Report on Operations

Main Risks and Uncertainties to which Fiat S.p.A. and its Subsidiaries are Exposed

Fiat S.p.A. and its subsidiaries (which include Chrysler since June 2011) face a variety of risks in their business. The risks and uncertainties described below are not the only ones facing the Fiat Group. Additional risks and uncertainties that the Fiat Group is unaware of or that it currently believes to be immaterial, may also become important factors that affect it. If any of the following events occur, the Fiat Group business, financial condition and results of operations could be materially and adversely affected.

1. The Group's profitability depends on reaching certain minimum vehicle sales volumes. If vehicle sales deteriorate, the Group's results of operations and financial condition will suffer

The Group's success requires it to achieve certain minimum vehicle sales volumes. As is typical for an automobile manufacturer, the Group has significant fixed costs and, therefore, changes in vehicle sales volume can have a disproportionately large effect on profitability. Moreover, the Group tends to operate with negative working capital and the Group generally receives payments from vehicle sales to dealers within a few days of shipment from the assembly plants, whereas there is a lag between the time when parts and materials are received from suppliers and when the Group pays for such parts and materials; therefore, if vehicle sales decline the Group will suffer a significant negative impact on cash flow and liquidity as the Group continues to pay suppliers during a period in which it receives reduced proceeds from vehicle sales. If vehicle sales do not increase, or if they were to fall short of assumptions, due to financial crisis, renewed recessionary conditions, changes in consumer confidence, geopolitical events, inability to produce sufficient quantities of certain vehicles, limited access to financing or other factors, the Group's financial condition and results of operations would be materially adversely affected.

2. The businesses of the Group are affected by global financial markets and general economic and other conditions over which it has no control

The Group's earnings and financial position may be influenced by various macroeconomic factors — including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates for or availability of consumer and business credit, energy prices, the cost of commodities or other raw materials and the rate of unemployment — within the various countries in which it operates.

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

In Europe, in particular, despite measures taken by several governments and monetary authorities to provide financial assistance to certain Eurozone countries and to avoid default on sovereign debt obligations, concerns persist regarding the debt burden of several countries. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, have led to further pressure on economic growth and to new periods of recession. These ongoing concerns could have a detrimental impact on the global economic recovery, as well as on the financial condition of European institutions, which could result in greater volatility, reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. In addition, widespread austerity measures in many countries in which the Group operates could continue to adversely affect consumer confidence, purchasing power and spending, which could adversely affect the Group's financial condition and results of operations.

Following the Group's acquisition of control of Chrysler and subsequent acquisition of 100 percent of Chrysler, a majority of the Group's revenues are generated in the NAFTA region. Although economic recovery in North America has been slower and less robust than many economic experts predicted, vehicle sales in North America have experienced significant growth from their 2009-2010 trough. However, this recovery may not be sustained or may be limited to certain classes of vehicles. In addition, the recovery may be partially attributable to the pent-up demand and average age of vehicles in North America following the extended economic downturn so there can be no assurances that improvements in general economic conditions or employment levels will lead to corresponding increases in vehicle sales. As a result, North America may experience limited growth or declines in vehicle sales in the future.

In addition, slower expansion is also being experienced in major emerging countries, such as China, Brazil and India. In addition to weaker export business, lower domestic demand also led to a slowing economy in these countries. All these potential developments could adversely affect the financial condition and results of operations of the Group.

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

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

3. The Group's future performance depends on its ability to enrich the Group's product portfolio and offer innovative products

The success of the Group's businesses depends, among other things, on their ability to maintain or increase their share in existing markets and/or to expand into new markets through the development of innovative, high-quality products that are attractive to customers and provide adequate profitability. It generally takes two years or more to design and develop a new product, and a number of factors may lengthen that schedule. Because of this product development cycle and the various elements that may contribute to consumers' acceptance of new vehicle designs, including competitors' product introductions, fuel prices, general economic conditions and changes in styling preferences, an initial product concept or design that the Group believes will be attractive may not result in a production model that will generate sales in sufficient quantities and at high enough prices to be profitable. A failure to develop and offer innovative products that compare favorably to those of the Group's principal competitors, in terms of price, quality, functionality and features, with particular regard to the upper-end of the product range, or delays in bringing strategic new models to the market, could impair the Group's strategy, which would have a material adverse effect on the Group's financial condition and results of operations. Additionally, the Group's high proportion of fixed costs, both due to its significant investment in property, plant and equipment as well as the requirements of its collective bargaining agreements, which limit its flexibility to adjust personnel costs to changes in demand for its products, may further exacerbate the risks associated with incorrectly assessing demand for its vehicles.

4. The automotive industry is highly competitive and cyclical and the Group may suffer from those factors more than some of its competitors

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

Competition, particularly in pricing, has increased significantly in the Group's industry in recent years. In addition, partly as a result of lower growth in demand for automobiles, global automobile production capacity significantly exceeds current demand. This overcapacity, combined with high levels of competition and weakness of major economies, has intensified and may further intensify pricing pressures.

The Group's competitors may respond to these conditions by attempting to make their vehicles more attractive or less expensive to customers by adding vehicle enhancements, providing subsidized financing or leasing programs, or by reducing vehicle prices whether directly of by offering option package discounts, price rebates or other sales incentives in certain markets. In addition, manufacturers in countries which have lower production costs have announced that they intend to export lower-cost automobiles to established markets. These actions have had, and could continue to have, a negative impact on the Group's vehicle pricing, market share, and operating results.

In the automotive business, sales to end-customers are cyclical and subject to changes in the general condition of the economy, the readiness of end-customers to buy and their ability to obtain financing, as well as the possible introduction of measures by governments to stimulate demand. The automotive industry is also subject to the constant renewal of product offerings through frequent launches of new models. A negative trend in the automobiles business or the Group's inability to adapt effectively to external market conditions could have a material adverse impact on the financial condition and results of operations of the Group.

5. The Group may be unsuccessful in efforts to expand the international reach of some of its brands that the Group believes have global appeal and reach

The Group's growth strategies include significant investments designed to expand several brands believed to have global appeal into new markets. That includes pursuing extension of the Jeep brand into Asia and Latin America and reintroduction of the Alfa Romeo brand into North America. This will require significant investments in production facilities and in distribution networks in these markets. If the Group is unable to introduce vehicles that appeal to consumers in these markets and achieve its brand expansion strategies, the Group may be unable to earn a sufficient return on these investments and this could have a material adverse impact on the financial condition and results of operations of the Group.

6. Fiat's current credit rating is below investment grade and any further deterioration may significantly affect the Group's funding and prospects

The Group's ability to access the capital markets or other forms of financing and the related costs depend, among other things, on the Group's credit ratings. Following downgrades by the major rating agencies, Fiat is currently rated below investment grade. The rating agencies review these ratings regularly and, accordingly, new ratings may be assigned to Fiat during 2014. It is not currently possible to predict the timing or outcome of any ratings review. Any downgrade may increase the Group's cost of capital and potentially limit its access to sources of financing, with a consequent material adverse effect on the Group's business prospects, earnings and financial position.

In addition, the ratings agencies separately review and rate Chrysler on a stand-alone basis and it is possible that Fiat's credit ratings may not benefit from any improvements in Chrysler's credit ratings or that a deterioration in Chrysler's credit ratings could result in a negative rating review of Fiat.

7. The Group may not be able to realize anticipated benefits from any acquisitions and challenges associated with strategic alliances may have an adverse impact on the Group's results of operations

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

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

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

8. The Group may not achieve the expected benefits from the integration with Chrysler

The acquisition of 100% of the equity in Chrysler and the related integration of the two businesses is intended to provide the Group with a number of long-term benefits, including allowing new vehicle platforms and powertrain technologies to be shared across a larger volume, as well as procurement benefits, management services and global distribution opportunities, particularly the extension of brands into new markets. The integration is also intended to facilitate penetration of key brands in several international markets where the Group believes products would be attractive to consumers, but where they currently do not have significant market penetration.

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

As a result, any adverse development for Chrysler or Fiat, or the failure of the Group to achieve the intended benefits of the related integration could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

9. The Group's business operations may be impacted by various types of claims, lawsuits, and other contingent obligations

The Group is involved in various product liability, warranty, product performance, asbestos, personal injury, environmental claims and lawsuits, governmental investigations and other legal proceedings including those that arise in the ordinary course of its business. The Group estimates such potential claims and contingent liabilities and, where appropriate, records provisions to address these contingent liabilities. The ultimate outcome of the legal matters pending against the Group is uncertain, and although such lawsuits are not expected individually to have a material adverse effect on the Group's financial position or its results of operations, such lawsuits could have, in the aggregate, a material adverse effect on the Group's financial condition or results of operations. Furthermore, the Group could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on its results of operations in any particular period. In addition, while the Group maintains insurance coverage with respect to certain claims, it 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.

10. The Group may be exposed to shortfalls in Chrysler's pension plans

Chrysler's defined benefit plans are currently underfunded and its 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. Chrysler's defined benefit plans currently hold significant investments in equity and fixed income securities, as well as investments in less liquid instruments such as private equity, real estate and certain hedge funds. Due to the complexity and magnitude of certain investments, additional risks may exist, including significant changes in investment policy, insufficient market capacity to complete a particular investment strategy and an inherent divergence in objectives between the ability to manage risk in the short term and the ability to quickly rebalance illiquid and long-term investments.

To determine the appropriate level of funding and contributions to its defined benefit plans, as well as the investment strategy for the plans, Chrysler is 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 increase the value of investments in fixed income securities and the present value of the obligations.

Any reduction in investment returns or the value of plan assets, or any increase in the present value of obligations, may increase pension expenses and required contributions and, as a result, could constrain liquidity and materially adversely affect Chrysler's financial condition and results of operations. If Chrysler fails to make required minimum funding contributions, it could be subjected to reportable event disclosure to the Pension Benefit Guaranty Corporation[1], as well as interest and excise taxes calculated based upon the amount of any funding deficiency. With Fiat's ownership in Chrysler now exceeding 80%, Fiat may become subject to certain US legal requirements making it secondarily responsible for a funding shortfall in certain of Chrysler's pension plans in the event these pension plans were terminated and Chrysler were to be insolvent.

11. The Group may not be able to provide adequate access to financing for its dealers and retail customers

The Group's dealers enter into wholesale financing arrangements to purchase vehicles to hold in inventory and retail customers use a variety of finance and lease programs to acquire vehicles.

Unlike many of its competitors, the Group does not own and operate its own finance company dedicated solely to its operations. Instead it has elected to partner with specialized financing services providers through joint ventures and commercial agreements. The Group's lack of a captive finance company may increase the risk that dealers and retail customers will not have access to sufficient financing on acceptable terms which may adversely affect the Group's vehicle sales in the future. Furthermore, many of the Group's competitors are better able to implement financing programs designed to maximize vehicle sales in a manner that optimizes profitability for them and their captive finance companies on an aggregate basis. Since the Group's ability to compete depends on access to appropriate sources of financing for dealers and retail customers, its lack of a captive finance company could adversely affect its results of operations.

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[1] *The Pension Benefit Guaranty Corporation (PBGC) is an independent agency of the United States government that was created by the Employee Retirement Income Security Act of 1974 (ERISA) to encourage the continuation and maintenance of voluntary private-sector defined benefit pension plans.*

Any independent financing services provider will face other demands on its capital, including the need or desire to satisfy funding requirements for dealers or customers of the Group's competitors as well as liquidity issues relating to other investments. Furthermore, they may also subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to Group dealers and retail customers.

Additionally, if consumer interest rates increase substantially or if financing service providers tighten lending standards or restrict their lending to certain classes of credit, consumers may not be able to obtain financing to purchase or lease the Group's vehicles.

To the extent that a financing services provider is unable or unwilling to provide sufficient financing at competitive rates to the Group's dealers and consumers, such dealers and consumers may not have sufficient access to financing to purchase or lease Group's vehicles. As a result, the Group's vehicle sales and market share may suffer, which would adversely affect the Group's financial condition and results of operations.

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

In certain regions, financing for new vehicle sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. To the extent that interest rates rise generally, market rates for new vehicle financing are expected to rise as well which may make the Group's vehicles less affordable to consumers or steer consumers to less expensive vehicles, adversely affecting the Group's financial condition and results of operations. Furthermore, because Group's customers may be relatively more sensitive to changes in the availability and adequacy of financing and macroeconomic conditions, the Group's vehicle sales may be disproportionately affected by changes in financing conditions relative to the vehicle sales of Group's competitors.

13. Limitations on the Group's liquidity and access to funding may limit its ability to execute its business plan and improve its business, financial condition and results of operations

The Group's future performance will depend on, among other things, its 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 recourse to capital markets or other sources of financing. Although the Group has measures in place that are designed to ensure that adequate levels of working capital and liquidity are maintained, declines in sales volumes could have a negative impact on the cash-generating capacity of its operating activities. The Group could, therefore, find itself 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 the Group's liquidity, due to decreases in vehicle sales, the amount of or restrictions in the Group's existing indebtedness, conditions in the credit markets, general economic conditions or otherwise, may adversely impact the Group's ability to execute its business plan and impair its financial condition and results of operations. In addition, any actual or perceived limitations of the Group's liquidity may limit the ability or willingness of counterparties, including dealers, customers, suppliers and financial service providers, to do business with the Group, which may adversely affect the Group's financial condition and results of operations.

14. The Group's ability to achieve cost reductions and to realize production efficiencies is critical to maintaining its competitiveness and long-term profitability

The Group is continuing to implement a number of cost reduction and productivity improvement initiatives in automotive operations, for example, by increasing the number of vehicles that are based on common platforms, reducing dependence on sales incentives offered to dealers and consumers, leveraging purchasing capacity and volumes between Fiat and Chrysler and implementing World Class Manufacturing, or WCM, principles. The Group's future success depends upon its ability to implement these initiatives successfully throughout its operations. In addition, while some of the productivity improvements are within its control, others depend on external factors, such as commodity prices, supply capacity limitations, or trade regulation. These external factors may make it more difficult to reduce costs as planned, and the Group may sustain larger than expected production expenses, materially affecting its business and results of operations. Furthermore, reducing costs may prove difficult due to the need to introduce new and improved products in order to meet consumer expectations.

15. Product recalls may result in direct costs and loss of vehicle sales that could have material adverse effects on Group's business

From time to time, the Group has been required to recall vehicles to address performance, compliance or safety-related issues. The costs the Group incurs to recall vehicles typically include the cost of replacement parts and labor to remove and replace the problem parts, and may substantially depend on the nature of the remedy and the number of vehicles affected. Product recalls may also harm the Group's reputation and may cause consumers to question the safety or reliability of its products. Any costs incurred, or lost vehicle sales, resulting from product recalls could materially adversely affect the Group's financial condition or results of operations. Moreover, if the Group faces consumer complaints, or receives information from vehicle rating services that calls into question the safety or reliability of one of its vehicles and the Group does not issue a recall, or if the Group does not do so on a timely basis, its reputation may also be harmed and the Group may lose future vehicle sales.

16. Failure to maintain adequate financial and management processes and controls could lead to errors in the financial reporting, which could harm the Group's business reputation

The Group continuously monitors and evaluates changes in its internal controls over financial reporting. In support of a drive toward common global systems, the Group is extending the current finance, procurement, and capital project and investment management systems to new areas of operations. As appropriate, the Group continues to modify the design and documentation of internal control processes and procedures relating to the new systems to simplify and automate many of its previous processes. The Group's management believes that the implementation of this system will continue to improve and enhance internal controls over financial reporting. Failure to maintain adequate financial and management processes and controls could lead to errors in the Group's financial reporting.

17. The Group is subject to risks relating to international markets and exposure to changes in local conditions

The Group is subject to risks inherent to operating globally, including those related to:

- exposure to local economic and political conditions;
- import and/or export restrictions;
- multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries;
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds. In particular, current regulations limit the Group ability to access and transfer liquidity out of Venezuela to meet demands in other countries and also subject the Group to increased risk of devaluation or other foreign exchange losses. In December 2010 and February 2013, the Venezuelan government announced devaluations of the official Venezuelan Bolivar (VEF)-USD exchange rate, which resulted in devaluation of the Group VEF denominated balances; and/or
- the introduction of more stringent laws and regulations.

Unfavorable developments in any one of these areas (which may vary from country to country) could have a material adverse effect on the Group's financial condition and results of operations.

18. Developments in emerging market countries may adversely affect the Group's business

The Group operates in a number of emerging markets, both directly (e.g., Brazil and Argentina) and through joint ventures and other cooperation agreements (e.g., Turkey, India, China and Russia). In Brazil, in recent years the Group has been the market leader, which has provided a key contribution to the Group's performance in terms of revenues and profitability. The Group's exposure to other emerging countries has increased in recent years, as have the number and importance of such joint ventures and cooperation agreements. Economic and political developments in Brazil and other emerging markets, including economic crises or political instability, have had and could in the future have material adverse effects on the Group's financial condition and results of operations.

The Group continues to increase its presence in emerging markets such as China and India through a series of partnerships. In 2013, the Group entered into a joint venture with Guangzhou Automobile Group Co., Ltd (GAC Group) for the production of engines and passenger cars for the Chinese market, as well as securing exclusive distribution of Fiat branded cars in China. The Group has also entered into a joint venture with TATA Motors for the production of C-segment cars, engines and transmissions in India. Maintaining and strengthening its position in these emerging markets is a key component of the Group's global growth strategy. However, with competition from many of the largest global manufacturers as well as numerous smaller domestic manufacturers, the automotive market, both in China and India, is highly competitive. As these markets continue to grow, the Group anticipates that additional competitors, both international and domestic, will seek to enter these markets and that existing market participants will act aggressively to protect or increase their market share. Increased competition may result in price reductions, reduced margins and the Group's inability to gain or hold market share.

19. Laws, regulations and governmental policies, including those regarding increased fuel economy requirements and reduced GHG emissions, may have a significant effect on how the Group does business and may adversely affect the Group's results of operations

In order to comply with government regulations related to fuel economy and emissions standards, the Group must devote significant financial and management resources, as well as vehicle engineering and design attention to these legal requirements. The Group expects the number and scope of these regulatory requirements, along with the costs associated with compliance, to increase significantly in the future and these costs could be difficult to pass through to customers, which could result in limitations on the types of vehicles the Group sells and where it can sell them, which could have a material adverse impact on the financial condition and results of operations of the Group.

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

20. Labor laws and labor unions could impact the ability of the Group to increase the efficiency of its operations

Substantially all of the Group's production employees are represented by trade unions, are covered by collective bargaining agreements and/or protected by applicable labor relations regulations that may restrict the Group's ability to modify operations and reduce costs quickly in response to changes in market conditions. These and other provisions may impede the Group's ability to restructure its business successfully to compete more effectively, especially with those automakers whose employees are not represented by unions or are subject to less stringent regulations.

21. Amounts required to develop and commercialize vehicles incorporating sustainable technologies for the future are significant, as are the barriers that still limit the mass-market potential of such vehicles

The Group's product strategy is driven by the objective of achieving sustainable mobility by reducing the environmental impact of vehicles over their entire life cycle. The Group therefore intends to continue investing capital resources to develop new sustainable technology. It aims to increase the use of alternative fuels, such as natural gas, by continuing to offer a complete range of dual-fuel passenger cars and commercial vehicles. Additionally, it plans to continue developing alternative propulsion systems, particularly for vehicles driven in urban areas (such as the zero-emission Fiat 500e).

In many cases, technological and cost barriers limit the mass-market potential of sustainable natural gas and in particular electric vehicles. In some other cases the technologies that the Group plans to employ are not yet commercially practical and depend on significant future technological advances by the Group and by suppliers. There can be no assurance that these advances will occur in a timely or feasible way, that the funds that the Group has budgeted for these purposes will be adequate, or that it will be able to establish its right to these technologies. Further, the Group's competitors and others are pursuing similar technologies and other competing technologies and there can be no assurance that they will not acquire similar or superior technologies sooner than it does or on an exclusive basis or at a significant price advantage.

22. The Group depends on its relationships with suppliers

The Group purchases raw materials and components from a large number of suppliers and depends on services and products provided by companies outside the Group. Close collaboration between a manufacturer and its suppliers is common in the automotive industry and although this offers economic benefits in terms of cost reduction, it also means that the Group depends on its suppliers and is exposed to the possibility that difficulties, including those of a financial nature, experienced by those suppliers (whether caused by internal or external factors) could have a material adverse effect on the Group's financial condition and results of operations.

23. Risks associated with increases in costs, disruptions of supply or shortages of raw materials

The Group uses a variety of raw materials in its business including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium, as well as energy. The prices for these raw materials fluctuate and at times in recent periods, these commodity prices have increased significantly in response to changing market conditions. The Group seeks to manage this exposure, but it may not be successful in hedging its exposure to these risks. Substantial increases in the prices for raw materials would increase the Group's operating costs and could reduce profitability if the increased costs cannot be offset by changes in vehicle prices. In addition, certain raw materials are sourced only from a limited number of suppliers and from a limited number of countries. The Group cannot guarantee that it will be able to maintain arrangements with these suppliers that assure access to these raw materials, and in some cases this access may be affected by factors outside of the Group's control and the control of its suppliers. For instance, natural disasters or civil unrest may have severe and unpredictable effects on the price of certain raw materials in the future.

As with raw materials, the Group is also at risk for supply disruption and shortages in parts and components for use in its vehicles for many reasons including, but not limited to tight credit markets or other financial distress, natural or man-made disasters, or production difficulties. The Group will continue to work with suppliers to monitor potential shortages and to mitigate the effects of any emerging shortages on its production volumes and revenues; however, there can be no assurances that these events will not have an adverse effect on its production in the future, and any such effect may be material.

Any interruption in the supply or any increase in the cost of raw materials, parts, components and systems could negatively impact the Group's ability to achieve its vehicle sales objectives and profitability. Long-term interruptions in supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle sales objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, may result in a material impact on the Group's financial condition and results of operations.

24. The Group is subject to risks associated with exchange rate fluctuations, interest rate changes, credit risk and other market risks

The Group operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to the differences in geographic distribution of the Group's manufacturing activities and commercial activities, resulting in cash flows from sales being denominated in currencies different from those connected to purchases or production activities.

The Group uses various forms of financing to cover funding requirements for its industrial activities and for financing customers and dealers. Moreover, liquidity for industrial activities is also principally invested in variable-rate or short-term financial instruments. The Group's 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 revenues, finance costs and margins.

The Group seeks to manage risks associated with fluctuations in currency and interest rates through financial hedging instruments. Despite such hedges being in place, fluctuations in currency or interest rates could have a material adverse effect on the Group's financial condition and results of operations.

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

25. The Group's success largely depends on the ability of its current management team to operate and manage effectively

The Group's success largely depends on the ability of its senior executives and other members of management to effectively manage the Group and individual areas of the business. The loss of any senior executive, manager or other key employees without an adequate replacement or the inability to attract, retain and incentivize senior executive managers, other key employees or new qualified personnel could therefore have a material adverse effect on the Group's business prospects, earnings and financial position.

26. The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and limit its financial and operating flexibility

The extent of the Group's indebtedness could have important consequences on its operations and financial results, including:

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

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

Among the anticipated benefits of the corporate reorganization announced in January 2014 is the expected reduction in funding costs over time due to improved debt capital markets positioning of the combined entity. However, certain of the circumstances and risks described may delay or reduce the expected cost savings from the future funding structures and the expected cost savings may not be achieved in full or at all.

Even after the acquisition by Fiat, Chrysler continues to manage financial matters, including funding and cash management, separately. Additionally, Fiat has not provided guarantees or security or undertaken any other similar commitment in relation to any financial obligation of Chrysler, nor does it have any commitment to provide funding to Chrysler in the future.

Furthermore, certain bonds issued by Fiat include covenants that may be affected by circumstances related to Chrysler. In particular, these bonds include cross-default clauses which may accelerate the relevant issuer's obligation to repay its bonds in the event that a "material subsidiary" of Fiat fails to pay certain debt obligations on maturity or is otherwise subject to an acceleration in the maturity of any of those obligations. Chrysler Group LLC is a "material subsidiary" and certain of its subsidiaries may become material subsidiaries of Fiat within the meaning of those bonds. Therefore, the cross-default provision could require early repayment of the Notes or those bonds in the event Chrysler's debt obligations are accelerated or are not repaid at maturity. There can be no assurance that the obligation to accelerate the repayment by Chrysler of its debts will not arise or that it will be able to pay its debt obligations when due at maturity.

In addition, one of Fiat's existing revolving credit facilities, expiring in July 2016, provides for some limits on Fiat's ability to provide financial support to Chrysler.

27. Restrictive covenants in the Group's debt agreements could limit its financial and operating flexibility

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

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

28. Risk associated with restrictions arising out of Chrysler's debt instruments

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

In particular, in January 2014, Chrysler paid a distribution of USD 1.9 billion to its members. With certain exceptions, further distributions will be limited to 50 percent of Chrysler's consolidated net income (as defined in the agreements) from the period from January 2012 until the end of the most recent fiscal quarter, less the amount of the January 2014 distribution.

These restrictive covenants could have an adverse effect on the Group's business by limiting its ability to take advantage of financing, mergers and acquisitions, joint ventures or other corporate opportunities. In addition, the senior credit facilities contain, and future indebtedness may contain, other and more restrictive covenants and also prohibit Chrysler from prepaying certain of its indebtedness. The senior credit facilities require Chrysler to maintain borrowing base collateral coverage and a liquidity threshold. A breach of any of these covenants or restrictions could result in an event of default on the indebtedness and any of the other indebtedness of Chrysler or result in cross-default under certain of its indebtedness.

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

In addition, compliance with certain of these covenants could restrict Chrysler's ability to take certain actions that its management believes are in Chrysler's and Group's best long-term interests.

Should Chrysler be unable to undertake strategic initiatives due to the covenants provided for by the above instruments, the Group's business prospects, financial condition and results of operations could be adversely impacted.

Financial Review – Fiat Group

Key Performance Indicators

Fiat Group monitors its operations through the use of various performance indicators that may not be comparable to other similarly titled indicators of other companies. Group management believes these performance indicators provide comparable measures of its financial performance based on normalized operational factors, which then facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions.

The Group's key performance indicators are defined as follows:

- **Trading Profit/(Loss)** is computed starting with Net Revenues less operating costs (cost of sales, SG&A, R&D costs, other operating income and expenses).
- **Earnings Before Interest, Taxes ("EBIT")** is computed starting from Trading profit/(loss) and then adjusting for restructuring costs, other income/expenses that are unusual in the ordinary course of business (such as gains and losses on the disposal of investments) and the Result from investments.
- **Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")** is computed starting with EBIT and then adding back depreciation and amortization expense.
- **Net Debt** is computed as debt plus other financial liabilities less (i) cash and cash equivalents, (ii) current securities, (iii) current financial receivables from jointly-controlled financial services entities and (iv) other financial assets.
- **Net Industrial Debt** is computed as debt plus other financial liabilities related to Industrial Activities less (i) cash and cash equivalents, (ii) current securities, (iii) current financial receivables from Group or jointly-controlled financial services entities, and (iv) other financial assets. Therefore, debt, cash and other financial assets/liabilities pertaining to Financial Services entities are excluded from the computation of Net Industrial Debt.

For presentation of the income statement, the Group uses a classification based on the function of expenses (otherwise known as the "cost of sales" method), rather than one 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.

Operating Performance

(€ million)	2013 Fiat	2013 Fiat excluding Chrysler	2012(*) Fiat	2012(*) Fiat excluding Chrysler
Net revenues	86,816	35,593	83,957	35,566
Cost of sales	74,570	31,324	71,701	31,117
Selling, general and administrative	6,689	2,896	6,763	2,998
Research and development	2,231	1,151	1,850	1,037
Other income/(expense)	68	24	(102)	(76)
TRADING PROFIT/(LOSS)	**3,394**	**246**	**3,541**	**338**
Result from investments	97	103	107	110
Gains/(losses) on disposal of investments	8	8	(91)	(91)
Restructuring costs	28	38	15	63
Other unusual income/(expense)	(499)	(507)	(138)	(107)
EBIT	**2,972**	**(188)**	**3,404**	**187**
Financial income/(expense)	(1,964)	(989)	(1,885)	(817)
PROFIT/(LOSS) BEFORE TAXES	**1,008**	**(1,177)**	**1,519**	**(630)**
Income taxes	(943)	(736)	623	418
PROFIT/(LOSS)	**1,951**	**(441)**	**896**	**(1,048)**

(*) *Figures previously included in the 2012 Annual Report have been restated to reflect application of the amendment to IAS 19. Restatement resulted in a reduction in net profit of €515 million (€7 million increase in net loss for Fiat excluding Chrysler), reflecting a €273 million increase in operating expense (€17 million increase for Fiat excluding Chrysler), a €244 million increase in financial expense (€8 million decrease in financial expense for Fiat excluding Chrysler) and a €2 million decrease in income taxes (€2 million decrease for Fiat excluding Chrysler).*

Group **revenues** totaled €86.8 billion in 2013, an increase of 3% over the prior year (+7% at constant exchange rates – "CER"). On a regional basis, revenues in NAFTA were up 5% to €45.8 billion (CER +9%) on the back of higher volumes. LATAM reported revenues of €10 billion, down 10% in nominal terms (CER +1%). APAC was up 48% to €4.6 billion (CER +54%), driven by strong volume performance. Revenues for EMEA were down 2% to €17.4 billion (CER -1%), mainly reflecting volume declines in Europe during the first half. For Luxury Brands, revenues increased 31% to €3.8 billion (CER +34%), with Ferrari up 5% and Maserati more than doubling its revenues to €1.7 billion on the strength of new models introduced during the year. Components revenues were in line with 2012 at €8.1 billion (CER +4%).

Trading profit was €3,394 million, down 4% over the prior year in nominal terms, but up 1% at constant exchange rates. For 2013, R&D amortization was €0.3 billion higher. NAFTA reported a trading profit of €2,220 million (€2,443 million for 2012, IAS 19 restated), a 9% decrease in nominal terms (CER -6%), with positive volume and pricing more than offset by higher industrial costs, including content enhancements for new models, and increased R&D amortization. LATAM posted a trading profit of €619 million (€1,056 million in 2012, IAS 19 restated), a 41% decrease in nominal terms (CER -33%) primarily attributable to input cost inflation, an unfavorable production mix and a lower result in Venezuela. APAC increased 38% to €358 million, driven by strong volume growth. In EMEA, losses were reduced by one-third to €470 million, mainly on the back of improved product mix and cost efficiencies. For Luxury Brands, trading profit increased 36% to €535 million, with Ferrari up 9% to €364 million, and Maserati tripling from the prior year's level to €171 million. For Components, trading profit was 16% higher at €201 million (CER +21%).

Income from investments totaled €97 million (€107 million for 2012) and primarily reflects the Group's share of the profit or loss of investees recognized using the equity method (€87 million in 2013 and €94 million in 2012). Included in that figure are: the result from investments in EMEA (€145 million in 2013; €160 million in 2012), in APAC (-€39 million in 2013; -€5 million in 2012), mainly related to the Group's share of losses of the Chinese JV attributable to industrial costs associated with new product launches, the investment in RCS MediaGroup (-€34 million in 2013; -€68 million in 2012) and other investments (€20 million in 2013; €18 million in 2012).

Net gains on disposal of investments totaled €8 million. For 2012, there were net losses on disposal of investments of €91 million, which related to the write-down of the investment in the SevelNord joint venture.

Restructuring costs of €28 million for 2013 consisted primarily of provisions for Other activities, partially offset by a reversal in restructuring charges previously recognized for the NAFTA region.

Other unusual expense of €499 million included approximately €390 million in asset write-downs associated with the rationalization of architectures relating to the new product strategy, particularly for the Alfa Romeo, Maserati and Fiat brands, as well as asset impairments related to Teksid's Cast Iron business. In addition, there was a €56 million write-off of the carrying value of the Equity Recapture Agreement Right following the 1 January 2014 agreement to purchase the minority remaining equity stake in Chrysler from the VEBA Trust[(1)]. Other unusual items for the year included a €115 million charge related to the June 2013 voluntary safety recall and customer satisfaction action in NAFTA and a €43 million net charge related to the devaluation of the Venezuelan bolivar (VEF) relative to the U.S. dollar. Those charges were offset by recognition of a €166 million gain following amendments to Chrysler's U.S. and Canadian salaried defined benefit pension plans.

EBIT totaled €2,972 million for the year (€3,404 million for 2012, IAS 19 restated). Net of unusuals, EBIT was down 4% year-over-year to €3,491 million (€3,648 million for 2012, IAS 19 restated).

Net financial expense totaled €1,964 million, an increase of €79 million over 2012. Excluding the gains on the Fiat stock option-related equity swaps (€31 million for 2013, at their expiration, compared to €34 million for 2012), net financial expense was €76 million higher, largely due to a higher average net debt level.

Profit before taxes was €1,008 million (€1,519 million for 2012, IAS 19 restated), €511 million lower than the prior year due to the €432 million decrease in EBIT and higher net financial expense.

Income taxes were a positive €943 million, including a positive one-off of €1,500 million from the recognition of net deferred tax assets related to Chrysler. Net of this item, there was income tax expense of €557 million (€623 million for 2012), of which €244 million for Fiat excluding Chrysler primarily related to the taxable income of companies operating outside Italy and employment-related taxes in Italy.

Net profit was €1,951 million (€896 million for 2012, IAS 19 restated). Excluding unusual items and the positive deferred tax impact, there was a net profit of €943 million for the year (€1,140 million for 2012, IAS 19 restated). On the same basis, Fiat excluding Chrysler reported a net loss of €911 million (loss of €787 million in 2012).

Profit attributable to owners of the parent totaled €904 million (€44 million for 2012).

(1) The UAW Retiree Medical Benefits Trust, a Voluntary Employees' Beneficiary Association, is an independently administered trust established to pay health care benefits for retirees from Chrysler.

The breakdown of EBIT by segment[1] was as follows:

(€ million)	Trading profit/(loss) 2013	2012(*)	Result from investments 2013	2012	Unusual income/(expense) 2013	2012	EBIT 2013	2012(*)
NAFTA	2,220	2,443	(1)	-	71	48	2,290	2,491
LATAM	619	1,056	-	-	(127)	(31)	492	1,025
APAC	358	260	(39)	(5)	(1)	-	318	255
EMEA	(470)	(703)	145	160	(195)	(194)	(520)	(737)
Luxury Brands	535	392	-	-	(65)	-	470	392
Components	201	174	5	2	(60)	(11)	146	165
Other activities	(67)	(85)	(13)	(52)	(87)	(12)	(167)	(149)
Eliminations and adjustments	(2)	4	-	2	(55)	(44)	(57)	(38)
Total Fiat Group	**3,394**	**3,541**	**97**	**107**	**(519)**	**(244)**	**2,972**	**3,404**

(*) *Figures previously included in the 2012 Annual Report have been restated to reflect application of the amendment to IAS 19. The impact on trading profit and EBIT for each segment is, where applicable, reported in the notes to the following tables.*

Report on Operations

(1) *See "Fiat Group's activities" and Note 34 – "Segment reporting" in the Note to the Consolidated Financial Statements.*

Results by Segment

Following is a summary of revenues, trading profit and EBIT by segment and comparison with 2012.

NAFTA

(€ million)	2013	2012(*)	Change
Net revenues	**45,777**	43,521	2,256
Trading profit	**2,220**	2,443	-223
EBIT	**2,290**	2,491	-201
Shipments (000s)	**2,238**	2,115	123

(*) *Figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in trading profit and EBIT being reduced by €250 million.*

Group **shipments** in NAFTA totaled 2,238,000 units for 2013, a 6% increase over 2012. A total of 1,876,000 vehicles were shipped in the U.S. (up 7% from 2012), 269,000 in Canada (up 5%) and 93,000 for Mexico and other.

Revenues for 2013 were €45,777 million, up €2,256 million or 5% over the prior year (+9% at constant exchange rates). Approximately €1.4 billion of the increase was due to a 6% increase in shipments driven primarily by increased demand for Chrysler Group vehicles, including the Ram 1500 trucks, the launch of the all-new 2014 Jeep Cherokee which began shipping to dealers in late October 2013, the Jeep Grand Cherokee, which launched in the first quarter of 2013, as well as increases in the Jeep Wrangler. These increases were partially offset by a reduction in Jeep Liberty shipments due to its discontinued production at the end of the second quarter of 2012 in preparation of the all-new 2014 Jeep Cherokee. During the third quarter of 2012, Chrysler Group continued to ship the residual Jeep Liberty inventory to dealers.

Approximately €800 million of the increase in revenues was attributable to favorable vehicle line mix as there was a higher percentage growth in truck shipments as compared to minivan and passenger car shipments. In addition, revenues increased by approximately €800 million as a result of favorable net pricing from vehicle content enhancements in the Group's 2014 model year vehicles as compared to prior model years. Further, approximately €300 million of the increase in revenues was due to a favorable shift in market mix to greater retail shipments as a percentage of total shipments, which is consistent with the Group's continuing strategy to grow U.S. retail market share while maintaining stable fleet shipments. Typically, the average revenue per vehicle for retail shipments is higher than the average revenue per vehicle for fleet shipments, as retail customers tend to purchase vehicles with more optional features. Additionally, revenues were negatively impacted by €1.5 billion in currency translation impacts.

Trading profit for 2013 was €2,220 million (€2,443 million for 2012, IAS 19 restated), with positive volume/mix (+€588 million) and pricing (+€868 million) effects that were more than offset by higher industrial costs (€1,456 million), including costs associated with new models and content enhancements as well as higher R&D amortization, increased SG&A costs (€90 million) to support volume growth and commercial launches of the new products, in addition to negative currency translation impacts (~€80 million).

EBIT was €2,290 million (€2,491 million for 2012, IAS 19 restated), mainly reflecting lower trading profit and €23 million higher net unusual income. For 2013, net unusual income of €71 million included a gain of €166 million, with a corresponding net reduction to pension obligations following amendments to Chrysler's U.S. and Canadian salaried defined benefit pension plans, partly offset by charges related to the June 2013 voluntary safety recall for the 1993-1998 Jeep Grand Cherokee and the 2002-2007 Jeep Liberty, as well as the customer satisfaction action for the 1999-2004 Jeep Grand Cherokee.

LATAM

(€ million)	2013	2012(*)	Change
Net revenues	**9,973**	11,062	-1,089
Trading profit	**619**	1,056	-437
EBIT	**492**	1,025	-533
Shipments (000s)	**950**	979	-29

(*) *Figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in trading profit and EBIT being reduced by €7 million.*

In 2013 **revenues** were down €1,089 to €9,973 million mainly impacted by negative currency translation effect of €1,170 million, net of which revenues increased by 1% with net pricing benefit being partially offset by 3% decrease in shipments year-over-year to 950,000 vehicles.

Trading profit was €619 million, or €437 million lower than the €1,056 million reported for 2012. The decrease was mainly attributable to higher industrial costs (€257 million), almost entirely related to input cost inflation in Brazil (with the weakening of the Real affecting prices of imported materials), in addition to start-up costs for the Pernambuco plant, negative volumes/mix (€111 million) and higher SG&A costs (€37 million). There was a negative €85 million in currency translation impacts. These impacts were partially offset by €64 million in positive pricing.

EBIT totaled €492 million (€1,025 million in 2012), reflecting lower trading profit and net unusual charges of €127 million, mainly related to the negative impact of the February 2013 devaluation of the Venezuelan bolivar (VEF) relative to the U.S. dollar (net €43 million) and to the streamlining of architectures and models associated with the region's refocused product strategy (€75 million).

APAC

(€ million)	2013	2012	Change
Net revenues	**4,621**	3,128	1,493
Trading profit	**358**	260	98
EBIT	**318**	255	63
Shipments (000s)	**163**	103	60

Group **shipments** in the APAC region (excluding JVs) totaled 163,000 units for 2013, representing a 58% year-over-year increase.

Revenues for 2013 increased by €1,493 million to €4,621 million compared to €3,128 million posted in 2012, of which €1.8 billion was attributable to the increase in APAC shipments from 103,000 to 163,000 vehicles, primarily driven by the strong demand for the Jeep brand across the region, the successful return of the Dodge Journey in China, increased focus on development of the Fiat and Alfa Romeo brands in Australia, and the consolidated India sales after the Group took complete control of sales and distribution operations.

The positive impact of increased volumes was partially offset by a negative currency translation effect of €200 million, a less favorable mix of €71 million and lower pricing of €79 million due to an increasingly competitive environment, particularly in China.

Trading profit was €358 million in 2013, up €98 million over the prior year with strong volume growth and an improved sales mix contributing €423 million, partially offset by higher industrial costs (€106 million) and SG&A expenses (€72 million) to support Group growth in the region, as well as less favorable pricing (€79 million) and unfavorable currency translation effects (€13 million).

EBIT totaled €318 million, up 25% from the €255 million in 2012, with higher trading profit partially offset by losses for the Chinese joint ventures attributable to industrial costs associated with new product launches.

EMEA

(€ million)	2013	2012(*)	Change
Net revenues	**17,420**	17,800	-380
Trading profit/(loss)	**(470)**	(703)	233
EBIT	**(520)**	(737)	217
Shipments (000s)	**979**	1,012	-33

(*) *Figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in trading profit and EBIT being reduced by €1 million.*

Group passenger car and LCV **shipments** in the EMEA region totaled 979,000 units for the year, a decrease of approximately 33,000 units (-3%) over 2012.

In 2013, **revenues** were €17,420 million, decreasing by €380 million or 2% over the prior year. Net of negative currency translation impacts (€135 million) the decrease was €245 million. Revenues were negatively impacted by a 3% decrease in shipments (€360 million), unfavorable net pricing (€170 million) and lower volumes for the parts and services business, with lower demand resulting from a decrease in cars on the road (€140 million). These reductions were partially offset by a €125 million benefit due to favorable product mix, primarily driven by the results for the 500 family (particularly the 500L), and for LCVs (particularly the Ducato), higher sales of used vehicles (€90 million) and the consolidation of VM Motori (€210 million).

The **trading loss** of €470 million for the year was €233 million or 33% lower as compared to the €703 million loss recorded in 2012. The positive impacts of better product mix (€135 million), driven primarily by results for the 500 family, lower industrial costs (€139 million), driven by higher industrial efficiencies and purchasing savings, as well as a €199 million reduction in SG&A, more than offset negative net pricing (€172 million), lower volumes (€58 million) and higher R&D amortization.

EBIT was a negative €520 million. The change over the prior year (-€737 million for 2012) mainly reflected the improved trading profit and a lower contribution from equity investments (€145 million in 2013 and €160 million in 2012) with unusual charges flat at €195 million. For 2013, unusual charges included the write-off of capitalized R&D related to development on new models for Alfa Romeo, which have now been switched to a new platform considered technically more appropriate for the brand.

Luxury Brands

(€ million)	2013	2012[1]	Change
Ferrari			
Shipments (000s)	7.0	7.4	-0.4
Net revenues	2,335	2,225	110
Trading profit	364	335	29
EBIT	364	335	29
Maserati			
Shipments (000s)	15.4	6.2	9.2
Net revenues	1,659	755	904
Trading profit	171	57	114
EBIT	106	57	49
LUXURY BRANDS			
Shipments (000s)	22.4	13.6	8.8
Net revenues[2]	3,809	2,898	911
Trading profit	535	392	143
EBIT	470	392	78

(1) *Ferrari and Maserati stand-alone have been restated to reflect the allocation to Maserati of its activities in China conducted, from a legal entity standpoint, through the local Ferrari subsidiary.*

(2) *Net of eliminations.*

Ferrari

Consistent with the 2013 announcement that production would be maintained below the prior year's level to preserve brand exclusivity, Ferrari managed shipments to the network down to 6,922 street cars (-5% vs. 2012), including the first 20 units of the special edition LaFerrari.

Revenues for 2013 were up 5% over the prior year to €2,335 million.

Trading profit and **EBIT** totaled €364 million, an increase of €29 million over €335 million for 2012. Trading margin improved to 15.6% from 15.1%, reflecting a better sales mix and the contribution from licensing and the personalization program.

Maserati

For 2013, shipments were up 148% to 15,400 vehicles, driven by the success of the new Quattroporte and Ghibli models launched during the year. For the Quattroporte, which was released in March, shipments totaled 7,800 units. For the Ghibli, a total of 2,900 units were shipped between launch in October and year end. Order intake for the two new models totaled 13,000 units apiece. Combined shipments for the GranTurismo and GranCabrio were in line with 2012 at 4,700 units for the year.

Revenues were up 120% year-over-year to €1,659 million.

Trading profit totaled €171 million, representing a €114 million increase over the prior year (€57 million in 2012), and the full-year trading margin was 10.3%.

EBIT totaled €106 million and included a €65 million write-down of capitalized R&D related to development of a new model, which has now been switched to a more technically advanced platform considered more appropriate for the Maserati brand. The year-over-year improvement reflected the significant increase in volumes.

Components

(€ million)	2013	2012	Change
Magneti Marelli			
Net revenues	**5,988**	5,828	160
Trading profit	**166**	141[1]	25
EBIT	**169**	131[1]	38
Teksid			
Net revenues	**688**	780	-92
Trading profit/(loss)	**(13)**	-	-13
EBIT	**(70)**	4	-74
Comau			
Net revenues	**1,463**	1,482	-19
Trading profit	**48**	33[1]	15
EBIT	**47**	30[1]	17
COMPONENTS			
Net revenues [2]	**8,080**	8,030	50
Trading profit	**201**	174[1]	27
EBIT	**146**	165[1]	-19

(1) *The figures previously reported for 2012 have been restated to reflect application of the amendment to IAS 19. Restatement resulted in total Trading Profit and EBIT for Components being reduced by €2 million (+€1 million for Magneti Marelli and -€3 million for Comau).*
(2) *Net of eliminations.*

Magneti Marelli

Magneti Marelli reported **revenues** of €5,988 million, an increase of 3% over the prior year (6% at constant exchange rates), driven by performance in NAFTA and China, in addition to a modest gain in Europe. In Brazil, revenues were substantially in line with 2012 on a constant currency basis.

The Lighting business line posted a 12% increase in revenues on the back of performance in China and in NAFTA, which benefited from the full-year contribution of several new products that were launched during the second half of 2012. For the Electronic Systems business line, revenues were 7% higher primarily due to growth in sales of telematics and body products. For the Powertrain business line, revenues were in line with the prior year on a constant currency basis. The After Market business line posted a 5% increase in revenues (CER +13%) with growth in Europe and Mercosur only partially offset by a decrease in NAFTA.

Trading profit totaled €166 million, compared with €141 million for 2012, with top-line growth only partially offset by higher costs associated with new product launches in NAFTA.

EBIT was €169 million, an increase of €38 million over the prior year reflecting higher trading profit and the non-repeat of unusual charges recognized in 2012.

Teksid

Revenues totaled €688 million, down 12% over the prior year.

The Cast Iron business unit posted a 7% decrease in volumes in Europe and the Americas, with demand lower in all market segments, particularly light vehicles. For the Aluminum business unit, volumes were up 13% year-over-year.

Teksid closed the year with a **trading loss** of €13 million, compared to break-even for 2012. The decrease was primarily attributable to volume declines.

EBIT was a negative €70 million (positive €4 million in 2012), including €60 million in unusual charges mainly related to asset impairments for the Cast Iron business unit.

Comau

Comau posted 2013 **revenues** of €1,463 million, substantially in line with the prior year.

Order intake for the Systems activities totaled €1,454 million, an 18% increase over 2012. At 31 December 2013, the order backlog totaled €1,022 million, a 17% increase over year-end 2012 attributable primarily to the Body Welding business.

Trading profit for the year totaled €48 million, up €15 million over 2012, with the increase primarily driven by the Body Welding operations.

EBIT was €47 million, compared with €30 million for 2012.

Consolidated Statement of Cash Flows

Following is a summary statement of cash flows and related comments. A complete statement of cash flows is provided in the Consolidated Financial Statements.

(€ million)		2013	2012
A)	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,657**	**17,526**
B)	CASH FROM/(USED IN) OPERATING ACTIVITIES	**7,589**	**6,444**
C)	CASH FROM/(USED IN) INVESTING ACTIVITIES	**(8,086)**	**(7,537)**
D)	CASH FROM/(USED IN) FINANCING ACTIVITIES	**3,188**	**1,643**
	Currency translation differences	(909)	(419)
E)	NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,782**	**131**
F)	CASH AND CASH EQUIVALENTS AT END OF YEAR	**19,439**	**17,657**

Operating activities generated cash of €7,589 million, of which €6,121 million from income-related cash inflows (i.e., net profit plus amortization and depreciation, dividends, changes in provisions and items related to sales with buy-back commitments, net of gains/losses on disposals and other non-cash items) and €1,468 million from the decrease in working capital.

Investing activities absorbed €8,086 million in cash, consisting primarily of a €7,440 million increase in tangible and intangible fixed assets (including €2,042 million in capitalized development costs) and a €449 million increase in receivables from financing activities, mainly consisting of dealer financing in Latin America and China, as well as a €231 million increase in equity investments. The change in equity investments includes the additional investment in RCS (€94 million), capitalization of the 50% JV interests in Fiat India Automobiles (€46 million) and GAC Fiat Automobiles (€37 million), and the acquisition of the remaining 50% in VM Motori (€34 million).

Financing activities generated €3.2 billion in cash. During the year, Fiat S.p.A. issued bonds totaling €2.9 billion and repaid a €1 billion bond at maturity in February. In addition, there were new medium-term borrowings of approximately €2.6 billion[1], which more than covered medium-term borrowings maturing during the period (€2.0 billion).

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(1) *Excluding approximately €0.6 billion in new notes issued as repayment for existing notes in relation to the renegotiation of the Tranche B Term Loan by Chrysler in June.*

Consolidated Statement of Financial Position at 31 December 2013

Total assets were €86.8 billion at 31 December 2013, increasing €4.7 billion over year-end 2012 (€82.1 billion).

Non-current assets[(1)] totaled €47.6 billion, €2.1 billion higher than year-end 2012 (€4.3 billion net of currency translation impacts). The increase related primarily to the change in deferred tax assets (€1.3 billion net of currency effects), including a €1.7 billion positive impact from the recognition of deferred tax assets related to Chrysler, a €2.6 billion increase in fixed assets (net of depreciation and amortization) and consolidation of the assets of VM Motori from 1 July 2013[(2)].

Current assets[(3)] totaled €39.2 billion, an increase of €2.6 billion for the year. At constant exchange rates, current assets were €4.6 billion higher, primarily due to increases in net inventory (€1.4 billion) and cash and cash equivalents (€2.7 billion, excluding currency translation effects).

Working capital (net of items relating to vehicles sold under buy-back commitments) was a negative €10,935 million, representing a €1,004 million decrease over the negative €9,931 million at 31 December 2012.

(€ million)		31.12.2013	31.12.2012	Change
Inventory	(a)	8,975	8,340	635
Trade receivables		2,406	2,702	(296)
Trade payables		(17,235)	(16,558)	(677)
Other current receivables/(payables) & current taxes receivable/(payable)	(b)	(5,081)	(4,415)	(666)
Working capital		**(10,935)**	**(9,931)**	**(1,004)**

[(a)] *Inventory is reported net of the value of vehicles sold under buy-back commitments, which includes vehicles still in use by customers and vehicles that have been repurchased and are held for sale.*

[(b)] *Other current payables, included under other current receivables/(payables) & current taxes receivable/(payable), are stated net of amounts due to customers in relation to vehicles sold under buy-back commitments, which consist of the repurchase amount payable at the end of the lease period, together with the value of any lease installments received in advance. The value at the beginning of the contract period, equivalent to the difference between the sale price and the repurchase amount, is recognized on a straight-line basis over the contract period.*

[(1)] *Non-Currents assets include: Intangible assets, Property, plant and equipment, Investments and other financial assets, Leased assets, Defined benefit plan assets and Deferred tax assets. See also Fiat Group Consolidated Financial Statements and Notes.*

[(2)] *Fiat acquired an initial 50% interest in VM Motori in 2011. On 1 July 2013, following exercise of the put option held by the JV partner, Fiat acquired control, pursuant to IAS 27 – Consolidated and Separate Financial Statements, and the investee was consolidated on a line-by-line basis from that date. For more information, see Notes to the Consolidated Financial Statements at 31 December 2013 – "Scope of consolidation" .*

[(3)] *Current assets include: Inventories, Trade receivables, Receivables from financing activities, Current tax receivables, Other current assets, Current financial assets and Cash and cash equivalents. See also Fiat Group Consolidated Financial Statements and Notes.*

Excluding currency translation effects and changes in the scope of consolidation:

- inventories (net of vehicles sold under buy-back commitments) increased by approximately €1 billion, mainly in relation to higher activity levels for NAFTA, APAC and Luxury Brands
- trade receivables decreased by approximately €0.2 billion, which includes payment of amounts receivable from the Indian JV and volume contractions in EMEA and LATAM
- trade payables increased €1.4 billion, mainly due to an increase in production levels in NAFTA and for the Luxury Brands
- other current receivables/(payables) was approximately €0.8 billion lower, mainly due to increases in accrued expenses and deferred income, as well as indirect taxes payable.

At 31 December 2013, trade receivables, other receivables and receivables from financing activities maturing after that date and sold without recourse – and, therefore, eliminated from the statement of financial position pursuant to the derecognition requirements of IAS 39 – *Financial Instruments: Recognition and Measurement* – totaled €3,576 million (€3,631 million at 31 December 2012). That amount includes €2,177 million in receivables (€2,179 million at 31 December 2012), primarily financing to the dealer network, that were sold to jointly-controlled financial services companies (FGA Capital Group).

At 31 December 2013, consolidated **net debt**[(1)] totaled €9,793 million, an increase of €193 million over year-end 2012. For Fiat excluding Chrysler, net debt was €10,008 million, €1,905 million higher than 2012 year-end. Capital expenditure for the year (€3.9 billion), an increase in the financial services portfolio (€0.5 billion), equity investments and a change in the scope of operations (€0.4 billion) were only partially compensated for by income-related cash inflows (€2.4 billion) and positive currency translation differences (€0.4 billion).

Chrysler reported a net cash position of €215 million, compared with net debt of €1.5 billion at year-end 2012, with €5.2 billion in operating cash flow more than offsetting €3.6 billion in capital expenditure.

(1) *See "Key Performance Indicators" for a description of this measure.*

(€ million)		31.12.2013 Fiat	Chrysler	Fiat excluding Chrysler	31.12.2012 Fiat	Chrysler	Fiat excluding Chrysler
Debt:		(29,902)	(9,544)	(20,451)	(27,889)	(10,312)	(17,586)
Asset-backed financing		(596)	-	(596)	(449)	-	(449)
Bonds, bank loans and other debt		(29,306)	(9,544)	(19,855)	(27,440)	(10,312)	(17,137)
Current financial receivables from jointly-controlled financial services companies	(a)	27	-	27	58	-	58
Intersegment financial receivables	(b)	-	7	86	-	9	-
Debt, net of current financial receivables from jointly-controlled financial services companies and intersegment financial receivables		**(29,875)**	**(9,537)**	**(20,338)**	**(27,831)**	**(10,303)**	**(17,528)**
Other financial assets	(c)	533	97	436	519	45	474
Other financial liabilities	(c)	(137)	(21)	(116)	(201)	(42)	(159)
Current securities		247	-	247	256	-	256
Cash and cash equivalents		19,439	9,676	9,763	17,657	8,803	8,854
Net (debt)/cash		**(9,793)**	**215**	**(10,008)**	**(9,600)**	**(1,497)**	**(8,103)**
Industrial Activities		*(6,649)*	*215*	*(6,864)*	*(6,545)*	*(1,497)*	*(5,048)*
Financial Services		*(3,144)*	-	*(3,144)*	*(3,055)*	-	*(3,055)*
Cash, cash equivalents and current securities		19,686	9,676	10,010	17,913	8,803	9,110
Undrawn committed credit lines		3,043	943	2,100	2,935	985	1,950
Total available liquidity		**22,729**	**10,619**	**12,110**	**20,848**	**9,788**	**11,060**

(a) *Includes current financial receivables from FGA Capital Group, an associate recognized using the equity method.*
(b) *Relates to intragroup manufacturing agreements classified as finance leases in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease, in addition to receivables relating to factoring transactions between Chrysler Group companies and Fiat Group Financial Services companies in EMEA.*
(c) *Includes fair value of derivative financial instruments.*

Debt (bonds, bank loans and other debt) increased by approximately €1.9 billion to €29.3 billion. The Group issued bonds totaling €2.9 billion during the year and repaid €1 billion at maturity. Excluding bonds, currency translation impacts (-€1.3 billion), and assets acquired and consolidated during the period (approximately €0.2 billion), debt was €1.1 billion higher.

At 31 December 2013, cash, cash equivalents and current securities totaled €19.7 billion, an increase of approximately €1.8 billion over year-end 2012, despite €900 million in negative currency translation impacts (relating primarily to depreciation of the U.S. dollar and Brazilian real against the euro).

Total available liquidity, inclusive of €3.0 billion in undrawn committed credit lines, was €22.7 billion, a €1.9 billion increase over 31 December 2012, reflecting the positive contribution from financing activities throughout the year, including the increase of the syndicated revolving credit facility of Fiat, net of €1.0 billion in negative currency translation effects. For Fiat excluding Chrysler, total available liquidity was €12.1 billion (€11.1 billion at 2012 year-end) and for Chrysler the total was €10.6 billion, negatively impacted by currency translation of €0.6 billion for the full year.

Industrial Activities and Financial Services – Results for 2013

In order to provide a better insight into the financial position and performance of the Group and going beyond the requirements of IFRS 8 - *Operating segments*, the following tables provide a breakdown of the consolidated statements of income, financial position and cash flows between "Industrial Activities" and "Financial Services". In more detail, the separate evidence of the financial debt between industrial activities and financial services is based on the different sources of cash flows used for the repayment: represented by cash from operations for industrial activities and by collection of financial receivables for financial services. Consequently, a separate analysis of the financial structure in terms of debt to equity and other ratios is considered appropriate.

Financial Services includes companies that provide retail and dealer finance, leasing and rental services in support of the mass-market brands and for the luxury brands.

Financial Services also includes FGA Capital (the joint venture between Fiat Group Automobiles and Crédit Agricole Group), which is accounted for under the equity method.

Basis of analysis

The separation between Industrial Activities and Financial Services represents a sub-consolidation prepared on the basis of the activities of each Group company.

Investments held by companies belonging to one area in companies included in the other area are accounted for under the equity method. To provide a more meaningful presentation of net profit, the results of investments accounted for in this manner are classified in the income statement under Result from intersegment investments.

The holding companies (Fiat S.p.A., Fiat Partecipazioni S.p.A. and Fiat North America LLC) are classified under Industrial Activities.

The sub-consolidation of Industrial Activities also includes companies that provide centralized treasury services for Fiat excluding Chrysler (i.e., raising funds in the market and financing Group companies, with the exception of Chrysler Group LLC and its subsidiaries). Those activities do not, however, include offering financing to third parties.

N.B.: All Chrysler Group activities are included under Industrial Activities and Chrysler Group's treasury activities (including funding and cash management) are managed separately from the rest of Fiat Group.

Operating Performance by Activity

(€ million)	2013 Consolidated	2013 Industrial Activities	2013 Financial Services	2012(*) Consolidated	2012(*) Industrial Activities	2012(*) Financial Services
Net revenues	86,816	86,549	370	83,957	83,660	394
Cost of sales	74,570	74,362	311	71,701	71,527	271
Selling, general and administrative	6,689	6,642	47	6,763	6,719	44
Research and development	2,231	2,231	-	1,850	1,850	-
Other income/(expense)	68	64	4	(102)	(113)	11
TRADING PROFIT/(LOSS)	**3,394**	**3,378**	**16**	**3,541**	**3,451**	**90**
Result from investments (**)	97	11	86	107	24	83
Gains/(losses) on disposal of investments	8	8	-	(91)	(91)	-
Restructuring costs	28	28	-	15	15	-
Other unusual income/(expense)	(499)	(499)	-	(138)	(138)	-
EBIT	**2,972**	**2,870**	**102**	**3,404**	**3,231**	**173**
Financial income/(expense)	(1,964)	(1,964)	-	(1,885)	(1,885)	-
PROFIT/(LOSS) BEFORE TAXES	**1,008**	**906**	**102**	**1,519**	**1,346**	**173**
Income taxes	(943)	(954)	11	623	594	29
PROFIT/(LOSS)	**1,951**	**1,860**	**91**	**896**	**752**	**144**
Result from intersegment investments	-	91	-	-	144	-
PROFIT/(LOSS)	**1,951**	**1,951**	**91**	**896**	**896**	**144**

(*) *Figures for 2012 have been restated to reflect application of the amendment to IAS 19. Compared with the figures previously reported for the Group and for Industrial Activities, restatement resulted in a reduction in net profit of €515 million, reflecting a €273 million increase in operating expense, a €244 million increase in financial expense and a €2 million decrease in income taxes.*
(**) *Includes income from investments, as well as impairment (losses)/reversals on non-intersegment investments accounted for using the equity method.*

Industrial Activities

Net **revenues** for Industrial Activities totaled €86.5 billion, up 3% over the prior year, with growth in NAFTA and APAC more than offsetting contractions in LATAM and EMEA. Luxury Brands posted a strong year-over-year increase, with Maserati more than doubling over the prior year.

Trading profit totaled €3,378 million for the year (€3,451 million for 2012, restated for IAS 19 as amended). For 2013, R&D amortization was €0.3 billion higher mainly due to new product launches in NAFTA. The reduction in losses for EMEA, strong increase for Luxury Brands – including Maserati's trading profit more than triple the 2012 level – as well as the positive contribution from Components were more than offset by lower trading profit for NAFTA and LATAM.

Financial Services

Net revenues for Financial Services totaled €370 million for the year, down 6% over 2012 (CER +4%). **Trading profit** totaled €16 million, compared with €90 million for 2012.

Revenues				Trading Profit		
2013	2012	Change	(€ million)	2013	2012	Change
323	347	-24	**Mass-market Brands** (LATAM, APAC, EMEA)	3	75	-72
47	47	-	**Luxury Brands** (Ferrari)	13	15	-2
370	**394**	**-24**	**Total**	**16**	**90**	**-74**

Mass-market Brands (LATAM, APAC, EMEA)

The Group offers financial services to support vehicle sales in Europe, Latin America and China directly through its financial services subsidiaries or associates. In other markets, the Group's sales activities are supported by vendor programs offered jointly with leading partner banks.

In Europe, financial services are provided by FGA Capital, a 50/50 joint venture with the Crédit Agricole Group (accounted for under the equity method). FGA Capital supports the Group's sales activities through dealer financing, retail financing and medium and long-term rental. The collaboration with Crédit Agricole has produced results that are in line with expectations and meet the Group's commercial needs. During the year, the two partners renewed the agreement (ahead of scheduled expiry date) for a further 8 years (2021).

New financing to the dealer network totaled €12,787 million (€13,292 million in 2012).

Retail financing (which this year also includes finance leases) was provided on 439,343 vehicles, representing a financed value of €7,163 million and a penetration rate of 26% on Group sales (2012: 387,800 vehicles, financed value of €6,015 million and 21% penetration rate of sales for Group brands).

There were new medium and long-term rental agreements on 54,768 vehicles, representing a financed value of €647 million and a penetration rate of 5.2% on Group sales (2012: 53,643 rental agreements, financed value of €632 million and 4.8% penetration rate of sales for Group brands).

In Italy, Fidis S.p.A. (a wholly-owned subsidiary of Fiat Group Automobiles S.p.A.) also manages a factoring portfolio and issues guarantees on behalf of Fiat Group.

For Latin America and China, dealer and retail financial services are provided by Banco Fidis in Brazil, Fiat Crédito Compañía Financiera in Argentina and Fiat Automotive Finance in China. All three companies are subsidiaries of Fidis S.p.A. and, in addition to their principal activities in support of the FGA and Chrysler networks, they also provide financing to customers and the dealer networks of Iveco, CNH and, in China, their joint ventures.

The average managed portfolio of Fidis and its subsidiaries was €3,157 million (€2,963 million in 2012), of which €1,473 million was dealer financing, essentially in Brazil (€1,304 million in 2012), and €778 million end-customer financing (€945 million in 2012).

In 2013, **revenues** for the Financial Services companies that support the sales activities of the Mass-market Brands were down 7% in nominal terms. On a constant currency basis, however, there was a 4% increase over 2012, primarily due to an increase in the average portfolio in Brazil and Argentina.

Trading profit totaled €3 million. The decrease over the €75 million profit for 2012 was mainly attributable to an increase in bad debt provisions in APAC and LATAM.

Luxury Brands (Ferrari)

Ferrari Financial Services ("FFS") provides car financing to customers in Europe, North America and Japan through its subsidiaries FFS S.p.A. (Italy), FFS AG (Germany, U.K., Switzerland, France, Belgium and Austria), FFS Inc. (U.S. and Canada) and FFS KK (Japan). The Japanese subsidiary began offering car finance and leasing services to retail customers in July 2013.

The financial services companies also offer financing to dealers in Europe (Germany, Switzerland, Belgium, U.K. and Italy) and Japan.

At the commercial level, penetration in Europe was 43% (41% in 2012) and in North America 41% (40% in 2012).

For 2013, total new finance agreements were up 3% in volume terms to 3,003 and 19% in value terms to €556 million.

At 31 December, the total value of the portfolio was €768 million (Italy 6%, Rest of Europe 38%, USA 55% and Japan 1%).

FFS reported consolidated **revenues** of €47 million, in line with 2012. **Trading profit** totaled €13 million, a decrease of €2 million over the prior year mainly attributable to an increase in the cost of funding.

Statement of Financial Position by Activity

			31.12.2013			31.12.2012(*)
(€ million)	Consolidated	Industrial Activities	Financial Services	Consolidated	Industrial Activities	Financial Services
Intangible assets	19,509	19,502	7	19,284	19,279	5
Property, plant and equipment	22,843	22,840	3	22,061	22,058	3
Investments and other financial assets	2,260	2,657	863	2,287	2,756	787
Leased assets	1	1	-	1	1	-
Defined benefit plan assets	105	105	-	93	93	-
Deferred tax assets	2,893	2,826	67	1,738	1,677	61
Total non-current assets	**47,611**	**47,931**	**940**	**45,464**	**45,864**	**856**
Inventory	10,230	10,222	8	9,295	9,290	5
Trade receivables	2,406	2,394	24	2,702	2,690	20
Receivables from financing activities	3,671	1,580	3,685	3,727	1,600	3,643
Current taxes receivable	291	289	6	236	237	6
Other current receivables	2,302	2,248	56	2,163	2,131	32
Current financial assets:	815	788	29	807	724	83
Current investments	35	35	-	32	32	-
Current securities	247	219	28	256	173	83
Other financial assets	533	534	1	519	519	-
Cash and cash equivalents	19,439	19,239	200	17,657	17,411	246
Total current assets	**39,154**	**36,760**	**4,008**	**36,587**	**34,083**	**4,035**
Assets held for sale	9	9	-	55	55	-
TOTAL ASSETS	**86,774**	**84,700**	**4,948**	**82,106**	**80,002**	**4,891**
Equity	12,584	12,584	1,264	8,369	8,369	1,256
Provisions:	17,360	17,345	15	20,276	20,254	22
Employee benefits	8,265	8,259	6	11,486	11,481	5
Other provisions	9,095	9,086	9	8,790	8,773	17
Debt:	29,902	27,998	3,498	27,889	25,933	3,472
Asset-backed financing	596	156	440	449	52	397
Other debt	29,306	27,842	3,058	27,440	25,881	3,075
Other financial liabilities	137	135	4	201	198	3
Trade payables	17,235	17,225	20	16,558	16,546	20
Current taxes payable	314	300	19	231	223	15
Deferred tax liabilities	278	272	6	801	795	6
Other current liabilities	8,943	8,820	122	7,781	7,684	97
Liabilities held for sale	21	21	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**86,774**	**84,700**	**4,948**	**82,106**	**80,002**	**4,891**

(*) *Figures for 2012 Annual Report have been restated to reflect application of the amendment to IAS 19 – Employee Benefits. Compared with the figures published in the 2012 financial statements, there was a €4,804 million reduction in equity for the Group and for Industrial Activities and a €2 million reduction for Financial Services.*

Net Debt by Activity

(€ million)		31.12.2013 Consolidated	31.12.2013 Industrial Activities	31.12.2013 Financial Services	31.12.2012 Consolidated	31.12.2012 Industrial Activities	31.12.2012 Financial Services
Debt:		(29,902)	(27,998)	(3,498)	(27,889)	(25,933)	(3,472)
Asset-backed financing		(596)	(156)	(440)	(449)	(52)	(397)
Other debt		(29,306)	(27,713)	(1,593)	(27,440)	(25,790)	(1,650)
Intersegment financial payables		-	(129)	(1,465)	-	(91)	(1,425)
Current financial receivables from jointly-controlled financial services companies	(a)	27	27	-	58	58	-
Intersegment financial receivables		-	1,465	129	-	1,425	91
Debt, net of intersegment and current financial receivables from jointly-controlled financial services companies		**(29,875)**	**(26,506)**	**(3,369)**	**(27,831)**	**(24,450)**	**(3,381)**
Other financial assets	(b)	533	534	1	519	519	-
Other financial liabilities	(b)	(137)	(135)	(4)	(201)	(198)	(3)
Current securities		247	219	28	256	173	83
Cash and cash equivalents		19,439	19,239	200	17,657	17,411	246
Net (debt)/cash		**(9,793)**	**(6,649)**	**(3,144)**	**(9,600)**	**(6,545)**	**(3,055)**

[a] *Includes current debt payable by FGA Capital to other Fiat Group companies.*
[b] *Includes fair value of derivative financial instruments.*

Net Debt by Activity for Fiat excluding Chrysler

(€ million)		31.12.2013			31.12.2012		
		Fiat excluding Chrysler	Industrial Activities excluding Chrysler	Financial Services	Fiat excluding Chrysler	Industrial Activities excluding Chrysler	Financial Services
Debt:		(20,451)	(18,545)	(3,498)	(17,586)	(15,630)	(3,472)
Asset-backed financing		(596)	(156)	(440)	(449)	(52)	(397)
Other debt		(19,855)	(18,262)	(1,593)	(17,137)	(15,487)	(1,650)
Intersegment financial payables		-	(127)	(1,465)	-	(91)	(1,425)
Current financial receivables from jointly-controlled financial services companies	(a)	27	27	-	58	58	-
Intersegment financial receivables	(b)	86	1,549	129	-	1,425	91
Debt, net of intersegment and current financial receivables from jointly-controlled financial services companies		**(20,338)**	**(16,969)**	**(3,369)**	**(17,528)**	**(14,147)**	**(3,381)**
Other financial assets	(c)	436	437	1	474	474	-
Other financial liabilities	(c)	(116)	(114)	(4)	(159)	(156)	(3)
Current securities		247	219	28	256	173	83
Cash and cash equivalents		9,763	9,563	200	8,854	8,608	246
Net (debt)/cash		**(10,008)**	**(6,864)**	**(3,144)**	**(8,103)**	**(5,048)**	**(3,055)**

(a) *Includes current debt payable by FGA Capital to other Fiat Group companies.*
(b) *Includes amounts receivable from Chrysler relating to intragroup manufacturing agreements classified as finance leases in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease.*
(c) *Includes fair value of derivative financial instruments.*

Debt, cash and other financial assets/liabilities pertaining to Financial Services entities are not included in the calculation of Net Debt for Industrial Activities. In addition to their other activities, treasury companies of Fiat excluding Chrysler raise funds for consolidated Financial Services companies by incurring debt on their behalf and on-lending it to those companies. Loans from the treasury companies of Fiat excluding Chrysler (which are included in Industrial Activities) to the consolidated Financial Services companies are included under intersegment financial receivables and are deducted in the calculation of net debt for Industrial Activities.

Intersegment financial receivables for Financial Services companies, on the other hand, represent deposits with Group treasury as well as advances to industrial companies – for receivables sold to Financial Services companies that do not meet the derecognition requirements of IAS 39 – *Financial Instruments: Recognition and Measurement*.

Net debt for Financial Services companies at 31 December 2013 was up €89 million over year-end 2012 to €3,144 million. A €499 million increase in the managed portfolio and €16 million in dividends paid to industrial companies were largely offset by €93 million in cash from operating activities and €334 million in positive currency translation differences.

Change in Net Industrial Debt[(1)]

(€ million)	2013 Fiat	2013 Chrysler	2013 Fiat excluding Chrysler	2012[(*)] Fiat	2012[(*)] Chrysler	2012[(*)] Fiat excluding Chrysler
Net industrial debt at beginning of year	**(6,545)**	**(1,497)**	**(5,048)**	**(5,529)**	**(3,080)**	**(2,449)**
Profit/(loss)	1,951	2,392	(441)	896	1,944	(1,048)
Depreciation and amortization	4,572	2,273	2,299	4,132	2,017	2,115
Changes in provisions and other changes	(475)	204	(679)	617	653	(36)
Cash from/(used in) operating activities before change in working capital	**6,048**	**4,869**	**1,179**	**5,645**	**4,614**	**1,031**
Change in working capital	1,464	335	1,129	694	1,275	(581)
Cash from/(used in) operating activities	**7,512**	**5,204**	**2,308**	**6,339**	**5,889**	**450**
Investments in property, plant and equipment and intangible assets	(7,433)	(3,573)	(3,860)	(7,530)	(4,311)	(3,219)
Cash from/(used in) operating activities, net of capital expenditure	**79**	**1,631**	**(1,552)**	**(1,191)**	**1,578**	**(2,769)**
Change in consolidation scope and other changes	(183)	125	(308)	292	45	247
Net industrial cash flow	**(104)**	**1,756**	**(1,860)**	**(899)**	**1,623**	**(2,522)**
Capital increases and dividends	(3)	(6)	3	(36)	-	(36)
Currency translation differences	3	(38)	41	(81)	(40)	(41)
Change in net industrial debt	**(104)**	**1,712**	**(1,816)**	**(1,016)**	**1,583**	**(2,599)**
Net industrial (debt)/cash at end of year	**(6,649)**	**215**	**(6,864)**	**(6,545)**	**(1,497)**	**(5,048)**

[(*)] Figures for 2012 Annual Report have been restated to reflect application of the amendment to IAS 19 – Employee Benefits. Compared with the figures published in the 2012 financial statements, net profit was reduced by €515 million, of which €508 million related to Chrysler and €7 million to the Industrial Activities of Fiat excluding Chrysler. Corresponding increases were recognized under "Changes in provisions and other changes".

Net industrial debt increased €104 million for the year with €1.7 billion in cash generation for Chrysler almost fully compensating cash absorption for Fiat excluding Chrysler. Net of equity investments, the Group generated approximately €0.1 billion in cash.

For Chrysler, there was a positive difference of €1,712 million, reflecting €5,204 million in cash from operating activities and €3,573 million in capital expenditure for the year.

For Fiat excluding Chrysler, net industrial debt increased by €1,816 million, reflecting capital expenditure (€3,860 million compared with €3,219 million in 2012) and equity investments and the change in scope of consolidation (included under "Change in consolidation scope and other changes"), which were only partially compensated for by the €2,308 million cash generated from operating activities during the year.

[(1)] See "Key Performance Indicators" for a description of this measure.

Statement of Cash Flows by Activity

(€ million)		2013 Consolidated	2013 Industrial Activities	2013 Financial Services	2012 Consolidated	2012 Industrial Activities	2012 Financial Services
A) Cash and cash equivalents at beginning of year		**17,657**	**17,411**	**246**	**17,526**	**17,429**	**97**
B) Cash from/(used in) operating activities:							
Profit/(loss)		1,951	1,951	91	896(*)	896(*)	144
Amortization and depreciation (net of vehicles leased out)		4,574	4,572	2	4,134	4,132	2
(Gains)/losses on disposal of non-current assets and other non-cash items	(a)	545	436	18	667(*)	556(*)	(33)
Dividends received		92	108	-	89	103	-
Change in provisions		444	450	(6)	77	90	(13)
Changes in deferred taxes		(1,578)	(1,562)	(16)	(72)	(73)	1
Changes relating to buy-back commitments	(b)	92	92	-	(51)	(51)	-
Changes related to operating leases		1	1	-	(10)	(8)	(2)
Change in working capital		1,468	1,464	4	714	694	20
Total		**7,589**	**7,512**	**93**	**6,444**	**6,339**	**119**
C) Cash from/(used in) investing activities:							
Investments in:							
Property, plant and equipment and intangible assets (net of vehicles leased out)		(7,440)	(7,433)	(7)	(7,534)	(7,530)	(4)
Subsidiaries and other equity investments		(231)	(231)	-	(24)	(26)	-
Proceeds from the sale of non-current assets		48	47	-	139	139	-
Net change in receivables from financing activities		(449)	50	(499)	(24)	(27)	3
Change in current securities		(10)	(57)	47	(64)	(24)	(40)
Other changes		(4)	(135)	131	(30)	11	(41)
Total		**(8,086)**	**(7,759)**	**(327)**	**(7,537)**	**(7,457)**	**(82)**
D) Cash from/(used in) financing activities:							
Net change in debt and other financial assets/liabilities		3,191	2,960	231	1,679	1,536	143
Increase in share capital		4	4	-	22	22	2
Dividends paid		(1)	(1)	(16)	(58)	(58)	(14)
Payment of tax withholdings on behalf of shareholders of companies outside Italy		(6)	(6)	-	-	-	-
Total		**3,188**	**2,957**	**215**	**1,643**	**1,500**	**131**
Currency translation differences		(909)	(882)	(27)	(419)	(400)	(19)
E) Net change in cash and cash equivalents		**1,782**	**1,828**	**(46)**	**131**	**(18)**	**149**
F) Cash and cash equivalents at end of year		**19,439**	**19,239**	**200**	**17,657**	**17,411**	**246**

(*) *Figures for 2012 have been restated to reflect application of the amendment to IAS 19. For both the Group and Industrial Activities, profit was reduced by €515 million, with a corresponding increase in "(Gains)/losses on disposal of non-current assets and other non-cash items".*
(a) *Includes reversal of gains in the fair value of equity swaps on a basket of Fiat S.p.A. and CNH Industrial N.V. shares of €27 million for 2013 and €31 million for 2012.*
(b) *Cash from vehicles sold under buy-back commitments for the periods reported above, net of amounts already recognized through profit and loss, is included in a separate line item under operating activities, which also includes change in working capital.*

Industrial Activities
For 2013, Industrial Activities generated cash and cash equivalents of €1,828 million.

- **Operating activities** generated €7,512 million in cash, of which €5,204 million was attributable to Chrysler. Excluding Chrysler, Industrial Activities generated €2,308 million in cash, consisting of €1,179 million in income-related cash flows and a €1,129 million decrease in working capital.
- **Investing activities** absorbed a total of €7,759 million, including €7,433 million for investments in tangible and intangible assets (of which €3,573 million related to Chrysler) and €231 million for equity investments, in addition to funding provided to financial services companies (included under other changes).
- **Financing activities** generated €2,957 million in cash, consisting primarily of a net increase in borrowings (approximately €1.9 billion in bonds and €1 billion in other debt).

Financial Services
Cash and cash equivalents for Financial Services totaled €200 million at 31 December 2013, down €46 million over the beginning of the year.

Changes in cash were attributable to:

- **Operating activities**, which generated €93 million in cash (net profit plus amortization and depreciation).
- **Investing activities** (including changes in financial receivables from and debt payable to industrial companies), which absorbed €327 million in cash, primarily relating to an increase in the lending portfolio net of loans from treasury companies (included under other changes) and a decrease in current securities.
- **Financing activities**, which generated a total of €215 million, consisting of €231 million of net inflows from new financing, less dividends paid to companies included under Industrial Activities (€16 million).

Commercial Performance by Operating Segment

MASS-MARKET BRANDS

NAFTA

Commercial Performance

Passenger Car and Truck Shipments by Market

(units in thousands)	2013	2012	Change
United States	1,876	1,748	7%
Canada	269	255	5%
Mexico	85	98	-13%
Contract Manufacturing(*) and other	8	14	-43%
Total	**2,238**	**2,115**	**6%**

Passenger Car and Truck Shipments by Brand

(units in thousands)	2013	2012	Change
Jeep	601	548	10%
Dodge	745	717	4%
Chrysler	325	347	-6%
Ram	496	423	17%
Fiat	63	66	-5%
Contract Manufacturing(*) and other	8	14	-43%
Total	**2,238**	**2,115**	**6%**

(*) *Vehicles produced for other automakers, including Fiat Group Automobiles.*

Vehicle shipments in NAFTA totaled 2,238,000 units for FY 2013, representing a 6% increase over FY 2012. In the U.S., vehicle shipments were 1,876,000 (up 7% from FY 2012), in Canada 269,000 (up 5%) and 93,000 for Mexico and other. The year benefited from strong shipments and sales of the Ram 1500 pickup truck, Jeep Grand Cherokee and Wrangler and, from Q4, the very positive market reception of the all-new Jeep Cherokee.

Vehicle sales[1] in NAFTA totaled 2,147,000 for FY 2013, an increase of 8% over FY 2012. Sales increased 9% in the U.S. to 1,800,000 units and 7% in Canada to 260,000. In the U.S., the Group has posted 45 consecutive months of year-over-year sales gains and the strongest annual sales since 2007. In Canada, the Group recorded its 49th consecutive month of year-over-year sales growth in December and, for the full year, it reconfirmed its position as the number two selling manufacturer, posting the strongest annual sales level since 2000.

Industry Sales by Market

(units in thousands)	2013	2012	Change
United States	**15,862**	14,786	7%
Canada	**1,777**	1,713	4%
Mexico	**1,101**	1,024	8%

The **U.S. vehicle market** finished FY 2013 up 7% year-over-year to 15.9 million vehicles. The Group's overall market share was up 0.2 p.p. versus the prior year to 11.4%. Jeep vehicle sales totaled 490,000 for the year, up 3% versus FY 2012, with double-digit percentage increases for all currently produced vehicles, including the Jeep Grand Cherokee (+13%), Jeep Compass (+32%), Jeep Patriot (+22%) and the Jeep Wrangler (+10%), offsetting the absence of Jeep Liberty sales for most of 2013 (6,000 in 2013 compared to 75,000 in 2012). The Liberty replacement, the all-new Jeep Cherokee was first delivered to U.S. dealers at the end of October 2013, and 26,000 have already been sold to consumers in Q4. Dodge, the Group's number one selling brand in the region, posted sales of 596,000 vehicles, up 14% from the prior year mainly driven by the Charger (+19%), Durango (+43%), and Challenger (+19%), as well as the first full-year contribution of the Dart with 83,000 units. The Ram truck brand posted an increase of 22% to 368,000 vehicles, the largest increase of all brands, with sales increases for light-duty and heavy-duty pickups of 25% and 16%, respectively. Chrysler brand sales totaled 303,000 vehicles during FY 2013, down slightly from last year.

The **Canadian vehicle market** increased 4% year-over-year to 1.78 million vehicles. The Group's total market share increased 0.4 p.p. versus FY 2012 to 14.6%, mainly driven by strong performances from the Ram light-duty pickup (+25% year-over-year), Dodge Dart (+185%) and Chrysler Town & Country (+111%).

Fiat brand sales in the U.S. and Canada were down 2% year-over-year to 51,000 vehicles for FY 2013. The new 500L launched in May with sales of over 8,000 vehicles for the year.

Products and Awards

Throughout the year, the Group's products received various awards and recognitions, including the Ram Pickup, which received back-to-back *Motor Trend Magazine*'s "Truck of the Year" for 2013 and 2014, the first time ever a vehicle has won two years in a row. The 2013 Ram Pickup also won the "North American Truck/Utility of the Year" at the North American Auto Show in January 2013. The 3.0-liter EcoDiesel V-6 and the Fiat 500e battery-electric drive system were named among *Ward's* "10 Best Engines for 2014". In addition, the Group won 15 of 24 awards issued by the Texas Auto Writers Association, including the Truck of Texas (Ram 1500 pickup), SUV of Texas (Jeep Grand Cherokee), Commercial Vehicle of Texas (Ram ProMaster), and Truck Line of Texas (Ram Trucks).

[1] *"Sales" represents sales to end customers as reported by the Chrysler dealer network.*

Quality awards garnered throughout the year included the 2013 Chrysler 200 Convertible, Chrysler Town & Country, Dodge Durango, and Dodge Dart being named "Best 2013 Total Quality" in their respective segments by Strategic Vision's Total Quality Index. The Chrysler Town & Country was judged the "Highest-Ranking Minivan" by the J.D. Power 2013 Initial Quality Study. Various vehicles also continue to be recognized as "Top Safety Picks" by the Insurance Institute for Highway Safety, and *Consumer Digest* and *Consumer Guide®* "Best Buys".

LATAM

Commercial Performance

Passenger Car and LCV Shipments

(units in thousands)	2013	2012	Change
Brazil	785	845	-7%
Argentina	111	84	32%
Venezuela	6	9	-33%
Other	48	41	17%
Total	**950**	**979**	**-3%**

Passenger Car and LCV Industry Sales

(units in thousands)	2013	2012	Change
Brazil	3,581	3,636	-1%
Argentina	919	805	14%
Venezuela	84	108	-23%
Other	1,340	1,297	3%
Total	**5,924**	**5,846**	**1%**

In 2013, Group shipments in the LATAM region decreased 3% year-over-year to a total of 950,000 vehicles. Industry sales in LATAM were up 1.3% to 5,924,000 units.

In **Brazil**, the passenger car and light commercial vehicles (LCV) market was down 1.5% over the prior year to 3,581,000 units.

For 2013, the Group confirmed its leadership in the Brazilian market, with an overall share of 21.5%. Although 1.8 p.p. lower than 2012 – when exceptional performance was driven by the Group's flexibility in responding to the sharp increase in demand following the government's introduction of incentives – Group share was still 2.7 p.p. ahead of the nearest competitor. Group products continued to perform well, taking a combined 25% share of the A/B segment, driven by the continued success of the new Palio and Uno. Siena and Grand Siena posted a combined 25% year-over-year increase and Strada was up 5% (50% segment share) boosted by the contribution from the refreshed model launched in Q4.

The Group shipped 785,000 passenger cars and LCVs in Brazil, representing a 7% decrease compared with 2012, which benefited from a period of higher sales tax incentives.

In **Argentina**, where the market was up 14% for the year to 919,000 units, Group sales increased 31% to approximately 111,000 units, with share up 1.4 p.p. to 12.0% facilitated by improved customs clearance for vehicle imports. In the A/B segment, share was 14.1%, with the Palio posting a 71% year-over-year increase.

For other LATAM markets, shipments totaled approximately 54,000 units, up 7% over 2012.

Products and Awards

During the year, new product launches included: the 2014 Fiat Uno and Dodge Durango in Q1; special versions of the Fiat Grand Siena and Strada in Q2; special *Italia* series versions of the new Fiat Uno and Palio Fire in Q3; and, in Q4, the new Fiat Fiorino and Strada, the 2014 Jeep Grand Cherokee, and the *Grazie Mille* special edition of the Fiat Uno Mille.

The new Strada was the winner of four categories in the “Truck of the Year 2013” awards from *Auto Esporte* magazine. The Grand Siena won “Owners Satisfaction Award 2013” in its segment from *Quatro Rodas* magazine.

The Group’s new plant in Goiana, Pernambuco, is expected to start activities during the first half of 2015 with initial production capacity of 200,000 vehicles per year based on the Small Wide platform which will strengthen the product offering in the mid-size segments of the market. The site will also have an integrated supply park, product engineering center and testing facilities.

APAC

Commercial Performance

Passenger Car and LCV Shipments

(units in thousands)	2013	2012	Change
China	90	54	67%
South Korea	5	4	25%
Japan	16	15	7%
Australia	37	23	61%
Other	15	7	114%
Total	**163**	**103**	**58%**

Passenger Car and LCV Industry Sales

(units in thousands)	2013	2012	Change
China	16,670.9	14,246.6	17%
South Korea	1,291.8	1,306.8	-1%
Japan	4,562.3	4,572.4	-
Australia	1,106.2	1,080.7	2%
Other	2,472.3	2,664.3	-7%
Total	**26,103.5**	**23,870.8**	**9%**

Vehicle shipments in APAC (excluding JVs) totaled 163,000 units for 2013, representing an increase of 58% over the prior year.

Regional demand[(1)] rose year-over-year led by growth in China and Australia, while India and South Korea were down versus the prior year.

Group retail sales, including JVs, totaled 199,500 units, up 73% over the prior year driven by strong performance in China and Australia, compared with a 9% growth for the industry. By brand, Jeep sales were up 26% versus the prior year. Fiat brand posted growth of 40,700 units for the year, reflecting sales performance for the Chinese-produced Fiat Viaggio launched in late 2012. Dodge brand sales were up 5 times over the prior year, driven by the re-launch of the Dodge Journey in China in early 2013.

[(1)] *Aggregate for key markets where the Group is present (i.e. China, India, Australia, Japan and South Korea).*

Products and Awards

Jeep remained the best-selling brand across the region and, during the year, the product line-up was enhanced with the introduction of the new 2014 Grand Cherokee with 8-speed automatic transmission and 3.0L variants of the Jeep Grand Cherokee and Jeep Wrangler.

Launched in February 2013 with new and improved features, the Dodge Journey enjoyed a successful return, quickly becoming the Group's fourth best-selling vehicle in the region and driving the brand's five-fold sales increase for the year.

Fiat Viaggio continued to gain momentum in China, becoming the Group's best-selling vehicle in the region. The Fiat brand product line-up was further enhanced with the presentation of the Shining Edition of the Fiat Viaggio and the all-new hatchback version, the Fiat Ottimo, both unveiled at the Guangzhou Auto Show in November. The second Fiat vehicle to be produced in China, the Fiat Ottimo will be launched at dealerships in early 2014.

The newly-established distribution network in India which now totals 100 points of sale, posted a 41% same period year-over-year sales increase since its inception in April 2013, driven by the successful launch of the all-new Fiat Linea Classic and Fiat Punto Sport in Q3 2013.

In other key markets, Group sales in Australia grew 53% year-over-year, compared with 2% for the industry, representing the best year-over-year growth in the market by any manufacturer and driven by the Jeep and Fiat brands. In South Korea, Group sales were up 16% over the prior year driven by the re-introduction of the Fiat brand. In Japan, sales were up 6% year-over-year compared with a flat performance for the industry.

EMEA

Commercial Performance

Passenger Car and LCV Shipments by Market

(units in thousands)	2013	2012	Change
France	84.4	82.2	2.7%
Germany	97.5	109.6	-11.0%
U.K.	84.4	71.2	18.5%
Italy	408.7	446.9	-8.5%
Spain	33.7	27.3	23.4%
Poland	20.5	24.5	-16.3%
Rest of Europe	123.0	134.1	-8.3%
Europe (EU27+EFTA)	**852.2**	**895.8**	**-4.9%**
Other	126.7	115.8	9.4%
Total Sales	**978.9**	**1,011.6**	**-3.2%**
Associates and JVs	79.6	87.9	-9.4%
Grand Total	**1,058.5**	**1,099.5**	**-3.7%**

Passenger car and LCV shipments in the EMEA region totaled 979,000 units for the year, a decrease of approximately 33,000 units (-3%) over 2012.

Passenger car shipments were down 4% to 776,000 units, with significant declines in Italy and Germany. LCV shipments were in line with the prior year at 203,000 units.

Passenger Car Industry Sales

(units in thousands)	2013	2012	Change
France	1,786.4	1,890.0	-5.5%
Germany	2,871.7	3,001.0	-4.3%
U.K.	2,264.9	2,043.6	10.8%
Italy	1,304.4	1,403.0	-7.0%
Spain	723.9	700.6	3.3%
Poland	287.8	271.0	6.2%
Europe (EU27+EFTA)	**12,308.2**	**12,528.1**	**-1.8%**

In **Europe** (EU27+EFTA), the **passenger car market** was down 2% for the year to 12.3 million vehicles. By major market, demand was down in Italy (-7%), France (-6%) and Germany (-4%). The positive trend continued in both the U.K. and Spain, where demand was up 11% and 3%, respectively. For the rest of Europe, there was an overall contraction of around 4%.

Group brands accounted for a combined 6.0% share of the European market, representing a 0.3 p.p. decrease over 2012. There were year-over-year gains in France (+0.2 p.p. to 3.5%), Spain (+0.4 p.p. to 3.7%) and U.K. (+0.1 p.p. to 3.2%). By contrast, share was down 0.9 p.p. in Italy to 28.7% and 0.2 p.p. in Germany to 2.7%, in part reflecting management of channel mix.

The commercial strategy centered on the 500 family continues to yield positive results. The 500 was the best selling A-segment vehicle in Europe, with a 13.9% share, and the 500L ranked as the number one Small multi purpose vehicle (MPV), with 73,500 units sold for the year and a 17.9% segment share.

The **European light commercial vehicle market** (EU27+EFTA) registered a 1% year-over-year decrease, with significant contractions in Italy (-15%), France (-5%) and Germany (-2%).

Fiat Professional's European share[1] was down marginally to 11.6% as a result of a less favorable market mix. Share was up 1.3 p.p. in Italy to 44.0%, up 1.4 p.p. in the U.K. to 5.0% and up 0.4 p.p. in Spain to 8.9%. In France and Germany, share remained in line with prior year levels at 9.0% and 11.7%, respectively.

Products and Awards

During the year, new product highlights included: the launch of the 105 hp 1.6L MultiJet II and 0.9L TwinAir Turbo engine versions of the 500L, as well as the new Fiat 500L Living and Trekking and the "Natural Power" versions of the 500L and 500L Living. In the fourth quarter, the brand also introduced the 105 hp 0.9L TwinAir option for the 500 and 500C and the 120 hp 1.4L T-Jet Turbo and 1.6L MultiJet II options for the 500L, 500L Trekking and 500L Living. At the Frankfurt Motor Show in September, Fiat presented the special 30th anniversary limited edition Panda 4x4 Antarctica. The Fiat brand received the "Best Green Engine of the Year 2013" award for the eco-performing natural gas TwinAir Turbo.

In October, Alfa Romeo presented refreshed versions of the MiTo and Giulietta, with new engine options, including the 105 hp 0.9L TwinAir Turbo for the MiTo and the all-new 150 hp 2.0 JTDM 2 for the Giulietta, as well as latest generation UConnect infotainment systems and new interiors.

The brand also began delivery of the "Launch Edition" of the Alfa Romeo 4C in the fourth quarter. The Alfa Romeo 4C was named winner of the Sportscars/Imported category by readers of *Auto Zeitung* in Germany and was named "Car of the Year 2013" by *FHM* magazine in the U.K.

Jeep launched the 2014 Jeep Grand Cherokee in markets across Europe during Q2 followed, in the fourth quarter, by the 2014 Jeep Compass, which has undergone a refresh.

During the year, the World Class Manufacturing program's Gold level was awarded to Fiat plants in Pomigliano d'Arco, Italy, and Tychy, Poland, as well as the Tofaş plant in Bursa, Turkey.

(1) Due to unavailability of market data for Italy since January 2011, the figures reported are an extrapolation and discrepancies with actual data could exist.

LUXURY BRANDS

Ferrari

Commercial Performance

During 2013, Ferrari maintained production below the prior year's level in line with the strategy announced in May 2013 aimed at preserving the brand's exclusivity.

A consistently high level of investment in product development has enabled Ferrari to achieve the most innovative and comprehensive product offering in its history. New model releases during 2013 included the limited edition LaFerrari, which attracted orders for more than double the 499 unit production run even before its official debut at the Geneva Motor Show, as well as the 458 Speciale, which sports a myriad of world-class technological innovations.

Product mix was improved, with 12-cylinder models accounting for 25% of total sales as the F12 Berlinetta reached full production and demand for the FF remained strong. The 8-cylinder models, the 458 (coupé and spider versions) and California30, both continued to experience solid demand.

The U.S. remained the number one market and Ferrari increased shipment levels moderately to avoid customers experiencing excessive waiting times. In Europe, shipments in the U.K. were higher following the introduction of the right-hand drive F12 Berlinetta, but down in Germany reflecting planned reductions. In Italy, government austerity measures continued to penalize demand with sales in 2013 accounting for less than 3% of the global total.

Performance was very positive in the Middle East and Japan, while shipments in Greater China were reduced as part of Ferrari's strategy to preserve brand exclusivity in one of its traditional key markets, particularly in Hong Kong (where Ferrari celebrated its 30th anniversary in October), while in the People's Republic of China, where the brand reduced shipments consistent with the decision to maintain lower stock levels, sales to end customers were substantially comparable with the prior year.

In Formula One, Team Ferrari had a promising start to the season before encountering development issues that affected competitiveness in the latter part of the year. Despite the setback, Fernando Alonso placed second in the Drivers' Championship and the team was third overall in the Constructors' Championship.

The 458 GT had a rewarding season, racking up victories on three continents, including a hat trick in the GTE Pro class of the FIA World Endurance Championship and victory in the GTE Am category.

From the Grand Am to the European and Asian Le Mans Series, the Blancpain Series and the International GT Open, the 458 enjoyed a string of successes once again this season at both the competitive and commercial level. Now in its third season, the mono-brand 458 Challenge series also remained an extremely popular event with Ferrari owners.

In November, it was announced that all brand-related activities (licensing, retail, franchising and e-commerce) would be transferred to a wholly-owned subsidiary of Ferrari effective 1 January 2014, enabling an increased and more direct management focus.

Retail volumes continued to grow through the more than 50 Ferrari Stores worldwide and the e-commerce channel. In the licensing area, the number of agreements was reduced, while profitability was increased. Major licensing arrangements include partnerships with Electronic Arts and Codemasters.

On the sponsorship front, in 2013 Weichai Power, a leader in the automotive and components sector, and UPS, the major U.S.-based logistics supplier, both linked their names with Team Ferrari. The Oakley brand will also appear on the drivers' helmets for the 2014 F1 season.

The brand also continued to strengthen its presence on social networks, with the official Facebook page now counting more than 13 million fans.

A total of 7,124 street cars were **sold to end customers** during the year. Solid growth in North America and the Middle East compensated for the effect of challenging economic conditions in Europe, particularly in the eurozone.

For 12-cylinders models, sales were up 29% for the year to 1,931 vehicles, representing 27% of total sales. The increase was driven by the F12 Berlinetta, which completed its first full year in production, and the continued success of the FF.

The brand also began shipping the new super car, the limited edition LaFerrari, which was premiered at the Geneva Motor Show in March.

North America (U.S. and Canada) posted another record year, with sales up 9% over the prior year to 2,230 vehicles. The region remained Ferrari's largest market, accounting for 31% of worldwide sales.

In Europe, sales to end customers were down 13% to a total of 2,722 vehicles. In southern and western Europe (Italy, France, the Iberian Peninsula and Benelux), where economic conditions remained challenging, sales were down 23% from the 2012 level to 670 vehicles. For Central Europe, sales were down 11% in both Germany (672 vehicles) and Switzerland (329) as a result of the brand's strategic decision. In the U.K., sales were up 1% over the prior year to 673 vehicles placing it ahead of Germany as the brand's number one European market for the year.

The Middle East and Africa continued to be among the strongest performers, with combined sales up 12% over the prior year to a record 605 vehicles.

In the Asia-Pacific region, sales contracted 3% overall to 1,437 units. Greater China remained the second largest market globally, with sales in China stable at 458 vehicles (454 for 2012), but Hong Kong and Taiwan decreasing by 9% to 687 vehicles sold. The recovery continued in Japan, where sales were up 3% for the year to 351 units. For the remainder of Asia (South Korea and South East Asia), sales increased 6% to 289 vehicles.

In Australasia, 110 vehicles were sold (109 in 2012).

In 2013, Ferrari **shipped** 6,922 street cars (-5% year-over-year), including the first 20 units of the special edition LaFerrari. Shipments of 8-cylinder models were down 12% over the prior year, but there was a 19% increase for 12cylinder models driven primarily by the F12 Berlinetta, which was released just a year ago.

Products and Awards

The new product releases during the year demonstrated Ferrari's continued technological leadership.

At the Geneva Motor Show, the press and public were given a first look at the limited series LaFerrari: the maximum expression of the brand's excellence in technological innovation, performance, styling and driving emotion. Setting a new benchmark for the sector, LaFerrari incorporates the latest technological innovations that Ferrari will apply to future models.

The Frankfurt Motor Show was the venue for the debut of the limited edition 458 Speciale, which is equipped with a series of unique technological innovations and design features characteristic of the brand, ranging from engine and drivetrain to the vehicle's active aerodynamics and electronic control systems.

Awards and recognitions received during the year included: "Best Performance Engine of the Year", for the third consecutive year, for the 12-cylinder engine on the F12 Berlinetta and "Supercar of the Year" from *Top Gear* for the 458 Speciale.

Maserati

Commercial Performance

For Maserati, 2013 was a very significant year in terms of both new products and strategic developments.

In January, Maserati gave its world premiere presentation of the new flagship Quattroporte at the North American International Auto Show in Detroit. The Shanghai Motor Show in April was the venue for the world premiere presentation of the new Ghibli and heralded the brand's entry in the E segment, which accounts for more than 30% of the luxury car market worldwide. Both vehicles are offered with diesel and all-wheel-drive options, representing firsts for Maserati. With the introduction of these two new models and continued contribution of the existing Sport models, Maserati posted its best ever annual performance with a total of 15,400 vehicles shipped and combined order intake for the two new models of 26,000 units.

Major events during the year included: the opening of a new, state-of-the-art production facility for the Quattroporte and Ghibli, presentation of a new brand image and communications strategy to support the new strategic objectives and, in December, the official launch of Maserati's 100th anniversary celebrations. The occasion was marked with the release of the official commemorative book entitled "Maserati – A Century of History", the centenary logo and a program of events for 2014.

In motor sport, the fourth season of the mono-brand MC Trofeo championship kicked off at the end of April at the Paul Ricard circuit in France. The 2013 race calendar consisted of three fixtures in Europe (France, U.K. and Germany) and three outside Europe, including the U.S. and China, with the final race held in Abu Dhabi in mid-December.

Worldwide **shipments** were up 148% for the year, with 15,400 vehicles delivered to the network. For the Quattroporte, which was released in March, shipments totaled 7,800 units. For the Ghibli, a total of 2,900 units were shipped between launch in October and year end. Combined shipments for the GranTurismo and GranCabrio were in line with 2012 at 4,700 units for the year.

All markets contributed positively to the significant year-over-year increase. The U.S. remained the brand's number one market, with shipments up 138% over the prior year to 6,900 units. Maserati's second largest market, China, recorded the highest percentage increase with shipments up 334% to 3,800 units. Even in Europe, where economic conditions remained difficult, shipments were up 133% to 2,500 units driven by demand for the new models. Results were also strong for the Asia-Pacific region (excluding China) and the Middle East, which registered increases of 52% (to 1,300 vehicles) and 81% (to 750 vehicles), respectively.

Products and Awards

In January 2013, Maserati gave its world premiere presentation of both the V8 (530 hp) and V6 (410 hp) versions of the new Quattroporte at the North American International Auto Show in Detroit.

At the Geneva Motor Show in early March, Maserati presented the 4-seat GranTurismo MC Stradale and, for the first time in Europe, the new Quattroporte.

The Shanghai Motor Show in April was the chosen venue for the world premiere presentation of the new Maserati Ghibli.

At the Frankfurt Motor Show in September, Maserati presented the diesel version of the Quattroporte along with the Ermenegildo Zegna Limited Edition concept version, the first project in partnership with the premiere Italian fashion house.

Mid-November saw the North American debut of the Ghibli at the Los Angeles Auto Show.

COMPONENTS

Magneti Marelli (Components)

Magneti Marelli reported an increase in revenues of 3% over the prior year (6% at constant exchange rates) driven primarily by performance in NAFTA and China, in addition to a modest gain in Europe. In Brazil, revenues were substantially in line with 2012 on a constant currency basis.

During the year, Magneti Marelli entered into several major agreements relating to the development of innovative products in its core business areas.

In January, an agreement was signed with a leading car leasing company, LeasePlan, for fleet maintenance by Magneti Marelli's Checkstar service centers.

In September, Magneti Marelli and China South Industries Group Corporation, a manufacturer of automotive parts and systems, entered into an agreement to establish a 50/50 JV in China (Hubei Huazhong Magneti Marelli Automotive Lighting Co. Ltd.) for the production of auto headlights and tail lights.

In November, Magneti Marelli signed two cooperation agreements with Faurecia (a global supplier of passenger car modules and components), one for the production and distribution of interior and exterior components for FIASA in Brazil (Pernambuco) and the other for the design, development and production of advanced human-machine interfaces for vehicle interiors.

Also in November, Magneti Marelli signed a cooperation agreement with Opar, a Tofaş subsidiary and leader in the automotive parts market in Turkey, for distribution of aftermarket parts in Turkey. It also entered into an agreement with Iveco for the distribution of two new lines of OEM parts for LCVs in Europe.

In December, Magneti Marelli and Hero MotoCorp Ltd. established a JV in India for the production of engine control systems for the two-wheeler market. Magneti Marelli will hold 40% of the JV and Hero MotoCorp the remaining 60%.

Performance for the principal business lines was as follows:

Lighting

Revenues totaled €2,275 million for 2013, an increase of approximately 12% over the prior year driven by growth in NAFTA, where several new products were launched during the second half of 2012, and in China for Volkswagen. In the German-Czech Republic region and Brazil, revenues were substantially in line with the prior year.

Innovation and development activities related to:

- LED projection module (eLight Modular Concept), the concept has the flexibility to react to changes in market trends and/or technological improvements such as substitution of the LEDs with latest generation LEDs that offer the same performance with fewer diodes;
- glare free high-beam LED technology applied on reflexion technology. Based on use of a single LED, the solution will reduce the cost of modules;
- laser beam in headlamps: product which will use the laser beam module for a high beam application.

Major new orders included headlights for Audi, Ford, Volkswagen and Mini models, as well as headlights and tail lights for Honda.

Powertrain

Revenues totaled €898 million, which was in line with the prior year on a constant currency basis. In Europe, an increase in turnover from sales of the direct injection pump to Hyundai more than compensated for lower sales of a similar component to PSA.

A modest increase in sales to FIASA and Volkswagen in Brazil and the supply of new products to Chrysler more than compensated for the loss of revenues associated with the sale of the carburetor business to Edelbrock in 2012.

Activity in the Chinese market was in line with 2012, while sales to Maruti Suzuki in India were down, particularly in the second half, due to an overall decline in local demand.

On the innovation front, development continued on electric inverters and motors for application on hybrid electric and battery electric vehicles (HEV/BEV) for Ferrari, Qoros Group (China) and Chrysler.

Major orders received during the year included: systems and components for FAW and Volkswagen, intake manifolds for the Chrysler Pentastar, systems and components for Chrysler and Qoros hybrid vehicles, manifolds and throttle bodies for Fire MultiAir turbo engines for Fiat/Chrysler and Mazda.

Suspension Systems

Revenues were €470 million, substantially in line with 2012. Increased sales associated with the Ducato in Brazil and Mexico compensated for contractions across brands for Fiat Group, the business line's principal customer, in Italy and Poland.

Research and innovation activities related to high-resistance metal (steel and iron) and alloy solutions (carbon steel) and variable thickness components continued during the year.

Major new orders included suspension components for the new SUV vehicle platform for Fiat/Chrysler in Italy and Brazil.

Shock Absorbers

The business line recorded revenues of €309 million for 2013, a 4% year-over-year decrease at constant exchange rates attributable to an overall contraction in demand in the business line's core markets.

Principal new product developments during the year related to aluminum mono-tube shock absorbers that contribute to reduced emissions, cabin leveler shock absorbers for Iveco, low-cost Dual Stage Valve shock absorber technology, and E_FSD (electronic frequency selective damping) shock absorbers. Development also continued on regenerative shock absorbers.

Electronic Systems

Revenues totaled €935 million for the year, an increase of approximately 7% over 2012 driven primarily by growth in sales of telematics and body products to PSA (RT5, RT6 and RT6FF radio navigation systems and SMEG A9 and SMEG+ infotainment systems).

Ongoing innovation projects included: development of a new infotainment system for BMW (launched in November 2013); the new instrument cluster platform for Audi and Fiat/Chrysler SUVs; new body computers for Chrysler and Fiat/GAC's Compact United States Wide (CUSW) platform, the L7 family in Slovakia (Ducato and Iveco MY 2014), the L9 family for application on FIASA models in LATAM.

New orders included: the E-call system for FGA, a telematics box for GM and Suzuki, an infotainment system for the BMW EVO range and a body computer for the 2014 Ducato.

Exhaust Systems

Revenues totaled €559 million, a 2% decrease at constant exchange rates attributable to the overall contraction in demand in the business line's principal markets, which was only partially offset by increased volumes to customers in Serbia and China.

On the innovation front, the business line launched projects for the development of second generation Selective Catalytic Reduction systems. In addition, research continued on systems that recover exhaust-generated heat and design solutions to reduce the weight of exhaust systems and, consequently, contribute to achieving lower CO_2 emissions through reductions in the total weight of the vehicle.

Major new orders included exhaust systems for Chrysler's TigerShark engine in the U.S. and Volkswagen's LCV range in Germany.

After Market

Revenues totaled €356 million for 2013, up 5% over the previous year (+13% at constant exchange rates). Growth in Europe and Mercosur was partially offset by decreases in NAFTA. March saw the launch of the business line's sales activities in China, where lighting products led the way. All product areas experienced volume increases with particularly strong growth for telematics products.

Plastic Components and Modules

Revenues were down 2% over the prior year to €410 million. The decrease was attributable to an overall contraction in demand in the business line's core markets, only partially compensated for by revenue growth associated with new products for FGA models, particularly the 500L.

Orders received during the year included interiors, exteriors, fuel systems and pedals for the new B-SUV Jeep to be produced at the Melfi plant starting in 2014.

Teksid (Metallurgical Products)

During 2013, the global Light Vehicle market registered a 3.1% increase globally. By region, production for Teksid's customer segment was down 0.5% in Western Europe (Italy -0.5%, France -11.5%, Spain +8.5%), but higher in both Mercosur (+4.1%) and North America (+4.8%).

For Medium and Heavy Vehicles combined, the global market was up 4.3% over the prior year. By region, production for Teksid's customer segment was down 2.8% in Western Europe (Italy +4.4%, Germany -9.3%, France -3.3%), up 43.5% in Mercosur (Brazil +47.5%, compared with 2012 when volumes were down 50% over pre-crisis levels) and down 3.0% in NAFTA. Increases were not sufficient to bring Teksid's volumes in the Medium and Heavy Vehicle segment to pre-crisis levels.

The Cast Iron business unit recorded a 7% decrease in volumes, primarily due to lower demand in the heavy vehicle segment, and the continuing shift to the use of aluminum in the production of car engine basements. Revenues were down 16% for the year.

The Aluminum business unit closed the year with volumes up 13% and revenues up 10%.

Comau (Production Systems)

During 2013, automakers maintained investment in activities related to the Body Welding business line at 2012 levels, but reduced investment in areas related to Powertrain's activities.

In the U.S., automakers continued to invest, but at significantly different levels.

In China, investment levels remained high.

In Brazil, new contract orders were up and the medium-term outlook is robust.

In Europe, investment levels were higher in the U.K., but elsewhere automakers demonstrated a high degree of selectivity in their investment programs.

Order intake for the Systems activities totaled €1,454 million, an increase of 18% over the prior year attributable primarily to the Body Welding business.

By region, 44% of new orders were generated in Europe, 28% in NAFTA, 16% in APAC and 12% in LATAM. By customer, 25% of orders came from Fiat/Chrysler companies and the remaining 75% from other manufacturers. At 31 December 2013, the order backlog totaled €1,022 million, a 17% increase over the previous year.

For the Services operations, activity was substantially in line with 2012 levels but with signs of a recovery.

Sustainability[1]

SUSTAINABILITY GOVERNANCE AND COMMITMENT TO STAKEHOLDERS

Sustainability Governance

All areas of the Group have an active role in addressing the goals and challenges of sustainability. The sustainability management process is based on a model of shared responsibility that begins with the top level of management and involves every area and function within the organization. All employees worldwide are expected to conduct their activities responsibly.

Several entities within the organization are responsible for directing and coordinating the sustainable management of the Group's businesses. Those entities include:

The *Sustainability Team*, through its offices in Italy, the U.S. and Brazil, has a key role in promoting a culture of sustainability within the Group and facilitating the process of continuous improvement, while contributing to risk management, cost optimization, stakeholder engagement and enhancement of the Group's image. The team collaborates with individuals within the operating segments, regions and central functions that have operational responsibility for issues such as the environment, energy, innovation and human resources, and supports them in identifying key areas for action. It also manages relationships with international sustainability organizations, as well as sustainability rating agencies and investment analysts, with the support and coordination of the Investor Relations team.

The *Cross-functional Sustainability Committee* (CSC) consists of the heads of the principal central functions, operating segments and regions, who are often also consulted individually. The CSC evaluates and facilitates operational decisions, as well as serving in an advisory capacity for proposals submitted by the Sustainability Team to the Group Executive Council (GEC), the decision-making body headed by the Group CEO and composed of the COOs of the regions and operating segments, together with the heads of various central functions. The GEC is responsible for defining the strategic approach, approving operating guidelines and evaluating the alignment of the Sustainability Plan with business objectives. The Committee periodically updates the GEC on individual initiatives and the Group's overall sustainability performance.

The *Nominating, Corporate Governance and Sustainability Committee* (a committee of the Board of Directors) evaluates proposals relating to strategic guidelines for sustainability-related issues and, as appropriate, formulates proposals to the Board of Directors. The Committee also reviews the annual Sustainability Report.

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[1] *All information in the Sustainability section has been audited by the independent certification organization SGS Italia S.p.A. The scope, methodology, limitations and conclusions of the audit are provided in the Assurance Statement issued by SGS and published in the Fiat Group 2013 Sustainability Report.*

Commitment to Stakeholders

The Group's ability to generate value through business decisions also depends on listening to and understanding the expectations and needs of all stakeholders who, directly or indirectly, have an influence on or are influenced by the Group's activities.

The decisions of many internal and external stakeholders – including customers, suppliers, dealers, employees, public institutions, trade and industry groups, investors and local communities – are affected by the Group's activities just as the Group's activities and results are, to varying degrees, also affected by the actions and expectations of stakeholders.

Operating responsibly therefore requires constant engagement with all stakeholders, at the local and global level, in order to understand and appropriately address the most relevant needs and expectations, as set out in the Stakeholder Engagement Guidelines.

As the engagement with stakeholders evolves over time, initiatives have become increasingly effective. The Group uses a variety of channels to engage with each category of stakeholders and gain a more in-depth understanding of their expectations.

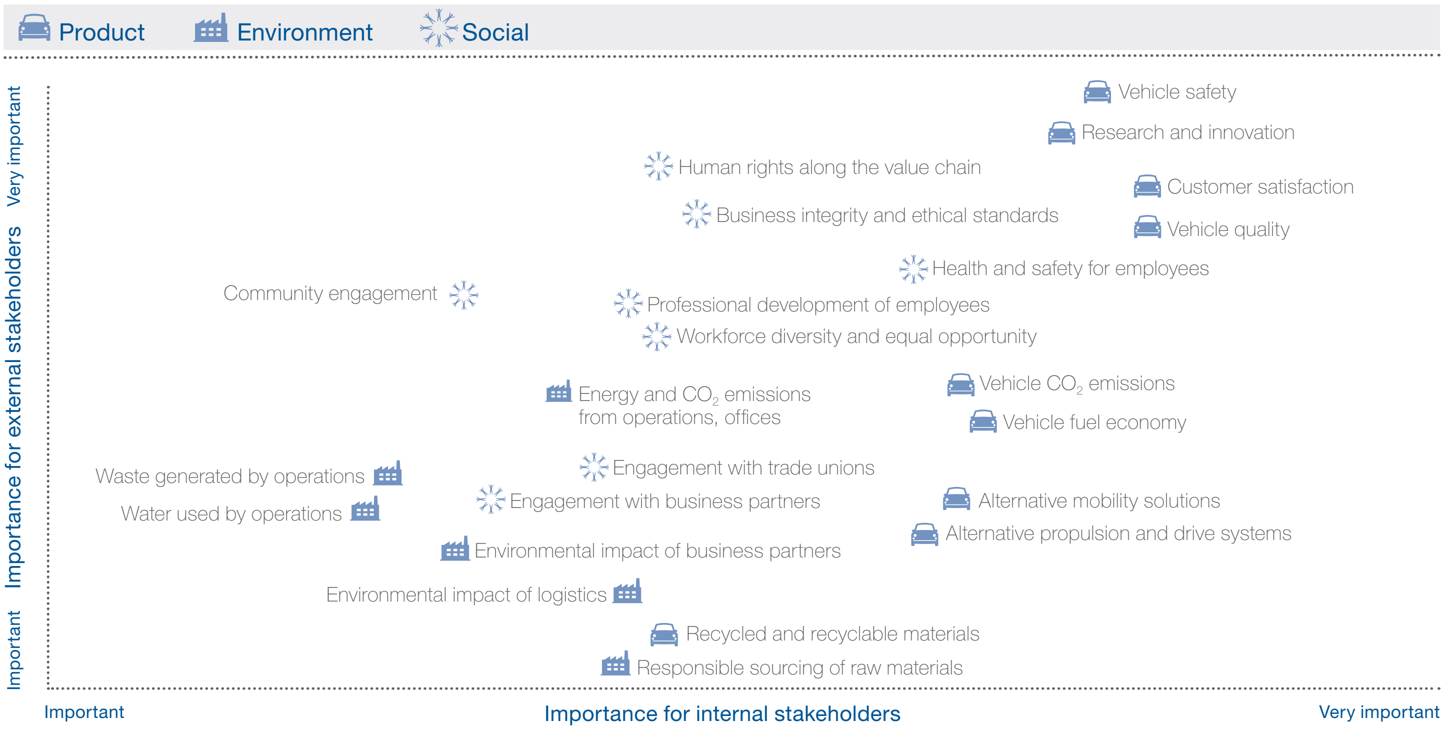
In 2013, the Group developed additional channels for interaction with external stakeholders, including three sustainability-focused Stakeholder Engagement events held in Italy, Brazil and the U.S. These events provided a platform for individual customers, fleet operators, dealers, suppliers, media, local communities, universities and technical schools, environmental organizations, foundations and NGOs to express their views, priorities and needs. For each stakeholder category, specific local issues also emerged.

MATERIALITY ANALYSIS

The dialogue with stakeholders enables the Group to identify which areas of sustainability are considered most material and, as a result, to continue creating value for all stakeholders in both the short and long-term.

The stakeholder engagement events organized in Italy, Brazil and the U.S. in 2013 provided an opportunity for additional insight into the economic, environmental and social aspects of the Group's activities that have the greatest impact on the decisions of stakeholders, including issues of specific relevance in each geographic area. As a result, the Group has updated the materiality diagram first presented in the 2012 Sustainability Report.

Materiality diagram



RESEARCH, INNOVATION AND SUSTAINABLE MOBILITY

Fiat Group is committed to meeting the mobility needs of customers, while reducing the environmental and social impact of vehicles over their entire life cycle. The Group's global research and innovation activities are focused on developing solutions for increasingly sustainable mobility, by reducing fuel consumption and emissions, improving vehicle recyclability and safety, and developing new models of mobility. Continuous innovation is essential to development of products that are environmentally and socially sustainable, as well as affordable.

Innovating for Sustainable Products and Processes

In 2012, the Group launched the Global Innovation Process (GIP), which establishes a common framework for the coordination of all innovation activities worldwide.

Developed in collaboration with, and on the basis of, input from the Group's four operating regions, the GIP covers all phases of the innovation process, from idea generation to pre-competitive development. As part of that process, guidelines and targets are then formalized in the Strategic Agenda.

The process is coordinated centrally by the Chief Technology Officer who, as a member of the Group Executive Council, ensures alignment of the innovation process with the Group's strategic objectives, as well as synergies and transfer of new solutions across the Group's global product portfolio.

At year-end 2013, the Group's Research and Innovation activities involved some 18,700 individuals at 78 centers worldwide.

During the year, the Group invested approximately €3.4 billion in R&D[1], representing around 4% of net revenues from Industrial Activities.

The Group's innovation activities have generated a significant intellectual property portfolio over the years and, at year-end 2013, it had a total of 8,521 registered patents.

Patents – Fiat Group worldwide (no.)

Patents registered at 31 December 2013	**8,521**
of which: registered in 2013	***425***
Patents pending at 31 December 2013	**3,333**
of which: new patent applications filed in 2013	***459***

Centers of Excellence

Centro Ricerche Fiat (CRF), headquartered in Orbassano (Turin, Italy), was established in 1978 as a focal point for Fiat Group's research and innovation activities and it is a recognized center of excellence at the international level. The Center's mission is to continuously improve the Group's competitiveness through the development of innovative solutions, processes and methodologies. All research activities are carried out in coordination with the Group's technical areas and operating regions. CRF draws on technical skills and know-how covering the full spectrum of automotive engineering disciplines and is equipped with state-of-the-art laboratories for testing powertrain systems, analyzing materials and electromagnetic compatibility, and conducting noise and vibration analyses and driving simulations.

The **Chrysler Group Automotive Research and Development Centre** (ARDC) opened in May 1996 in partnership with the University of Windsor in Canada and serves as an illustration of what can be achieved when industry, academia and government work together. The ARDC is equipped with six road-test simulators and a range of research and development support facilities, including the Automotive Coatings Research Facility, the Automotive Lighting Research Facility and the Vehicle Recycling Laboratory.

[1] *Includes capitalized R&D and R&D charged directly to the income statement.*

Dedication to innovation in numbers (no.)	**2013**
CFR employees at year end	905
Co-funded research programs, approved under the EU's 7th Framework Program(*)(2007-2013)	174
of which: approved in 2013	23

(*) *The Framework Programs are funding instruments established by the European Union to support and encourage research and development. Each program is put forward by the European Commission and adopted by the European Council and Parliament. The 7th Framework Program ran from 2007 to 2013.*

Strategy to Minimize Emissions

The Group's product strategy is based on an approach centered on reducing the environmental impact of vehicles over their entire life cycle. Key elements in that strategy include improving the efficiency of conventional engines, offering a full range of alternative fuel vehicles, developing alternative propulsion and emissions reduction systems, reducing the energy requirements of vehicles, promoting driver behavior that contributes to reducing emissions and introducing new mobility services and solutions.

There is no single solution to the challenges faced by the automotive industry. Immediate and tangible results can only be achieved by combining conventional and alternative technologies, while recognizing and accommodating the different economic, geographic and fuel requirements of each market. Affordability is also a key consideration: even the most effective technologies cannot have a significant impact on the environment if they are too expensive to reach a sufficiently large number of people.

The Group's commitment to increasingly sustainable mobility has been demonstrated by the results already achieved in reducing fuel consumption and CO2 emissions, particularly in EMEA and NAFTA, where approximately 72% of Group revenues were generated in 2013.

In the European Union, the Group's mass-market and premium brands (Fiat, Alfa Romeo, Lancia, Abarth, Chrysler and Jeep) have reduced average CO_2 emissions per vehicle sold by 24% over the past 13 years. In addition, approximately 71% of Group cars sold in 2013 had CO_2 emissions at or below 120 g/km, and 81% at or below 130 g/km.

New registrations by CO_2 emissions level in European Union for Mass-Market and premium brands (g/km)(*)	
up to 100	13%
from 101 to 110	12%
from 111 to 120	46%
from 121 to 130	10%
above 130	19%

(*) *CO_2 data based on New European Driving Cycle (NEDC) measurement standard.*

In the United States, which accounts for 84% of shipments in the NAFTA market, vehicle efficiency is measured by fuel economy[1] expressed in miles per gallon (mpg). In 2013, Chrysler Group's domestic passenger car mpg increased from 31.1 in 2012 to 32.1, an improvement of 3%. Light truck mpg increased 1%, from 24.3 to 24.5.

This trend of continuing improvements in emissions and fuel economy is the result of strategic choices made by the Group based on a process of continuous innovation.

Following are descriptions of some of the main technological innovations introduced on Group vehicles during 2013.

(1) *Data is reported to the U.S. National Highway Traffic Safety Administration (NHTSA) and provided by model year, meaning the year used to designate a discrete vehicle model, irrespective of the calendar year in which the vehicle was actually produced, provided that the production period does not exceed 24 months. CAFE standards from NHTSA are set independently for passenger cars and light duty trucks. Fuel economy is based on the most recent NHTSA required submission, which for 2013 reflects mid-model year data. Previous year data is adjusted to reflect final EPA/NHTSA reports.*

Innovative Powertrains

During the year, the Group continued introduction of the award-winning two-cylinder **TwinAir** engine on models sold in Europe, including the 65 hp naturally-aspirated version, the 85 hp and 105 hp turbo and the 80 hp natural gas turbo. The natural gas version is now available on the Fiat 500L and 500L Living and the 105 hp turbo (introduced on the 500L in 2012) was launched on the Fiat 500 hatchback and convertible, the Fiat Punto and the Alfa Romeo MiTo. All versions of the TwinAir family and the 170 hp FIRE Turbo engine use second generation **MultiAir** technology (MultiAir II) which, with advanced air intake and combustion management systems, offers significant reductions in CO_2 emissions without compromising performance or drivability. During the year, the Group also completed the process of upgrading all gasoline engines to comply with Euro 6 emissions standards that will apply to all new cars sold in Europe from September 2015.

Chrysler Group's eight-speed rear-wheel-drive automatic transmission is available on the Ram 1500 pickup, Chrysler 300, Lancia Thema, Dodge Durango and Charger, Jeep Grand Cherokee and Grand Cherokee SRT. Depending on the application, this transmission contributes to fuel economy improvements of up to 12%, compared with the previous five-speed and six speed transmissions it replaces. It will ultimately be used on all rear-wheel drive vehicles except for the heavy-duty diesel versions of the Ram truck.

In 2013, a new nine-speed front-wheel-drive transmission was introduced on the 2014 Jeep Cherokee and the recently unveiled 2015 Chrysler 200. In addition to improved fuel economy over a six-speed automatic transmission, the Cherokee's nine-speed transmission delivers a more responsive driving experience, including quicker acceleration and smoother shifting. The Chrysler 200 is the world's first mid-size sedan to feature a nine-speed automatic transmission, which comes standard. When equipped with the available award-winning 3.6L Pentastar V-6 engine, which delivers best-in-class 295 hp, the Chrysler 200 sedan's highway fuel economy is improved by nearly 13% compared with the outgoing model.

Research in gasoline engine technology continued to focus on solutions that optimize performance while reducing emissions. Those solutions leverage the synergies offered by complementary technologies, such as modern turbocharging systems coupled with the performance characteristics of the second-generation MultiAir system and use of exhaust gas recycling systems. The result is increased flexibility in engine management and, as a consequence, the potential for reductions in both fuel consumption and emissions. New transmissions enabling engines to run at lower operating speeds (downspeeding) will lead to further reductions in fuel consumption. This will enhance the competitiveness of the product, by combining improved performance with a reduction in operating costs.

For **diesel engines**, the MultiJet II with Injection Rate Shaping (IRS) technology was extended to the entire range with the launch of the new 120 hp 1.6L version on the 500L and the new 150 hp 2.0L version on the Alfa Romeo Giulietta. The MultiJet II offers reduced fuel consumption (up to 3% lower) and polluting emissions (as much as 20% lower nitrogen oxide emissions) through the use of advanced combustion control strategies, without sacrificing performance. The MultiJet is the latest evolution of Fiat's revolutionary Common Rail technology and, in 2013, the Group plant in Bielsko Biala, Poland, produced 5 million units of the 1.3-liter version alone.

The Group's recently-launched V-6 EcoDiesel engine benefits from Fiat's MultiJet II technology. The engine was adapted specifically for the North American market to meet stringent emissions and on-board diagnostic regulations. The 3.0L EcoDiesel V-6 engine was named one of *Ward's* 10 Best Engines for 2014 and contributed to the 2014 Ram 1500 being named *Motor Trend* Truck of the Year.

Research activities focus on two main areas: continued evolution of the injection and combustion process, aimed at increasing engine output and reducing noise, and the study and development of innovative solutions to reduce polluting emissions, particularly nitrogen oxides, which will be subject to further legislative restrictions in the future.

In the transmissions area, innovation activities primarily focused on evolution of the Dual Clutch systems currently available on the Alfa Romeo MiTo and Giulietta, Dodge Dart and Fiat Viaggio and the Fiat 500L in the U.S. Specific areas of focus included optimization of the mechatronic actuation system and integration with the transmission, as well as refinements to the control system to further enhance handling and fuel efficiency.

For Magneti Marelli, eco-sustainable products[(1)] contributed €1.41 billion in revenues for 2013, representing an increase of 9.3% over the prior year (€1.29 billion).

Alternative Fuels and Propulsion Systems

A key element in Fiat Group's emissions reduction strategy is the use of alternative fuels.

The Group believes that **natural gas** is currently the most effective and affordable solution available for reducing CO_2 emissions and pollution levels, particularly in urban areas. The level of CO_2 emissions from a car running on natural gas is 23% lower than for an equivalent gasoline-powered vehicle.

In addition, natural gas in the form of biomethane, which is produced from biomass, has significant potential for development as a widely-available renewable energy source.

With a total of 12 natural gas/gasoline models now available, Fiat Group is the first and only automaker to offer a complete range of bi-fuel passenger cars and commercial vehicles. In 2013, the Group launched natural gas versions of the Fiat 500L and 500L Living with the new 80 hp Natural Power TwinAir Turbo engine, which was awarded "Best Green Engine of the Year 2013", one of the 12 categories in the prestigious "International Engine of the Year Awards".

The Group also continued as the undisputed leader in this market sector in Europe with over 62,000 natural gas vehicles sold in 2013 (+15% versus 2012).

In 2013, Chrysler Group remained the only automaker in North America to offer a factory-built natural gas pickup, the Ram 2500 Heavy Duty CNG.

The Group continued research and development of technologies that will use natural gas even more efficiently. Advances in engine technology that leverage the properties of natural gas offer significant potential for achieving solutions to meet the CO_2 emissions targets being phased in across Europe through 2020.

Fiat maintained its long-standing leadership in **biofuel** vehicles in Brazil with 744,100 Flexfuel and TetraFuel vehicles sold in 2013, accounting for approximately 97.5% of vehicles sold by the Group. Flexfuel technology enables use of varying blends of gasoline and bioethanol, while the TetraFuel engine is the first in the world capable of running on four different fuels: bioethanol, Brazilian gasoline (refined crude oil and 22% anhydrous ethanol), standard gasoline and natural gas.

Alternative Propulsion Systems

The Group is also developing alternative propulsion systems. In 2013, the Fiat 500e battery electric vehicle was launched for sale in the U.S. market with an Environmental Protection Agency (EPA) label of 108 highway MPGe[(2)] and a class-leading 87 miles of combined city/highway driving range. Customers will spend an estimated USD 500 a year to power the vehicle assuming a 15,000 mile annual distance, according to the EPA. The Fiat 500e battery-electric drive system was included in *Ward's* 10 Best Engines ranking for 2014 and is the lone representative of electric vehicle technology on the list.

(1) Includes Xenon and LED headlights, LED tail lights, GDI injection systems, electronic control modules, automated manual transmissions and dual clutch transmissions.

(2) MPGe is the measure devised by the U.S. Environmental Protection Agency for determining how many miles an electric vehicle can travel on a quantity of battery-generated electricity having the same energy content as a gallon of gasoline.

Innovative Vehicle Architectures

Solutions for an optimal balance between vehicle safety, comfort and emissions levels are focused on minimizing vehicle weight, aerodynamic drag, rolling resistance and the energy demands of auxiliary systems.

In 2013, the Group introduced the latest architectural solutions on the new Fiat 500L Living and Chrysler Group vehicles. High-Strength Steels (HSS), which represent around 72% of the weight of the 500L Living, ensure a strong, rigid structure. The newly-launched 2014 Jeep Cherokee uses 65% HSS, an improvement of 16% over its predecessor, the Jeep Liberty. In addition, optimization of the 500L Living's aerodynamic profile enabled a 10% reduction in the aerodynamic drag coefficient (C_x) compared with the Lancia Musa. The 2014 Ram 1500, with active aerodynamics including grille shutters and air suspension, delivers best-in-class fuel economy and an aerodynamic drag coefficient (C_x) of 0.360.

Sustainable Materials

Research and innovation for materials used in Group vehicles are concentrated in three areas:

- research on new materials and structures to reduce vehicle weight (e.g., high-strength steels, new light alloys, composite plastic materials)
- analysis of biomaterials suitable for automotive applications (e.g., recycled polypropylene reinforced with natural fibers for use in vehicle interiors, and bioplastics from renewable sources)
- identification of alternative uses for materials recovered at end of vehicle life (e.g., use of scrap tires to produce rubberized asphalt)

Promoting Eco-Sustainable Driving

Driving behavior is a significant contributing factor in the environmental impact of vehicles. Aware of the substantial difference drivers can make, Fiat Group has continued to invest in the **eco:Drive** system, which provides personalized tips to help drivers improve their driving style and, as a consequence, reduce fuel consumption and vehicle emissions. The eco:Drive system is now available on nearly all Fiat and Fiat Professional models sold in Europe, Brazil, the U.S. and Canada.

An analysis of the best drivers revealed that the system can contribute to reducing fuel consumption by as much as 16%. By the end of 2013, eco:Drive had been used by more than 94,000 customers and contributed to annual avoidance of more than 5,800 tons of CO_2 emissions.

On the Fiat 500L, 500L Living and 500L Trekking, the latest version of this application, eco:Drive Live, allows drivers to see tips and suggestions via the new Uconnect multimedia system. Real-time feedback on driving style enables immediate reductions in fuel consumption and emissions.

New Models of Mobility

The Group's innovation activities also focus on solutions to respond to the emerging mobility needs of customers.

To address those needs, the Group has launched a variety of initiatives.

One of those initiatives is **Enjoy**, an innovative car-sharing service launched in Milan, Italy, by the energy company ENI, in collaboration with Fiat and Trenitalia. Enjoy is designed to tackle traffic congestion and improve the quality of life for the city's inhabitants. Fiat is the vehicle supplier for the project, the largest car-sharing fleet in Italy with a total of 640 Fiat 500s and 500Ls. Innovative features of the service include online or smartphone app sign-up and management, as well as the ability to instantly select from a pool of available vehicles parked at locations around the city and to leave the vehicle at any of the approved parking facilities within the service coverage area.

Another Group project is **easygo**, which is targeted at the approximately 18,000 employees who commute to and from the Group's Mirafiori complex in Turin, Italy. Through a dedicated portal, employees can arrange car-pooling with coworkers and access updated information on public transport and mobility services. The principal benefits expected from the 'easygo' project include a reduction in the environmental impact of daily commuting to and from the complex, as well as direct benefits to employees such as reductions in commute times, cost, stress and the risk of accidents.

Naturally, youth have an important part to play in any discussion about the future of mobility. Fiat launched the **Fiat Likes U** project in 2012 (in collaboration with the Departments of Education and the Environment in Italy) with students from 8 universities throughout Italy taking part. The project represents the first time in Europe that an automaker has worked with universities on an initiative to promote environmental awareness and the use of eco-friendly cars using the three-pronged approach of Mobility (free car-sharing service for students), Study (eight €5,000 university scholarships and eight seminars conducted by Fiat managers) and Work (eight paid internships within Fiat Group).

The initiative has proven extremely successful: more than 6,000 students used the car service in 2012 and 2013, which includes a fleet of Fiat Pandas and 500Ls, for 28,000 trips totaling 320,000 km. In addition, there were more than 180,000 subscribers to the likesu.fiat.it website.

During the year, Fiat decided to expand the project to other European universities in the Erasmus network, beginning with the Royal College of Art in London.

As part of the program with Turin Polytechnic and in collaboration with ATA and CRF, three new voluntary courses were launched in 2013 focused on environmental sustainability and certain aspects of emissions reduction. Organized as Voluntary Educational Programs and Summer Schools, the programs provided 120 hours of training for Automotive Engineering students, giving them direct access to the latest know-how from professionals working directly in the field.

Fiat Group is also a Global Partner of Expo 2015 in Milan, a non-commercial Universal Exposition oriented towards interpreting the collective challenges faced by humanity. The Expo 2015 theme of "Feeding the Planet, Energy for Life" is perfectly matched to the Group's own commitment to the environment. The Group will provide a fleet of vehicles which will be used for transport within the Expo area and as courtesy cars for delegations visiting from around the world.

In the United States, Chrysler Group has been heavily engaged in research on future social and technological trends that will affect nearly every aspect of the business - from design to manufacturing, marketing and human resources. This research is organized around five driving forces: cities, lifestyle, work, health and energy. The findings from this research will enable Fiat-Chrysler to more successfully anticipate evolving consumer needs and behaviors.

A CUSTOMER-FOCUSED APPROACH

To ensure the highest level of customer satisfaction and loyalty, the Group's product and service offering seeks to respond to the diversification of existing and emerging mobility needs.

The Stakeholder Engagement events held during 2013 confirmed that customer-focused services, and product quality and safety are among the issues considered of primary importance by the Group's stakeholders.

The Group is continuously monitoring customer satisfaction and developing new channels of interaction with customers to improve the quality of services and product safety.

Interaction with Customers

To ensure a consistent and high standard of quality in the interaction with customers, the Group has established Customer Contact Centers (CCC) dedicated to managing relationships with existing and potential customers.

A total of 26 Centers with around 1,000 customer care professionals manage approximately 10 million contacts a year. The services provided range from information, to complaint management and coordination of roadside assistance. Together with dealers, the Customer Contact Centers represent an essential channel of communication with customers.

In order to respond to the constantly evolving needs and expectations of customers, the CCCs regularly monitor customer satisfaction levels to identify potential areas for improvement in service levels, as well as customized, on-demand channels of communication.

Given the vital importance of transparency and professionalism, particular emphasis is placed on training for personnel who communicate directly with customers.

Integrated On-board Safety

The Group is strongly committed to its efforts to enhance safety for all road users. Research in this area includes solutions that assist drivers in avoiding dangerous situations and in taking evasive action to prevent accidents.

The Group applies an integrated approach to the development of on-board safety systems – which has been proven to significantly reduce the probability of injury in the event of an accident – focusing on the following key areas:

- **accident prevention:** systems that assist the driver in recognizing potentially dangerous situations
- **driver assist:** systems that provide active assistance in controlling the vehicle and maneuvering to avoid collisions
- **damage mitigation:** systems to minimize damage and injury in the event of an impact

Proper vehicle maintenance and responsible driving are also essential to vehicle safety. The Group contributes in this area by conducting driver safety courses and awareness campaigns on the importance of proper vehicle maintenance, as well as raising public awareness of the dangers of driving while distracted.

As a result of thousands of hours of virtual simulation, testing of components and sub-systems, as well as extensive crash tests, all of the Group's new models have been recognized for their safety performance.

In 2013, the new Maserati Ghibli and Jeep Cherokee were awarded the Euro NCAP 5 Stars. And, as evidence of the Group's emphasis on vehicle design in all markets, the Fiat Panda also received an ANCAP 5 Star rating in Australia. In the U.S., the Insurance Institute for Highway Safety (IIHS) recognized the Maserati Ghibli and Fiat 500L as "Top Safety Picks" for 2013 and the Dodge Dart, Dodge Avenger and Chrysler 200 sedan as "Top Safety Picks" for 2014. In addition, the Jeep Grand Cherokee 4WD was awarded the NHTSA NCAP 5 Stars and the Jeep Grand Cherokee 2WD and Jeep Compass received a 4 Star rating.

The need for affordable mobility and efficient infomobility systems is expected to be even more vital in the future. CRF and Magneti Marelli have both been actively working on wireless technology solutions for effective Vehicle-to-Vehicle (V2V) and Vehicle-to-Infrastructure (V2I) communications, which together represent one of the key technological challenges for sustainable mobility. Both organizations continued experimentation with systems to support safe and eco-compatible driving, as well as researching advanced driver interfaces that improve recognition of dangerous situations. By alerting the driver of potential dangers and assisting in taking evasive action, such technologies help maximize the level of protection for vehicle occupants and other road users. In addition, systems that use real-time information to reconstruct and predict conditions around the vehicle represent significant progress toward the concepts of assisted driving and autonomous vehicles.

Product Quality

The Group is committed to offering customers vehicles of the highest quality, in all markets and segments, while addressing the specific requirements of each market and leveraging the opportunities offered by the Fiat/Chrysler integration. To ensure achievement of that objective, standard methodologies and processes have been introduced for all operating areas worldwide.

Vehicle quality improvements are implemented by both dedicated model-specific teams and cross-functional teams. Their activities include preventive checks and controls for processes, definition of areas for improvement and implementation of improvement measures. Quality assessments address the following areas:

- **Reliability**: minimization of vehicle defects
- **Perceived quality**: level of perception of all aspects of a vehicle
- **Performance** and **dislikes**: how the vehicle compares to competitors' vehicles and satisfies customer expectations
- **Service quality**: level of customer satisfaction before and after purchase
- **Regulatory compliance**: conformity with strictest safety and environmental standards

Definition and monitoring of specific indicators for each of these characteristics throughout the vehicle design and production cycle are key to ensuring customer satisfaction.

EMPLOYEES

The Group's human capital is crucial to its ability to compete as a leader in the global auto sector, as well as creating value that is sustainable over the long term.

At 31 December 2013, the Group had a total of 225,587 employees, a 5% increase over year-end 2012 that also reflects changes in the scope of operations.

Employees by region

Fiat Group worldwide

Europe	39.5%
North America	36.0%
South America	21.4%
Asia	3.0%
Rest of World	0.1%

Employees by category[1]

Fiat Group worldwide

Hourly	70.4%
Salaried	14.6%
Professional	13.9%
Manager	1.1%

(1) *There are four main categories of employees: hourly, salaried, professional and manager. Professional encompasses all individuals who perform specialized and managerial roles (including "professional" and "professional expert" under the Fiat S.p.A. classification system and "mid-level professional" and "senior professional" under the Chrysler Group classification). Manager refers to individuals in senior management roles (including those identified as "professional masters," "professional seniors" and "executives" under the Fiat S.p.A. classification system, and "senior managers" and above under the Chrysler Group classification).*

There were a total of 34,245 new hires during the year, of which 47.4% were in North America, where there was a particularly significant increase in production levels. Approximately 6,900 fixed-term contracts were converted to permanent, demonstrating the Group's continued commitment to the long-term stability of the workforce.

Employee turnover

Fiat Group worldwide

Employees at 31/12/2012	**214,836**
New Hires	34,245
Departures	(25,542)
Change in scope of operations	2,048
Employees at 31/12/2013	**225,587**

Management and Development

Stakeholder engagement initiatives launched in 2012, and expanded in 2013, revealed that the Group's commitment to the professional development of its employees is an issue of major importance to stakeholders.

Recognizing performance, facilitating professional development and ensuring equal opportunity to compete for key positions within the organization have always been an essential part of the Group's commitment toward its employees.

The Group uses a structured global leadership and performance management process to identify and develop talent and maintain the motivation of employees.

The Performance and Leadership Management process implemented worldwide (PLM, or Performance and Leadership Management, for managers and professionals. PBF, or Performance and Behavior Feedback, for salaried employees) is used to evaluate employee performance and set specific objectives for individual results and professional development.

The performance and leadership mapping process involves around 54,500 Group employees worldwide, including all managers and professionals, and a sub-set of salaried personnel. The Group also uses other performance evaluation processes to determine individual variable compensation.

Talent management and succession planning also form part of the HR management model and are designed to ensure the alignment of objectives and processes across the four operating regions. In 2013, Talent Reviews were conducted for 20 different professional families, companies and functions to identify talented individuals with leadership potential who merit additional investment in their professional development.

During the year, the Group also invested around €76 million in training and skill-building initiatives, which represent another important management tool.

The Group's extensive training offer was expanded to include new initiatives aimed at strengthening individual skills and performance by leveraging on the Group's diversity of talent, experience and cultures. The new initiatives included training and seminars designed to equip employees to operate with the same degree of effectiveness in different cultural settings.

More than 4.2 million hours of training were provided during the year (+1.1% over 2012) to around 186,000 employees.

The Group also continued a pilot project based on the World Class Manufacturing Cost Deployment methodology to evaluate the benefits of training initiatives. In 2013, the total cost of training activities evaluated using this methodology was approximately €1.3 million. The initiatives provided workers additional technical skills, resulting in an overall improvement in processes and working practices and estimated potential cost savings of around €2.5 million.

Diversity: Equal Opportunity and Innovation

Diversity is fundamental to the overall success of an organization and the Group is committed to ensuring a work environment where employees feel respected, valued and included. In the hiring process, it seeks to attract personnel that are highly motivated and can contribute to the organization's innovative spirit and diversity.

Diversity, including gender diversity, brings a wealth of perspectives and experience to the Group and significantly enhances its ability to compete and to understand customers, cultures and local communities.

During the year, the Group hired people of 63 different nationalities[1] around the world, further enhancing the multicultural makeup of the organization and the diversity of experience and perspectives.

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(1) *Based on a sample of 38 countries where the Group operates.*

The percentage of female employees continued to grow, reaching 19.6% of the total workforce at year-end 2013. Women now also account for approximately 13.1% of management personnel.

The Group also continued to ensure equal opportunities for minority groups, including specific opportunities for disabled workers.

Fiat S.p.A.'s Code of Conduct, Human Capital Management Guidelines and Human Rights Guidelines formally set out the Group's commitment to ensuring all employees equal opportunities in every area, creating career and advancement opportunities in a culture that is free from discrimination and values diversity.

Through its Discrimination and Harassment Prevention Policy, Chrysler Group ensures application of those same standards in compliance with federal, state and local law. Together, the Code of Conduct and guidelines ensure uniform application of the Group's standards worldwide. As stated in the Code of Conduct, in jurisdictions where legislation is less stringent, company standards take precedence.

Diversity within an organization is closely correlated to the ability to innovate. The Group encourages creativity at all levels within the organization. As part of the World Class Manufacturing (WCM) program, for example, employees worldwide are encouraged to submit suggestions to improve production processes. Specific initiatives in each region are also designed to increase employee involvement and encourage innovative ideas through the use of non-traditional channels and forums.

For example, in 2012, the EMEA region launched the iPropose initiative, which is designed to encourage employees to propose ideas on ways to reduce costs and increase competitiveness. In 2013, the initiative involved some 8,400 employees who submitted a total of 8,300 proposals. Adoption of the best suggestions led to approximately €17.3 million in cost savings.

Health and Safety in the Workplace

Fiat Group is committed to ensuring a safe and healthy working environment for all employees, at all sites and in every area of activity. That commitment also extends to suppliers, service providers and customers.

The Group's strategy for safeguarding and promoting health and safety in the workplace addresses several areas:

- application of uniform procedures for identification and evaluation of risks
- adherence to the highest safety and ergonomics standards for plant and machinery design
- promotion of safe behavior through training initiatives and awareness campaigns
- assurance of a healthy work environment and promotion of a healthy lifestyle

For several years, the Group has been tracking and analyzing monthly performance data in each of these areas to ensure that objectives are being met. Health and safety performance indicators are, in fact, an integral component of the Group's industrial performance measures.

The commitment to achieving 'zero accidents' is formalized in the Group's Health and Safety Guidelines – which form the basis for policies in each area of activity – and through global adoption of an Occupational Health and Safety Management System (OHSMS) certified to the OHSAS 18001 standard.

At year-end 2013, a total of 110 plants (including two operated through JVs), accounting for 147,000 employees, had an OHSMS in place that was OHSAS 18001 certified.

Measures implemented by the Group over the years have resulted in a significant improvement in all accident indicators. For 2013, the Frequency Rate was down 13.6% over the prior year (with 0.19 accidents per 100,000 hours worked) and the Severity Rate was down 14.3% (with 0.06 days of absence due to accidents per 1,000 hours worked).

Effective safety management is also provided through the application of World Class Manufacturing tools and methodologies, active involvement of employees, development of specific know-how and targeted investment (+15.5% over 2012 to €194 million).

In Italy, investment in health and safety, together with other measures implemented during the year, resulted in a progressive reduction in the level of risk attributed to Group plants by INAIL (the national accident and disability agency). This enabled the Group to take advantage of premium discounts for good performers, resulting in total savings of more than €17.5 million in 2011, approximately €16 million in 2012 and €14.6 million in 2013.

In addition to safety in the workplace, the Group also has numerous initiatives to promote the health and well-being of employees and their families.

At Group level, for example, the "WELL" initiative focuses on the promotion of a healthy lifestyle and prevention of cardiovascular disease. In 2013, new fact sheets containing simple and easy-to-apply suggestions were made available via a dedicated portal. Areas covered included advice on healthy eating, smoking cessation, cardiovascular disease and correct use of medicine. These issues are not only important to the health of Group employees, but they are also relevant to the theme of "access to food that is healthy, safe and sufficient for everyone on the planet" for Expo 2015, of which the Group is an official sponsor.

INDUSTRIAL RELATIONS AND SOCIAL DIALOGUE

During 2013, the Group maintained the dialogue with trade unions and employee representatives to achieve consensus-based solutions for responding to different market conditions in each geographic area and reducing the impact on workers of measures adopted in response to conditions in Europe, which were particularly critical in Italy.

At the **European level**, establishment of a European Works Council (EWC) ensures workers the right to information and consultation as required by EU regulations applicable to Community-scale undertakings. The Fiat Group EWC was established in 1997 on the basis of the implementing agreement initially signed in 1996 and subsequently revised and amended. Since renewal of the agreement on 28 June 2011, however, the EWC has yet to be formally constituted, with representatives for four countries (out of a total of nine) still to be appointed. As a result, Fiat S.p.A. has been unable to call a meeting of the EWC in accordance with the established procedures. Fiat notified industriAll European Trade Union (the European federation of metal, chemical and textiles workers) of its willingness to initiate that procedure as soon as the EWC has been formed, as well as working jointly to find solutions for any obstacles to the correct constitution of the EWC that may still exist.

In **Italy**, Fiat S.p.A. and the trade unions FIM-CISL, UILM-UIL, FISMIC, UGL Metalmeccanici and the Associazione Quadri e Capi Fiat reached an agreement for renewal of pay conditions for 2013 under the company-specific collective bargaining agreement (CCSL).

This agreement was particularly significant given the current economic crisis in Italy and the continued difficulties in the auto sector in general. A mutually-agreed negotiation process enabled the Group to manage the crisis without redundancies or plant closures, focusing instead on significant new investments for the relaunch of the Group's manufacturing activities in Italy.

During the year, the Italian manufacturing activities benefited from leveraging the Group's premium brands to realign the product portfolio and reposition the business.

In particular, January saw the inauguration of the Avv. Giovanni Agnelli plant in Grugliasco (Turin, Italy), where the Maserati Quattroporte and Maserati Ghibli are produced for export to markets worldwide. Fiat invested more than €1 billion in development of the two new models and preparation of the plant for production.

In July, the Group presented plans for future activities at the Sevel plant in Atessa, Italy (operated as a 50/50 JV between Fiat Group Automobiles and PSA–Peugeot Citroën for production of LCVs), where the Fiat Professional Ducato is currently produced. Approximately €700 million is to be invested in the facility over a 5-year period.

During the year, the Group also launched a program of investments at the SATA Melfi plant (Italy), announced at the end of 2012, where more than €1 billion will be spent on upgrades in preparation for production of the new 500X and a Jeep brand vehicle.

As in previous years, the CEO met with trade unions (signatories to the CCSL) to present the Group's half-year financial results. At a meeting in September, the Group and trade unions renewed their mutual commitment to strengthening the contractual relationship, which was recognized as essential to Fiat's continued commitment to an industrial presence in Italy. On the basis of that renewed commitment, the CEO announced that the Group would commence the investment necessary to ensure future production and jobs at the Mirafiori plant in Turin.

The Ministry for Economic Development continued to examine solutions for maintaining industrial activities at the Termini Imerese plant where, as announced in 2009, the Group ceased production in December 2011.

Collective Bargaining

Collective bargaining at various levels resulted in agreements with trade unions on both pay and work conditions in several countries.

In **Italy**, Fiat S.p.A. reached agreement with unions on renewal of pay conditions under the CCSL applicable to Group employees in Italy from 2012. The agreement provides for an average increase in basic pay of €40 gross per month, in addition to the introduction of an individual productivity bonus, payable monthly, based on the actual number of hours worked. Also finalized during the year was the structure of the FASIF supplementary healthcare scheme, which offers employees different contribution and service levels, in addition to free basic healthcare cover automatically provided by the Company. As of January 2013, employees under the CCSL are also eligible for a Long-Term Care scheme (covering long-term disabilities requiring care) and bi-annual checkups for cardiovascular conditions and metabolic syndrome.

The agreement applies for the 2013 calendar year and in November 2013 the Company and unions began negotiations for renewal of the agreement.

In **France** and **Poland**, the results of the company-level collective wage bargaining reflected the negative earnings results in Europe which, together with continuing negative market conditions, required that any collective wage increases be strictly limited.

In **Serbia**, the 3-year collective agreement applicable to employees of Fiat Automobiles Serbia d.o.o Kragujevaç was renewed. The negotiation on wage conditions resulted in average increases in line with inflation. The agreement also provides for an individual "Christmas Bonus" based on the actual number of hours worked.

In **Canada**, CpK Interior Products Inc. (owned by Chrysler Canada Inc.) and the United Steel Workers (USW) negotiated a new 4-year collective agreement providing competitive labor cost provisions and work rules.

In **Mexico**, Chrysler Group and the Sindicato Nacional de Trabajadores de la Industria Automotriz Integrada Similares y Conexos de la Republica Mexicana reached a new 3-year agreement, which terminates on 9 May 2016. The agreement represents the Mexican automotive manufacturing sector's first ever multi-year agreement.

In 2013, the level of **labor unrest** at Fiat Group companies in **Italy** was negligible, both in terms of the number of instances and the number of employees taking part, despite appearances based on the level of public attention given to certain issues. Local labor action during the year was also negligible.

Outside Italy, the overall level of labor unrest was again negligible this year, and mostly involved local issues at individual plants.

Management of Production Levels

In 2013, the Group's earnings results once again reflected the benefits of geographic diversification.

The Group was able to respond to increased activity levels in some markets through the use of flexible labor mechanisms. Market conditions also enabled conversion of the majority of fixed-term contracts into permanent contracts.

In **Europe**, the significant contraction in market demand had an impact on production levels in Italy, in particular, making temporary production stoppages necessary. However, the Group maintained its policy of protecting jobs through the use of temporary layoff benefit schemes, where possible, or other mechanisms provided under collective bargaining agreements or company policy.

In **Italy**, use of temporary layoff benefit schemes enabled the Group to manage production declines, as well as restructuring and reorganization activities related to the Group's investment programs.

In **other European countries**, there was only a marginal level of production stoppages – implemented through the use of temporary layoff benefit schemes, where possible, or other mechanisms provided under collective bargaining agreements or company policy – as well as restructuring and reorganizations. In the early part of the year, the Group completed the reorganization at the Fiat Auto Poland plant in Tychy announced in December 2012.

In **Brazil**, the need to increase production in response to higher market demand was primarily managed through use of flexible labor mechanisms already in place and reorganization of shifts, based on union agreements.

Chrysler Group increased vehicle production at its **NAFTA** facilities in response to increased product demand. Staffing levels were increased to support higher output levels, including manufacturing employees to support current and anticipated production volumes, as well as additional engineering, research and development and other highly-skilled employees to support product development, sales, marketing and other corporate activities.

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

A robust process based on sound environmental practices and respect for human rights can only be truly effective with the direct involvement of all suppliers, which represent strategic partners for the Group in producing technologically advanced vehicles that meet the highest standards of quality. The supplier selection process is based on objective assessment criteria that guarantee impartiality and equal opportunity in the process itself. At the same time, conduct which is environmentally responsible, ethical and respects human rights is given the same value in the selection process as competitiveness and quality of products and services. Group Purchasing, which is responsible for procurement activities worldwide, manages about €45 billion in direct materials purchases through a base of 2,884 direct materials suppliers. The supplier base is highly concentrated, with the top 184 suppliers, which account for approximately 57% of the total value of purchases, considered strategic suppliers.

Approximately 69% of the direct materials purchases, by value, are for plants in NAFTA, 19% for plants in EMEA, and 12% for plants in LATAM. By supplier, 73% are located in NAFTA, 19% in EMEA, 3% in LATAM, and 5% in APAC (based on the value of direct material purchases). Where possible, the Group uses local suppliers in order to generate opportunities for direct and indirect employment and support economic growth in local communities, as well as limiting environmental impacts, including those associated with transport and the use of natural resources.

Environmental and Social Impacts of Suppliers

Following the 2009 introduction of supplier evaluation and selection procedures that incorporate sustainability-related criteria, clauses have been gradually introduced to new supply agreements requiring adherence to the Group's Code of Conduct and specific Sustainability Guidelines. Those clauses are also included in all new project-specific supply agreements, in addition to the general purchasing terms and conditions.

Group Purchasing uses self-assessment questionnaires and on-site audits to monitor compliance with the Group's sustainability standards and, where necessary, implement measures for improvement or alignment. The questionnaires address supplier practices in areas such as human rights, the environment, health and safety, ethics, anti-corruption, and employee training and development. In 2013, more than 1,200 suppliers, representing 43% of the value of purchases managed by Group Purchasing for the year, responded to the self-assessment questionnaires. In addition, in-depth audits were conducted by internal and external personnel, on the basis of which no significant issues were identified, no suppliers were placed on watch status, and no supplier agreements were suspended or terminated. However, where areas for potential improvement were identified, corrective action plans were formulated in collaboration with the supplier(s) concerned.

Given the nature and intensity of economic change, in addition to the existing monitoring programs, the Group has also adopted models of consultation and collaboration with suppliers based on effective, interactive communication processes. Initiatives such as local seminars, discussion forums and training programs have been developed over the years to facilitate the exchange of ideas and know-how and increase the level of collaboration.

On the environmental front, for example, suppliers are encouraged to develop internal policies and guidelines and adopt a certified environmental management system. In 2013, as part of the Group's commitment to supporting suppliers in addressing climate change issues and focusing their attention on the importance of reducing greenhouse gas emissions, a select number of suppliers were invited to participate in the Carbon Disclosure Project's Supply Chain program, which each year collects information from participating suppliers on the strategies and initiatives they have implemented to address climate change and manage water resources. The 45 suppliers that participated (out of 68 selected) achieved a score of 68/100 for transparency in disclosure and placed in the 'C' performance band for commitment toward reducing carbon emissions. The results revealed that measures implemented by those suppliers had yielded a 39 million ton reduction in CO_2 emissions. The Group has also initiated a series of consultations with several strategic suppliers to monitor water management within the supply chain and, over the next few years, develop a risk management strategy for areas where water resources are scarce.

Another important area of long-term focus for the Group, in collaboration with industry peers and stakeholders, is the respect of human rights and working conditions at all levels in the supply chain. One of the greatest challenges is extending Group practices beyond the first level of suppliers, where the risk of sub-standard working conditions may exist. To address that potential risk, Tier 1 suppliers are required to implement a system of supply chain management. In addition, in 2013, a free online training course on responsible working conditions was also extended to Tier 2 suppliers, with approximately 100 companies participating, predominantly from the EMEA region. The Group's objective is to develop new approaches to involve downstream suppliers with which there is no direct contractual relationship. This will improve the ability to evaluate the overall level of commitment, conformity and effectiveness and, as a consequence, the ability to ensure sustainable practices throughout the supply chain.

REDUCING THE ENVIRONMENTAL IMPACT OF MANUFACTURING AND NON-MANUFACTURING PROCESSES

The Group sees its commitment to the environment and conservation of natural resources as essential to the process of responsible and sustainable development. It is fully committed to minimizing the impact of its activities on the environment in all areas from manufacturing processes to logistics, dealerships and commercial and administrative offices. Efforts to reduce its environmental footprint and continuously improve environmental performance are an integral part of the Group's overall industrial strategy.

The Group's focus on the environment also includes targeted activities such as eComau, a division of Comau whose primary activity is working with customers on innovative environmental solutions for their industrial processes. In 2013, eComau reported a 67% year-over-year increase in revenues to around €1.5 million.

WORLD CLASS MANUFACTURING PROCESSES

The World Class Manufacturing (WCM) program – first adopted by the Group about 10 years ago and now implemented at nearly all manufacturing sites worldwide – represents the concrete application of the Group's focus on the environment and reducing the impacts of its production processes. WCM is a rigorous and integrated manufacturing methodology that involves the entire organization and encompasses all phases of production and distribution. In 2013, some 41,700 WCM-related projects were implemented, including several specifically targeted at reducing environmental impacts. Through the Environmental Pillar, WCM develops and applies tools and methodologies to reduce waste and optimize use of natural resources. Approximately 3,000 projects based on this pillar led to significant reductions in energy consumption and approximately €70 million in cost savings.

Other measures to ensure a responsible approach to environmental management include the development and application of an Environmental Management System (EMS) that conforms to ISO 14001 standards. Adopted at all plants worldwide, the EMS consists of a system of methodologies and processes designed to prevent or reduce the environmental impact of the Group's manufacturing activities through, for example, reductions in emissions, water consumption and waste generation and conservation of energy and raw materials. At year-end 2013, 100% of Group plants included in the 2012 scope of reporting were ISO 14001 certified.

Energy Consumption and Emissions

The Group is continuously researching new solutions to reduce use of fossil fuels and greenhouse gas emissions in response to increasingly strict regulations. Over time, this has also resulted in significant energy-related cost savings.

A total of approximately 2,400 energy-related projects developed during the year as part of WCM contributed to a reduction of approximately 2,000 terajoules of energy, with a corresponding reduction of approximately 180,000 tons in CO_2 emissions. One example is the new paint shop at the Group's Sterling Heights Assembly Plant near Detroit, Michigan. In auto manufacturing, painting is the most energy-intensive process. Natural gas, electricity and water are used to meet stringent process control requirements. The new paint shop at the Sterling Heights plant (which covers 100,000 square meters) uses a highly-efficient "Cascading Air/Recirculating Air" process to significantly reduce energy and water usage, recirculating 90% of air. This innovation provides annual energy savings of approximately €1.3 million, avoiding approximately 24,000 tons of potential CO_2 emissions through direct and indirect energy reduction, while also resulting in a significant reduction in water use.

Despite those energy-related initiatives, the increase in production volumes for mass-market and premium brands in NAFTA together with extreme temperatures throughout the year were the main contributors to a year-over-year increase in energy consumption of 5.4%. However, consumption in 2013 remained well below levels recorded for 2010 and 2011.

Direct and indirect energy consumption

Fiat Group worldwide (TeraJoules)	2013	2012	2011
Total energy consumption	**48,322**	45,692	48,875

Total CO_2 emissions from manufacturing processes also increased over 2012 (+5%), but remained well below levels recorded for 2010 and 2011.

Total CO_2 emissions

Fiat Group worldwide (thousands of tons of CO_2)	2013	2012	2011
Total CO_2 emissions	**4,178**	3,965	4,196

In 2013, utilization of energy from renewable sources at Group plants increased to 20.9% of total energy consumed[1] (20.5% in 2012).

Water Management

In many parts of the world, scarcity of water resources is currently one of the greatest challenges faced by governments, businesses and private households.

(1) *Includes all plants of Fiat Group Automobiles, Ferrari, Maserati, Comau, Magneti Marelli and Teksid.*

To protect this essential natural resource, the Group has adopted Water Management Guidelines that establish criteria for sustainable management of the entire water cycle, including technologies and procedures to maximize recycling and reuse of water and minimize the level of pollutants existing in discharged water.

In 2013, the level of water reuse in the manufacturing cycle at Group plants worldwide was 98.8%, representing a total of more than 2.1 billion m^3 in water savings.

As a result, water withdrawal was reduced by 3.6% over 2012 maintaining the trend of continuous reductions (-27.1% versus 2010)[(1)]. Lower water consumption at plants worldwide generated total savings of approximately €2.5 million.

Water withdrawal

Fiat Group worldwide (thousands of m^3)	2013	2012	2011
Total water withdrawal	**24,936**	25,874	29,862

Waste Management

Fiat Group is committed to preventing waste generation to reduce the consumption of raw materials and the related environmental impacts. Throughout the Group, procedures are in place to ensure the maximum recovery and reuse of materials. What cannot be reused is recycled. If neither reuse nor recovery is possible, waste is disposed of using the method having the least environmental impact, with landfills only used as a last resort. These principles are incorporated in the Waste Management Guidelines formalized in 2012 and adopted at Group sites worldwide.

Continued improvements in the waste management cycle meant that the level of waste generation in 2013 was substantially in line with the prior year despite the increase in production volumes. Compared with 2011, however, there was 2.5% reduction.

At Group level, the percentage of waste recovered increased to 72.7% of total waste generated. Waste sent to landfill accounted for 24.3% and essentially related to inert sand from Teksid foundries. Plants which produce for the mass-market and premium brands, however, reduced waste to landfill either to zero or very close to zero.

The Group is also committed to reducing hazardous waste and in 2013 it achieved a 3.1% year-over-year reduction in hazardous waste generated (-36.7% since 2010).

In 2013, the reduction in the total volume of waste generated led to savings of around €4.5 million worldwide.

Waste generated

Fiat Group worldwide (thousands of tons)	2013	2012	2011
Waste recovered	**1,316**	1,271	1,247
% of waste recovered	***72.72%***	*72.20%*	*67.24%*
Waste disposed of	**493**	490	608
Total waste generated	**1,809**	**1,761**	**1,855**
of which hazardous	***39***	*40*	*51*

(1) *First year in which Chrysler Group was consolidated and therefore scope of operations is comparable with 2013.*

LOGISTICS PROCESSES

Efficient and environmentally-sustainable logistics are important elements in the value creation process.

The Group has also been working to reduce logistics-related emissions throughout the supply chain and minimize the use of non-reusable packaging. This has enabled optimization of transport flows, resulting in reduced traffic and transportation costs.

In 2010, the Group published the Green Logistics Principles as part of a process to coordinate the approach and methods of interaction with logistics partners. The Principles provide guidelines on reducing environmental impacts with a focus on four main areas:

- low-emissions transport
- intermodal transport solutions
- optimized use of available transport capacity
- reduced use of packaging and protective materials

These measures have contributed to lowering CO_2 emissions from the movement of vehicles and materials and at the same time lowered transportation costs.

As a result of its increased use of intermodal transport solutions in 2013, Chrysler Group achieved a cost savings of €1.3 million and reduced CO_2 emissions by approximately 4,500 tons.

ECO-SUSTAINABLE DEALERS

In 2013, the Group launched a number of initiatives to extend its environmental commitment to the dealer network. In Italy, Group-owned dealerships, with a total surface area of around 105,000 square meters, implemented measures that led to a 5.5% or 6,400 GJ reduction in energy consumption over 2012, reducing CO_2 emissions by 685 tons and generating cost savings at the same time. Similar initiatives to improve sustainability are planned for dealers outside Italy.

In the U.S., for the second consecutive year, Chrysler Group managed the Dealer Environmentally Conscious Operations (ECO) Program, which recognizes dealers with a demonstrated commitment to eco-friendly business practices. During 2014, best practices will be shared with the rest of the dealer network via the DealerCONNECT portal.

OFFICES

Efforts to improve environmental performance also encompass offices and other work areas.

During the year, the Group continued the program of replacing electronic office equipment such as computers, monitors and printers with energy-saving equipment certified by Energy Star. The program to migrate to virtual servers also continued. For the period 2010-2013, these initiatives led to a reduction of more than 26,000 tons in CO_2 emissions.

New and existing initiatives provided the opportunity for employee involvement and training on issues relating to personal health, the environment (waste management, water consumption, energy savings) and good practices in the workstation environment. The ultimate objective of these initiatives is to generate a 360 degree awareness of sustainable practices applicable both in the office and at home.

Environmental initiatives include the "Zero Waste to Landfill" program instituted at the Chrysler Group Headquarters and Technology Center in Auburn Hills (Michigan, U.S.A.), where more than 14,000 people work. Approximately 1,670 containers were installed for separate disposal of plastic, paper, recyclable and organic waste. At a special education event employees were given a questionnaire to test their awareness relating to waste disposal with awards given for the best responses. Of a total 8,358 tons of waste generated at the Auburn Hills complex during 2013, including 5,613 tons of metallic materials, zero waste was disposed of via landfill.

Group initiatives utilize a variety of different channels to encourage employee involvement, including face-to-face meetings, information published via intranet portals or websites, e-mail campaigns, notices posted in common areas and special events.

In 2013, the Group undertook the conversion of an unutilized 42,000 m^2 industrial site in Mirafiori (Turin, Italy) into offices.

The energy performance specifications of the new structure are superior to existing regulations and, from 2014, the site will house approximately 1,600 employees. Beginning with the design phase, particular attention was given to the ability of the building's outer shell to adapt to seasonal variations in climate, optimizing ventilation systems and natural lighting, as well as using advanced technologies to limit thermal dispersion.

From an environmental point of view, the primary benefits of renovating an existing building rather than building a new structure are:

- reuse of an existing industrial site
- significant reduction in the generation of waste due to preservation of the building's internal structure and outer shell
- reduction in use of new construction materials with consequent impacts of production and transport being avoided
- conservation of latent energy of materials forming part of existing structure

Another tangible sign of the project's responsible approach was the use of recyclable materials for the renovation.

Once occupied, the building's energy performance will be monitored. In addition, the new site is expected to contribute to a progressive revitalization of the local area and infrastructure.

RESPONSIBILITY TO LOCAL COMMUNITIES

The Group actively contributes to the advancement of local communities. Initiatives follow the Group's Guidelines for Investment in Local Communities which provide instructions on how to manage activities to benefit the targeted communities and establish commitments that are consistent with the characteristics and positioning of the Group and its brands. Projects which represent a major financial commitment are approved and managed centrally, while other initiatives are managed locally by the plant, company or brand.

These activities are primarily targeted at areas around the Group's industrial sites, but can also include response to natural disasters in other geographic areas. Social initiatives are primarily in the form of long-term investment based on a detailed plan targeted at development in the local community. Investment is not just monetary, but often also includes employees volunteering time and know-how for initiatives that address community development, education, the environment and basic social needs.

A variety of forms of support are planned in collaboration with local stakeholders and provided to communities based on specific local requirements.

Particular attention has been given to educational initiatives (which account for 39% of approximately €20 million in contributions to local communities) to encourage development and self-sufficiency of communities and improve quality of life for the residents.

Specific indicators are used to measure the impact and effectiveness of local community initiatives and identify opportunities for further development.

Corporate Governance

Foreword

Fiat Group adheres to the Corporate Governance Code for Italian Listed Companies issued in December 2011, with modifications that take into account the specific characteristics of the Group. In 2012, the Board of Directors, at the proposal of the Compensation Committee, formulated a Compensation Policy that conforms to the recommendations of the Corporate Governance Code and Consob regulations that took effect on 31 December 2011. The Policy (which, in accordance with statute, forms the first section of the Compensation Report) was revised on 20 February 2013 and submitted to the non-binding vote of shareholders who voted in favor at the Annual General Meeting on 9 April 2013.

Additionally, in 2012 the Board also introduced changes to the Guidelines for the Internal Control and Risk Management System, including redefinition of the roles of the Internal Control Committee (which was renamed Internal Control and Risk Committee) and other related entities and individuals.

In accordance with legal and regulatory requirements, the Company prepares an "**Annual Report on Corporate Governance**" which provides a general description of the Group's corporate governance system together with information on ownership structure and adherence to the Corporate Governance Code, including key governance practices and the principal characteristics of the system of internal control and risk management, including with reference to financial reporting. The Report, which is available in the Governance section of the Group website (www.fiatspa.com), is divided into four sections: the first contains a description of the governance structure; the second gives information on the ownership structure; the third provides an analysis of implementation of specific recommendations of the Corporate Governance Code and describes the principal characteristics of the system of internal control and risk management, including with reference to financial reporting and key governance practices; and, the fourth includes tables summarizing Fiat's ownership and Board structure, a side-by-side comparison illustrating how Fiat has applied the principles and criteria of the revised Code, as well as the principal corporate governance related documents. This section provides a summary of aspects relevant to the Report on Operations. The Corporate Governance Code is available on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it).

Direction and Coordination

Fiat S.p.A. is not subject to the direction and coordination of any other company or entity and has full independence to define its strategic and operating guidelines. Fiat's direct and indirect subsidiaries in Italy have, with a few specific exceptions, named Fiat as the entity which, pursuant to Article 2497-*bis* of the Civil Code, exercises direction and coordination over them. That activity consists in setting general strategic and operating guidelines for the Group through definition and updating of the internal control and risk management system, corporate governance model and corporate structure, establishment of a group-wide Code of Conduct, in addition to definition of policies for the management of personnel and financial resources, and for the procurement of production materials, and marketing and communications services. Coordination of the Group also encompasses centralized cash management, corporate and accounting, and internal audit services, including through specialized companies.

Direction and coordination undertaken at group level enables subsidiaries, which retain full management and operating autonomy, to realize economies of scale by availing themselves of professional and specialized services with improving levels of quality and to concentrate their resources on management of their core business.

Subsidiaries headquartered outside Italy generally benefit from those activities. However, Chrysler, which has a board of directors composed of a majority of members not affiliated with Fiat S.p.A., relies directly on capital markets funding for its operations and for those of its subsidiaries and manages its financial resources independently. The board of directors of Chrysler Group LLC, in addition to ensuring maintenance of Chrysler Group's standalone financial integrity, has oversight responsibilities for Chrysler Group operations, including approval of capital expenditures above certain levels and, during 2013, the review and approval of non-Alliance transactions above *de minimis* levels between Fiat and Chrysler Group LLC. On 21 January 2014, Fiat S.p.A., through its wholly owned subsidiary Fiat North America LLC, completed the acquisition of all of the VEBA Trust's membership interests in Chrysler Group LLC. Chrysler Group subsequently became an indirect wholly-owned subsidiary of Fiat (see "Subsequent Events" for further details).

Board of Directors

The By-laws establish that the Company's Board of Directors may be composed of between nine and fifteen members. With due consideration given to the Company's increased focus in the automobiles sector following the demerger of the capital goods activities to Fiat Industrial, on 4 April 2012 Shareholders voted – at the recommendation of the Board – to set the number of board members at nine. In addition, in recognition of the benefits of gender diversity among the board's members, shareholders voted to elect two women directors, resulting in early application by the Company of the legal requirements that will apply from 2015. Under Article 11 of the By-laws, Board members are elected through a voting list system, which ensures minority shareholders the opportunity to elect a director to the Board. The minimum equity interest required for submission of a list of candidates is established by Consob with reference to the Company's market capitalization in the fourth quarter of the last financial year of the Board's mandate. Each list must indicate at least one candidate that satisfies the legal requirements for independence.

The voting list system was utilized for the first time for the election of the Board of Directors at the General Meeting of 27 March 2009 and was used for the renewal of the Boards of Directors and Statutory Auditors at the General Meeting of 4 April 2012. The Company invited shareholders who, individually or jointly with others, owned at least 1% of ordinary shares (as established by Consob with reference to Fiat's average market capitalization for the fourth quarter of 2011) to submit lists of candidates – indicated in numerical order and who satisfied the requirements of law and the Company's By-laws – to the Company at its registered office at least 25 days prior to the General Meeting.

Two lists of candidates for the Board of Directors were presented: one list was presented by EXOR S.p.A., holder of 30.465% of shares, and the other by a group of Italian and international asset managers and institutional investors, holders of a combined 1.86% of shares.

Under Article 16 of the By-laws, all directors with executive responsibilities are vested, separately and individually, with the power to represent the Company and under Article 12 the Vice Chairman, if appointed, shall act as Chairman if the latter is absent or unable to carry out his duties. In application of this provision, the Board of Directors has, as in the past, adopted a model for delegation of broad operating powers to the Chairman and the Chief Executive Officer by which they are authorized, separately and individually, to perform all ordinary and extraordinary acts that are consistent with the Company's purpose and not reserved by law for, or otherwise delegated or assumed by, the Board of Directors itself. In practice, the Chairman has the role of coordination and strategic direction for the activities of the Board of Directors, while the Chief Executive Officer is responsible for the operational management of the Group. From an operational perspective, the Chief Executive Officer is supported by the Group Executive Council (GEC), a decision-making body led by the Chief Executive and composed of the heads of the operating sectors and certain central functions. As a result of the acquisition of majority ownership of Chrysler Group and consistent with the objective of enhancing the operational integration of Fiat and Chrysler, on 1 September 2011 a new Group Executive Council was formed which is composed of 4 main groupings: regional operations, brands, industrial processes, and support/corporate functions. Certain functions that are fundamental to the governance structure of individual companies (such as Legal and Internal Audit) remain independent within the ambit of the operating companies (Fiat and Chrysler Group).

Effective 1 January 2011, the Company adopted procedures for transactions with related parties to ensure full transparency and substantial and procedural fairness in transactions with related parties, as defined under IAS 24. The Procedures define “significant transactions” which require the prior approval of the Board – subject to the binding opinion of the Internal Control and Risk Committee, which is the committee responsible for related-party transactions, with the exception of those matters relating to compensation, for which the Compensation Committee is responsible – and must be publicly disclosed in the form of an information document.

Other transactions, except those falling within the residual category of minor transactions – i.e., transactions less than €200,000 in value or, for transactions with legal entities having consolidated annual revenues in excess of €200 million only, transactions less than €10 million in value – are defined as “non-significant” and may be entered into with the prior non-binding opinion of the above committee. The Procedures also establish exemptions, including: transactions taking place in the ordinary course of business and entered into at standard or market terms; transactions with or between subsidiaries and transactions with associates, provided that no other parties related to the Company have a significant interest; and transactions of minor value.

The task of implementing the Procedures and disseminating them to Group companies is assigned to the manager responsible for the Company’s financial reporting, who must also ensure coordination with the administrative and accounting procedures required under Article 154-*bis* of Legislative Decree 58/1998.

As established in the “Guidelines for Significant Transactions”, transactions having a significant impact on the Company’s earnings and financial position are subject to prior examination and approval by the Board.

Accordingly, the powers attributed to the executive directors specifically exclude decision-making authority for significant transactions, pursuant to the criteria for significance established by Consob. A reasonable period in advance of the Company undertaking a significant transaction, the executive directors are to provide the Board a summary report on their analysis of the strategic compatibility, economic feasibility and expected return.

As provided under Articles 70 (8) and 71 (1-*bis*) of the Consob Issuer Regulations, on 30 October 2012 the Board of Directors approved the opt-out from the obligation to publish an information document for significant transactions (e.g., significant mergers, spin-offs, share capital increases by means of in-kind contributions of assets, acquisitions and disposals).

Pursuant to Article 12 of the By-laws, after consultation with the Board of Statutory Auditors, the Board of Directors appoints one or more **managers responsible for the Company’s financial reporting**. If more than one manager is attributed that responsibility, it is to be carried out jointly and with joint responsibility. It is a requirement that the individual(s) appointed have several years of accounting and financial experience within a large company. In implementation of that provision, the Board of Directors appointed the Chief Financial Officer as the manager responsible for the Company’s financial reporting, vesting him with the relevant powers.

At 31 December 2013, the Board of Directors was composed of three executive directors and six non-executive directors (i.e., directors without specific executive powers or responsibilities within the Company or the Group), four of whom qualified as independent on the basis of the criteria approved by Shareholders on 4 April 2012 and adopted for past elections. All of those independent directors (Joyce Victoria Bigio, René Carron, Gian Maria Gros-Pietro and Patience Wheatcroft) also meet the independence requirements established under Legislative Decree 58/98.

The Chairman and Chief Executive Officer are **executive directors**. They also hold executive responsibilities at subsidiary companies: John Elkann is Chairman of Editrice La Stampa S.p.A. and Sergio Marchionne, in addition to being Chairman of the principal subsidiaries, is also Chairman and Chief Executive Officer of Fiat Group Automobiles S.p.A. and of Chrysler Group LLC. Luca Cordero di Montezemolo also qualifies as an executive director by virtue of his position as Chairman of Ferrari S.p.A.

An adequate number of independent directors is an essential element in protecting the interests of shareholders, particularly minority shareholders, and third parties. For this reason, considering it to be significantly in the Company's interests to maintain adequate guarantees against potential conflicts of interest, in its proposal of 22 February 2012, the Board of Directors recommended that, in relation to re-election of the Board on 4 April 2012, Shareholders elect a significant number of independent directors. In consideration of the current legal requirement that at least two directors are independent and the provision of the Corporate Governance Code that at least one-third of the members of the Board of Directors are independent, Shareholders voted to elect four directors who meet the requirements of independence adopted for previous elections.

The **independence of directors** is assessed annually and is based on the absence or non-relevance, during the previous three years, of economic or shareholding relationships or other relationships, whether direct, indirect or on behalf of third parties, with the Company, its executive directors and executives with strategic responsibilities, its controlling companies or subsidiaries, or any other party related to the Company. The criteria also exclude directors as being considered independent if they were partners or directors of major competitors, rating agencies or audit firms engaged by the Company or Group companies in the previous three years, or are executive directors at other companies where the Company's directors are non-executive directors. The results of those assessments are published in the Annual Report on Corporate Governance.

The Board of Directors verified that Joyce Victoria Bigio, René Carron, Gian Maria Gros-Pietro and Patience Wheatcroft satisfied the requirements of independence.

Some directors also hold positions at other listed companies or companies of significant interest. Excluding the positions held by the executive directors within Fiat Group, the most significant are as follows:

- Andrea Agnelli: Chairman of Juventus FC S.p.A., General Partner of Giovanni Agnelli e C. S.a.p.A., Director of EXOR S.p.A. and Member of the Advisory Board of BlueGem Capital Partners LLP;
- Joyce Victoria Bigio: Director of Simmel Difesa S.p.A. and Gentium S.p.A.;
- Tiberto Brandolini D'Adda: Chairman of EXOR S.A., General Partner of Giovanni Agnelli e C. S.a.p.A. and Vice Chairman of EXOR S.p.A.;
- Luca Cordero di Montezemolo: Chairman of Charme Management S.r.l., Vice Chairman of UniCredit S.p.A., Director of Poltrona Frau S.p.A., N.T.V. S.p.A., Tod's S.p.A., Kering S.A. (previously Pinault Printemps Redoute S.A.), Montezemolo & Partners SGR and Delta Topco Ltd.;
- John Elkann: Chairman of Giovanni Agnelli e C. S.a.p.A., Chairman and Chief Executive Officer of EXOR S.p.A., Director of CNH Industrial N.V., Gruppo Banca Leonardo S.p.A., The Economist Group and News Corporation;
- Gian Maria Gros-Pietro: Chairman of ASTM S.p.A., Chairman of the Management Board of Intesa Sanpaolo S.p.A. and Independent Director of Edison S.p.A. and Caltagirone S.p.A.;
- Sergio Marchionne: Chairman of CNH Industrial N.V., CNHI International S.A., Iveco S.p.A., FPT Industrial S.p.A. and SGS S.A., Director of EXOR S.p.A. and Philip Morris International Inc.;
- Patience Wheatcroft: Member of the Advisory Board of Huawei Technologies (UK) and Bell Pottinger LLP, Non-executive Director of St. James's Place PLC.

Board Committees

The Board of Directors has established the following committees: the Internal Control Committee – whose role was redefined in February 2012 and was renamed the Internal Control and Risk Committee; the Nominating and Corporate Governance Committee – whose role includes selecting and proposing candidates for the Board and which, during 2009 was also assigned responsibility for sustainability-related issues and subsequently renamed the Nominating, Corporate Governance and Sustainability Committee; and, the Compensation Committee – whose role was redefined on 22 February 2012 in accordance with the provisions of the new Corporate Governance Code.

Internal Control System

In 2012, the Board approved the "Guidelines for the Internal Control and Risk Management System", which constituted a revision of the procedures established in 1999 and 2003, including adoption of changes introduced by the Corporate Governance Code in 2011.

The Internal Control and Risk Management System, based on the model provided by the COSO Report and the principles of the Corporate Governance Code, 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 system is integrated within the organizational and corporate governance framework adopted by the Company, and contributes to the protection of corporate assets, as well as ensuring the efficiency and effectiveness of business processes, reliability of financial information and compliance with laws and regulations, as well as the By-laws and internal procedures.

The system, which has been developed on the basis of international best practice, consists of the following 3 levels of control:

- Level 1: operating areas, which identify and assess risk and establish specific actions for management of that risk
- Level 2: departments responsible for risk control, which define methodologies and instruments for managing risk and monitor that risk
- Level 3: internal audit, which conducts independent evaluations of the System in its entirety. The head of Internal Audit is also assigned the role of Compliance Officer pursuant to Article 150 of Legislative Decree 58/1998

The Guidelines for the System of Risk Management and Internal Control provide a detailed description of the duties and responsibilities of the principal individuals and entities involved and set out the procedures for their coordination in order to ensure the effectiveness and efficiency of the system and reduce potential duplication of activities.

The Company has developed a system of internal control and risk management in relation to financial reporting based on the model provided by the COSO Framework aimed at ensuring the reliability, accuracy, completeness and timeliness of the information reported. The periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework model (control environment, risk assessment, control activities, information and communication, monitoring) in achieving those objectives. As mentioned previously, the principal characteristics of the system of internal control and risk management in relation to financial reporting are provided in the Annual Report on Corporate Governance.

Fiat has administrative and accounting procedures in place that ensure a high degree of reliability in the system of internal control over financial reporting.

Documents and financial information regarding the Company are made public, including via the internet, in accordance with the provisions of the procedures for the internal management and public disclosure of confidential information adopted by the Board of Directors in 2006 and 2007.

Essential components of the Internal Control System are the **Code of Conduct**, adopted in 2002 to replace the Code of Ethics and subsequently revised in 2010, and the **Compliance Program**, adopted by the Board of Directors in implementation of regulations on the 'Liability of Legal Persons' pursuant to Legislative Decree 231/2001, as amended. The Code of Conduct sets out the ethics principles to which the Company adheres and which directors, statutory auditors, employees, consultants and partners are required to observe.

On 20 February 2013, the Board was presented Fiat S.p.A.'s revised Compliance Program and Guidelines for Adoption and Revision of the Compliance Program by Group companies in Italy, which incorporate new categories of offenses introduced in Italian legislation. With these amendments, new criminal offenses were included and the relevant sensitive processes were identified. Legislative Decree 109/2012 introduced as Article 25-*duodecies* of Legislative Decree 231/2001 the offense of "Employment of foreign nationals residing illegally in Italy" (Article 22 (12-*bis*) of Legislative Decree 286/1998, which addresses immigration and legal status of foreign nationals). Law 190/2012 introduced the offense of being induced to give a bribe as Article 25 (3) and the offense of bribery between private individuals as Article 25-*ter* (1) (S-*bis*) with direct reference to Article 2635 (3) of the Civil Code which establishes penalties for giving or promising financial or other advantage to directors, managers, statutory auditors or employees of a company. Additionally, the Guidelines were revised in July 2013 to reflect additional requirements placed on the Compliance Program Supervisory Body consistent with the strengthening of the Group's corporate governance system.

The Compliance Program Supervisory Body is composed of the head of Internal Audit & Compliance, the General Counsel (head of the Legal Department), and an external advisor. It has its own Internal Policies and Procedures and operates on the basis of a specific supervisory program. It meets at least once per quarter and reports to the Board of Directors (including through the Internal Control and Risk Committee) and the Board of Statutory Auditors.

In application of the Compliance Program, the Code of Conduct, and the provisions of the Sarbanes-Oxley Act (to which the Company was subject while listed on the NYSE) on whistleblowing, the **Whistleblowing Procedures** were adopted on 1 January 2005, for the management of reports and claims filed by persons inside and outside the Company in relation to suspected or presumed violations of the code of conduct, fraud involving company assets or financial reporting, oppressive behavior towards employees or third parties, reports or claims regarding accounting, internal accounting controls and independent audits.

The **Procedures for the Engagement of Independent Auditors** regulate the engagement of audit firms and other related parties, by Fiat S.p.A. and its subsidiaries, in order to ensure the independence of firms engaged to audit the financial statements. Related parties of an audit firm are considered to be entities belonging to the same network, as well as equity partners, shareholders, directors, members of management and supervisory bodies and employees of the audit firm.

With reference to the "Conditions for the listing of shares of companies having control over companies incorporated and regulated under the laws of a non-EU member State", pursuant to Articles 36 and 39 of the Market Rules, the accounting systems in place at the Company and its subsidiaries, as discussed in the Annual Report on Corporate Governance, enable public disclosure of certain accounting information prepared by companies included in the scope of application of the Regulation and used in preparation of the consolidated financial statements and are adequate for the regular provision to management and the Parent Company's auditors of information necessary for preparation of the consolidated financial statements. In addition, there is an effective flow of information to the Parent Company's auditors, including regular information on the composition of corporate bodies within all subsidiary companies and the position held by each member. The Company is also responsible for systematically maintaining and updating centralized records of formal documents related to the by-laws and delegation of powers to members of the corporate bodies.

Board of Statutory Auditors

In accordance with Article 17 of the By-laws, the Board of Statutory Auditors is composed of three regular auditors and three alternates, all of whom must be entered in the Register of Auditors and have at least three years of experience as a statutory account auditor. They may, within the legal limit, also hold other positions as director or statutory auditor.

In accordance with Legislative Decree 58/1998, Article 17 of the Company's By-laws establishes the right for appropriately constituted **minority groups** to appoint one regular auditor, who serves as Chairman, and one alternate. The By-laws also establish that the minimum equity interest required for submission of a list of candidates for elections of the Statutory Auditors may not be lower than the percentage required by law for elections of the Board of Directors. The lists presented, together with the documentation required by law and the Company's By-laws, must be placed on record at the Company's registered office at least 25 days prior to the date set for the General Meeting on first call.

On 4 April 2012, the Board of Statutory Auditors was elected using a voting list system.

The Statutory Auditors are: Ignazio Carbone, Chairman; Lionello Jona Celesia and Piero Locatelli, regular auditors; and Lucio Pasquini, Fabrizio Mosca and Corrado Gatti, alternate auditors. The regular auditors Lionello Jona Celesia and Piero Locatelli were elected from the list presented by the majority shareholder EXOR S.p.A. and Ignazio Carbone, Chairman of the Board of Statutory Auditors, was elected from the minority list presented by a group of Italian and international asset managers and institutional investors holding 1.86% of shares (a complete list of those shareholders is provided in the Annual Report on Corporate Governance). The minimum equity interest required to submit a list of candidates was 1% of ordinary shares, as established by Consob with reference to Fiat's average market capitalization for the fourth quarter of 2011. Additional information provided to Shareholders on the candidates and lists presented are available in the Investors section of the Group website (www.fiatspa.com).

The Board of Statutory Auditors' current term of office expires on the date of the General Meeting called for approval of the 2014 financial statements. Following is a list of the most significant positions held by the members of the Board of Statutory Auditors. Ignazio Carbone is a director of Banca Popolare del Frusinate S.c.p.a. and Enertronica S.p.A.; Lionello Jona Celesia is Chairman of the Board of Statutory Auditors of Giovanni Agnelli e C. S.a.p.A., IBM Italia S.p.A., Lazard S.r.l., statutory auditor of ASTM S.p.A. and Chairman of the Board of Directors of Banca del Piemonte S.p.A.; Piero Locatelli is a statutory auditor of Giovanni Agnelli e C. S.a.p.A. and Simon Fiduciaria S.p.A.

Transactions between Group Companies and with Related Parties

During the period, there were no transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related-party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered.

Information on transactions with related parties, including specific disclosures required by the Consob Communication of 28 July 2006, is provided in Note 31 to the Consolidated Financial Statements and in Note 29 to Fiat S.p.A.'s Financial Statements.

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As part of the requirements of Legislative Decree 196/03 (the Italian data protection act), several activities were performed to evaluate the system of data protection for information held by Group companies subject to this law. Those activities confirmed that legislative requirements relating to the protection of personal data processed by Group companies had been substantially complied with.

With the conversion of Law Decree 5 of 9 February 2012 through the enactment of Law 35 of 4 April 2012, the obligation to prepare and maintain an updated Program Security Document — for controllers of sensitive or judicially relevant data processed in electronic format — was abolished.

However, given that other obligations under Legislative Decree 196/03 continue to exist, Group companies prepared the Program Security Document, enabling formal attestation of compliance with the obligations of Legislative Decree 196/03 by individual data controllers.

Subsequent Events and Outlook

Subsequent Events

- On January 1st, 2014, Fiat S.p.A. announced an agreement with the VEBA Trust, under which its wholly-owned subsidiary, Fiat North America LLC ("FNA"), would acquire all of the VEBA Trust's equity membership interests in Chrysler Group LLC ("Chrysler Group"), representing 41.5% of Chrysler Group. The transaction closed on 21 January 2014. In consideration for the sale of its membership interests in Chrysler Group, the VEBA Trust received an aggregate consideration of USD 3,650 million consisting of a special distribution paid from available cash on hand by Chrysler Group to its members, in an aggregate amount of USD 1,900 million (FNA directed its portion of the special distribution to the VEBA Trust as part of the purchase consideration) and a payment from FNA for the remainder of USD 1,750 million in cash purchase consideration to the VEBA Trust. Fiat funded the USD 1,750 million in cash from available cash on hand. Contemporaneously with the transactions described above, Chrysler and the UAW entered into a memorandum of understanding under the collective bargaining agreement with the UAW in which the UAW made commitments to continue to support Chrysler industrial operations and the further implementation of the Fiat-Chrysler Alliance. In particular, the UAW has committed to use its best efforts to cooperate in the continued roll-out of World Class Manufacturing, or WCM, programs, actively participate in benchmarking efforts associated with implementation of WCM programs across all Fiat-Chrysler manufacturing sites to ensure objective performance assessments and provide for proper application of WCM principles, and to actively assist in the achievement of the Group long-term business plan. In consideration of these commitments, Chrysler agreed to make payments to the VEBA Trust totaling USD 700 million to be paid in four equal annual installments. The initial payment of USD 175 million was made on 21 January 2014 and additional payments will be payable on each of the next three anniversaries of the initial payment.
- On January 10th, Standard & Poor's Ratings Services:
  - raised its ratings on Chrysler Group LLC, including the corporate credit rating, to 'BB-' from 'B+'. The outlook is stable.
  - confirmed its rating on Fiat S.p.A.'s long-term debt at 'BB-'. The short-term rating was confirmed at 'B'. The outlook remains stable.
- On January 29th, the Board of Directors of Fiat S.p.A. approved a corporate reorganization and the formation of Fiat Chrysler Automobiles ("FCA") as a fully-integrated global automaker. Following Fiat's acquisition of the minority equity interest in Chrysler Group LLC, previously held by the VEBA Trust, the Fiat Board of Directors reviewed options for the most appropriate governance and corporate structure. In order to establish a true peer to the major global automotive groups, in both scale and capital market appeal, the Board decided to establish Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent company of the Group.

  Under the proposal approved by the Fiat Board, Fiat shareholders will receive one FCA common share for each Fiat share held and the FCA common shares will be listed on the New York Stock Exchange (NYSE) with an additional listing on the *Mercato Telematico Azionario* (MTA) in Milan. It is intended that FCA will be resident for tax purposes in the United Kingdom, but this is not expected to affect the taxes payable by Group companies in the jurisdictions where their activities are carried out.
- On February 7th, Chrysler Group LLC closed its offering of secured senior debt securities, raising approximately USD 3.0 billion in net proceeds; and senior secured term loan facilities, raising approximately USD 2.0 billion in net proceeds. Chrysler Group applied the proceeds of the debt offering to prepay all amounts outstanding, including accrued and unpaid interest, of approximately USD 5.0 billion under the senior unsecured note issued on 10 June 2009 to the VEBA Trust with an original face amount of USD 4.587 billion (the "VEBA Trust Note").

The secured senior debt securities, issued on top of existing bonds, consist of USD 1.375 billion aggregate principal amount of 8% Secured Senior Notes due 2019 at an issue price of 108.25% of their aggregate principal amount plus accrued interest from 15 December 2013, and USD 1.380 billion aggregate principal amount of 8¼% Secured Senior Notes due 2021 at an issue price of 110.50% of their aggregate principal amount plus accrued interest from 15 December 2013. The issue prices represent a yield to maturity of 6.165% per annum for the Notes due 2019 and 6.433% per annum for the Notes due 2021.

In connection with the term loan facilities, Chrysler Group borrowed (1) an additional USD 250 million of term loans under its existing senior secured credit facilities maturing May 24, 2017, under which Chrysler Group borrows at 2.75% over LIBOR, subject to a LIBOR floor of 0.75%; and (2) USD 1.75 billion of term loans under a new senior secured term loan facility maturing 31 December 2018, at 2.50% over LIBOR, subject to a LIBOR floor of 0.75%.

The refinancing transactions are expected to result in yearly interest expense savings, for the period from 2014 to 2016, of approximately USD 134 million.(1)

- On February 11th, Moody's Investors Service lowered Fiat S.p.A.'s Corporate Family Rating from 'Ba3' to 'B1' and consequently, in accordance with their methodology, ratings on the notes issued by Fiat Finance & Trade Ltd. S.A. and Fiat Finance North America Inc. were also lowered from 'B1' to 'B2'.

(1) *For the purposes of Chrysler Group consolidated financial statements (prepared in accordance with US GAAP) the refinancing transactions are expected to result in yearly interest expense savings, for the period from 2014 to 2016, of approximately USD 200 million including the elimination of the non-cash VEBA Trust Note discount amortization of approximately USD 65 million per annum. In addition, for the same reason, Chrysler Group expects to record a non-cash charge of approximately USD 500 million in connection with the repayment of the VEBA Trust Note.*

For the purposes of its consolidated financial statements (prepared in accordance with IFRS) Fiat Group expects to record interest expense savings lower than those recorded by Chrysler Group and to report no non-cash charges in connection with the repayment of the VEBA Trust Note, which has been carried at face value as a result of the purchase accounting related to the acquisition of control and consolidation of Chrysler Group in May 2011.

Outlook

As already announced and now increasingly relevant following the acquisition of the minority stake in Chrysler previously held by the VEBA Trust, the Group will be presenting an updated business plan in early May 2014 that will give increased visibility of the Group's strategic direction and execution priorities. Notwithstanding that process, the Group indicates the following guidance for 2014:

- **Revenues**: ~€93 billion, representing a 7% increase over reported revenues for 2013. It is expected that the increase will be primarily driven by commercial activities in NAFTA where, as illustrated in the financial results presentation given on 29 January 2014, the market is expected to register continued growth, albeit at a lower rate than for prior years, and where the Group expects revenue growth as sales of new models introduced over the past 12 months gain increased momentum, mainly the Jeep Cherokee and also the new Chrysler 200, which will be available in the second quarter of 2014. The year-over-year revenue contribution from APAC is also expected to be higher in 2014, driven by both increased market demand and penetration in the Group's key markets in the region, particularly China and Australia. For EMEA, the Group's volumes and revenues are expected to be substantially in line with 2013, primarily due to the industry outlook that overall demand will remain flat and that competitive pricing pressures, particularly in the mass-market segments, will continue to be a key factor. In Latin America, it is expected that overall car demand will remain at 2013 levels, with the Group expecting to maintain its market position substantially unchanged despite increased competition. The Group's luxury brands are also expected to contribute to revenue growth in 2014 on the strength of volume growth for new models launched in 2013, particularly for Maserati.
- **Trading profit**: ~€3.6 to €4.0 billion.
- **Net income**: ~€0.6 to €0.8 billion, with EPS to improve from ~€0.10 (ex-unusuals) to ~€0.44-€0.60. Includes increased deferred tax charge of ~€0.5 billion due to the recognition of net deferred tax assets at year-end 2013 related to Chrysler.
- The **net industrial debt** target for year-end 2014 is between €9.8 and €10.3 billion. Excluding disbursements for the purchase of the VEBA interest in Chrysler, totaling €2.7 billion and the €0.3 billion negative effect from the consolidation of the debt related to joint operations due to the application of the new accounting standard IFRS 11[1] cash used in investing activities for the period is expected to exceed cash from operating activities[2] in a range between €0.1 and €0.6 billion. The targeted increase in EBITDA reflects the expectation for higher trading profit together with an increase in depreciation and amortization. Working capital is expected to generate positive cash flow for the period, although below the 2013 level. The year-over-year comparison reflects an expected increase in export activity, resulting in higher finished inventories, and exceptional seasonality in 2013, which resulted in higher sales volumes and production levels for Chrysler in the fourth quarter, primarily relating to the launch of the new Jeep Cherokee.

(1) *See Notes to the Consolidated Financial Statement – "New standards and interpretations not yet effective".*
(2) *Cash from operating activities consists of EBITDA less interest and cash taxes expected for the year in addition to changes in working capital and provisions.*

Financial Review – Fiat S.p.A.

The following information is based on the 2013 financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union, and regulations implementing Article 9 of Italian Legislative Decree 38/2005.

Operating Performance

Fiat S.p.A. reported a loss of €227 million for 2013, compared with a loss of €152 million for the prior year.

The principal components of the income statement were as follows:

(€ million)	2013	2012
Income from investments	(3)	68
Dividends	536	1,030
Impairment (losses)/reversals on investments	(540)	(962)
Gains/(losses) on disposals	1	-
Personnel and operating costs, net of other income	(28)	(35)
Financial income/(expense)	(210)	(216)
PROFIT/(LOSS) BEFORE TAXES	**(241)**	**(183)**
Income taxes	14	31
PROFIT/(LOSS) FOR THE YEAR	**(227)**	**(152)**

Income from investments was a negative €3 million for the year (positive €68 million for 2012), with dividends received more than offset by net impairments:

- **Dividends** totaling €536 million included €500 million received from Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.), €23 million from Fiat Finance S.p.A., €5 million from Teksid S.p.A. and €8 million from Fiat Industrial S.p.A. (now CNH Industrial N.V.).

  In 2012, dividends totaling €1,030 million were received from Fiat Gestione Partecipazioni S.p.A. (€1,000 million), Fiat Finance S.p.A. (€24 million) and Fiat Industrial S.p.A. (€6 million).

- **Net impairment on investments** of €540 million consisted of a €465 million impairment on the investment in Fiat Gestione Partecipazioni S.p.A. (now Fiat Partecipazioni S.p.A.), aligning the carrying amount with the book value of the investee's equity following the distribution of reserves to Fiat S.p.A., as well as impairment losses on the investments in RCS MediaGroup S.p.A. (€74 million) and Teksid Aluminum S.r.l. (€17 million), net of a partial reversal for Fiat Partecipazioni S.p.A., now FGA Real Estate Services S.p.A. (€16 million).

  In 2012, net impairments totaled €962 million, consisting of a €933 million impairment on the investment in Fiat Gestione Partecipazioni S.p.A., for the same reason as the adjustment recognized in 2013, as well as impairment losses on the investments in RCS MediaGroup S.p.A. (€35 million) and Teksid Aluminum S.r.l. (€15 million), net of a partial reversal for Fiat Powertrain Technologies S.p.A. (€21 million).

- **Gains on disposals** totaled €1 million and related to the transfer of the shareholdings in Fiat Revisione Interna S.c.p.A. and Isvor Fiat S.c.p.A. to Fiat Partecipazioni S.p.A. In 2012, no shareholdings were sold.

Personnel and operating costs, net of other income totaled €28 million, compared with €35 million for 2012.

- **Personnel and operating costs** totaled €111 million, compared with €112 million in 2012. A reduction in costs for services and lower notional charges for stock options offset an increase in personnel costs attributable to a higher average headcount (236 employees, compared with 219 in 2012). That increase was primarily due to the acquisition of a business unit from the subsidiary Fiat Services S.p.A. in early 2013.
- **Other income** of €83 million (€77 million in 2012) mainly related to services rendered, including by senior management personnel, to the principal Group companies. The €6 million increase over the prior year was mainly due to the increase in services rendered to Group companies, including services provided by the newly-acquired business unit, as well as an increase in reimbursements for the cost of seconded personnel.

Net financial expense, of €210 million, included €241 million in financial charges, relating primarily to interest expense on debt, partially offset by a €31 million gain at expiration on the stock-option related equity swaps on Fiat and CNH Industrial shares. For 2012, net financial expense of €216 million included a €250 million in financial charges offset by the €34 million gain in the mark-to-market of the above equity swaps. The €6 million year-over-year decrease was attributable to a more favorable mix of liquidity/debt/interest rates (€9 million), net of the negative difference in the gain on the equity swaps (€3 million).

For **income taxes**, the Company recognized a €14 million credit for the year (€31 million credit in 2012), which primarily reflected compensation received for losses contributed by Fiat S.p.A. to the domestic tax consolidation for the Group's Italian companies.

Statement of Financial Position

The principal components of the statement of financial position were as follows:

(€ million)	31.12.2013	31.12.2012
Non-current assets	13,106	11,809
of which: Investments	13,060	11,765
Working capital	(220)	(261)
NET CAPITAL INVESTED	**12,886**	**11,548**
EQUITY	**8,693**	**8,901**
NET DEBT	**4,193**	**2,647**

Non-current assets consisted almost entirely of shareholdings in the Group's principal subsidiaries. The €1,295 million increase in investments over 31 December 2012 related primarily to the recapitalization of subsidiaries (€1,738 million, of which €1,650 million for Fiat Group Automobiles S.p.A.), capital subscriptions (€94 million related to the associate company RCS MediaGroup S.p.A.) and fair value revaluation of investments in other companies, net of the €540 million in impairments commented on above.

Working capital was a negative €220 million and consisted of trade receivables/payables, other receivables/payables (from/to tax authorities, employees, etc.), contract work in progress net of advances, and provisions for the period. The €41 million difference over 31 December 2012 mainly reflects changes in the receivable/payable position with subsidiaries arising from the domestic tax consolidation and the consolidated VAT settlement.

Equity totaled €8,693 million at 31 December 2013, a net decrease of €208 million over 31 December 2012, mainly reflecting the €227 million loss for the year, partially offset by gains recognized directly to reserves and other positive items.

A more detailed analysis of changes in equity is provided in the notes to Fiat S.p.A.'s statutory financial statements.

Net debt totaled €4,193 million at 31 December 2013, representing a €1,546 million increase over year-end 2012 due primarily to recapitalizations and capital subscriptions in investees, net of the dividends commented on above and other cash items. Net debt consisted of the following:

(€ million)	31.12.2013	31.12.2012
Current financial assets, cash and cash equivalents	(1)	(59)
Current financial liabilities	3,780	1,294
Non-current financial liabilities	414	1,412
NET DEBT/(CASH)	**4,193**	**2,647**

Current financial liabilities at 31 December 2013 consisted principally of the following items payable to the subsidiary Fiat Finance S.p.A.:

- a current account overdraft
- a short-term €3,000 million loan provided at market terms

At 31 December 2012, current financial assets and liabilities also consisted of receivables and payables from/to the subsidiary Fiat Finance S.p.A. relating to the positive fair value of equity swaps on Fiat and Fiat Industrial shares expiring in 2013, as described above.

Non-current financial liabilities mainly consisted of the loan from Fiat Finance S.p.A., at market rates of interest, which is repayable in 2014.

A more detailed analysis of cash flows is provided in the notes to Fiat S.p.A.'s statutory financial statements.

Reconciliation between Equity and Net Profit of the Parent Company and the Group

As required by the Consob Communication of 28 July 2006, the following table provides a reconciliation between the net result and equity of Fiat S.p.A. for the years ended 31 December 2013 and 2012 and the comparable items on a consolidated basis (portion attributable to owners of Fiat S.p.A.).

(€ million)	Equity at 31.12.2013	2013 Profit/(Loss)	Equity at 31.12.2012	2012 Profit/(Loss)
Financial Statements of Fiat S.p.A.	**8,693**	**(227)**	**8,901**	**(152)**
Elimination of carrying amount of interests in consolidated entities and related dividends	(12,761)	(528)	(11,454)	(1,024)
Elimination of impairment losses (net of reversals) on consolidated entities	-	540	-	962
Equity and profit/(loss) of consolidated entities	14,170	1,163	10,501	311
Consolidation adjustments:				
Elimination of intercompany profit/loss on inventories and fixed assets, dividends paid between subsidiaries and other adjustments	(1,776)	(44)	(1,761)	(53)
CONSOLIDATED FINANCIAL STATEMENTS (PORTION ATTRIBUTABLE TO OWNERS OF FIAT S.P.A.)	**8,326**	**904**	**6,187**	**44**

Motion for Approval of the Statutory Financial Statements and Allocation of 2013 Net Result

Shareholders,

We hereby submit for your approval the Statutory Financial Statements for the year ended 31 December 2013, which report a net loss of €226,697,618. We propose that the loss be allocated to the Retained Profit reserve, bringing the value of the reserve to €1,537,084,936.

27 February 2014

On behalf of the Board of Directors

/s/ John Elkann

John Elkann

CHAIRMAN