Consolidated Financial Statements

AT DECEMBER 31, 2015

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Consolidated Income Statement

for the Years Ended December 31, 2015, 2014 and 2013

		For the Years Ended December 31,		
		2015	2014	2013
	Note	(€ million)		
Net revenues	(1)	110,595	93,640	84,530
Cost of sales	(2)	97,620	81,592	73,038
Selling, general and administrative costs	(3)	7,728	6,947	6,615
Research and development costs	(4)	2,864	2,334	2,275
Result from investments:		143	131	84
Share of the profit of equity method investees	(13)	130	117	74
Other income from investments		13	14	10
Gains on disposal of investments		—	12	8
Restructuring costs		53	50	28
Other income/(expenses)	(5)	152	(26)	(28)
EBIT		**2,625**	**2,834**	**2,638**
Net financial expenses	(6)	2,366	2,051	1,989
Profit before taxes		**259**	**783**	**649**
Tax expense/(benefit)	(7)	166	424	(1,059)
Net profit from continuing operations		**93**	**359**	**1,708**
Profit from discontinued operations, net of tax		284	273	243
Net profit		**377**	**632**	**1,951**
Net profit attributable to:				
Owners of the parent		334	568	904
Non-controlling interests		43	64	1,047
Profit from continuing operations attributable to:				
Owners of the parent		83	327	690
Non-controlling interests		10	32	1,018
Earnings per share:	(9)			
Basic earnings per ordinary share (in €)		0.221	0.465	0.744
Diluted earnings per ordinary share (in €)		0.221	0.460	0.736
Earnings per share for profit from continuing operations:				
Basic earnings per ordinary share (in €)		0.055	0.268	0.568
Diluted earnings per ordinary share (in €)		0.055	0.265	0.562

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

Consolidated Statement of Comprehensive Income/(Loss)

for the Years Ended December 31, 2015, 2014 and 2013

	Note	For the Years Ended December 31, 2015	2014	2013
			(€ million)	
Net profit (A)		**377**	**632**	**1,951**
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:	(19)			
Gains/(losses) on remeasurement of defined benefit plans		679	(327)	2,679
Share of (losses) on remeasurement of defined benefit plans for equity method investees		(2)	(4)	(7)
Related tax impact		(201)	28	237
Items relating to discontinued operations, net of tax		3	(5)	(1)
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods (B1)		**479**	**(308)**	**2,908**
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:	(19)			
Gains/(losses) on cash flow hedging instruments		186	(144)	107
Gains/(losses) on available-for-sale financial assets		11	(24)	4
Exchange differences on translating foreign operations		928	1,255	(708)
Share of Other comprehensive (loss)/income for equity method investees		(17)	51	(88)
Related tax impact		(48)	26	(10)
Items relating to discontinued operations, net of tax		18	(74)	26
Total items that may be reclassified to the Consolidated Income Statement in subsequent periods (B2)		**1,078**	**1,090**	**(669)**
Total Other comprehensive income/(loss), net of tax (B1)+(B2)=(B)		**1,557**	**782**	**2,239**
Total Comprehensive income/(loss) (A)+(B)		**1,934**	**1,414**	**4,190**
Total Comprehensive income/(loss) attributable to:				
Owners of the parent		1,879	1,282	2,117
Non-controlling interests		55	132	2,073
		1,934	**1,414**	**4,190**
Total Comprehensive income/(loss) attributable to owners of the parent:				
Continuing operations		1,611	1,114	1,878
Discontinued operations		268	168	239
		1,879	**1,282**	**2,117**

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

Consolidated Statement of Financial Position

at December 31, 2015 and 2014

		At December 31,	
		2015	2014
	Note	(€ million)	
Assets			
Intangible assets:		24,736	22,847
Goodwill and intangible assets with indefinite useful lives	(10)	*14,790*	*14,012*
Other intangible assets	(11)	*9,946*	*8,835*
Property, plant and equipment	(12)	27,454	26,408
Investments and other financial assets:	(13)	2,242	2,020
Investments accounted for using the equity method		*1,658*	*1,471*
Other investments and financial assets		*584*	*549*
Deferred tax assets	(7)	3,343	3,547
Other assets		176	114
Total Non-current assets		**57,951**	**54,936**
Inventories	(14)	11,351	10,449
Assets sold with a buy-back commitment		1,881	2,018
Trade receivables	(15)	2,668	2,564
Receivables from financing activities	(15)	2,006	3,843
Current tax receivables	(15)	405	328
Other current assets	(15)	3,078	2,761
Current financial assets:		1,383	761
Current investments		*48*	*36*
Current securities	(16)	*482*	*210*
Other financial assets	(17)	*853*	*515*
Cash and cash equivalents	(18)	20,662	22,840
Assets held for sale		5	10
Assets held for distribution		3,650	—
Total Current assets		**47,089**	**45,574**
Total Assets		**105,040**	**100,510**
Equity and liabilities			
Equity:	(19)	16,255	13,738
Equity attributable to owners of the parent		*16,092*	*13,425*
Non-controlling interest		*163*	*313*
Provisions:		23,856	20,372
Employee benefits	(21)	*10,064*	*9,592*
Other provisions	(22)	*13,792*	*10,780*
Deferred tax liabilities	(7)	156	233
Debt	(23)	27,786	33,724
Other financial liabilities	(17)	736	748
Other current liabilities	(24)	10,930	11,495
Current tax payables		272	346
Trade payables		21,465	19,854
Liabilities held for distribution		3,584	—
Total Equity and liabilities		**105,040**	**100,510**

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

Consolidated Statement of Cash Flows

for the Years Ended December 31, 2015, 2014 and 2013

	Note	For the Years Ended December 31,		
		2015	2014	2013
			(€ million)	
Cash and cash equivalents at beginning of the period	(18)	**22,840**	**19,455**	**17,666**
Cash flows from operating activities:				
Net profit from continuing operations		93	359	1,708
Amortization and depreciation		5,414	4,607	4,364
Net losses on disposal of tangible and intangible assets		18	8	32
Net (gains) on disposal of investments		—	(9)	(8)
Other non-cash items	(27)	812	348	531
Dividends received		112	87	92
Change in provisions		3,206	1,169	464
Change in deferred taxes		(279)	(179)	(1,569)
Change due to buy-back commitments and GDP vehicles		6	177	92
Change in working capital	(27)	(158)	779	1,378
Cash flows from operating activities - discontinued operations		527	823	534
Total		**9,751**	**8,169**	**7,618**
Cash flows used in investing activities:				
Investments in property, plant and equipment and intangible assets		(8,819)	(7,804)	(7,219)
Investments in joint ventures, associates and unconsolidated subsidiaries		(266)	(17)	(166)
Proceeds from the sale of tangible and intangible assets		29	38	55
Proceeds from disposal of other investments		—	38	5
Net change in receivables from financing activities		410	78	(409)
Change in current securities		(256)	43	(10)
Other changes		28	16	(9)
Cash flows used in investing activities - discontinued operations		(426)	(532)	(301)
Total		**(9,300)**	**(8,140)**	**(8,054)**
Cash flows from/(used in) financing activities:	(27)			
Issuance of notes		2,840	4,629	2,866
Repayment of notes		(7,241)	(2,150)	(1,000)
Issuance of other medium-term borrowings		3,061	4,873	3,188
Repayment of other medium-term borrowings		(4,412)	(5,834)	(2,556)
Net change in other financial payables and other financial assets/liabilities		(36)	496	662
Net proceeds from initial public offering of 10 percent of Ferrari N.V.		866	—	—
Issuance of Mandatory Convertible Securities and other share issuances	(19)	—	3,094	—
Cash Exit Rights following the merger of Fiat into FCA		—	(417)	—
Exercise of stock options		—	146	4
Distributions paid		(283)	—	(1)
Distribution of certain tax obligations		—	(45)	(6)
Acquisition of non-controlling interests	(27)	—	(2,691)	(34)
Capital increase		10	—	—
Cash flows from financing activities - discontinued operations		2,067	36	13
Total		**(3,128)**	**2,137**	**3,136**
Translation exchange differences		681	1,219	(911)
Total change in Cash and cash equivalents		**(1,996)**	**3,385**	**1,789**
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	(18)	**20,662**	**22,840**	**19,455**

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

Consolidated Statement of Changes in Equity

for the Years Ended December 31, 2015, 2014 and 2013

	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
	(€ million)									
At December 31, 2012	**4,476**	**(259)**	**3,935**	**15**	**618**	**(17)**	**(2,541)**	**(40)**	**2,182**	**8,369**
Capital increase	1	—	2	—	—	—	—	—	1	4
Share-based payments	—	—	9	—	—	—	—	—	—	9
Net profit	—	—	904	—	—	—	—	—	1,047	1,951
Other comprehensive income/(loss)	—	—	—	86	(567)	4	1,784	(94)	1,026	2,239
Distribution for tax withholding obligations	—	—	—	—	—	—	—	—	(6)	(6)
Purchase of shares in subsidiaries from non-controlling interests	—	—	2	—	—	—	—	—	—	2
Other changes	—	—	8	—	—	—	—	—	8	16
At December 31, 2013	**4,477**	**(259)**	**4,860**	**101**	**51**	**(13)**	**(757)**	**(134)**	**4,258**	**12,584**
Capital increase	2	—	989	—	—	—	—	—	3	994
Merger of Fiat into FCA	(4,269)	224	4,045	—	—	—	—	—	—	—
Mandatory Convertible Securities	—	—	1,910	—	—	—	—	—	—	1,910
Exit Rights	(193)	—	(224)	—	—	—	—	—	—	(417)
Dividends distributed	—	—	—	—	—	—	—	—	(50)	(50)
Share-based payments	—	35	(31)	—	—	—	—	—	—	4
Net profit	—	—	568	—	—	—	—	—	64	632
Other comprehensive income/(loss)	—	—	—	(205)	1,198	(24)	(303)	48	68	782
Distribution for tax withholding obligations on behalf of NCI	—	—	—	—	—	—	—	—	(45)	(45)
Purchase of shares in subsidiaries from non-controlling interests	—	—	1,633	35	175	—	(518)[1]	—	(3,990)	(2,665)
Other changes	—	—	4	—	—	—	—	—	5	9
At December 31, 2014	**17**	**—**	**13,754**	**(69)**	**1,424**	**(37)**	**(1,578)**	**(86)**	**313**	**13,738**
Capital increase	—	—	—	—	—	—	—	—	10	10
Distributions	—	—	(17)	—	—	—	—	—	(283)	(300)
Share-based payments	—	—	80	—	—	—	—	—	—	80
Net profit	—	—	334	—	—	—	—	—	43	377
Initial public offering of 10 percent Ferrari N.V.	—	—	869	7	(4)	—	1	—	(7)	866
Other comprehensive income/(loss)	—	—	—	132	942	11	479	(19)	12	1,557
Other changes	—	—	(149)	—	1	—	—	—	75	(73)
At December 31, 2015	**17**	**—**	**14,871**	**70**	**2,363**	**(26)**	**(1,098)**	**(105)**	**163**	**16,255**

(1) *The €518 million relates to the 41.5 percent interest in FCA US's remeasurement 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.*

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

Notes to the Consolidated Financial Statements

At December 31, 2015 and 2014

PRINCIPAL ACTIVITIES

The FCA Merger

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 decided to establish Fiat Chrysler Automobiles N.V., organized in the Netherlands, as the parent of the Group with its principal executive offices in the 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 June 15, 2014, the Board of Directors of Fiat approved the terms of a cross-border legal merger of Fiat into its 100 percent owned direct subsidiary Fiat Investments N.V. (the "Merger"), subject to several conditions precedent.

Fiat Chrysler Automobiles N.V. was incorporated with issued share capital of €200,000, which was composed of 20,000,000 common shares having a nominal value of €0.01 each. Share capital increased to €350,000 on May 13, 2014. Fiat shareholders voted and approved the Merger at their extraordinary general meeting held on August 1, 2014 and after this approval, Fiat shareholders not voting in favor of the Merger were entitled to exercise cash exit rights (the "Cash Exit Rights") by August 20, 2014, which were exercised for a net aggregate cash disbursement of €417 million.

The Merger, which took the form of a reverse merger, became effective on October 12, 2014 and resulted in Fiat Investments N.V. being the surviving entity and was renamed Fiat Chrysler Automobiles N.V. ("FCA NV"). The Merger was recognized in FCA NV's Consolidated Financial Statements from January 1, 2014 and FCA NV, as successor of Fiat, was deemed to be the parent company. As the Merger is a transaction in which all of the combining entities are controlled ultimately by the same party both before and after the reverse merger, and based on the fact that the control is not transitory, the transition was deemed to be a combination of entities under common control and therefore outside the scope of IFRS 3R - *Business Combinations* and IFRIC 17 - *Distributions of Non-cash Assets to Owners.* As a result, the Merger was accounted for without adjusting the carrying amounts of assets and liabilities involved in the transaction and did not have an accounting impact on the Consolidated Financial Statements.

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.

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. The transactions to separate Ferrari N.V. from the Group were completed on January 3, 2016 (Note 32).

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.* Since Exor S.p.A., which controls and consolidates FCA (Note 26), 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 presentation of the Ferrari segment was as follows:

- The operating results of Ferrari have been excluded from the Group's continuing operations and are presented as a single line item within the Consolidated Income Statements for the years ended December 31, 2015, 2014 and 2013. In order to present the financial effects of a discontinued operation, revenues and expenses arising from intercompany transactions were eliminated except for those revenues and expenses that are considered to continue after the spin-off of the discontinued operation. However, no profit or loss is recognized for intercompany transactions within the Consolidated Income Statements.
- The assets and liabilities of Ferrari have been classified as Assets held for distribution and Liabilities held for distribution within the Consolidated Statement of Financial Position at December 31, 2015, while the assets and liabilities of Ferrari have not been re-classified for the comparative Consolidated Statement of Financial Position at December 31, 2014.
- Cash flows arising from the Ferrari segment have been presented separately as discontinued cash flows from operating, investing and financing activities within the Consolidated Statement of Cash Flows for the years ended December 31, 2015, 2014 and 2013. The cash flows represent those arising from transactions with third parties.

In anticipation of the spin-off of Ferrari N.V., on November 30, 2015, Ferrari N.V. entered into a €2.5 billion syndicated loan facility. The facility consisted of a bridge loan (the "Ferrari Bridge Loan") and a term loan (the "Ferrari Term Loan") of €2 billion in aggregate as well as a revolving credit facility of €500 million (the "Ferrari RCF"). Proceeds of the Ferrari Bridge Loan and Ferrari Term Loan were used to refinance indebtedness owed to FCA. The €2.5 billion syndicated loan facility is limited in recourse to Ferrari N.V. and any of its subsidiaries which borrow under the facility, and is without recourse to any other part of FCA. The Ferrari Bridge Loan and the Ferrari Term Loan are classified within Liabilities held for distribution within the Consolidated Statement of Financial Position at December 31, 2015. The Ferrari RCF was undrawn at December 31, 2015.

The following assets and liabilities of the Ferrari segment were classified as held for distribution at December 31, 2015:

	At December 31, 2015
	(€ 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**

The table below summarizes the major line items of the Consolidated Income Statement for discontinued operations for the years ended December 31, 2015, 2014 and 2013.

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Net revenues	2,596	2,450	2,094
Expenses	2,152	2,061	1,730
EBIT	**444**	**389**	**364**
Net financial expenses/(income)	16	(4)	(2)
Profit before taxes from discontinued operations	**428**	**393**	**366**
Tax expense	144	120	123
Profit from discontinued operations, net of tax	**284**	**273**	**243**

The amounts presented above are not representative of the income statement and the financial position of Ferrari on a stand-alone basis, as these amounts are net of intercompany transactions, except as noted above.

Corporate Information

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 except that, in some instances, information in U.S.$ is provided in the Consolidated Financial Statements and information included elsewhere in this report. 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.”).

SIGNIFICANT ACCOUNTING POLICIES

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, 2015 were authorized for issuance on February 29, 2016 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.

Format of the Consolidated Financial Statements

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. The Group also presents a subtotal for Earnings before Interest and Taxes ("EBIT"). EBIT distinguishes between the Profit before taxes arising from operating activities and those arising from financing activities.

For the Consolidated Statement of Financial Position, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1 paragraph 60. More specifically, the Group's Consolidated Financial Statements include both industrial and financial services companies. The investment portfolios of the financial services companies are included in current assets, as the investments will be realized in their normal operating cycle. However, the financial services companies obtain only a portion of their funding from the market while the remainder is obtained from Group operating companies through the Group's treasury companies (included within the industrial companies), which provide funding to both industrial and financial services companies in the Group as the need arises. This financial services structure within the Group does not allow the separation of financial liabilities funding the financial services operations (whose assets are reported within current assets) and those funding the industrial operations. Presentation of financial liabilities as current or non-current based on their date of maturity would not facilitate a meaningful comparison with financial assets, which are categorized on the basis of their normal operating cycle. Disclosure as to the due date of the financial liabilities is provided in Note 23.

The Consolidated Statement of Cash Flows is presented using the indirect method.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. For the year ended December 31, 2015, the Group is no longer presenting the separate line item Other unusual income/(expenses) within the Consolidated Income Statement. All amounts previously reported within the Other unusual income/(expenses) line item have been reclassified into the appropriate line item within the Consolidated Income Statements for the years ended December 31, 2014 and 2013 based upon the nature of the transaction. For the year ended December 31, 2014, of the total €390 million previously presented as Other unusual income/(expenses), €98 million related to the remeasurement of our Venezuelan Bolivar ("VEF") denominated net monetary assets and was reclassified to Cost of sales. In addition, a net €277 million was reclassified to Other income/(expenses), which primarily included the €495 million expense recognized in connection with the execution of the memorandum of understanding (the "MOU") with the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the "UAW") entered into by FCA US in January 2014, offset by the non-taxable gain of €223 million on the remeasurement 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.

For the year ended December 31, 2013, the net €499 million previously presented as Other unusual income/(expenses) included other unusual expenses of €686 million and other unusual income of €187 million. Of the total other unusual expenses of €686 million, €226 million that related to the write-down of development costs was reclassified to Research and development costs (Note 4). In addition, €273 million was reclassified to Cost of sales of which €115 million related to certain voluntary safety recall costs, €57 million related to the impairment charges for the cast-iron business in the Components segment (Teksid), €55 million related to the impairment of property, plant and equipment in the EMEA segment and €43 million related to the net charge resulting from the devaluation of the VEF exchange rate relative to the U.S.$ and the remeasurement on the Group's VEF denominated net monetary assets (Note 30). Furthermore, €119 million was reclassified to Other income/(expenses), which included the €56 million write-off of the book value of the right associated with the acquisition of the remaining interest in FCA US previously not owned. Of the total other unusual income of €187 million, €166 million related to the impact of the pension curtailment gain following FCA US's amendment to its U.S. and Canadian defined benefit pension plans and was reclassified as a reduction to Cost of sales.

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 an equity transaction. 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 de-recognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, de-recognizes 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 or 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.

Interests in other companies

Interests in other companies are measured at fair value. Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized at cost. For investments classified as available-for-sale, financial assets 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 that time, the cumulative Other comprehensive income/(loss) is recognized in the Consolidated Income Statement. Interests 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/(expenses) from investments.

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:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale 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 Statements 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 at the balance sheet date are translated at the exchange rate prevailing at that date. 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 as 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:

	2015		2014		2013	
	Average	At December 31,	Average	At December 31,	Average	At December 31,
U.S. Dollar	1.109	1.089	1.329	1.214	1.328	1.379
Brazilian Real	3.699	4.312	3.121	3.221	2.867	3.258
Chinese Renminbi	6.972	7.061	8.187	7.536	8.164	8.349
Canadian Dollar	1.418	1.512	1.466	1.406	1.368	1.467
Mexican Peso	17.611	18.915	17.657	17.868	16.960	18.073
Polish Zloty	4.184	4.264	4.184	4.273	4.197	4.154
Argentine Peso	10.271	14.136	10.782	10.382	7.263	8.988
Pound Sterling	0.726	0.734	0.806	0.779	0.849	0.834
Swiss Franc	1.068	1.084	1.215	1.202	1.231	1.228

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.

Development costs

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

Capitalized development costs 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). All other development costs are expensed as incurred.

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 whenever there is an indication that the asset may be impaired, by comparing the carrying amount with the recoverable amount.

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, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position within Debt.

During years ended December 31, 2015, 2014 and 2013, 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 lease terms.

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, 2015 and 2014 was €286 million and €256 million, respectively.

Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that its intangible assets (including capitalized development costs) 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, other than Goodwill, 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 instruments

Presentation

Financial instruments held by the Group are presented in the Consolidated Financial Statements as described in the following paragraphs.

Investments and other non-current financial assets consist of investments in unconsolidated companies and other non-current financial assets (held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets).

Current financial assets, as defined in IAS 39 – *Financial Instruments: Recognition and Measurement*, include Trade receivables, Receivables from financing activities, Current investments, Current securities and Other financial assets (which include derivative financial instruments stated at fair value), as well as Cash and cash equivalents. Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, primarily comprised of commercial paper and certificates of deposit that are readily convertible into cash and are subject to an insignificant risk of changes in value. Money market funds consist of investments in high quality, short-term, diversified financial instruments which can generally be liquidated on demand. Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents. Current securities include both available-for-sale and held-for-trading securities.

Financial liabilities consist of Debt and Other financial liabilities (which include derivative financial instruments measured at fair value), Trade payables and Other current liabilities.

Measurement

Non-current financial assets other than Investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*.

Current financial assets and held-to-maturity securities 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 financial assets are measured at fair value. When market prices are not directly available, the fair value of available-for-sale financial assets 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 financial assets 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. When the asset is impaired, accumulated losses are recognized in the Consolidated Income Statement. Gains and losses arising from changes in the fair value of held-for-trading financial instruments 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), held-to-maturity securities and equity investments whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. When the 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 a financial asset or group of assets may be impaired. If any such evidence exists, the impairment loss is recognized in the Consolidated Income Statement.

Except for derivative instruments, financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities hedged against changes in fair value (fair value hedges) are measured in accordance with hedge accounting principles: gains and losses arising from remeasurement at fair value, due to changes in the respective hedged risk, are recognized in the Consolidated Income Statement and are offset by the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument.

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*, 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.

Refer to Note 17 for further information on the effects reflected in the Consolidated Income Statement on derivative financial instruments.

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.

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 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 collection are not transferred, and accordingly the Group recognizes the receivables transferred by this means 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 only recognized 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 sales, Selling, general and administrative costs and Research and development costs);
- net interest on the defined benefit liability or asset is recognized in the Consolidated Income Statement within Financial expense and is determined by multiplying the net liability/(asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year; and
- remeasurement components of the net 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 remeasurement components are not reclassified to the Consolidated Income Statement in a subsequent period.

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

Other long term employee benefits

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

Share-based compensation

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 require us to recognize 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 administrative 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 the customer, 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 when the vehicles are released to the carrier responsible for transporting vehicles to dealers. 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 the customer. 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 sales.

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 sales

Cost of sales comprises expenses incurred in the manufacturing and distribution of vehicles and parts, of which cost of materials and components are the most significant portion. 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 sales. Furthermore, estimated costs related to product warranty and recall campaigns are recorded within Cost of sales. 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 for accounting purposes 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 Other income/(expenses).

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. The 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 25 for additional information on fair value measurements.

New standards and amendments effective from January 1, 2015

The following new standards and amendments applicable from January 1, 2015 were adopted by the Group. There was no effect from the adoption of these amendments:

- The Group adopted the narrow scope amendments to IAS 19 – Employee benefits entitled "*Defined Benefit Plans: Employee Contributions*" which apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases.
- The Group adopted the IASB's Annual Improvements to IFRSs 2010 – 2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – *Share-based payments*, the disclosure on judgment used in the aggregation of operating segments in IFRS 8 – *Operating Segments,* the identification and disclosure of a related party transaction that arises when a management entity provides key management personnel service to a reporting entity in IAS 24 – *Related Party disclosures,* the extension of the exclusion from the scope of IFRS 3 – *Business Combinations* to all types of joint arrangements and to clarify the application of certain exceptions in IFRS 13 – *Fair value Measurement.*

New standards, amendments and interpretations not yet effective

The following new standards and amendments applicable from January 1, 2016 were issued by the IASB. For new standards and amendments effective after January 1, 2017, we are currently evaluating the implementation method and the impact of adoption on our Consolidated Financial Statements. We will comply with the relevant guidance no later than their respective effective dates.

- In May 2014, the IASB issued 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. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016 with earlier application permitted for any new acquisition. No significant effect is expected from the adoption of these amendments.
- In May 2014, the IASB issued an amendment to IAS 16 – *Property, Plant and Equipment* and to IAS 38 – *Intangible Assets.* The IASB has clarified 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. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted. No significant effect is expected from the adoption of these amendments.
- In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers*. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive. 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, with early adoption permitted.
- 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.

- In September 2014, the IASB issued narrow amendments to IFRS 10 – *Consolidated Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures* (2011). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments which were initially expected to be effective prospectively from January 1, 2016, have been postponed indefinitely by the IASB in planning a broader review that may result in a simplification of accounting of such transactions.
- In September 2014, the IASB issued the 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*, on the changes of method of disposal, on IFRS 7 – *Financial Instruments: Disclosures on the servicing contracts*, on the IAS 19 – *Employee Benefits*, on the discount rate determination. The effective date of the amendments is January 1, 2016. No significant effect is expected from the adoption of these amendments.
- In December 2014 the IASB issued amendments to IAS 1- *Presentation of Financial Statements* as part of its major 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. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.
- 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 leases 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, with early adoption allowed only if IFRS 15 - *Revenue from Contracts with Customers* is also adopted.
- 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, with earlier adoption permitted.
- 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, with earlier adoption permitted.

SEGMENT REPORTING

The Group's four regional mass-market vehicle operating segments deal with the design, engineering, development, manufacturing, distribution and sale of passenger cars, light commercial vehicles and related parts and services in specific geographic areas: NAFTA, LATAM, APAC and EMEA. The Group also operates on a global basis in the luxury vehicle sector with the Maserati segment and in the global components sector with the Magneti Marelli, Teksid and Comau operating segments.

The 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 the four regional mass-market vehicle operating segments (NAFTA, LATAM, APAC and EMEA), the Maserati 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 (under the Mopar brand name) 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 FCA Bank S.p.A., a joint venture with the Crédit Agricole group, 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).

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. The way these benefits are provided varies 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 sales, Selling, general and administrative 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 such as mortality, dismissal and retirement rates. These assumptions may have an effect on the amount and timing of future contributions.

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. The assumptions used in developing the required estimates include the following key factors:

- *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.
- *Salary growth.* The salary growth assumption reflects the Group's long-term actual experience, outlook and assumed inflation.
- *Inflation.* The inflation assumption is based on an evaluation of external market indicators.

- *Expected contributions.* 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.
- *Retirement rates.* Retirement rates are developed to reflect actual and projected plan experience.
- *Mortality rates*. 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.
- *Plan assets measured at net asset value*. Plan assets are recognized and measured at fair value in accordance with IFRS 13 - *Fair Value Measurement.* Plan assets for which there are no active markets are represented by the net asset value ("NAV") and amounted to €3,000 million and €2,750 million at December 31, 2015 and 2014, respectively. These investments include private equity, real estate and hedge fund investments.

Significant differences in actual experience or significant changes in assumptions may affect the pension obligations and pension expense. 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 plan were 4.44 percent and 4.03 percent at December 31, 2015 and 2014, respectively.

At December 31, 2015 the effect of the indicated decrease or increase in the discount rate, holding all other assumptions constant, is as follows:

	Effect on pension defined benefit obligation
	(€ million)
10 basis point decrease in discount rate	426
10 basis point increase in discount rate	(418)

Refer to Note 21 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 such as mortality, dismissal and retirement rates, which may have an effect on the amount and timing of future payments.

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.

The assumptions used in developing the required estimates include the following key factors:

- *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.
- *Salary growth*. The salary growth assumptions reflect the Group's long-term actual experience, outlook and assumed inflation.
- *Retirement and employee leaving rates*. Retirement and employee leaving rates are developed to reflect actual and projected plan experience, as well as legal requirements for retirement in respective countries.

- *Mortality rates*. 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.

At December 31, 2015, the effect of the indicated decreases or increases in the key factors 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 defined benefit obligation	Effect on the TFR obligation
	(€ million)	
10 basis point / (100 basis point for TFR) decrease in discount rate	32	41
10 basis point / (100 basis point for TFR) increase in discount rate	(31)	(38)
100 basis point decrease in health care cost trend rate	(129)	—
100 basis point increase in health care cost trend rate	157	—

Refer to Note 21 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 costs 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, 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 cash generating units ("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 costs) 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 costs.

Due to impairment indicators existing in 2014 and 2013, primarily related to losses incurred in EMEA due to weak demand for vehicles and strong competition as well as changes in product strategy, impairment tests relating to the recoverability of CGUs in EMEA were performed. The impairment tests compared the carrying amount of the assets allocated to the CGUs (comprising property, plant and equipment and capitalized development costs) to their value in use using pre-tax estimated future cash flows based on the Group's 2014-2018 business plan presented on May 6, 2014, which were discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs. The impairment test, which reflected the Group's available knowledge as to the expected future development of the business, markets and automotive industry, confirmed that the value in use of the CGUs in EMEA was greater than the carrying value at December 31, 2014 and as a result, no impairment losses were recognized in 2014. For the year ended December 31, 2013, total impairment charges of €116 million relating to CGUs in EMEA were recognized of which €61 million related to capitalized development costs (Note 4) and €55 million related to property, plant and equipment.

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 costs) 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, 2015 and was based on the following assumptions:

- The expected future cash flows covering the period from 2016 through 2020 have been derived primarily from the Group's 2014-2018 business plan presented on May 6, 2014, as updated. 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.
- 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 under consideration. The Weighted Average Cost of Capital ("WACC") ranged from approximately 16 percent to approximately 19 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, 2015.

There were no impairment charges resulting from the impairment tests performed for the years ended December 31, 2014 and 2013.

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.

These estimates and assumptions are subject to a high degree of 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. The estimated future costs of these actions are based primarily on historical claims experience for our vehicles. Given recent increases in both the cost and frequency of recall campaigns, and increased regulatory activity across the industry in the U.S. and Canada, an additional actuarial analysis that gives greater weight to the more recent calendar year trends in recall campaign activity was added to our adequacy assessment during the three months ended September 30, 2015. Refer to Note 2 for additional information.

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, 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.

SCOPE OF CONSOLIDATION

At December 31, 2015 and December 31, 2014, FCA had the following significant direct and indirect interests in the following subsidiaries:

		At December 31, 2015		At December 31, 2014	
Name	Country	Shares held by the Group	Shares held by NCI	Shares held by the Group	Shares held by NCI
Directly held interests					
FCA Italy S.p.A.	Italy	100.00%	—	100.00%	—
Ferrari N.V.	Italy	80.00%	20.00%	—	—
Maserati S.p.A.	Italy	100.00%	—	100.00%	—
Magneti Marelli S.p.A.	Italy	99.99%	0.01%	99.99%	0.01%
Teksid S.p.A.	Italy	100.00%	—	84.79%	15.21%
Comau S.p.A.	Italy	100.00%	—	100.00%	—
Indirectly held interests					
FCA US LLC	U.S.	100.00%	—	100.00%	—
Ferrari S.p.A.	Italy	80.00%	20.00%	90.00%	10.00%

Each of these subsidiaries holds direct or indirect interests in other Group companies. The Consolidated Financial Statements included 303 and 306 subsidiaries consolidated on a line-by-line basis at December 31, 2015 and 2014, respectively.

CHANGES IN THE SCOPE OF CONSOLIDATION

The following significant changes in the scope of consolidation occurred during the years ended December 31, 2015, 2014, and 2013:

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 owns 77 percent of the combined entity, Italiana Editrice S.p.A., with the remaining 23 percent owned by Mercurio. In addition, FCA granted Mercurio a put option to sell its entire share in Italiana Editrice S.p.A., 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 Italiana Editrice S.p.A., 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.

2014

- In January 2014, FCA acquired the remaining 41.5 percent interest in FCA US previously not owned (described below).
- In May 2014, FCA disposed of a subsidiary within the Components segment (Fonderie du Poitou Fonte S.A.S.).

2013

- In October 2013, FCA acquired the 50 percent remaining interest of VM Motori Group previously not owned from General Motors.
- In November 2013, the investment in the Brazilian company, CMP Componentes e Modulos Plasticos Industria e Commercio Ltda, which was previously classified as held for sale on acquisition, was consolidated on a line-by-line basis as a result of changes in the plans for its sale.

ACQUISITION OF THE REMAINING OWNERSHIP INTEREST IN FCA US

As of December 31, 2013, FCA held a 58.5 percent ownership interest in FCA US and the UAW Retiree Medical Benefits Trust, (the "VEBA Trust") held the remaining 41.5 percent. On January 1, 2014, FCA's 100 percent owned subsidiary FCA North America Holdings LLC, ("FCA NA") and 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 Other income/(expenses).

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 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 UAW executed and delivered a contractually binding and legally enforceable Memorandum of Understanding ("MOU") to supplement FCA US's existing collective bargaining agreement. Under the MOU, the UAW committed to (i) use the best efforts to cooperate in the continued roll-out of FCA US's World Class Manufacturing ("WCM") programs, (ii) to actively participate in benchmarking efforts associated with implementation of WCM programs across all FCA's manufacturing sites to ensure objective competitive assessments of operational performance and provide a framework for the proper application of WCM principles, and (iii) to actively assist in the achievement of FCA US's long-term business plan. 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	251
Effect on the equity attributable to owners of the parent	**1,311**

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 remeasurement 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 Remeasurement of defined benefit plans.

With respect to the MOU entered into with the UAW, the Group recognized €495 million (U.S.$670 million) in Other income/(expenses) in the Consolidated Income Statement. 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, and is reflected in the operating section of the Consolidated Statement of Cash Flows. The second installment of U.S.$175 million (approximately €151 million at that date) was paid to the VEBA Trust on January 21, 2015. The remaining outstanding obligation pursuant to the MOU as of December 31, 2015 of €313 million (U.S.$341 million), which includes €8 million (U.S.$9 million) of accreted interest, is recorded in Other current liabilities in the Consolidated Statement of Financial Position. The third installment of U.S.$175 million (approximately €161 million at that date) was paid to the VEBA Trust on January 21, 2016.

The Equity Purchase Agreement also provided for a tax distribution from FCA US to its members under the terms of FCA US 's Limited Liability Company Operating Agreement (as amended from time to time, the "LLC Operating Agreement") in the amount of approximately U.S.$60 million (€45 million) to cover the VEBA Trust's tax obligation. As this payment was made pursuant to a specific requirement in the LLC Operating Agreement, it was not considered part of the multiple element transaction.

Transactions with non-controlling interests during the years ended December 31, 2015, 2014, and 2013 were as follows:

- 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.
- In August 2014, Ferrari S.p.A. acquired an additional 21 percent in the share capital of the subsidiary Ferrari Maserati Cars International Trading (Shanghai) Co. Ltd. increasing its interest from 59 percent to 80 percent (the Group's interests increased from 53.1 percent to 72 percent). In accordance with IFRS 10 - *Consolidated Financial Statements,* non-controlling interest and equity reserves were adjusted to reflect the change in the ownership interest through a corresponding adjustment to Equity attributable to the parent.

1. Net revenues

Net revenues were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Revenues from:			
Sales of goods	107,095	90,308	81,563
Services provided	1,600	1,644	1,490
Contract revenues	1,309	1,150	1,038
Interest income of financial services activities	188	230	201
Lease installments from assets sold with a buy-back commitment	403	308	238
Total Net revenues	**110,595**	**93,640**	**84,530**

Net revenues were attributed as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Revenues in:			
North America	71,979	53,991	47,044
Italy	7,165	6,849	6,566
Brazil	5,103	7,498	8,417
China	4,720	6,065	4,223
Germany	3,794	3,298	2,897
France	2,852	1,784	1,902
UK	1,744	1,559	1,171
Turkey	1,682	1,378	1,259
Spain	1,254	1,081	919
Argentina	1,175	1,180	1,438
Australia	936	1,184	954
Other countries	8,191	7,773	7,740
Total Net revenues	**110,595**	**93,640**	**84,530**

2. Cost of sales

Cost of sales during the years ended December 31, 2015, 2014 and 2013 amounted to €97,620 million, €81,592 million and €73,038 million, respectively, and included €115 million, €155 million and €173 million, respectively, of interest and other financial expenses from financial services companies. Cost of sales also included €432 million, €160 million and €196 million related to the decrease in value for assets sold with buy-back commitments during the years ended December 31, 2015, 2014 and 2013, respectively.

As part of the plan to improve margins in NAFTA, the Group will realign a portion of its manufacturing capacity in the region to better meet market demand for Ram pickup trucks and Jeep vehicles within the Group's existing plant infrastructure. As a result, a total of €658 million, of which €422 million related to asset impairments and €236 million related to the payment of supplemental unemployment benefits due to extended downtime at certain plants associated with the implementation of the new manufacturing plan, was recognized during the fourth quarter and was recorded within Cost of sales for the year ended December 31, 2015.

Given recent increases in both the cost and frequency of recall campaigns and increased regulatory activity across the industry in the U.S and Canada, an additional actuarial analysis, that gives greater weight to the more recent calendar year trends in recall campaign experience, has been added to the adequacy assessment to estimate future recall costs. This reassessment resulted in a change in estimate for estimated future recall campaign costs for the U.S. and Canada of €761 million related to vehicles sold in periods prior to the third quarter that was recorded within Cost of sales for the year ended December 31, 2015. In the second half of 2015, in connection with this reassessment, we incurred additional warranty costs related to the increase in the accrual rate per vehicle.

Cost of sales for the year ended December 31, 2015 included total charges of €163 million, of which €80 million was due to the adoption of the Venezuelan government's Marginal Currency System (the "SIMADI" exchange rate) at June 30, 2015 (Note 30) and €83 million was due to the devaluation of the Argentinian Peso resulting from changes in monetary policy.

Cost of sales for the years ended December 31, 2014 and 2013 included charges of €98 million and €43 million, respectively, related to the devaluation of the Venezuelan Bolivar ("VEF") exchange rate relative to the U.S.$ and the remeasurement of our VEF denominated net monetary assets (Note 30).

Cost of sales for the year ended December 31, 2013 included charges of €115 million related to the voluntary safety recall as well as customer satisfaction actions for certain Jeep vehicles and €57 million related to certain write-downs within the cast-iron business of the Components segment (Teksid), which were partially offset by the €166 million impact of a curtailment gain and plan amendments following FCA US's amendment to its U.S. and Canadian salaried defined benefit pension plans.

3. Selling, general and administrative costs

Selling costs for the years ended December 31, 2015, 2014 and 2013 amounted to €5,050 million, €4,499 million and €4,213 million, respectively, and mainly consisted of marketing, advertising, and sales personnel costs. Marketing and advertising expenses consisted of media campaigns as well as marketing support in the form of trade and auto shows, events, and sponsorships.

General and administrative costs for the years ended December 31, 2015, 2014 and 2013 amounted to €2,678 million, €2,448 million and €2,402 million, respectively, and mainly consisted of administration expenses which were not attributable to sales, manufacturing or research and development functions.

4. Research and development costs

Research and development costs were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Research and development costs expensed during the year	**1,449**	1,320	1,257
Amortization of capitalized development costs	**1,194**	932	768
Impairment and write-off of costs previously capitalized	**221**	82	250
Total Research and development costs	**2,864**	**2,334**	**2,275**

The impairment and write-off of costs previously capitalized 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 costs 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 costs belonged were redesigned during the year ended December 31, 2014. As no future economic benefits were expected from these specific capitalized development costs, €47 million within the EMEA segment and €28 million within the NAFTA segment of development costs were written off and recorded within Research and development costs in the Consolidated Income Statement for the year ended December 31, 2014.

To reflect changes in its product strategy, the Group wrote-off specific capitalized development costs totaling €250 million during the year ended December 31, 2013. This amount mainly included €151 million for the EMEA segment, €32 million for the LATAM segment and €65 million for Maserati in connection with development costs on new vehicles, which had been shifted to new platforms considered technologically more appropriate.

Refer to Note 11 for information on capitalized development costs.

5. Other income/(expenses)

For the year ended December 31, 2015, Other income/(expenses) amounted to €152 million and included income from royalties and licenses as well as €104 million of income related to legal settlements to which we were the plaintiff. This was partially offset by a total charge of €81 million resulting from a consent order (the "Consent Order") entered into by FCA US with the U.S. Department of Transportation's National Highway Traffic Safety Administration ("NHTSA") on July 24, 2015. The Consent Order resolved 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 and further addressed at a NHTSA public hearing held on July 2, 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 also agreed under the Consent Order to offer, as an alternative remedy, to repurchase vehicles subject to three recall campaigns that had not already been remedied as of the date of the Consent Order at a price equal to the original purchase price less a reasonable allowance for depreciation plus ten percent. In addition, FCA US offered consumer incentives to encourage owners of vehicles subject to the structural reinforcement campaign to participate in the campaign. All premiums paid to repurchase vehicles in the three recall campaigns and customer incentives will be applied as credits to the U.S.$20 million (€18 million) that FCA US has agreed to spend on industry outreach amounts under the Consent Order. Although such amounts may exceed U.S.$20 million (€18 million), FCA US does not expect the net cost of providing these additional alternatives will be material to its financial position, liquidity or results of operations. FCA US began its buyback program on October 1, 2015. The Consent Order will remain in place for three years subject to NHTSA's right to extend for an additional year in the event of FCA US's noncompliance with the Consent Order.

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 Other income/(expenses), was paid on January 6, 2016.

There were no other amounts within Other income/(expenses) that were individually material for the year ended December 31, 2015.

For the year ended December 31, 2014, Other income/(expenses) primarily included the €495 million expense recognized in connection with the execution of the MOU with the UAW entered into by FCA US in January 2014, that was partially offset by the non-taxable gain of €223 million on the remeasurement 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 as described in the section — *Changes in Scope of Consolidation - Acquisition of the remaining ownership interest in FCA US* above. There were no other items that were individually material.

For the year ended December 31, 2013, Other income/(expenses) included €56 million related to the write-off of the book value of the right associated with the acquisition of the remaining interest in FCA US previously not owned. This charge was offset by other items that were not individually material.

6. Net financial expenses

The following table summarizes the Group's financial income and expenses, including the amounts reported in the Consolidated Income Statement within Net financial income/(expenses), as well as interest income from financial services activities, recognized within Net revenues, and interest cost and other financial charges from financial services companies, recognized within Cost of sales.

	For the Years Ended December 31,		
	2015	2014	2013
Financial income:		(€ million)	
Interest income and other financial income:	351	229	206
Interest income from banks deposits	*157*	*169*	*152*
Interest income from securities	*10*	*7*	*8*
Other interest income and financial income	*184*	*53*	*46*
Interest income of financial services activities	188	230	201
Gains on disposal of securities	14	3	4
Total Financial income	**553**	**462**	**411**
Total Financial income relating to:			
Industrial companies (A)	365	232	210
Financial services companies (reported within Net revenues)	188	230	201
Financial expenses:			
Interest expense and other financial expenses:	2,179	1,915	1,897
Interest expense on notes	*1,196*	*1,204*	*959*
Interest expense on borrowings from bank	*527*	*426*	*367*
Commission expenses	*20*	*21*	*19*
Other interest cost and financial expenses	*436*	*264*	*552*
Write-downs of financial assets	61	77	102
Losses on disposal of securities	28	6	3
Net interest expense on employee benefits provisions	350	330	371
Total Financial expenses	**2,618**	**2,328**	**2,373**
Net expenses/(income) from derivative financial instruments and exchange rate differences	228	110	(1)
Total Financial expenses and net expenses from derivative financial instruments and exchange rate differences	**2,846**	**2,438**	**2,372**
Total Financial expenses and net expenses from derivative financial instruments and exchange rate differences relating to:			
Industrial companies (B)	2,731	2,283	2,199
Financial services companies (reported within Cost of sales)	115	155	173
Net Financial expenses relating to industrial companies (A - B)	**2,366**	**2,051**	**1,989**

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 (Note 23).

Other interest cost and financial expenses included interest expense of €41 million, €50 million, and €61 million related to the Canadian Health Care Trust Notes (Note 23) for the years ended December 31, 2015, 2014 and 2013, respectively. For the years ended December 31, 2014 and 2013, Other interest and financial expenses included interest expense related to the outstanding financial liability with the VEBA Trust (the "VEBA Trust Note") of €33 million and €326 million, respectively.

Net expenses/(income) from derivative financial instruments and exchange rate differences included income of €31 million for the year ended December 31, 2013 arising from equity swaps on FCA and CNH Industrial N.V. ("CNHI") shares relating to certain stock option plans that had expired in 2013.

7. Tax expense/(benefit)

The following table summarizes Tax expense/(benefit):

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Current tax expense	445	557	486
Deferred tax (income)/expense	(277)	(147)	(1,563)
Taxes relating to prior periods	(2)	14	18
Total Tax expense/(benefit)	**166**	**424**	**(1,059)**

The applicable tax rate used to determine the theoretical income taxes was 20.25 percent in 2015, which was the weighted-average statutory rate applicable in 2015 in the United Kingdom, the tax jurisdiction in which FCA is resident. In 2014, the weighted-average statutory rate in the United Kingdom was 21.5 percent. In 2013, the applicable tax rate used to determine the theoretical income taxes was 27.5 percent, which was the statutory rate applicable in Italy, the tax jurisdiction in which Fiat was resident. The change in the applicable tax rate is a result of the change in tax jurisdiction in connection with the Merger. The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate and income taxes recognized was as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Theoretical income taxes	51	168	178
Tax effect on:			
Recognition and utilization of previously unrecognized deferred tax assets	(20)	(172)	(1742)
Permanent differences	(36)	(132)	23
Tax credits	(238)	(68)	(32)
Deferred tax assets not recognized and write-downs	303	378	380
Differences between foreign tax rates and the theoretical applicable tax rate and tax holidays	70	66	23
Taxes relating to prior years	(2)	14	22
Withholding tax	49	46	84
Other differences	(36)	63	(46)
Total Tax expense/(income), excluding IRAP	**141**	**363**	**(1,110)**
Effective tax rate	*54.4%*	*46.4%*	*n.m.*[1]
IRAP (current and deferred)	25	61	51
Total Tax expense/(benefit)	**166**	**424**	**(1059)**

(1) *Number is not meaningful.*

In 2015, the Regional Italian Income Tax ("IRAP") recognized within current taxes was €16 million (€41 million in 2014 and €38 million in 2013) and IRAP recognized within deferred tax expense was €9 million (€20 million in 2014 and €13 million in 2013). Since the IRAP taxable basis differs from Profit before taxes, it is excluded from the above effective tax rate calculation.

In 2015, the Group's effective tax rate was 54.4 percent. The difference between the U.K. statutory tax rate and the effective tax rate is primarily due to €303 million arising from the unrecognized deferred tax assets on temporary differences and tax losses originating during the year, €70 million effect of higher foreign tax rates and a €98 million effect of the decrease in the Italian corporate tax rate, which is partially offset by the recognition of non-taxable incentives generating deferred tax benefits of €168 million, and U.S. tax credits of €238 million.

In 2014, the Group's effective tax rate was 46.4 percent. The difference between the UK statutory tax rate and the effective income tax rate was primarily due to €378 million arising from unrecognized deferred tax assets on temporary differences and tax losses originating in the year in EMEA, which was partially offset by the recognition of non-recurring deferred tax benefits of €172 million.

The effective tax rate of 46.4 percent in 2014 increased to 54.4 percent in 2015 as a result of the decrease in Profit before tax and the relative increased impact of losses before tax in jurisdictions in which a tax benefit is not recorded on tax losses.

In 2013, the Group's effective tax rate includes a significant tax benefit and is not comparable to prior periods primarily due to FCA US recognizing previously unrecognized deferred tax assets of €1,500 million. Excluding this effect, the effective tax rate of the Group in 2013 would have been 60.1 percent. The difference between the 2013 Italian statutory tax rate and effective tax rate was primarily due to the above-mentioned recognition and utilization of previously unrecognized deferred tax assets of €1,742 million (€1,500 million. of which was recognized in income taxes and €242 million in Other comprehensive income/(loss)). These benefits were partially offset by the negative impact of €380 million arising from the unrecognized deferred tax assets on temporary differences and tax losses originating in the year.

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,	
	2015	2014
	(€ million)	
Deferred tax assets	3,343	3,547
Deferred tax liabilities	(156)	(233)
Net deferred tax assets	**3,187**	**3,314**

In 2015, Net deferred tax assets decreased by €127 million mainly due to a €1,374 million decrease related to the utilization of U.S. tax loss and credit carryforwards and a €104 million decrease due to the reclassification of Ferrari's deferred tax assets to Assets held for distribution, offset by a €1,076 million increase due to an increase in U.S. deductible temporary differences and decrease in U.S. taxable temporary differences, a €211 million increase primarily due to an increase in Brazil tax loss carryforwards and other increases of €64 million.

The significant components of Deferred tax assets and liabilities and their changes during the years ended December 31, 2015 and 2014 were as follows:

	At January 1, 2015	Recognized in Consolidated Income Statement	Recognized in Equity	Translation differences and other changes	Transfer to assets held for distribution	At December 31, 2015
			(€ million)			
Deferred tax assets arising on:						
Provisions	4,567	1,330	—	230	(99)	6,028
Provision for employee benefits	1,412	360	12	371	(2)	2,153
Intangible assets	328	(78)	—	(1)	—	249
Impairment of financial assets	174	(24)	—	5	—	155
Inventories	310	(45)	—	3	(25)	243
Allowances for doubtful accounts	111	(7)	—	(11)	(6)	87
Other	1,760	(935)	(16)	(38)	(80)	691
Total	**8,662**	**601**	**(4)**	**559**	**(212)**	**9,606**
Deferred tax liabilities arising on:						
Accelerated depreciation	(2,706)	195	—	(248)	13	(2,746)
Capitalization of development costs	(1,976)	(179)	—	(297)	76	(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)	215	2	(14)
Other	(631)	222	(34)	32	21	(390)
Total	**(6,630)**	**285**	**(249)**	**(471)**	**112**	**(6,953)**
Deferred tax asset arising on tax loss carry-forwards	4,696	(778)	—	(194)	(7)	3,717
Unrecognized deferred tax assets	(3,414)	197	1	30	3	(3,183)
Total Net deferred tax assets	**3,314**	**305**	**(252)**	**(76)**	**(104)**	**3,187**

	At January 1, 2014	Recognized in Consolidated Income Statement	Recognized in Equity	Changes in the scope of consolidation	Translation differences and other changes	At December 31, 2014
			(€ million)			
Deferred tax assets arising on:						
Provisions	2,938	533	—	4	1,092	4,567
Provision for employee benefits	1,131	101	35	—	145	1,412
Intangible assets	343	(31)	—	—	16	328
Impairment of financial assets	191	(7)	—	—	(10)	174
Inventories	261	41	—	—	8	310
Allowances for doubtful accounts	110	—	—	—	1	111
Other	1,209	(947)	42	(4)	1,460	1,760
Total	**6,183**	**(310)**	**77**	**—**	**2,712**	**8,662**
Deferred tax liabilities arising on:						
Accelerated depreciation	(1,404)	(80)	—	—	(1,222)	(2,706)
Capitalization of development costs	(1,416)	(155)	—	2	(407)	(1,976)
Other Intangible assets and Intangible assets with indefinite useful lives	(640)	23	—	16	(695)	(1,296)
Provision for employee benefits	(20)	2	(2)	—	(1)	(21)
Other	(562)	(56)	27	(16)	(24)	(631)
Total	**(4,042)**	**(266)**	**25**	**2**	**(2,349)**	**(6,630)**
Deferred tax asset arising on tax loss carry-forward	3,810	777	—	—	109	4,696
Unrecognized deferred tax assets	(3,326)	(56)	—	(2)	(30)	(3,414)
Total Net deferred tax assets	**2,625**	**145**	**102**	**—**	**442**	**3,314**

The decision to recognize deferred tax assets is made for each company in the Group by critically assessing whether conditions exist for the future recoverability of such assets by taking into account recent forecasts from budgets and plans. Despite a tax loss in the Group's wholly-owned consolidated Italian subsidiaries, the Group continued to recognize Italian deferred tax assets of €764 million (€799 million at December 31, 2014) as the Group expects Italian taxable income in future periods and based on the fact that Italian tax losses can be carried forward indefinitely. The Group also continues to recognize Brazilian deferred tax assets of €571 million (€364 million at December 31, 2014) as the Group expects Brazilian taxable income in future periods and because Brazilian tax losses can be carried forward indefinitely.

At December 31, 2015, the Group had deferred tax assets on deductible temporary differences of €9,606 million (€8,662 million at December 31, 2014), of which €533 million was not recognized (€480 million at December 31, 2014). At the same date the Group also had theoretical tax benefits on losses carried forward of €3,717 million (€4,696 million at December 31, 2014), of which €2,650 million was unrecognized (€2,934 million at December 31, 2014). The Group also had deferred tax liabilities on taxable temporary differences of €6,953 million (€6,630 million at December 31, 2014).

Deferred taxes 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, 2015, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiration, were as follows:

						Years of expiration	
	Total at December 31, 2015	2016	2017	2018	2019	Beyond 2019	Unlimited/ indeterminable
				(€ million)			
Temporary differences and tax losses relating to corporate taxation:							
Deductible temporary differences	27,841	6,708	3,886	3,744	4,855	8,648	—
Taxable temporary differences	(20,017)	(2,848)	(2,360)	(2,331)	(2,321)	(10,469)	312
Tax losses	14,457	90	79	132	138	631	13,387
Amounts for which deferred tax assets were not recognized	(11,781)	33	(4)	119	(60)	(1,106)	(10,763)
Temporary differences and tax losses relating to corporate taxation	**10,500**	**3,983**	**1,601**	**1,664**	**2,612**	**(2,296)**	**2,936**
Temporary differences and tax losses relating to local taxation (i.e. IRAP in Italy):							
Deductible temporary differences	20,623	5,218	2,967	2,917	3,766	5,755	—
Taxable temporary differences	(18,349)	(2,374)	(2,081)	(2,116)	(2,083)	(10,018)	323
Tax losses	1,297	(3)	(1)	6	4	47	1,243
Amounts for which deferred tax assets were not recognized	(613)	182	(45)	(22)	104	(154)	(677)
Temporary differences and tax losses relating to local taxation	**2,958**	**3,023**	**840**	**785**	**1,791**	**(4,370)**	**889**

8. Other information by nature

Personnel costs for the Group, including Ferrari, for the years ended December 31, 2015, 2014 and 2013 amounted to €11,870 million, €10,099 million and €9,471 million, respectively, which included costs that were capitalized mainly in connection with product development activities.

For the year ended December 31, 2015, FCA, including Ferrari, had an average number of employees of 236,559 (231,613 employees in 2014 and 223,658 employees in 2013).

9. Earnings per share

Basic earnings per share

The basic earnings per share for the years ended December 31, 2015, 2014 and 2013 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. In addition, for the years ended December 31, 2015 and 2014, the weighted average number of shares outstanding included the minimum number of ordinary shares to be converted as a result of the issuance of the mandatory convertible securities (Note 19).

The following table provides the amounts used in the calculation of basic earnings per share for the years ended December 31, 2015, 2014 and 2013:

		For the Years Ended December 31,		
		2015	2014	2013
Net profit attributable to owners of the parent	€ million	334	568	904
Weighted average number of shares outstanding	thousand	1,510,555	1,222,346	1,215,921
Basic earnings per ordinary share	€	**0.221**	**0.465**	**0.744**

		For the Years Ended December 31,		
		2015	2014	2013
Net profit from continuing operations attributable to owners of the parent	€ million	83	327	690
Weighted average number of shares outstanding	thousand	1,510,555	1,222,346	1,215,921
Basic earnings per ordinary share from continuing operations	€	**0.055**	**0.268**	**0.568**

		For the Years Ended December 31,		
		2015	2014	2013
Net profit from discontinued operations attributable to owners of the parent	€ million	251	241	214
Weighted average number of shares outstanding	thousand	1,510,555	1,222,346	1,215,921
Basic earnings per ordinary share from discontinued operations	€	**0.166**	**0.197**	**0.176**

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, 2015 (Note 20) as determined using the treasury stock method. For the years ended December 31, 2014 and 2013, 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.

In addition, the weighted average number of shares outstanding has been increased to take into consideration the theoretical effect that would arise if the shares related to the mandatory convertible securities (Note 19) were issued for the years ended December 31, 2015 and 2014. 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 for the periods presented because of an anti-dilutive impact.

The following table provides the amounts used in the calculation of diluted earnings per share for the years ended December 31, 2015, 2014 and 2013:

		For the Years Ended December 31,		
		2015	2014	2013
Net profit attributable to owners of the parent	€ million	334	568	904
Weighted average number of shares outstanding	thousand	1,510,555	1,222,346	1,215,921
Number of shares deployable for share-based compensation	thousand	3,452	11,204	13,005
Dilutive effect of Mandatory Convertible Securities	thousand	—	547	—
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,514,007	1,234,097	1,228,926
Diluted earnings per ordinary share	€	**0.221**	**0.460**	**0.736**

		For the Years Ended December 31,		
		2015	2014	2013
Net profit from continuing operations attributable to owners of the parent	€ million	83	327	690
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,514,007	1,234,097	1,228,926
Diluted earnings per ordinary share from continuing operations	€	**0.055**	**0.265**	**0.562**

		For the Years Ended December 31,		
		2015	2014	2013
Net profit from discontinued operations attributable to owners of the parent	€ million	251	241	214
Weighted average number of shares outstanding for diluted earnings per share	thousand	1,514,007	1,234,097	1,228,926
Diluted earnings per ordinary share from discontinued operations	€	**0.166**	**0.195**	**0.174**

10. Goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives at December 31, 2015 and December 31, 2014 are summarized below:

	Balance at January 1, 2015	Change in the scope of consolidation	Translation differences	Transfer to Assets held for distribution	Balance 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**

	Balance at January 1, 2014	Translation differences	Balance at December 31, 2014
		(€ million)	
Gross amount	10,283	1,218	11,501
Accumulated impairment losses	(443)	1	(442)
Goodwill	9,840	1,219	11,059
Brands	2,600	353	2,953
Total Goodwill and intangible assets with indefinite useful lives	**12,440**	**1,572**	**14,012**

Foreign exchange effects in 2015 and in 2014 amounted to €1,510 million and €1,572 million, respectively, and arose mainly from changes in the U.S.$/Euro rate.

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, 2015, goodwill included €11,359 million from the acquisition of FCA US (€10,185 million at December 31, 2014). At December 31, 2015, €786 million of goodwill related to Ferrari has been classified within Assets held for distribution as a result of Ferrari meeting the held for sale criteria noted within IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* on December 3, 2015 (refer to the section —*Principal Activities* above).

There were no impairment charges recognized in respect of goodwill and intangible assets with indefinite lives during the years ended December 31, 2015, 2014 and 2013.

The following table presents the allocation of Goodwill across our reportable segments:

	At December 31, 2015	2014
	(€ million)	
NAFTA	9,312	8,350
APAC	1,210	1,085
LATAM	583	517
EMEA	276	233
Ferrari[(1)]	—	786
Components	62	52
Other activities	54	36
Total Goodwill	**11,497**	**11,059**

[(1)] *Goodwill related to Ferrari was reclassified to Assets held for distribution; refer to the section - Principal Activities above*

11. Other intangible assets

	Externally acquired development costs	Development costs internally generated	Patents, concessions, licenses and credits	Other intangible assets	Total
			(€ million)		
Gross carrying amount at January 1, 2014	**6,859**	**4,654**	**2,285**	**621**	**14,419**
Additions	1,542	725	350	89	2,706
Divestitures	(8)	(36)	(38)	(6)	(88)
Translation differences and other changes	239	168	207	4	618
Balance at December 31, 2014	**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)
Balance at December 31, 2015	**9,262**	**6,487**	**3,120**	**701**	**19,570**
Accumulated amortization and impairment losses Balance at January 1, 2014	**3,165**	**2,678**	**1,086**	**416**	**7,345**
Amortization	648	409	225	49	1,331
Impairment losses and asset write-offs	46	36	—	—	82
Divestitures	(6)	(30)	(33)	(4)	(73)
Translation differences and other changes	(84)	152	59	8	135
Balance at December 31, 2014	**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)
Balance at December 31, 2015	**3,993**	**3,617**	**1,583**	**431**	**9,624**
Carrying amount at December 31, 2014	**4,863**	**2,266**	**1,467**	**239**	**8,835**
Carrying amount at December 31, 2015	**5,269**	**2,870**	**1,537**	**270**	**9,946**

Additions of €3,036 million in 2015 (€2,706 million in 2014) included development costs of €2,659 million (€2,267 million in 2014), 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, as well as the investment for the development of Alfa Romeo vehicles. Of the €223 million impairment losses and asset write-offs in 2015, €176 million related to the impairment of capitalized development costs 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.

Translation differences principally reflect foreign exchange gains of €298 million in 2015 and €482 million in 2014 primarily related to foreign currency translation of the U.S.$ to the Euro.

Refer to Note 4 for information about the write-down of certain capitalized development costs.

12. 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, 2014	**880**	**7,035**	**38,405**	**2,037**	**2,284**	**50,641**
Additions	14	766	2,877	292	1,466	5,415
Divestitures	(7)	(94)	(1,248)	(37)	(2)	(1,388)
Translation differences	35	316	1,586	168	132	2,237
Other changes	23	2	867	62	(969)	(15)
Balance at December 31, 2014	**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)
Balance at December 31, 2015	**900**	**8,108**	**43,908**	**2,734**	**4,086**	**59,736**
Accumulated depreciation and impairment losses at January 1, 2014	**7**	**2,394**	**23,918**	**1,078**	**11**	**27,408**
Depreciation	—	266	3,099	201	—	3,566
Divestitures	(2)	(87)	(1,219)	(33)	—	(1,341)
Impairment losses and asset write-offs	—	6	27	—	—	33
Translation differences	—	57	653	61	—	771
Other changes	2	10	19	9	5	45
Balance at December 31, 2014	**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)
Balance at December 31, 2015	**44**	**2,782**	**28,000**	**1,443**	**13**	**32,282**
Carrying amount at December 31, 2014	**938**	**5,379**	**15,990**	**1,206**	**2,895**	**26,408**
Carrying amount at December 31, 2015	**856**	**5,326**	**15,908**	**1,291**	**4,073**	**27,454**

Additions of €6,148 million in 2015 (€5,415 million in 2014) were primarily related to the mass-market vehicle operations in the NAFTA segment, as well as for the construction of the plant in Pernambuco (Brazil).

In 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 manufacturing capacity in NAFTA to better meet market demand. For the year ended December 31, 2014, €25 million of impairment losses related to the EMEA segment for certain powertrains that were abandoned.

In 2015, translation differences of €106 million mainly reflected the strengthening of the U.S.$ against the Euro, which was partially offset by the devaluation of the Brazilian Real. In 2014, translation differences of €1,466 million mainly reflected the strengthening of the U.S.$ against the Euro.

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 (excluding FCA US) were as follows:

	At December 31,	
	2015	2014
	(€ million)	
Industrial buildings	81	84
Plant machinery and equipment	298	299
Property, plant and equipment	**379**	**383**

The net carrying amount of assets leased under finance lease agreements for FCA US was €470 million and €414 million at December 31, 2015 and 2014, respectively.

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

	At December 31,	
	2015	2014
	(€ million)	
Land and industrial buildings pledged as security for debt	934	1,019
Plant and machinery pledged as security for debt and other commitments	462	648
Other assets pledged as security for debt and other commitments	4	3
Property, plant and equipment pledged as security for debt	**1,400**	**1,670**

Information on the assets of FCA US subject to lien are set out in Note 23.

At December 31, 2015 and 2014, the Group had contractual commitments for the purchase of Property, plant and equipment amounting to €1,665 million and €2,263 million, respectively.

13. Investments and other financial assets

The following table summarizes our Investments and other financial assets:

	At December 31, 2015	At December 31, 2014
	(€ million)	
Interest in joint ventures	1,528	1,329
Interest in associates	80	105
Interest in unconsolidated subsidiaries	50	37
Equity method investments	**1,658**	**1,471**
Available-for-sale investments	203	124
Investments at fair value	**203**	**124**
Other investments measured at cost	64	59
Total Investments	**1,925**	**1,654**
Non-current financial receivables	271	296
Other securities and other financial assets	46	70
Total Investments and other financial assets	**2,242**	**2,020**

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, 2015	At December 31, 2014	At December 31, 2015	At December 31, 2014
			(€ million)	
Interest in Joint Ventures				
FCA Bank S.p.A. ("FCA Bank")	50%	50%	985	894
Tofas-Turk Otomobil Fabrikasi A.S. ("Tofas")	37.9%	37.9%	305	299
GAC FIAT Chrysler Automobiles Co.	50%	50%	145	45
Others			93	91
Total Interest in Joint Ventures			**1,528**	**1,329**
Interest in Associates				
RCS MediaGroup S.p.A. ("RCS")	16.7%	16.7%	51	74
Others			29	31
Total Interest in Associates			**80**	**105**

FCA Bank, which is a joint venture with Crédit Agricole Consumer Finance S.A. FCA Bank operates in 16 European countries 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 and Ferrari vehicles.

Tofas, which is registered with the Turkish Capital Market Board, is listed on the İstanbul Stock Exchange. At December 31, 2015, the fair value of the Group's interest in Tofas was €1,129 million (€1,076 million at December 31, 2014). In addition, at December 31, 2015, the fair value of the Group's interest in RCS, which is a company listed on the MTA, was €54 million (€81 million at December 31, 2014).

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 Results from investments:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Joint Ventures	155	127	112
Associates	(27)	(20)	(42)

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:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Joint Ventures:			
Profit from continuing operations	31	36	27
Net profit	**31**	**36**	**27**
Other comprehensive income/(loss)	(30)	37	(90)
Total other comprehensive income/(loss)	**1**	**73**	**(63)**
Associates:			
Loss from continuing operations	(27)	(20)	(42)
Net loss	**(27)**	**(20)**	**(42)**
Other comprehensive income/(loss)	3	3	2
Total other comprehensive income/(loss)	**(24)**	**(17)**	**(40)**

Investments at fair value

At December 31, 2015 and 2014, the Available-for-sale investments primarily related to the investment in CNHI, which consisted of 15,948,275 common shares for an amount of €101 million and €107 million, respectively. In addition, at December 31, 2015 and 2014, 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, 2015 and December 31, 2014, respectively.

14. Inventories

	At December 31,	
	2015	2014
	(€ million)	
Raw materials, supplies and finished goods	11,190	10,294
Gross amount due from customers for contract work	161	155
Total Inventories	**11,351**	**10,449**

Inventories at December 31, 2015 increased by €902 million from December 31, 2014 as a result of a higher level of finished products to support increased demand in the NAFTA and EMEA segments in addition to positive translation differences primarily related to the strengthening of the U.S.$ against the Euro.

The amount of inventory write-downs recognized within Cost of sales during the years ended December 31, 2015 and 2014 was €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 at December 31, 2015 and 2014 was as follows:

	At December 31,	
	2015	2014
	(€ million)	
Aggregate amount of costs incurred and recognized profits (less recognized losses) to date	2,097	1,817
Less: Progress billings	(2,163)	(1,914)
Construction contracts, net of advances on contract work	(66)	(97)
Gross amount due from customers for contract work as an asset	161	155
Less: Gross amount due to customers for contract work as a liability included in Other current liabilities (Note 24)	(227)	(252)
Construction contracts, net of advances on contract work	**(66)**	**(97)**

15. Receivables and Other current assets

The composition of receivables and other current assets was as follows:

	At December 31, 2015	2014
	(€ million)	
Trade receivables	2,668	2,564
Receivables from financing activities	2,006	3,843
Current tax receivables	405	328
Other current assets:		
Other current receivables	*2,386*	*2,246*
Accrued income and prepaid expenses	*692*	*515*
Total Other current assets	3,078	2,761
Total receivables and other current assets	**8,157**	**9,496**

The analysis by due date (excluding Accrued income and prepaid expenses) was as follows:

	At December 31, 2015				2014			
	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)							
Trade receivables	2,651	16	1	2,668	2,564	—	—	2,564
Receivables from financing activities	1,778	228	—	2,006	3,013	776	54	3,843
Current tax receivables	307	58	40	405	284	7	37	328
Other current receivables	2,129	243	14	2,386	2,076	156	14	2,246
Total receivables	**6,865**	**545**	**55**	**7,465**	**7,937**	**939**	**105**	**8,981**

Trade receivables

Trade receivables, amounting to €2,668 million at December 31, 2015 (€2,564 million at December 31, 2014), are shown net of the allowance for doubtful accounts of €303 million at December 31, 2015 (€320 million at December 31, 2014). 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, 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

	At January 1, 2014	Provision	Use and other changes	At December 31, 2014
	(€ million)			
Allowance for doubtful accounts	344	33	(57)	320

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, 2015	2014
	(€ million)	
Dealer financing	1,650	2,313
Retail financing	238	1,039
Finance leases	8	349
Other	110	142
Total Receivables from financing activities	**2,006**	**3,843**

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, 2015, the allowance for doubtful accounts amounted to €40 million (€73 million at December 31, 2014). Changes in the allowance for receivables from financing activities were as follows:

	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

	At January 1, 2014	Provision	Use and other changes	At December 31, 2014
		(€ million)		
Allowance for Receivables from financing activities	119	69	(115)	73

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.

Finance lease receivables refer to vehicles and other assets leased under finance lease arrangements, mainly from the Maserati segment. Finance lease receivables by due date are as follows (gross of an allowance of €1 million at December 31, 2015 and €10 million at December 31, 2014):

	At December 31, 2015				2014			
	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)				
Receivables for future minimum lease payments	6	1	2	9	110	281	8	399
Less: unrealized interest income	—	—	—	—	(16)	(24)	—	(40)
Present value of future minimum lease payments	**6**	**1**	**2**	**9**	**94**	**257**	**8**	**359**

Other current assets

At December 31, 2015, Other current assets mainly consisted of Other tax receivables for VAT and other indirect taxes of €1,529 million (€1,430 million at December 31, 2014), Receivables from employees of €126 million (€151 million at December 31, 2014) and Accrued income and prepaid expenses of €692 million (€515 million at December 31, 2014).

Transfer of financial assets

At December 31, 2015, the Group had receivables due after that date which had been transferred without recourse and which were derecognized in accordance with IAS 39 amounting to €4,950 million (€4,511 million at December 31, 2014). The transfers related to trade receivables and other receivables for €4,165 million (€3,676 million at December 31, 2014) and financial receivables for €785 million (€835 million at December 31, 2014). These amounts included receivables of €3,022 million (€2,611 million at December 31, 2014), mainly due from the sales network, transferred to jointly controlled financial services companies (FCA Bank).

At December 31, 2015 and 2014, the carrying amount of transferred financial assets not derecognized and the related liabilities were as follows:

	At December 31,							
	2015				2014			
	Trade receivables	Receivables from financing activities	Current tax receivables	Total	Trade receivables	Receivables from financing activities	Current tax receivables	Total
	(€ million)							
Carrying amount of assets transferred and not derecognized	22	184	—	206	37	407	25	469
Carrying amount of the related liabilities	22	184	—	206	37	407	25	469

16. Current securities

Current securities consisted of short-term or marketable securities which represent temporary investments, but which do not satisfy all the requirements to be classified as cash equivalents.

	At December 31,	
	2015	2014
	(€ million)	
Current securities available-for-sale	269	30
Current securities held-for-trading	213	180
Total current securities	**482**	**210**

17. Other financial assets and Other financial liabilities

These line items mainly consist of fair value measurement of derivative financial instruments. They also include some collateral deposits (held in connection with derivative transactions and debt obligations).

	At December 31, 2015		2014	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
	(€ million)			
Fair value hedges:				
Interest rate risk - interest rate swaps	58	(3)	82	—
Interest rate and exchange rate risk - combined interest rate and currency swaps	—	(96)	—	(41)
Total Fair value hedges	**58**	**(99)**	**82**	**(41)**
Cash flow hedges:				
Currency risks - forward contracts, currency swaps and currency options	287	(376)	222	(467)
Interest rate risk - interest rate swaps	1	—	1	(4)
Interest rate and currency risk - combined interest rate and currency swaps	127	(1)	60	(7)
Commodity price risk – commodity swaps and commodity options	—	(43)	4	(16)
Total Cash flow hedges	**415**	**(420)**	**287**	**(494)**
Derivatives for trading	340	(217)	108	(213)
Fair value of derivative instruments	**813**	**(736)**	**477**	**(748)**
Collateral deposits	40	—	38	—
Other financial assets/(liabilities)	**853**	**(736)**	**515**	**(748)**

The overall change in Other financial assets (from €515 million at December 31, 2014 to €853 million at December 31, 2015) and in Other financial liabilities (from €748 million at December 31, 2014 to €736 million at December 31, 2015) was mostly due to fluctuations in exchange rates, interest rates, commodity prices during the year and the settlement of the instruments which matured during the year ended December 31, 2015.

As Other financial assets and liabilities primarily consist of hedging derivatives, the change in their value is compensated by the change in the value of the hedged items.

At December 31, 2015 and 2014, 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).

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

	At December 31, 2015				2014			
	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	18,769	363	—	19,132	15,328	2,544	—	17,872
Interest rate risk management	264	1,448	—	1,712	172	1,656	—	1,828
Interest rate and currency risk management	1,380	1,178	65	2,623	698	1,513	—	2,211
Commodity price risk management	517	31	—	548	483	59	—	542
Other derivative financial instruments	—	—	14	14	—	—	14	14
Total notional amount	**20,930**	**3,020**	**79**	**24,029**	**16,681**	**5,772**	**14**	**22,467**

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 and recorded in the cash flow hedge reserve 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 the 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 losses of €221 million during the year ended December 31, 2015 (losses of €108 million in 2014 and gains of €178 million in 2013), net of the tax effect, from Other comprehensive income/(loss) to the Consolidated Income Statements. These items were reported in the following lines:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Currency risk			
Increase in Net revenues	33	33	118
Decrease in Cost of sales	101	11	44
Net financial (expenses)/income	(148)	(141)	13
Result from investments	1	(13)	17
Interest rate risk			
Increase in Cost of sales	(10)	(2)	(6)
Result from investments	(2)	(3)	(4)
Financial (expenses)	(77)	(11)	(10)
Commodity price risk			
Increase in Cost of sales	(23)	(2)	(1)
Ineffectiveness and discontinued hedges	1	5	4
Tax (income)/expense	(97)	15	3
Total recognized in Net profit from continuing operations	**(221)**	**(108)**	**178**
Recognized in Profit from discontinued operations, net of tax	(116)	2	12
Total recognized in Consolidated Income Statement	**(337)**	**(106)**	**190**

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:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Currency risk			
Net gains/(losses) on qualifying hedges	(49)	(53)	19
Fair value changes in hedged items	49	53	(19)
Interest rate risk			
Net (losses) on qualifying hedges	(34)	(20)	(28)
Fair value changes in hedged items	34	20	29
Net gains	**—**	**—**	**1**

18. Cash and cash equivalents

The following table summarizes the Group's Cash and cash equivalents:

	At December 31,	
	2015	2014
	(€ million)	
Cash at banks	9,274	10,645
Money market securities	11,388	12,195
Total Cash and cash equivalents	**20,662**	**22,840**

Cash and cash equivalents includes cash at banks, units in money market funds and other money market securities, primarily comprised of commercial paper, bankers' acceptances 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 spread across various primary national and international banking institutions, and money market instruments.

Cash at banks included bank deposits which may be used exclusively by Group companies entitled to perform specific operations (cash with a pre-determined use) amounting to €3 million at December 31, 2015 and 2014.

The Group has a subsidiary operating in Venezuela with a U.S.$ functional currency. Pursuant to certain Venezuelan foreign currency exchange control regulations, the Central Bank of Venezuela centralizes all foreign currency transactions in the country. Under these regulations, the purchase and sale of foreign currency must be made through the Centro Nacional de Comercio Exterior en Venezuela from January 1, 2014. The cash and cash equivalents denominated in VEF amounted to €9 million (VEF 2,055 million) at December 31, 2015 and €123 million (VEF 1,785 million) at December 31, 2014. The reduction, in Euro terms, was essentially due to the adoption of the SIMADI exchange rate for the conversion of the VEF denominated monetary items (see Note 30 for further discussion on Venezuelan currency regulations).

In addition, cash and cash equivalents held in certain foreign countries (primarily, 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.

19. Equity

Consolidated shareholders' equity at December 31, 2015 increased by €2,517 million from December 31, 2014, primarily as a result of Net profit for the period of €377 million, the net proceeds received from the Ferrari IPO of €866 million, the increase in cumulative exchange differences on translating foreign operations of €923 million and the remeasurement of defined benefit plans of €479 million.

Consolidated shareholders' equity at December 31, 2014 increased by €1,154 million from December 31, 2013, mainly due to the issuance of mandatory convertible securities (described below) resulting in an increase of €1,910 million, the placement of 100,000,000 common shares (described below) resulting in an aggregate increase of €994 million, net profit for the period of €632 million and the increase in cumulative exchange differences on translating foreign operations of €782 million. The increase was partially offset by the decrease of €2,665 million arising from the acquisition of the 41.5 percent non-controlling interest in FCA US and the disbursement to Fiat shareholders who exercised the Cash Exit Rights.

Share capital

At December 31, 2015, fully paid-up share capital of FCA amounted to €17 million (€17 million at December 31, 2014) and consisted of 1,288,956,011 common shares and of 408,941,767 Special voting shares, all with a par value of €0.01 each (1,284,919,505 common shares and 408,941,767 special voting shares, all with a par value of €0.01 each at December 31, 2014).

On December 12, 2014, FCA issued 65,000,000 new common shares and sold 35,000,000 of treasury shares for aggregate net proceeds of U.S.$1,065 million (€849 million) comprised of gross proceeds of U.S.$1,100 million (€877 million) less U.S.$35 million (€28 million) of transaction costs.

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.

Treasury shares

There were no treasury shares held by FCA at December 31, 2015 and December 31, 2014 (see section - *Merger,* below).

Merger

As a result of the merger described in the section *Principle Activities—FCA Merger* above becoming effective on October 12, 2014:

- of the 60,002,027 Fiat ordinary shares that were reacquired by Fiat, 6,085,630 shares were purchased by Fiat shareholders and 53,916,397 Fiat shares were canceled.
- FCA was the surviving entity and all Fiat ordinary shares outstanding as of the Merger date (1,167,181,255 ordinary shares) were canceled and exchanged. FCA allotted one new FCA common share (each having a nominal value of €0.01) for each Fiat ordinary share (each having a nominal value of €3.58). The original investment of FCA in Fiat which consisted of 35,000,000 common shares was not canceled resulting in 35,000,000 treasury shares in FCA. On December 12, 2014, FCA completed the placement of these treasury shares on the market.

The following table provides a summary of the changes in ordinary shares primarily related to the Merger and the resulting outstanding ordinary shares of FCA at December 31, 2014.

	Fiat S.p.A.								FCA
(in thousand)	At December 31, 2013	Share-based payments and exercise of stock options	Cash Exit Rights	Cancellation of treasury shares upon the Merger	At the date of the Merger	FCA share capital at date of Merger	Issuance of FCA common shares and sale of treasury shares	Exercise of stock options	At December 31, 2014
Shares issued	1,250,688	320	(53,916)	(29,911)	1,167,181	35,000	65,000	17,738	1,284,919
Less: treasury shares	(34,578)	4,667	—	29,911	—	(35,000)	35,000	—	—
Shares issued and outstanding	**1,216,110**	**4,987**	**(53,916)**	**—**	**1,167,181**	**—**	**100,000**	**17,738**	**1,284,919**

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"). Pursuant to the terms of the prospectus, the Mandatory Convertible Securities will pay cash coupons at a rate of 7.875 percent per annum, which can be deferred at the option of FCA. The Mandatory Convertible Securities will mature on December 15, 2016 (the "Mandatory Conversion Date"). The purpose of the issuance was to provide additional financing to the Group for general corporate purposes.

As part of the issuance of the Mandatory Convertible Securities, the underwriters had the option to purchase, within 30 days beginning on, and including, the date of initial issuance of U.S.$2,500 million (€1,994 million) of Mandatory Convertible Securities, up to an additional U.S.$375 million (€299 million) of Mandatory Convertible Securities from FCA at the same price as that sold to the public, less the underwriting discounts and commissions (the "over-allotment option"). The underwriters exercised the over-allotment option concurrent with the issuance of the Mandatory Convertible Securities and purchased an additional U.S.$375 million (€299 million) of Mandatory Convertible Securities, resulting in the aggregate notional amount of U.S.$2,875 million (€2,293 million) of Mandatory Convertible Securities that were issued.

The Mandatory Convertible Securities will automatically convert on the Mandatory Conversion Date into a number of 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:* 261,363,375 shares if the AMV ≤ Initial Price (U.S.$11), in aggregate the Maximum Number of Shares[(1)]
- A number of shares equivalent to the value of U.S.$100 (i.e., U.S.$100 / AMV), if Initial Price (U.S.$11) ≤ the AMV ≤ Threshold Appreciation Price (U.S.$12.925)[(1)]
- *Minimum Conversion Rate:* 222,435,875 shares if the AMV ≥ Threshold Appreciation Price (U.S.$12.925), in aggregate the Minimum Number of Shares[(1)]
- Upon Mandatory Conversion: Holders receive: (i) any deferred coupon payments, (ii) accrued and unpaid coupon payments in cash or in Shares at the election of the Group.

Other features of the Mandatory Convertible Securities are outlined below:

- *Early Conversion at Option of the Group:* FCA has the option to convert the Mandatory Convertible Securities and deliver the Maximum Number of Shares prior to the Mandatory Conversion Date, subject to limitations around timing of the Ferrari spin-off. Upon exercise of this option, holders receive cash equal to: (i) any deferred coupon payments, (ii) accrued and unpaid coupon payments, and (iii) the present value of all remaining coupon payments on the Mandatory Convertible Securities discounted at the Treasury Yield rate.
- *Early Conversion at Option of the Holder:* holders have the option to convert their Mandatory Convertible Securities early and receive the Minimum Number of Shares, subject to limitations around timing of the Ferrari spin-off. Upon exercise of this option, holders receive any deferred coupon payments in cash or in common shares at the election of FCA.
- The Mandatory Convertible Securities also provide for the possibility of early conversion in limited situations upon occurrence of defined events outlined in the prospectus.

Under IAS 32 - *Financial Instruments: Presentation*, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition in accordance with the substance of the contractual arrangement and whether the components meet the definitions of a financial asset, financial liability or an equity instrument. As the Mandatory Convertible Securities are a compound financial instrument that is an equity contract combined with a financial liability for the coupon payments, there are two units of account for this instrument.

(1) The Conversion Rates, the Initial Price and the Threshold Appreciation Price are each subject to adjustment related to dilutive events. In addition, upon the occurrence of a Spin-Off (as defined), the Threshold Appreciation Price, the Initial Price and the Stated Amount are also subject to adjustment. As a result of the spin-off of Ferrari that was completed on January 3, 2016, the metrics were adjusted on January 15, 2016 (see Note 32 for additional information).

The equity contract meets the definition of an equity instrument as described in paragraph 16 of IAS 32 as the equity contract does not include a contractual obligation to (i) deliver cash or another financial asset to another entity or (ii) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to FCA. Additionally, the equity contract is a non-derivative that includes no contractual obligation for FCA to deliver a variable number of its own equity, as FCA controls its ability to settle for a fixed number of shares under the terms of the contract. Management has determined that the terms of the contract are substantive as there are legitimate corporate objectives that could cause FCA to seek early conversion of the Mandatory Convertible Securities. As a result, the equity conversion feature has been accounted for as an equity instrument.

The obligation to pay coupons meets the definition of a financial liability as it is a contractual obligation to deliver cash to another entity. FCA has the right to, or in certain limited circumstances, the investors can force FCA to prepay the coupons, in addition to settling the equity conversion feature, before maturity. Under IFRS, the early settlement features would be bifurcated from the financial liability for the coupon payments since they require the repayment of the coupon obligation at an amount other than fair value or the amortized cost of the debt instrument as required by IAS 39.AG30(g).

As required by paragraph 31 of IAS 32, the initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The equity component is assigned the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole. The value of any derivative features embedded in the compound financial instrument other than the equity component is included in the liability component. Therefore, the financial liability for the coupon payments was initially recognized at its fair value. The derivative related to the early settlement conversion features defined in the Mandatory Convertible Securities was bifurcated from the financial liability for the coupon payments and are accounted for at fair value through profit and loss. Subsequently, the financial liability related to the coupon payments is accounted for at amortized cost using the effective interest method. The financial liabilities related to the embedded derivative features are remeasured to their fair value at each reporting date with the remeasurement gains or losses being recorded in the Consolidated Income Statement. The residual amount of the proceeds received from the issuance of the Mandatory Convertible Securities were allocated to share reserves in Equity and are accordingly, not subsequently remeasured.

Under IAS 32, transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. The portion allocated to the equity component should be accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction. The portion allocated to the liability component (including third party costs and creditor fees) are deducted from the liability component balance, are accounted for as a debt discount and are amortized over the life of the coupon payments using the effective interest method.

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 liability component 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 are accounted for as a debt discount (Note 23). 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.

Other reserves

Other reserves mainly include:

- legal reserve of €11,744 million at December 31, 2015 (€10,816 million at December 31, 2014) that was determined in accordance to the Dutch law and mainly refers to development costs capitalized by subsidiaries and their earnings subject to certain restrictions on distributions to FCA. The legal reserve also includes the reserve for the equity component of the Mandatory Convertible Securities of €1,910 million. 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 €3,805 million at December 31, 2015 (€3,742 million at December 31, 2014);
- retained earnings, that after separation of the legal reserve, are negative €1,117 million (negative €1,458 million at December 31, 2014); and
- profit attributable to owners of the parent of €334 million for the year ended December 31, 2015 (€568 million for the year ended December 31, 2014).

Other comprehensive income/(loss)

Other comprehensive income/(loss) was as follows:

	For the Years Ended December 31,		
	2015	**2014**	**2013**
		(€ million)	
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains/(losses) on remeasurement of defined benefit plans	679	(327)	2,679
Shares of (Losses) on remeasurement of defined benefit plans for equity method investees	(2)	(4)	(7)
Items relating to discontinued operations	4	(6)	(3)
Total items that will not be reclassified to the Consolidated Income Statement (B1)	**681**	**(337)**	**2,669**
Items that may be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains/(losses) on cash flow hedging instruments arising during the period	63	(251)	270
Gains/(losses) on cash flow hedging instruments reclassified to the Consolidated Income Statement	123	107	(163)
Gains/(losses) on cash flow hedging instruments	186	(144)	107
Gains/(losses) on available-for-sale financial assets	11	(24)	4
Exchange differences on translating foreign operations	928	1,255	(708)
Share of Other comprehensive income/(loss) for equity method investees arising during the period	(18)	35	(75)
Share of Other comprehensive income/(loss) for equity method investees reclassified to the Consolidated Income Statement	1	16	(13)
Total Share of Other comprehensive (loss)/income for equity method investees	(17)	51	(88)
Items relating to discontinued operations	21	(121)	43
Total items that may be reclassified to the Consolidated Income Statement (B2)	**1,129**	**1,017**	**(642)**
Total Other comprehensive income/(loss) (B1)+(B2)=(B)	**1,810**	**680**	**2,027**
Tax effect	(249)	54	227
Tax effect - discontinued operations	(4)	48	(15)
Total Other comprehensive income/(loss), net of tax	**1,557**	**782**	**2,239**

With reference to the defined benefit plans, the gains and losses arising from the remeasurement 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 21).

The following table summarizes the tax effect relating to Other comprehensive income/(loss):

	For the Years Ended December 31,								
	2015			2014			2013		
	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 remeasurement of defined benefit plans	679	(201)	478	(327)	28	(299)	2,679	237	2,916
Gains/(losses) on cash flow hedging instruments	186	(48)	138	(144)	26	(118)	107	(10)	97
Gains/(losses) on available-for-sale financial assets	11	—	11	(24)	—	(24)	4	—	4
Exchange gains/(losses) on translating foreign operations	928	—	928	1,255	—	1,255	(708)	—	(708)
Share of Other comprehensive income/(loss) for equity method investees	(19)	—	(19)	47	—	47	(95)	—	(95)
Items relating to discontinued operations	25	(4)	21	(127)	48	(79)	40	(15)	25
Total Other comprehensive income/(loss)	**1,810**	**(253)**	**1,557**	**680**	**102**	**782**	**2,027**	**212**	**2,239**

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 in the general meeting 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 by FCA shareholders in the general meeting, under the same logic of creating value, compatible with the objectives of achieving financial equilibrium and an improvement in the Group's rating.

For 2015, 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.

20. Share-based compensation

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 framework equity incentive plan (Note 19). The PSU awards, which represent the right to receive FCA 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 February 2017, a cumulative two-thirds in February 2018 and a cumulative 100 percent in February 2019 if the respective performance goals for the years 2014 to 2016, 2014 to 2017 and 2014 to 2018 are achieved. None of the PSU awards were forfeited and none of the outstanding PSU awards had vested as of December 31, 2015.

The vesting of the PSU NI awards will be determined by comparing the Group's net profit excluding unusual items compared to the net income targets established in the business plan that was published in May 2014. 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.

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 shares. These shares will vest in three equal tranches in February of 2017, 2018 and 2019. None of the outstanding RSU awards were forfeited and none of the outstanding RSU awards had vested as of December 31, 2015.

Total expense for the PSU awards and RSU awards of approximately €54 million was recorded for the year ended December 31, 2015. As of December 31, 2015, the Group had unrecognized compensation expense related to the non-vested PSU awards and RSU awards of approximately €178 million based on current forfeiture assumptions, which will be recognized over a weighted-average period of 2.2 years. The corresponding tax benefit for the year ended December 31, 2015 was €7 million.

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 administrative 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 fully vested and they were exercisable at any time until January 1, 2016. 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 million options granted to employees and the 5 million 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 or "NMC") 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. The ability to exercise the options was also subject to specific restrictions regarding the duration of the employment relationship or the continuation of the position held. 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.

The contractual terms of the plan were as follows:

Plan	Recipient	Expiry date	Strike price (€)	N° of options vested	Vesting date	Vesting portion
Stock Option - November 2006	Chief Executive Officer	November 3, 2014	13.37	5,000,000	November 2007	25%
					November 2008	25%
					November 2009	25%
					November 2010	25%
Stock Option - November 2006	Chief Executive Officer	November 3, 2014	13.37	5,000,000	1st Quarter 2008(*)	25%xNMC
					1st Quarter 2009(*)	25%xNMC
					1st Quarter 2010(*)	25%xNMC
					1st Quarter 2011(*)	25%xNMC
Stock Option - November 2006	Managers	November 3, 2014	13.37	10,000,000	1st Quarter 2008(*)	25%xNMC
					1st Quarter 2009(*)	25%xNMC
					1st Quarter 2010(*)	25%xNMC
					1st Quarter 2011(*)	25%xNMC

(*) *On approval of the prior year's Consolidated Financial Statements; subject to continuation of the employment relationship.*

With specific reference to the options under the November 2006 Stock Option Plan for which vesting was subject to the achievement of pre-established profitability targets, only the first tranche of those rights had vested as the profitability targets originally established for the 3-year period 2008-2010 were not met.

Changes during the years ended December 31, 2014 and 2013 were as follows:

	Rights granted to managers			
	2014		2013	
	Number of options	Average exercise price (€)	Number of options	Average exercise price (€)
Outstanding shares at the beginning of the year	1,240,000	13.37	1,576,875	13.37
Exercised	(1,139,375)	13.37	(285,000)	13.37
Expired	(100,625)	—	(51,875)	13.37
Outstanding shares at the end of the year	**—**	**—**	**1,240,000**	**13.37**
Exercisable at the end of the year	**—**	**—**	**1,240,000**	**13.37**

	Rights granted to the Chief Executive Officer			
	2014		2013	
	Number of options	Average exercise price (€)	Number of options	Average exercise price (€)
Outstanding shares at the beginning of the year	6,250,000	13.37	6,250,000	13.37
Exercised	(6,250,000)	13.37	—	—
Outstanding shares at the end of the year	**—**	**—**	**6,250,000**	**13.37**
Exercisable at the end of the year	**—**	**—**	**6,250,000**	**13.37**

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 million rights, which represented an equal number of ordinary 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 shares.

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

	2015		2014		2013	
	Number of FCA shares	Average fair value at the grant date (€)	Number of FCA shares	Average fair value at the grant date (€)	Number of Fiat shares	Average fair value at the grant date (€)
Outstanding shares unvested at the beginning of the year	2,333,334	4.205	4,666,667	4.205	7,000,000	4.205
Vested	(2,333,334)	4.205	(2,333,333)	4.205	(2,333,333)	4.205
Outstanding shares unvested at the end of the year	**—**	**4.205**	**2,333,334**	**4.205**	**4,666,667**	**4.205**

Nominal costs for this plan of €0.3 million, €2 million and €6 million were recognized during the years ended December 31, 2015, 2014 and 2013, respectively.

Share-Based Compensation Plans Issued by FCA US

As of December 31, 2015, FCA US has units outstanding under two legacy share-based compensation plans: the Amended and Restated FCA US Directors' Restricted Stock Unit Plan ("FCA US Directors' RSU Plan") and the FCA US 2012 Long-Term Incentive Plan ("2012 LTIP Plan"). There are no units outstanding under the FCA US Restricted Stock Unit Plan or the FCA US Deferred Phantom Share Plan. Compensation expense for those plans during the years ended December 31, 2015, 2014 and 2013 and cash payments made under those plans during those periods were not material.

The fair value of each unit issued under the FCA US share-based compensation plans is based on the fair value of FCA US's membership interests. Each unit represents a "FCA US Unit," which is equal to 1/600th of the value of a FCA US membership interest. Since there is no publicly observable trading price for FCA US membership interests, fair value was determined using a discounted cash flow methodology. This approach, which is based on projected cash flows of FCA US, is used to estimate the enterprise value of FCA US. The fair value of FCA US's outstanding interest bearing debt as of the measurement date is deducted from the enterprise value of FCA US to arrive at the fair value of equity. This amount is then divided by the total number of FCA US Units, as determined above, to estimate the fair value of a single FCA US Unit.

Anti-Dilution adjustments

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 Units 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 in the amount of $1,338 million (€1,176 million), which reduced the fair value of FCA US's equity. As a result of this dilutive event and pursuant to the anti-dilution provisions, the FCA US Board of Directors approved an anti-dilution adjustment factor to increase the number of outstanding FCA US Units in order to preserve the economic benefit intended to be provided to each participant. The value of the outstanding awards immediately prior to the dilutive event was equal to the value of the adjusted awards subsequent to the dilutive event. No additional expense was recognized as a result of this modification during 2015. For comparative purposes, the number of FCA US Units and all December 31, 2014 and 2013 fair value references have been adjusted to reflect the impact of the dilutive transaction and the anti-dilution adjustment.

During the year ended December 31, 2014, two transactions occurred that diluted the fair value of FCA US's equity and the per unit fair value of a FCA US Unit. These transactions were:

- the U.S.$1,900 million (€1,404 million) distribution paid on January 21, 2014, which served to fund a portion of the transaction whereby Fiat acquired the VEBA Trust's remaining ownership interest in FCA US (as described above in the section —*Acquisition of the Remaining Ownership Interest in FCA US*); and
- the prepayment of the VEBA Trust Note on February 7, 2014 that accelerated tax deductions that were being passed through to the FCA US's members.

As a result of these two dilutive events and pursuant to the anti-dilution provisions an anti-dilution adjustment factor was approved by FCA US's Compensation and Leadership Development Committee ("Compensation Committee") to increase the number of outstanding FCA US Units (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. The value of the outstanding awards immediately prior to the dilutive events was equal to the value of the adjusted awards subsequent to the dilutive events. No additional expense was recognized as a result of the modifications during 2014.

There were no similar changes of FCA US's capital structure in 2013 that required an anti-dilution adjustment.

Restricted Stock Unit Plans issued by FCA US

There were no awards outstanding under our FCA US Restricted Stock Unit Plan ("FCA US RSU Plan") as of December 31, 2015.

Director RSUs 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 Director RSU Plan, freezing the Director RSU awards unit value as of December 31, 2015.

The expense recognized in total for both the FCA US RSU Plan and the Directors' RSU Plan for the years ended December 31, 2015, 2014 and 2013 was approximately €8 million, €6 million and €14 million, respectively. The corresponding tax benefit for the year ended December 31, 2015 was €3 million and for the years ended December 31, 2014 and 2013, the tax benefit was immaterial. There is no unrecognized compensation expense for both the FCA US RSU plan and the Directors' RSU Plan at December 31, 2015.

Changes during 2015, 2014 and 2013 for the FCA US RSU Plan were as follows:

			Adjusted for Anti-Dilution			
	2015		2014		2013	
	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 (€)	FCA US Restricted Stock Units	Weighted average fair value at the grant date (€)
Outstanding shares unvested at the beginning of the year	**1,545,985**	**4.18**	5,550,897	3.14	7,116,320	2.89
Granted	—	—	—	—	242,383	4.98
Vested	**(1,545,985)**	**4.58**	(3,893,470)	3.01	(1,469,075)	1.74
Forfeited	—	—	(111,442)	3.85	(338,731)	3.49
Outstanding shares unvested at the end of the year	**—**	**—**	**1,545,985**	**4.18**	**5,550,897**	**3.14**

	As Previously Reported			
	2014		2013	
	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 the beginning of the year	4,792,279	3.64	6,143,762	3.35
Granted	—	—	209,258	5.75
Vested	(3,361,366)	3.48	(1,268,303)	2.01
Forfeited	(96,211)	4.46	(292,438)	4.05
Outstanding shares unvested at the end of the year	**1,334,702**	**4.84**	**4,792,279**	**3.64**

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). As of December 31, 2015, only restricted share units ("LTIP RSUs") remain outstanding under the plan, all of which will be settled prior to March 31, 2016.

Changes during 2015, 2014 and 2013 were as follows:

	Adjusted for Anti-Dilution					
	Year Ended December 31,					
	2015		2014		2013	
	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 the beginning of the year	2,303,928	4.67	4,054,807	4.08	2,712,700	3.85
Granted	—	—	—	—	2,447,759	4.59
Vested	(1,544,664)	4.98	(1,630,392)	4.15	(924,682)	3.84
Forfeited	(104,558)	5.36	(120,487)	4.24	(180,970)	4.13
Outstanding shares unvested at the end of the year	**654,706**	**5.50**	**2,303,928**	**4.67**	**4,054,807**	**4.08**

	As Previously Reported			
	December 31, 2014		December 31, 2013	
	LTIP RSUs	Weighted average fair value at the grant date (€)	LTIP RSUs	Weighted average fair value at the grant date (€)
Outstanding shares unvested at the beginning of the year	3,500,654	4.73	2,341,967	4.46
Granted	—	—	2,113,234	5.32
Vested	(1,407,574)	4.81	(798,310)	4.45
Forfeited	(104,020)	4.91	(156,237)	4.78
Outstanding shares unvested at the end of the year	**1,989,060**	**5.41**	**3,500,654**	**4.73**

	Year Ended December 31,					
	2015		2014		2013	
	LTIP PSUs[(1)]	Weighted average fair value at the grant date (€)	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 the beginning of the year	5,320,540	8.62	8,417,511	5.64	8,419,684	5.78
Granted	—	—	5,556,503	7.62	587,091	7.15
Vested	(5,302,138)	9.44	—	—	—	—
Forfeited	(18,402)	9.44	(8,653,474)	5.89	(589,264)	5.77
Outstanding shares unvested at the end of the year	**—**	**—**	**5,320,540**	**8.62**	**8,417,511**	**5.64**

(1) *Not adjusted for the 2015 anti-dilution based on the amendment approved on May 12, 2014.*

The expense recognized in connection with the 2012 LTIP Plan in 2015 was €4 million (€6 million in 2014 and €36 million in 2013). Total unrecognized compensation expense at December 31, 2015 was less than €1 million, which will be recognized over the remaining service periods. The corresponding tax benefit for the year ended December 31, 2015 was €2 million and for the years ended December 31, 2014 and 2013, the tax benefit was immaterial.

21. Provisions for employee benefits

The following table summarizes the provisions and net assets for employee benefits:

	At December 31, 2015	2014
	(€ million)	
Present value of defined benefit obligations:		
Pension benefits	27,547	27,287
Health care and life insurance plans	2,459	2,276
Other post-employment benefits	969	1,074
Total present value of defined benefit obligations (a)	**30,975**	**30,637**
Fair value of plan assets (b)	**22,415**	**22,231**
Asset ceiling (c)	11	6
Total net defined benefit plans (a - b + c)	**8,571**	**8,412**
of which:		
Net defined benefit liability (d)	*8,738*	*8,516*
(Defined benefit plan asset)	*(167)*	*(104)*
Other provisions for employees and liabilities for share-based payments (e)	**1,326**	**1,076**
Total Provisions for employee benefits (d + e)	**10,064**	**9,592**

The Group recognized a total of €1,541 million for the cost for defined contribution plans for the year ended December 31, 2015 (€1,346 million in 2014 and €1,263 million in 2013).

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, 2015, the combined credit balances for the U.S. and Canada qualified pension plans were approximately €2.1 billion, the usage of the credit balances to satisfy minimum funding requirements is subject to the plans maintaining certain funding levels. The Group contributions to funded pension plans for 2016 are expected to be €563 million, of which €542 million relate to FCA US, with €408 million being discretionary contributions and €134 million will be made to satisfy minimum funding requirements. The expected benefit payments for pension plans are as follows:

	Expected benefit payments
	(€ million)
2016	1,854
2017	1,810
2018	1,785
2019	1,766
2020	1,747
2021-2025	8,573

The following summarizes the changes in the pension plans:

	2015				2014			
	Obligation	Fair value of plan assets	Asset ceiling	Liability (asset)	Obligation	Fair value of plan assets	Asset ceiling	Liability (asset)
	(€ million)							
At January 1,	**27,287**	**(22,231)**	**6**	**5,062**	**23,137**	**(18,982)**	**3**	**4,158**
Included in the Consolidated Income Statement	1,327	(816)	—	**511**	1,290	(816)	—	**474**
Included in Other comprehensive income/(loss)								
Actuarial (gains)/losses from:								
- Demographic assumptions	(101)	—	—	**(101)**	(256)	—	—	**(256)**
- Financial assumptions	(1,296)	—	—	**(1,296)**	1,916	(8)	—	**1,908**
- Other	33	(8)	—	**25**	2	—	—	**2**
Return on assets	—	749	—	**749**	—	(1,514)	—	**(1,514)**
Changes in the effect of limiting net assets	—	—	4	**4**	—	—	3	**3**
Changes in exchange rates	2,181	(1,743)	1	**439**	2,802	(2,273)	—	**529**
Other								
Employer contributions	—	(237)	—	**(237)**	—	(229)	—	**(229)**
Plan participant contributions	2	(2)	—	**—**	2	(2)	—	**—**
Benefits paid	(1,857)	1,849	—	**(8)**	(1,611)	1,606	—	**(5)**
Other changes	(29)	24	—	**(5)**	5	(13)	—	**(8)**
At December 31,	**27,547**	**(22,415)**	**11**	**5,143**	**27,287**	**(22,231)**	**6**	**5,062**

During 2015, an increase in discount rates resulted in actuarial gains for the year ended December 31, 2015, while a decrease in discount rates resulted in actuarial losses for the year ended December 31, 2014.

Amounts recognized in the Consolidated Income Statement were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(€ million)		
Current service cost	196	184	292
Interest expense	1,143	1,089	1,026
(Interest income)	(912)	(878)	(768)
Other administration costs	92	62	42
Past service costs/(credits) and gains/(losses) arising from settlements/ curtailments	(8)	17	(162)
Total recognized in the Consolidated Income Statement	**511**	**474**	**430**

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.

During the year ended December 31, 2014, following the release of new standards by the Canadian Institute of Actuaries, mortality assumptions used for our Canadian benefit plan valuations were updated to reflect recent trends in the industry and the revised outlook for future generational mortality improvements. The change increased the Group's Canadian pension obligations by approximately €41 million. In addition, retirement rate assumptions used for the Group's U.S. benefit plan valuations were updated to reflect an ongoing trend towards delayed retirement for FCA US employees. The change decreased the Group's U.S. pension and other post-employment benefit obligations by approximately €261 million and €40 million, respectively.

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, 2013, FCA US amended its U.S. and Canadian salaried defined benefit pension plans. The U.S. plans were amended in order to comply with U.S. regulations, cease the accrual of future benefits effective December 31, 2013, and enhance the retirement factors. The Canada amendment ceased the accrual of future benefits effective December 31, 2014, enhanced the retirement factors and continued to consider future salary increases for the affected employees. An interim re-measurement was performed for these plans, which resulted in a curtailment gain of €166 million recognized in Other income/(expenses) in the Consolidated Income Statement. In addition, the Group recognized a €509 million reduction to its pension obligation, a €7 million reduction to defined benefit plan assets and a corresponding €502 million increase in accumulated Other comprehensive income/(loss) for the year ended December 31, 2013.

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

	At December 31, 2015		At December 31, 2014	
	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	**589**	**512**	**713**	**614**
U.S. equity securities	2,209	2,208	2,406	2,338
Non-U.S. equity securities	1,388	1,388	1,495	1,463
Commingled funds	2,025	164	2,009	186
Equity instruments	**5,622**	**3,760**	**5,910**	**3,987**
Government securities	2,610	852	2,948	780
Corporate bonds (including Convertible and high yield bonds)	6,028	—	6,104	4
Other fixed income	928	7	892	7
Fixed income securities	**9,566**	**859**	**9,944**	**791**
Private equity funds	1,787	—	1,648	—
Commingled funds	137	117	5	5
Mutual funds	3	—	4	—
Real estate funds	1,502	—	1,395	—
Hedge funds	2,607	—	1,841	—
Investment funds	**6,036**	**117**	**4,893**	**5**
Insurance contracts and other	**602**	**49**	**771**	**91**
Total fair value of plan assets	**22,415**	**5,297**	**22,231**	**5,488**

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 U.S., 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 comingled 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, 2015			At December 31, 2014		
	U.S.	Canada	UK	U.S.	Canada	UK
Discount rate	4.5%	4.0%	3.8%	4.0%	3.8%	4.0%
Future salary increase rate	—%	3.5%	2.9%	—%	3.5%	3.0%

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 20 years.

Health care and life insurance plans

Liabilities arising from these plans comprise obligations for retiree health care and life insurance granted to employees and to retirees in the U.S. and Canada by FCA US companies. 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)
2016	139
2017	139
2018	139
2019	139
2020	139
2021-2025	716

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

	2015	2014
	(€ million)	
Present value of obligations at January 1,	**2,276**	**1,945**
Included in the Consolidated Income Statement	134	126
Included in OCI:		
Actuarial losses/(gains) from:		
- Demographic assumptions	5	(95)
- Financial assumptions	(9)	187
- Other	1	—
Effect of movements in exchange rates	204	244
Other changes		
Benefits paid	(152)	(128)
Other	—	(3)
Present value of obligations at December 31,	**2,459**	**2,276**

Amounts recognized in the Consolidated Income Statement were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(€ million)	
Current service cost	32	21	23
Interest expense	102	98	89
Past service costs (credits) and gains or losses arising from settlements	—	7	—
Total recognized in the Consolidated Income Statement	**134**	**126**	**112**

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, 2015		At December 31, 2014	
	U.S.	Canada	U.S.	Canada
Discount rate	4.5%	4.2%	4.1%	3.9%
Salary growth	1.5%	1.5%	—%	—%
Weighted average ultimate healthcare cost trend rate	4.5%	4.3%	5.0%	3.6%

The average duration of the U.S. and Canadian liabilities was approximately 13 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 2015 plan valuation was 7.0 percent (6.5 percent in 2014). 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 2015 plan valuation was 4.66 percent (3.3 percent in 2014). The annual rate was assumed to decrease gradually to 4.32 percent in 2029 and remain at that level thereafter.

Other post-employment benefits

Other post-employment benefits includes other employee benefits granted to Group employees in Europe and comprises, amongst others, the Italian employee severance indemnity ("TFR") obligation amounting to €794 million at December 31, 2015 and €886 million at December 31, 2014. 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 are 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 consists of the residual obligation for TFR until 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 was as follows:

	2015	2014
	(€ million)	
Present value of obligations at January 1,	**1,074**	**1,023**
Included in the Consolidated Income Statement:	16	31
Included in OCI:		
Actuarial (gains)/losses from:		
Demographic assumptions	(1)	(2)
Financial assumptions	(27)	81
Other	(11)	14
Effect of movements in exchange rates	(1)	1
Other:		
Benefits paid	(60)	(77)
Change in the scope of consolidation	—	15
Transfer to Liabilities held for distribution	(23)	—
Other	2	(12)
Present value of obligations at December 31,	**969**	**1,074**

Amounts recognized in the Consolidated Income Statement were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(€ million)		
Current service cost	10	20	9
Interest expense	6	11	15
Total recognized in the Consolidated Income Statement	**16**	**31**	**24**

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 2015 is equal to 1.6 percent (1.7 percent in 2014). 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 and liabilities for share-based payments

At December 31, 2015, Other provisions for employees and liabilities for share-based payments consisted of other long term benefits obligations for €384 million (€376 million at December 31, 2014), representing the expected obligation for benefits, which include a bonus for tenure at the Company and long term disability benefits granted to certain employees.

22. Other provisions

Changes in Other provisions were as follows:

	At December 31, 2014	Additional provisions	Settlements	Unused amounts	Translation differences	Transfer to Liabilities held for distribution	Changes in the scope of consolidation and other changes	At December 31, 2015
				(€ million)				
Product warranty and recall campaigns provision	4,845	4,710	(3,303)	—	325	(80)	(26)	**6,471**
Sales incentives	3,695	12,711	(11,472)	(20)	282	—	—	**5,196**
Legal proceedings and disputes	575	103	(89)	(29)	(30)	(47)	17	**500**
Commercial risks	381	288	(207)	(31)	6	(9)	(107)	**321**
Restructuring provision	131	32	(42)	(20)	3	—	(5)	**99**
Other risks	1,153	342	(157)	(119)	43	(10)	(47)	**1,205**
Total Other provisions	**10,780**	**18,186**	**(15,270)**	**(219)**	**629**	**(146)**	**(168)**	**13,792**

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 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. Translation differences primarily related to the foreign currency translation from U.S.$ to Euro.

None of the provisions within the total Legal proceedings and disputes provision are individually significant. As described within the section —*Use of Estimates* above, a provision for legal proceedings is recognized when it is deemed probable that the proceedings will result in an outflow of resources.

Commercial risks arise in connection with the sale of products and services such as maintenance contracts. An accrual is recorded when the expected costs to complete the services under these contracts exceed the revenues expected to be realized.

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.

23. Debt

The following table summarizes debt by category and by maturity:

	At December 31, 2015				At December 31, 2014			
	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)							
Notes	2,689	7,017	3,735	13,441	2,292	10,367	4,989	17,648
Borrowings from banks	3,364	7,803	795	11,962	3,670	8,131	950	12,751
Payables represented by securities	490	226	209	925	559	544	270	1,373
Asset-backed financing	206	—	—	206	444	25	—	469
Other debt	619	498	135	1,252	745	424	314	1,483
Total Debt	**7,368**	**15,544**	**4,874**	**27,786**	**7,710**	**19,491**	**6,523**	**33,724**

The decrease in total Debt was €6,174 million, net of foreign exchange translation effects. The decrease reflects the repayment of two notes at their respective maturity dates that had been issued under the Global Medium Term Note Programme ("GMTN Programme"), one for a principal amount of €1,500 million and another for a principal amount of CHF 425 million (€390 million), the prepayment of FCA US's secured senior notes due June 15, 2019 for an aggregate principal amount of €2,518 million (U.S.$2,875 million), the prepayment of FCA US's secured senior notes due June 15, 2021 for an aggregate principal amount of €2,833 million (U.S.$3,080 million), the repayment of the loan granted by the European Investment Bank ("EIB") of €250 million at maturity as well as a total of €288 million for payments including interest on the unsecured Canadian Health Care Trust Notes ("Canadian HCT Notes"), which also included the prepayment of the remaining scheduled payments of the Canada Health Care Trust Tranche A Note ("Canadian HCT Tranche A Note"). The decrease in total Debt was partially offset by the issuance of the new unsecured senior debt securities by FCA in April 2015 (described below) for a total principal amount of U.S.$3.0 billion (€2.8 billion) and the draw-down of the €600 million loan with EIB and SACE that was executed in June 2015 (described below). During the year ended December 31, 2015, medium and long-term loans (those expiring after twelve months) obtained by FCA amounted to €3,061 million, while medium and long-term borrowings repayments amounted to €4,412 million.

The annual effective interest rates and the nominal currencies of debt at December 31, 2015 and 2014 were as follows:

	Interest rate					Total at December 31, 2015
	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	more than 12.5%	
	(€ 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**

	less than 5%	from 5% to 7.5%	from 7.5% to 10%	from 10% to 12.5%	Interest rate more than 12.5%	Total at December 31, 2014
			(€ million)			
Euro	6,805	7,500	1,003	87	—	15,395
U.S.$	5,769	2,651	2,537	8	206	11,171
Brazilian Real	1,720	430	282	376	1,330	4,138
Swiss Franc	593	686	—	—	—	1,279
Canadian Dollar	31	229	393	—	—	653
Mexican Peso	—	164	233	—	—	397
Chinese Renminbi	1	333	—	—	—	334
Other	197	20	37	24	79	357
Total Debt	**15,116**	**12,013**	**4,485**	**495**	**1,615**	**33,724**

For further information on the management of interest rate and currency risk, refer to Note 31.

Notes

The following table summarizes the outstanding notes at December 31, 2015 and 2014:

	Currency	Face value of outstanding notes (million)	Coupon %	Maturity	At December 31, 2015	At December 31, 2014
Global Medium Term Note Programme:					(€ million)	
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,500	6.875	February 13, 2015	—	1,500
Fiat Chrysler Finance Europe S.A.[2]	CHF	425	5.000	September 7, 2015	—	353
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,000	6.375	April 1, 2016	1,000	1,000
Fiat Chrysler Finance Europe S.A.[1]	EUR	1,000	7.750	October 17, 2016	1,000	1,000
Fiat Chrysler Finance Europe S.A.[2]	CHF	400	5.250	November 23, 2016	369	333
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	415	374
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	231	208
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
Others	EUR	7			7	7
Total Global Medium Term Notes					**10,322**	**12,075**
Other Notes:						
FCA US (Secured Senior Notes)	U.S.$	2,875	8.000	June 15, 2019	—	2,368
FCA US (Secured Senior Notes)	U.S.$	3,080	8.250	June 15, 2021	—	2,537
FCA Notes[1]	U.S.$	1,500	4.500	April 15, 2020	1,378	—
FCA Notes[1]	U.S.$	1,500	5.250	April 15, 2023	1,378	—
Total Other Notes					**2,756**	**4,905**
Hedging effect, accrued interest and amortized cost valuation					363	668
Total Notes					**13,441**	**17,648**

(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, excluding FCA US, are governed by the terms and conditions of the GMTN Programme. A maximum of €20 billion may be used under this program, of which notes of approximately €10.3 billion were outstanding at December 31, 2015 (€12.1 billion at December 31, 2014). 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, 2015 were due to the:

- repayment at maturity of two notes that had been issued by Fiat Chrysler Finance Europe S.A, one with a principal value of €1,500 million and one with a principal value of CHF 425 million (€390 million).

Changes in notes issued under the GMTN Programme during the year ended December 31, 2014 were due to the:

- issuance of 4.75 percent notes at par in March 2014, having a principal of €1 billion and due March 2021 by Fiat Chrysler Finance Europe S.A.
- issuance of 4.75 percent notes at par in July 2014, having a principal of €850 million and due July 2022 by Fiat Chrysler Finance Europe S.A. The notes issuance was reopened in September 2014 for a further €500 million principal value, priced at 103.265 percent of par value, increasing the total principal amount to €1.35 billion.
- issuance of 3.125 percent notes at par in September 2014 having a principal of CHF 250 million and due September 2019 by Fiat Chrysler Finance Europe S.A.
- repayment at maturity of two notes that had been issued by Fiat Chrysler Finance Europe S.A, one with a principal value of €900 million and one with a principal value of €1,250 million.

The notes issued by Fiat Chrysler Finance Europe S.A. and by Fiat Chrysler Finance North America Inc. 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. At December 31, 2015, FCA was in compliance with all covenants under the GMTN programme.

FCA US Secured Senior Notes

In February 2014, FCA US and certain of its U.S. subsidiaries, either as a co-issuer or guarantor, issued additional secured senior notes:

- secured senior notes due 2019 – U.S.$1,375 million (€1,133 million at December 31, 2014) aggregate principal amount of 8.0 percent secured senior notes due June 15, 2019 (collectively with the May 2011 issuance of U.S.$1,500 million (€1,235 million at December 31, 2014) secured senior notes due 2019, the "2019 Notes") at an issue price of 108.25 percent of the aggregate principal amount; and
- secured senior notes due 2021 – U.S.$1,380 million (€1,137 million at December 31, 2014) aggregate principal amount of 8.25 percent secured senior notes due June 15, 2021 (collectively with the May 2011 issuance of U.S.$1,700 million (€1,400 million at December 31, 2014) secured senior notes due 2021, the "2021 Notes") at an issue price of 110.50 percent of the aggregate principal amount.

The 2019 Notes and 2021 Notes are collectively referred to as the "Secured Senior Notes".

On May 14, 2015, FCA US prepaid its 2019 Notes 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 2021 Notes 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.

Notes issued by FCA

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, 2015, 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. 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.

Borrowings from banks

Senior Credit Facilities - FCA US

At December 31, 2015, Borrowings from banks included the tranche B term loan maturing May 24, 2017 of FCA US which consists of the original U.S.$3.0 billion tranche B term loan (€2.8 billion) that matures on May 24, 2017, (the "Original Tranche B Term Loan"), and an additional U.S.$250 million (€230 million at December 31, 2015) term loan entered into on February 7, 2014 under the Original Tranche B Term Loan that also matures on May 24, 2017, collectively the "Tranche B Term Loan due 2017." At December 31, 2015, €2,863 million (€2,587 million at December 31, 2014), which included accrued interest, was outstanding under the Tranche B Term Loan due 2017. The outstanding principal amount of the Tranche B Term Loan due 2017 is payable in equal quarterly installments of U.S.$8.1 million (€7.4 million) from March 2014, with the remaining balance due at maturity in May 2017. The Tranche B Term Loan due 2017 bears interest, at FCA'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, 2015 and 2014, interest was accrued based on LIBOR.

On February 7, 2014, FCA US entered into a new U.S.$1,750 million (€1,607 million) tranche B term loan issued under a new credit facility, that matures on December 31, 2018 of FCA US (the "Tranche B Term Loan due 2018"). At December 31, 2015, €1,574 million (€1,421 million at December 31, 2014), which included accrued interest, was outstanding under the Tranche B Term Loan due 2018. The outstanding principal amount for the Tranche B Term Loan due 2018 is payable in equal quarterly installments of U.S.$4.4 million (€4.0 million) from June 30, 2014, with the remaining balance due at maturity. The Tranche B Term Loan due 2018 bears interest, at FCA US's option, either at 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, 2015 and 2014, 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 "Senior Credit Facilities", without premium or penalty.

The Senior Credit Facilities 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 Senior Credit Facilities (the "Senior Credit Agreements") 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. The Senior 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 making restricted payments, including a limit on declaring dividends or distributions to FCA; (iv) limitations on transactions with affiliates, swap agreements and sale and leaseback transactions; (v) limitations on fundamental changes, including certain asset sales and (vi) restrictions on certain subsidiary distributions. In addition, the Senior Credit Agreements require FCA US to maintain a minimum ratio of "borrowing base" to "covered debt" (as defined in the Senior Credit Agreements), as well as a minimum liquidity of U.S.$3.0 billion (€2.8 billion). Furthermore, the Senior Credit Agreements 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. While the Senior Credit Facilities are outstanding, distributions to FCA will be limited to 50 percent of FCA US's consolidated net income (as defined in the agreements) from January 2012 less distributions paid to date.

As of December 31, 2015, FCA US was in compliance with the covenants of the Senior Credit Agreements.

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 ("FCA US RCF") that was scheduled to expire on May 24, 2016. On November 25, 2015, FCA US terminated its undrawn FCA US RCF.

The RCF is available in two tranches. As of December 31, 2015, the first tranche of €2.5 billion was available and was undrawn. The first tranche matures in July 2018 and has two extension options (1-year and 11-months, respectively) which are exercisable on the first and second anniversary of signing. The second tranche, which consists of an additional €2.5 billion, matures in June 2020 and will be available upon the elimination of the restrictions under certain of FCA US's financing documentation on the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group (as described above in respect of the Senior Credit Facilities).

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) and 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. At December 31, 2015, FCA was in compliance with the covenants of the RCF.

At December 31, 2015, undrawn committed credit lines totaling €3.4 billion included the first tranche of €2.5 billion of the new €5.0 billion RCF and approximately €0.9 billion of other revolving credit facilities. At December 31, 2014, undrawn committed credit lines included the €2.1 billion syndicated revolving credit facility entered into by FCA in 2013 and the U.S.$1.3 billion FCA US RCF.

European Investment Bank Borrowings

We have financing agreements with the EIB for a total of €1.2 billion outstanding at December 31, 2015 (€1.1 billion outstanding at December 31, 2014), which included the (i) new €600 million facility described below, (ii) 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 (iii) 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 June 29, 2015, FCA, 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 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. The loan was drawn in full at December 31, 2015.

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 €4.1 billion at December 31, 2015 (€4.7 billion at December 31, 2014), of which €3.6 billion are medium term loans (€4.3 billion at December 31, 2014), with an average residual maturity between 2 to 3 years, while €0.5 billion (€0.4 billion at December 31, 2014) are short-term credit facilities. Medium-term facilities primarily include subsidized loans granted by such public financing institutions 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 and with maturities greater than 10 years. At December 31, 2015, outstanding subsidized loans amounted to €1.9 billion (€2.3 billion at December 31, 2014), of which €1.2 billion (€1.2 billion at December 31, 2014), 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 (€1.5 billion). Approximately €0.3 billion of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2015 (€0.9 billion at December 31, 2014). The average residual maturity of the subsidized loans was approximately 4 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.$900 million (€0.8 billion) non-revolving loan agreement ("Mexico Bank Loan") maturing on March 20, 2022 and received an initial disbursement of U.S.$500 million (€0.5 billion at December 31, 2015), which bears interest at one-month LIBOR plus 3.35 percent per annum. Effective July 20, 2015, the Group extended the disbursement term of the Mexico Bank Loan through September 20, 2016, during which time the remaining U.S.$400 million (€0.4 billion at December 31, 2015) is available for disbursement, subject to meeting certain preconditions for additional disbursements and a commitment fee of 0.50 percent per annum on the undisbursed balance. 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. At December 31, 2015, the Group was in compliance with all covenants under the Mexico Bank Loan. The Group may not prepay all or any portion of the loan prior to the 18-month anniversary of the effective date of the loan agreement. The proceeds of this transaction were used to prepay all amounts outstanding under the Mexican development bank credit facilities amounting to approximately €414 million. In connection with the prepayment of the Mexican development bank credit facilities, a loss on extinguishment of debt of €9 million was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2015 reflecting the write-off of the remaining unamortized debt issuance costs. At December 31, 2015, €0.4 billion of the Mexico Bank Loan was undisbursed.

Payables represented by securities

At December 31, 2015, Payables represented by securities primarily included the unsecured Canadian HCT Notes totaling €366 million, including accrued interest, (€651 million at December 31, 2014, including accrued interest), which represents FCA US's principal Canadian subsidiary's 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, 2015, FCA US's Canadian subsidiary made payments on the Canadian HCT Notes, which included prepayments on the remaining scheduled payments due on the Canada HCT Tranche A Note and accrued interest, totaling €288 million. The prepayment on the Canadian HCT Tranche A Note made on July 31, 2015 resulted in a €16 million gain on extinguishment of debt 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 19, FCA issued Mandatory Convertible Securities with an aggregate notional amount of U.S.$2,875 million (€2,293 million). The obligation to pay coupons as required by the Mandatory Convertible Securities meets the definition of a financial liability as it is a contractual obligation to deliver cash to another entity. The fair value amount determined for the liability component at issuance of the Mandatory Convertible Securities was U.S.$419 million (€335 million at December 31, 2014) calculated as the present value of the coupon payments due less allocated transaction costs of U.S.$9 million (€7 million at December 31, 2014) that are accounted for as a debt discount. Subsequent to issuance, the financial liability for the coupon payments is accounted for at amortized cost. At December 31, 2015, the financial liability component was U.S.$216 million (€199 million) (U.S.$420 million or €346 million at December 31, 2014).

During the year ended December 31, 2014, the balance of FCA US's financial liability to the VEBA Trust (the "VEBA Trust Note") that had been issued by FCA US in connection with the settlement of its obligations related to postretirement healthcare benefits for certain UAW retirees, was prepaid. The proceeds of the February 7, 2014 issuances of the Secured Senior Notes and the Senior Credit Facilities were used to prepay all amounts outstanding of approximately $5.0 billion (€3.6 billion) under the VEBA Trust Note. The $4,715 million (€3,473 million) principal payment of the VEBA Trust Note consisted of $128 million (€94 million) of interest that was previously capitalized as additional debt with the remaining $4,587 million (€3,379 million) representing the original face value of the VEBA Trust Note.

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 in the Consolidated Statement of Financial Position within Current receivables and other current assets (Note 15). At December 31, 2015 the Group's assets include current receivables to settle Asset-backed financing of €206 million (€469 million at December 31, 2014).

Debt secured by assets

At December 31, 2015, debt secured by assets of the Group (excluding FCA US) amounted to €747 million (€777 million at December 31, 2014), of which €373 million (€379 million at December 31, 2014) 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 €1,400 million at December 31, 2015 (€1,670 million at December 31, 2014) (Note 12).

At December 31, 2015, debt secured by assets of FCA US amounted to €5,254 million and included €4,437 million relating to the Senior Credit Facilities, €243 million due to creditors for assets acquired under finance leases and €574 million for other debt and financial commitments. At December 31, 2014 debt secured by assets of FCA US of €9,881 million included €9,093 million relating to the Secured Senior Notes and Senior Credit Facilities, €251 million due to creditors for assets acquired under finance leases and €537 million for other debt and financial commitments.

Other debt

The following table summarizes the Group's payables for finance leases:

	At December 31,									
	2015					2014				
	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	115	211	182	190	698	114	209	188	243	754
Interest expense	(25)	(37)	(16)	(4)	(82)	(33)	(51)	(31)	(9)	(124)
Present value of minimum lease payments	**90**	**174**	**166**	**186**	**616**	**81**	**158**	**157**	**234**	**630**

At December 31, 2015 and 2014, the Group (excluding FCA US) had outstanding financial lease agreements for assets whose overall net carrying amount totaled €379 million and €383 million, respectively. FCA US had outstanding financial lease agreements for assets whose net carrying amount totaled €470 million and €414 million at December 31, 2015 and 2014, respectively (Note 12).

24. Other current liabilities

Other current liabilities consisted of the following:

	At December 31, 2015	2014
	(€ million)	
Advances on buy-back agreements	2,492	2,571
Indirect tax payables	1,305	1,495
Accrued expenses and deferred income	3,178	2,992
Payables to personnel	972	932
Social security payables	333	338
Amounts due to customers for contract work	227	252
Other	2,423	2,915
Total Other current liabilities	**10,930**	**11,495**

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

	At December 31, 2015				2014			
	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)							
Total Other current liabilities (excluding Accrued expenses and deferred income)	6,728	1,013	11	7,752	7,248	1,230	25	8,503

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 Brazilian subsidiary, FCA Brazil, for which the company (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 amount may be required to be paid to the tax authorities at any time, 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 current liability due between one and five years. Timing for the Supreme Court decision is not predictable.

Included within Other current liabilities is the outstanding obligation of €313 million arising from the MOU signed by FCA US and the UAW. For further information on the MOU refer to the section —*Changes in Scope of Consolidation - Acquisition of the remaining ownership interest in FCA US*.

Deferred income includes revenues not yet recognized in relation to separately-priced extended warranties and service contracts offered by FCA US. 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.

25. 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, 2015 and December 31, 2014:

		At December 31, 2015				At December 31, 2014			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Note	(€ million)							
Assets at fair value available-for-sale:									
Investments at fair value with changes directly in Other comprehensive income/(loss)	(13)	184	19	—	203	110	14	—	124
Other non-current securities	(13)	31	—	12	43	45	—	22	67
Current securities available-for-sale	(16)	264	5	—	269	30	—	—	30
Financial assets at fair value held-for-trading:									—
Current investments		48	—	—	48	36	—	—	36
Current securities held for trading	(16)	213	—	—	213	180	—	—	180
Other financial assets	(17)	40	813	—	853	38	473	4	515
Cash and cash equivalents	(18)	18,097	2,565	—	20,662	20,804	2,036	—	22,840
Total Assets		**18,877**	**3,402**	**12**	**22,291**	**21,243**	**2,523**	**26**	**23,792**
Other financial liabilities	(17)	—	701	35	736	—	740	8	748
Total Liabilities		**—**	**701**	**35**	**736**	**—**	**740**	**8**	**748**

In 2015, there were no transfers between Levels in the fair value hierarchy.

The fair value of Other financial assets and liabilities, which mainly include derivatives financial instruments, 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 18) 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 as Level 3 at December 31, 2015 and December 31, 2014:

	Other non-current securities	Other financial assets/(liabilities)
	(€ million)	
At January 1, 2014	**12**	**2**
Gains/(losses) recognized in Consolidated Income Statement	—	16
Gains/(losses) recognized in Other comprehensive income/(loss)	—	(8)
Issues/Settlements	10	(14)
At December 31, 2014	**22**	**(4)**
Gains/(losses) recognized in Consolidated Income Statement	1	(14)
Gains/(losses) recognized in Other comprehensive income/(loss)	—	(39)
Transfer to Assets held for distribution	(11)	—
Issues/Settlements	—	22
At December 31, 2015	**12**	**(35)**

The gains/losses included in the Consolidated Income Statements are recognized within Cost of sales. Of the total gains/(losses) recognized in Other comprehensive income/(loss), €37 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

For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not differ significantly from carrying value, we assume that carrying value is a reasonable approximation of the fair value. In particular, the carrying amount of Current receivables and Other current assets and of Trade payables and Other current liabilities approximates their fair value.

Refer to Note 19 for a detailed discussion of the allocation of the fair value of the liability component of the Mandatory Convertible Securities issued by FCA in December 2014.

Refer to the section —*Changes in the 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,			
		2015		2014	
		Carrying amount	Fair Value	Carrying amount	Fair Value
	Note	(€ million)			
Dealer financing		1,650	1,649	2,313	2,312
Retail financing		238	232	1,039	1,032
Finance lease		8	8	349	351
Other receivables from financing activities		110	110	142	142
Receivables from financing activities	(15)	**2,006**	**1,999**	**3,843**	**3,837**
Asset backed financing		206	206	469	469
Notes		13,441	14,120	17,648	18,794
Other debt		14,139	14,074	15,607	15,685
Debt	(23)	**27,786**	**28,400**	**33,724**	**34,948**

The fair values of Receivables from financing activities, which are categorized within Level 3 of the fair value hierarchy, have 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 (Note 23)), 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, 2015, €14,113 million and €7 million of notes were classified within Level 1 and Level 2, respectively. At December 31, 2014, €13,433 million and €5,361 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 in Level 3 of the fair value hierarchy. At December 31, 2015, €12,099 million and €1,975 million of Other Debt was classified within Level 2 and Level 3, respectively. At December 31, 2014, €13,144 million and €2,541 million of Other Debt was classified within Level 2 and Level 3, respectively.

26. 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 S.p.A. (the largest shareholder of FCA through its 29.16 percent common shares shareholding interest and 44.27 percent voting power at December 31, 2015) who also purchased U.S.$886 million (€730 million at December 31, 2014) in aggregate notional amount of Mandatory Convertible Securities that were issued in December 2014 (Note 19). Related parties also include CNHI and other unconsolidated subsidiaries, associates or joint ventures 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 their families are also considered related parties.

The Group carries out transactions with unconsolidated subsidiaries, joint ventures, associates and other related parties, on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved. Transactions carried out by the Group with unconsolidated subsidiaries, joint ventures, associates and other related parties are primarily of a commercial nature, which have had an effect on revenues, cost of sales, and trade receivables and payables; these transactions primarily relate to:

- 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 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 joint venture GAC Fiat Chrysler Automobiles Co. Ltd;
- the provision of services (accounting, payroll, tax administration, information technology, purchasing and security) to the companies of CNHI;
- the purchase of commercial vehicles from the joint venture Tofas;
- the purchase of commercial vehicles under contract manufacturing agreement from CNHI; and
- the purchase of engines from the VM Motori group during the first half of 2013.

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 of the transactions with related parties recognized in the Consolidated Income Statements were as follows:

	For the Years Ended December 31,											
	2015				2014				2013			
	Net Revenues	Cost of sales	Selling, general and admin. costs	Financial income/ (expenses)	Net Revenues	Cost of sales	Selling, general and admin. costs	Financial income/ (expenses)	Net Revenues	Cost of sales	Selling, general and admin. costs	Financial income/ (expenses)
	(€ million)											
Tofas	1,533	1,611	—	—	1,247	1,189	1	—	1,145	1,287	3	—
Sevel S.p.A.	311	—	4	—	274	—	4	—	237	—	3	—
FCA Bank	1,447	14	9	(30)	276	10	7	(29)	223	62	10	(24)
GAC Fiat Chrysler Automobiles Co. Ltd	252	—	—	—	153	—	—	—	144	—	1	—
Fiat India Automobiles Limited	15	4	—	—	17	—	—	—	14	—	2	1
VM Motori Group	—	—	—	—	—	—	—	—	—	121	—	—
Other	29	22	—	—	18	22	—	—	7	6	—	—
Total joint arrangements	**3,587**	**1,651**	**13**	**(30)**	**1,985**	**1,221**	**12**	**(29)**	**1,770**	**1,476**	**19**	**(23)**
Total associates	**143**	**14**	**6**	**—**	**102**	**2**	**6**	**—**	**70**	**4**	**5**	**—**
CNHI	564	431	—	—	602	492	—	—	703	500	—	—
Directors, Statutory Auditors and Key Management	—	—	132	—	—	—	89	—	—	—	49	—
Other	—	1	17	—	—	4	20	—	—	24	13	—
Total CNHI, Directors and others	**564**	**432**	**149**	**—**	**602**	**496**	**109**	**—**	**703**	**524**	**62**	**—**
Total unconsolidated subsidiaries	**79**	**13**	**8**	**1**	**52**	**7**	**21**	**(1)**	**45**	**15**	**28**	**1**
Total transactions with related parties	**4,373**	**2,110**	**176**	**(29)**	**2,741**	**1,726**	**148**	**(30)**	**2,588**	**2,019**	**114**	**(22)**
Total for the Group	**110,595**	**97,620**	**7,728**	**(2,366)**	**93,640**	**81,592**	**6,947**	**(2,051)**	**84,530**	**73,038**	**6,615**	**(1,989)**

Non-financial assets and liabilities originating from related party transactions were as follows:

	At December 31,							
	2015				2014			
	Trade receivables	Trade payables	Other current assets	Other current liabilities	Trade receivables	Trade payables	Other current assets	Other current liabilities
	(€ million)							
Tofas	13	157	—	—	48	160	—	1
FCA Bank	80	218	3	117	65	234	6	92
GAC Fiat Chrysler Automobiles Co. Ltd	147	3	—	61	48	20	—	1
Sevel S.p.A.	19	—	1	5	12	—	—	4
Fiat India Automobiles Limited	1	—	—	—	2	2	—	—
Other	21	2	—	—	9	2	—	—
Total joint arrangements	**281**	**380**	**4**	**183**	**184**	**418**	**6**	**98**
Total associates	**42**	**24**	**—**	**21**	**38**	**13**	**—**	**23**
CNHI	48	76	26	6	49	24	23	8
Other	—	2	—	—	—	7	—	—
Total CNHI, Directors and others	**48**	**78**	**26**	**6**	**49**	**31**	**23**	**8**
Total unconsolidated subsidiaries	**80**	**18**	**2**	**1**	**31**	**13**	**2**	**2**
Total originating from related parties	**451**	**500**	**32**	**211**	**302**	**475**	**31**	**131**
Total for the Group	**2,668**	**21,465**	**3,078**	**10,930**	**2,564**	**19,854**	**2,761**	**11,495**

Financial assets and liabilities originating from related party transactions were as follows:

	At December 31,					
	2015			2014		
	Current receivables from financing activities	Asset-backed financing	Other debt	Current receivables from financing activities	Asset-backed financing	Other debt
	(€ million)					
FCA Bank	45	133	49	73	100	4
Tofas	18	—	—	39	—	—
Sevel S.p.A.	9	—	4	5	—	13
Other	5	—	—	8	—	—
Total joint arrangements	**77**	**133**	**53**	**125**	**100**	**17**
Total associates	**20**	**—**	**—**	**7**	**—**	**—**
Total CNHI	**5**	**—**	**—**	**6**	**—**	**—**
Total unconsolidated subsidiaries	**25**	**—**	**14**	**24**	**—**	**30**
Total originating from related parties	**127**	**133**	**67**	**162**	**100**	**47**
Total for the Group	**2,006**	**206**	**27,580**	**3,843**	**469**	**33,255**

Commitments and Guarantees pledged in favor of related parties

Guarantees pledged in favor of related parties were as follows:

	At December 31,	
	2015	2014
	(€ million)	
Joint ventures	4	11
Unconsolidated subsidiaries	—	1
Total related parties guarantees	**4**	**12**

In addition, at December 31, 2015, the Group had commitments for investments in joint ventures for €101 million, which included our commitment for contributions to our GAC Fiat Chrysler Automobiles Co. Ltd joint venture (Note 28). Additionally, with reference to the interest in the joint venture Tofas, the Group had a take or pay commitment whose future minimum expected obligations as of December 31, 2015 were as follows:

	(€ million)
2016	138
2017	138
2018	138
2019	99
2020	93
2021 and thereafter	100

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:

	For the Years Ended December 31,		
	2015	2014	2013
	(€ thousand)		
Directors[(a)]	**38,488**	14,305	18,912
Statutory auditors of Fiat	—	186	230
Total compensation	**38,488**	**14,491**	**19,142**

(a) *This amount includes the notional compensation cost arising from long-term share compensation granted to the Chief Executive Officer and share based payments to non-executive Directors.*

Refer to Note 20 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 in 2015.

The aggregate compensation expense for remaining executives with strategic responsibilities was approximately €65 million for 2015 (€23 million in 2014 and €30 million in 2013), which includes:

- an amount of approximately €38 million in 2015 (approximately €2 million in 2014 and approximately €10 million in 2013) for share-based compensation expense;
- an amount of approximately €8 million in 2015 (approximately €9 million in 2014 and approximately €15 million in 2013) for short-term employee benefits;
- an amount of €3 million in 2015 (€2 million in 2014 and €3 million in 2013) for FCA's contribution to State and employer defined contribution pension funds;
- an amount of approximately €2 million in 2015 (€0 million in 2014 and approximately €1 million in 2013) for termination 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.

27. Explanatory notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows sets out changes in Cash and cash equivalents during the year. As required by IAS 7 – *Statement of Cash Flows*, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item Translation exchange differences.

Non-cash items

For the year ended December 31, 2015, Other non-cash items of €812 million mainly included (i) €713 million non-cash charges for asset impairments impairments which mainly 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.$ (Note 30) (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 the section —*Changes in the Scope of Consolidation -Acquisition of the remaining ownership interest in FCA US* and (ii) €98 million remeasurement 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.$ (Note 30) (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 remeasurement 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.

For the year ended December 31, 2013, Other non-cash items of €531 million mainly included (i) €336 million of impairment losses and asset write-offs on tangible and intangible assets, (ii) €59 million loss related to the devaluation of the official exchange rate of the VEF relative to the U.S.$ (Note 30) and (iii) €56 million related to the write-off of the book value of the right associated with the acquisition of the remaining interest in FCA US previously not owned.

Change in working capital

For the year ended December 31, 2015, the negative change in working capital of €158 million was primarily driven by (i) €958 million increase in inventories, which reflects the increased consumer demand for our vehicles and inventory buildup in NAFTA due to production changeovers (ii) €191 million increase in trade receivables and (iii) €580 million increase in net other current assets and liabilities reflecting the net payment of taxes and deferred expenses, which were partially offset by (iv) €1,571 million increase in trade payables, mainly related to increased production levels in EMEA.

For the year ended December 31, 2014, change in working capital of €779 million was primarily driven by (i) €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, (ii) €106 million decrease in trade receivables and (iii) €24 million increase in net other current assets and liabilities, which were partially offset by (iv) €821 million increase in inventory (net of vehicles sold under buy-back commitments), 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.

For the year ended December 31, 2013, change in working capital of €1,378 million was primarily driven by (i) €1,322 million increase in trade payables, mainly related to increased production in NAFTA as a result of increased consumer demand for our vehicles, and increased production in Maserati, (ii) €746 million in net other current assets and liabilities mainly related to increases in accrued expenses and deferred income as well as indirect taxes payables, (iii) €232 million decrease in trade receivables principally due to the contraction of sales volumes in EMEA and LATAM, which were partially offset by (iv) €922 million increase in inventory (net of vehicles sold under buy-back commitments), mainly related to increased finished vehicle and work in process levels at December 31, 2013 compared to December 31, 2012, in part driven by higher production levels in late 2013 to meet anticipated consumer demand in the NAFTA, APAC and Maserati segments.

Financing activities

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 as described in more detail in Note 23 for a total of €7,241 million, (ii) the repayment of medium-term borrowings for a total of €4,412 million, which were partially offset by (iii) net proceeds of €866 million from the Ferrari IPO as discussed in the section —*Principal Activities* above, (iv) proceeds from the issuance of the Notes by FCA for a total of €2,840 million as described in more detail in Note 23, (v) 3,061 million provided by new medium-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 provided by 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 19, (ii) the proceeds from note issuances and new medium term borrowings as discussed in Note 23, 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 section —*Changes in the Scope of Consolidation - Acquisition of the Remaining Ownership Interest in FCA US* above), (iv) the repayment of medium-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 medium term borrowings primarily in Brazil, (v) the repayment at maturity of notes issued under the GMTN Programme, as discussed in Note 23 and (vi) the net cash disbursement in connection with the Merger (see section —*Principal Activities - The FCA Merger* above).

For the year ended December 31, 2013, net cash provided by financing activities was €3,136 million and was primarily the result of (i) the proceeds from issuances relating to notes issued as part of the GMTN Programme, which were partially offset by (ii) the repayment at maturity of notes issued under the GMTN Programme and the repayment at maturity of medium-term borrowings.

The Group, including Ferrari, paid interest of €2,087 million, €2,054 million and €1,832 million and received interest of €469 million, €441 million and €398 million during the years ended December 31, 2015, 2014 and 2013, respectively. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

The Group, including Ferrari, made income tax payments, net of refunds, totaling €664 million, €542 million and €429 million during the years ended December 31, 2015, 2014 and 2013, respectively.

28. Guarantees granted, commitments and contingent liabilities

Guarantees granted

At December 31, 2015, the Group had pledged guarantees on the debt or commitments of third parties totaling €19 million (€27 million at December 31, 2014), as well as guarantees of €4 million on related party debt (€12 million at December 31, 2014).

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 financing services include credit lines to finance dealers' acquisition of vehicles and other products that FCA US sells or distributes, retail loans and leases to finance consumer acquisitions of new and used vehicles at independent dealerships, financing for commercial and fleet customers, and ancillary services. In addition, SCUSA offers dealers construction loans, real estate loans, working capital loans and revolving lines of credit.

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, 2015, €101 million (U.S.$110 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 US'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, 2015, the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €275 million (U.S.$299 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, 2015, 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, 2015 were as follows:

	(€ million)
2016	420
2017	426
2018	365
2019	214
2020	176
2021 and thereafter	108

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, 2015:

	At December 31, 2015				
	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	190	289	201	257	937

During 2015, the Group recognized lease payments expense of €246 million (€195 million in 2014 and €199 million in 2013).

Other commitments, arrangements and contractual rights

GAC Group

During the year ended December 31, 2015, the Group committed to contributing a total 1.3 billion Renminbi ("RMB") (approximately €186 million) to our GAC Fiat Chrysler Automobiles Co. Ltd joint venture, which has begun 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 €85 million) is expected to be contributed in 2016. A total of €171 million was contributed during the year ended December 31, 2015 and the Group's ownership percentage remained unchanged at 50 percent.

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 ("WCM") 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.

During the year ended December 31, 2015, €115 million was recorded as an expense in respect of the compensation agreement.

The Group has commitments and rights deriving from outstanding agreements which are summarized below.

Canada labor agreement

The collective bargaining labor agreement between FCA Canada and Unifor will expire September 2016.

Mercurio

In January 2015, the Group granted Mercurio a put option as a result of the merger agreement described above within the section —*Changes in the 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

Contingent liabilities estimated by the Group for which no provisions have been recognized since an outflow of resources is not considered to be probable and contingent liabilities for which a reliable estimate can be made amounted to approximately €70 million and €100 million at December 31, 2015 and 2014, respectively. Furthermore, contingent assets and expected reimbursement in connection with these contingent liabilities for approximately €8 million and €10 million at December 31, 2015 and 2014, respectively, have been estimated but not recognized. The Group will recognize the related amounts when it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and the amounts can be reliably estimated.

Furthermore, 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 €240 million at December 31, 2015 and 2014. At December 31, 2015 and 2014, a total of €50 million and €58 million, respectively, within Other provisions, has been recognized related to these obligations. 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.

Litigation

On July 9, 2012, a lawsuit was filed against FCA US in the Superior Court of Decatur County, Georgia, U.S. ("the Court"), with respect to a March 2012 fatality in a rear-impact collision involving a 1999 Jeep Grand Cherokee. Plaintiffs alleged that the manufacturer had acted in a reckless and wanton fashion when it designed and sold the vehicle due to the placement of the fuel tank behind the rear axle and had breached a duty to warn of the alleged danger. On April 2, 2015, a jury found in favor of the plaintiffs and the trial court entered a judgment against FCA US in the amount of U.S.$148.5 million (€138 million). On July 24, 2015, the Court issued a remittitur reducing the judgment against FCA US to U.S.$40 million (€36 million).

FCA US believes the jury verdict was not supported by the evidence or the law. 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 August 10, 2015, FCA US filed a notice of appeal with the Georgia Court of Appeals. While a decision by an appellate court could affirm the judgment, FCA US believes it is more likely that the verdict will be overturned, that a new trial will be ordered or that the amount of the judgment will be further modified. FCA US does not, therefore, believe a loss is probable at the present time. The amount of the possible loss cannot reasonably be estimated at this time given that FCA US is in the early stages of what could be a lengthy appellate process, and the range of possible outcomes is between zero (as the verdict could be overturned or the award could be reduced to an immaterial amount) and the current judgment of U.S.$40 million (€36 million).

29. Segment reporting

The reportable segments, as described in the section —*Segment reporting* above, reflect the operating segments of the Group that are regularly reviewed by the Chief Executive Officer, who is the "chief operating decision maker", for making strategic decisions, 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.

Transactions among mass-market vehicle segments generally are presented on a "where-sold" basis, which reflects the profit/(loss) on the ultimate sale to the external 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 adjustments include consolidation adjustments and eliminations in addition to financial income and expense and income taxes that are not attributable to the performance of the segments as they do not fall under the scope of their operational responsibilities. As a result, such items and adjustments, which primarily arise from the management of treasury assets and liabilities by the treasuries of FCA and FCA US that work independently and separately within the Group, are subject to separate assessment by the chief operating decision maker.

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 is calculated as EBIT excluding: gains/(losses) on the disposal of investments, restructuring, impairments, asset write-offs and other unusual income/(expenses) that are considered rare or discrete events that are infrequent in nature. See below for a reconciliation of Adjusted EBIT to EBIT, which is the most directly comparable measure included in our Consolidated Income Statement. 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, 2015, 2014 and 2013:

2015	Mass-Market Vehicles NAFTA	LATAM	APAC	EMEA	Maserati	Components	Other activities	Unallocated items & adjustments	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 external customers	**69,991**	**6,237**	**4,860**	**20,046**	**2,398**	**6,675**	**388**	**—**	**110,595**
Adjusted EBIT	**4,450**	**(87)**	**52**	**213**	**105**	**395**	**(150)**	**(184)**	**4,794**
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(1)	—	(163)	—	—	—	—	—	—	(163)
NHTSA Consent Order and Amendment(4)	(144)	—	—	—	—	—	—	—	(144)
Other impairments and asset write offs	—	(16)	(22)	(46)	(3)	(20)	—	(11)	(118)
Restructuring (costs)/reversal	11	(40)	—	—	—	(23)	(2)	1	(53)
Other income/(expenses)	97	—	(41)	(1)	—	(8)	1	(2)	46
EBIT									**2,625**

(1) *Refer to Note 2;*
(2) *Adjustment 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) *Refer to Notes 2 and 4;*
(4) *Refer to Note 5*

2014	Mass-Market Vehicles NAFTA	LATAM	APAC	EMEA	Maserati	Components	Other activities	Unallocated items & adjustments	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 external customers	**52,181**	**8,529**	**6,249**	**17,433**	**2,760**	**6,093**	**395**	**—**	**93,640**
Adjusted EBIT	**2,179**	**289**	**541**	**(41)**	**275**	**285**	**(116)**	**(50)**	**3,362**
Currency devaluations(1)	—	(98)	—	—	—	—	—	—	(98)
Gains/(losses) on the disposal of investments	—	8	—	1	—	(1)	4	—	12
Other impairments and asset write offs(2)	(28)	—	(4)	(72)	—	(5)	(5)	(1)	(115)
Restructuring (costs)/reversal	5	(22)	—	(21)	—	(15)	3	—	(50)
Other income/(expenses)(3)	(509)	—	—	24	—	(4)	—	212	(277)
EBIT									**2,834**

(1) *Refer to Note 2;*
(2) *Refer to Note 4;*
(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 remeasurement of the previously exercised options in connection with the acquisition of FCA US*

2013	Mass-Market Vehicles NAFTA	LATAM	APAC	EMEA	Maserati	Components	Other activities	Unallocated items & adjustments	FCA
					(€ million)				
Revenues	45,777	9,973	4,668	17,335	1,659	8,080	929	(3,891)	84,530
Revenues from transactions with other segments	(173)	(100)	(2)	(637)	(20)	(2,521)	(438)	3,891	—
Revenues from external customers	**45,604**	**9,873**	**4,666**	**16,698**	**1,639**	**5,559**	**491**	**—**	**84,530**
Adjusted EBIT	**2,219**	**619**	**338**	**(291)**	**171**	**208**	**(80)**	**(3)**	**3,181**
Jeep voluntary recall charge(1)	(115)	—	—	—	—	—	—	—	(115)
Pension curtailment gain(1)	166	—	—	—	—	—	—	—	166
Currency devaluations(1)	—	(43)	—	—	—	—	—	—	(43)
Gains on the disposal of investments	—	—	—	6	—	—	2	—	8
Other impairments and asset write offs(2)	—	(32)	—	(206)	(65)	(59)	—	—	(362)
Restructuring (costs)/reversal	11	—	—	3	—	(2)	(39)	(1)	(28)
Other income/(expenses)	9	(52)	(3)	(18)	—	(1)	(50)	(54)	(169)
EBIT									**2,638**

(1) *Refer to Note 2;*
(2) *Refer to Note 4*

Information about geographical area

Non-current assets (excluding financial assets, deferred tax assets and post-employment benefits assets) in:	At December 31, 2015	2014
	(€ million)	
North America	**33,701**	30,539
Italy	**11,476**	11,538
Brazil	**4,612**	4,638
Poland	**1,208**	1,183
Serbia	**772**	882
Other countries	**2,346**	2,129
Total Non-current assets (excluding financial assets, deferred tax assets and post-employment benefits assets)	**54,115**	**50,909**

30. 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 VEF to U.S.$ 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 a single exchange system (the "SICAD") with a rate starting at 12.0 VEF to U.S.$. As of March 31, 2015, the SICAD exchange rate was expected to be used to complete the majority of FCA Venezuela's transactions to exchange VEF for U.S.$ and as such, it was deemed the appropriate rate to use to convert our VEF denominated monetary assets and liabilities to U.S.$ for the first quarter 2015.

Due to the continuing deterioration of the economic conditions in Venezuela, as of June 30, 2015, we determined that it was unlikely that the majority of our future transactions to exchange VEF to U.S.$ would be at the SICAD rate. Rather, we had determined that the SIMADI exchange rate was the most appropriate rate to use based on the volume of VEF to U.S.$ exchange transactions that have occurred in Venezuela utilizing the SIMADI exchange rate as compared to the SICAD. As a result of adopting the SIMADI exchange rate at June 30, 2015, we recorded a remeasurement 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.$. In addition to the remeasurement charge, we recorded a €27 million charge for the write-down of inventory in Venezuela to the lower of cost or net realizable value, as due to pricing controls, we are unable to increase the VEF sales price in Venezuela to compensate for the devaluation. As of December 31, 2015, the SIMADI exchange rate of 199 VEF per U.S.$ did not result in the recording of any additional material charges. The total charge of €80 million was recorded in Cost of Sales for the year ended December 31, 2015.

During the year ended December 31, 2014, we recorded a remeasurement charge of €98 million in Cost of Sales resulting from our initial adoption of the SICAD I exchange rate to remeasure our VEF denominated net monetary assets. During the year ended December 31, 2013, we recorded €43 million in Cost of Sales for the devaluation of the VEF exchange rate relative to the U.S.$ and the remeasurement on the Group's VEF denominated net monetary assets.

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 (see Note 21).

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, 2015 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 28.

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 for financing activities amounting to €2,006 million at December 31, 2015 (€3,843 million at December 31, 2014) contained balances totaling €4 million (€3 million at December 31, 2014), which have been written down on an individual basis. Of the remainder, balances totaling €44 million are past due by up to one month (€71 million at December 31, 2014), while balances totaling €21 million are past due by more than one month (€31 million at December 31, 2014). 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 current receivables amounting to €5,054 million at December 31, 2015 (€4,810 million at December 31, 2014) contain balances totaling €13 million (€19 million at December 31, 2014) which have been written down on an individual basis. Of the remainder, balances totaling €214 million are past due by up to one month (€248 million at December 31, 2014), while balances totaling €211 million are past due by more than one month (€280 million at December 31, 2014).

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, 2015 which might lead to significant repayment risk.

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.

FCA US currently manages its liquidity independently from the rest of the Group. Intercompany financing from FCA US to other Group entities is not restricted other than through the application of covenants requiring that transactions with related parties be conducted at arm's length terms or be approved by a majority of the "disinterested" members of the Board of Directors of FCA US. In addition certain of FCA US 's finance agreements restrict the distributions which it is permitted to make. In particular, dividend distributions, other than certain exceptions including permitted distributions and distributions with respect to taxes, are generally limited to an amount not to exceed 50 percent of cumulative consolidated net income (as defined in the agreements) from January 1, 2012 less distributions paid to date.

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 revolving credit facilities 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, 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 and in Note 23. Details of the repayment structure of derivative financial instruments are provided in Note 17.

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/(loss), 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. 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 17.

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.$, relating to sales in U.S.$ made by Italian companies (in particular, companies belonging to the Maserati segment) and to sales and purchases in Euro made by FCA US;
  - U.S.$/CAD, primarily relating to FCA US's Canadian manufacturing operations;
  - CNY, in relation to sales in China originating from FCA US and from Italian companies (in particular, companies belonging to the Maserati segment);
  - GBP, AUD, MXN, CHF, ARS and VEF in relation to sales in the UK, Australian, Mexican, Swiss, Argentinean and Venezuelan markets;
  - PLN and TRY, relating to manufacturing costs incurred in Poland and Turkey;
  - JPY mainly in relation to purchase of parts from Japanese suppliers and sales of vehicles in Japan;
  - U.S.$/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 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/(losses). 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, although there was no specific hedging in this respect at the balance sheet dates.

There have been no substantial changes in 2015 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, 2015 resulting from a hypothetical 10.0 percent change in the exchange rates would have been approximately €1,490 million (€1,402 million at December 31, 2014).

Receivables, payables and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in 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 Net profit/(loss).

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, 2015, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately €85 million (approximately €100 million at December 31, 2014).

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, 2015, 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 €7 million (€12 million at December 31, 2014).

This analysis is based on the assumption that there is a general change of 10.0 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, 2015, a hypothetical 10.0 percent change in the price of the commodities at that date would have caused a fair value loss of €40 million (€50 million at December 31, 2014). 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 29, 2016, which is the date the financial statements were authorized for issuance.

Ferrari Spin-off

The transactions to separate Ferrari N.V. from the Group were completed on January 3, 2016. FCA shareholders received one common share of Ferrari N.V. for every ten common shares of FCA and holders of the mandatory convertible securities (Note 19) 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. Furthermore, on January 13, 2016, holders of FCA shares received a cash payment of €0.01, less any required applicable withholding tax, for each share held of record as of January 5, 2016.

In accordance with the terms of the Mandatory Convertible Securities, certain economic provisions of the Mandatory Convertible Securities (Note 19) were adjusted, effective as of January, 15, 2016, as a consequence of the spin-off of Ferrari N.V. to the holders of the Mandatory Convertible Securities:

- Initial Price was adjusted from U.S.$11.00 to U.S.$7.1244;
- Threshold Appreciation Price was adjusted from U.S.$12.9250 to U.S.$8.3712;
- Stated Amount was adjusted from U.S.$100.00 to U.S.$64.7675; and
- The common share prices included within the definition of "Early Conversion Rate" applicable to a "fundamental change" (as defined in the prospectus of the Mandatory Convertible Securities) were also adjusted.

The relevant fraction used to affect the adjustments noted above was calculated using the average of the daily Volume Weighted Average Price ("VWAP") from January 5, 2016 to January 15, 2016 for both FCA common shares and Ferrari N.V. common shares.

On January 26, 2016, a conversion factor of 1.5440 was approved by the FCA Compensation Committee and applied to outstanding FCA NV PSU and RSU awards (Note 20) as an equitable adjustment to make equity award holders whole for the diminution in value of an FCA share resulting from the spin-off of Ferrari N.V..