareholders of PSA on April 28, 2014 (as may be amended from time to time by the parties thereto) (the "**2014 PSA SHA**") until the Closing.

The Undersigned hereby irrevocably agrees that, as an exception to the 2014 PSA SHA, EPF/FFP shall be authorized to acquire up to 5% of the outstanding PSA Shares prior to the Closing.

The Undersigned hereby irrevocably agrees that the 2014 PSA SHA shall be terminated automatically with effect on and as of the Closing.

C. Transfer of securities

For purposes of this Undertaking, "**Transfer**" means, directly or indirectly, to sell, transfer, assign, pledge or otherwise dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other agreement with respect to, any sale, transfer, assignment, pledge or other disposition.

1. Standstill

The Undersigned undertakes, from the date hereof until the seventh (7th) anniversary of the Closing, not to acquire, and to cause its Affiliated Entities not to acquire, PSA Shares, FCA Shares or DutchCo Shares, directly or indirectly, alone or in concert with any other person, if as a result of such acquisition its aggregate shareholding in DutchCo, taken together with the shareholding of its Affiliated Entities, calculated on the basis of the outstanding number of DutchCo Shares, becomes or would become higher than 6.1%; provided that any repurchase and/or cancellation of PSA Shares or FCA Shares, prior to the Closing, or DutchCo Shares, after the Closing, shall be disregarded in calculating the number of DutchCo Shares outstanding for purposes of this sentence. The Undersigned undertakes not to, directly or indirectly, solicit proxies for general meetings of shareholders of any of the Companies and/or DutchCo and agrees to keep its shares in the registered form and to notify the relevant Company promptly of any modification of its shareholding and number of voting rights. For purposes of this Undertaking, "**Affiliated Entities**" shall mean any person directly or indirectly controlled by DFG and "**control**" shall mean the direct or indirect holding of more than 50% of the share capital and voting rights of the relevant person.

After the Closing, the Undersigned acknowledges that it may be released from the standstill obligation with respect to DutchCo Shares with the consent of the DutchCo Board. In the event any other reference shareholder bound by a Reference Shareholders Undertaking is released from its standstill obligation, the Undersigned shall automatically be released to the same extent from its standstill obligation under this Undertaking.

After the Closing, DutchCo agrees to release the Undersigned from its standstill obligation, as provided in this Section C-1, in the event (a) the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the ordinary share capital and voting rights in the surviving entity of the merger), or (b) a person or group not acting in concert with the Undersigned formally files an offer to acquire 50% or more of the outstanding DutchCo Shares by means of a tender or exchange offer.

2. Lock-up

Subject to the second and third paragraphs of this section C-2, between the date hereof and until the earlier of (i) the Closing or (ii) the expiration or termination of this Undertaking in accordance with the terms hereof, the Undersigned shall not, and shall cause its Affiliated Entities not to, Transfer shares or any voting right or power in any shares or other securities giving access, immediately or in the future, to the capital of PSA; provided that the foregoing shall not prevent the conversion of such securities into the right to receive the merger consideration as contemplated by the Combination Agreement. Any attempted Transfer of shares or any interest therein in violation of this paragraph shall be null and void.

As an express exception to the first paragraph of this section C-2, the Undersigned and its Affiliated Entities shall be authorized to Transfer 30,700,000 PSA Shares pursuant to the share repurchase agreement entered into on the date hereof between the Company and DMHK.

The Undersigned shall be free to Transfer (for the avoidance of doubt including during the lock-up period) any PSA securities or any DutchCo securities to any of its Affiliated Entities, provided that the transferee agrees to be bound by the same obligations as those imposed on the Undersigned. The Undersigned shall procure that the transferee must transfer back to the Undersigned (or to another Affiliated Entity of the Undersigned), all such PSA or DutchCo securities, should the transferee cease to be an Affiliated Entity of the Undersigned.

D. No acting in concert

The Undersigned undertakes not to act in concert (*handelen in onderling overleg*) with any other shareholder vis-à-vis PSA and DutchCo (other than with Affiliated Entities of the Undersigned); provided that DFG and DMHK (and their Affiliated Entities) may act in concert with each other.

For the avoidance of doubt, it is specified that nothing in this Section D of this Undertaking shall prevent the Undersigned from entering into any agreement with another shareholder of PSA or DutchCo to the extent the parties to such agreement do not act in concert vis-à-vis PSA or DutchCo.

E. Assignment of the Undersigned undertakings

The Undersigned acknowledges that the rights and obligations of PSA arising from this Undertaking will transfer to DutchCo by operation of law as a result of the Combination. For the avoidance of doubt, the Undersigned agrees to be bound by the terms of the Undertaking vis-à-vis DutchCo which will have all rights to enforce such obligations from and after the Closing.

As a condition to the Undersigned's undertakings hereunder, the Company undertakes to cause FCA/DutchCo to reiterate this letter on the Closing in a form such that the rights and obligations of PSA shall be assumed by, and will become enforceable by and against, DutchCo.

F. Specific performance

The Undersigned and the Company (by countersigning this Undertaking), agree and acknowledge the right of the other signatory to seek and obtain any remedy (including specific performance or an injunction to vote or take other actions) that may be available to it under applicable law including damages, it being specified that the Undersigned and the Company shall always be entitled to the remedies of injunction and specific performance for any threatened or actual breach of the provisions of this Undertaking.

FCA shall be an express third party beneficiary of this Undertaking and shall be entitled to enforce the provisions of this Undertaking as if it were a party hereto, including the rights set forth in the immediately preceding sentence, to the extent PSA fails to enforce such provisions in a timely manner, and this Undertaking shall not be amended without the prior written consent of FCA.

G. Company's undertakings

By countersigning this Undertaking, PSA (and after the Closing, DutchCo):

(i) represents and warrants that a similar undertaking letter has been signed by PSA with each of its reference shareholders and by FCA with its reference shareholder, Exor N.V. (together with this Undertaking, the "**Reference Shareholders Undertakings**"), an execution copy of which being attached in **Schedule 2**; and

(ii) undertakes vis-à-vis the Undersigned to enforce the terms of the Reference Shareholders Undertakings against each of such reference shareholders and not waive any rights or remedies, prior to, in furtherance of, or following the Closing.

PSA agrees that it shall not, without the prior approval of PSA's supervisory board: (A) amend the Combination Agreement in a manner that, with respect to the Undersigned, adversely modifies (i) the governance of DutchCo (including the composition of its governance bodies and the attributions of the latter), (ii) the long stop date, (iii) economic terms of the Combination or (iv) any rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing, (B) make or forego a claim in respect of, or waive any rights under, the Combination Agreement, or (C) grant any authorization contemplated by the Combination to deviate from covenants thereunder which, in each of cases (B) and (C) adversely affects any of the items referred to in (A)(i) to (A)(iv).

In the event a director position becomes vacant and if no general meeting is scheduled within the next three (3) months, DutchCo shall convene a general meeting in order to replace the departing director.

H. Miscellaneous

The commitments of the Undersigned set forth in this Undertaking shall terminate:

(i) If PSA (before the Closing) or the Company (after the Closing) materially breaches its obligations hereunder and such breach, if susceptible of being cured, is not cured within thirty (30) days following notification to the Company thereof; or

(ii) If the economic terms of the Combination, the long stop date of the Combination Agreement, any rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing or the governance rights of the Undersigned are adversely affected as a result of an amendment or waiver of the rights of the Company under the Combination Agreement (unless such amendment or waiver has been approved by the supervisory board of PSA and the representative(s) of the Undersigned thereon did not vote against such amendment or waiver, it being specified for the avoidance of doubt that a negative vote by a representative of the Undersigned thereon shall not be considered as a breach of this Undertaking).

In addition, the provisions of this Undertaking shall expire and be of no further effect or force upon:

(i) the date on which the Combination Agreement is terminated before Closing; or

(ii) in the event the Closing occurs under the Combination Agreement, upon the seventh (7th) anniversary following the Closing.

This Undertaking is subject to the approval of the shareholders of DFG. The Undersigned undertakes to take all actions to cause a meeting of the shareholders of DFG to be convened for a date not later than April 30, 2020 for the purpose of obtaining such approval. Dongfeng Motor Corporation as controlling shareholder of DFG has agreed to certain undertakings with respect to the foregoing pursuant to a separate letter agreement attached as **Schedule 3**.

This Undertaking and any disputes arising out of or in connection with this Undertaking shall be governed and construed in accordance with the law of the Netherlands, without giving effect to any choice or conflict of law provision or rule that would require the application of laws of any jurisdiction other than the Netherlands. Any dispute or claim arising out of or relating to this Undertaking will be referred to and finally resolved, (i) before Closing, by three (3) arbitrators under the Rules of Arbitration of the International Chamber of Commerce, with place of arbitration will be Geneva, Switzerland, and English as language of arbitration, and (ii) after Closing, by the Netherlands Commercial Court *(Rechtspraak)*.

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Yours sincerely,

/s/ QIAO Yang

DFG
Represented by QIAO Yang

/s/ QIAO Yang

DMHK
Represented by QIAO Yang

[*SIGNATURE PAGE - UNDERTAKING LETTER (DONGFENG)*]

Countersigned by:

/s/ Carlos Tavares

Peugeot S.A.
Represented by Carlos Tavares

[*SIGNATURE PAGE - UNDERTAKING LETTER (DONGFENG)*]

SCHEDULE 1

COMBINATION AGREEMENT

SCHEDULE 2

OTHER REFERENCE SHAREHOLDERS LETTERS

SCHEDULE 3

DONGFENG MOTOR CORPORATION UNDERTAKINGS

Execution Version

DONGFENG MOTOR CORPORATION
A company with a registered capital of 15,600,000,000 RMB
Special No. 1 Dongfeng Road, Wuhan Economic and
Technology Development Zone
Wuhan, Hubei Province, PRC
Registration number: 914200001000115161
("**DMC**")

PEUGEOT S.A.
7, rue Henri Saint-Claire Deville
92500 Rueil-Malmaison
France

To: Carlos Tavares

December 17, 2019

Strictly Confidential

Object: Support letter

Dear Sir,

1. Reference is made to (i) the Combination Agreement between Peugeot S.A. ("**PSA**") and Fiat Chrysler Automobiles N.V. ("**FCA**" and together with PSA, the "**Companies**") relating to the proposed combination of their businesses through a cross-border merger (the "**Combination Agreement**") and (ii) the DFG/DMHK Undertakings (as defined below), each executed on the date hereof.

2. Capitalized terms used but not defined in this letter agreement (this "**Undertaking**") shall have the meanings ascribed to them in the Combination Agreement.

3. DMC (the "**Undersigned**") owns, controls or has the power to vote 5,760,388,000 shares of Dongfeng Motor Group Company Ltd. ("**DFG**"), representing approximately 66.86% of the total voting rights of DFG. DFG owns, controls or has the power to vote all the shares of Dongfeng Motor (Hong Kong) International Co Ltd. ("**DMHK**"). As set forth in the DFG/DMHK Undertakings, DFG and DMHK together own, control or have the power to vote 110,622,220 common shares of PSA as of the date hereof (such shares together with any other shares over which DFG or DMHK have the power to vote, the "**DF PSA Shares**").

4. DFG and DMHK have entered into that certain Undertaking Letter, dated as of the date hereof, a copy of which is attached hereto as Schedule 1 (the "**DFG/DMHK Undertakings**"), pursuant to which, on the terms and subject to the conditions set forth therein, DFG and DMHK have agreed to support, and vote the DF PSA shares in favor of, the Combination and make certain other commitments with respect to the Combination, the Companies and DutchCo.

5. DMHK and PSA have entered into that certain Share Repurchase Agreement dated as of the date hereof and providing for the sale by DMHK of 30,700,000 DF PSA Shares (the "**Share Repurchase Agreement**").

6. In furtherance of the obligations set forth in the DFG/DMHK Undertakings, the Undersigned, in its capacity as the controlling shareholder of DFG, hereby irrevocably and unconditionally undertakes to, and to cause its representative(s) to take all actions to ensure that a meeting of the shareholders of DFG ("**DFG Shareholders Meeting**") is called and held, or a written shareholders' resolution of DFG is obtained, on or before April 30, 2020, in respect of the transactions contemplated under the DFG/DMHK Undertakings and the Share Repurchase Agreement, and to vote the shares of DFG held or controlled directly or indirectly by it or as to which it has the power to vote at the DFG Shareholders Meeting or in respect of such written shareholders' resolution (as the case may be) in favor of both (x) the performance by DFG of the DFG/DMHK Undertakings and (y) the consummation by DMHK of the Transaction (as defined in the Share Repurchase Agreement).

7. The Undersigned agrees and acknowledges the right of the Company to seek and obtain any remedy that may be available to it under applicable law including damages, it being specified that the Company shall always be entitled to the remedies of injunction and specific performance for any threatened or actual breach of the provisions of this Undertaking.

8. The commitments of the Undersigned set forth in this Undertaking shall terminate upon the earlier of (i) termination or expiration of the DFG/DMHK Undertakings in accordance with their terms and (ii) the discharge by the Undersigned of its covenants under paragraph 6 of this Undertaking.

9. This Undertaking shall be governed and construed in accordance with the law of the Hong Kong Special Administrative Region of the People's Republic of China. Any dispute or claim arising out of or relating to this Undertaking will be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre ("**HKIAC**") in accordance with the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted in accordance with such Rules ("**Rules**"). The arbitration tribunal shall consist of three (3) arbitrators to be appointed in accordance with the Rules. The seat of the arbitration shall be Hong Kong. The language of the arbitration proceeding shall be English.

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Yours sincerely,

DONGFENG MOTOR CORPORATION
Represented by QIAO Yang

Countersigned by:

Peugeot S.A.
Represented by Carlos Tavares

Exhibit 4.7

Execution Version

BPIFRANCE PARTICIPATIONS
Société anonyme with a share capital of 15,931,802,597.07 euros
27-31 avenue du Général Leclerc
94710 Maisons-Alfort, France
509 584 074 R.C.S. Créteil

LION PARTICIPATIONS
Société par actions simplifiée with a share capital of 562,408,575.00 euros
6-8, boulevard Haussmann, 75009 Paris
829 163 294 RCS Paris

PEUGEOT S.A.
7, rue Henri Saint-Claire Deville
92500 Rueil-Malmaison
France

To: Carlos Tavares

December 17, 2019

Strictly Confidential

Object: Undertaking letter

Dear Sir,

Reference is made to (i) the Combination Agreement entered into on the date hereof between Peugeot S.A. ("**PSA**") and Fiat Chrysler Automobiles N.V. ("**FCA**" and together with PSA, the "**Companies**") relating to the proposed combination of their businesses through a cross-border merger, a copy of which, including its schedules, is attached as **Schedule 1** (the "**Combination Agreement**") and (ii) the Reference Shareholders Undertakings (as defined below), each executed on the date hereof.

Capitalized terms used but not defined in this letter agreement (this "**Undertaking**") shall have the meanings ascribed to them in the Combination Agreement.

Bpifrance Participations and Lion Participations (together, the "**Undersigned**"), having reviewed and in furtherance of the Combination Agreement, which notably sets forth the future governance of the DutchCo and certain rights for the Undersigned in respect of the DutchCo Board, and the Reference Shareholders Undertakings, have agreed to make certain commitments vis-à-vis the Companies in the context of the proposed Combination as well as the Reference Shareholder Undertakings. These commitments are set out in this Undertaking.

Bpifrance Participations and Lion Participations are acting jointly and severally and shall be deemed to be one collective party in respect of their rights and obligations set forth in this Undertaking.

The Undersigned owns, controls or has the power to vote 110,622,220 common shares of PSA as of the date hereof. Other than as described in the preceding sentence, neither the Undersigned nor any of its Affiliated Entities (as defined below) own, control or have the power to vote any shares in PSA, or any securities convertible or exchangeable into or giving the right to receive or acquire any shares in PSA.

A. Support of the Combination

The Undersigned, in its capacity as direct or indirect shareholder of PSA, and after the Closing in its capacity as direct or indirect shareholder of DutchCo, hereby irrevocably and unconditionally undertakes to, and to cause its representative(s) to:

(i) appear in person or by proxy at each and every meeting of the shareholders of PSA at which any of the Transactions is proposed for approval and cause all shares owned or controlled by it or as to which it has the

power to vote to be counted as present in accordance with any procedures applicable to such meeting whether for purposes of determining the presence of a quorum or otherwise;

(ii) vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the Transactions that is submitted to the shareholders;

(iii) vote (or cause to be voted) against (A) any other transaction, proposal, agreement or action made in opposition to or which is inconsistent with the Transactions, including any Acquisition Proposal that is submitted to the shareholders, and (B) any other action, agreement or transaction that is intended to, that would be reasonably expected to, or the effect of which would be reasonably expected to, impede, delay, discourage or adversely affect the Transactions or the performance by the Undersigned of its obligations under this Undertaking;

(iv) vote in favor of the adoption of any relevant governance document (*e.g*, articles of association and board internal rules) of DutchCo and any decision submitted to the governance bodies or shareholders of FCA which, in each case, implement the governance set forth in the Combination Agreement.

(v) in case of a vacancy of an independent director nominated by a Company prior to the end of his/her initial 4-year term (the "**Former Director**"), vote or cause to be voted all shares owned or controlled by it or as to which it has the power, to appoint as director of DutchCo (A) the alternate selected by the Company that had selected the Former Director, or (B) if no such alternate is able to fill the position, the candidate nominated by the remaining director initially chosen pursuant to the Combination Agreement by the Company that had nominated the Former Director and the director(s) nominated by the former shareholders (prior to the Closing) of the Company that initially nominated the Former Director.

If as a result of any Transfer of DutchCo Shares, the Undersigned is no longer entitled to nominate one member of the DutchCo Board as set forth in the Combination Agreement, the Undersigned shall cause such relevant member of the DutchCo Board to immediately resign from his/her position as a member of the DutchCo Board.

Until the Closing, the Undersigned, directly or indirectly, shall, and shall cause its representatives:

(i) not to (a) solicit, initiate or encourage any Acquisition Proposal or (b) enter into, continue or participate in any discussions or negotiations with a third party regarding any Acquisition Proposal;

(ii) cease and cause to be terminated the participation of any of its representatives in all discussions or negotiations with any person conducted prior the date hereof with respect to any proposal that constitutes or would reasonably be expected to lead to an Acquisition Proposal; and

(iii) not accept, approve, recommend or enter into any agreement, in respect of an Acquisition Proposal.

It is expressly provided that the Undersigned shall continue to comply with the undertakings set out in this Section A notwithstanding any change in the view or recommendation of the PSA supervisory board with respect to the Combination.

B. Existing shareholder' agreement

The Undersigned shall continue to comply with the terms of the shareholders' agreement entered into between the reference shareholders of PSA on April 28, 2014 (as may be amended from time to time by the parties thereto) (the "**2014 PSA SHA**") until the Closing.

The Undersigned hereby irrevocably agrees that as an exception to the 2014 PSA SHA, EPF/FFP shall be authorized to acquire up to 5% of the outstanding PSA Shares prior to the Closing.

The Undersigned hereby irrevocably agrees that the 2014 PSA SHA shall be terminated automatically with effect on and as of the Closing.

C. Transfer of securities

For purposes of this Undertaking, "**Transfer**" means, directly or indirectly, to sell, transfer, assign, pledge or otherwise dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other agreement with respect to, any sale, transfer, assignment, pledge or other disposition.

1. Standstill

The Undersigned undertakes, from the date hereof until the seventh (7th) anniversary of the Closing, not to acquire, and to cause its Affiliated Entities not to acquire, PSA Shares, FCA Shares or DutchCo Shares, directly or indirectly, alone or in concert with any other person, if as a result of such acquisition its aggregate shareholding in DutchCo, taken together with the shareholding of its Affiliated Entities, calculated on the basis of the outstanding number of DutchCo Shares, becomes or would become higher than 6.1%; provided that any repurchase and/or cancellation of PSA Shares or FCA Shares, prior to the Closing, or DutchCo Shares, after the Closing, shall be disregarded in calculating the number of DutchCo Shares outstanding for purposes of this sentence. The Undersigned undertakes not to, directly or indirectly, solicit proxies for general meetings of shareholders of any of the Companies and/or DutchCo and agrees to keep its shares in the registered form and to notify the relevant Company promptly of any modification of its shareholding and number of voting rights. For purposes of this Undertaking, "**Affiliated Entities**" with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract (including as management or advisory company of a Person, it being further specified for the avoidance of doubt that a fund shall be deemed to be controlled by its management company) or otherwise; and the terms "controlling" and "controlled" have meanings correlative of the foregoing, it being specified that, in respect of Bpifrance Participations and its Affiliated Entities, this definition shall include any and all Person controlled, directly or indirectly, by Bpifrance S.A. and shall exclude any Person which controls or may deemed controlling Bpifrance S.A.

After Closing, the Undersigned acknowledges that it may be released from the standstill obligation with respect to DutchCo Shares with the consent of the DutchCo Board, provided that such consent shall not be adopted without the favorable vote of each of the directors nominated by the other reference shareholders of the Companies that remain bound by their Reference Shareholders Undertakings.

After the Closing, DutchCo agrees to release the Undersigned from its standstill obligation, as provided in this Section C-1, in the event (a) the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the ordinary share capital and voting rights in the surviving entity of the merger), or (b) a person or group not acting in concert with the Undersigned formally files an offer to acquire 50% or more of the outstanding DutchCo Shares by means of a tender or exchange offer.

2. Lock-up

Subject to the third, fourth and fifth paragraphs of this section C-2, between the date hereof and until the earlier of (i) the Closing or (ii) the expiration or termination of this Undertaking in accordance with the terms hereof, the Undersigned shall not, and shall cause its Affiliated Entities not to, Transfer shares or any voting right or power in any shares or other securities giving access, immediately or in the future, to the capital of PSA; provided that the foregoing shall not prevent the conversion of such securities into the right to receive the merger consideration as contemplated by the Combination Agreement. Any attempted Transfer of shares or any interest therein in violation of this paragraph shall be null and void.

Subject to the third, fourth and fifth paragraphs of this section C-2, the Undersigned undertakes that it shall not Transfer any of its DutchCo securities during the period from the date of the Closing to the third (3rd) anniversary of the Closing.

As an express exception to the first two paragraphs of this Section C-2, the Undersigned and its affiliates may collectively Transfer PSA Shares (prior to the Closing) or DutchCo Shares (following the Closing), up to a total number of shares representing a stake that is no higher than 2.5% of the DutchCo Shares after the Closing.

The Undersigned shall be free to Transfer (for the avoidance of doubt including during the lock-up period) any PSA securities or any DutchCo securities to any of its Affiliated Entities, provided that the transferee agrees to be bound by the same obligations as those imposed on the Undersigned. The Undersigned shall procure that the transferee must transfer back to the Undersigned (or to another Affiliated Entity of the Undersigned), all such PSA or DutchCo securities, should the transferee cease to be an Affiliated Entity of the Undersigned.

After the Closing, DutchCo agrees to release the Undersigned from its lock-up obligation provided in this Section C-2 in the event the DutchCo Board recommends a transaction in which a person or group would acquire 50% or more of the DutchCo Shares (including a merger of DutchCo with or into another entity unless the shareholders of DutchCo immediately prior to the merger are entitled to receive more than the majority of the share capital and voting rights in the surviving entity of the merger).

To the extent permitted under applicable legal requirements, the Undersigned shall use its best efforts to:

(i) provide to DutchCo notice of any contemplated Transfer of DutchCo securities at least four (4) business days prior to the Transfer, such notice to identify (*x*) the type of Transfer, and (*y*) the transferee of such shares (to the extent known); and

(ii) inform and discuss with DutchCo's management any contemplated transfer of DutchCo securities on the market with a view to minimizing impact on share price.

D. No acting in concert

The Undersigned undertakes not to act in concert (*handelen in onderling overleg*) with any other shareholder vis-à-vis PSA and DutchCo (other than with Affiliated Entities); provided that Bpifrance Participations and Lion Participations (and their Affiliated Entities) may act in concert with each other.

For the avoidance of doubt, it is specified that nothing in this Section D of this Undertaking shall prevent the Undersigned from entering into any agreement with another shareholder of PSA or DutchCo to the extent the parties to such agreement do not act in concert vis-à-vis PSA or DutchCo.

E. Assignment of the Undersigned undertakings

The Undersigned acknowledges that the rights and obligations of PSA arising from this Undertaking will transfer to DutchCo by operation of law as a result of the Combination. For the avoidance of doubt, the Undersigned agrees to be bound by the terms of the Undertaking vis-à-vis DutchCo which will have all rights to enforce such obligations from and after the Closing.

As a condition to the Undersigned's undertakings hereunder, the Company undertakes to cause FCA/DutchCo to reiterate this letter on the Closing in a form such that the rights and obligations of PSA shall be assumed by, and will become enforceable by and against, DutchCo.

F. Specific performance

The Undersigned and the Company (by countersigning this Undertaking), agree and acknowledge the right of the other signatory to seek and obtain any remedy (including specific performance or an injunction to vote or take other actions) that may be available to it under applicable law including damages, it being specified that the Undersigned and the Company shall always be entitled to the remedies of injunction and specific performance for any threatened or actual breach of the provisions of this Undertaking.

FCA shall be an express third party beneficiary of this Undertaking and shall be entitled to enforce the provisions of this Undertaking as if it were a party hereto, including the rights set forth in the immediately preceding sentence, to the extent PSA fails to enforce such provisions in a timely manner, and this Undertaking shall not be amended without the prior written consent of FCA.

G. Company's undertakings

By countersigning this Undertaking, PSA (and after the Closing, DutchCo):

(i) represents and warrants that a similar undertaking letter has been signed by PSA with each of its reference shareholders and by FCA with its reference shareholder, Exor N.V. (together with this Undertaking, the "**Reference Shareholders Undertakings**"), an execution copy of which being attached in **Schedule 2**; and

(ii) undertakes vis-à-vis the Undersigned to enforce the terms of the Reference Shareholders Undertakings against each of such reference shareholders and not waive any rights or remedies, prior to, in furtherance of, or following the Closing.

PSA agrees that it shall not, without the prior approval of PSA's supervisory board: (A) amend the Combination Agreement in a manner that, with respect to the Undersigned, adversely modifies (i) the governance of DutchCo (including the composition of its governance bodies and the attributions of the latter), (ii) the long stop date, (iii) economic terms of the Combination or (iv) the rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing, (B) make or forego a claim in respect of, or waive any rights under, the Combination Agreement, or (C) grant any authorization contemplated by the Combination to deviate from covenants thereunder which, in each of cases (B) and (C) adversely affects any of the items referred to in (A)(i) to (A)(iv).

In the event a director position becomes vacant and if no general meeting is scheduled within the next three (3) months, DutchCo shall convene a general meeting in order to replace the departing director.

H. Miscellaneous

The commitments of the Undersigned set forth in this Undertaking shall terminate:

(i) If PSA (before the Closing) or the Company (after the Closing) materially breaches its obligations hereunder and such breach, if susceptible of being cured, is not cured within thirty (30) days following notification to the Company thereof, or

(ii) If the economic terms of the Combination, the long stop date of the Combination Agreement, the rights attaching to the DutchCo Shares to be received by PSA shareholders at the Closing or the governance rights of the Undersigned are adversely affected as a result of an amendment or waiver of the rights of the Company under the Combination Agreement (unless such amendment or waiver has been approved by the supervisory board of PSA and the representatives of the Undersigned thereon did not vote against such amendment or waiver).

In addition, the provisions of this Undertaking shall expire and be of no further effect or force upon:

(i) the date on which the Combination Agreement is terminated before Closing; or

(ii) in the event the Closing occurs under the Combination Agreement, upon the seventh (7th) anniversary following the Closing.

This Undertaking and any disputes arising out of or in connection with this Undertaking shall be governed and construed in accordance with the law of The Netherlands, without giving effect to any choice or conflict of law provision or rule that would require the application of laws of any jurisdiction other than the Netherlands. Any dispute or claim arising out of or relating to this Undertaking will be referred to and finally resolved, (i) before Closing, by three (3) arbitrators under the Rules of Arbitration of the International Chamber of Commerce, with place of arbitration will be Geneva, Switzerland, and English as language of arbitration, and (ii) after Closing, by the Netherlands Commercial Court *(Rechtspraak)*.

Yours sincerely,

/s/ Alexandre Ossola

Bpifrance Participations
Represented by Alexandre Ossola

/s/ Alexandre Ossola

Lion Participations
Represented by Alexandre Ossola

Countersigned by

/s/ Carlos Tavares

Peugeot S.A.
Represented by Carlos Tavares

[*SIGNATURE PAGE - UNDERTAKING LETTER (BPIFRANCE PARTICIPATIONS)*]

SCHEDULE 1

COMBINATION AGREEMENT

SCHEDULE 2

OTHER REFERENCE SHAREHOLDERS LETTERS

Exhibit 8.1

Principal Subsidiaries at December 31, 2019:

Name	Country	Percentage Interest Held
North America		
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
Alfa Romeo (Shanghai) Automobiles Sales Co. Ltd.	People’s Republic of China	100.00
EMEA		
FCA Italy S.p.A.	Italy	100.00
FCA Poland Spólka 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.S.	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
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 SENC	Luxembourg	100.00

Exhibit 12.1

FIAT CHRYSLER AUTOMOBILES N.V.

SECTION 302 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Michael Manley, Chief Executive Officer and Director of Fiat Chrysler Automobiles N.V., certify that:

1. I have reviewed this annual report on Form 20-F of Fiat Chrysler Automobiles N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 25, 2020

/s/ Michael Manley

Michael Manley
Chief Executive Officer and Director

Exhibit 12.2

FIAT CHRYSLER AUTOMOBILES N.V.

SECTION 302 CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Richard K. Palmer, Chief Financial Officer and Director of Fiat Chrysler Automobiles N.V., certify that:

1. I have reviewed this annual report on Form 20-F of Fiat Chrysler Automobiles N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 25, 2020

/s/ Richard K. Palmer

Richard K. Palmer
Chief Financial Officer and Director

Exhibit 13.1

FIAT CHRYSLER AUTOMOBILES N.V.

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Manley, Chief Executive Officer and Director of Fiat Chrysler Automobiles N.V. (the “Company”), hereby certify pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Company’s Annual Report on Form 20-F for the year ended December 31, 2019, to which this statement is furnished as an exhibit (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	February 25, 2020	/s/ Michael Manley
		Michael Manley
		Chief Executive Officer and Director

Exhibit 13.2

FIAT CHRYSLER AUTOMOBILES N.V.

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard K. Palmer, Chief Financial Officer and Director of Fiat Chrysler Automobiles N.V. (the "Company"), hereby certify pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Company's Annual Report on Form 20-F for the year ended December 31, 2019, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2020

/s/ Richard K. Palmer
Richard K. Palmer
Chief Financial Officer and Director

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form F-3 No. 333-217806) of Fiat Chrysler Automobiles N.V., and

2) Registration Statement (Form S-8 No. 333-201440) pertaining to the Fiat Chrysler Automobiles N.V. Equity Incentive Plan and the Fiat Chrysler Automobiles N.V. Remuneration Policy of Fiat Chrysler Automobiles N.V.;

of our reports dated February 25, 2020, with respect to the consolidated financial statements of Fiat Chrysler Automobiles N.V. and the effectiveness of internal control over financial reporting of Fiat Chrysler Automobiles N.V. included in this annual report on Form 20-F of Fiat Chrysler Automobiles N.V. for the year ended December 31, 2019.

/s/ EY S.p.A.

Turin, Italy
February 25, 2020