Consolidated Financial Statements

AT DECEMBER 31, 2016

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Consolidated Income Statement

(in € million, except per share amounts)

	Note				Years ended December 31		
			2016		2015		2014
Net revenues	4	€	111,018	€	110,595	€	93,640
Cost of revenues			95,295		97,620		81,592
Selling, general and other costs			7,568		7,576		6,973
Research and development costs	5		3,274		2,864		2,334
Result from investments:			316		143		131
Share of the profit of equity method investees	12		*313*		*130*		*117*
Other income from investments			*3*		*13*		*14*
Gains on disposal of investments			13		—		12
Restructuring costs			88		53		50
Net financial expenses	6		2,016		2,366		2,051
Profit before taxes			**3,106**		**259**		**783**
Tax expense	7		1,292		166		424
Net profit from continuing operations			**1,814**		**93**		**359**
Profit from discontinued operations, net of tax	3		—		284		273
Net profit		**€**	**1,814**	**€**	**377**	**€**	**632**
Net profit attributable to:							
Owners of the parent		€	1,803	€	334	€	568
Non-controlling interests			11		43		64
		€	1,814	€	377	€	632
Net profit from continuing operations attributable to:							
Owners of the parent		€	1,803	€	83	€	327
Non-controlling interests			11		10		32
		€	1,814	€	93	€	359
Earnings per share:	28						
Basic earnings per share		€	1.192	€	0.221	€	0.465
Diluted earnings per share		€	1.181	€	0.221	€	0.460
Earnings per share for Net profit from continuing operations:	28						
Basic earnings per share		€	1.192	€	0.055	€	0.268
Diluted earnings per share		€	1.181	€	0.055	€	0.265

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income/(Loss)

(in € million)

	Note		2016		2015		2014
				Years ended December 31			
Net profit (A)		€	**1,814**	€	**377**	€	**632**
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:	27						
Gains/(Losses) on re-measurement of defined benefit plans			584		679		(327)
Share of (losses) on re-measurement of defined benefit plans for equity method investees			(5)		(2)		(4)
Related tax impact			(261)		(201)		28
Items relating to discontinued operations, net of tax			—		3		(5)
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods (B1)			**318**		**479**		**(308)**
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:	27						
Gains/(Losses) on cash flow hedging instruments			(249)		186		(144)
Gains/(Losses) on available-for-sale financial assets			15		11		(24)
Exchange gains on translating foreign operations			458		1,002		1,323
Share of Other comprehensive (loss)/income for equity method investees			(122)		(17)		51
Related tax impact			69		(48)		26
Items relating to discontinued operations, net of tax			—		18		(74)
Total items that may be reclassified to the Consolidated Income Statement in subsequent periods (B2)			**171**		**1,152**		**1,158**
Total Other comprehensive income, net of tax (B1)+(B2)=(B)			**489**		**1,631**		**850**
Total Comprehensive income (A)+(B)		€	**2,303**	€	**2,008**	€	**1,482**
Total Comprehensive income attributable to:							
Owners of the parent		€	2,288	€	1,953	€	1,350
Non-controlling interests			15		55		132
		€	**2,303**	€	**2,008**	€	**1,482**
Total Comprehensive income attributable to owners of the parent:							
Continuing operations		€	2,288	€	1,685	€	1,182
Discontinued operations			—		268		168
		€	**2,288**	€	**1,953**	€	**1,350**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

(in € million)

	Note		2016	At December 31 2015(1)		At January 1 2015(1)
Assets						
Goodwill and intangible assets with indefinite useful lives	9	€	15,222	€ 14,790	€	14,012
Other intangible assets	10		11,422	9,946		8,835
Property, plant and equipment	11		30,431	27,454		26,408
Investments accounted for using the equity method	12		1,793	1,658		1,471
Other financial assets	13		649	724		700
Deferred tax assets	7		3,699	4,056		4,186
Other receivables	15		581	485		1,000
Tax receivables	15		93	98		44
Accrued income and prepaid expenses			372	325		206
Other non-current assets			359	176		114
Total Non-current assets			**64,621**	**59,712**		**56,976**
Inventories	14		12,121	11,351		10,449
Assets sold with a buy-back commitment			1,533	1,881		2,018
Trade and other receivables	15		7,273	6,575		7,653
Tax receivables	15		206	307		284
Accrued income and prepaid expenses			389	367		309
Other financial assets	13		762	1,243		610
Cash and cash equivalents	17		17,318	20,662		22,840
Assets held for sale	3		120	5		10
Assets held for distribution	3		—	3,650		—
Total Current assets			**39,722**	**46,041**		**44,173**
Total Assets		**€**	**104,343**	**€ 105,753**	**€**	**101,149**
Equity and liabilities						
Equity	27					
Equity attributable to owners of the parent		€	19,168	€ 16,805	€	14,064
Non-controlling interests			185	163		313
Total Equity			**19,353**	**16,968**		**14,377**
Liabilities						
Long-term debt	21		16,111	20,418		26,014
Employee benefits liabilities	19		9,052	9,406		8,904
Provisions	20		6,520	5,680		4,711
Other financial liabilities	16		16	307		169
Deferred tax liabilities	7		194	156		233
Tax payables	22		25	31		50
Other liabilities	22		3,603	3,183		3,306
Total Non-current liabilities			**35,521**	**39,181**		**43,387**
Trade payables			22,655	21,465		19,854
Short-term debt and current portion of long-term debt	21		7,937	7,368		7,710
Other financial liabilities	16		681	429		579
Employee benefit liabilities	19		811	658		688
Provisions	20		9,317	8,112		6,069
Tax payables	22		162	241		296
Other liabilities	22		7,809	7,747		8,189
Liabilities held for sale	3		97	—		—
Liabilities held for distribution	3		—	3,584		—
Total Current liabilities			**49,469**	**49,604**		**43,385**
Total Equity and liabilities		**€**	**104,343**	**€ 105,753**	**€**	**101,149**

(1) Refer to Note 2, Basis of Preparation, for additional information on reclassifications and an adjustment to prior year balances.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(in € million)

	Note	2016	2015	2014
			Years ended December 31	
Cash flows from operating activities:				
Net profit from continuing operations		€ 1,814	€ 93	€ 359
Amortization and depreciation		5,956	5,414	4,607
Net losses on disposal of tangible and intangible assets		13	18	8
Net gains on disposal of investments		(13)	—	(9)
Other non-cash items	30	111	812	348
Dividends received		123	112	87
Change in provisions		1,519	3,206	1,169
Change in deferred taxes		389	(279)	(179)
Change due to assets sold with buy-back commitments and GDP vehicles		(95)	6	177
Change in inventories		(471)	(958)	(821)
Change in trade receivables		177	(191)	106
Change in trade payables		776	1,571	1,470
Change in other payables and receivables		295	(580)	24
Cash flows from operating activities - discontinued operations		—	527	823
Total		**10,594**	**9,751**	**8,169**
Cash flows used in investing activities:				
Investments in property, plant and equipment and intangible assets		(8,815)	(8,819)	(7,804)
Investments in joint ventures, associates and unconsolidated subsidiaries		(116)	(266)	(17)
Proceeds from the sale of tangible and intangible assets		36	29	38
Proceeds from disposal of other investments		55	—	38
Net change in receivables from financing activities		(483)	410	78
Change in securities		299	(239)	40
Other changes		(15)	11	19
Cash flows used in investing activities - discontinued operations		—	(426)	(532)
Total		**(9,039)**	**(9,300)**	**(8,140)**
Cash flows (used in) /from financing activities:	30			
Issuance of notes		1,250	2,840	4,629
Repayment of notes		(2,373)	(7,241)	(2,150)
Proceeds of other long-term debt		1,342	3,061	4,873
Repayment of other long-term debt		(4,618)	(4,412)	(5,834)
Net change in short-term debt and other financial assets/liabilities		(591)	(36)	496
Net proceeds from initial public offering of 10 percent of Ferrari N.V.	3	—	866	—
Issuance of Mandatory Convertible Securities and other share issuances	27	—	—	3,094
Cash Exit Rights following the merger of Fiat into FCA	1	—	—	(417)
Exercise of stock options		—	—	146
Distributions paid		(18)	(283)	—
Acquisition of non-controlling interests	3	—	—	(2,691)
Other changes		(119)	10	(45)
Cash flows from financing activities - discontinued operations		—	2,067	36
Total		**(5,127)**	**(3,128)**	**2,137**
Translation exchange differences		228	681	1,219
Total change in Cash and cash equivalents		**(3,344)**	**(1,996)**	**3,385**
Cash and cash equivalents at beginning of the period		20,662	22,840	19,455
Cash and cash equivalents at end of the period - included within Assets held for distribution		—	182	—
Cash and cash equivalents at end of the period	17	**€ 17,318**	**€ 20,662**	**€ 22,840**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(in € million)

	Attributable to owners of the parent									
	Share capital	Treasury shares	Other reserves	Cash flow hedge reserve	Currency translation differences	Available-for-sale financial assets	Remeasurement of defined benefit plans	Cumulative share of OCI of equity method investees	Non-controlling interests	Total
December 31, 2013[3]	**€ 4,477**	**€ (259)**	**€ 5,202**	**€ 101**	**€ 38**	**€ (13)**	**€ (757)**	**€ (134)**	**€ 4,258**	**€ 12,913**
Capital increase	2	—	989	—	—	—	—	—	3	994
Merger of Fiat into FCA	(4,269)	224	4,045	—	—	—	—	—	—	—
Mandatory Convertible Securities (Note 27)	—	—	1,910	—	—	—	—	—	—	1,910
Cash Exit Rights (Note 1)	(193)	—	(224)	—	—	—	—	—	—	(417)
Dividends distributed	—	—	—	—	—	—	—	—	(50)	(50)
Share-based compensation	—	35	(31)	—	—	—	—	—	—	4
Net profit	—	—	568	—	—	—	—	—	64	632
Other comprehensive income/(loss)	—	—	—	(205)	1,266	(24)	(303)	48	68	850
Distribution for tax withholding obligations	—	—	—	—	—	—	—	—	(45)	(45)
Purchase of shares in subsidiaries from non-controlling interests[3]	—	—	1,875	35	175	—	(518) [1]	—	(3,990)	(2,423)
Other changes	—	—	4	—	—	—	—	—	5	9
At December 31, 2014	**17**	**—**	**14,338**	**(69)**	**1,479**	**(37)**	**(1,578)**	**(86)**	**313**	**14,377**
Distributions	—	—	(17)	—	—	—	—	—	(283)	(300)
Share-based compensation	—	—	80	—	—	—	—	—	—	80
Net profit	—	—	334	—	—	—	—	—	43	377
Initial public offering of 10 percent Ferrari N.V. (Note 3)	—	—	869	7	(4)	—	1	—	(7)	866
Other comprehensive income/(loss)	—	—	—	132	1,016	11	479	(19)	12	1,631
Other changes	—	—	(149)	—	1	—	—	—	85	(63)
At December 31, 2015	**17**	**—**	**15,455**	**70**	**2,492**	**(26)**	**(1,098)**	**(105)**	**163**	**16,968**
Capital increase	—	—	—	—	—	—	—	—	18	18
Mandatory Convertible Securities (Note 27)	2	—	(2)	—	—	—	—	—	—	—
Share-based compensation	—	—	98	—	—	—	—	—	—	98
Net profit	—	—	1,803	—	—	—	—	—	11	1,814
Other comprehensive income/(loss)	—	—	—	(182)	456	15	324	(128)	4	489
Other changes[2]	—	—	(42)	49	(36)	—	6	—	(11)	(34)
At December 31, 2016	**€ 19**	**€ —**	**€ 17,312**	**€ (63)**	**€ 2,912**	**€ (11)**	**€ (768)**	**€ (233)**	**€ 185**	**€ 19,353**

(1) *Relates to the 41.5 percent interest in FCA US's re-measurement of defined benefit plans reserve of €1,248 million upon FCA's acquisition of the 41.5 percent remaining interest in FCA US previously not owned (Note 3, Scope of Consolidation).*

(2) *Amounts primarily relate to the reclassification of reserves for Ferrari as a result of Ferrari's classification as a discontinued operation for the year ended December 31, 2015 and the completion of the spin-off of Ferrari N.V. on January 3, 2016 as well as the distribution of the Group's 16.7 percent ownership interest in RCS MediaGroup S.p.A. in May 2016.*

(3) *Refer to Note 2, Basis of Preparation, for additional information on an adjustment to prior year balances.*

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

At December 31, 2016

1. PRINCIPAL ACTIVITIES

On January 29, 2014, the Board of Directors of Fiat S.p.A. ("Fiat") approved a proposed corporate reorganization resulting in the formation of Fiat Chrysler Automobiles N.V. and established Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent of the Group with its principal executive offices located at 25 St. James's Street, London SW1A 1HA, United Kingdom. Fiat Chrysler Automobiles N.V. was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on April 1, 2014 under the name Fiat Investments N.V.

On October 12, 2014, the cross-border legal merger of Fiat into its 100 percent owned direct subsidiary Fiat Investments N.V. (the "Merger") became effective. The Merger, which took the form of a reverse merger, resulted in Fiat Investments N.V. being the surviving entity and was renamed Fiat Chrysler Automobiles N.V. ("FCA NV"). Fiat shareholders not voting in favor of the Merger were entitled to exercise cash exit rights (the "Cash Exit Rights"), which were exercised for a net aggregate cash disbursement of €417 million.

Unless otherwise specified, the terms "Group", "FCA Group", "Company" and "FCA", refer to FCA, together with its subsidiaries and its predecessor prior to the completion of the Merger, or any one or more of them, as the context may require. Any references to "Fiat" refer solely to Fiat S.p.A., the predecessor of FCA NV prior to the Merger.

The Group and its subsidiaries, among which the most significant is FCA US LLC ("FCA US"), together with its subsidiaries, are engaged in the design, engineering, manufacturing, distribution and sale of automobiles and light commercial vehicles, engines, transmission systems, automotive-related components, metallurgical products and production systems. In addition, the Group is also involved in certain other activities, including services (mainly captive) and publishing, which represent an insignificant portion of the Group's business.

All references in this report to "Euro" and "€" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended. The Group's financial information is presented in Euro. All references to "U.S. Dollars," "U.S. Dollar," "U.S.$" and "$" refer to the currency of the United States of America (or "U.S.").

2. BASIS OF PREPARATION

Authorization of Consolidated Financial Statements and compliance with International Financial Reporting Standards

The Consolidated Financial Statements, together with notes thereto of FCA, at December 31, 2016 were authorized for issuance by the Board of Directors on February 28, 2017 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU-IFRS") and part 9 of Book 2 of the Dutch Civil Code. The designation "IFRS" also includes International Accounting Standards ("IAS") as well as all interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of Preparation

The Consolidated Financial Statements are prepared under the historical cost method, modified as required for the measurement of certain financial instruments, as well as on a going concern basis. In this respect, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1- *Presentation of Financial Statements*) exist about its ability to continue as a going concern.

For presentation of the Consolidated Income Statement, the Group uses a classification based on the function of expenses, rather than based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice in the automotive sector.

Reclassifications and adjustment

As permitted by IAS 1 paragraph 60, the Group's Statement of Financial Position was previously presented using a mixed format for the presentation of current and non-current assets and liabilities. The investment portfolio of the financial services companies were included within current assets as the investments were realized in their normal operating cycle. However, the financial services structure of the Group did not allow for the separation of liabilities funding the financial services operations and those funding the industrial operations and as a result, the liabilities of the Group were not classified as current or non-current. Due to recent changes, including the spin-off of Ferrari and a different mix in the lending portfolio of financial services, whereby short-term dealer financing has continued to increase over time, we now believe that a fully classified Statement of Financial Position better depicts our consolidated operating cycle. The Statement of Financial Position at December 31, 2016 presents current and non-current assets and liabilities for all of the Group's activities. Assets and liabilities are classified as current if they are expected to be realized or settled within twelve months after the reporting period. All other assets and liabilities are classified as non-current. All prior period balances have been reclassified to conform to this presentation. In addition, certain line items within the prior periods' Statements of Financial Position have been reclassified to other line items. These reclassifications had no effect on the Group's consolidated results of operations, financial position or cash flows. The tables below summarize all changes from the prior period to the current period's presentation.

Additionally, during 2016, the Group recorded an adjustment to the amount of historical deferred tax assets. This adjustment originated in connection with the Group's 2013 adoption of IAS 19 - *Employee Benefits* as revised. This adjustment resulted in a €329 million increase in deferred tax assets and retained earnings as of December 31, 2013 and an additional €242 million increase in deferred tax assets and retained earnings in 2014 in connection with the acquisition of the remaining Non-controlling interest of FCA US. As the underlying deferred tax assets are denominated in U.S. Dollars, the subsequent amounts in the Consolidated Statements of Financial Position fluctuate due to exchange differences. This adjustment had no effect on the Consolidated Income Statement and Consolidated Statement of Cash flows for any of the periods presented.

(€ million)

At December 31 2015 (as previously reported)		Adjustment	Reclass	Current	Non-Current	At December 31 2015 (as adjusted)	
Assets							**Assets**
Goodwill and intangible assets with indefinite useful lives	€ 14,790	€ —	€ —	€ —	€ —	€ 14,790	Goodwill and intangible assets with indefinite useful lives
Other intangible assets	9,946	—	—	—	—	9,946	Other intangible assets
Property, plant and equipment	27,454	—	—	—	—	27,454	Property, plant and equipment
Investments accounted for using the equity method	1,658	—	—	—	—	1,658	Investments accounted for using the equity method
Other investments and financial assets	584	—	—	—	140	724	Other financial assets
Deferred tax assets	3,343	713	—	—	—	4,056	Deferred tax assets
	—	—	—	—	485 c	485	Other receivables
	—	—	—	—	98	98	Tax receivables
	—	—	—	—	325 c	325	Accrued income and prepaid expenses
Other non-current assets	176	—	—	—	—	176	Other non-current assets
Total Non-current assets	**57,951**	**713**	**—**	**—**	**1,048**	**59,712**	**Total Non-current assets**
Inventories	11,351	—	—	—	—	11,351	Inventories
Assets sold with a buy-back commitment	1,881	—	—	—	—	1,881	Assets sold with a buy-back commitment
Trade receivables	2,668	—	3,907 a	—	—	6,575	Trade and other receivables
Receivables from financing activities	2,006	—	(1,778) a	(228) c	—	—	
Current tax receivables	405	—	—	(98)	—	307	Tax receivables
	—	—	367 a	—	—	367	Accrued income and prepaid expenses
Other current assets	3,078	—	(2,496) a	(582) c	—	—	
Current investments	48	—	(48) b	—	—	—	
Current securities	482	—	(482) b	—	—	—	
Other financial assets	853	—	530 b	(140)	—	1,243	Other financial assets
Cash and cash equivalents	20,662	—	—	—	—	20,662	Cash and cash equivalents
Assets held for sale	5	—	—	—	—	5	Assets held for sale
Assets held for distribution	3,650	—	—	—	—	3,650	Assets held for distribution
Total Current assets	**47,089**	**—**	**—**	**(1,048)**	**—**	**46,041**	**Total Current assets**
Total Assets	**€ 105,040**	**€ 713**	**€ —**	**€ (1,048)**	**€ 1,048**	**€ 105,753**	**Total Assets**
Equity and liabilities							**Equity and liabilities**
Equity							**Equity**
Equity attributable to owners of the parent	€ 16,092	€ 713	€ —	€ —	€ —	€ 16,805	Equity attributable to owners of the parent
Non-controlling interest	163	—	—	—	—	163	Non-controlling interest
Total Equity	**16,255**	**713**	**—**	**—**	**—**	**16,968**	**Total Equity**
Liabilities							**Liabilities**
	—	—	—	—	20,418	20,418	Long-term debt
Employee benefits	10,064	—	—	—	(658)	9,406	Employee benefits liabilities
Other provisions	13,792	—	—	—	(8,112)	5,680	Provisions
	—	—	—	—	307	307	Other financial liabilities
Deferred tax liabilities	156	—	—	—	—	156	Deferred tax liabilities
	—	—	—	—	31	31	Tax payables
	—	—	—	—	3,183	3,183	Other liabilities
	—	**—**	**—**	**—**	**15,169**	**39,181**	**Total Non-current liabilities**
	—	—	—	658	—	658	Employee benefits liabilities
	—	—	—	8,112	—	8,112	Provisions
Debt	27,786	—	—	(20,418)	—	7,368	Short term debt and current portion of long-term debt
Other financial liabilities	736	—	—	(307)	—	429	Other financial liabilities
Other current liabilities	10,930	—	—	(3,183)	—	7,747	Other liabilities
Current tax payables	272	—	—	(31)	—	241	Tax payables
Trade payables	21,465	—	—	—	—	21,465	Trade payables
Liabilities held for distribution	3,584	—	—	—	—	3,584	Liabilities held for distribution
	—	**—**	**—**	**(15,169)**	**—**	**49,604**	**Total Current liabilities**
Total Equity and liabilities	**€ 105,040**	**€ 713**	**€ —**	**€ (15,169)**	**€ 15,169**	**€ 105,753**	**Total Equity and liabilities**

(a) *Amounts reclassified to/from Trade receivables.*
(b) *Amounts reclassified to/from Other financial assets.*
(c) *Amounts for Accrued income and prepaid expenses & Other receivables are presented separately; amounts are also classified based on whether they will be realized or settled within twelve months after the reporting date.*

(€ million)

At December 31 2014 (as previously reported)		Adjustment	Reclass	Current	Non-Current	At December 31 2014 (as adjusted)	
Assets							**Assets**
Goodwill and intangible assets with indefinite useful lives	€ 14,012	€ —	€ —	€ —	€ —	€ 14,012	Goodwill and intangible assets with indefinite useful lives
Other intangible assets	8,835	—	—	—	—	8,835	Other intangible assets
Property, plant and equipment	26,408	—	—	—	—	26,408	Property, plant and equipment
Investments accounted for using the equity method	1,471	—	—	—	—	1,471	Investments accounted for using the equity method
Other investments and financial assets	549	—	—	—	151	700	Other financial assets
Deferred tax assets	3,547	639	—	—	—	4,186	Deferred tax assets
	—	—	—	—	1,000 c	1,000	Other receivables
	—	—	—	—	44	44	Tax receivables
	—	—	—	—	206 c	206	Accrued income and prepaid expenses
Other non-current assets	114	—	—	—	—	114	Other non-current assets
Total Non-current assets	**54,936**	**639**	**—**	**—**	**1,401**	**56,976**	**Total Non-current assets**
Inventories	10,449	—	—	—	—	10,449	Inventories
Assets sold with a buy-back commitment	2,018	—	—	—	—	2,018	Assets sold with a buy-back commitment
Trade receivables	2,564	—	5,089 a	—	—	7,653	Trade and other receivables
Receivables from financing activities	3,843	—	(3,013) a	(830) c	—	—	
Current tax receivables	328	—	—	(44)	—	284	Tax receivables
	—	—	309 a	—	—	309	Accrued income and prepaid expenses
Other current assets	2,761	—	(2,385) a	(376) c	—	—	
Current investments	36	—	(36) b	—	—	—	
Current securities	210	—	(210) b	—	—	—	
Other financial assets	515	—	246 b	(151)	—	610	Other financial assets
Cash and cash equivalents	22,840	—	—	—	—	22,840	Cash and cash equivalents
Assets held for sale	10	—	—	—	—	10	Assets held for sale
Total Current assets	**45,574**	**—**	**—**	**(1,401)**	**—**	**44,173**	**Total Current assets**
Total Assets	**€ 100,510**	**€ 639**	**€ —**	**€ (1,401)**	**€ 1,401**	**€ 101,149**	**Total Assets**
Equity and liabilities							**Equity and liabilities**
Equity							**Equity**
Equity attributable to owners of the parent	€ 13,425	€ 639	€ —	€ —	€ —	€ 14,064	Equity attributable to owners of the parent
Non-controlling interest	313	—	—	—	—	313	Non-controlling interest
Total Equity	**13,738**	**639**	**—**	**—**	**—**	**14,377**	**Total Equity**
Liabilities							**Liabilities**
	—	—	—	—	26,014	26,014	Long-term debt
Employee benefits	9,592	—	—	—	(688)	8,904	Employee benefits liabilities
Other provisions	10,780	—	—	—	(6,069)	4,711	Provisions
Other financial liabilities	—	—	—	—	169	169	Other financial liabilities
Deferred tax liabilities	233	—	—	—	—	233	Deferred tax liabilities
	—	—	—	—	50	50	Tax payables
	—	—	—	—	3,306	3,306	Other liabilities
	—	**—**	**—**	**—**	**22,782**	**43,387**	**Total Non-current liabilities**
	—	—	—	688	—	688	Employee benefits liabilities
	—	—	—	6,069	—	6,069	Provisions
Debt	33,724	—	—	(26,014)	—	7,710	Short term debt and current portion of long-term debt
Other financial liabilities	748	—	—	(169)	—	579	Other financial liabilities
Other current liabilities	11,495	—	—	(3,306)	—	8,189	Other liabilities
Current tax payables	346	—	—	(50)	—	296	Tax payables
Trade payables	19,854	—	—	—	—	19,854	Trade payables
	—	**—**	**—**	**(22,782)**	**—**	**43,385**	**Total Current liabilities**
Total Equity and liabilities	**€ 100,510**	**€ 639**	**€ —**	**€ (22,782)**	**€ 22,782**	**€ 101,149**	**Total Equity and liabilities**

(a) *Amounts reclassified to/from Trade receivables.*
(b) *Amounts reclassified to/from Other financial assets.*
(c) *Amounts for Accrued income and prepaid expenses & Other receivables are presented separately; amounts are also classified based on whether they will be realized or settled within twelve months after the reporting date.*

For the year ended December 31, 2016, the Group is no longer presenting the separate line item Other income/(expenses) within the Consolidated Income Statement. All amounts previously reported within the Other income/(expenses) line item have been reclassified into Selling, general and other costs within the Consolidated Income Statements for the years ended December 31, 2015 (other income of €152 million) and 2014 (other expenses of €26 million). This reclassification had no effect on the Group's consolidated results of operations, financial position or cash flows.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are consolidated on a line by line basis from the date which control is achieved by the Group. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group recognizes a non-controlling interest in the acquiree on a transaction-by-transaction basis, either at fair value or at the non-controlling interest's share of the recognized amounts of the acquiree's identifiable net assets. Net profit or loss and each component of Other comprehensive income/(loss) are attributed to Equity attributable to owners of the parent and to Non-controlling interests. Total comprehensive income/(loss) of subsidiaries is attributed to Equity attributable to the owners of the parent and to the non-controlling interest even if this results in a deficit balance in Non-controlling interests.

Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Equity attributable to owners of the parent and Non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received in the transaction is recognized directly in the Equity attributable to the owners of the parent.

Subsidiaries are deconsolidated from the date which control ceases. When the Group ceases to have control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognizes the carrying amount of non-controlling interests in the former subsidiary and recognizes the fair value of any consideration received from the transaction. Any retained interest in the former subsidiary is then remeasured to its fair value.

All intra-group balances and transactions and any unrealized gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Interests in Joint Ventures and Associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies.

Joint ventures and associates are accounted for using the equity method of accounting from the date joint control and significant influence is obtained. On acquisition of the investment, any excess of the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities is recognized as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the investee's profit/(loss) in the acquisition period.

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit/(loss) and other comprehensive income/(loss) of the investee. The Group's share of the investee's profit/(loss) is recognized in the Consolidated Income Statement. Distributions received from an investee reduce the carrying amount of the investment. Post-acquisition movements in Other comprehensive income/(loss) are recognized in Other comprehensive income/(loss) with a corresponding adjustment to the carrying amount of the investment.

Unrealized gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint venture or associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of the losses of a joint venture or associate exceeds the Group's interest in that joint venture or associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

The Group discontinues the use of the equity method from the date the investment ceases to be an associate or a joint venture, or when it is classified as available-for-sale.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, it recognizes its related interest in the joint operation including: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operation and (v) its expenses, including its share of any expenses incurred jointly.

Assets held for sale, Assets held for distribution and Discontinued Operations

Pursuant to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and the sale is highly probable, with the sale occurring within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are presented separately in the Consolidated Statement of Financial Position. Non-current assets and disposal groups are not classified as held for sale within the comparative period presented for the Consolidated Statement of Financial Position.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resell and the disposal involves loss of control.

Classification as a discontinued operation occurs upon disposal or when the asset or disposal group meets the criteria to be classified as held for sale, if earlier. When the asset or disposal group is classified as a discontinued operation, the comparative information is reclassified within the Consolidated Income Statement as if the asset or disposal group had been discontinued from the start of the earliest comparative period presented.

The classification, presentation and measurement requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* also apply to an asset or disposal group that is classified as held for distribution to owners, whereby there must be commitment to the distribution, the asset or disposal group must be available for immediate distribution and the distribution must be highly probable.

Foreign currency
The functional currency of the Group's entities is the currency of their respective primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the Consolidated Statement of Financial Position. Exchange differences arising on the settlement of monetary items, or on reporting monetary items at rates different from those initially recorded, are recognized in the Consolidated Income Statement.

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the closing rates at the date of the Consolidated Statement of Financial Position. Income and expenses are translated into Euro at the average exchange rate for the period. Translation differences resulting from the application of this method are classified within Other comprehensive income/(loss) until the disposal of the subsidiary. Average exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the Consolidated Statement of Cash Flows.

The principal exchange rates used to translate other currencies into Euro were as follows:

	2016		2015		2014	
	Average	At December 31	Average	At December 31	Average	At December 31
U.S. Dollar	1.107	1.054	1.109	1.089	1.329	1.214
Brazilian Real	3.857	3.431	3.699	4.312	3.121	3.221
Chinese Renminbi	7.352	7.320	6.972	7.061	8.187	7.536
Canadian Dollar	1.466	1.419	1.418	1.512	1.466	1.406
Mexican Peso	20.664	21.772	17.611	18.915	17.657	17.868
Polish Zloty	4.363	4.410	4.184	4.264	4.184	4.273
Argentine Peso	16.327	16.707	10.271	14.136	10.782	10.382
Pound Sterling	0.819	0.856	0.726	0.734	0.806	0.779
Swiss Franc	1.090	1.074	1.068	1.084	1.215	1.202

Intangible assets

Goodwill
Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, Goodwill is measured at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives consist principally of brands which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Development expenditures
Development expenditures for vehicle production and related components, engines and production systems are recognized as an asset if both of the following conditions within IAS 38 – *Intangible assets* are met: (i) that development expenditure can be measured reliably and (ii) that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development expenditures include all direct and indirect costs that may be directly attributed to the development process. All other development expenditures are expensed as incurred.

Capitalized development expenditures are amortized on a straight-line basis from the beginning of production over the expected life cycle of the models (generally 5-6 years) or powertrains developed (generally 10-12 years).

Property, plant and equipment

Cost

Property, plant and equipment is initially recognized at cost and includes the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary to be capable of operating in the manner intended by management and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Self-constructed assets are initially recognized at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized in the Consolidated Income Statement.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or at the present value of the minimum lease payments, if lower. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position within Debt.

During years ended December 31, 2016, 2015 and 2014, the assets were depreciated on a straight-line basis over their estimated useful lives using the following rates:

	Depreciation rates
Buildings	3% - 8%
Plant, machinery and equipment	3% - 33%
Other assets	5% - 33%

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the respective lease term.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant or equipment or an intangible asset that is deemed to be a qualifying asset as defined in IAS 23 - *Borrowing Costs* are capitalized. The amount of borrowing costs eligible for capitalization corresponds to the actual borrowing costs incurred during the period, less any investment income on the temporary investment of any borrowed funds not yet used. The amount of borrowing costs capitalized at December 31, 2016 and 2015 was €244 million and €286 million, respectively.

Impairment of long-lived assets

At the end of each reporting period, the Group assesses whether there is any indication that its finite-lived intangible assets (including capitalized development expenditures) and its property, plant and equipment may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount which is the higher of fair value less costs to sell and its value in use. The recoverable amount is determined for the individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing the value in use of an asset or CGU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the recoverable amount is lower than the carrying amount.

When an impairment loss for assets no longer exists or has decreased, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had, no impairment loss been recognized. The reversal of an impairment loss is recognized in the Consolidated Income Statement. Refer to the section —*Use of Estimates* below for additional information.

Financial assets and liabilities

Financial assets, as defined in IAS 39 – *Financial Instruments: Recognition and Measurement*, primarily include trade receivables, receivables from financing activities, securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents (which include available-for-sale, held-for-trading and held-to-maturity securities), investments in other companies, derivative financial instruments, as well as Cash and cash equivalents.

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, primarily comprised of commercial paper and certificate of deposits that are readily convertible into cash, with original maturities of three months or less at the date of purchase. Cash and cash equivalents are subject to an insignificant risk of changes in value, and consist of balances across various primary national and international money market instruments. Money market funds consist of investments in high quality, short-term, diversified financial instruments which can generally be liquidated on demand.

Financial liabilities primarily consist of Debt, Derivative financial instruments, Trade payables and Other liabilities.

Measurement

Financial assets are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, available-for-sale and held-for-trading securities are measured at fair value. When market prices are not directly available, the fair value of available-for-sale and held-for trading securities is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date).

Gains and losses on available-for-sale securities are recognized in Other comprehensive income/(loss) until the financial asset is disposed of or is impaired. When the asset is disposed of, the cumulative gains or losses, including those previously recognized in Other comprehensive income/(loss), are reclassified to the Consolidated Income Statement during the period and are recognized within Net financial expenses. Gains and losses arising from changes in the fair value of held-for-trading securities are recognized in the Consolidated Income Statement. When the asset is impaired, the losses are recognized in the Consolidated Income Statement.

Loans and receivables which are not held by the Group for trading (loans and receivables originating in the ordinary course of business) and held-to-maturity securities are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. When these financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest, or have an interest rate significantly lower than market rates, are discounted using market rates. Assessments are made regularly as to whether there is any objective evidence that the asset or group of assets may be impaired. If any such evidence exists, the impairment loss is recognized in the Consolidated Income Statement.

Investments in other companies are measured at fair value. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less any impairment losses. For investments classified as available-for-sale, gains or losses arising from changes in fair value are recognized in Other comprehensive income/(loss) until the assets are sold or are impaired, at which time, the cumulative Other comprehensive income/(loss) is recognized in the Consolidated Income Statement. Gains and losses arising from changes in the fair value of held-for-trading investments are recognized in the Consolidated Income Statement. Investments in other companies for which fair value is not available are stated at cost less any impairment losses. Dividends received are included in Other income from investments.

Except for derivative financial instruments, which are described in more detail below, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are used for economic hedging purposes in order to reduce currency, interest rate and market price risks (primarily related to commodities and securities). In accordance with IAS 39 - *Financial Instruments: Recognition and Measurement*, derivative financial instruments are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, all derivative financial instruments are measured at fair value. Furthermore, derivative financial instruments qualify for hedge accounting only when there is formal designation and documentation of the hedging relationship at inception of the hedge, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

- *Fair value hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the Consolidated Income Statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the Consolidated Income Statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the Consolidated Income Statement.
- *Cash flow hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the Consolidated Income Statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income/(loss). The cumulative gain or loss is reclassified from Other comprehensive income/(loss) to the Consolidated Income Statement at the same time as the economic effect arising from the hedged item that affects the Consolidated Income Statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the Consolidated Income Statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in Other comprehensive income/(loss) and is recognized in the Consolidated Income Statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in Other comprehensive income/(loss) is recognized in the Consolidated Income Statement immediately.
- *Hedges of a net investment* – If a derivative financial instrument is designated as a hedging instrument for a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognized in Other comprehensive income/(loss). The cumulative gain or loss is reclassified from Other comprehensive income/(loss) to the Consolidated Income Statement upon disposal of the foreign operation.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the Consolidated Income Statement.

Refer to Note 16, *Derivative financial assets and liabilities* for additional information on the Group's derivative financial instruments.

Transfers of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows arising from the asset are no longer held or if it transfers substantially all the risks and rewards of ownership of the financial asset. On derecognition of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in the Consolidated Income Statement.

The Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. Factoring transactions may be either with recourse or without recourse. Certain transfers include deferred payment clauses (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables) requiring first loss cover, whereby the transferor has priority participation in the losses, or requires a significant exposure to the variability of cash flows arising from the transferred receivables to be retained. These types of transactions do not meet the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement,* for the derecognition of the assets since the risks and rewards connected with ownership of the financial asset are not transferred, and accordingly the Group continues to recognize these receivables within the Consolidated Statement of Financial Position and recognizes a financial liability for the same amount under Asset-backed financing, which is included within Debt. The gains and losses arising from the transfer of these receivables are recorded only when they are derecognized.

Inventories

Inventories of raw materials, semi-finished products and finished goods are stated at the lower of cost and net realizable value, with cost being determined on a first-in, first-out ("FIFO") basis. The measurement of Inventories includes the direct cost of materials and labor as well as indirect costs (variable and fixed). A provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of production systems construction contracts is based on the stage of completion determined as the proportion of cost incurred at the balance sheet date over the estimated total contract cost. These items are presented net of progress billings received from customers. Any losses on such contracts are recorded in the Consolidated Income Statement when they are known.

Employee benefits

Defined contribution plans

Costs arising from defined contribution plans are expensed as incurred.

Defined benefit plans

The Group's net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned and deducting the fair value of any plan assets. The present value of defined benefit obligations are measured using actuarial techniques and actuarial assumptions that are unbiased, mutually compatible and attribute benefits to periods in which the obligation to provide post-employment benefits arise by using the Projected Unit Credit Method. Plan assets are recognized and measured at fair value.

When the net obligation is a potential asset, the recognized amount is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan (asset ceiling).

The components of the defined benefit cost are recognized as follows:

- service cost is recognized in the Consolidated Income Statement by function and presented in the relevant line items (Cost of revenues, Selling, general and other costs and Research and development costs);
- net interest on the defined benefit liability or asset is recognized in the Consolidated Income Statement within Net financial expenses and is determined by multiplying the net liability/(asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year; and
- re-measurement components of the net obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest income recognized in the Consolidated Income Statement) and any change in the effect of the asset ceiling are recognized immediately in Other comprehensive income/(loss). These re-measurement components are not reclassified to the Consolidated Income Statement in a subsequent period.

Past service costs arising from plan amendments and curtailments and gains and losses on the settlement of a plan are recognized immediately in the Consolidated Income Statement.

Other long term employee benefits

The Group's obligations represent the present value of future benefits that employees have earned in return for their service. Re-measurement components on other long term employee benefits are recognized in the Consolidated Income Statement in the period in which they arise.

Share-based compensation

We have various compensation plans that provide for the granting of share-based compensation to certain employees and directors. Share-based compensation plans are accounted for in accordance with IFRS 2 - *Share-based Payment,* which requires the recognition of share-based compensation expense based on fair value. Compensation expense for equity-classified awards is measured at the grant date based on the fair value of the award and using the Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates and a correlation coefficient between our common stock and the relevant market index. For those awards with post-vesting contingencies, we apply an adjustment to account for the probability of meeting the contingencies.

Management uses its best estimates incorporating both publicly observable data and discounted cash flow methodologies in the measurement of fair value for liability-classified awards, which are remeasured to fair value at each balance sheet date until the award is settled.

Compensation expense is recognized over the vesting period with an offsetting increase to equity or other liabilities depending on the nature of the award. Share-based compensation expense related to plans with graded vesting are recognized using the graded vesting method. Share-based compensation expense is recognized within Selling, general and other costs within the Consolidated Income Statement.

Revenue recognition

Revenue from sale of vehicles and service parts is recognized if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. Revenue is recognized when the risks and rewards of ownership are transferred to our customers, the sales price is agreed or determinable and collectability is reasonably assured. For vehicles, this generally corresponds to the date when the vehicles are made available to dealers or distributors, or when the vehicles are released to the carrier responsible for transporting vehicles to dealers or distributors. Revenue from the sale of vehicles, which subsequent to the sale become subject to the issuance of a residual value guarantee to an independent financing provider, is recognized consistent with the timing noted above, provided that significant risks related to the vehicle have been transferred to our customers. At that same time, a provision is made for the estimated residual value risk. Revenues are recognized net of discounts, including but not limited to, sales incentives and customer bonuses. The estimated costs of sales incentive programs include incentives offered to dealers and retail customers, and granting of retail financing at a significant discount to market interest rates. These costs are recognized at the time of the sale of the vehicle.

New vehicle sales with a buy-back commitment, or through the Guarantee Depreciation Program (“GDP”) under which the Group guarantees the residual value, or otherwise assumes responsibility for the minimum resale value of the vehicle, are not recognized at the time of delivery but are accounted for similar to an operating lease. Rental income is recognized over the contractual term of the lease on a straight-line basis. At the end of the lease term, the Group recognizes revenue for the portion of the vehicle sales price which had not been previously recognized as rental income and recognizes the remainder of the cost of the vehicle within Cost of revenues.

Revenue from services contracts, separately-priced extended warranty and from construction contracts is recognized over the contract period in proportion to the costs expected to be incurred based on historical information. A loss on these contracts is recognized if the sum of the expected costs for services under the contract exceeds unearned revenue.

Cost of revenues

Cost of revenues comprises expenses incurred in the manufacturing and distribution of vehicles and parts, of which the cost of materials and components are the most significant. The remaining costs primarily include labor costs, consisting of direct and indirect wages, depreciation of property, plant and equipment and amortization of other intangible assets relating to production and transportation costs. In addition, expenses which are directly attributable to the financial services companies, including interest expense related to their financing as a whole and provisions for risks and write-downs of assets, are recorded within Cost of revenues (€77 million, €115 million and €155 million for the years ended December 31, 2016, 2015 and 2014, respectively). Cost of revenues also included €384 million, €432 million and €160 million related to the decrease in value for assets sold with buy-back commitments for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, estimated costs related to product warranty and recall campaigns are recorded within Cost of revenues (refer to the section —*Use of Estimates* below for further information).

Government Grants

Government grants are recognized in the Consolidated Financial Statements when there is reasonable assurance of the Group's compliance with the conditions for receiving such grants and that the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and it is accounted for in accordance with the policies used for the recognition of government grants.

Taxes

Income taxes include all taxes based on the taxable profits of the Group. Current and deferred taxes are recognized as a benefit or expense and are included in the Consolidated Income Statement for the period, except tax arising from (i) a transaction or event which is recognized, in the same or a different period, either in Other comprehensive income/(loss) or directly in Equity, or (ii) a business combination.

Deferred taxes are accounted for under the full liability method. Deferred tax liabilities are recognized for all taxable temporary differences between the carrying amounts of assets or liabilities and their tax base, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax assets arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to the period when the asset is realized or liability is settled.

The Group recognizes deferred tax liabilities associated with the existence of a subsidiary's undistributed profits, except when it is able to control the timing of the reversal of the temporary difference, and it is probable that this temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets associated with the deductible temporary differences on investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets relating to the carry-forward of unused tax losses and tax credits as well as those arising from deductible temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized. The Group reassesses unrecognized deferred tax assets at the end of each year and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income taxes and deferred taxes are offset when they relate to the same taxation authority and there is a legally enforceable right of offset. Other taxes not based on income, such as property taxes and capital taxes, are included within Selling, general and other costs.

Fair Value Measurement

Fair value for measurement and or disclosure purposes is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In estimating fair value, we use market-observable data to the extent it is available. When market-observable data is not available, we use valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

IFRS 13 - *Fair Value Measurement* establishes a hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

Levels used in the hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date. Level 1 primarily consists of financial instruments such as cash and cash equivalents and certain available-for-sale and held-for-trading securities.
- Level 2 inputs include those which are directly or indirectly observable as of the measurement date. Level 2 instruments include commercial paper and non-exchange-traded derivatives such as over-the-counter currency and commodity forwards, swaps and option contracts, which are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for similar instruments in active markets, quoted prices for identical or similar inputs not in active markets, and observable inputs.
- Level 3 inputs are unobservable from objective sources in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments. Instruments in this category include non-exchange-traded derivatives such as over-the-counter commodity option and swap contracts.

Refer to Note 23, *Fair value measurement*, for additional information on fair value measurements.

Use of Estimates

The Consolidated Financial Statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. Actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimates are recognized in the Consolidated Income Statement in the period in which the adjustment is made, or in future periods.

The items requiring estimates for which there is a risk that a material difference may arise in respect of the carrying amounts of assets and liabilities in the future are discussed below.

Employee Benefits

The Group provides post-employment benefits for certain of its active employees and retirees, which vary according to the legal, fiscal and economic conditions of each country in which the Group operates and may change periodically. The plans are classified by the Group on the basis of the type of benefit provided as follows: pension benefits, health care and life insurance plans, and other post-employment benefits.

Group companies provide certain post-employment benefits, such as pension or health care benefits, to their employees under defined contribution plans whereby the Group pays contributions to public or private insurance plans on a legally mandatory, contractual, or voluntary basis. The Group recognizes the cost for defined contribution plans over the period in which the employee renders service and classifies this by function within Cost of revenues, Selling, general and other costs and Research and development costs in the Consolidated Income Statement.

Pension plans

The Group sponsors both non-contributory and contributory defined benefit pension plans primarily in the U.S. and Canada. The majority of the plans are funded plans. The non-contributory pension plans cover certain hourly and salaried employees and the benefits are based on a fixed rate for each year of service. Additionally, contributory benefits are provided to certain salaried employees under the salaried employees' retirement plans. These plans provide benefits based on the employee's cumulative contributions, years of service during which the employee contributions were made and the employee's average salary during the five consecutive years in which the employee's salary was highest in the 15 years preceding retirement or the freeze of such plans, as applicable.

The Group's defined benefit pension plans are accounted for on an actuarial basis, which requires the use of estimates and assumptions to determine the net liability or net asset. The Group estimates the present value of the projected future payments to all participants taking into consideration parameters of a financial nature such as discount rates, the rates of salary increases and the likelihood of potential future events estimated by using demographic assumptions, which may have an effect on the amount and timing of future payments, such as mortality, dismissal and retirement rates, which are developed to reflect actual and projected plan experience. Mortality rates are developed using our plan-specific populations, recent mortality information published by recognized experts in this field, primarily the U.S. Society of Actuaries and the Canadian Institute of Actuaries, and other data where appropriate to reflect actual and projected plan experience. The expected amount and timing of contributions is based on an assessment of minimum funding requirements. From time to time contributions are made beyond those that are legally required.

In 2013, we amended our U.S. and Canada defined benefit plans for salaried employees. The amendments ceased future benefit accruals effective December 31, 2013 for the U.S. and December 31, 2014 for Canada. Accordingly, future salary increases and inflation do not impact the U.S. and Canada defined benefit obligations.

Plan obligations and costs are based on existing retirement plan provisions. Assumptions regarding any potential future changes to benefit provisions beyond those to which the Group is presently committed are not made. Significant differences in actual experience or significant changes in the following key assumption may affect the pension obligations and pension expense:

- *Discount rates*. Our discount rates are based on yields of high-quality (AA-rated) fixed income investments for which the timing and amounts of maturities match the timing and amounts of the projected benefit payments.

The effects of actual results differing from assumptions and of amended assumptions are included in Other comprehensive income/(loss). The weighted average discount rates used to determine the benefit obligation for the defined benefit obligation for the defined benefit plans were 4.33 percent and 4.44 percent at December 31, 2016 and 2015, respectively.

At December 31, 2016, the effect on the defined benefit obligation of the indicated decrease or increase in the discount rate holding all other assumptions constant was as follows:

	Effect on pension benefit obligation
	(€ million)
10 basis point decrease in discount rate	341
10 basis point increase in discount rate	(332)

Refer to Note 19, *Employee benefits liabilities,* for additional information on the Group's pension plans.

Other post-employment benefits

The Group provides health care, legal, severance, indemnity life insurance benefits and other postretirement benefits to certain hourly and salaried employees. Upon retirement, these employees may become eligible for continuation of certain benefits. Benefits and eligibility rules may be modified periodically.

These postretirement employee benefits (or "OPEB") are accounted for on an actuarial basis, which requires the selection of various assumptions. The estimation of the Group's obligations, costs and liabilities associated with OPEB requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events estimated by using demographic assumptions, which may have an effect on the amount and timing of future payments, such as mortality, dismissal and retirement rates, which are developed to reflect actual and projected plan experience, as well as legal requirements for retirement in respective countries. Mortality rates are developed using our plan-specific populations, recent mortality information published by recognized experts in this field and other data where appropriate to reflect actual and projected plan experience.

Plan obligations and costs are based on existing plan provisions. Assumptions regarding any potential future changes to benefit provisions beyond those to which the Group is presently committed are not made.

Significant differences in actual experience or significant changes in the following key assumptions may affect the OPEB obligation and expense:

- *Discount rates*. Our discount rates are based on yields of high-quality (AA-rated) fixed income investments for which the timing and amounts of maturities match the timing and amounts of the projected benefit payments.
- *Health care cost trends*. The Group's health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends.

At December 31, 2016, the effect of the indicated decreases or increases in the key assumptions affecting the health care, life insurance plans and severance indemnity in Italy (trattamento di fine rapporto or "TFR"), holding all other assumptions constant, is shown below:

	Effect on health care and life insurance benefit obligation	Effect on the TFR benefit obligation
	(€ million)	
10 basis point / (100 basis point for TFR) decrease in discount rate	32	64
10 basis point / (100 basis point for TFR) increase in discount rate	(31)	(56)
100 basis point decrease in health care cost trend rate	(50)	—
100 basis point increase in health care cost trend rate	60	—

Refer to Note 19, *Employee benefits liabilities,* for additional information on the Group's Other post-employment benefits.

Recoverability of non-current assets with definite useful lives

Non-current assets with definite useful lives include property, plant and equipment, intangible assets and assets held for sale. Intangible assets with definite useful lives mainly consist of capitalized development expenditures related to the NAFTA and EMEA segments. The Group periodically reviews the carrying amount of non-current assets with definite useful lives when events or circumstances indicate that an asset may be impaired.

During the year ended December 31, 2016, impairment losses totaling €195 million were recognized. The most significant component of this impairment loss related to the impairment of capitalized development expenditures for the locally produced Fiat Viaggio and Ottimo vehicles as a result of the Group's capacity realignment to SUV production in China. The impairment test compared the carrying amount of the assets included in the respective cash generating units ("CGUs") (comprising property, plant and equipment and capitalized development expenditures) to the assets' value in use, which was determined not to be materially different from their fair value, and was determined using a discounted cash flow methodology. The value in use of the CGUs, which was based primarily on unobservable inputs, was determined using pre-tax estimated future cash flows attributable to the CGUs that were discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs. As a result of completing the impairment test, it was determined that the carrying amount of the CGUs exceeded the capitalized development expenditures' value in use which resulted in an impairment charge of €90 million. In addition, due to the continued deterioration of the economic conditions in Venezuela, an impairment test which compared the carrying amount of certain of FCA Venezuela's assets to their fair value using a market approach, resulted in an impairment charge of €43 million.

During the year ended December 31, 2015, impairment losses totaling €713 million were recognized. The most significant component of this impairment loss related to the decision taken by the Group during the fourth quarter of 2015 to realign a portion of its manufacturing capacity in the NAFTA region, as part of the plan to improve NAFTA margins and to better meet market demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure. The approval of this plan was deemed to be an indicator of impairment for certain of our vehicle platform CGUs due to the significant changes to the extent to which the assets are expected to be used. The impairment test compared the carrying amount of the assets included in the respective CGUs (comprising property, plant and equipment and capitalized development expenditures) to their value in use, which was determined not to be materially different from their fair value, and was determined using a discounted cash flow methodology. The value in use of the CGUs, which was based primarily on unobservable inputs, was determined using pre-tax estimated future cash flows attributable to the CGU that were discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs. As a result of completing the impairment test, it was determined that the carrying amount of the CGUs exceeded their value in use and an impairment charge of €598 million was recorded for the year ended December 31, 2015, of which €422 million related to tangible asset impairments and €176 million related to the impairment of capitalized development expenditures.

Recoverability of Goodwill and Intangible assets with indefinite useful lives

In accordance with IAS 36 - *Impairment of Assets*, goodwill and intangible assets with indefinite useful lives are not amortized and are tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired.

Goodwill and intangible assets with indefinite useful lives are allocated to operating segments or to CGUs within the operating segments. The impairment test is performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill, brands and capitalized development expenditures) and the recoverable amount of each CGU or group of CGUs to which Goodwill has been allocated. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. The balance of Goodwill and intangible assets with indefinite useful lives recognized by the Group primarily relates to the acquisition of FCA US. Goodwill has been allocated to the NAFTA, EMEA, APAC and LATAM operating segments.

The assumptions used in the impairment test represent management's best estimate for the period under consideration. The estimate of the recoverable amount, for purposes of performing the annual impairment test for each of the operating segments, was determined using fair value less cost to sell for the year ended December 31, 2016 and was based on the following assumptions:

- The expected future cash flows covering the period from 2017 through 2020. These expected cash flows have been derived from the Group's 2014-2018 business plan presented on May 6, 2014, which was subsequently updated. The remaining years of the Group's business plan were updated to reflect current expectations regarding economic conditions and market trends as well as to extend the discrete projections beyond 2018 to 2020. These cash flows relate to the respective CGUs in their condition when preparing the financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used for estimating the future cash flow are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends and segment, brand and model share for the respective operating segment over the period considered. With regards to the LATAM operating segment, expected future cash flows also include the extension of tax benefits and other government grants to the extent such events are considered probable.
- The expected future cash flows include a normalized terminal period to estimate the future result beyond the time period explicitly considered which incorporates a long-term growth rate assumption of 2 percent.
- Post-tax cash flows have been discounted using a post-tax discount rate which reflects the current market assessment of the time value of money for the period being considered and the risks specific to the operating segment and cash flows under consideration. The Weighted Average Cost of Capital ("WACC") ranged from approximately 15 percent to approximately 20 percent. The WACC was calculated using the Capital Asset Pricing Model technique.

The value estimated as described above was determined to be in excess of the book value of the net capital employed for each operating segment to which Goodwill has been allocated. As such, no impairment charges were recognized for Goodwill and Intangible assets with indefinite useful lives for the year ended December 31, 2016.

There were no impairment charges resulting from the impairment tests performed for the years ended December 31, 2015 and 2014.

Recoverability of deferred tax assets

The carrying amount of deferred tax assets is reduced to the extent that it is not probable that sufficient taxable profit will be available to allow the benefit of a part of or all of the deferred tax assets to be utilized. The recoverability of deferred tax assets is dependent on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse and tax losses carried forward can be utilized. In making this assessment, the Group considers future taxable income arising on the most recent budgets and plans, prepared by using the same criteria described for testing the impairment of assets and goodwill. Moreover, the Group estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these assets could be recovered.

The estimates and assumptions are subject to uncertainty especially as it relates to future performance in Latin America and the Eurozone. Therefore changes in current estimates due to unanticipated events could have a significant impact on the Group's Consolidated Financial Statements.

Sales incentives

The Group records the estimated cost of sales incentive programs offered to dealers and consumers as a reduction to revenue at the time of sale of the vehicle to the dealer. This estimated cost represents the incentive programs offered to dealers and consumers, as well as the expected modifications to these programs in order to facilitate sales of the dealer inventory. Subsequent adjustments to sales incentive programs related to vehicles previously sold to dealers are recognized as an adjustment to Net revenues in the period the adjustment is determinable.

The Group uses price discounts to adjust vehicle pricing in response to a number of market and product factors, including pricing actions and incentives offered by competitors, economic conditions, the amount of excess industry production capacity, the intensity of market competition, consumer demand for the product and the desire to support promotional campaigns. The Group may offer a variety of sales incentive programs at any given point in time, including cash offers to dealers and consumers and subvention programs offered to customers, or lease subsidies, which reduce the retail customer's monthly lease payment or cash due at the inception of the financing arrangement, or both. Sales incentive programs are generally brand, model and region specific for a defined period of time.

Multiple factors are used in estimating the future incentive expense by vehicle line including the current incentive programs in the market, planned promotional programs and the normal incentive escalation incurred as the model year ages. The estimated incentive rates are reviewed monthly and changes to planned rates are adjusted accordingly, thus impacting revenues. As there are a multitude of inputs affecting the calculation of the estimate for sales incentives, an increase or decrease of any of these variables could have a significant effect on Net revenues.

Product warranties, recall campaigns and product liabilities

The Group establishes reserves for product warranties at the time the sale is recognized. The Group issues various types of product warranties under which the performance of products delivered is generally guaranteed for a certain period or term. The accrual for product warranties includes the expected costs of warranty obligations imposed by law or contract, as well as the expected costs for policy coverage, recall actions and buyback commitments. The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, as well as historical claims experience for the Group's vehicles. In addition, the number and magnitude of additional service actions expected to be approved and policies related to additional service actions are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in the assumptions used could materially affect the results of operations.

The Group periodically initiates voluntary service and recall actions to address various customer satisfaction as well as safety and emissions issues related to vehicles sold. Included in the reserve is the estimated cost of these service and recall actions. In NAFTA, we accrue estimated costs for recalls at the time of sale. In other regions and sectors, however, there generally is not sufficient historical data to support the application of an actuarial-based estimation technique. As a result, estimated recall costs for the other regions and sectors are accrued at the time when they are probable and reasonably estimable, which typically occurs once it is determined a specific recall campaign is approved and is announced.

Estimates of the future costs of these actions are inevitably imprecise due to numerous uncertainties, including the enactment of new laws and regulations, the number of vehicles affected by a service or recall action and the nature of the corrective action. It is reasonably possible that the ultimate cost of these service and recall actions may require the Group to make expenditures in excess of (or less than) established reserves over an extended period of time and in a range of amounts that cannot be reasonably estimated. The estimate of warranty and additional service and recall action obligations is periodically reviewed during the year. Experience has shown that initial data for any given model year can be volatile; therefore, our process relies upon long-term historical averages until sufficient data is available. As actual experience becomes available, it is used to modify the historical averages to ensure that the forecast is within the range of likely outcomes. Resulting accruals are then compared with current spending rates to ensure that the balances are adequate to meet expected future obligations.

In addition, the Group makes provisions for estimated product liability costs arising from property damage and personal injuries including wrongful death, and potential exemplary or punitive damages alleged to be the result of product defects. By nature, these costs can be infrequent, difficult to predict and have the potential to vary significantly in amount. The valuation of the reserve is actuarially determined on an annual basis based on, among other factors, the number of vehicles sold and product liability claims incurred. Costs associated with these provisions are recorded in the Consolidated Income Statement and any subsequent adjustments are recorded in the period in which the adjustment is determined.

Litigation

Various legal proceedings, claims and governmental investigations are pending against the Group on a wide range of topics, including vehicle safety, emissions and fuel economy, competition, tax and securities laws, labor, dealer, supplier and other contractual relationships, intellectual property rights, product warranties and environmental matters. Some of these proceedings allege defects in specific component parts or systems (including airbags, seats, seat belts, brakes, ball joints, transmissions, engines and fuel systems) in various vehicle models or allege general design defects relating to vehicle handling and stability, sudden unintended movement or crashworthiness. These proceedings seek recovery for damage to property, personal injuries or wrongful death and in some cases include a claim for exemplary or punitive damages. Adverse decisions in one or more of these proceedings could require the Group to pay substantial damages, or undertake service actions, recall campaigns or other costly actions.

Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Moreover, the cases and claims against the Group are often derived from complex legal issues which are subject to differing degrees of uncertainty, including the facts and circumstances of each particular case, the manner in which the applicable law is likely to be interpreted and applied and the jurisdiction and the different laws involved. An accrual is established in connection with pending or threatened litigation if a loss is probable, there will be an outflow of funds and when the amount can be reasonably estimated. If an outflow of funds becomes probable, but the amount cannot be estimated, the matter is disclosed in the notes to the Consolidated Financial Statements. Since these accruals represent estimates, the resolution of some of these matters could require the Group to make payments in excess of the amounts accrued or may require the Group to make payments in an amount or range of amounts that could not be reasonably estimated.

The Group monitors the status of pending legal procedures and consults with experts on legal and tax matters on a regular basis. As such, the provisions for the Group's legal proceedings and litigation may vary as a result of future developments in pending matters.

New standards and amendments effective from January 1, 2016

The following new standards and amendments applicable from January 1, 2016 were adopted by the Group. There was no effect from the adoption of these amendments:

- Amendments to IFRS 11 – *Joint arrangements: Accounting for acquisitions of interests in joint operations* which clarify the accounting for acquisitions of an interest in a joint operation that constitutes a business.
- Amendments to IAS 16 – *Property, Plant and Equipment* and to IAS 38 – *Intangible Assets,* which clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. In addition, the amendments clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Annual Improvements to IFRSs 2012-2014 cycle, a series of amendments to IFRSs in response to issues raised mainly on IFRS 5 – *Non-current assets held for sale and discontinued operations* related to the changes of method of disposal of an asset (or disposal group), on IFRS 7 – *Financial Instruments: Disclosures* related to clarification when servicing contracts are deemed to constitute continuing involvement for disclosure purposes, on IAS 19 – *Employee Benefits* related to discount rate determination and on IAS 34 – *Interim Reporting* related to paragraph 16A and the clarification of the meaning of disclosure of information "elsewhere in the interim financial report."
- Amendments to IAS 1 – *Presentation of Financial Statements,* which were a part of the IASB's initiative to improve presentation and disclosure in financial reports. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

New standards, amendments and interpretations not yet effective

The following new standards and amendments were issued by the IASB. We will comply with the relevant guidance no later than their respective effective dates.

- In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers,* which requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive. This new revenue recognition model defines a five step process to achieve this objective. The updated guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. On September 11, 2015, the IASB issued an amendment to this standard, formalizing the deferral of the effective date for periods beginning January 1, 2018. In April 2016, the IASB issued further amendments to the standard, which do not change the underlying principles of the standard, but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation in a contract, determine whether a company is a principal or an agent, determine whether the revenue from granting a license should be recognized at a point in time or over time and provide two additional reliefs to reduce cost and complexity. The amendments are effective from January 1, 2018, which is the same effective date as IFRS 15. As a result of implementation discussions among both industry participants and with the Joint Transition Resource Group for revenue recognition, we are still evaluating the impact of adoption of this standard on our Components reportable segment, particularly as it relates to long-term production contracts. For all of our other reportable segments, we do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the standard in 2018.

- In July 2014, the IASB issued IFRS 9 – *Financial Instruments*. The improvements introduced by the new standard include a logical approach for classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single "expected loss" impairment model for financial assets and a substantially reformed approach for hedge accounting. The standard is effective, retrospectively with limited exceptions, for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. We are currently evaluating the implementation and the impact of adoption of this standard in 2018 on our Consolidated Financial Statements.

- In January 2016, the IASB issued IFRS 16 - *Leases* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - *Leases*. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of lease assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. IFRS 16 is effective from January 1, 2019 and we are currently evaluating the implementation and the impact of adoption of this standard on our Consolidated Financial Statements.

- In January 2016, the IASB issued amendments to IAS *12- Income Taxes* that clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. We do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.

- In January 2016, the IASB issued amendments to IAS 7 - *Statement of Cash Flows* introducing additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective from January 1, 2017.

- In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through IFRIC, provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (ii) share-based payment transactions with a net settlement feature for withholding tax obligations and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective prospectively from January 1, 2018, with earlier or retrospective application permitted. We do not expect a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In September 2016, the IASB published "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: (i) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and (ii) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). An entity would apply the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018. The deferral can only be used for the three years following January 1, 2018. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. We are currently evaluating the implementation method and the effect of adoption on our Consolidated Financial Statements.
- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle which has amendments to three Standards: IFRS 12 - *Disclosure of Interests in Other Entities* (effective date of January 1, 2017), IFRS 1- *First-time Adoption of International Financial Reporting Standards* (effective date of January 1, 2018) and IAS 28 - *Investments in Associates and Joint Ventures* (effective date of January 1, 2018). The amendments clarify, correct or remove redundant wording in the related IFRS Standard and are not expected to have a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In December 2016, the IASB issued IFRIC Interpretation 22 - *Foreign Currency Transactions and Advance Consideration* which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective January 1, 2018. We do not expect a material impact to our Consolidated Financial Statements upon adoption of the interpretation.

3. SCOPE OF CONSOLIDATION

The Consolidated Financial Statements included 275 and 303 subsidiaries consolidated on a line-by-line basis at December 31, 2016 and 2015, respectively.

The following table sets forth a list of the principal subsidiaries that are directly or indirectly controlled by FCA. Companies in the list are grouped according to each of our reportable segments as well as our holding and other companies.

For each principal subsidiary, the following information is provided: name, country of incorporation or residence, and the percentage interest held by FCA and its subsidiaries at December 31, 2016.

Name	Country	Percentage Interest Held
NAFTA		
FCA US LLC	USA (Delaware)	100.00
FCA Canada Inc.	Canada	100.00
FCA Mexico, S.A. de C.V.	Mexico	100.00
LATAM		
FCA Fiat Chrysler Automoveis Brasil LTDA	Brazil	100.00
FCA Automobiles Argentina S.A.	Argentina	100.00
Banco Fidis S.A.	Brazil	100.00
APAC		
Chrysler Group (China) Sales Limited	People's Republic of China	100.00
FCA Japan Ltd.	Japan	100.00
FCA Australia Pty Ltd.	Australia	100.00
FCA Automotive Finance Co. Ltd.	People's Republic of China	100.00
EMEA		
FCA Italy S.p.A.	Italy	100.00
FCA Melfi S.r.l.	Italy	100.00
FCA Poland Spólka Akcyjna	Poland	100.00
FCA Powertrain Poland Sp. z o.o.	Poland	100.00
FCA Serbia d.o.o. Kragujevac	Serbia	66.67
FCA Germany AG	Germany	100.00
FCA France	France	100.00
Fiat Chrysler Automobiles UK Ltd.	United Kingdom	100.00
Fiat Chrysler Automobiles Spain S.A.	Spain	100.00
Fidis S.p.A.	Italy	100.00
Maserati		
Maserati S.p.A.	Italy	100.00
Maserati (China) Cars Trading Co. Ltd.	People's Republic of China	100.00
Maserati North America Inc.	USA (Delaware)	100.00
Components		
Magneti Marelli S.p.A.	Italy	99.99[1]
Automotive Lighting LLC	USA (Delaware)	100.00
Automotive Lighting Reutlingen GmbH	Germany	99.99
Teksid S.p.A.	Italy	100.00
Comau S.p.A.	Italy	100.00
COMAU LLC	USA (Delaware)	100.00
Holding Companies and Other Companies		
FCA North America Holdings LLC	USA (Delaware)	100.00
Fiat Chrysler Finance S.p.A.	Italy	100.00
Fiat Chrysler Finance Europe S.A.	Luxembourg	100.00

[1] *FCA holds 100 percent of the voting interest in Magneti Marelli S.p.A.*

Itedi S.p.A Held for Sale and Discontinued Operations

On August 1, 2016, FCA announced the signing of a framework agreement which sets out terms of the proposed integration through a merger between FCA's consolidated media and publishing subsidiary, Italiana Editrice S.p.A ("Itedi"), in which FCA has a 77 percent ownership interest, and the Italian media group, Gruppo Editoriale L'Espresso S.p.A. ("GELE"). This transaction, which is subject to certain conditions precedent that are customary for this type of transaction as well as the receipt of necessary regulatory approvals from Italian state authorities that regulate the publishing and media sectors, is expected to be effective in the first half of 2017 and will result in the creation of an Italian publishing business with potential for significant revenue and synergies.

Under the framework agreement, FCA and Itedi's non-controlling shareholder, Ital Press Holding S.p.A. ("Ital Press"), will transfer 100 percent of the shares of Itedi to GELE in exchange for newly-issued shares. Upon completion of the transaction, CIR S.p.A., the controlling shareholder of GELE, will hold a 43.4 percent ownership interest in GELE, FCA will hold 14.63 percent and Ital Press will hold 4.37 percent. As soon as practicable following completion of the Merger, FCA will distribute its entire interest in GELE to holders of FCA common stock. At December 31, 2016, certain regulatory approvals were obtained for the consummation of this transaction and although the remaining regulatory approvals are expected to be received in the first quarter of 2017, all the steps necessary to complete this transaction have been taken and the Group does not expect any significant changes or a withdrawal from the framework agreement. As a result, the Group concluded that the criteria for classification of Itedi as an asset held for sale were met at December 31, 2016. Itedi is not classified as a discontinued operation as it does not represent a separate major line of business or geographical area of operations for the Group, or a part of it.

The following tables summarize the assets and liabilities of Itedi S.p.A that were classified as held for sale at December 31, 2016.

	At December 31, 2016	
		(€ million)
Assets classified as held for sale		
Goodwill	€	54
Other intangible assets		7
Property, plant and equipment		17
Trade receivables		25
Other		17
Total Assets held for sale	**€**	**120**
Liabilities classified as held for sale		
Provisions	€	38
Trade payables		19
Debt and Other		40
Total Liabilities held for sale	**€**	**97**

Ferrari Spin-off and Discontinued Operations

On October 26, 2015, Ferrari N.V., a subsidiary of FCA, completed its initial public offering ("IPO") in which FCA sold 10 percent of Ferrari N.V. common shares ("Ferrari IPO") and received net proceeds of approximately €0.9 billion, which resulted in FCA owning 80 percent of Ferrari N.V. common shares, Piero Ferrari owning 10 percent of common shares and public shareholders owning the remaining 10 percent of common shares. The Ferrari IPO was accounted for as an equity transaction with the effect on Equity attributable to owners of the parent as follows:

		At October 26, 2015
		(€ million)
Consideration received	€	866
Less: Carrying amount of equity interest sold		(7)
Effect on Equity attributable to owners of the parent	**€**	**873**

In October 2015, in connection with the Ferrari IPO and in preparation for the spin-off of the remaining common shares of Ferrari N.V. owned by FCA, FCA carried out an internal corporate restructuring. As part of this reorganization, FCA transferred its shares of Ferrari S.p.A. to Ferrari N.V. and provided a capital contribution to Ferrari N.V., while Ferrari N.V. issued a note payable to FCA in the amount of €2.8 billion. This internal restructuring was a common control transaction and did not have an accounting impact on the Consolidated Financial Statements. As a result and in connection with the transactions in which Piero Ferrari exchanged his shares in Ferrari S.p.A. for Ferrari N.V. shares, FCA paid €280 million to Piero Ferrari as consideration for the dilution of his share value due to the issuance of the €2.8 billion note payable, which was recorded as a reduction to non-controlling interests.

On December 3, 2015, an extraordinary general meeting of FCA shareholders was held, whereby the transactions intended to separate FCA's remaining ownership interest in Ferrari N.V. and to distribute that ownership interest to holders of FCA shares and mandatory convertible securities were approved.

As the spin-off of Ferrari N.V. became highly probable with the aforementioned shareholders' approval and since it was available for immediate distribution at that date, the Ferrari segment met the criteria to be classified as a disposal group held for distribution to owners and a discontinued operation pursuant to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* at December 31, 2015. Since Exor N.V., which controls and consolidates FCA (refer to Note 24, *Related party transactions*), will continue to control and consolidate Ferrari N.V. after the spin-off, this was deemed to be a common control transaction and was accounted for at book value.

The operating results of Ferrari were excluded from the Group's continuing operations and presented as a single line item within the Consolidated Income Statements, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash flows for the years ended December 31, 2015 and 2014. In addition, the assets and liabilities of Ferrari were classified as Assets held for distribution and Liabilities held for distribution within the Consolidated Statement of Financial Position at December 31, 2015. The Liabilities held for sale at December 31, 2015 included a bridge loan (the "Ferrari Bridge Loan") and a term loan (the "Ferrari Term Loan") of €2 billion in aggregate entered into by Ferrari N.V. on November 30, 2015, which were used to refinance indebtedness owed to FCA. The €500 million revolving credit facility ("Ferrari RCF"), also entered into on November 30, 2015 was undrawn at December 31, 2015.

The following tables summarize the assets and liabilities of the Ferrari segment that were classified as held for distribution at December 31, 2015 and the major line items of the Consolidated Income Statement for discontinued operations for the years ended December 31, 2015 and 2014:

		December 31, 2015[1]
		(€ million)
Assets classified as held for distribution		
Goodwill	€	786
Other intangible assets		297
Property, plant and equipment		627
Other non-current assets		134
Receivables from financing activities		1,176
Cash and cash equivalents		182
Other current assets		448
Total Assets held for distribution	**€**	**3,650**
Liabilities classified as held for distribution		
Provisions	€	224
Debt		2,256
Other current liabilities		624
Trade payables		480
Total Liabilities held for distribution	**€**	**3,584**

	Years ended December 31			
		2015[1]		2014[1]
		(€ million)		
Net revenues	€	2,596	€	2,450
Expenses		2,152		2,061
Net financial expenses/(income)		16		(4)
Profit before taxes from discontinued operations		**428**		**393**
Tax expense		144		120
Profit from discontinued operations, net of tax	**€**	**284**	**€**	**273**

(1) *Amounts presented are not representative of the income statement and the financial position of Ferrari on a stand-alone basis; amounts are net of transactions between Ferrari and other companies of the Group.*

The spin-off of Ferrari N.V. from the Group was completed on January 3, 2016. The assets and liabilities of the Ferrari segment were distributed to holders of FCA shares and mandatory convertible securities without any gain or loss on the distribution. FCA shareholders received one common share of Ferrari N.V. for every ten common shares of FCA and holders of the mandatory convertible securities were entitled to receive 0.77369 common shares of Ferrari N.V. for each mandatory convertible security of U.S.$100 notional amount held of record on January 5, 2016. In addition, FCA shareholders participating in the FCA loyalty voting structure received one special voting share of Ferrari N.V. for every ten special voting shares of FCA held of record on January 5, 2016. On January 13, 2016, holders of FCA shares also received a cash payment of €0.01, less any required applicable withholding tax, for each share held of record as of January 5, 2016.

The following significant changes in the scope of consolidation occurred:

2016

- In January 2016, the spin-off of Ferrari N.V. from the Group was completed, as described above;

2015

- In January 2015, FCA entered into a merger agreement with Mercurio S.p.A. ("Mercurio") whereby the net assets of FCA's wholly owned subsidiary, La Stampa, were merged with Mercurio's wholly owned subsidiary, Società Edizioni e Pubblicazioni S.p.A. ("SEP"), which owned and operated the Italian newspaper "Il Secolo XIX." As a result of the merger agreement, FCA owned 77 percent of the combined entity, Itedi, with the remaining 23 percent owned by Mercurio. In addition, FCA granted Mercurio a put option to sell its entire share in Itedi, which is exercisable from January 1, 2019 to December 31, 2019. Given the net assets acquired by FCA constitute a business and FCA was deemed to be the acquirer and in control of Itedi, the Group accounted for the merger transaction as a business combination. The Group recorded the identifiable net assets acquired at fair value and recognized €54 million of goodwill.

The following significant transactions with non-controlling interests occurred:

2015

- Acquisition of the remaining 15.2 percent interest in Teksid S.p.A. from Renault in December 2015. As a result, all the rights and obligations arising from the previous shareholder agreement between FCA and Renault, including the put option were canceled.

2014

- In January 2014, FCA acquired the remaining 41.5 percent interest in FCA US previously not owned, as described below.

Acquisition of the remaining ownership interest in FCA US

On January 1, 2014, FCA 's 100 percent owned subsidiary FCA North America Holdings LLC, ("FCA NA") and the UAW Retiree Medical Benefits Trust, (the "VEBA Trust") announced that they had entered into an agreement ("the Equity Purchase Agreement") under which FCA NA agreed to acquire the VEBA Trust's 41.5 percent interest in FCA US, which included an approximately 10 percent interest in FCA US subject to previously exercised options that had been subject to ongoing litigation, for cash consideration of U.S.$3,650 million (€2,691 million) as follows:

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

The previously exercised options for approximately 10 percent interest in FCA US were historically carried at cost, which was zero as the options were on shares that did not have a quoted market price in an active market and as the interpretation of the formula required to calculate the exercise price on the options was disputed by the VEBA Trust and had been subject to ongoing litigation. Upon consummation of the transactions contemplated by the Equity Purchase Agreement, the fair value of the underlying equity and the estimated exercise price of the options, at that point, became reliably estimable. As such, on the transaction date, the options were remeasured to their fair value of U.S.$302 million (€223 million at the transaction date), which resulted in a corresponding non-taxable gain that was recorded within Selling, general and other costs in the Consolidated Income Statement for the year ended December 31, 2014.

The fair value of the options was calculated as the difference between the estimated exercise price for the disputed options encompassed in the Equity Purchase Agreement of U.S.$650 million (€481 million) and the estimated fair value for the underlying approximately 10 percent interest in FCA US of U.S.$952 million (€704 million). Management had estimated the exercise price for the disputed options to be U.S.$650 million (€481 million at the transaction date) representing the mid-point of the range between U.S.$600 million (€444 million at the transaction date) and U.S.$700 million (€518 million at the transaction date). Management believed this amount represented the appropriate point estimate of the exercise price encompassed in the Equity Purchase Agreement.

Since there was no publicly observable market price for FCA US's membership interests, the fair value as of the transaction date of the approximately 10 percent non-controlling ownership interest in FCA US was determined based on the range of potential values determined in connection with the initial public offering ("IPO") that FCA US was pursuing at the time the Equity Purchase Agreement was negotiated and executed, which was corroborated by a discounted cash flow valuation that estimated a value near the mid-point of the range of potential IPO values. Management concluded that the mid-point of the range of potential IPO value provided the best evidence of the fair value of FCA US's membership interests at the transaction date as it reflects market input obtained during the IPO process, thus providing better evidence of the price at which a market participant would transact consistent with IFRS 13 - *Fair Value Measurement.*

The potential IPO values for 100 percent of FCA US's equity on a fully distributed basis ranged from $10.5 billion to U.S.$12.0 billion (€7.6 billion to €8.7 billion at December 31, 2013). Management concluded the mid-point of this range, U.S.$11.25 billion (€8.16 billion at December 31, 2013), was the best point estimate of fair value. The IPO value range was determined using earnings multiples observed in the market for publicly traded U.S.-based automotive companies. This fully distributed value was then reduced by approximately 15 percent for the expected discount that would have been realized in order to complete a successful IPO for the minority interest being sold between a willing buyer and a willing seller pursuant to the principles in IFRS 13 - *Fair Value Measurement*. This discount was estimated based on certain factors that a market participant would have considered including the fact that Fiat intended on remaining the majority owner of FCA US, that there was no active market for FCA US's equity and that the IPO price represents the creation of the public market, which would have taken time to develop into an active market.

Concurrent with the closing of the acquisition under the Equity Purchase Agreement, FCA US and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW") executed and delivered a contractually binding and legally enforceable Memorandum of Understanding ("MOU") to supplement FCA US's existing collective bargaining agreement. In consideration for these legally enforceable commitments, FCA US agreed to make payments to a UAW-organized independent VEBA Trust totaling U.S.$700 million (€518 million at the transaction date) to be paid in four equal annual installments. Considering FCA US's non-performance risk over the payment period as of the transaction date and its unsecured nature, this payment obligation had a fair value of U.S.$672 million (€497 million as of the transaction date).

The Group considered the terms and conditions set forth in the above mentioned agreements and accounted for the Equity Purchase Agreement and the MOU as a single commercial transaction with multiple elements. As such, the fair value of the consideration paid discussed above, which amounts to U.S.$4,624 million (€3,411 million at the transaction date), including the fair value of the previously exercised disputed options, was allocated to the elements obtained by the Group. Due to the unique nature and inherent judgment involved in determining the fair value of the UAW's commitments under the MOU, a residual value methodology was used to determine the portion of the consideration paid attributable to the UAW's commitments as follows:

		January 21, 2014
		(€ million)
Special distribution from FCA US	€	1,404
Cash payment from FCA NA		1,287
Fair value of the previously exercised options		223
Fair value of financial commitments under the MOU		497
Fair value of total consideration paid		**3,411**
Less the fair value of an approximately 41.5 percent non-controlling ownership interest in FCA US		(2,916)
Consideration allocated to the UAW's commitments	**€**	**495**

The fair value of the 41.5 percent non-controlling ownership interest in FCA US acquired by FCA from the VEBA Trust (which includes the approximately 10 percent pursuant to the settlement of the previously exercised options discussed above) was determined using the valuation methodology discussed above. The residual of the fair value of the consideration paid of U.S.$670 million (€495 million) was allocated to the UAW's contractually binding and legally enforceable commitments to FCA US under the MOU.

The effects of changes in ownership interests in FCA US were as follows:

		January 21, 2014
		(€ million)
Carrying amount of non-controlling interest acquired	€	3,976
Less: Consideration allocated to the acquisition of the non-controlling interest		(2,916)
Additional net deferred tax assets(1)		493
Effect on the equity attributable to owners of the parent	**€**	**1,553**

(1) *Refer to Note 2, Basis of Preparation - Reclassifications and adjustment for a discussion of the prior period adjustment affecting this item.*

In accordance with IFRS 10 – *Consolidated Financial Statements*, equity reserves were adjusted to reflect the change in the ownership interest in FCA US through a corresponding adjustment to Equity attributable to the parent. As the transaction described above resulted in the elimination of the non-controlling interest in FCA US, all items of Other comprehensive income/(loss) previously attributed to the non-controlling interest were recognized in equity reserves.

Accumulated actuarial gains and losses from the re-measurement of the defined benefit plans of FCA US totaling €1,248 million has been recognized since the consolidation of FCA US in 2011. As of the transaction date, €518 million, which is approximately 41.5 percent of this amount, had been recognized in non-controlling interest. In connection with the acquisition of the non-controlling interest in FCA US, this amount was recognized as an adjustment to the equity reserve within Re-measurement of defined benefit plans.

With respect to the MOU entered into with the UAW, the Group recognized €495 million (U.S.$670 million) within Selling, general and other costs in the Consolidated Income Statement for the year ended December 31, 2014. The first U.S.$175 million installment under the MOU was paid to the VEBA Trust on January 21, 2014, which was equivalent to €129 million at that date. The second installment of U.S.$175 million was paid to the VEBA Trust on January 21, 2015 (approximately €151 million at that date) and the third installment of U.S.$175 million was paid to the VEBA Trust on January 21, 2016 (approximately €161 million at that date). All payments were reflected in the operating section of the Consolidated Statement of Cash Flows. The remaining outstanding obligation and final payment pursuant to the MOU as of December 31, 2016 of U.S.$175 million (€166 million), is recorded in Other liabilities (current) in the Consolidated Statement of Financial Position and was paid on January 20, 2017.

4. NET REVENUES

Net revenues were as follows:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Revenues from:			
Sales of goods	€ 107,497	€ 107,095	€ 90,308
Services provided	2,237	1,600	1,644
Contract revenues	737	1,309	1,150
Lease installments from assets sold with a buy-back commitment	405	403	308
Interest income of financial services activities	142	188	230
Total Net revenues	**€ 111,018**	**€ 110,595**	**€ 93,640**

Net revenues were attributed as follows:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Revenues in:			
North America	€ 71,047	€ 71,979	€ 53,991
Italy	8,478	7,165	6,849
Brazil	4,953	5,103	7,498
China	4,493	4,720	6,065
Germany	4,160	3,794	3,298
France	3,266	2,852	1,784
Turkey	1,705	1,682	1,378
United Kingdom	1,632	1,744	1,559
Spain	1,467	1,254	1,081
Argentina	1,409	1,175	1,180
Japan	713	625	546
Australia	473	936	1,184
Other countries	7,222	7,566	7,227
Total Net revenues	**€ 111,018**	**€ 110,595**	**€ 93,640**

5. RESEARCH AND DEVELOPMENT COSTS

Research and development costs were as follows:

	Years ended December 31					
		2016		2015		2014
			(€ million)			
Research and development expenditures expensed	€	1,661	€	1,449	€	1,320
Amortization of capitalized development expenditures		1,492		1,194		932
Impairment and write-off of capitalized development expenditures		121		221		82
Total Research and development costs	**€**	**3,274**	**€**	**2,864**	**€**	**2,334**

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

The impairment and write-off of capitalized development expenditures during the year ended December 31, 2015 mainly related to the Group's plan to realign a portion of its manufacturing capacity in NAFTA to better meet demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure, which resulted in an impairment charge of €176 million for capitalized development expenditures that had no future economic benefit.

As a result of new product strategies and the streamlining of architectures and related production platforms associated with the Group, the operations to which specific capitalized development expenditures belonged were redesigned during the year ended December 31, 2014. As no future economic benefits were expected from these specific capitalized development expenditures, €47 million within the EMEA segment and €28 million within the NAFTA segment were written off and recorded within Research and development costs in the Consolidated Income Statement for the year ended December 31, 2014.

Refer to Note 10, *Other intangible assets,* for information on capitalized development expenditures.

6. NET FINANCIAL EXPENSES

The following table summarizes the Group's financial income and expenses included within the Net financial expenses line item:

	Years ended December 31		
	2016	2015	2014
	(€ million)		
Interest income and other financial income	€ 226	€ 365	€ 232
Financial expenses:			
Interest expense and other financial expenses:	1,500	2,084	1,825
Interest expense on notes	*749*	*1,112*	*1,119*
Interest expense on borrowings from bank	*472*	*512*	*406*
Commission expenses	*16*	*17*	*18*
Other interest cost and financial expenses	*263*	*443*	*282*
Write-down of financial assets	76	43	10
Losses on disposal of securities	6	28	6
Net interest expense on employee benefits provisions	348	350	330
Total Financial expenses	1,930	2,505	2,171
Net expenses from derivative financial instruments and exchange rate differences	312	226	112
Total Financial expenses and Net expenses from derivative financial instruments and exchange rate differences	2,242	2,731	2,283
Net Financial expenses	€ 2,016	€ 2,366	€ 2,051

Other interest cost and financial expenses for the year ended December 31, 2016 included a loss on extinguishment of debt totaling €10 million related to the U.S.$2.0 billion (€1.8 billion) voluntary prepayment of principal at par, with cash on hand, of FCA US's tranche B term loan maturing on May 24, 2017 and FCA US's tranche B term loan maturing on December 31, 2018. Other interest cost and financial expenses for the year ended December 31, 2016 also included a loss on extinguishment of debt for €8 million related to the prepayment of all scheduled payments due on the Canada Health Care Trust ("HCT") Tranche C Note (refer to Note 21, *Debt*).

Other interest cost and financial expenses for the year ended December 31, 2015 included a loss on extinguishment of debt totaling €168 million related to the prepayment of the secured senior notes of FCA US due in 2019 and 2021 (refer to Note 21, *Debt*).

Other interest cost and financial expenses included interest expense of €29 million, €41 million, and €50 million, related to the Canada HCT Notes (refer to Note 21, *Debt*) for the years ended December 31, 2016, 2015 and 2014, respectively. For the year ended December 31, 2014, Other interest and financial expenses included interest expense related to the financial liability with the VEBA Trust (the "VEBA Trust Note") of €33 million.

7. TAX EXPENSE

The following table summarizes Tax expense:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Current tax expense	€ 869	€ 445	€ 557
Deferred tax expense/(benefit)	391	(277)	(147)
Tax expense/(benefit) relating to prior periods	32	(2)	14
Total Tax expense	**€ 1,292**	**€ 166**	**€ 424**

The applicable tax rate used to determine the theoretical income taxes was 20 percent in 2016 as compared to 20.25 percent in 2015, which was the weighted-average statutory rate applicable in 2015 in the United Kingdom ("U.K."), the tax jurisdiction in which FCA is resident. The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate and income taxes recognized was as follows:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Theoretical income taxes	€ 621	€ 51	€ 168
Tax effect on:			
Recognition and utilization of previously unrecognized deferred tax assets	(42)	(20)	(172)
Permanent differences	(194)	(36)	(132)
Tax credits	(340)	(238)	(68)
Deferred tax assets not recognized and write-downs	531	303	378
Differences between foreign tax rates and the theoretical applicable tax rate and tax holidays	587	70	66
Taxes relating to prior years	32	(2)	14
Withholding tax	61	49	46
Other differences	(8)	(36)	63
Total Tax expense, excluding IRAP	**€ 1,248**	**€ 141**	**€ 363**
Effective tax rate	*40.2%*	*54.4%*	*46.4%*
IRAP (current and deferred)	44	25	61
Total Tax expense	**€ 1,292**	**€ 166**	**€ 424**

In 2016, the Regional Italian Income Tax ("IRAP") recognized within current tax expense was €36 million (€16 million in 2015 and €41 million in 2014) and IRAP recognized within deferred tax expense was €8 million (€9 million in 2015 and €20 million in 2014). Since the IRAP taxable basis differs from Profit before taxes, it is excluded from the effective tax rates above.

In 2016, the Group's effective tax rate was 40.2 percent. The difference between the U.K. statutory tax rate of 20 percent and the effective tax rate was primarily due to €531 million of unrecognized deferred tax assets and €587 million due to the impact of higher foreign tax rates mainly relating to increased U.S. profit before tax that is subject to the 35 percent U.S. statutory tax rate, which were partially offset by U.S. tax credits of €340 million.

In 2015, the Group's effective tax rate was 54.4 percent. The difference between the U.K. statutory tax rate of 20.25 percent and the effective tax rate was primarily due to €303 million of unrecognized deferred tax assets, €70 million related to the impact of higher foreign tax rates and a €98 million effect from the decrease in the Italian corporate tax rate, which were partially offset by €168 million from non-taxable incentives and U.S. tax credits of €238 million.

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

The Group recognizes the amount of Deferred tax assets less the Deferred tax liabilities of the individual companies within Deferred tax assets, where these may be offset. Amounts recognized were as follows:

	At December 31	
	2016	2015
	(€ million)	
Deferred tax assets	€ 3,699	€ 4,056
Deferred tax liabilities	(194)	(156)
Total Net deferred tax assets	**€ 3,505**	**€ 3,900**

The decrease in Net deferred tax assets at December 31, 2016 from December 31, 2015 was mainly due to (i) a €769 million decrease related to the utilization of U.S. tax credit carryforwards and reductions to other U.S. deferred tax assets and (ii) a €79 million decrease to EMEA deferred tax assets, which were partially offset by (iii) a €430 million increase to Brazil deferred tax assets due to additional tax loss carryforwards and positive foreign currency translation effects.

The significant components of Deferred tax assets and liabilities and their changes during the years ended December 31, 2016 and 2015 were as follows:

	At January 1, 2016	Recognized in Consolidated Income Statement	Recognized in Equity	Translation differences and other changes	Transfer to assets held for sale	At December 31, 2016
			(€ million)			
Deferred tax assets arising on:						
Provisions	€ 6,028	€ (4)	€ —	€ 131	€ (6)	€ 6,149
Provision for employee benefits	2,866	(11)	(263)	259	—	2,851
Intangible assets	249	(42)	—	4	—	211
Impairment of financial assets	155	47	—	(5)	(2)	195
Inventories	243	6	—	2	—	251
Allowances for doubtful accounts	87	21	—	11	(2)	117
Other	691	(270)	64	(100)	—	385
Total Deferred tax assets	**€ 10,319**	**€ (253)**	**€ (199)**	**€ 302**	**€ (10)**	**€ 10,159**
Deferred tax liabilities arising on:						
Accelerated depreciation	€ (2,746)	€ (53)	€ —	€ 28	€ 1	€ (2,770)
Capitalized development assets	(2,376)	(310)	—	(56)	—	(2,742)
Other Intangible assets and Intangible assets with indefinite useful lives	(1,427)	23	—	(96)	7	(1,493)
Provision for employee benefits	(14)	—	2	(3)	1	(14)
Other	(390)	67	5	(13)	—	(331)
Total Deferred tax liabilities	**€ (6,953)**	**€ (273)**	**€ 7**	**€ (140)**	**€ 9**	**€ (7,350)**
Deferred tax asset arising on tax loss carry-forwards	€ 3,717	€ 662	€ —	€ 85	€ (20)	€ 4,444
Unrecognized deferred tax assets	(3,183)	(527)	—	(58)	20	(3,748)
Total Net deferred tax assets	**€ 3,900**	**€ (391)**	**€ (192)**	**€ 189**	**€ (1)**	**€ 3,505**

	At January 1, 2015	Recognized in Consolidated Income Statement	Recognized in Equity	Changes in the scope of consolidation	Translation differences and other changes	At December 31, 2015
			(€ million)			
Deferred tax assets arising on:						
Provisions	€ 4,567	€ 1,330	€ —	€ (99)	€ 230	€ 6,028
Provision for employee benefits	2,051	360	12	(2)	445	2,866
Intangible assets	328	(78)	—	—	(1)	249
Impairment of financial assets	174	(24)	—	—	5	155
Inventories	310	(45)	—	(25)	3	243
Allowances for doubtful accounts	111	(7)	—	(6)	(11)	87
Other	1,760	(935)	(16)	(80)	(38)	691
Total Deferred tax assets	**€ 9,301**	**€ 601**	**€ (4)**	**€ (212)**	**€ 633**	**€ 10,319**
Deferred tax liabilities arising on:						
Accelerated depreciation	€ (2,706)	€ 195	€ —	€ 13	€ (248)	€ (2,746)
Capitalized development expenditures	(1,976)	(179)	—	76	(297)	(2,376)
Other Intangible assets and Intangible assets with indefinite useful lives	(1,296)	42	—	—	(173)	(1,427)
Provision for employee benefits	(21)	5	(215)	2	215	(14)
Other	(631)	222	(34)	21	32	(390)
Total Deferred tax liabilities	**€ (6,630)**	**€ 285**	**€ (249)**	**€ 112**	**€ (471)**	**€ (6,953)**
Deferred tax asset arising on tax loss carry-forwards	€ 4,696	€ (778)	€ —	€ (7)	€ (194)	€ 3,717
Unrecognized deferred tax assets	(3,414)	197	1	3	30	(3,183)
Total Net deferred tax assets	**€ 3,953**	**€ 305**	**€ (252)**	**€ (104)**	**€ (2)**	**€ 3,900**

As of December 31, 2016, the Group had deferred tax assets on deductible temporary differences of €10,159 million (€10,319 million at December 31, 2015), of which €551 million was not recognized (€533 million at December 31, 2015). As of December 31, 2016, the Group also had deferred tax assets on tax loss carry-forwards of €4,444 million (€3,717 million at December 31, 2015), of which €3,197 million was not recognized (€2,650 million at December 31, 2015). In addition, the Group had deferred tax liabilities on taxable temporary differences of €7,350 million at December 31, 2016 (€6,953 million at December 31, 2015).

As of December 31, 2016, the Group had total deferred tax assets of €2,902 million in Italy (€2,706 million at December 31, 2015) primarily attributable to Italian tax loss carry-forwards that can be carried forward indefinitely. The Group has determined that it is probable that sufficient Italian taxable income will be generated in future periods that will allow us to realize €750 million of the Italian deferred tax assets (€764 million at December 31, 2015). As a result, €2,152 million of deferred tax assets in Italy were not recognized as of December 31, 2016 (€1,942 million at December 31, 2015).

As of December 31, 2016, the Group had total deferred tax assets of €1,276 million in Brazil (€571 million at December 31, 2015) primarily attributable to Brazilian tax loss carry-forwards which can be carried forward indefinitely. As a result of the continued macroeconomic weakness and uncertainty in Brazil in 2016, a portion of the deferred tax assets in Brazil totaling approximately €300 million, which include Brazil tax losses, was not recognized as the Group concluded that there was no longer sufficient evidence to indicate that full utilization was probable. These unrecognized deferred tax assets will be monitored and assessed at each reporting date. The Group continues to recognize Brazilian deferred tax assets of €976 million (€571 million at December 31, 2015) as the Group considers it probable that we will have sufficient taxable income in the future that will allow us to realize these deferred tax assets.

Deferred tax liabilities on the undistributed earnings of subsidiaries have not been recognized, except in cases where it is probable the distribution will occur in the foreseeable future.

Total deductible and taxable temporary differences and accumulated tax losses at December 31, 2016, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiration, were as follows:

							Year of expiration
	At December 31, 2016	2017	2018	2019	2020	Beyond 2020	Unlimited/ Indeterminable
				(€ million)			
Temporary differences and tax losses relating to corporate taxation:							
Deductible temporary differences	€ 31,422	€ 5,337	€ 4,062	€ 3,992	€ 5,340	€ 9,811	€ 2,880
Taxable temporary differences	(21,877)	(2,464)	(2,523)	(2,558)	(2,518)	(5,850)	(5,964)
Tax losses	17,191	140	127	164	223	1,308	15,229
Amounts for which deferred tax assets were not recognized	(14,717)	(281)	(79)	(61)	(216)	(2,027)	(12,053)
Temporary differences and tax losses relating to corporate taxation	**€ 12,019**	**€ 2,732**	**€ 1,587**	**€ 1,537**	**€ 2,829**	**€ 3,242**	**€ 92**
Temporary differences and tax losses relating to local taxation (i.e. IRAP in Italy):							
Deductible temporary differences	€ 23,724	€ 3,765	€ 3,226	€ 3,270	€ 2,251	€ 8,896	€ 2,316
Taxable temporary differences	(20,057)	(2,255)	(2,242)	(2,278)	(2,242)	(5,284)	(5,756)
Tax losses	3,259	5	23	22	166	331	2,712
Amounts for which deferred tax assets were not recognized	(2,403)	(115)	(31)	(13)	(71)	(214)	(1,959)
Temporary differences and tax losses relating to local taxation	**€ 4,523**	**€ 1,400**	**€ 976**	**€ 1,001**	**€ 104**	**€ 3,729**	**€ (2,687)**

8. OTHER INFORMATION BY NATURE

Personnel costs for the Group for the years ended December 31, 2016, 2015 and 2014 amounted to €13,170 million, €13,422 million and €11,334 million, respectively, which included costs that were capitalized mainly in connection with product development activities.

For the years ended December 31, 2016, 2015 and 2014, FCA had an average number of employees of 235,481, 236,559 and 231,613, respectively.

9. GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful lives at December 31, 2016 and 2015 are summarized below:

		At January 1, 2016		Translation differences and Other		Transfer to Assets held for sale		At December 31, 2016
				(€ million)				
Gross amount	€	11,966	€	387	€	(54)	€	12,299
Accumulated impairment losses		(469)		(13)		—		(482)
Goodwill		11,497		374		(54)		11,817
Brands		3,293		112		—		3,405
Total Goodwill and intangible assets with indefinite useful lives	**€**	**14,790**	**€**	**486**	**€**	**(54)**	**€**	**15,222**

		At January 1, 2015		Change in the scope of consolidation		Translation differences		Transfer to Assets held for distribution		At December 31, 2015
						(€ million)				
Gross amount	€	11,501	€	54	€	1,198	€	(787)	€	11,966
Accumulated impairment losses		(442)		—		(28)		1		(469)
Goodwill		11,059		54		1,170		(786)		11,497
Brands		2,953		—		340		—		3,293
Total Goodwill and intangible assets with indefinite useful lives	**€**	**14,012**	**€**	**54**	**€**	**1,510**	**€**	**(786)**	**€**	**14,790**

Translation differences in 2016 and in 2015 primarily related to foreign currency translation of the U.S. Dollar to the Euro.

Brands

Brands are composed of the Chrysler, Jeep, Dodge, Ram and Mopar brands which resulted from the acquisition of FCA US. These rights are protected legally through registration with government agencies and through the continuous use in commerce. As these rights have no legal, contractual, competitive or economic term that limits their useful lives, they are classified as intangible assets with indefinite useful lives, and are therefore not amortized but are instead tested annually for impairment.

For the purpose of impairment testing, the carrying value of Brands, which is allocated to the NAFTA segment, is tested jointly with the goodwill allocated to the NAFTA segment.

Goodwill

At December 31, 2016, Goodwill included €11,731 million from the acquisition of FCA US (€11,359 million at December 31, 2015). At December 31, 2016, €54 million of goodwill was classified within Assets held for sale as a result of Itedi meeting the held for sale criteria and at December 31, 2015, €786 million of goodwill related to Ferrari was classified within Assets held for distribution as a result of Ferrari meeting the held for sale criteria on December 3, 2015 (refer to Note 3, *Scope of consolidation*).

There were no impairment charges recognized in respect of goodwill and intangible assets with indefinite lives during the years ended December 31, 2016, 2015 and 2014.

The following table summarizes the allocation of Goodwill:

	At December 31 2016	2015
	(€ million)	
NAFTA	€ 9,618	€ 9,312
APAC	1,250	1,210
LATAM	602	583
EMEA	285	276
Components	62	62
Other activities	—	54
Total Goodwill	**€ 11,817**	**€ 11,497**

10. OTHER INTANGIBLE ASSETS

	Externally acquired development expenditures	Internally generated development expenditures	Patents, concessions, licenses and credits	Other intangible assets	Total
			(€ million)		
Gross carrying amount at January 1, 2015	**€ 8,632**	**€ 5,511**	**€ 2,804**	**€ 708**	**€ 17,655**
Additions	1,459	1,200	247	130	3,036
Divestitures	—	(46)	(12)	(10)	(68)
Translation differences and other changes	430	(178)	212	(72)	392
Transfer to Assets held for distribution	(1,259)	—	(131)	(55)	(1,445)
At December 31, 2015	**9,262**	**6,487**	**3,120**	**701**	**19,570**
Additions	1,546	1,012	490	58	3,106
Divestitures	(1)	(49)	(80)	(7)	(137)
Translation differences and other changes	265	217	22	87	591
Transfer to Assets held for sale	—	—	—	(38)	(38)
At December 31, 2016	**11,072**	**7,667**	**3,552**	**801**	**23,092**
Accumulated amortization and impairment losses at January 1, 2015	**3,769**	**3,245**	**1,337**	**469**	**8,820**
Amortization	857	452	301	54	1,664
Impairment losses and asset write-offs	187	34	—	2	223
Divestitures	—	(34)	(11)	(9)	(54)
Translation differences and other changes	165	(80)	73	(39)	119
Transfer to Assets held for distribution	(985)	—	(117)	(46)	(1,148)
At December 31, 2015	**3,993**	**3,617**	**1,583**	**431**	**9,624**
Amortization	962	530	210	56	1,758
Impairment losses and asset write-offs	29	92	—	1	122
Divestitures	—	(37)	(20)	(6)	(63)
Translation differences and other changes	108	86	35	31	260
Transfer to Assets held for sale	—	—	—	(31)	(31)
At December 31, 2016	**5,092**	**4,288**	**1,808**	**482**	**11,670**
Carrying amount at December 31, 2015	**€ 5,269**	**€ 2,870**	**€ 1,537**	**€ 270**	**€ 9,946**
Carrying amount at December 31, 2016	**€ 5,980**	**€ 3,379**	**€ 1,744**	**€ 319**	**€ 11,422**

Additions of €3,106 million in 2016 (€3,036 million in 2015) included capitalized development expenditures of €2,558 million (€2,659 million in 2015), consisting primarily of material costs and personnel related expenses relating to engineering, design and development focused on content enhancement of existing vehicles, new models and powertrain programs. In 2016, of the total €122 million impairment losses and asset write-offs, €90 million related to the locally produced Fiat Viaggio and Ottimo vehicles in China, as described in Note 5, *Research and development costs*.

In 2015, of the total €223 million impairment losses and asset write-offs, €176 million related to the impairment of capitalized development expenditures that had no future economic benefit as a result of the Group's plan to realign a portion of its manufacturing capacity in NAFTA to better meet market demand for Ram pickups and Jeep vehicles within the Group's existing plant infrastructure as described in Note 5, *Research and development costs*.

Translation differences primarily related to foreign currency translation of the U.S. Dollar to the Euro.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Industrial buildings	Plant, machinery and equipment	Other assets	Advances and tangible assets in progress	Total
			(€ million)			
Gross carrying amount at January 1, 2015	**€ 945**	**€ 8,025**	**€ 42,487**	**€ 2,522**	**€ 2,911**	**€ 56,890**
Additions	3	534	3,262	302	2,047	6,148
Divestitures	(4)	(40)	(1,126)	(62)	(6)	(1,238)
Translation differences	(27)	(64)	231	99	(127)	112
Other changes	6	(30)	758	11	(704)	41
Transfer to Assets held for distribution	(23)	(317)	(1,704)	(138)	(35)	(2,217)
At December 31, 2015	**900**	**8,108**	**43,908**	**2,734**	**4,086**	**59,736**
Additions	6	303	3,330	453	1,617	5,709
Divestitures	(11)	(22)	(729)	(70)	(11)	(843)
Translation differences	57	431	1,749	120	225	2,582
Other changes	(4)	110	2,223	(4)	(2,269)	56
Transfer to Assets held for sale	—	—	(92)	(10)	—	(102)
At December 31, 2016	**948**	**8,930**	**50,389**	**3,223**	**3,648**	**67,138**
Accumulated depreciation and impairment losses at January 1, 2015	**7**	**2,646**	**26,497**	**1,316**	**16**	**30,482**
Depreciation	—	309	3,453	262	—	4,024
Divestitures	—	(31)	(1,091)	(53)	(2)	(1,177)
Impairment losses and asset write-offs	1	11	474	3	1	490
Translation differences	(1)	(14)	3	19	(1)	6
Other changes	37	(26)	39	(2)	(1)	47
Transfer to Assets held for distribution	—	(113)	(1,375)	(102)	—	(1,590)
At December 31, 2015	**44**	**2,782**	**28,000**	**1,443**	**13**	**32,282**
Depreciation	—	309	3,582	307	—	4,198
Divestitures	(5)	(12)	(697)	(63)	(1)	(778)
Impairment losses and asset write-offs	—	44	25	1	3	73
Translation differences	2	93	875	64	1	1,035
Other changes	—	(3)	(14)	—	(1)	(18)
Transfer to Assets held for sale	—	—	(77)	(8)	—	(85)
At December 31, 2016	**41**	**3,213**	**31,694**	**1,744**	**15**	**36,707**
Carrying amount at December 31, 2015	**€ 856**	**€ 5,326**	**€ 15,908**	**€ 1,291**	**€ 4,073**	**€ 27,454**
Carrying amount at December 31, 2016	**€ 907**	**€ 5,717**	**€ 18,695**	**€ 1,479**	**€ 3,633**	**€ 30,431**

For the year ended December 31, 2016, the Group recognized a total of €73 million of impairment losses and asset write-offs, of which €43 million related to certain of FCA Venezuela's assets due to the continued deterioration of the economic conditions in Venezuela. This impairment charge was recognized within Selling, administrative and other expenses in the Consolidated Income Statement for the year ended December 31, 2016.

For the year ended December 31, 2015, of the total €490 million of impairment losses and asset write-offs, €422 million related to the realignment of a portion of the Group's existing manufacturing capacity in NAFTA to better meet market demand for Ram pickup trucks and Jeep vehicles. This impairment charge was recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2015.

In 2016, translation differences of €1,547 million primarily reflected the strengthening of the Brazilian Real and the U.S. Dollar against the Euro. In 2015, translation differences of €106 million mainly reflected the strengthening of the U.S. Dollar against the Euro, which was partially offset by the devaluation of the Brazilian Real.

The net carrying amount of assets leased under finance lease agreements includes assets that are legally owned by suppliers but are recognized in the Consolidated Financial Statements in accordance with IFRIC 4 - *Determining Whether an Arrangement Contains a Lease,* with the corresponding recognition of a financial lease payable. The total net carrying amount of assets leased under finance lease agreements included in Property, plant and equipment were as follows:

	At December 31	
	2016	2015
	(€ million)	
Land	€ —	€ 3
Industrial buildings	251	270
Plant, machinery and equipment	602	576
Total Property, plant and equipment under finance lease	**€ 853**	**€ 849**

Property, plant and equipment of the Group (excluding FCA US) reported as pledged as security for debt are summarized as follows:

	At December 31	
	2016	2015
	(€ million)	
Land and industrial buildings pledged as security for debt	€ 1,239	€ 934
Plant and machinery pledged as security for debt and other commitments	698	462
Other assets pledged as security for debt and other commitments	3	4
Total Property, plant and equipment pledged as security for debt	**€ 1,940**	**€ 1,400**

Information on the assets of FCA US subject to lien are set out in Note 21, *Debt.*

At December 31, 2016 and 2015, the Group had contractual commitments for the purchase of Property, plant and equipment amounting to €950 million and €1,665 million, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following table summarizes our Investments accounted for using the equity method:

		At December 31		
		2016		2015
		(€ million)		
Interest in joint ventures	€	1,680	€	1,528
Interest in associates		62		80
Other		51		50
Total Investments accounted for using the equity method	**€**	**1,793**	**€**	**1,658**

Our ownership percentages and carrying value of our Investments accounted for under the equity method were as follows:

	Ownership percentage			Investment balance		
	At December 31			At December 31		
	2016	2015		2016		2015
Interest in joint ventures				(€ million)		
FCA Bank S.p.A.	50%	50%	€	1,044	€	985
Tofas-Turk Otomobil Fabrikasi A.S.	37.9%	37.9%		302		305
GAC FIAT Chrysler Automobiles Co.	50%	50%		237		145
Others				97		93
Total Interest in joint ventures			**€**	**1,680**	**€**	**1,528**
Interest in associates						
RCS MediaGroup S.p.A. ("RCS")	—	16.7%	€	—	€	51
Others				62		29
Total Interest in associates			**€**	**62**	**€**	**80**

FCA Bank S.p.A. ("FCA Bank"), which is a joint venture with Crédit Agricole Consumer Finance S.A. operates in Europe including Italy, France, Germany, UK and Spain. In July 2013, the Group reached an agreement with Crédit Agricole to extend the term of the joint venture through to December 31, 2021. Under the agreement, FCA Bank will continue to benefit from the financial support of the Crédit Agricole Group while continuing to strengthen its position as an active player in the securitization and debt markets. FCA Bank provides retail and dealer financing and long-term rental services in the automotive sector, directly or through its subsidiaries as a partner of the Group's mass-market vehicle brands and for Maserati vehicles.

The following tables include summarized financial information relating to FCA Bank:

	At December 31	
	2016	2015
	(€ million)	
Financial assets	€ 20,201	€ 16,944
Of which: Cash and cash equivalents	—	—
Other assets	3,083	2,565
Financial liabilities	19,887	16,418
Other liabilities	1,159	993
Equity (100%)	2,238	2,098
Net assets attributable to owners of the parent	2,199	2,081
Group's share of net assets	1,100	1,040
Elimination of unrealized profits and other adjustments	(56)	(55)
Carrying amount of interest in the joint venture	**€ 1,044**	**€ 985**

	Years ended December 31		
	2016	2015	2014
	(€ million)		
Interest and similar income	€ 764	€ 729	€ 737
Interest and similar expenses	(263)	(285)	(373)
Income tax expense	(105)	(110)	(74)
Profit from continuing operations	312	249	182
Net profit	312	249	182
Net profit attributable to owners of the parent (A)	309	248	181
Group's share of net profit	**154**	**124**	**91**
Other comprehensive income/(loss) attributable to owners of the parent (B)	(64)	29	12
Total Comprehensive income attributable to owners of the parent (A+B)	€ 245	€ 277	€ 193

Tofas-Turk Otomobil Fabrikasi A.S. ("Tofas"), which is registered with the Turkish Capital Market Board, is listed on the İstanbul Stock Exchange. At December 31, 2016, the fair value of the Group's interest in Tofas was €1,258 million (€1,129 million at December 31, 2015).

GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV") is a joint venture with Guangzhou Automobile Group Co., Ltd. which locally produces Jeep vehicles for the Chinese market.

On April 15, 2016, the shareholders of FCA approved the distribution of the Group's 16.7 percent ownership interest in RCS to holders of its common shares. The distribution of RCS ordinary shares took effect on May 1, 2016. Holders of FCA common shares were entitled to 0.067746 ordinary shares of RCS for each common share of FCA held of record. The distribution of the RCS equity method investment resulted in a net gain of €5 million recognized within Gains on disposal of investments in the Consolidated Income Statement for the year ended December 31, 2016.

The Group's proportionate share of the earnings of our joint ventures, associates and interest in unconsolidated subsidiaries accounted for using the equity method is reflected within Result from investments within the Consolidated Income Statement. The following table summarizes information relating to Result from investments:

	Years ended December 31					
		2016		2015		2014
			(€ million)			
Joint Ventures	€	291	€	155	€	127
Associates		7		(27)		(20)
Other		15		2		10
Total Share of the profit of equity method investees	**€**	**313**	**€**	**130**	**€**	**117**

Immaterial Joint Ventures and Associates

The aggregate amounts for the Group's share in all individually immaterial joint ventures and associates that are accounted for using the equity method were as follows:

	Years ended December 31					
		2016		2015		2014
			(€ million)			
Joint ventures:						
Profit from continuing operations	€	137	€	31	€	36
Net profit		**137**		**31**		**36**
Other comprehensive income/(loss)		(90)		(30)		37
Total Other comprehensive income	**€**	**47**	**€**	**1**	**€**	**73**
Associates:						
Income/(Loss) from continuing operations	€	7	€	(27)	€	(20)
Net loss		**7**		**(27)**		**(20)**
Other comprehensive income/(loss)		(1)		3		3
Total Other comprehensive income/(loss)	**€**	**6**	**€**	**(24)**	**€**	**(17)**

13. OTHER FINANCIAL ASSETS

Other financial assets consisted of the following:

												At December 31
							2016					2015
			Current		Non-current		Total		Current		Non-current	Total
	Note						(€ million)					
Derivative financial assets	16	€	448	€	31	€	479	€	691	€	122	€ 813
Available-for-sale securities	23		38		60		98		269		43	312
Held-for-trading securities	23		203		—		203		213		—	213
Held-to-maturity securities			—		2		2		—		3	3
Investments measured at cost			—		41		41		—		64	64
Available-for-sale investments	23		—		151		151		—		203	203
Held-for-trading investments	23		49		—		49		48		—	48
Financial receivables			—		320		320		—		271	271
Collateral deposits[(1)]	23		24		44		68		22		18	40
Total Other financial assets		**€**	**762**	**€**	**649**	**€**	**1,411**	**€**	**1,243**	**€**	**724**	**€ 1,967**

(1) *Collateral deposits are held in connection with derivative transactions and debt obligations.*

At December 31, 2016 and 2015, Available-for-sale investments of €151 million (€203 million at December 31, 2015) primarily related to the investment in CNH Industrial N.V. ("CNHI"), which consisted of 15,948,275 common shares for an amount of €132 million and €101 million, respectively. In addition, at December 31, 2016 and 2015, the Group had an additional 15,948,275 special voting shares which cannot directly or indirectly be sold, disposed of or transferred, and over which the Group cannot create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance. These special voting shares do not have any dividend right and they will expire when the common shares referenced above are sold. As a result, no value has been attributed to these special voting shares. The total investment in CNHI corresponded to 1.7 percent of voting rights at December 31, 2016 and December 31, 2015.

14. INVENTORIES

	At December 31	
	2016	2015
	(€ million)	
Raw materials, supplies and finished goods	€ 12,056	€ 11,190
Amount due from customers for contract work	65	161
Total Inventories	**€ 12,121**	**€ 11,351**

The amount of inventory write-downs recognized within Cost of revenues during the years ended December 31, 2016, 2015 and 2014 was €637 million, €653 million and €436 million, respectively.

The amount due from customers for contract work relates to the design and production of industrial automation systems and related products for the automotive sector was as follows:

	At December 31	
	2016	2015
	(€ million)	
Aggregate amount of costs incurred and recognized profits (less recognized losses) to date	€ 959	€ 2,097
Less: Progress billings	(1,130)	(2,163)
Construction contracts, net of advances on contract work	**(171)**	**(66)**
Amount due from customers for contract work	65	161
Less: Amount due to customers for contract work included in Other liabilities (current) (Note 22)	(236)	(227)
Construction contracts, net of advances on contract work	**€ (171)**	**€ (66)**

15. TRADE, OTHER RECEIVABLES AND TAX RECEIVABLES

The analysis by due date was as follows:

	At December 31									
	2016					2015				
	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total
	(€ million)									
Trade receivables	€ 2,479	€ —	€ —	€ —	€ 2,479	€ 2,668	€ —	€ —	€ —	€ 2,668
Receivables from financing activities	2,407	171	—	171	2,578	1,778	228	—	228	2,006
Other receivables	2,387	308	102	410	2,797	2,129	243	14	257	2,386
Total Trade and other receivables	**€ 7,273**	**€ 479**	**€ 102**	**€ 581**	**€ 7,854**	**€ 6,575**	**€ 471**	**€ 14**	**€ 485**	**€ 7,060**
Tax receivables	**€ 206**	**€ 71**	**€ 22**	**€ 93**	**€ 299**	**€ 307**	**€ 98**	**€ —**	**€ 98**	**€ 405**

Trade receivables

Trade receivables, amounting to €2,479 million at December 31, 2016 (€2,668 million at December 31, 2015), are shown net of the allowance for doubtful accounts of €275 million at December 31, 2016 (€303 million at December 31, 2015). At December 31, 2015, a total of €98 million of trade receivables, net of an allowance for doubtful accounts, related to Ferrari were classified within Assets held for distribution.

Changes in the allowance for doubtful accounts, which is calculated on the basis of historical losses on receivables, were as follows:

	At January 1, 2016	Provision	Use and other changes	At December 31, 2016
	(€ million)			
Allowance for doubtful accounts	€ 303	€ 27	€ (55)	€ 275

	At January 1, 2015	Provision	Use and other changes	Transfer to Assets held for distribution	At December 31, 2015
	(€ million)				
Allowance for doubtful accounts	€ 320	€ 46	€ (42)	€ (21)	€ 303

Receivables from financing activities

Receivables from financing activities mainly relate to the business of financial services companies fully consolidated by the Group and are summarized as follows:

	At December 31	
	2016	2015
	(€ million)	
Dealer financing	€ 2,115	€ 1,650
Retail financing	286	238
Finance leases	6	8
Other	171	110
Total Receivables from financing activities	**€ 2,578**	**€ 2,006**

At December 31, 2015, a total of €1,176 million of receivables from financing activities, net of an allowance for doubtful accounts, related to Ferrari were classified within Assets held for distribution.

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of specific insolvency risks. At December 31, 2016, the allowance for doubtful accounts amounted to €45 million (€40 million at December 31, 2015). Changes in the allowance for receivables from financing activities were as follows:

	At January 1, 2016	Provision	Use and other changes	At December 31, 2016
		(€ million)		
Allowance for Receivables from financing activities	€ 40	€ 54	€ (49)	€ 45

	At January 1, 2015	Provision	Use and other changes	Transfer to Assets held for distribution	At December 31, 2015
			(€ million)		
Allowance for Receivables from financing activities	€ 73	€ 64	€ (78)	€ (19)	€ 40

Receivables for dealer financing are typically generated by sales of vehicles and are generally managed under dealer network financing programs as a component of the portfolio of the financial services companies. These receivables are interest bearing, with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer networks vary from country to country, although payment terms range from two to six months.

Other receivables

At December 31, 2016, Other receivables primarily consisted of tax receivables for VAT and other indirect taxes of €1,933 million (€1,529 million at December 31, 2015).

Transfer of financial assets

At December 31, 2016, the Group had receivables due after that date which had been transferred without recourse and which were derecognized in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement,* amounting to €6,573 million (€4,950 million at December 31, 2015). The transfers related to trade receivables and other receivables for €5,467 million (€4,165 million at December 31, 2015) and receivables from financing activities for €1,106 million (€785 million at December 31, 2015). These amounts included receivables of €4,077 million (€3,022 million at December 31, 2015), mainly due from the sales network, transferred to jointly controlled financial services companies (FCA Bank).

At December 31, 2016 and 2015, the carrying amount of transferred financial assets not derecognized and the related liabilities were as follows:

	At December 31					
	2016			2015		
	Trade receivables	Receivables from financing activities	Total	Trade receivables	Receivables from financing activities	Total
			(€ million)			
Carrying amount of assets transferred and not derecognized	€ 34	€ 376	**€ 410**	€ 22	€ 184	**€ 206**
Carrying amount of the related liabilities	€ 34	€ 376	**€ 410**	€ 22	€ 184	**€ 206**

16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The following table summarizes the fair value of the Group's derivative financial assets and liabilities:

	At December 31			
	2016		2015	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	(€ million)			
Fair value hedges:				
Interest rate risk - interest rate swaps	€ 31	€ (1)	€ 58	€ (3)
Interest rate and exchange rate risk - combined interest rate and currency swaps	—	(115)	—	(96)
Total Fair value hedges	**31**	**(116)**	**58**	**(99)**
Cash flow hedges:				
Currency risks - forward contracts, currency swaps and currency options	213	(304)	287	(376)
Interest rate risk - interest rate swaps	—	—	1	—
Interest rate and currency risk - combined interest rate and currency swaps	87	—	127	(1)
Commodity price risk – commodity swaps and commodity options	21	(2)	—	(43)
Total Cash flow hedges	**321**	**(306)**	**415**	**(420)**
Net investment hedges:				
Currency risks - forward contracts, currency swaps and currency options	—	(47)	—	—
Total Net investment hedges	**—**	**(47)**	**—**	**—**
Derivatives for trading	**127**	**(228)**	**340**	**(217)**
Total Fair value of derivative financial assets/(liabilities)	**€ 479**	**€ (697)**	**€ 813**	**€ (736)**
Financial derivative assets/(liabilities) - current	€ 448	€ (681)	€ 691	€ (429)
Financial derivative assets/(liabilities) - non-current	€ 31	€ (16)	€ 122	€ (307)

The following table summarizes the outstanding notional amounts of the Group's derivative financial instruments by due date:

	At December 31							
	2016				2015			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
	(€ million)							
Currency risk management	€ 18,668	€ 311	€ —	€ 18,979	€ 18,769	€ 363	€ —	€ 19,132
Interest rate risk management	855	795	—	1,650	264	1,448	—	1,712
Interest rate and currency risk management	928	305	82	1,315	1,380	1,178	65	2,623
Commodity price risk management	450	44	—	494	517	31	—	548
Other derivative financial instruments	—	14	—	14	—	—	14	14
Total Notional amount	**€ 20,901**	**€ 1,469**	**€ 82**	**€ 22,452**	**€ 20,930**	**€ 3,020**	**€ 79**	**€ 24,029**

Fair value hedges

The gains and losses arising from the valuation of outstanding interest rate derivatives (for managing interest rate risk) and currency derivatives (for managing currency risk) recognized in accordance with fair value hedge accounting and the gains and losses arising from the respective hedged items are summarized in the following table:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Currency risk			
Net gains/(losses) on qualifying hedges	€ (13)	€ (49)	€ (53)
Fair value changes in hedged items	13	49	53
Interest rate risk			
Net (losses) on qualifying hedges	(26)	(34)	(20)
Fair value changes in hedged items	26	34	20
Net gains/(losses)	**€ —**	**€ —**	**€ —**

Cash flow hedges

The effects recognized in the Consolidated Income Statement mainly relate to currency risk management and, to a lesser extent, to hedges regarding commodity price risk management and the cash flows that are exposed to interest rate risk.

The Group's policy for managing currency risk normally requires hedging of projected future flows from trading activities which will occur within the following twelve months, and from orders acquired (or contracts in progress), regardless of their due dates. The hedging effect arising from this is recorded in Other comprehensive income within Cash flow hedge reserve and will be recognized in the Consolidated Income Statement, mainly during the following year.

Derivatives relating to interest rate and currency risk management are treated as cash flow hedges and are entered into for the purpose of hedging notes issued in foreign currencies. The amount recorded in Other comprehensive income and within Cash flow hedge reserve is recognized in the Consolidated Income Statement according to the timing of the flows of the underlying notes.

With respect to cash flow hedges, the Group reclassified gains of €171 million during the year ended December 31, 2016 (losses of €221 million and €108 million for the years ended December 31, 2015 and 2014, respectively), net of the tax effect, from Other comprehensive income/(loss) to the Consolidated Income Statement and were reported in the following lines:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Currency risk			
Increase in Net revenues	€ 236	€ 33	€ 33
(Increase)/Decrease in Cost of revenues	(44)	101	11
Net financial income/(expenses)	34	(148)	(141)
Result from investments	26	1	(13)
Interest rate risk			
Increase in Cost of revenues	—	(10)	(2)
Result from investments	(1)	(2)	(3)
Net financial expenses	(4)	(77)	(11)
Commodity price risk			
Increase in Cost of revenues	(39)	(23)	(2)
Ineffectiveness and discontinued hedges	12	1	5
Tax expense/(benefit)	(49)	(97)	15
Total recognized in Net profit from continuing operations	**171**	**(221)**	**(108)**
Recognized in Profit from discontinued operations, net of tax	—	(116)	2
Total recognized in Net profit	**€ 171**	**€ (337)**	**€ (106)**

Net investment hedges

In order to manage the Group's foreign currency risk related to its investments in foreign operations, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. For the year ended December 31, 2016, losses of €75 million related to the net investment hedges were recognized in Other comprehensive income and were reflected within Currency translation differences. There was no ineffectiveness for the year ended December 31, 2016.

Derivatives for trading

At December 31, 2016 and 2015, Derivatives for trading primarily consisted of derivative contracts entered for hedging purposes which do not qualify for hedge accounting and one embedded derivative in a bond issue in which the yield is determined as a function of trends in the inflation rate and related hedging derivative, which converts the exposure to floating rate (the total value of the embedded derivative is offset by the value of the hedging derivative).

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	At December 31			
		2016		2015
		(€ million)		
Cash at banks	€	8,118	€	9,274
Money market securities		9,200		11,388
Total Cash and cash equivalents	**€**	**17,318**	**€**	**20,662**

Cash and cash equivalents held in certain foreign countries (primarily in China and Argentina) are subject to local exchange control regulations providing for restrictions on the amount of cash other than dividends that can leave the country.

18. SHARE-BASED COMPENSATION

FCA - Performance Share Units

During the year ended December 31, 2015, FCA awarded a total of 14,713,100 Performance Share Units ("PSU awards") to certain key employees under the equity incentive plan (Note 27, *Equity*). The PSU awards, which represent the right to receive FCA common shares, have financial performance goals covering a five-year period from 2014 to 2018. The performance goals include a net income target as well as total shareholder return ("TSR") target, with each weighted at 50 percent and settled independently of the other. Half of the award will vest based on our achievement of the targets for net income ("PSU NI awards") and will have a payout scale ranging from 0 percent to 100 percent. The remaining 50 percent of the PSU awards, ("PSU TSR awards") are based on market conditions and have a payout scale ranging from 0 percent to 150 percent. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 14.7 million shares. One third of total PSU awards will vest in the first quarter of 2017, a cumulative two-thirds in the first quarter of 2018 and a cumulative 100 percent in the first quarter of 2019 if the respective performance goals for the years 2014 to 2016, 2014 to 2017 and 2014 to 2018 are achieved.

The vesting of the PSU NI awards will be determined based on the achievement of pre-established performance targets consistent with the Company's business plan that was published in May 2014 and subsequently updated. The performance period for the PSU NI awards commenced on January 1, 2014. As the performance period commenced substantially prior to the commencement of the service period, which coincides with the grant date, the Company determined that the net income target did not meet the definition of a performance condition under IFRS 2 - *Share-based Payment*, and therefore is required to be accounted for as a non-vesting condition. As such, the fair values of the PSU NI awards were calculated using a Monte Carlo simulation model. The weighted average fair value of the PSU NI awards granted during the year ended December 31, 2015 was €8.78 (U.S.$9.76).

The key assumptions utilized to calculate the grant-date fair values for the PSU NI awards issued are summarized below:

Key assumptions	Range
Grant date stock price	€13.44 - €15.21
Expected volatility	40%
Risk-free rate	0.7%

The expected volatility was based on the observed historical volatility for common shares of FCA. The risk-free rate was based on the yields of the U.S. Treasury bonds with similar terms to the vesting date of each PSU NI award.

The weighted average fair value of the PSU TSR awards granted during the year ended December 31, 2015 was €16.52 (U.S.$18.35), which was calculated using a Monte Carlo simulation model. The key assumptions utilized to calculate the grant date fair values for the PSU TSR awards issued are summarized below:

Key assumptions	Range
Grant date stock price	€13.44 - €15.21
Expected volatility	37% - 39%
Dividend yield	0%
Risk-free rate	0.7% - 0.8%

The expected volatility was based on the observed historical volatility for common shares of FCA. The risk-free rate was based on the yields of the U.S. Treasury bonds with similar term to the vesting date of the PSU TSR awards. In addition, since the volatility of each member of the defined peer group are not wholly independent of one another, a correlation coefficient was developed based on historical share price changes for FCA and the defined peer group over a three-year period leading up to the grant date of the awards.

During the fourth quarter of 2016, FCA granted a total of 337,186 PSU awards, which had a grant date stock price of €5.73 (U.S.$6.30). The key assumptions used to value these awards were consistent with those of the PSU awards granted in 2015 (as adjusted for the anti-dilution provision described below). In addition, 295,319 PSU awards were canceled during the fourth quarter of 2016. The accelerated expense related to the cancellation of these awards was immaterial.

The weighted average fair value of the PSU NI awards for the year ended December 31, 2016 was €5.65 (U.S.$ 6.28). The weighted average fair value for the PSU TSR awards was €10.64 (U.S.$11.82) for the year ended December 31, 2016.

FCA - Restricted Share Units

During the year ended December 31, 2015, FCA awarded 5,196,550 Restricted Share Units ("RSU awards") to certain key employees of the Company, which represent the right to receive FCA common shares and which will vest in three equal tranches in February of 2017, 2018 and 2019.

During the fourth quarter of 2016, FCA granted a total of 94,222 RSU awards, which represent the right to receive FCA common shares and which had a grant date fair value of €5.73 (U.S.$6.30). In addition, 148,071 RSU awards were canceled during the year ended December 31, 2016. The accelerated expense related to the cancellation of these awards was immaterial.

Anti-dilution adjustments - PSU awards and RSU awards

The documents governing FCA's long term incentive plans contain anti-dilution provisions which provide for an adjustment to the number of awards granted under the plans in order to preserve, or alternatively, prevent the enlargement of the benefits intended to be made available to the recipients of the awards should an event occur that affects our capital structure. As such, as a result of the spin-off of Ferrari N.V., on January 26, 2016, a conversion factor of 1.5440 was approved by FCA's Compensation Committee and applied to outstanding PSU awards and RSU awards as an equitable adjustment to make equity award holders whole for the resulting diminution in the value of an FCA share. For the PSU NI awards, FCA's Compensation Committee also approved an adjustment to the net income targets for the years 2016-2018 to account for the net income of Ferrari in order to preserve the economic benefit intended to be provided to each participant. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

The following table reflects the changes resulting from the anti-dilution adjustment on January 26, 2016:

PSU Awards:	
Number of awards - as adjusted	22,717,024
Key assumptions - as adjusted: Grant date stock price - for PSU NI and PSU TSR	€8.71 - €9.85
RSU Awards:	
Number of awards - as adjusted	8,023,472

None of the outstanding PSU and RSU awards were forfeited and none of the outstanding PSU and RSU awards had vested as of December 31, 2016. The total number of PSU awards and RSU awards, as adjusted for the anti-dilution provision described above were 22,758,891 and 7,969,623, respectively, at December 31, 2016.

Total expense for the PSU awards and RSU awards of approximately €96 million and €54 million was recorded for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, the Group had unrecognized compensation expense related to the non-vested PSU awards and RSU awards of approximately €83 million based on current forfeiture assumptions, which will be recognized over a weighted-average period of 1.6 years.

Chief Executive Officer - Special Recognition Award

On April 16, 2015, shareholders of FCA approved a grant of 1,620,000 common shares to the Chief Executive Officer, which vested immediately. This grant was for recognition of the Chief Executive Officer's vision and guidance in the formation of Fiat Chrysler Automobiles N.V., which created significant value for the Company, its shareholders, stakeholders and employees. The weighted-average fair value of the shares at the grant date was €15.21 (U.S.$16.29), measured using FCA's share price on the grant date. A one-time charge of €24.6 million was recorded within Selling, general and other costs during the year ended December 31, 2015 related to this grant.

Stock option plans linked to Fiat and CNHI ordinary shares

On July 26, 2004, the Board of Directors granted the Chief Executive Officer, as a part of his variable compensation in that position, options to purchase 10,670,000 Fiat ordinary shares at a price of €6.583 per share. Following the de-merger of CNHI from Fiat, the beneficiary had the right to receive one ordinary Fiat share and one ordinary CNHI share for each original option, with the option exercise price remaining unchanged. The options were exercised in total in November 2014 and the beneficiary received 10,670,000 shares of FCA since the options were exercised after the Merger, in addition to 10,670,000 CNHI shares.

On November 3, 2006, the Fiat Board of Directors approved (subject to the subsequent approval of shareholders obtained on April 5, 2007), the "November 2006 Stock Option Plan", an eight-year stock option plan, which granted certain managers of the Group and the Chief Executive Officer of Fiat the right to purchase a specific number of Fiat ordinary shares at a fixed price of €13.37 each. More specifically, the 10,000,000 options granted to employees and the 5,000,000 options granted to the Chief Executive Officer had a vesting period of four years, with an equal number vesting each year, were subject to achieving certain predetermined profitability targets non-market conditions in the reference period and were exercisable from February 18, 2011. An additional 5,000,000 options were granted to the Chief Executive Officer of Fiat that were not subject to performance conditions but also had a vesting period of four years with an equal number vesting each year and were exercisable from November 2010. Following the demerger of CNHI from Fiat, the beneficiaries had the right to receive one ordinary Fiat share and one ordinary CNHI share for each original option, with the option exercise price remaining unchanged.

Changes during the year ended December 31, 2014 were as follows:

	Rights granted to Managers	
	Number of options	Average exercise price (€)
Outstanding shares at January 1, 2014	1,240,000	€ 13.37
Exercised	(1,139,375)	13.37
Expired	(100,625)	—
Outstanding shares at December 31, 2014	**—**	**—**

	Rights granted to the Chief Executive Officer	
	Number of options	Average exercise price (€)
Outstanding shares at January 1, 2014	6,250,000	€ 13.37
Exercised	(6,250,000)	13.37
Outstanding shares at December 31, 2014	**—**	**—**

Stock grant plans linked to Fiat shares

On April 4, 2012, the shareholders resolved to approve the adoption of a Long Term Incentive Plan (the "Retention LTI Plan"), in the form of stock grants. As a result, the Group granted the Chief Executive Officer 7,000,000 rights, which represented an equal number of common shares. One third of the rights vested on February 22, 2013, one third vested on February 22, 2014 and one third vested on February 22, 2015, which had been subject to the requirement that the Chief Executive Officer remain in office. The Plan was serviced in 2015 through the issuance of new common shares. Compensation expense for the Retention LTI Plan for the years ended December 31, 2015 and 2014 were not material.

Changes in the Retention LTI Plan during the years ended December 31, 2015 and 2014 were as follows:

	2015			2014		
	Number of FCA shares		Average fair value at the grant date (€)	Number of FCA shares		Average fair value at the grant date (€)
Outstanding shares unvested at January 1	2,333,334	€	4.205	4,666,667	€	4.205
Vested	(2,333,334)		4.205	(2,333,333)		4.205
Outstanding shares unvested at December 31	**—**	**€**	**4.205**	**2,333,334**	**€**	**4.205**

Share-based compensation plans issued by FCA US

At December 31, 2016, FCA US has fully-vested outstanding units under its legacy Amended and Restated FCA US Directors' Restricted Stock Unit Plan ("FCA US Directors' RSU Plan"). There were no units outstanding under the FCA US 2012 Long-Term Incentive Plan ("2012 LTIP Plan") or the FCA US Restricted Stock Unit Plan ("FCA US RSU Plan"). Compensation expense for those plans for the years ended December 31, 2016, 2015 and 2014 were not material.

Anti-dilution adjustments - FCA US share-based compensation plans

The documents governing FCA US's share-based compensation plans contain anti-dilution provisions which provide for an adjustment to the number of FCA US awards granted under the plans in order to preserve, or alternatively prevent the enlargement of, the benefits intended to be made available to the holders of the awards should an event occur that impacts the capital structure of FCA US. On February 3, 2015, FCA US made a special distribution to FCA, which reduced the fair value of FCA US's equity. As a result of this dilutive event, the FCA US Board of Directors approved an anti-dilution adjustment factor to increase the number of outstanding FCA US awards in order to preserve the economic benefit intended to be provided to each participant. On January 21, 2014, FCA US paid a distribution of U.S.$1,900 million (€1,404 million) and on February 7, 2014, FCA US prepaid the VEBA Trust Note. As a result of these two transactions that diluted the fair value of FCA US's equity, an anti-dilution adjustment factor was approved by FCA US's Compensation and Leadership Development Committee to increase the number of outstanding FCA US awards (excluding performance share units granted under the 2012 LTIP Plan ("LTIP PSUs")) in order to preserve the economic benefit intended to be provided to each participant. No additional expense was recognized as a result of these anti-dilutive adjustments and the changes below reflect the impact of the anti-dilutive adjustments for the years ended December 31, 2015 and 2014.

Restricted Stock Unit Plans issued by FCA US

Director restricted stock units were granted to non-employee members of the FCA US Board of Directors. Under the plan, settlement of the awards is made within 60 days of the Director's cessation of service on the FCA US Board of Directors and awards are paid in cash. On May 7, 2015, the FCA US Board of Directors approved an amendment to the FCA US Directors' RSU Plan, freezing the Director restricted stock unit value as of December 31, 2015.

Changes during the years ended December 31, 2015 and 2014 for the FCA US RSU Plan were as follows:

	2015			2014		
	FCA US Restricted Stock Units		Weighted average fair value at the grant date (€)	FCA US Restricted Stock Units		Weighted average fair value at the grant date (€)
Outstanding shares unvested at January 1	1,545,985	€	4.18	5,550,897	€	3.14
Granted	—		—	—		—
Vested	(1,545,985)		4.58	(3,893,470)		3.01
Forfeited	—		—	(111,442)		3.85
Outstanding shares unvested at December 31	**—**	**€**	**—**	**1,545,985**	**€**	**4.18**

2012 LTIP Plan

In February 2012, the Compensation Committee of FCA US approved the 2012 LTIP Plan that covers senior executives of FCA US (other than the Chief Executive Officer). During the year ended December 31, 2016, the restricted share units ("LTIP RSUs") were settled in cash.

Changes during 2016, 2015 and 2014 for the LTIP RSUs were as follows:

	2016			2015			2014		
	LTIP RSUs		Weighted average fair value at the grant date (€)	LTIP RSUs		Weighted average fair value at the grant date (€)	LTIP RSUs		Weighted average fair value at the grant date (€)
Outstanding shares unvested at January 1	654,706	€	5.50	2,303,928	€	4.67	4,054,807	€	4.08
Granted	—		—	—		—	—		—
Vested	(642,922)		5.27	(1,544,664)		4.98	(1,630,392)		4.15
Forfeited	(11,784)		5.45	(104,558)		5.36	(120,487)		4.24
Outstanding shares unvested at December 31	**—**	**€**	**—**	**654,706**	**€**	**5.50**	**2,303,928**	**€**	**4.67**

Changes during 2015 and 2014 for the LTIP PSUs were as follows:

	2015			2014		
	LTIP PSUs(1)		Weighted average fair value at the grant date (€)	LTIP PSUs(1)		Weighted average fair value at the grant date (€)
Outstanding shares unvested at January 1	5,320,540	€	8.62	8,417,511	€	5.64
Granted	—		—	5,556,503		7.62
Vested	(5,302,138)		9.44	—		—
Forfeited	(18,402)		9.44	(8,653,474)		5.89
Outstanding shares unvested at December 31	**—**	**€**	**—**	**5,320,540**	**€**	**8.62**

(1) *Not adjusted for anti-dilution.*

19. EMPLOYEE BENEFITS LIABILITIES

Employee benefits liabilities consisted of the following:

	At December 31					
	2016			2015		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Pension benefits	€ 38	€ 4,980	€ 5,018	€ 36	€ 5,274	€ 5,310
Health care and life insurance plans	145	2,321	2,466	153	2,306	2,459
Other post-employment benefits	110	877	987	110	859	969
Other provisions for employees	518	874	1,392	359	967	1,326
Total Employee benefits liabilities	**€ 811**	**€ 9,052**	**€ 9,863**	**€ 658**	**€ 9,406**	**€ 10,064**

The Group recognized a total of €1,540 million for the cost for defined contribution plans for the year ended December 31, 2016 (€1,541 million in 2015 and €1,346 million in 2014).

The following table summarizes the fair value of the defined benefit obligations and the fair value of the related plan assets:

	At December 31	
	2016	2015
	(€ million)	
Present value of defined benefit obligations:		
Pension benefits	€ 28,065	€ 27,547
Health care and life insurance plans	2,466	2,459
Other post-employment benefits	987	969
Total present value of defined benefit obligations (a)	**31,518**	**30,975**
Fair value of plan assets (b)	23,409	22,415
Asset ceiling (c)	12	11
Total net defined benefit plans (a - b + c)	**8,121**	**8,571**
of which:		
Net defined benefit liability (d)	*8,471*	*8,738*
Defined benefit plan asset	*(350)*	*(167)*
Other provisions for employees (e)	**1,392**	**1,326**
Total Employee benefits liabilities (d + e)	**€ 9,863**	**€ 10,064**

Pension benefits

Liabilities arising from the Group's defined benefit plans are usually funded by contributions made by Group subsidiaries and, at times by their employees, into legally separate trusts from which the employee benefits are paid. The Group's funding policy for defined benefit pension plans is to contribute the minimum amounts required by applicable laws and regulations. Occasionally, additional discretionary contributions in excess of these legally required are made to achieve certain desired funding levels. In the U.S. these excess amounts are tracked, and the resulting credit balance can be used to satisfy minimum funding requirements in future years. At December 31, 2016, the combined credit balances for the U.S. and Canada qualified pension plans were approximately €2.2 billion, the usage of the credit balances to satisfy minimum funding requirements is subject to the plans maintaining certain funding levels. During the years ended December 31, 2016, 2015 and 2014, the Group made pension contributions in the U.S. and Canada totaling €445 million, €202 million and €193 million, respectively. The Group contributions to pension plans for 2017 are expected to be €677 million, of which €645 million relate to the U.S. and Canada, with €513 million being discretionary contributions and €132 million will be made to satisfy minimum funding requirements. The expected benefit payments for pension plans are as follows:

	Expected benefit payments	
	(€ million)	
2017	€	1,881
2018	€	1,844
2019	€	1,820
2020	€	1,806
2021	€	1,787
2022-2026	€	8,947

The following table summarizes the changes in the pension plans:

	2016				2015			
	Obligation	Fair value of plan assets	Asset ceiling	Liability (asset)	Obligation	Fair value of plan assets	Asset ceiling	Liability (asset)
	(€ million)							
At January 1	**€ 27,547**	**€ (22,415)**	**€ 11**	**€ 5,143**	**€ 27,287**	**€ (22,231)**	**€ 6**	**€ 5,062**
Included in the Consolidated Income Statement	1,322	(849)	—	473	1,327	(816)	—	511
Included in Other comprehensive income:								
Actuarial (gains)/losses from:								
- Demographic assumptions	(61)	—	—	(61)	(101)	—	—	(101)
- Financial assumptions	346	—	—	346	(1,296)	—	—	(1,296)
- Other	12	(6)	—	6	33	(8)	—	25
Return on assets	—	(861)	—	(861)	—	749	—	749
Changes in the effect of limiting net assets	—	—	—	—	—	—	4	4
Changes in exchange rates	907	(817)	1	91	2,181	(1,743)	1	439
Other:								
Employer contributions	—	(454)	—	(454)	—	(237)	—	(237)
Plan participant contributions	3	(4)	—	(1)	2	(2)	—	—
Benefits paid	(2,015)	1,999	—	(16)	(1,857)	1,849	—	(8)
Other changes	4	(2)	—	2	(29)	24	—	(5)
At December 31	**€ 28,065**	**€ (23,409)**	**€ 12**	**€ 4,668**	**€ 27,547**	**€ (22,415)**	**€ 11**	**€ 5,143**

At December 31, 2015, Employee benefits liabilities included a total of €212 million related to the payment of supplemental unemployment benefits due to extended downtime at certain plants associated with the realignment of a portion of the Group's existing manufacturing capacity in NAFTA to better meet market demand for Ram pickup trucks and Jeep vehicles.

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31		
	2016	2015	2014
	(€ million)		
Current service cost	€ 175	€ 196	€ 184
Interest expense	1,157	1,143	1,089
Interest income	(944)	(912)	(878)
Other administration costs	95	92	62
Past service costs/(credits) and gains/(losses) arising from settlements/curtailments	(10)	(8)	17
Total recognized in the Consolidated Income Statement	**€ 473**	**€ 511**	**€ 474**

During the year ended December 31, 2016, the Group amended its U.S. defined benefit plan for salaried employees to allow certain terminated vested participants to accept a lump-sum amount. A total of €214 million was paid to those participants who accepted the offer in December 2016. The plan amendment resulted in a settlement gain of €29 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2016. There were no significant plan amendments or curtailments to the Group's pension plans for the years ended December 31, 2015 and 2014.

During the year ended December 31, 2015, mortality assumptions used for our U.S. benefit plan valuation were updated to reflect recent trends in the industry and the revised outlook for future generational mortality improvements. Generational improvements represent decreases in mortality rates over time based upon historical improvements in mortality and expected future improvements. The change increased the Group's U.S. pension and other post-employment benefit obligations by approximately €214 million and €28 million, respectively, at December 31, 2015. In addition, retirement rate assumptions used for the Group's U.S. and Canada benefit plan valuations were updated to reflect an ongoing trend towards delayed retirement for U.S. and Canada employees. The change decreased the Group's U.S. and Canada pension benefit obligations by approximately €209 million at December 31, 2015.

The fair value of plan assets by class was as follows:

	At December 31			
	2016		2015	
	Amount	of which have a quoted market price in an active market	Amount	of which have a quoted market price in an active market
	(€ million)			
Cash and cash equivalents	**€ 862**	**€ 816**	**€ 589**	**€ 512**
U.S. equity securities	1,641	1,633	2,209	2,208
Non-U.S. equity securities	1,170	1,170	1,388	1,388
Commingled funds	3,149	216	2,025	164
Equity instruments	**5,960**	**3,019**	**5,622**	**3,760**
Government securities	2,611	858	2,610	852
Corporate bonds (including convertible and high yield bonds)	6,353	58	6,028	—
Other fixed income	907	9	928	7
Fixed income securities	**9,871**	**925**	**9,566**	**859**
Private equity funds	1,979	—	1,787	—
Commingled funds	147	118	137	117
Mutual funds	3	3	3	—
Real estate funds	1,460	—	1,502	—
Hedge funds	2,466	—	2,607	—
Investment funds	**6,055**	**121**	**6,036**	**117**
Insurance contracts and other	**661**	**156**	**602**	**49**
Total fair value of plan assets	**€ 23,409**	**€ 5,037**	**€ 22,415**	**€ 5,297**

Non-U.S. Equity securities are invested broadly in developed international and emerging markets. Debt instruments are fixed income securities which are primarily comprised of long-term U.S. Treasury and global government bonds, as well as developed international and emerging market companies' debt securities diversified by sector, geography and through a wide range of market capitalization. Commingled funds include common collective trust funds, mutual funds and other investment entities. Private equity funds include those in limited partnerships that invest primarily in operating companies that are not publicly traded on a stock exchange. Real estate investments include those in limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally. Hedge fund investments include those seeking to maximize absolute return using a broad range of strategies to enhance returns and provide additional diversification.

The investment strategies and objectives for pension assets primarily in the U.S. and Canada reflect a balance of liability-hedging and return-seeking investment considerations. The investment objectives are to minimize the volatility of the value of the pension assets relative to the pension liabilities and to ensure assets are sufficient to pay plan obligations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset diversification, partial asset–liability matching and hedging. Assets are broadly diversified across many asset classes to achieve risk–adjusted returns that, in total, lower asset volatility relative to the liabilities. Additionally, in order to minimize pension asset volatility relative to the pension liabilities, a portion of the pension plan assets are allocated to fixed income securities. The Group policy for these plans ensures actual allocations are in line with target allocations as appropriate.

Assets are actively managed primarily by external investment managers. Investment managers are not permitted to invest outside of the asset class or strategy for which they have been appointed. The Group uses investment guidelines to ensure investment managers invest solely within the mandated investment strategy. Certain investment managers use derivative financial instruments to mitigate the risk of changes in interest rates and foreign currencies impacting the fair values of certain investments. Derivative financial instruments may also be used in place of physical securities when it is more cost effective and/or efficient to do so. Plan assets do not include shares of FCA or properties occupied by Group companies, with the possible exception of commingled investment vehicles where FCA does not control the investment guidelines.

Sources of potential risk in the pension plan assets measurements relate to market risk, interest rate risk and operating risk. Market risk is mitigated by diversification strategies and as a result, there are no significant concentrations of risk in terms of sector, industry, geography, market capitalization, or counterparty. Interest rate risk is mitigated by partial asset–liability matching. The fixed income target asset allocation partially matches the bond–like and long–dated nature of the pension liabilities. Interest rate increases generally will result in a decline in the fair value of the investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases generally will increase the fair value of the investments in fixed income securities and the present value of the obligations.

The weighted average assumptions used to determine the defined benefit obligations were as follows:

						At December 31
			2016			2015
	U.S.	Canada	UK	U.S.	Canada	UK
Discount rate	4.4%	3.9%	2.7%	4.5%	4.0%	3.8%
Future salary increase rate	—%	3.5%	3.1%	—%	3.5%	2.9%

The average duration of the U.S. and Canadian liabilities was approximately 11 and 13 years, respectively. The average duration of the UK pension liabilities was approximately 21 years.

Health care and life insurance plans

Liabilities arising from these plans comprise obligations for retiree health care and life insurance granted to employees and to retirees in the U.S. and Canada by FCA US subsidiaries. Upon retirement from the Group, these employees may become eligible for continuation of certain benefits. Benefits and eligibility rules may be modified periodically. These plans are unfunded. The expected benefit payments for unfunded health care and life insurance plans are as follows:

		Expected benefit payments
		(€ million)
2017	€	145
2018	€	145
2019	€	144
2020	€	144
2021	€	144
2022-2025	€	732

Changes in the net defined benefit obligations for healthcare and life insurance plans were as follows:

		2016		2015
		(€ million)		
Present value of obligations at January 1	€	2,459	€	2,276
Included in the Consolidated Income Statement		130		134
Included in Other comprehensive income:				
Actuarial losses/(gains) from:				
- Demographic assumptions		(43)		5
- Financial assumptions		10		(9)
- Other		(34)		1
Effect of movements in exchange rates		83		204
Other:				
Benefits paid		(139)		(152)
Other changes		—		—
Present value of obligations at December 31	€	2,466	€	2,459

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31					
		2016		2015		2014
			(€ million)			
Current service cost	€	26	€	32	€	21
Interest expense		107		102		98
Past service costs/(credits) and losses/(gains) arising from settlements		(3)		—		7
Total recognized in the Consolidated Income Statement	€	130	€	134	€	126

Health care and life insurance plans are accounted for on an actuarial basis, which requires the selection of various assumptions, in particular, it requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as health care cost increases and demographic experience.

The weighted average assumptions used to determine the defined benefit obligations were as follows:

	At December 31			
		2016		2015
	U.S.	Canada	U.S.	Canada
Discount rate	**4.5%**	**4.0%**	4.5%	4.2%
Salary growth	**1.5%**	**1.0%**	1.5%	1.5%
Weighted average ultimate healthcare cost trend rate	**4.5%**	**4.4%**	4.5%	4.3%

The average duration of the U.S. and Canadian liabilities was approximately 12 and 16 years, respectively.

The annual rate of increase in the per capita cost of covered U.S. health care benefits assumed for next year and used in the 2016 plan valuation was 7.0 percent (7.0 percent in 2015). The annual rate was assumed to decrease gradually to 4.5 percent after 2029 and remain at that level thereafter. The annual rate of increase in the per capita cost of covered Canadian health care benefits assumed for next year and used in the 2016 plan valuation was 4.7 percent (4.7 percent in 2015). The annual rate was assumed to decrease gradually to 4.4 percent in 2029 and remain at that level thereafter.

Other post-employment benefits

Other post-employment benefits include other employee benefits granted to Group employees in Europe and comprises, amongst others, the Italian employee severance indemnity ("TFR") obligation amounting to €775 million at December 31, 2016 and €794 million at December 31, 2015. These schemes are required under Italian Law.

The amount of TFR to which each employee is entitled must be paid when the employee leaves the Group and is calculated based on the period of employment and the taxable earnings of each employee. Under certain conditions the entitlement may be partially advanced to an employee during their working life.

The legislation regarding this scheme was amended by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in the first part of 2007. Under these amendments, companies with at least 50 employees were obliged to transfer the TFR to the "Treasury fund" managed by the Italian state-owned social security body ("INPS") or to supplementary pension funds. Prior to the amendments, accruing TFR for employees of all Italian companies could be managed by the company itself. Consequently, the Italian companies' obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19 - *Employee Benefits,* of defined contribution plans whereas the amounts recorded in the provision for employee severance pay retain the nature of defined benefit plans. Accordingly, the provision for employee severance indemnity in Italy consisted of the residual obligation for TFR through December 31, 2006. This is an unfunded defined benefit plan as the benefits have already been entirely earned, with the sole exception of future revaluations. Since 2007, the scheme has been classified as a defined contribution plan and the Group recognizes the associated cost over the period in which the employee renders service.

Changes in defined benefit obligations for other post-employment benefits were as follows:

	2016	2015
	(€ million)	
Present value of obligations at January 1	€ 969	€ 1,074
Included in the Consolidated Income Statement	26	16
Included in Other comprehensive income:		
Actuarial (gains)/losses from:		
- Demographic assumptions	2	(1)
- Financial assumptions	29	(27)
- Other	34	(11)
Effect of movements in exchange rates	1	(1)
Other:		
Benefits paid	(58)	(60)
Transfer to Liabilities held for sale	(14)	(23)
Other changes	(2)	2
Present value of obligations at December 31	€ 987	€ 969

Amounts recognized in the Consolidated Income Statement were as follows:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Current service cost	€ 8	€ 10	€ 20
Interest expense	17	6	11
Past service costs (credits) and gains or losses arising from settlements	1	—	—
Total recognized in the Consolidated Income Statement	€ 26	€ 16	€ 31

The discount rates used for the measurement of the Italian TFR obligation are based on yields of high-quality (AA rated) fixed income securities for which the timing and amounts of maturities match the timing and amounts of the projected benefit payments. For this plan, the single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2016 was 1.0 percent (1.6 percent in 2015). The average duration of the Italian TFR is approximately 7 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and law requirements for retirement in Italy.

Other provisions for employees

Other provisions for employees primarily included long-term disability benefits, supplemental unemployment benefits, variable and other deferred compensation, as well as bonuses granted for tenure at the Company.

20. PROVISIONS

Provisions consisted of the following:

	At December 31											
					2016						2015	
		Current		Non-current		Total		Current		Non-current		Total
	(€ million)											
Product warranty and recall campaigns	€	2,905	€	4,637	€	7,542	€	2,411	€	4,060	€	6,471
Sales incentives		5,749		—		5,749		5,196		—		5,196
Legal proceedings and disputes		54		530		584		66		434		500
Commercial risks		250		412		662		189		132		321
Restructuring		26		46		72		32		67		99
Other risks		333		895		1,228		218		987		1,205
Total Provisions	**€**	**9,317**	**€**	**6,520**	**€**	**15,837**	**€**	**8,112**	**€**	**5,680**	**€**	**13,792**

Changes in Provisions were as follows:

		At December 31, 2015		Additional provisions		Settlements		Unused amounts		Translation differences		Transfer to Liabilities held for sale		Changes in the scope of consolidation and other changes		At December 31, 2016
	(€ million)															
Product warranty and recall campaigns	€	6,471	€	4,147	€	(3,351)	€	—	€	238	€	—	€	37	€	7,542
Sales incentives		5,196		13,354		(12,955)		(2)		160		—		(4)		5,749
Legal proceedings and disputes		500		99		(92)		(68)		37		(6)		114		584
Commercial risks		321		599		(176)		(26)		20		(3)		(73)		662
Restructuring		99		78		(69)		(13)		2		(8)		(17)		72
Other risks		1,205		355		(191)		(133)		18		(4)		(22)		1,228
Total Provisions	**€**	**13,792**	**€**	**18,632**	**€**	**(16,834)**	**€**	**(242)**	**€**	**475**	**€**	**(21)**	**€**	**35**	**€**	**15,837**

Product warranty and recall campaigns

At December 31, 2016, the Product warranty and recall campaigns provision included €414 million of charges recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016 for the additional estimated costs associated with the recall campaigns related to an industry wide recall of airbag inflators resulting from parts manufactured by Takata. Refer to Note 25, *Guarantees granted, commitments and contingent liabilities,* for additional information. In addition, the Product warranty and recall campaigns provision included €132 million of estimated net costs recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016 associated with a recall for which costs are being contested with a supplier. Although FCA believes the supplier has responsibility for the recall, only a partial recovery of the estimated costs has been recognized pursuant to a cost sharing agreement. The cash outflow for the non-current portion of the Product warranty and recall campaigns provision is primarily expected within a period through 2021.

The Product warranty and recall campaigns provision at December 31, 2015 included the change in estimate for estimated future recall campaign costs for the U.S. and Canada of €761 million recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2015 related to vehicles sold in periods prior to the third quarter of 2015 as well as additional warranty costs in the second half of 2015 related to the increase in the accrual rate per vehicle. The change in estimate was as a result of increases in both the cost and frequency of recall campaigns and increased regulatory activity across the industry in the U.S. and Canada, and an additional actuarial analysis that gave greater weight to the more recent calendar year trends in recall campaign experience, which was added to the adequacy assessment to estimate future recall costs.

For the year ended December 31, 2015, a total charge of €81 million was recorded within Selling, general and other costs in the Consolidated Income Statement for the year ended December 31, 2015 as a result of a consent order agreed with U.S. National Highway Traffic Safety Administration ("NHTSA"), (the "Consent Order"), resolving the issues raised by NHTSA with respect to FCA US's execution of 23 recall campaigns in NHTSA's Special Order issued to FCA US on May 22, 2015. Pursuant to the Consent Order, FCA US made a U.S.$70 million (€63 million) cash payment to NHTSA in September 2015 and will spend U.S.$20 million (€18 million) on industry and consumer outreach activities and incentives to enhance certain recall and service campaign completion rates. An additional U.S.$15 million (€14 million) payment will be payable by FCA US if it fails to comply with certain terms of the Consent Order. FCA US's compliance with the Consent Order is monitored by an independent monitor that reports to NHTSA on a periodic basis. In addition, the Consent Order requires FCA US to meet monthly with NHTSA to discuss certain communications and open investigations. Although the Consent Order required these monthly meetings for a one year term, NHTSA exercised its option, pursuant to the terms of the Consent Order, to extend such meetings for an additional year.

As a result of the Group's heightened scrutiny of its regulatory reporting obligations growing out of the Consent Order, the Group identified deficiencies in FCA US's Transportation Recall Enhancement, Accountability, and Documentation (TREAD) reporting. Following admission of these deficiencies to NHTSA, an amendment to the Consent Order was issued in December 2015 whereby a penalty of U.S.$70 million (€63 million) was imposed by NHTSA. The penalty, which was recorded within Selling, general and other costs in the Consolidated Income Statement during the year ended December 31, 2015, was paid on January 6, 2016.

Sales incentives, Legal proceedings and disputes, Commercial risks and Other risks

As described within Note 2 —*Basis of preparation* (*Use of Estimates* section), the Group records the estimated cost of sales incentive programs offered to dealers and consumers as a reduction to revenue at the time of sale of the vehicle to the dealer.

None of the provisions within the total Legal proceedings and disputes provision are individually significant. As described within Note 2 —*Basis of preparation* (*Use of Estimates* section), a provision for legal proceedings is recognized when it is deemed probable that the proceedings will result in an outflow of resources. As the ultimate outcome of pending litigation is uncertain, the timing of cash outflow for the Legal proceedings and disputes provision is also uncertain.

Commercial risks arise in connection with the sale of products and services such as onerous maintenance contracts and as a result of certain regulatory emission requirements. For items such as onerous maintenance contracts, a provision is recognized when the expected costs to complete the services under these contracts exceed the revenues expected to be realized. A provision for fines related to certain regulatory emission requirements is recognized at the time vehicles are sold based on the estimated cost to settle the obligation measured as the sum of the cost of regulatory credits previously purchased plus the amount, if any, of the fine expected to be paid in cash. The non-current portion of the provision for commercial risks is expected to be used within a period through 2019.

Other risks include, among other items: provisions for disputes with suppliers related to supply contracts or other matters that are not subject to legal proceedings, provisions for product liabilities arising from personal injuries including wrongful death and potential exemplary or punitive damages alleged to be the result of product defects, disputes with other parties relating to contracts or other matters not subject to legal proceedings and management's best estimate of the Group's probable environmental obligations which also includes costs related to claims on environmental matters. The cash outflow for the non-current portion of the Other risks provision is primarily expected within a period through 2023.

21. DEBT

Debt classified within current liabilities includes short-term borrowings from banks and other financings with an original maturity date falling within twelve months, as well as the current portion of long-term debt. Debt classified under non-current liabilities includes borrowings from banks and other financings with maturity dates greater than twelve months (long-term debt), net of the current portion.

The following table summarizes the Group's short-term and long-term Debt:

	At December 31									
	2016					2015				
	Due within one year (current)	Due between one and five years	Due beyond five years	Total (non-current)	Total Debt	Due within one year (current)	Due between one and five years	Due beyond five years	Total (non-current)	Total Debt
	(€ million)									
Notes	€ 2,565	€ 5,763	€ 4,023	€ 9,786	€ 12,351	€ 2,689	€ 7,017	€ 3,735	€ 10,752	€ 13,441
Borrowings from banks	4,025	4,592	786	5,378	9,403	3,364	7,803	795	8,598	11,962
Asset-backed financing	410	—	—	—	410	206	—	—	—	206
Other debt	937	688	259	947	1,884	1,109	724	344	1,068	2,177
Total Debt	**€ 7,937**	**€ 11,043**	**€ 5,068**	**€ 16,111**	**€ 24,048**	**€ 7,368**	**€ 15,544**	**€ 4,874**	**€ 20,418**	**€ 27,786**

The annual effective interest rates and the nominal currencies of debt at December 31, 2016 and 2015 were as follows:

	Interest rate					
	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	more than 12.5%	Total at December 31, 2016
	(€ million)					
Euro	€ 6,700	€ 5,028	€ 3	€ 38	€ 14	€ 11,783
U.S.$	5,365	1,817	1	4	162	7,349
Brazilian Real	169	438	773	772	1,393	3,545
Swiss Franc	655	—	—	—	—	655
Canadian Dollar	29	—	261	—	—	290
Chinese Renminbi	181	5	—	—	—	186
Argentinian Peso	12	—	—	—	62	74
Other	112	19	3	19	13	166
Total Debt	**€ 13,223**	**€ 7,307**	**€ 1,041**	**€ 833**	**€ 1,644**	**€ 24,048**

	Interest rate					
	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	more than 12.5%	Total at December 31, 2015
	(€ million)					
Euro	€ 6,671	€ 5,358	€ 1,003	€ 75	€ —	€ 13,107
U.S.$	7,784	1,685	1	5	190	9,665
Brazilian Real	723	383	794	87	1,075	3,062
Swiss Franc	652	369	—	—	—	1,021
Canadian Dollar	12	—	354	—	—	366
Chinese Renminbi	114	51	—	—	—	165
Argentinian Peso	—	—	3	—	155	158
Other	174	1	29	32	6	242
Total Debt	**€ 16,130**	**€ 7,847**	**€ 2,184**	**€ 199**	**€ 1,426**	**€ 27,786**

For further information on the management of interest rate and currency risk, refer to Note 31, *Qualitative and quantitative information on financial risks.*

Notes

The following table summarizes the outstanding notes at December 31, 2016 and 2015:

	Currency	Face value of outstanding notes (million)	Coupon %	Maturity	At December 31 2016	2015
Global Medium Term Note Programme:					(€ million)	
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,000	6.375	April 1, 2016	€ —	€ 1,000
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,000	7.750	October 17, 2016	—	1,000
Fiat Chrysler Finance Europe S.A.[2]	CHF	400	5.250	November 23, 2016	—	369
Fiat Chrysler Finance Europe S.A.[1]	EUR	850	7.000	March 23, 2017	850	850
Fiat Chrysler Finance North America Inc.[1]	EUR	1,000	5.625	June 12, 2017	1,000	1,000
Fiat Chrysler Finance Europe S.A.[2]	CHF	450	4.000	November 22, 2017	419	415
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,250	6.625	March 15, 2018	1,250	1,250
Fiat Chrysler Finance Europe S.A.[1]	EUR	600	7.375	July 9, 2018	600	600
Fiat Chrysler Finance Europe S.A.[2]	CHF	250	3.125	September 30, 2019	233	231
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,250	6.750	October 14, 2019	1,250	1,250
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,000	4.750	March 22, 2021	1,000	1,000
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,350	4.750	July 15, 2022	1,350	1,350
FCA[1]	EUR	1,250	3.750	March 29, 2024	1,250	—
Others	EUR	7			7	7
Total Global Medium Term Notes					**9,209**	**10,322**
Other Notes:						
FCA Notes [1]	U.S.$	1,500	4.500	April 15, 2020	1,423	1,378
FCA Notes [1]	U.S.$	1,500	5.250	April 15, 2023	1,423	1,378
Total Other Notes					**2,846**	**2,756**
Hedging effect, accrued interest and amortized cost valuation					296	363
Total Notes					**€ 12,351**	**€ 13,441**

(1) *Listing on the Irish Stock Exchange was obtained.*
(2) *Listing on the SIX Swiss Exchange was obtained.*

Notes Issued Through GMTN Programme

Certain notes issued by the Group are governed by the terms and conditions of the Global Medium Term Note ("GMTN") Programme. A maximum of €20 billion may be used under this program, of which notes of approximately €9.2 billion were outstanding at December 31, 2016 (€10.3 billion at December 31, 2015). The GMTN Programme is guaranteed by FCA, which may from time to time buy back notes in the market that have been issued. Such buybacks, if made, depend upon market conditions, the Group's financial situation and other factors which could affect such decisions.

Changes in notes issued under the GMTN Programme during the year ended December 31, 2016 were due to the:

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

Changes in notes issued under the GMTN Programme during the year ended December 31, 2015 were due to the:

- repayment at maturity of two notes, one with a principal amount of €1,500 million and one with a principal amount of CHF 425 million (€390 million).

The notes issued under the GMTN Programme impose covenants on the issuer and, in certain cases, on FCA as guarantor, which include: (i) negative pledge clauses which require that, in case any security interest upon assets of the issuer and/or FCA is granted in connection with other notes or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding notes; (ii) *pari passu* clauses, under which the notes rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer and/or FCA; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the notes under certain events of default on other financial instruments issued by FCA's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the notes. As of December 31, 2016, FCA was in compliance with all covenants under the GMTN Programme.

Other Notes

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

On June 17, 2015, subject to the terms and conditions set forth in our prospectus, we commenced an offer to exchange up to U.S.$1.5 billion (€1.4 billion) aggregate principal amount of new 4.5 percent unsecured senior debt securities due 2020 ("2020 Notes"), for any and all of our outstanding Initial 2020 Notes issued on April 14, 2015, and up to U.S.$1.5 billion (€1.4 billion) aggregate principal amount of new 5.25 percent unsecured senior debt securities due 2023 ("2023 Notes"), for any and all of our outstanding Initial 2023 Notes issued on April 14, 2015. The 2020 Notes and the 2023 Notes, collectively referred to as "the Notes", were identical in all material respects to the Initial Notes, except that the Notes did not contain restrictions on transfer. The exchange offer expired on July 23, 2015. Substantially all of the Initial Notes were tendered for the Notes.

The Notes impose covenants on FCA including: (i) negative pledge clauses which require that, in case any security interest upon assets of FCA is granted in connection with other notes or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding Notes; (ii) *pari passu* clauses, under which the Notes rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of FCA; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the Notes under certain events of default on other financial instruments issued by FCA's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the Notes. As of December 31, 2016, FCA was in compliance with the covenants of the Notes.

FCA used the net proceeds from the offering of the Notes for general corporate purposes and the refinancing of a portion of the outstanding secured senior notes of FCA US, as described below. Debt issuance costs, arrangement fees and other direct costs were split evenly across the 2020 Notes and the 2023 Notes, were recorded as a reduction in the carrying value of the Notes and are amortized using the effective interest rate method over the respective life of the Notes. Interest on the 2020 Notes and the 2023 Notes is payable semi-annually in April and October.

FCA US Secured Senior Notes

On May 14, 2015, FCA US prepaid its secured senior notes due in 2019 with an aggregate principal amount outstanding of U.S.$2,875 million (€2,518 million) at a price equal to the principal amount of the notes redeemed, plus accrued and unpaid interest to the date of redemption and a "make-whole" premium calculated in accordance with the terms of the indenture. The redemption payment of U.S.$3.1 billion (€2.7 billion) was made with cash on hand at FCA US. In connection with the redemption, a charge of €51 million, which consisted of the "make-whole" premium and the write-off of the remaining unamortized debt issuance costs partially offset by the write-off of the remaining unamortized debt premium, was recorded as a loss on extinguishment of debt within Net financial expenses in the Consolidated Income Statement during the year ended December 31, 2015.

On December 21, 2015, FCA US prepaid its secured senior notes due in 2021 with an aggregate principal amount outstanding of U.S.$3,080 million (€2,833 million) at a price equal to the principal amount of the notes redeemed, plus accrued and unpaid interest to the date of redemption and a "make-whole" premium calculated in accordance with the terms of the indenture. The redemption payment of U.S.$3.3 billion (€3.0 billion) was made with cash on hand at FCA US. In connection with the redemption, a charge of €117 million, which consisted of the "make-whole" premium and the write-off of the remaining unamortized debt issuance costs partially offset by the write-off of the remaining unamortized debt premium, was recorded as a loss on extinguishment of debt within Net financial expenses in the Consolidated Income Statement during the year ended December 31, 2015.

The secured senior notes due in 2019 and the secured senior notes due in 2021 of FCA US are collectively referred to as "Secured Senior Notes."

Borrowings from banks

FCA US Tranche B Term Loans

At December 31, 2016, €1,730 million (€2,863 million at December 31, 2015), which included accrued interest, was outstanding under FCA US's tranche B term loan maturing May 24, 2017 (the "Tranche B Term Loan due 2017"). The Tranche B Term Loan due 2017 bears interest, at FCA US's option, at either a base rate plus 1.75 percent per annum or at LIBOR plus 2.75 percent per annum, subject to a base rate floor of 1.75 percent per annum or a LIBOR floor of 0.75 percent per annum. For the years ended December 31, 2016 and 2015, interest was accrued based on LIBOR.

At December 31, 2016, €948 million (€1,574 million at December 31, 2015), which included accrued interest, was outstanding under FCA US's tranche B term loan maturing on December 31, 2018 (the "Tranche B Term Loan due 2018"). The Tranche B Term Loan due 2018 bears interest, at FCA US's option, at either a base rate plus 1.5 percent per annum or at LIBOR plus 2.5 percent per annum, subject to a base rate floor of 1.75 percent per annum or a LIBOR floor of 0.75 percent per annum. For the years ended December 31, 2016 and 2015, interest was accrued based on LIBOR.

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

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

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

For each of the Tranche B Term Loans, FCA US prepaid the scheduled quarterly principal payments, with the remaining balance applied to the principal balance due at maturity. Accordingly, FCA US is now scheduled to pay the remaining outstanding principal balances at the respective maturity dates. Periodic interest payments, however, continue to be required.

The Tranche B Term Loans are secured by a senior priority security interest in substantially all of FCA US's assets and the assets of its U.S. subsidiary guarantors, subject to certain exceptions. The collateral includes 100 percent of the equity interests in FCA US's U.S. subsidiaries and 65 percent of the equity interests in certain of its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors.

The credit agreements that govern the Tranche B Term Loans include a number of affirmative covenants, many of which are customary, including, but not limited to, the reporting of financial results and other developments, compliance with laws, payment of taxes, maintenance of insurance and similar requirements. These credit agreements also include negative covenants, including but not limited to: (i) limitations on incurrence, repayment and prepayment of indebtedness, (ii) limitations on incurrence of liens, (iii) limitations on swap agreements and sale and leaseback transactions, (iv) limitations on fundamental changes, including certain asset sales and (v) restrictions on certain subsidiary distributions. In addition, these credit agreements require FCA US to maintain a minimum ratio of "borrowing base" to "covered debt" (as defined), as well as a minimum liquidity of U.S.$3.0 billion (€2.8 billion). Furthermore, the credit agreements that govern the Tranche B Term loans also contain a number of events of default related to: (i) failure to make payments when due; (ii) failure to comply with covenants, (iii) breaches of representations and warranties, (iv) certain changes of control, (v) cross–default with certain other debt and hedging agreements and (vi) the failure to pay or post bond for certain material judgments. As of December 31, 2016, FCA US was in compliance with the covenants of the credit agreements that govern the Tranche B Term Loans.

Revolving Credit Facilities

In June 2015, FCA entered into a new €5.0 billion syndicated revolving credit facility ("RCF"). The RCF, which is for general corporate purposes and working capital needs of the Group, replaced and expanded the €2.1 billion three-year revolving credit facility entered into by FCA on June 21, 2013 and replaced the U.S.$1.3 billion five-year revolving credit facility of FCA US that was scheduled to expire on May 24, 2016. On November 25, 2015, FCA US terminated its undrawn FCA US revolving credit facility.

At December 31, 2015, the first tranche of the RCF of €2.5 billion (originally expiring in July 2018) was available and was undrawn. In March 2016, the second €2.5 billion tranche (expiring in June 2020) of the RCF was made available to the Group in conjunction with the amendments to the credit agreements that govern the Tranche B Term Loans. In June 2016, the maturity date of the first €2.5 billion tranche was extended to July 2019. The first tranche of €2.5 billion has one further extension option (11-months) which is exercisable on the second anniversary of signing. At December 31, 2016, the total €5.0 billion RCF was undrawn.

The covenants of the RCF include financial covenants (Net Debt/Adjusted Earnings Before Interest, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted EBITDA/Net Interest ratios related to industrial activities) as well as negative pledge, *pari passu*, cross-default and change of control clauses. The failure to comply with these covenants and, in certain cases if not suitably remedied, can lead to the requirement of early repayment of any outstanding amounts. As of December 31, 2016, FCA was in compliance with the covenants of the RCF.

At December 31, 2016, undrawn committed credit lines totaling €6.2 billion included the €5.0 billion RCF and approximately €1.2 billion of other revolving credit facilities. At December 31, 2015, undrawn committed credit lines totaling €3.4 billion included the first tranche of €2.5 billion of the €5.0 billion RCF and approximately €0.9 billion of other revolving credit facilities.

European Investment Bank Borrowings

We have financing agreements with the European Investment Bank ("EIB") for a total of €1.3 billion outstanding at December 31, 2016 (€1.2 billion outstanding at December 31, 2015), which included (i) a new loan for €250 million entered into in December 2016 described below, (ii) the €600 million facility with the EIB and SACE described below, (iii) a facility of €400 million (maturing in 2018) for supporting certain investments and research and development programs in Italy to protect the environment through the reduction of emissions and improved energy efficiency and (iv) a €500 million facility (maturing in 2021) for an investment program relating to the modernization and expansion of production capacity of an automotive plant in Serbia.

On December 2, 2016, the Group entered into a new €250 million loan with the EIB for research and development projects implemented by FCA. The three-year loan will support the Group's three-year (2017-2019) investment plan in research and development centers in Italy, which includes a number of key objectives such as greater efficiency, a reduction in CO_2 emissions by petrol and alternative fuel engines and the study of new hybrid architectures, as well as certain capital expenditures for facilities located in southern Italy.

On June 29, 2015, FCA, the EIB and SACE finalized a €600 million loan earmarked to support the Group's automotive research, development and production plans for 2015 to 2017 which includes studies for efficient vehicle technologies for vehicle safety and new vehicle architectures. The three-year loan due July 2018 provided by the EIB, which is also 50 percent guaranteed by SACE, relates to FCA's production and research and development sites in both northern and southern Italy.

Brazil

Our Brazilian subsidiaries have access to various local bank facilities in order to fund investments and operations. Total debt outstanding under those facilities amounted to €4.0 billion at December 31, 2016 (€4.1 billion at December 31, 2015), of which €3.3 billion (€3.6 billion at December 31, 2015) are loans with an average residual maturity of 1 to 2 years, while €0.7 billion (€0.5 billion at December 31, 2015) are short-term credit facilities. The loans primarily include subsidized loans granted by public financing institutions such as Banco Nacional do Desenvolvimento ("BNDES"), with the aim to support industrial projects in certain areas. This provided the Group the opportunity to fund large investments in Brazil with loans of sizeable amounts at low rates. At December 31, 2016, outstanding subsidized loans amounted to €2.6 billion (€1.9 billion at December 31, 2015), of which €1.6 billion (€1.2 billion at December 31, 2015) related to the construction of the plant in Pernambuco (Brazil), which has been supported by subsidized credit lines totaling Brazilian Real ("BRL") 6.5 billion (€1.9 billion). Approximately €0.3 billion of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2016 (€0.3 billion at December 31, 2015). The average residual maturity of the subsidized loans was approximately 3 years.

Mexico Bank Loan

On March 20, 2015, FCA Mexico, S.A. de C.V., ("FCA Mexico"), our principal operating subsidiary in Mexico, entered into a U.S.$0.9 billion (€0.8 billion) non-revolving loan agreement ("Mexico Bank Loan") maturing on March 20, 2022 and received a disbursement of U.S.$0.5 billion (€0.5 billion at December 31, 2016), which bears interest at one-month LIBOR plus 3.35 percent per annum. The proceeds were used to prepay all amounts outstanding under the Mexican development bank credit facilities amounting to approximately €414 million. Effective June 24, 2016, the Group terminated early the disbursement term for the undrawn portion of the non-revolving loan agreement of FCA Mexico and as a result, the undisbursed U.S.$0.4 billion (€0.4 billion) is no longer available to the Group. As of December 31, 2016, we may prepay all or any portion of the loan without premium or penalty.

Principal payments are due on the loan in seventeen equal quarterly installments based on the total amount of all disbursements made under the loan agreement beginning March 20, 2018, and interest is paid monthly throughout the term of the loan. The loan agreement requires FCA Mexico to maintain certain fixed and other assets as collateral, and comply with certain covenants, including, but not limited to, financial maintenance covenants, limitations on liens, incurrence of debt and asset sales. As of December 31, 2016, FCA Mexico was in compliance with all covenants under the Mexico Bank Loan.

Asset-backed financing

Asset-backed financing represents the amount of financing received through factoring transactions which do not meet IAS 39 derecognition requirements and are recognized as assets of the same amount of €410 million (€206 million at December 31, 2015) within Trade and other receivables in the Consolidated Statement of Financial Position (Note 15, *Trade, other receivables and tax receivables*).

Other debt

At December 31, 2016, Other debt included the unsecured Canada HCT Notes totaling €278 million, including accrued interest (€366 million at December 31, 2015, including accrued interest), which represents FCA US's principal Canadian subsidiary's remaining financial liability to the Canadian Health Care Trust arising from the settlement of its obligations for postretirement health care benefits for National Automobile, Aerospace, Transportation and General Workers Union of Canada "CAW" (now part of Unifor), which represented employees, retirees and dependents. During the year ended December 31, 2016, FCA US's Canadian subsidiary made payments on the Canada HCT Notes totaling €148 million, which included accrued interest and the prepayment of all scheduled payments due on the Canada HCT Tranche C Note. The prepayment on the Canada HCT Tranche C Note made on July 15, 2016 resulted in a loss on extinguishment of debt of €8 million that was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2016.

During the year ended December 31, 2015, FCA US's Canadian subsidiary made payments on the Canada HCT Notes totaling €288 million, which included the prepayment of the remaining scheduled payments due on the Canada HCT Tranche A Note and accrued interest. The prepayment on the Canada HCT Tranche A Note made on July 31, 2015 resulted in a gain on extinguishment of debt of €16 million that was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2015.

As described in more detail in Note 27, *Equity*, FCA issued Mandatory Convertible Securities with an aggregate notional amount of U.S.$2,875 million (€2,293 million), whereby the obligation to pay coupons as required by the Mandatory Convertible Securities met the definition of a financial liability. The Mandatory Convertible Securities were converted into FCA common shares on December 15, 2016 and the financial liability of U.S.$226 million (€213 million) was paid in cash. At December 31, 2015, the financial liability component was U.S.$216 million (€199 million) and was included within Other debt.

Other debt also included funds raised from financial services companies, primarily in Brazil, deposits from dealers in Brazil and the Group's payables for finance leases, which are summarized in the table below:

	At December 31									
	2016					2015				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
	(€ million)									
Minimum future lease payments	€ 138	€ 246	€ 131	€ 188	€ 703	€ 115	€ 211	€ 182	€ 190	€ 698
Interest expense	(22)	(29)	(7)	(5)	(63)	(25)	(37)	(16)	(4)	(82)
Present value of minimum lease payments	**€ 116**	**€ 217**	**€ 124**	**€ 183**	**€ 640**	**€ 90**	**€ 174**	**€ 166**	**€ 186**	**€ 616**

Debt secured by assets

At December 31, 2016, debt secured by assets of the Group (excluding FCA US) amounted to €914 million (€747 million at December 31, 2015), of which €433 million (€373 million at December 31, 2015) was due to creditors for assets acquired under finance leases and the remaining amount mainly related to subsidized financing in Latin America. The total carrying amount of assets acting as security for loans for the Group (excluding FCA US) amounted to €1,940 million at December 31, 2016 (€1,400 million at December 31, 2015) (Note 11, *Property, plant and equipment*).

At December 31, 2016, debt secured by assets of FCA US amounted to €3,446 million and included €2,678 million relating to the Tranche B Term Loans, €207 million due to creditors for assets acquired under finance leases and €561 million for other debt and financial commitments. At December 31, 2015, debt secured by assets of FCA US of €5,254 million included €4,437 million relating to the Tranche B Term Loans, €243 million due to creditors for assets acquired under finance leases and €574 million for other debt and financial commitments.

22. OTHER LIABILITIES AND TAX PAYABLES

Other liabilities consisted of the following:

	At December 31					
	2016			2015		
	Current	Non-current	Total	Current	Non-current	Total
	(€ million)					
Advances on buy-back agreements	€ 2,081	€ —	€ 2,081	€ 2,492	€ —	€ 2,492
Indirect tax payables	667	968	1,635	605	700	1,305
Accrued expenses and deferred income	1,320	2,428	3,748	996	2,182	3,178
Payables to personnel	1,006	34	1,040	968	4	972
Social security payables	312	7	319	329	4	333
Amounts due to customers for contract work (Note 14)	236	—	236	227	—	227
Other	2,187	166	2,353	2,130	293	2,423
Total Other liabilities	**€ 7,809**	**€ 3,603**	**€ 11,412**	**€ 7,747**	**€ 3,183**	**€ 10,930**

An analysis of Other liabilities (excluding Accrued expenses and deferred income) by due date was as follows:

	At December 31									
	2016					2015				
	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total
	(€ million)									
Other liabilities (excluding Accrued expenses and deferred income)	€ 6,489	€ 1,159	€ 16	€ 1,175	€ 7,664	€ 6,751	€ 990	€ 11	€ 1,001	€ 7,752

Advances on buy-back agreements refers to buy-back agreements entered into by the Group and includes the price received for the product recognized as an advance at the date of the sale, and subsequently, the repurchase price and the remaining lease installments yet to be recognized.

Indirect tax payables includes taxes on commercial transactions accrued by the Group's Brazilian subsidiary, FCA Brazil, for which the Group (as well as a number of important industrial groups that operate in Brazil) is awaiting the decision by the Supreme Court regarding its claim alleging double taxation. In March 2007, FCA Brazil received a preliminary trial court decision allowing the payment of such tax on a taxable base consistent with the Group's position. Since it is a preliminary decision and the timing for the Supreme Court decision is not predictable, the difference between the tax payments as preliminary allowed and the full amount determined as required by the legislation still in force is recognized as a non-current liability.

Deferred income includes revenues not yet recognized in relation to separately-priced extended warranties and service contracts. These revenues will be recognized in the Consolidated Income Statement over the contract period in proportion to the costs expected to be incurred based on historical information. Deferred income also includes the remaining portion of government grants that will be recognized as income in the Consolidated Income Statement over the periods necessary to match them with the related costs which they are intended to offset.

During the first half of the year ended December 31, 2016, a total of €156 million was recognized within Cost of revenues in the Consolidated Income Statement related to net incremental costs from the implementation of the Group's plan to realign its existing capacity in NAFTA to better meet market demand for pickup trucks and utility vehicles. This amount is included within Other liabilities.

On January 21, 2016, the third installment of U.S.$175 million (€161 million) was paid on the obligation arising from the memorandum of understanding entered into by FCA US with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, and the remaining fourth installment of U.S.$175 million (€166 million) is included within Other liabilities.

Tax payables

An analysis by due date for Tax payables was as follows:

	At December 31									
	2016					2015				
	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total	Total due within one year (Current)	Due between one and five years	Due beyond five years	Total due after one year (Non-Current)	Total
	(€ million)									
Tax payables	€ 162	€ 25	€ —	€ 25	€ 187	€ 241	€ 31	€ —	€ 31	€ 272

23. FAIR VALUE MEASUREMENT

Assets and liabilities that are measured at fair value on a recurring basis

The following table shows the fair value hierarchy for financial assets and liabilities that are measured at fair value on a recurring basis:

		At December 31							
		2016				2015			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Note	(€ million)							
Available-for-sale:									
Available-for-sale investments	13	€ 135	€ 16	€ —	€ 151	€ 184	€ 19	€ —	€ 203
Available-for-sale securities	13	84	2	12	98	295	5	12	312
Held-for-trading:									
Held-for trading investments	13	49	—	—	49	48	—	—	48
Held-for-trading securities	13	203	—	—	203	213	—	—	213
Collateral deposits	13	68	—	—	68	40	—	—	40
Derivative financial assets	16	—	458	21	479	—	813	—	813
Cash and cash equivalents	17	15,790	1,528	—	17,318	18,097	2,565	—	20,662
Total Assets		**€ 16,329**	**€ 2,004**	**€ 33**	**€ 18,366**	**€ 18,877**	**€ 3,402**	**€ 12**	**€ 22,291**
Derivative financial liabilities	16	—	695	2	697	—	701	35	736
Total Liabilities		**€ —**	**€ 695**	**€ 2**	**€ 697**	**€ —**	**€ 701**	**€ 35**	**€ 736**

In 2016, there were no transfers between Levels in the fair value hierarchy.

The fair value of derivative financial assets and liabilities is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rates and interest rates at the balance sheet date;
- the fair value of interest rate swaps and forward rate agreements is determined by taking the prevailing interest rates at the balance sheet date and using the discounted expected cash flow method;
- the fair value of combined interest rate and currency swaps is determined using the exchange and interest rates prevailing at the balance sheet date and the discounted expected cash flow method;
- the fair value of swaps and options hedging commodity price risk is determined by using suitable valuation techniques and taking market parameters at the balance sheet date (in particular, underlying prices, interest rates and volatility rates).

The carrying value of Cash and cash equivalents (Note 17, *Cash and cash equivalents*) usually approximates fair value due to the short maturity of these instruments. The fair value of money market funds is also based on available market quotations. Where appropriate, the fair value of cash equivalents is determined with discounted expected cash flow techniques using observable market yields (categorized as Level 2).

The following table provides a reconciliation of the changes in items measured at fair value and categorized within Level 3:

	Securities	Derivative financial assets/(liabilities)
	(€ million)	
At January 1, 2015	**€ 22**	**€ (4)**
Gains/(Losses) recognized in Consolidated Income Statement	1	(14)
Gains/(Losses) recognized in Other comprehensive income	—	(39)
Transfer to Assets held for distribution	(11)	—
Issues/Settlements	—	22
At December 31, 2015	**12**	**(35)**
Gains/(Losses) recognized in Consolidated Income Statement	—	(31)
Gains/(Losses) recognized in Other comprehensive income	—	62
Issues/Settlements	—	23
At December 31, 2016	**€ 12**	**€ 19**

The gains/(losses) included in the Consolidated Income Statements are recognized within Cost of revenues. Of the total gains/(losses) recognized in Other comprehensive income, €60 million was reflected within Cash flow reserves and €2 million was reflected within Currency translation differences.

Assets and liabilities not measured at fair value on recurring basis

The carrying value for current receivables and payables is a reasonable approximation of the fair value as the present value of future cash flows does not differ significantly from carrying value.

Refer to Note 3, *Scope of Consolidation (Acquisition of the remaining ownership interest in FCA US)*, for a discussion of the residual value methodology used to determine the fair values of the acquired elements in connection with the transactions related to the acquisition of the remaining 41.5 percent interest in FCA US and the MOU.

The following table provides the carrying amount and fair value for financial assets and liabilities not measured at fair value on a recurring basis:

		At December 31			
		2016		2015	
		Carrying amount	Fair Value	Carrying amount	Fair Value
	Note	(€ million)			
Dealer financing		€ 2,115	€ 2,115	€ 1,650	€ 1,649
Retail financing		286	285	238	232
Finance lease		6	6	8	8
Other receivables from financing activities		171	171	110	110
Total Receivables from financing activities	15	**€ 2,578**	**€ 2,577**	**€ 2,006**	**€ 1,999**
Asset backed financing		€ 410	€ 410	€ 206	€ 206
Notes		12,351	13,164	13,441	14,120
Other debt		11,287	11,311	14,139	14,074
Total Debt	21	**€ 24,048**	**€ 24,885**	**€ 27,786**	**€ 28,400**

The fair value of Receivables from financing activities, which are categorized within Level 3 of the fair value hierarchy, has been estimated with discounted cash flows models. The most significant inputs used for this measurement are market discount rates that reflect conditions applied in various reference markets on receivables with similar characteristics, adjusted in order to take into account the credit risk of the counterparties.

Notes that are traded in active markets for which close or last trade pricing is available are classified within Level 1 of the fair value hierarchy. Notes for which such prices are not available (such as the FCA US Secured Senior Notes that were prepaid in 2015 as discussed in Note 21, *Debt*), are valued at the last available price or based on quotes received from independent pricing services or from dealers who trade in such securities and are categorized as Level 2. At December 31, 2016, €13,157 million and €7 million of notes were classified within Level 1 and Level 2, respectively. At December 31, 2015, €14,113 million and €7 million of notes were classified within Level 1 and Level 2, respectively.

The fair value of Other debt included in Level 2 of the fair value hierarchy has been estimated using discounted cash flow models. The main inputs used are year-end market interest rates, adjusted for market expectations of the Group's non-performance risk implied in quoted prices of traded securities issued by the Group and existing credit derivatives on Group liabilities. The fair value of the debt that requires significant adjustments using unobservable inputs is categorized within Level 3 of the fair value hierarchy. At December 31, 2016, €9,424 million and €1,887 million of Other Debt was classified within Level 2 and Level 3, respectively. At December 31, 2015, €12,099 million and €1,975 million of Other Debt was classified within Level 2 and Level 3, respectively.

24. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24 - *Related Party Disclosures*, the related parties of the Group are entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries. Related parties include companies belonging to Exor N.V. (the largest shareholder of FCA through its 29.41 percent common shares shareholding interest and 42.60 percent voting power at December 31, 2016), which include Ferrari N.V. and CNHI. Exor N.V. received 73,606,222 of FCA common shares in connection with the conversion of the Mandatory Convertible Securities into FCA common shares on December 16, 2016 (Note 27, *Equity*). Related parties also include associates, joint ventures and unconsolidated subsidiaries of the Group. In addition, members of the FCA Board of Directors, Board of Statutory Auditors (through the date of the Merger) and executives with strategic responsibilities and certain members of their families are also considered related parties.

Transactions carried out by the Group with its related parties are on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved, and primarily relate to:

- the purchase of engines and engine components for Maserati vehicles from Ferrari N.V.;
- the sale of automotive lighting and automotive components to Ferrari N.V.;
- transactions related to the display of FCA brand names on Ferrari N.V. Formula 1 cars;
- the sale of motor vehicles to the joint ventures Tofas and FCA Bank leasing and renting subsidiaries;
- the sale of engines, other components and production systems and the purchase of light commercial vehicles with the joint operation Sevel S.p.A.;
- the sale of engines, other components and production systems to companies of CNHI;
- the purchase of vehicles, the provision of services and the sale of goods with the joint operation Fiat India Automobiles Private Limited;
- the provision of services and the sale of goods to the GAC FCA JV;
- the provision of services (accounting, payroll, tax administration, information technology, purchasing and security) to companies of CNHI;
- the purchase of light commercial vehicles and passenger cars from the joint venture Tofas; and
- the purchase of commercial vehicles under contract manufacturing agreement from companies of CNHI.

The most significant financial transactions with related parties generated Receivables from financing activities of the Group’s financial services companies from joint ventures and Asset-backed financing relating to amounts due to FCA Bank for the sale of receivables which do not qualify for derecognition under IAS 39 – *Financial Instruments: Recognition and Measurement*.

The amounts for significant transactions with related parties recognized in the Consolidated Income Statements were as follows:

	Years ended December 31											
	2016				2015				2014			
	Net Revenues	Cost of revenues	Selling, general and other costs	Net Financial expenses/ (income)	Net Revenues	Cost of revenues	Selling, general and other costs	Net Financial expenses/ (income)	Net Revenues	Cost of revenues	Selling, general and other costs	Net Financial expenses
	(€ million)											
Tofas	€ 1,536	€ 2,811	€ 3	€ —	€ 1,533	€ 1,611	€ —	€ —	€ 1,247	€ 1,189	€ 1	€ —
Sevel S.p.A.	381	—	5	—	311	—	4	—	274	—	4	—
FCA Bank	1,571	18	(21)	(39)	1,447	14	9	30	276	10	7	29
GAC FCA JV	683	—	(82)	—	252	—	—	—	153	—	—	—
Fiat India Automobiles Limited	23	1	(1)	1	15	4	—	—	17	—	—	—
Other	36	5	(3)	—	29	22	—	—	18	22	—	—
Total joint arrangements	**4,230**	**2,835**	**(99)**	**(38)**	**3,587**	**1,651**	**13**	**30**	**1,985**	**1,221**	**12**	**29**
Total associates	**91**	**47**	**—**	**—**	**143**	**14**	**6**	**—**	**102**	**2**	**6**	**—**
CNHI	543	422	3	—	564	431	—	—	602	492	—	—
Ferrari N.V.	81	246	—	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Directors, Statutory Auditors and Key Management	—	—	143	—	—	—	132	—	—	—	89	—
Other	—	—	26	—	—	1	17	—	—	4	20	—
Total CNHI, Ferrari, Directors and other	**624**	**668**	**172**	**—**	**564**	**432**	**149**	**—**	**602**	**496**	**109**	**—**
Total unconsolidated subsidiaries	**57**	**7**	**8**	**(1)**	**79**	**13**	**8**	**(1)**	**52**	**7**	**21**	**1**
Total transactions with related parties	**€ 5,002**	**€ 3,557**	**€ 81**	**€ (39)**	**€ 4,373**	**€ 2,110**	**€ 176**	**€ 29**	**€ 2,741**	**€ 1,726**	**€ 148**	**€ 30**
Total for the Group	**€ 111,018**	**€ 95,295**	**€ 7,568**	**€ 2,016**	**€ 110,595**	**€ 97,620**	**€ 7,576**	**€ 2,366**	**€ 93,640**	**€ 81,592**	**€ 6,973**	**€ 2,051**

Assets and liabilities from significant transactions with related parties were as follows:

	At December 31									
	2016					2015				
	Trade and other receivables	Trade payables	Other liabilities	Asset-backed financing	Debt	Trade and other receivables	Trade payables	Other liabilities	Asset-backed financing	Debt
	(€ million)									
Tofas	€ 28	€ 298	€ 52	€ —	€ —	€ 31	€ 157	€ —	€ —	€ —
FCA Bank	201	248	108	169	18	128	218	117	133	49
GAC FCA JV	121	2	4	—	—	147	3	61	—	—
Sevel S.p.A.	33	—	4	—	8	29	—	5	—	4
Fiat India Automobiles Limited	2	—	—	—	—	1	—	—	—	—
Other	25	4	—	—	—	26	2	—	—	—
Total joint arrangements	**410**	**552**	**168**	**169**	**26**	**362**	**380**	**183**	**133**	**53**
Total associates	**30**	**18**	**18**	**—**	**—**	**62**	**24**	**21**	**—**	**—**
CNHI	80	82	15	—	4	79	76	6	—	—
Ferrari N.V.	25	75	—	—	—	n/a	n/a	n/a	n/a	n/a
Other	—	2	—	—	—	—	2	—	—	—
Total CNHI, Ferrari N.V. and other	**105**	**159**	**15**	**—**	**4**	**79**	**78**	**6**	**—**	**—**
Total unconsolidated subsidiaries	**84**	**9**	**1**	**—**	**25**	**107**	**18**	**1**	**—**	**14**
Total originating from related parties	**€ 629**	**€ 738**	**€ 202**	**€ 169**	**€ 55**	**€ 610**	**€ 500**	**€ 211**	**€ 133**	**€ 67**
Total for the Group	**€ 7,854**	**€ 22,655**	**€ 11,412**	**€ 410**	**€ 23,638**	**€ 7,060**	**€ 21,465**	**€ 10,930**	**€ 206**	**€ 27,580**

Commitments and Guarantees pledged in favor of related parties

As of December 31, 2016, the Group had guarantees of €2 million on debt related to the Group's joint ventures (€4 million at December 31, 2015).

As of December 31, 2016, the Group had a take or pay commitment with Tofas with future minimum expected obligations as follows:

	(€ million)
2017	€ 306
2018	€ 334
2019	€ 257
2020	€ 251
2021	€ 230
2022 and thereafter	€ 155

The Group's commitments for investments in joint ventures as of December 31, 2015 of €101 million included our commitment for contributions to the GAC FCA JV (refer to Note 25, *Guarantees granted, commitments and contingent liabilities*).

Compensation to Directors, Statutory Auditors and Key Management

The fees of the Directors and Statutory Auditors of the Group for carrying out their respective functions, including those in other consolidated companies, were as follows:

	Years ended December 31		
	2016	2015	2014
		(€ thousand)	
Directors[1]	€ 39,329	€ 38,488	€ 14,305
Statutory auditors of Fiat	—	—	186
Total Compensation	**€ 39,329**	**€ 38,488**	**€ 14,491**

[1] *This amount includes the notional compensation cost arising from long-term share-based compensation granted to the Chief Executive Officer and share-based compensation to non-executive Directors.*

Refer to Note 18, *Share-based compensation*, for information related to the special recognition award granted to the Chief Executive Officer on April 16, 2015 and the PSU and RSU awards granted to certain key employees.

The aggregate compensation expense for remaining executives with strategic responsibilities was approximately €103 million for 2016 (€65 million in 2015 and €23 million in 2014), which includes, in addition to base compensation:

- an amount of approximately €73 million in 2016 (approximately €38 million in 2015 and approximately €2 million in 2014) for share-based compensation expense, which increased primarily due to the grant of the PSU and RSU awards in 2015;
- an amount of approximately €8 million in 2016 (approximately €8 million in 2015 and approximately €9 million in 2014) for short-term employee benefits;
- an amount of €6 million in 2016 (€3 million in 2015 and €2 million in 2014) for pension and similar benefits;

In 2014, the Chief Executive Officer received a cash award of €24.7 million and was assigned a €12 million post-mandate award as recognition that he was instrumental in major strategic and financial accomplishments for the Group. Most notably, through his vision and guidance, FCA was formed, creating enormous value for the Company, its shareholders and stakeholders.

In 2014, Ferrari S.p.A. recorded a cost of €15 million in connection with the resignation of Mr. Luca Cordero di Montezemolo as Chairman of Ferrari S.p.A., former Director of Fiat.

25. GUARANTEES GRANTED, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees granted

At December 31, 2016, the Group had pledged guarantees on the debt or commitments of third parties totaling €8 million (€19 million at December 31, 2015), as well as guarantees of €2 million on related party debt (€4 million at December 31, 2015).

SCUSA Private-label financing agreement

In February 2013, FCA US entered into a private-label financing agreement (the "SCUSA Agreement") with Santander Consumer USA Inc. ("SCUSA"), an affiliate of Banco Santander, which launched on May 1, 2013. Under the SCUSA Agreement, SCUSA provides a wide range of wholesale and retail financing services to FCA US's dealers and consumers in accordance with its usual and customary lending standards, under the Chrysler Capital brand name.

The SCUSA Agreement has a ten-year term from February 2013, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the SCUSA Agreement. In accordance with the terms of the agreement, SCUSA provided an upfront, nonrefundable payment of €109 million (U.S.$150 million) in May 2013, which was recognized as deferred revenue and is amortized over ten years. At December 31, 2016, €90 million (U.S.$95 million) remained in deferred revenue.

From time to time, FCA US works with certain lenders to subsidize interest rates or cash payments at the inception of a financing arrangement to incentivize customers to purchase its vehicles, a practice known as "subvention." FCA US has provided SCUSA with limited exclusivity rights to participate in specified minimum percentages of certain of its retail financing rate subvention programs. SCUSA has committed to certain revenue sharing arrangements, as well as to consider future revenue sharing opportunities. SCUSA bears the risk of loss on loans contemplated by the SCUSA Agreement. The parties share in any residual gains and losses in respect of consumer leases, subject to specific provisions in the SCUSA Agreement, including limitations on FCA US participation in gains and losses.

Other repurchase obligations

In accordance with the terms of other wholesale financing arrangements in Mexico, FCA Mexico is required to repurchase dealer inventory financed under these arrangements, upon certain triggering events and with certain exceptions, including in the event of an actual or constructive termination of a dealer's franchise agreement. These obligations exclude certain vehicles including, but not limited to, vehicles that have been damaged or altered, that are missing equipment or that have excessive mileage or an original invoice date that is more than one year prior to the repurchase date. In December 2015, FCA Mexico entered into a ten-year private label financing agreement with FC Financial, S.A De C.V., Sofom, E.R., Grupo Financiaro Inbursa ("FC Financial"), a wholly owned subsidiary of Banco Inbursa, under which FC Financial provides a wide range of financial wholesale and retail financial services to FCA Mexico's dealers and retail customers under the FCA Financial Mexico brand name. The wholesale repurchase obligation under the new agreement will be limited to wholesale purchases in case of actual or constructive termination of a dealer's franchise agreement.

At December 31, 2016, the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €216 million (U.S.$228 million) and was based on the aggregate repurchase value of eligible vehicles financed through such arrangements in the respective dealer's stock. If vehicles are required to be repurchased through such arrangements, the total exposure would be reduced to the extent the vehicles can be resold to another dealer. The fair value of the guarantee was less than €0.1 million at December 31, 2016, which considers both the likelihood that the triggering events will occur and the estimated payment that would be made net of the estimated value of inventory that would be reacquired upon the occurrence of such events. These estimates are based on historical experience.

Arrangements with key suppliers

From time to time, in the ordinary course of our business, the Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services with fixed and determinable price provisions. Future minimum purchase obligations under these arrangements at December 31, 2016 were as follows:

		(€ million)
2017	€	956
2018	€	894
2019	€	499
2020	€	437
2021	€	326
2022 and thereafter	€	191

Operating lease contracts

The Group has operating lease contracts for the right to use industrial buildings and equipment with an average term of 10-20 years and 3-5 years, respectively. The following table summarizes the total future minimum lease payments under non-cancellable lease contracts:

	At December 31, 2016				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
	(€ million)				
Future minimum lease payments under operating lease agreements	€ 274	€ 418	€ 271	€ 411	€ 1,374

During 2016, the Group recognized lease payments expense of €339 million (€246 million in 2015 and €195 million in 2014).

Other commitments, arrangements and contractual rights

GAC FCA JV

During the year ended December 31, 2015, the Group committed to contributing a total 1.3 billion Renminbi ("RMB") (approximately €186 million) to the GAC FCA JV, which began localizing the production of Jeep vehicles for the Chinese market, of which RMB 700 million (approximately €100 million) was contributed in October 2015 and the remaining amount of RMB 600 million (approximately €82 million) was contributed in April 2016. A total of €171 million was contributed during the year ended December 31, 2015.

UAW Labor Agreement

In October 2015, FCA US and the UAW agreed to a new four-year national collective bargaining agreement, which will expire in September 2019. The provisions of the new agreement continue certain opportunities for success-based compensation upon meeting certain quality and financial performance metrics. The agreement closes the pay gap between "Traditional" and "In-progression" employees over an eight-year period and will continue to provide UAW-represented employees with a simplified adjusted profit sharing plan. The adjusted profit sharing plan will be effective for the 2016 plan year and is directly aligned with NAFTA profitability. The agreement includes lump-sum payments in lieu of further wage increases of primarily U.S.$4,000 for "Traditional" employees and U.S.$3,000 for "In-progression" employees totaling approximately U.S.$141 million (€127 million) that was paid to UAW members on November 6, 2015. These payments are being amortized ratably over the four-year labor agreement period.

Italian labor agreement

In April 2015, a new four-year compensation agreement was signed by FCA companies in Italy within the automobiles business. The new compensation agreement was subsequently included into the new labor agreement and was extended to all FCA companies in Italy on July 7, 2015.

The compensation arrangement was effective retrospectively from January 1, 2015 through to December 31, 2018 and incentivizes all employees toward achievement of the productivity, quality and profitability targets established in the 2015-2018 period of the 2014-2018 business plan developed in May 2014 by adding two variable additional elements to base pay:

- an annual bonus calculated on the basis of production efficiencies achieved and the plant's World Class Manufacturing audit status, and
- a component linked to achievement of the financial targets established in the 2015-2018 period of the 2014-2018 business plan ("Business Plan Bonus") for the EMEA region, including the activities of the premium brands Alfa Romeo and Maserati. A portion of the Business Plan Bonus is a guaranteed amount based on employees' base salaries and is paid over four years in quarterly installments, while the remaining portion is to be paid in March 2019 to active employees as of December 31, 2018, with at least two years of service during 2015 through 2018.

A total of €117 million and €115 million was recorded as an expense for the compensation agreement for the years ended December 31, 2016 and 2015, respectively.

Canada labor agreement

FCA entered into a new four-year labor agreement with Unifor in Canada that was ratified on October 16, 2016. The terms of this agreement provide a two percent wage increase in the first and fourth years of the agreement for employees hired prior to September 24, 2012 and will continue to close the pay gap for employees hired on or after September 24, 2012 by revising a ten-year progressive pay scale plan. The agreement includes a lump sum payment in lieu of further wage increases of 6,000 Canadian dollars ("CAD$") per employee totaling approximately CAD$55 million (approximately €38 million) that was paid to Unifor members on November 4, 2016. These payments will be amortized ratably over the four-year labor agreement period. The new agreement expires September 2020.

Mercurio

As a result of the merger between Itedi and GELE being highly probable and Itedi being classified as held for sale at December 31, 2016, the put option that was granted by the Group to Mercurio in January 2015 was deemed to be substantially canceled (Note 3, *Scope of consolidation)*.

Sevel S.p.A.

As part of the Sevel cooperation agreement with Peugeot-Citroen SA ("PSA"), the Group is party to a call agreement with PSA whereby, from July 1, 2017 to September 30, 2017, the Group will have the right to acquire the residual interest in the joint operation Sevel with effect from December 31, 2017.

Contingent liabilities

In connection with significant asset divestitures carried out in prior years, the Group provided indemnities to purchasers with the maximum amount of potential liability under these contracts generally capped at a percentage of the purchase price. These liabilities refer principally to potential liabilities arising from possible breaches of representations and warranties provided in the contracts and, in certain instances, environmental or tax matters, generally for a limited period of time. Potential obligations with respect to these indemnities were approximately €170 million and a total of €50 million has been recognized within Provisions related to these obligations as of December 31, 2016 and 2015. The Group has provided certain other indemnifications that do not limit potential payment and as such, it was not possible to estimate the maximum amount of potential future payments that could result from claims made under these indemnities.

Takata airbag inflators

On November 3, 2015, NHTSA issued the Takata Consent Order regarding Takata passenger airbags manufactured using non-desiccated Phase Stabilized Ammonium Nitrate ("PSAN") that were installed in other original equipment manufacturers' vehicles. On May 4, 2016, NHTSA published an amendment to the original Takata Consent Order. This amendment expanded the scope of the original consent order to include 7.6 million additional units of non-desiccated PSAN airbag inflators, of which approximately 2 million inflator units are deferred and are not yet subject to recall. In compliance with the amendment to the Takata Consent Order, on May 16, 2016, Takata submitted a Defect Incident Report ("DIR") to NHTSA declaring the non-desiccated PSAN airbag inflators defective. As a result, FCA US has announced a recall of vehicles, assembled in NAFTA, related to the May 16, 2016 DIR, which represents approximately 5.6 million inflator units. We are also analyzing approximately 1.5 million units of non-desiccated PSAN airbag inflators included in our vehicles assembled in other jurisdictions. These vehicles have not been recalled and no costs have been accrued. We do not anticipate the cost associated with any potential recall would be material to the Group. Considering the estimated cost of the recall and the estimated participation rate of the recalls taking into account the age of the vehicles involved, we recognized €414 million within Cost of revenues for the year ended December 31, 2016. The charges reflect our assumptions on participation rate based on the Group's historical experience and industry data. If our actual experience differs from our historical experience or industry data, this could result in an adjustment to the warranty provision in the future. We continue to assess the condition and performance of airbag inflators supplied by Takata. While there have not been any known issues relating to the unrecalled units, as additional information, data and analysis become available and we continue discussions with our regulators, the number of inflator units that may become subject to recalls could be expanded. Any liability for the estimated cost for future recalls would be recognized in the period in which a recall becomes probable.

Litigation

On September 11, 2015, a putative securities class action complaint was filed in the U.S. District Court for the Southern District of New York against us alleging material misstatements regarding our compliance with regulatory requirements and that we failed to timely disclose certain expenses relating to our vehicle recall campaigns. On October 5, 2016, the district court dismissed the claims relating to the disclosure of vehicle recall campaign expenses but ruled that claims regarding the alleged misstatements regarding regulatory requirements would be allowed to proceed. On February 17, 2017, the plaintiffs amended their complaint to allege material misstatements regarding emissions compliance. At this stage of the proceedings, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

On July 18, 2016, FCA confirmed that the U.S. Securities and Exchange Commission is conducting an investigation into FCA's reporting of vehicle unit sales to end customers in the U.S. and that inquiries into similar issues have been received from the U.S. Department of Justice. FCA is cooperating with these investigations, however their outcome is uncertain and cannot be predicted at this time. At this early stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

We are also aware of two putative securities class action lawsuits pending against us in the U.S. District Court for the Eastern District of Michigan alleging material misstatements with regard to our reporting of vehicle unit sales to end consumers in the U.S. At this early stage, we are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

On July 9, 2012, a lawsuit was filed against FCA US in the Superior Court of Decatur County, Georgia, U.S. ("the Court"), with respect to a March 2012 fatality in a rear-impact collision involving a 1999 Jeep Grand Cherokee. Plaintiffs alleged that the manufacturer had acted in a reckless and wanton fashion when it designed and sold the vehicle due to the placement of the fuel tank behind the rear axle and had breached a duty to warn of the alleged danger. On April 2, 2015, a jury found in favor of the plaintiffs and the trial court entered a judgment against FCA US in the amount of U.S.$148.5 million (€141 million). On July 24, 2015, the Court issued a remittitur reducing the judgment against FCA US to U.S.$40 million (€38 million).

FCA US believes the jury verdict was not supported by the evidence or the law and appealed the Court's verdict. FCA US maintains that the 1999 Jeep Grand Cherokee is not defective, and its fuel system does not pose an unreasonable risk to motor vehicle safety. The vehicle met or exceeded all applicable Federal Motor Vehicle Safety Standards, including the standard governing fuel system integrity. Furthermore, FCA US submitted extensive data to NHTSA validating that the vehicle performs as well as, or better than, peer vehicles in impact studies, and nothing revealed in the trial altered this data. During the trial, however, FCA US was not allowed to introduce all the data previously provided to NHTSA, which demonstrated that the vehicle's fuel system is not defective.

On November 15, 2016, the Georgia Court of Appeals affirmed the Court's verdict and judgment of U.S.$40 million (€38 million). On December 23, 2016, FCA US filed a petition with the Georgia Supreme Court. While a decision by the Georgia Supreme Court could affirm the judgment, FCA US is seeking an order from the Georgia Supreme Court to instead overturn the verdict, order a new trial, or further modify the amount of the judgment. We do not believe a loss, if any, will exceed the amount of the current judgment and believe it is more likely that a loss, if any, will be less than the current judgment and will be covered by our existing provisions.

Other

Government and regulatory scrutiny of the automotive industry has also continued to intensify during the course of 2016, and is expected to remain high, particularly in light of recent regulatory actions related to diesel emissions involving a number of automakers. We have received inquiries from several regulatory authorities as they examine the on-road tailpipe emissions of several automakers' vehicles. We are, when jurisdictionally appropriate, cooperating with inquiries from several European Union member state agencies.

In particular, we have been working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union. We also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for our vehicles reported by KBA, and we discussed the KBA reported test results, our emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. The German Ministry of Transport and Digital Infrastructure ("BMVI"), which oversees the KBA, then requested a mediation with the MIT under European Commission rules to resolve the differences. That mediation is ongoing. In addition, the French Ministry of Economy announced on February 7, 2017 that the French Consumer Protection Agency has requested the French public prosecutor to conduct a further investigation regarding whether the sale of our diesel vehicles violated French consumer protection laws, as it has done for other automakers' diesel vehicles. The results of these inquiries cannot be predicted at this time; however, the intervention by a number of governmental agencies and authorities may lead to further enforcement actions as well as obligations to modify or recall vehicles, any of which may have a material adverse effect on our business, results of operations and reputation.

On January 12, 2017, the U.S. Environmental Protection Agency ("EPA") and the California Air Resources Board ("CARB") each issued a notice of violation ("NOV") alleging that FCA US failed to disclose certain emissions control strategies in its application for certificates to permit the sale of model year 2014-2016 Jeep Grand Cherokee and Ram 1500 diesel vehicles. Approximately 104,000 of these vehicles were sold in the United States, of which approximately 14,000 were sold in California. The NOVs also state that the EPA and CARB are continuing to investigate whether any of these emissions control strategies are properly justified under the applicable regulations or constitute a "defeat device" as defined in the Clean Air Act.

We have cooperated fully with the EPA, CARB and with other governmental authorities when jurisdictionally appropriate both prior to and following the issuance of the NOVs. Further, we intend to continue to cooperate with the EPA, CARB and other government authorities to present our case as we seek to resolve this matter fairly and equitably, and to assure the agencies and our customers that the company's diesel-powered vehicles meet applicable regulatory requirements and do not include defeat devices.

If we are found to have violated any of the provisions of the Clean Air Act, we could be subject to penalties imposed by the EPA and CARB as well as other government authorities. EPA employs a civil penalty policy that takes into account cooperation and the degree to which emissions standards are exceeded, which we believe should reduce substantially any penalty the agencies may seek to impose from the statutory maximum, which could be up to U.S.$44,539 (€42,257) for each vehicle for which there is found to be a violation.

Following the issuance of the NOVs, a number of civil lawsuits have been filed. We have also received various inquiries, subpoenas and requests for information from a number of governmental authorities, including the U.S. Department of Justice, the SEC and several states' attorneys general. We are investigating these matters and we intend to cooperate with all valid governmental requests.

We are currently unable to predict the outcome of any proceeding or investigation arising out of the NOVs or any related proceedings or investigation nor can we estimate a range of reasonably possible losses for the lawsuits and investigations because these matters involve significant uncertainties at these stages. Such investigations could result in the imposition of damages, fines or civil and criminal penalties. It is possible that the resolution of these matters could have a material adverse effect on our financial position, results of operations or cash flows and may adversely affect our reputation with consumers, which may negatively impact demand for our vehicles.

26. VENEZUELA CURRENCY REGULATIONS AND DEVALUATION

On February 10, 2015, the Venezuelan government introduced a new market-based exchange system, the SIMADI exchange rate, with certain specified limitations on its usage by individuals and legal entities. On February 12, 2015, the SIMADI exchange rate began trading at 170.0 Venezuelan Bolivar ("VEF") to U.S. Dollar for individuals and entities in the private sector. In February 2015, the Venezuelan government also announced that the Supplementary Foreign Currency Administration System ("SICAD I") and the additional auction-based foreign exchange system introduced by the Venezuelan government in March 2014 ("SICAD II") would be merged into the SICAD, a single exchange system, with a rate starting at 12.0 VEF to U.S. Dollar. As of March 31, 2015, the SICAD exchange rate was expected to be used to complete the majority of FCA Venezuela's transactions to exchange VEF for U.S. Dollar and as such, it was deemed the appropriate rate to use to convert our VEF denominated monetary assets and liabilities to U.S. Dollar for the first quarter 2015.

At June 30, 2015, the Group had adopted the SIMADI exchange rate, and, as a result recorded a re-measurement charge on our VEF denominated net monetary assets, including cash and cash equivalents in Venezuela of €53 million using an exchange rate of 197.3 VEF per U.S. Dollar. In addition to the re-measurement charge, we recorded a €27 million charge for the write-down of inventory in Venezuela to the lower of cost or net realizable value, as due to pricing controls, we are unable to increase the VEF sales price in Venezuela to compensate for the devaluation. At December 31, 2015, the SIMADI exchange rate of 199 VEF per U.S. Dollar did not result in the recording of any additional material charges. The total charge of €80 million was recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2015.

On March 10, 2016, the Venezuelan government modified its foreign currency exchange systems with the enactment of Exchange Agreement No. 35, which included the devaluation of its official exchange rate. Venezuela's official exchange rate, CENCOEX, was replaced with DIPRO, which is only available for purchases and sales of essential items, such as food and medicine. In addition, the official exchange rate was also devalued from 6.3 VEF to 10 VEF per U.S. Dollar and the exchange rate determined by an auction process conducted by Venezuela's Supplementary Foreign Currency Administration System, or SICAD, was terminated. The SIMADI exchange rate was replaced with the "floating" Sistema de Divisa Complementaria, or the "DICOM" exchange rate, which is available for all transactions not subject to the DIPRO exchange rate. Unlike the SICAD, the government, the state-owned oil enterprise PDVSA and foreign investors can inject funds into the new system.

In 2016, the DICOM exchange rate was used to complete the majority of FCA Venezuela's transactions to exchange VEF for U.S. Dollars. At December 31, 2016, the DICOM exchange rate of 674 VEF per U.S. Dollar and total re-measurement charges, including the devaluation and the write-down of SICAD receivables, of €19 million were recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2016.

A total of €98 million related to the devaluation of the VEF exchange rate relative to the U.S. Dollar and the re-measurement of our VEF denominated net monetary assets was recorded within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2014.

We continue to monitor the currency exchange regulations and other factors to assess whether our ability to control and benefit from our Venezuelan operations has been adversely affected. As of December 31, 2016, we continue to control and therefore consolidate our Venezuelan operations. Due to the political uncertainties in Venezuela, it is possible that we could lose the ability to control our Venezuelan operations. Loss of control and deconsolidation of our Venezuelan operations, would result in a pre-tax charge of approximately €87 million based on the carrying amount of the net assets as of December 31, 2016.

27. EQUITY

Share capital

At December 31, 2016, fully paid-up share capital of FCA amounted to €19 million (€17 million at December 31, 2015) and consisted of 1,527,965,719 common shares and of 408,941,767 special voting shares, all with a par value of €0.01 each (1,288,956,011 common shares and 408,941,767 special voting shares, all with a par value of €0.01 each at December 31, 2015).

The following table summarizes the changes during the year ended December 31, 2016 for the number of outstanding common shares and special voting shares of FCA:

	Common Shares	Special Voting Shares	Total
Balance at January 1, 2016	1,288,956,011	408,941,767	1,697,897,778
Shares issued to Non-Executive Directors (compensation)	163,333	—	163,333
Conversion of Mandatory Convertible Securities	238,846,375	—	238,846,375
Balance at December 31, 2016	**1,527,965,719**	**408,941,767**	**1,936,907,486**

On October 29, 2014, the Board of Directors of FCA resolved to authorize the issuance of up to a maximum of 90,000,000 common shares under the equity incentive plan and the long term incentive program, which had been adopted before the closing of the Merger and under which equity awards can be granted to eligible individuals. Any issuance of shares during the period from 2014 to 2018 are subject to the satisfaction of certain performance/retention requirements and any issuances to directors are subject to FCA shareholders' approval.

Mandatory Convertible Securities

In December 2014, FCA issued an aggregate notional amount of U.S.$2,875 million (€2,293 million) of mandatory convertible securities (the "Mandatory Convertible Securities"), which pay cash coupons at a rate of 7.875 percent per annum. The Mandatory Convertible Securities were accounted for as a compound financial instrument that is an equity contract combined with a financial liability for the coupon payments. Net proceeds of U.S.$2,814 million (€2,245 million at date of issuance), consisting of gross proceeds of U.S.$2,875 million (€2,293 million) less total transaction costs of U.S.$61 million (€48 million) directly related to the issuance, were received in connection with the issuance of the Mandatory Convertible Securities. The fair value amount determined for the financial liability component for the coupon payments at issuance was U.S.$419 million (€335 million), which was calculated as the present value of the coupon payments due, less allocated transaction costs of U.S.$9 million (€7 million) that were accounted for as a debt discount. The remaining net proceeds of U.S.$2,395 million (€1,910 million) (including allocated transaction costs of U.S.$52 million (€41 million) were recognized within equity reserves.

The Mandatory Convertible Securities were convertible into common shares equal to the conversion rate calculated based on the share price relative to the applicable market value ("AMV"), as defined in the prospectus, as follows:

- *Maximum Conversion Rate:* 262,895,750[(1)] shares if the AMV ≤ Initial Price (U.S.$7.0829[(2)]), in aggregate the Maximum Number of Shares
- A number of shares equivalent to the value of U.S.$64.7675[(3)] (i.e., U.S.$64.7675[(3)] / AMV), if Initial Price (U.S.$7.0829[(2)]) ≤ the AMV ≤ Threshold Appreciation Price (U.S.$8.3224[(4)])
- *Minimum Conversion Rate:* 223,741,125[(5)] shares if the AMV ≥ Threshold Appreciation Price (U.S.$8.3224[(4)]), in aggregate the Minimum Number of Shares

(1) *Effective May 13, 2016, the maximum number of shares was adjusted from 261,363,375 to 262,895,750 as a result of the distribution of the Group's investment in RCS.*
(2) *Effective January 15, 2016, Initial price was adjusted from U.S.$11.00 to U.S.$7.1244 as a result of the spin-off of Ferrari N.V. and effective May 13, 2016, Initial price was subsequently adjusted from U.S.$7.1244 to U.S.$7.0829 as a result of the distribution of the Group's investment in RCS.*
(3) *Effective January 15, 2016, Stated amount was adjusted from U.S.$100.00 to U.S.$64.7675 as a result of the spin-off of Ferrari N.V.*
(4) *Effective January 15, 2016, Threshold appreciation price was adjusted from U.S.$12.9250 to U.S.$8.3712 as a result of the spin-off of Ferrari N.V. and effective May 13, 2016, was subsequently adjusted from U.S.$8.3712 to U.S.$8.3224 as a result of the distribution of the Group's investment in RCS.*
(5) *Effective May 13, 2016, the minimum number of shares was adjusted from 222,435,875 to 2223,741,125 as a result of the distribution of the Group's investment in RCS.*

On December 15, 2016, each U.S.$100 notional amount of the Mandatory Convertible Securities was converted to 8.3077 of FCA's common shares based upon the average volume weighted average prices of FCA common shares on the New York Stock Exchange during the 20 consecutive trading day period beginning November 14, 2016 and ending on December 12, 2016 (inclusive), which resulted in a total of 238,846,375 FCA common shares that were issued.

Other reserves:

- legal reserve of €10,866 million at December 31, 2016 (€11,744 million at December 31, 2015) that was determined in accordance to the Dutch law and mainly refers to capitalized development expenditures by subsidiaries and their earnings subject to certain restrictions on distributions to FCA. At December 31, 2015, the legal reserve included the reserve for the equity component of the Mandatory Convertible Securities of €1,910 million, which were converted into FCA common shares on December 15, 2016, as described above. Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to the total amount of the legal reserve;
- capital reserves amounting to €5,766 million at December 31, 2016 (€3,805 million at December 31, 2015);
- retained earnings, that after separation of the legal reserve, are negative €1,356 million (negative €533 million at December 31, 2015); and
- profit attributable to owners of the parent of €1,803 million for the year ended December 31, 2016 (€334 million for the year ended December 31, 2015).

Other comprehensive income

Other comprehensive income was as follows:

	Years ended December 31		
	2016	2015	2014
		(€ million)	
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains/(Losses) on re-measurement of defined benefit plans	€ 584	€ 679	€ (327)
Shares of (losses) on re-measurement of defined benefit plans for equity method investees	(5)	(2)	(4)
Items relating to discontinued operations	—	4	(6)
Total Items that will not be reclassified to the Consolidated Income Statement (B1)	**579**	**681**	**(337)**
Items that may be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains/(Losses) on cash flow hedging instruments arising during the period	(54)	63	(251)
Gains/(Losses) on cash flow hedging instruments reclassified to the Consolidated Income Statement	(195)	123	107
Total Gains/(losses) on cash flow hedging instruments	**(249)**	**186**	**(144)**
Gains/(Losses) on available-for-sale financial assets	15	11	(24)
Exchange gains on translating foreign operations	458	1,002	1,323
Share of Other comprehensive income/(loss) for equity method investees arising during the period	(97)	(18)	35
Share of Other comprehensive income/(loss) for equity method investees reclassified to the Consolidated Income Statement	(25)	1	16
Total Share of Other comprehensive (loss)/income for equity method investees	**(122)**	**(17)**	**51**
Items relating to discontinued operations	—	21	(121)
Total Items that may be reclassified to the Consolidated Income Statement (B2)	**102**	**1,203**	**1,085**
Total Other comprehensive income (B1)+(B2)=(B)	**681**	**1,884**	**748**
Tax effect	(192)	(249)	54
Tax effect - discontinued operations	—	(4)	48
Total Other comprehensive income, net of tax	**€ 489**	**€ 1,631**	**€ 850**

With reference to the defined benefit plans, the gains and losses arising from the re-measurement mainly include actuarial gains and losses arising during the period, the return on plan assets (net of interest income recognized in the Consolidated Income Statement) and any changes in the effect of the asset ceiling. These gains and losses are offset against the related net liabilities or assets for defined benefit plans (Note 19, *Employee benefits liabilities*).

The following table summarizes the tax effect relating to Other comprehensive income:

	Years ended December 31								
	2016			2015			2014		
	Pre-tax balance	Tax income/ (expense)	Net balance	Pre-tax balance	Tax income/ (expense)	Net balance	Pre-tax balance	Tax income/ (expense)	Net balance
	(€ million)								
Gains/(Losses) on re-measurement of defined benefit plans	€ 584	€ (261)	€ 323	€ 679	€ (201)	€ 478	€ (327)	€ 28	€ (299)
Gains/(Losses) on cash flow hedging instruments	(249)	69	(180)	186	(48)	138	(144)	26	(118)
Gains/(Losses) on available-for-sale financial assets	15	—	15	11	—	11	(24)	—	(24)
Exchange gains/(losses) on translating foreign operations	458	—	458	1,002	—	1,002	1,323	—	1,323
Share of Other comprehensive income/ (loss) for equity method investees	(127)	—	(127)	(19)	—	(19)	47	—	47
Items relating to discontinued operations	—	—	—	25	(4)	21	(127)	48	(79)
Total Other comprehensive income	**€ 681**	**€ (192)**	**€ 489**	**€ 1,884**	**€ (253)**	**€ 1,631**	**€ 748**	**€ 102**	**€ 850**

Policies and processes for managing capital

The objectives identified by the Group for managing capital are to create value for shareholders as a whole, safeguard business continuity and support the growth of the Group. As a result, the Group endeavors to maintain an adequate level of capital that at the same time enables it to obtain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds, including by means of achieving an adequate credit rating.

The Group constantly monitors the ratio between debt and equity, particularly the level of net debt and the generation of cash from its industrial activities. In order to reach these objectives, the Group continues to aim for improvement in the profitability of its operations. Furthermore, the Group may sell part of its assets to reduce the level of its debt, while the Board of Directors may make proposals to FCA shareholders at a general meeting of FCA shareholders to reduce or increase share capital or, where permitted by law, to distribute reserves. The Group may also make purchases of treasury shares, without exceeding the limits authorized at a general meeting of FCA shareholders, under the same logic of creating value, compatible with the objectives of achieving financial equilibrium and an improvement in the Group's rating.

For 2016, the Board of Directors has not recommended a dividend payment on FCA common shares in order to further fund capital requirements of the Group's business plan.

The FCA loyalty voting structure

The purpose of the loyalty voting structure is to reward long-term ownership of FCA common shares and to promote stability of the FCA shareholder base by granting long-term FCA shareholders with special voting shares to which one voting right is attached additional to the one granted by each FCA common share that they hold. In connection with the Merger, FCA issued 408,941,767 special voting shares, with a nominal value of €0.01 each, to those eligible shareholders of Fiat who had elected to participate in the loyalty voting structure upon completion of the Merger in addition to FCA common shares. In addition, an FCA shareholder may at any time elect to participate in the loyalty voting structure by requesting that FCA register all or some of the number of FCA common shares held by such FCA shareholder in the Loyalty Register. Only a minimal dividend accrues to the special voting shares allocated to a separate special dividend reserve, and they shall not carry any entitlement to any other reserve of FCA. Having only immaterial economics entitlements, the special voting shares do not impact earnings per share.

28. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the years ended December 31, 2016, 2015 and 2014 was determined by dividing the Net profit attributable to the equity holders of the parent by the weighted average number of shares outstanding during the periods. For the year ended December 31, 2016, the weighted average number of shares outstanding included the 238,846,375 shares from the conversion of the Mandatory Convertible Securities into FCA common shares in December 2016 (Note 27, *Equity*). For the year ended December 31, 2015, the weighted average number of shares outstanding included the minimum number of ordinary shares to be converted from the Mandatory Convertible Securities.

The following tables provide the amounts used in the calculation of basic earnings per share:

		Years ended December 31		
		2016	2015	2014
Net profit attributable to owners of the parent	million	€ 1,803	€ 334	€ 568
Weighted average number of shares outstanding	thousand	1,513,019	1,510,555	1,222,346
Basic earnings per share	€	**€ 1.192**	**€ 0.221**	**€ 0.465**

		Years ended December 31		
		2016	2015	2014
Net profit from continuing operations attributable to owners of the parent	million	€ 1,803	€ 83	€ 327
Weighted average number of shares outstanding	thousand	1,513,019	1,510,555	1,222,346
Basic earnings per share from continuing operations	€	**€ 1.192**	**€ 0.055**	**€ 0.268**

		Years ended December 31		
		2016	2015	2014
Net profit from discontinued operations attributable to owners of the parent	million	€ —	€ 251	€ 241
Weighted average number of shares outstanding	thousand	1,513,019	1,510,555	1,222,346
Basic earnings per share from discontinued operations	€	**€ —**	**€ 0.166**	**€ 0.197**

Diluted earnings per share

In order to calculate the diluted earnings per share, the weighted average number of shares outstanding has been increased to take into consideration the theoretical effect of the potential common shares that would be issued for the restricted and performance share units outstanding and unvested at December 31, 2016 and 2015 (Note 18, *Share-based compensation*) as determined using the treasury stock method. For the year ended December 31, 2014, the weighted average number of shares outstanding was increased to take into consideration the theoretical effect that would arise if all the share-based payment plans were exercised.

For the year ended December 31, 2015, the weighted average number of shares outstanding was also increased to take into consideration the theoretical effect that would arise if the shares related to the Mandatory Convertible Securities (Note 27, *Equity*) were issued. Based on FCA's share price, the minimum number of shares would have been issued had the Mandatory Convertible Securities been converted at December 31, 2015. As such, there was no difference between the basic and diluted earnings per share for the year ended December 31, 2015 in respect of the Mandatory Convertible Securities.

There were no instruments excluded from the calculation of diluted earnings per share because of an anti-dilutive impact for the periods presented.

The following tables provide the amounts used in the calculation of diluted earnings per share:

		Years ended December 31		
		2016	2015	2014
Net profit attributable to owners of the parent	million	€ 1,803	€ 334	€ 568
Weighted average number of shares outstanding	thousand	1,513,019	1,510,555	1,222,346
Number of shares deployable for share-based compensation	thousand	13,357	3,452	11,204
Dilutive effect of Mandatory Convertible Securities	thousand	—	—	547
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,526,376	1,514,007	1,234,097
Diluted earnings per share	€	**€ 1.181**	**€ 0.221**	**€ 0.460**

		Years ended December 31		
		2016	2015	2014
Net profit from continuing operations attributable to owners of the parent	million	€ 1,803	€ 83	€ 327
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,526,376	1,514,007	1,234,097
Diluted earnings per share from continuing operations	€	**€ 1.181**	**€ 0.055**	**€ 0.265**

		Years ended December 31		
		2016	2015	2014
Net profit from discontinued operations attributable to owners of the parent	million	€ —	€ 251	€ 241
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,526,376	1,514,007	1,234,097
Diluted earnings per share from discontinued operations	€	**€ —**	**€ 0.166**	**€ 0.195**

29. SEGMENT REPORTING

Reportable segments reflect the operating segments of the Group that are regularly reviewed by the Chief Executive Officer, who is the "chief operating decision maker", as defined under IFRS 8 – *Operating Segments*, for making strategic decisions and allocating resources and assessing performance, and that exceed the quantitative threshold provided in IFRS 8 – *Operating Segments,* or whose information is considered useful for the users of the financial statements. The Group's reportable segments include four regional mass-market vehicle operating segments (NAFTA, LATAM, APAC and EMEA), the Maserati global luxury brand operating segment and a global Components operating segment, which are described as follows:

- NAFTA designs, engineers, develops, manufactures and distributes vehicles. NAFTA mainly earns its revenues from the sale of vehicles under the Chrysler, Jeep, Dodge, Ram, Fiat and Alfa Romeo brand names and from sales of the related parts and accessories in the United States, Canada, Mexico and Caribbean islands.
- LATAM designs, engineers, develops, manufactures and distributes vehicles. LATAM mainly earns its revenues from the sale of passenger cars and light commercial vehicles and related spare parts under the Fiat and Jeep brand names in South and Central America as well as from the distribution of the Chrysler, Dodge and Ram brand cars in the same region. In addition, the segment provides financial services to the dealer network in Brazil and to retail customers in Argentina.
- APAC mainly earns its revenues from the distribution and sale of cars and related spare parts under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat and Jeep brands mostly in China, Japan, Australia, South Korea and India. These activities are carried out through both subsidiaries and joint ventures. In addition, the segment provides financial services to the dealer network and retail customers in China.
- EMEA designs, engineers, develops, manufactures and distributes vehicles. EMEA mainly earns its revenues from the sale of passenger cars and light commercial vehicles under the Fiat, Alfa Romeo, Lancia, Abarth, Jeep and Fiat Professional brand names, the sale of the related spare parts in Europe, Middle East and Africa, and from the distribution of the Chrysler, Dodge and Ram brand vehicles in these areas. In addition, the segment provides financial services related to the sale of cars and light commercial vehicles in Europe, primarily through the FCA Bank joint venture and Fidis S.p.A., a fully owned captive finance company that is mainly involved in the factoring business.
- Maserati designs, engineers, develops, manufactures and distributes vehicles. Maserati earns its revenues from the sale of luxury vehicles under the Maserati brand.
- Components earns its revenues from the production and sale of lighting components, body control units, suspensions, shock absorbers, electronic systems, exhaust systems and plastic molding components. In addition, the segment earns revenues with its spare parts distribution activities carried out under the Magneti Marelli brand name, cast iron components for engines, gearboxes, transmissions and suspension systems and aluminum cylinder heads (Teksid), in addition to the design and production of industrial automation systems and related products for the automotive industry (Comau).

Transactions among the mass-market vehicle segments generally are presented on a "where-sold" basis, which reflects the profit/(loss) on the ultimate sale to third party customer within the segment. This presentation generally eliminates the effect of the legal entity transfer price within the segments. Revenues of the other segments, aside from the mass-market vehicle segments, are those directly generated by or attributable to the segment as the result of its usual business activities and include revenues from transactions with third parties as well as those arising from transactions with segments, recognized at normal market prices.

Other activities include the results of the activities and businesses that are not operating segments under IFRS 8 – *Operating Segments.* In addition, Unallocated items and eliminations include consolidation adjustments, eliminations, as well as costs related to the launch of the Alfa Romeo Giulia platform which were not allocated to the mass-market vehicle segments due to the limited number of shipments. Financial income and expenses and income taxes are not attributable to the performance of the segments as they do not fall under the scope of their operational responsibilities.

Adjusted Earnings Before Interest and Taxes ("Adjusted EBIT") is the measure used by the chief operating decision maker to assess performance, allocate resources to the Group's operating segments and to view operating trends, perform analytical comparisons and benchmark performance between periods and among the segments. Adjusted EBIT excludes certain adjustments from Net profit from continuing operations including gains/(losses) on the disposal of investments, restructuring, impairments, asset write-offs and unusual income/(expenses) that are considered rare or discrete events that are infrequent in nature, and also excludes Net financial expenses and Tax expense/(benefit). See below for a reconciliation of Net profit from continuing operations, which is the most directly comparable measure included in our Consolidated Income Statement, to Adjusted EBIT. Operating assets are not included in the data reviewed by the chief operating decision maker, and as a result and as permitted by IFRS 8 – *Operating Segments*, the related information is not provided.

The following tables summarize selected financial information by segment for the years ended December 31, 2016, 2015 and 2014:

	Mass-Market Vehicles								
2016	**NAFTA**	**LATAM**	**APAC**	**EMEA**	**Maserati**	**Components**	**Other activities**	**Unallocated items & eliminations**	**FCA**
					(€ million)				
Revenues	€ 69,094	€ 6,197	€ 3,662	€ 21,860	€ 3,479	€ 9,659	€ 779	€ (3,712)	€ 111,018
Revenues from transactions with other segments	(40)	(42)	(24)	(148)	(10)	(3,030)	(418)	3,712	—
Revenues from third party customers	**€ 69,054**	**€ 6,155**	**€ 3,638**	**€ 21,712**	**€ 3,469**	**€ 6,629**	**€ 361**	**€ —**	**€ 111,018**
Net profit from continuing operations									**€ 1,814**
Tax expense									€ 1,292
Net financial expenses									€ 2,016
Adjustments:									
Recall campaigns - airbag inflators[1]	€ 414	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ 414
Costs for recall, net of supplier recoveries - contested with supplier[2]	€ 132	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ 132
NAFTA capacity realignment[3]	€ 156	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ 156
Tianjin (China) port explosions, net of insurance recoveries[4]	€ —	€ —	€ (55)	€ —	€ —	€ —	€ —	€ —	€ (55)
Currency devaluation	€ —	€ 19	€ —	€ —	€ —	€ —	€ —	€ —	€ 19
Restructuring costs/(reversal)[5]	€ (10)	€ 68	€ —	€ 5	€ —	€ 25	€ —	€ —	€ 88
Impairment expense[6]	€ —	€ 52	€ 109	€ 7	€ —	€ 49	€ 8	€ —	€ 225
Gains on the disposal of investments	€ —	€ —	€ —	€ —	€ —	€ (8)	€ (5)	€ —	€ (13)
Other	€ (25)	€ 3	€ (10)	€ —	€ —	€ —	€ —	€ —	€ (32)
Adjusted EBIT	**€ 5,133**	**€ 5**	**€ 105**	**€ 540**	**€ 339**	**€ 445**	**€ (244)**	**€ (267)**	**€ 6,056**
Share of profit of equity method investees	€ 2	€ —	€ 30	€ 272	€ —	€ 6	€ 2	€ 1	€ 313

[1] Refer to Note 20, Provisions and Note 25, Guarantees granted, commitments and contingent liabilities; [2] Refer to Note 20, Provisions; [3] Refer to Note 22, Other liabilities and Tax payables; [4] Insurance recoveries related to losses incurred in connection with the explosions at the Port of Tianjin in August 2015 are excluded from Adjusted EBIT to the extent the insured loss to which the recovery relates was excluded from Adjusted EBIT. Insurance recoveries are included in Adjusted EBIT to the extent they relate to costs, increased incentives or business interruption losses that were included in Adjusted EBIT. Through December 31, 2016, no significant insurance recoveries related to Tianjin have been recognized in Adjusted EBIT; [5] Restructuring costs within LATAM and Components primarily relate to cost reduction initiatives to right-size to market volume in Brazil;[6] Refer to Note 11, Property plant and equipment and Note 5, Research and development costs.

2015	Mass-Market Vehicles NAFTA	LATAM	APAC	EMEA	Maserati	Components	Other activities	Unallocated items & eliminations	FCA
					(€ million)				
Revenues	€ 69,992	€ 6,431	€ 4,885	€ 20,350	€ 2,411	€ 9,770	€ 844	€ (4,088)	€ 110,595
Revenues from transactions with other segments	(1)	(194)	(25)	(304)	(13)	(3,095)	(456)	4,088	—
Revenues from third party customers	**€ 69,991**	**€ 6,237**	**€ 4,860**	**€ 20,046**	**€ 2,398**	**€ 6,675**	**€ 388**	**€ —**	**€ 110,595**
Net profit from continuing operations									**€ 93**
Tax expense									€ 166
Net financial expenses									€ 2,366
Adjustments:									
Change in estimate for future recall campaign costs[(1)]	€ 761	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ 761
Tianjin (China) port explosions[(2)]	€ —	€ —	€ 142	€ —	€ —	€ —	€ —	€ —	€ 142
NAFTA capacity realignment[(3)]	€ 834	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ 834
Currency devaluations[(4)]	€ —	€ 163	€ —	€ —	€ —	€ —	€ —	€ —	€ 163
NHTSA Consent Order and amendment[(5)]	€ 144	€ —	€ —	€ —	€ —	€ —	€ —	€ —	€ 144
Impairment expense	€ —	€ 16	€ 22	€ 46	€ 3	€ 20	€ —	€ 11	€ 118
Restructuring costs/(reversal)	€ (11)	€ 40	€ —	€ —	€ —	€ 23	€ 2	€ (1)	€ 53
Other	€ (97)	€ —	€ 41	€ 1	€ —	€ 8	€ (1)	€ 2	€ (46)
Adjusted EBIT	**€ 4,450**	**€ (87)**	**€ 52**	**€ 213**	**€ 105**	**€ 395**	**€ (150)**	**€ (184)**	**€ 4,794**
Share of profit of equity method investees	€ 3	€ —	€ (78)	€ 219	€ —	€ (2)	€ (12)	€ —	€ 130

[(1)] Amount represents the change in estimate for estimated future recall campaign costs for the U.S. and Canada recognized within Cost of revenues - refer to Note 20, Provisions; [(2)] Amount relates to the write-down of inventory (€53 million) and incremental incentives (€89 million) for vehicles affected by the explosions at the Port of Tianjin in August 2015; [(3)] Amount represents costs from implementation of plan to realign existing NAFTA capacity - comprised of €422 million for asset impairments, €236 million for payment of supplemental unemployment benefits due to extended downtime at certain plants and €176 million for write off of capitalized development expenditures with no future benefit; [(4)] €80 million was due to adoption of SIMADI exchange rate at June 30, 2015 (refer to Note 26, Venezuela currency regulations and devaluations, and €83 million was due to the devaluation of the Argentinean Peso resulting from changes in monetary policy; [(5)] Refer to Note 20, Provisions

2014	Mass-Market Vehicles NAFTA	LATAM	APAC	EMEA	Maserati	Components	Other activities	Unallocated items & eliminations	FCA
					(€ million)				
Revenues	€ 52,452	€ 8,629	€ 6,259	€ 18,020	€ 2,767	€ 8,619	€ 831	€ (3,937)	€ 93,640
Revenues from transactions with other segments	(271)	(100)	(10)	(587)	(7)	(2,526)	(436)	3,937	—
Revenues from third party customers	**€ 52,181**	**€ 8,529**	**€ 6,249**	**€ 17,433**	**€ 2,760**	**€ 6,093**	**€ 395**	**€ —**	**€ 93,640**
Net profit from continuing operations									**€ 359**
Tax expense									€ 424
Net financial expenses									€ 2,051
Adjustments:									
Currency devaluations[1]	€ —	€ 98	€ —	€ —	€ —	€ —	€ —	€ —	€ 98
(Gains)/Losses on the disposal of investments	€ —	€ (8)	€ —	€ (1)	€ —	€ 1	€ (4)	€ —	€ (12)
Impairment expense[2]	€ 28	€ —	€ 4	€ 72	€ —	€ 5	€ 5	€ 1	€ 115
Restructuring costs/(reversal)	€ (5)	€ 22	€ —	€ 21	€ —	€ 15	€ (3)	€ —	€ 50
Other[3]	€ 509	€ —	€ —	€ (24)	€ —	€ 4	€ —	€ (212)	€ 277
Adjusted EBIT	**€ 2,179**	**€ 289**	**€ 541**	**€ (41)**	**€ 275**	**€ 285**	**€ (116)**	**€ (50)**	**€ 3,362**
Share of profit of equity method investees	€ 1	€ —	€ (50)	€ 167	€ —	€ 4	€ (5)	€ —	€ 117

[1] Refer to Note 26, Venezuela currency regulations and devaluations; [2] Refer to Note 5, Research and development costs; [3] Primarily comprised of the one-off charge of €495 million in connection with the UAW MOU entered into by FCA US in January 2014 and the non-taxable gain of €223 million on the fair value re-measurement of the previously exercised options in connection with the acquisition of FCA US

Information about geographical area

The following table summarizes the non-current assets (other than financial instruments, deferred tax assets and post-employment benefits assets) attributed to certain geographic areas:

	At December 31 2016	2015
	(€ million)	
North America	€ 35,833	€ 33,701
Italy	12,558	11,476
Brazil	6,310	4,612
Poland	1,117	1,208
Serbia	660	772
Other countries	2,582	2,346
Total Non-current assets (other than financial instruments, deferred tax assets and post-employment benefits assets)	**€ 59,060**	**€ 54,115**

30. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash items

For the year ended December 31, 2016, Other non-cash items of €111 million included €225 million of impairments, which were partially offset by other amounts that were not individually material.

For the year ended December 31, 2015, Other non-cash items of €812 million mainly included (i) €713 million non-cash charges for impairments which primarily related to asset impairments in connection with the realignment of the Group's manufacturing capacity in NAFTA to better meet market demand and (ii) €80 million charge recognized as a result of the adoption of the SIMADI exchange rate to re-measure the net monetary assets of the Group's Venezuelan subsidiary in U.S. Dollar (Note 26, *Venezuela Currency Regulations and Devaluation*) (reported, for the effect on cash and cash equivalents, within Translation exchange differences).

For the year ended December 31, 2014, Other non-cash items of €348 million mainly included (i) €381 million related to the non-cash portion of the expense recognized in connection with the execution of the UAW MOU entered into by FCA US, as described in Note 3, *Scope of consolidation* and (ii) €98 million re-measurement charge recognized as a result of the Group's change in the exchange rate used to remeasure its Venezuelan subsidiary's net monetary assets in U.S. Dollar (Note 26, *Venezuela Currency Regulations and Devaluation*) (reported, for the effect on cash and cash equivalents, within Translation differences), which were partially offset by (iii) the non-taxable gain of €223 million on the re-measurement to fair value of the previously exercised options on approximately 10 percent of FCA US's membership interest in connection with the acquisition of the remaining interest in FCA US previously not owned.

Operating activities

For the year ended December 31, 2016, the net increase of €1,519 million in provisions was mainly due to the increase in the warranty provision of €414 million in NAFTA for recall campaigns related to an industry wide recall for airbag inflators resulting from parts manufactured by Takata, an increase in accrued sales incentives primarily related to NAFTA and EMEA, as well as estimated net costs of €132 million associated with a recall for which costs are being contested with a supplier. In addition, the €471 million increase in inventories primarily related to the increased production of new vehicle models in EMEA and the €776 million increase in trade payables mainly related to increased production levels in EMEA, which was partially offset by reduced activity in LATAM and the effect of localized Jeep production in China. Furthermore, changes in other payables and receivables of €295 million primarily reflected the net payment of taxes and deferred expenses.

For the year ended December 31, 2015, the net increase of €3,206 million in provisions mainly related to an increase in the warranty provision, which included the change in estimate for future recall campaign costs in NAFTA, and higher accrued sales incentives primarily related to increased sales volumes in NAFTA. In addition, the €958 million increase in inventories reflected the increased consumer demand for our vehicles and inventory buildup in NAFTA due to production changeovers and the €1,571 million increase in trade payables mainly related to increased production levels in EMEA. Furthermore, change in other payables and receivables of €580 million primarily reflected the net payment of taxes and deferred expenses.

For the year ended December 31, 2014, the net increase of €1,169 million in provisions mainly related to a €959 million increase in Other provisions following net adjustments to warranties for NAFTA and higher accrued sales incentives, primarily due to an increase in retail incentives as well as an increase in dealer stock levels to support increased sales volumes in NAFTA, and a €210 million increase in employee benefits mainly related to U.S. and Canada pension plans as the impact of lower discount rates was not fully offset by the higher return on assets. In addition, the €821 million increase in inventory mainly related to increased finished vehicle and work in process levels at December 31, 2014 compared to December 31, 2013, in part driven by higher production levels in late 2014 to meet anticipated consumer demand in NAFTA, EMEA and Maserati, and the €1,470 million increase in trade payables mainly related to increased production in EMEA and NAFTA as a result of increased consumer demand for our vehicles.

Financing activities

For the year ended December 31, 2016, net cash used in financing activities was €5,127 million and was primarily the result of the (i) repayment of other long-term debt for a total of €4,618 million, which included (a) the voluntary prepayments of principal of the FCA US Tranche B Term Loans of U.S.$2.0 billion (€1.8 billion), as described in Note 21, *Debt*, (b) the payment of the financial liability related to the Mandatory Convertible Securities of €213 million upon their conversion to FCA shares and (c) repayments at maturity of other long-term debt of €2,605 million primarily in Brazil, as well as (ii) the repayment at maturity of three notes issued under the GMTN Programme, two of which were for an aggregate principal amount of €2,000 million and one for a principal amount of CHF 400 million (€373 million) as described in Note 21, *Debt*, which were partially offset by (iii) the issuance of a new note under the GMTN Programme for a principal amount of €1,250 million and (iv) proceeds from other long-term debt for a total of €1,342 million, which included the proceeds from the €250 million loan entered into with the EIB in December 2016 as described in Note 21, *Debt*.

For the year ended December 31, 2015, net cash used in financing activities was €3,128 million and was primarily the result of (i) the prepayment of the FCA US Secured Senior Notes and the repayment at maturity of two notes issued under the GMTN Programme for a total of €7,241 million as described in Note 21, *Debt*, (ii) the repayment of other long-term debt for a total of €4,412 million, which were partially offset by (iii) net proceeds of €866 million from the Ferrari IPO as described in Note 3, *Scope of consolidation,* (iv) proceeds from the issuance of the Notes by FCA for a total of €2,840 million as described in Note 21, *Debt,* (v) €3,061 million provided by other long-term borrowings and (vi) net proceeds from the €2.0 billion Ferrari Bridge Loan and Ferrari Term Loan, which are reflected within cash flows used in financing activities - discontinued operations in the Consolidated Statement of Cash Flows.

For the year ended December 31, 2014, net cash from financing activities was €2,137 million and was primarily the result of (i) the net proceeds from the issuance of the Mandatory Convertible Securities as described in more detail in Note 27, (ii) the proceeds from note issuances and new other long-term debt as discussed in Note 21, *Debt,* which were partially offset by (iii) the cash payment to the VEBA Trust for the acquisition of the remaining 41.5 percent ownership interest in FCA US (see Note 3, *Scope of consolidation*), (iv) the repayment of other long-term borrowings for a total of €5,834 million, mainly related to the prepayment of all amounts under the VEBA Trust Note amounting to approximately U.S.$5 billion (€3.6 billion), including accrued and unpaid interest, and repayment of other long-term debt primarily in Brazil, (v) the repayment at maturity of notes issued under the GMTN Programme, as discussed in Note 21, *Debt,* and (vi) the net cash disbursement in connection with the Merger (see Note 1*, Principal activities*).

During the year December 31, 2016, the Group paid interest of €1,676 million and received interest of €370 million. During the years ended December 31, 2015 and 2014, the Group, including Ferrari, paid interest of €2,087 million and €2,054 million and received interest of €469 million and €441 million, respectively. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

During the year ended December 31, 2016, the Group made income tax payments, net of refunds, totaling €622 million. During the years ended December 31, 2015 and 2014, the Group, including Ferrari, made income tax payments, net of refunds, totaling €664 million and €542 million, respectively.

31. QUALITATIVE AND QUANTITATIVE INFORMATION ON FINANCIAL RISKS

The Group is exposed to the following financial risks connected with its operations:

- credit risk, principally arising from its normal commercial relations with final customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- financial market risk (principally relating to exchange rates, interest rates and commodity prices), since the Group operates at an international level in different currencies and uses financial instruments which generate interest. The Group is also exposed to the risk of changes in the price of certain commodities and of certain listed shares.

These risks could significantly affect the Group's financial position and results and for this reason, the Group systematically identifies and monitors these risks in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with established risk management policies.

Financial instruments held by the funds that manage pension plan assets are not included in this analysis (refer to Note 19, *Employee benefits liabilities*).

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. The quantitative data reported in the following does not have any predictive value, in particular the sensitivity analysis on finance market risks does not reflect the complexity of the market or the reaction which may result from any changes that are assumed to take place.

Credit risk

Credit risk is the risk of economic loss arising from the failure to collect a receivable. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

The Group's credit risk differs in relation to the activities carried out. In particular, dealer financing and operating and financial lease activities that are carried out through the Group's financial services companies are exposed both to the direct risk of default and the deterioration of the creditworthiness of the counterparty, while the sale of vehicles and spare parts is mostly exposed to the direct risk of default of the counterparty. These risks are however mitigated by the fact that collection exposure is spread across a large number of counterparties and customers.

Overall, the credit risk regarding the Group's trade receivables and receivables from financing activities is concentrated in the European Union, Latin America and North American markets.

In order to test for impairment, significant receivables from corporate customers and receivables for which collectability is at risk are assessed individually, while receivables from end customers or small business customers are grouped into homogeneous risk categories. A receivable is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due specified in the contractual terms. Objective evidence may be provided by the following factors: significant financial difficulties of the counterparty, the probability that the counterparty will be involved in an insolvency procedure or will default on its installment payments, the restructuring or renegotiation of open items with the counterparty, changes in the payment status of one or more debtors included in a specific risk category and other contractual breaches. The calculation of the amount of the impairment loss is based on the risk of default by the counterparty, which is determined by taking into account all the information available as to the customer's solvency, the fair value of any guarantees received for the receivable and the Group's historical experience.

The maximum credit risk to which the Group is potentially exposed at December 31, 2016 is represented by the carrying amounts of financial assets in the financial statements and the nominal value of the guarantees provided on liabilities and commitments to third parties as discussed in Note 25, *Guarantees granted, commitments and contingent liabilities*.

Dealers and final customers for which the Group provides financing are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for risks arising from credit granted. These guarantees are further strengthened where possible by reserve of title clauses on financed vehicle sales to the sales network made by Group financial service companies and on vehicles assigned under finance and operating lease agreements.

Receivables from financing activities amounting to €2,578 million at December 31, 2016 (€2,006 million at December 31, 2015) contained balances totaling €4 million (€4 million at December 31, 2015), which have been written down on an individual basis. Of the remainder, balances totaling €34 million are past due by up to one month (€44 million at December 31, 2015), while balances totaling €19 million are past due by more than one month (€21 million at December 31, 2015). In the event of installment payments, even if only one installment is overdue, the entire receivable balance is classified as overdue.

Trade receivables and other receivables amounting to €5,276 million at December 31, 2016 (€5,054 million at December 31, 2015) contain balances totaling €9 million (€13 million at December 31, 2015) which have been written down on an individual basis. Of the remainder, balances totaling €228 million are past due by up to one month (€214 million at December 31, 2015), while balances totaling €228 million are past due by more than one month (€211 million at December 31, 2015).

Even though our current securities and Cash and cash equivalents consist of balances spread across various primary national and international banking institutions and money market instruments that are measured at fair value, there was no exposure to sovereign debt securities at December 31, 2016 which might lead to significant risk of repayment.

Liquidity risk

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations under economic conditions. Any actual or perceived limitations on the Group's liquidity may affect the ability of counterparties to do business with the Group or may require additional amounts of cash and cash equivalents to be allocated as collateral for outstanding obligations.

The continuation of a difficult economic situation in the markets in which the Group operates and the uncertainties that characterize the financial markets, necessitate special attention to the management of liquidity risk. In that sense, measures taken to generate funds through operations and to maintain a conservative level of available liquidity are important factors for ensuring operational flexibility and addressing strategic challenges over the next few years.

The main factors that determine the Group's liquidity situation are the funds generated by or used in operating and investing activities, the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

The Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce liquidity risk as follows:

- centralizing the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining a conservative level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence in the capital markets;
- obtaining adequate credit lines;
- monitoring future liquidity on the basis of business planning.

The Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds at its disposal. The operating cash management and liquidity investment of the Group are centrally coordinated in the Group's treasury companies, with the objective of ensuring effective and efficient management of the Group's funds. These companies obtain funds in the financial markets various funding sources.

At December 31, 2016, in conjunction with the amendments to the credit agreements that govern the Tranche B Term Loans of FCA US entered into in March 2016, the covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group were eliminated, and FCA US's cash management activities are no longer managed separately from the rest of the Group.

FCA has not provided any guarantee, commitment or similar obligation in relation to any of FCA US's financial indebtedness, nor has it assumed any kind of obligation or commitment to fund FCA US. However, with the replacement of the prior FCA revolving credit facilities with the new FCA RCF entered into in June 2015, FCA no longer has limitations in providing funding to FCA US. Certain notes issued by FCA and its subsidiaries (other than FCA US and its subsidiaries) include covenants which may be affected by circumstances related to FCA US as well as certain other relevant subsidiaries, including cross-default clauses which may accelerate repayments in the event that FCA US fails to pay certain of its debt obligations.

Details of the repayment structure of the Group's financial assets and liabilities are provided in Note 15, *Trade, other receivables and tax receivables*, Note 22, *Other liabilities and Tax payables* and in Note 21, *Debt*. Details of the repayment structure of derivative financial instruments are provided in Note 16*, Derivative financial assets and liabilities.*

The Group believes that the Group's total available liquidity, in addition to the funds that will be generated from operating and financing activities, will enable the Group to satisfy the requirements of its investing activities and working capital needs, fulfill its obligations to repay its debt at the natural due dates and ensure an appropriate level of operating and strategic flexibility.

Financial market risks

Due to the nature of our business, the Group is exposed to a variety of market risks, including foreign currency exchange rate risk, commodity price risk and interest rate risk.

The Group's exposure to foreign currency exchange rate risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The Group's exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's Net profit, thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's exposure to commodity price risk arises from the risk of changes in the price of certain raw materials and energy used in production. Changes in the price of raw materials could have a significant effect on the Group's results by indirectly affecting costs and product margins.

These risks could significantly affect the Group's financial position and results and for this reason, these risks are systematically identified and monitored, in order to detect potential negative effects in advance and take the necessary actions to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with its established risk management policies.

The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in foreign currency exchange rates and interest rates as well as commodities prices connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilizes derivative financial instruments designated as fair value hedges mainly to hedge:

- the foreign currency exchange rate risk on financial instruments denominated in foreign currency; and
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly foreign currency forward contracts, interest rate swaps and combined interest rate and foreign currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:

- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a targeted mix of floating versus fixed rate funding structured loans; and
- the price of certain commodities.

The foreign currency exchange rate exposure on forecasted commercial flows is hedged by foreign currency swaps and forward contracts. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements. Exposure to changes in the price of commodities is generally hedged by using commodity swaps and commodity options. In addition, in order to manage the Group's foreign currency risk related to its investments in foreign operation, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. Counterparties to these agreements are major financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 16, *Derivative financial assets and liabilities.*

Quantitative information on foreign currency exchange rate risk

The Group is exposed to risk resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:

- where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating results of that company.
- the principal exchange rates to which the Group is exposed are:
  - EUR/U.S.$, relating to sales and purchases in U.S.$ made by Italian companies (primarily for Maserati and Alfa Romeo vehicles) and to sales and purchases in Euro made by FCA US;
  - U.S.$/CAD, primarily relating to FCA Canada's sales of U.S. produced vehicles, net of FCA US sales of Canadian produced vehicles;
  - CNY, in relation to sales in China originating from FCA US and from Italian companies (primarily for Maserati and Alfa Romeo vehicles);
  - GBP, AUD, MXN, CHF, ARS and VEF in relation to sales in the UK, Australian, Mexican, Swiss, Argentinean and Venezuelan markets;
  - PLN and TRY, relating to manufacturing costs incurred in Poland and Turkey;
  - JPY mainly in relation to purchase of parts from Japanese suppliers and sales of vehicles in Japan;
  - U.S.$/BRL, EUR/BRL, relating to Brazilian manufacturing operations and the related import and export flows.

The Group's policy is to use derivative financial instruments to hedge a percentage of certain exposures subject to foreign currency exchange rate risk for the upcoming 12 months (including such risk before or beyond that date where it is deemed appropriate in relation to the characteristics of the business) and to hedge the exposure resulting from firm commitments unless not deemed appropriate.

Group companies may have trade receivables or payables denominated in a currency different from their respective functional currency. In addition, in a limited number of cases, it may be convenient from an economic point of view, or it may be required under local market conditions, for Group companies to obtain financing or use funds in a currency different from their respective functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. The Group's policy is to hedge, whenever deemed appropriate, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the respective Group companies' functional currency.

Certain of the Group's companies are located in countries which are outside of the Eurozone, in particular the U.S., Brazil, Canada, Poland, Serbia, Turkey, Mexico, Argentina, the Czech Republic, India, China, Australia and South Africa. As the Group's reporting currency is the Euro, the income statements of those entities that have a reporting currency other than the Euro, are translated into Euro using the average exchange rate for the period. In addition, the monetary assets and liabilities of these consolidated companies are translated into Euro at the period-end foreign exchange rate. The effects of these changes in foreign exchange rates are recognized directly in the Cumulative translation adjustments reserve included in Other comprehensive income. Changes in exchange rates may lead to effects on the translated balances of revenues, costs and monetary assets and liabilities reported in Euro, even when corresponding items are unchanged in the respective local currency of these companies.

The Group monitors its principal exposure to conversion exchange risk and, in certain circumstances, enters into derivatives for the purpose of hedging the specific risk.

There have been no substantial changes in 2016 in the nature or structure of exposure to foreign currency exchange rate risk or in the Group's hedging policies.

The potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards, cross-currency interest rate and currency swaps) at December 31, 2016 resulting from a 10 percent change in the exchange rates would have been approximately €1,453 million (€1,490 million at December 31, 2015).

This analysis assumes that a hypothetical, unfavorable and instantaneous 10 percent change in exchange rates is applied in the measurement of the fair value of derivative financial instruments. Receivables, payables and future trade flows whose hedging transactions have been analyzed were not included in this analysis. It is reasonable to assume that changes in market exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Quantitative information on interest rate risk

The manufacturing companies and treasuries of the Group make use of external borrowings and invest in monetary and financial market instruments. In addition, Group companies sell receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, thus negatively impacting the net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. factoring of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the operating result of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, when available in the market, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on the Group's Net profit.

In assessing the potential impact of changes in interest rates, the Group segregates fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (basically customer financing and financial leases) and part of debt (including subsidized loans and notes).

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2016, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately €56 million (approximately €85 million at December 31, 2015).

Floating rate financial instruments consist principally of cash and cash equivalents, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

A hypothetical 10 percent change in short-term interest rates at December 31, 2016, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have resulted in increased net financial expenses before taxes, on an annual basis, of approximately €30 million (€40 million at December 31, 2015).

This analysis is based on the assumption that there is an unfavorable change of 10 percent proportionate to interest rate levels across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated. In addition, the sensitivity analysis applied to floating rate financial instruments assumes that cash and cash equivalents and other short-term financial assets and liabilities which expire during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

Quantitative information on commodity price risk

The Group has entered into derivative contracts for certain commodities to hedge its exposure to commodity price risk associated with buying raw materials and energy used in its normal operations.

In connection with the commodity price derivative contracts outstanding at December 31, 2016, a hypothetical 10 percent change in the price of the commodities at that date would have caused a fair value loss of €35 million (€40 million at December 31, 2015). Future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in commodity prices will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

32. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through February 28, 2017, which is the date the financial statements were authorized for issuance.

In January 2017, as a result of the distribution of the Company's 16.7 percent ownership interest in RCS to holders of its common shares on May 1, 2016, the Compensation Committee of FCA approved a conversion factor of 1.005865 that was applied to outstanding awards that had been granted in 2015 to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

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