

# REPORT OF THE BOARD OF DIRECTORS OF FIAT S.P.A. ON THE COMMON CROSS-BORDER MERGER TERMS RELATING TO THE MERGER BY ABSORPTION OF FIAT S.P.A. WITH AND INTO FIAT INVESTMENTS N.V.

This report was prepared pursuant to Article 2501-*quinquies* of the Italian Civil Code, Article 8 of the Legislative Decree no. 108 of May 30, 2008 and Article 70, paragraph 2, of the regulation implemented through the Consob resolution no. 11971/1999.

Dear Shareholders,

we hereby submit to your approval the common cross-border merger terms relating to the merger by absorption ( *fusione per incorporazione* ) of Fiat S.p.A. (“**Fiat**”) with and into Fiat Investments N.V., which company will upon completion of the cross-border merger be renamed “Fiat Chrysler Automobiles N.V.” (“**FCA**” and, together with Fiat, the “**Merging Companies**”).

This report was prepared pursuant to Article 2501-*quinquies* of the Italian Civil Code (the “**Italian Civil Code**”), Article 8 of the Legislative Decree no. 108 of May 30, 2008 (“**Legislative Decree 108**”) and, since Fiat’s shares are listed, among the others, on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. (“**Mercato Telematico Azionario**”), Article 70, paragraph 2, of the Consob Resolution no. 11971/1999 (the “**Issuers’ Regulation**”) and in compliance with the Scheme no. 1 of Annex 3A of the above Issuers’ Regulation (the “**Report**”).

## 1 DESCRIPTION AND RATIONALE OF THE PROPOSED TRANSACTION

### 1.1 Description of the Transaction

#### Introduction

This Report was prepared by the board of directors of Fiat (the “**Fiat Board of Directors**”) for the purpose of describing the merger by absorption of Fiat with and into FCA (the “**Merger**” or the “**Transaction**”). FCA is a wholly-owned direct subsidiary of Fiat and a separate illustrative report has been prepared by the board of directors of FCA (the “**FCA Board of Directors**” and, together with Fiat Board of Directors, the “**Boards of Directors**”).

The Merger qualifies as a cross-border merger within the meaning of the provisions of EU Directive 2005/56/EC of the European Parliament and Council of October 26, 2005 on cross-border mergers of limited liability companies, implemented for Dutch law purposes under Title 2.7 of the Dutch Civil Code (the “**Dutch Civil Code**”) and for Italian law purposes by Legislative Decree 108.

A common cross-border merger terms has been jointly prepared by the Boards of Directors and will be submitted for approval to Fiat shareholders and to FCA’s sole shareholder at the relevant extraordinary general meetings (the “**Common Merger Terms**”).

#### Public documents

In connection with the Transaction and pursuant to Article 2501-*septies* of the Italian Civil Code and Article 70, paragraph 1, of the Issuers’ Regulation, in addition to this Report and to the board report prepared by FCA, the following documents will be published, pursuant to the applicable laws and regulations and, in particular, on the Fiat website ([www.fiatspa.com](http://www.fiatspa.com)) and made available for inspection at the registered seat of Fiat and the principal executive offices of FCA by whomever is entitled to so inspect them by applicable law:

- (i) the Common Merger Terms, as approved by Fiat Board of Directors on June 15, 2014 and by FCA Board of Directors on May 27, 2014;
- (ii) the expert report to be prepared by Ernst & Young S.p.A. (“**E&Y**”) for the benefit of Fiat (the “**Fiat Expert Report**”) and the expert report to be prepared by KPMG Accountants N.V. for the benefit of FCA, pursuant to Section 2:328, paragraphs 1 and 2, of the Dutch Civil Code (the “**FCA Expert Report**”) on the Exchange Ratio (as defined below);
- (iii) the Fiat statutory financial statements as of December 31, 2013 and the FCA interim balance sheet as of April 1, 2014, pursuant to Article 2501-*quater* of the Italian Civil Code and Section 2:314 of the Dutch Civil Code;
- (iv) the 2013, 2012 and 2011 statutory financial statements of Fiat, together with the relevant reports attached thereto; with regard to FCA, no financial statements are made available in the light of the fact that, as of the date of this Report, the first financial year of FCA is not yet completed.

The Common Merger Terms will be filed with: (i) the Turin Companies’ Register pursuant to applicable law and (ii) the Dutch Trade Register and communicated to the public in the Netherlands through a notice in the newspaper *Het Financieele Dagblad* and in the Dutch State Gazette.

The one-month period established in connection with the possible opposition by creditors to the Merger under Section 2:316 of the Dutch Civil Code, will start upon the publication of the above mentioned notices; the term established in connection with the opposition to the Merger by Fiat creditors will last 60 days from the date of registration with the Turin Companies’ Register of the resolution approving the Merger by the Fiat extraordinary shareholders’ meeting.

The information document to be prepared pursuant to Article 70, paragraph 6, of the Issuers’ Regulation will be published at least 15 calendar days prior to the extraordinary shareholders’ meeting of Fiat called to resolve upon the Common Merger Terms in accordance with the applicable laws and regulations.

#### Purpose of the Transaction

The main purpose of the Merger is to better reflect the increasingly global nature of the group’s business, enhance its appeal to international investors and facilitate the listing and trading of FCA Common Shares (as defined under Section 4 below) on the New York Stock Exchange (the “**NYSE**”), taking into account the recently completed acquisition by Fiat, through a subsidiary, of a 100% ownership interest in Chrysler Group LLC.

The Fiat Board of Directors believes that a holding company and a sole Italian listing are no longer optimal for the increasingly global character of the group’s business also in the light of the capital markets needs of the business. In this regard, Fiat Board of Directors expects the following benefits from the Transaction:

- create a well-established, investor friendly corporate form that will improve flexibility in raising capital or making strategic acquisitions or investments in the future;
- enhance the access to capital with the double listing on the NYSE and the MTA that will improve the liquidity of the shares as well as the ability to access a deeper pool of equity and debt financing sources; and
- increase the strategic flexibility of the group to pursue attractive acquisition and strategic investments opportunities and reward long-term shareholding.

#### The Exchange Ratio

In connection with the Merger, each Fiat shareholder on the Merger Effective Date (as defined below) shall receive one FCA Common Share (as defined under Section 4 below) with a nominal value of Euro 0.01 each for each ordinary share in Fiat with a nominal value of Euro 3.58 each (the “**Exchange Ratio**”). No other payments shall be made pursuant to the Exchange Ratio in connection with the Merger.

The Exchange Ratio, approved by the Boards of Directors, will be examined for the purpose of the issuance of the opinion on its fairness by the experts appointed by Fiat and FCA pursuant to Section 2:328 of the Dutch Civil Code. For further information on the Exchange Ratio, please refer to Section 3 below.

## **1.2 Conditions precedent**

The completion of the Merger is subject to the satisfaction or, to the extent permitted by applicable law, the waiver (in writing) by both Merging Companies prior to the Closing Date (as defined under Section 5 below) of the following conditions:

- (i) FCA Common Shares which are to be allotted to Fiat shareholders in connection with the Merger shall have been approved for listing on the NYSE, subject to official notice of issuance;
- (ii) no governmental entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any order or act which is in effect and prohibits consummation of the Merger in accordance with the terms set forth herein and no order shall have been enacted, entered, promulgated or enforced by any governmental entity of competent jurisdiction which prohibits or makes illegal the consummation of the Merger;
- (iii) the amount of cash, if any, required to be paid to (a) Fiat shareholders exercising cash exit rights under Article 2437-*quater* of the Italian Civil Code, and/or (b) creditors exercising their creditor opposition rights, shall not exceed in the aggregate Euro 500 million; and
- (v) the approval of the Merger by the Fiat Extraordinary Meeting of Shareholders (as defined under Section 4 below).

The Merging Companies will communicate information regarding the satisfaction of or failure to satisfy the above conditions precedent to the market in accordance with applicable laws and regulations.

In addition to the conditions precedent mentioned above, the Merger shall not be established other than after:

- (i) a declaration shall have been received from the local district court in Amsterdam, the Netherlands that no creditor has opposed to the Merger pursuant to Section 2:316 of the Dutch Civil Code or, in case of any opposition pursuant to Section 2:316 of the Dutch Civil Code, a declaration that such opposition was withdrawn or discharged;
- (ii) the 60 day-period following the date upon which the resolution of the Fiat Extraordinary Meeting of Shareholders has been registered with the Companies' Register of Turin shall have expired without any Fiat creditors having opposed to the Merger pursuant to applicable law or such period have been earlier terminated pursuant to applicable law or, where an opposition is filed, this opposition has been withdrawn or discharged or an order allowing the Merger has been issued pursuant to article 2445 of the Italian Civil Code; and
- (iii) delivery by the Italian public notary selected by Fiat of the pre-merger compliance certificate to the Dutch civil law notary, such certificate being the pre-merger scrutiny certificate pursuant to the EU Directive 2005/56/EC of the European Parliament and Council of October 26, 2005 on cross-border mergers of limited liability companies.

## **1.3 Companies participating in the Transaction**

### **1.3.1 Fiat Investments N.V.**

- Limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands;
- official seat in Amsterdam, the Netherlands;
- principal executive offices at 240 Bath Road, SL1 4DX, Slough, United Kingdom;

- issued share capital: Euro 350,000.00, fully paid-in, divided into no. 35,000,000 common shares, having a nominal value of Euro 0.01 each;
- authorized share capital of Euro 1,000,000.00;
- registration number with the Amsterdam Chamber of Commerce (*Kamer van Koophandel*): 60372958.

Following completion of the Merger, FCA will be the surviving company, will maintain its current legal form and official seat, and will therefore continue to be subject to the laws of the Netherlands.

It is expected that FCA will set up an Italian branch in Turin, Via Nizza 250 (Italy).

The articles of association of FCA in force as of the date of this Report have been established by deed of incorporation of FCA executed before a substitute of Guido Marcel Portier, civil law notary, officiating in Amsterdam, the Netherlands, on April 1, 2014 (the “**FCA Incorporation Date**”) and a copy of these articles of association is attached to the Common Merger Terms as Schedule 3.

Upon the Merger becoming effective, FCA’s articles of association will be in the form of the proposed articles of association attached to the Common Merger Terms as Schedule 4.

### 1.3.2 Fiat S.p.A.

- Joint stock company (*società per azioni*) organized under the laws of the Republic of Italy;
- registered office in Turin, Via Nizza 250;
- share capital: Euro 4,478,046,214.84, fully paid-in;
- no. 1,250,850,898 ordinary shares, having a nominal value of Euro 3.58 each, and listed on the Mercato Telematico Azionario, as well as on Euronext Paris and the Frankfurt stock exchange; and
- VAT code, tax code and registration number with the Turin Companies’ Register: 00469580013.

In connection with the Merger, FCA Common Shares (as defined under Section 4 below) will be listed on the NYSE and they are expected to be listed on the Mercato Telematico Azionario to enhance investors’ demand and trading liquidity. In the light of the fact that the volume of trading of Fiat ordinary shares on Euronext Paris and the Frankfurt stock exchange has historically been minimal, it is not expected that FCA will apply for listing FCA Common Shares (as defined under Section 4 below) on those stock exchanges following the Merger.

## **2 VALUES ATTRIBUTED TO THE MERGING COMPANIES IN THE TRANSACTION FOR THE PURPOSE OF DETERMINING THE EXCHANGE RATIO**

The value of the assets and liabilities of Fiat to which FCA will succeed as of the Merger Effective Date will be determined on the basis of the relevant accounting net value as of the Merger Effective Date. These assets and liabilities are recorded as of December 31, 2013 in the Fiat statutory financial statements approved by the Fiat shareholders’ meeting on March 31, 2014.

The conditions of the Merger have been established on the basis of the statutory financial statements as of December 31, 2013 of Fiat and the interim balance sheet as of April 1, 2014 of FCA, attached to the Common Merger Terms as Schedules 6 and 7, respectively.

### **3 THE EXCHANGE RATIO ESTABLISHED AND CRITERIA ADOPTED TO DETERMINE THE SAME**

FCA has been incorporated as the wholly-owned direct subsidiary of Fiat. FCA's issued share capital is EUR 350,000. As a result of the Merger, FCA will succeed to all assets and assume all liabilities of Fiat and the value of FCA will equal the value of Fiat immediately prior to the Merger (considering the application of book value for this Merger). The shareholders of Fiat, as the sole parent company of the surviving company FCA, will receive one common share in the capital of FCA for each Fiat ordinary share held by them. As the value of each common share in the capital of FCA immediately after the Merger equals the value of each Fiat ordinary share immediately prior to the Merger, the one for one exchange ratio has been applied.

In the context of a merger, the objective of the Fiat Board of Directors' valuation is to estimate the "relative" equity values in order to determine the exchange ratio; the estimated relative values should not be taken as reference in different contexts.

The relative value of Fiat has been determined under the going-concern assumption and ignoring any potential economic and financial impacts of the Merger.

In the light of the above, and taking into account the objective of the valuation analysis, the methods applied as set out above are considered appropriate for the Merger.

No particular difficulties have arisen as a result of the valuation method used and as a result of the determination of this exchange ratio.

### **4 ALLOCATION OF SHARES IN FCA TO THE SHAREHOLDERS OF FIAT**

Upon the Merger becoming effective, FCA will issue common shares having a nominal value of Euro 0.01 each, for allocation to the shareholders of Fiat, in exchange for their existing ordinary shares of Fiat (each having a nominal value of Euro 3.58), on the basis of the established Exchange Ratio, as specified under Section 3 above (the "FCA Common Shares").

The FCA Common Shares being allotted in connection with the Merger – to be listed, at the time of completion of the Merger, on the NYSE and subsequently on the Mercato Telematico Azionario – will be allotted in dematerialized form and delivered to shareholders through the relevant centralized clearing system with effect as of the Merger Effective Date (as defined in Section 5 below). Further information on the conditions and procedure for allocation of the assigned FCA Common Shares shall be included in a notice published on the website of Fiat, as well as on the daily newspaper *La Stampa*. Fiat and FCA will charge no costs to Fiat shareholders in relation to the shares exchange.

As a result of the Merger becoming effective, all the Fiat ordinary shares currently outstanding will be cancelled by operation of law and FCA shall continue to operate and own, as the case may be, all the existing business activities, shareholdings and other assets of Fiat.

All 35,000,000 FCA shares held by Fiat and any additional FCA shares issued to or otherwise acquired by Fiat after the date hereof that are held by Fiat at the time of completion of the Merger (including shares issued to Fiat, before the Merger Effective Date, in an amount equal to the number of Fiat shares that may be acquired by Fiat in connection with the exercise of cash exit rights by Fiat shareholders; such Fiat shares will be cancelled as a result of the Merger) will not be cancelled in accordance with Section 2:325, paragraph 3, of the DCC, but will continue to exist as shares held by FCA in its own capital, until transferred, otherwise disposed of or cancelled in accordance with the applicable provisions of Dutch law and FCA's articles of association.

According to Dutch law and FCA's articles of association, during the time that shares in FCA are held by FCA itself, these shares shall not be entitled to any distribution or voting rights. The shares held by FCA in its own capital may be offered and allocated for trading on the market after the Merger in accordance with applicable laws and regulations.

As further explained in the Common Merger Terms and its annexes, in connection with the Transaction, immediately upon the Merger Effective Date (as defined below under Section 5 below), FCA will issue special voting shares, with a nominal value of Euro 0.01 each, to those eligible shareholders of Fiat who have validly elected to receive such special voting shares upon completion of the Merger in addition to FCA Common Shares. Holders of Fiat ordinary shares who wish to receive special voting shares upon completion of the Merger are required to follow the procedures as described in the Fiat corporate documents which will be made available on the corporate website of Fiat ([www.fiatspa.com](http://www.fiatspa.com)) when the extraordinary general meeting of shareholders of Fiat for the purposes of approving the Common Merger Terms is called (the "**Fiat Extraordinary Meeting of Shareholders**"). The essential characteristics of the special voting shares are further set out in the FCA proposed articles of association attached as Schedule - 4 to the Common Merger Terms and in the terms and conditions of the FCA special voting shares (the "**Special Voting Share Terms**") attached to the Common Merger Terms as Schedule 5.

For the avoidance of doubt, those special voting shares are not part of the Exchange Ratio set out under Section 3 above.

The special voting shares will be assigned to those Fiat shareholders who shall have complied with certain requirements, including – without limitation: (i) attendance (in person or through a proxy) at the Fiat Extraordinary Meeting of Shareholders; (ii) holding of ordinary shares in the share capital of Fiat continuously from the record date concerning the Fiat Extraordinary Meeting of Shareholders to the Merger Effective Date; (iii) submission of a duly completed form (requesting FCA to register some or all of the FCA Common Shares to be acquired by such person upon the Merger in the Loyalty Register, as defined below, and applying for a corresponding number of special voting shares) together with a duly completed power of attorney; and (iv) submission of an initial broker confirmation statement (attesting the uninterrupted holding of Fiat ordinary shares from the record date concerning the Fiat Extraordinary Meeting of Shareholders to the Merger Effective Date) on or prior to the Merger Effective Date.

The FCA Common Shares in respect to which special voting shares are allocated ("**Qualifying Common Shares**") will be registered in a register (the "**Loyalty Register**") kept by FCA and, for so long as they remain in such register, such Qualifying Common Shares cannot be sold, disposed of, transferred, pledged or subjected to any lien, fixed or floating charge or other encumbrance. At any time, a holder may request that a Qualifying Common Share be de-registered from the Loyalty Register; after such de-registration, the relevant FCA Common Share shall cease to be a Qualifying Common Share and shall be freely transferable and the associated special voting share shall be transferred to FCA for no consideration.

Following the completion of the Transaction, FCA shareholders seeking to qualify to receive special voting shares can also request to have their FCA Common Shares registered in the Loyalty Register. Any FCA Common Share that has been registered in the Loyalty Register in the name of the same shareholder or its Loyalty Transferee (as defined in the proposed articles of association of FCA attached to the Common Merger Terms as Schedule 4) for an uninterrupted period of 3 years, will become a Qualifying Common Share and the holder thereof will be entitled to acquire one special voting share in respect of such Qualifying Common Share, provided they meet the conditions described in greater detail in the documents referred to above.

## **5 EFFECTIVENESS OF THE TRANSACTION FOR THE PURPOSES OF THE FCA FINANCIALS STATEMENTS AND DATE OF DISTRIBUTION ENTITLEMENT**

Pursuant to Article 15 of Legislative Decree 108 and Section 2:318 of the Dutch Civil Code and subject to the satisfaction of the conditions precedent to the Merger, as better described under Section 1.2 above, or (to the extent permitted by applicable law) waiver of any such conditions precedent, the Merger shall be carried out in accordance with and pursuant to Section 2:318 of the Dutch Civil Code by means of execution before a civil law notary, residing in the Netherlands, of the notarial deed in respect of the Merger (the “**Closing Date**”).

The Merger will become effective on the day following the Closing Date (the “**Merger Effective Date**”).

The Dutch registrar will subsequently inform the Turin Companies’ Register that the Merger has become effective. As per the Merger Effective Date, Fiat will be merged into FCA, which will succeed to all the assets and liabilities, real and movable assets, tangible and intangible assets belonging to Fiat.

The financial information with respect to the assets, liabilities and other legal relationships of Fiat will be reflected in the annual accounts of FCA as of January 1, 2014, and, as a result of the above, the accounting effects of the Merger will be recognized in FCA’s annual accounts from that date.

The Merger Effective Date is expected to occur during 2014.

FCA’s Common Shares issued as of the Merger Effective Date will carry entitlement to participation in the 2014 profits of FCA in proportion to the relevant participation in the nominal share capital of FCA.

## **6 ACCOUNTING TREATMENT APPLICABLE TO THE TRANSACTION**

Fiat prepares its consolidated financial statements in accordance with IFRS. Immediately following the Merger, FCA will prepare its consolidated financial statements in accordance with IFRS. Under IFRS, the Merger consists of a reorganization of existing legal entities that does not give rise to any change of control, and therefore is outside the scope of application of IFRS 3—Business Combinations. Accordingly, it will be accounted for as an equity transaction at the existing carrying amounts.

As anticipated, pursuant to Section 2:321 of the Dutch Civil Code, the accounting effects of the Transaction will be recognized in FCA annual accounts from January 1, 2014.

## **7 TAX IMPACTS OF THE TRANSACTION FOR FCA**

From a tax perspective, the Merger should be qualified as a cross-border merger transaction within the meaning of Article 178 of the DPR no. 917 of 1986 (“**CTA**”), implementing the Directive 90/434/EC dated July 23, 1990 (codified in the Directive 2009/133/CE, the Merger Directive). In connection with the Transaction, FCA intends to maintain a permanent establishment in Italy, to which the direct shareholdings owned by Fiat prior to the Merger in the Italian subsidiaries will be assigned.

The Merger is tax neutral with respect to Fiat’s assets that will remain connected with the Italian permanent establishment, such as the shareholdings in Fiat’s Italian subsidiaries. Conversely, such merger will trigger the realization of capital gains or losses embedded in Fiat’s assets that will not be connected with the Italian permanent establishment (giving rise to an “**Italian Exit Tax**”). Capital gains on certain assets of the group that are expected to be transferred out of the Italian permanent establishment in connection with the Merger will be realized for Italian tax purposes. However, Fiat expects that such gains may be largely offset by tax losses available to the group.

Under recently enacted Italian law (Article 166 (2-*quater*) of the CTA), companies which cease to be Italian-resident and become tax-resident in another EU Member State may apply to suspend any Italian Exit Tax under the principles of the Court of Justice of the European Union case C-371/10, National Grid Indus BV. Italian rules implementing Article 166(2-*quater*), issued in August 2013, excluded cross-border merger transactions from the suspension of the Italian Exit Tax. As a result, the Merger will result in the immediate charge of an Italian Exit Tax in relation to those Fiat assets that will not be connected with the Italian permanent establishment. Whether or not the Italian implementing rules are deemed compatible with EU law is unlikely to be determined before the payment of the Italian Exit Tax is due.

A mandatory ruling request has been submitted by Fiat to the Italian tax authorities in respect of the Merger, in order to ensure the continuity, via the Italian permanent establishment, of the fiscal unit currently in place between Fiat and Fiat Italian subsidiaries. The outcome of such ruling request is uncertain. If a negative ruling is received, then the carried-forward tax losses generated by the fiscal unit would become restricted losses and they could not be used to offset the future taxable income of the fiscal unit.

According to Italian tax laws, the Merger will not trigger any taxable event for Italian income tax purposes for Fiat Italian shareholders. FCA Common Shares received by such Fiat shareholders at the effective time of the Merger would be deemed to have the same aggregate tax basis as the Fiat ordinary shares held by the said Italian shareholders prior to the Merger.

## 8 SHAREHOLDER STRUCTURE AND CONTROL OF FCA SUBSEQUENT TO THE TRANSACTION

The following table shows the current percentage interest of major shareholders in Fiat (*i.e.*, shares representing 2% or more of voting rights) as of March 31, 2014 on the basis of the publicly available information.

	%
<b><i>Fiat shareholders</i> (*)</b>	
Exor S.p.A.	30.05%
Baillie Gifford & Co.	2.15%
Norges Bank	2.04%
Vanguard International Growth Fund	2.00%
Other shareholders (**) (***)	63,76%

(\*) Fiat owns approximately 35 million treasury shares representing approximately 2.8% of its overall issued share capital.

(\*\*) Reports by shareholders to the company and Consob may be not updated.

(\*\*\*) “Other shareholders” includes directors owning shares of Fiat and Fiat treasury shares.

Taking into account the Exchange Ratio, as determined under Section 3 above, on the basis of which one (1) FCA Common Share will be assigned to each holder of one (1) Fiat ordinary share, the pre-Merger shareholders of Fiat will hold the same percentage of FCA Common Shares as of Fiat ordinary shares held before the Merger (subject to the exercise of cash exit rights by Fiat shareholders). However, as a result of the loyalty voting mechanism, a particular shareholders’ voting power in FCA will depend on the extent to which the shareholder and the other shareholders participate in the loyalty voting structure with respect to FCA. For information regarding the special voting shares issued by FCA and the relevant impact on the FCA shareholding structure, please refer to Section 4 above.



## 9 EFFECT OF THE TRANSACTION ON SHAREHOLDERS' AGREEMENTS

On the basis of the publicly available information, no shareholders' agreement, within the meaning of Article 122 of the legislative decree February 24, 1998 no. 58 (the "**Legislative Decree no. 58/1998**"), currently exists in connection with Fiat ordinary shares or FCA Common Shares.

## 10 EVALUATIONS ON THE CASH EXIT RIGHTS – SHAREHOLDERS ENTITLED TO EXERCISE CASH EXIT RIGHTS

Fiat shareholders who do not vote in favor of the Common Merger Terms will be entitled to exercise their cash exit rights pursuant to:

- (i) Article 2437, paragraph 1, letter (c) of the Italian Civil Code, given that Fiat's registered office is to be transferred outside Italy;
- (ii) Article 2437-*quinquies* of the Italian Civil Code, given that Fiat's shares will be delisted; and
- (iii) Article 5 of Legislative Decree 108, given that FCA is organized and managed under the laws of a country other than Italy (*i.e.*, the Netherlands).

Given that those events will only occur upon the execution of the Transaction, as stated in the Common Merger Terms, the exercise of the cash exit rights by Fiat shareholders is conditional upon the Transaction becoming effective.

Pursuant to Article 2437-*bis* of the Italian Civil Code, qualifying shareholders may exercise their cash exit rights, in relation to some or all of their shares, by sending a notice via registered mail (the "**Notification**") to the registered offices of Fiat no later than 15 days following registration of the resolution adopted by the Fiat Extraordinary Meeting of Shareholders with the Turin Companies' Register. Notice of the registration will be published on the daily newspaper *La Stampa* and on the corporate website of Fiat.

In addition to the conditions/instructions provided below and the provisions of Article 127-*bis* of Legislative Decree no. 58/1998, shareholders exercising their cash exit rights must deliver the specific communication to be issued by an authorized intermediary confirming that the shares in respect of which the shareholder has exercised his cash exit right immediately prior to the Fiat Extraordinary Meeting of Shareholders were held continuously up to the date of the Notification. Further details to exercise the withdrawal right will be provided to Fiat shareholders in accordance with the applicable laws and regulations.

Subject to the Transaction becoming effective, the redemption price payable to shareholders exercising the cash exit right will be determined pursuant to Article 2437-*ter*, paragraph 3, of the Italian Civil Code; in accordance with such provision, the redemption price will represent the arithmetic average of the daily closing price of Fiat's ordinary shares for the 6-month period prior to the date of publication of the notice calling the Fiat Extraordinary Meeting of Shareholders to vote on the Common Merger Terms. Fiat will provide shareholders with information relating to the redemption price in accordance with the applicable laws and regulations.

Settlement of the shares submitted for redemption will proceed in accordance with the procedures indicated in Article 2437-*quater* of the Italian Civil Code.

As described above, the exercise of the cash exit rights by qualifying Fiat shareholders will be subject to the completion of the Transaction. Accordingly, if the aforesaid conditions are not satisfied or waived (to the extent possible), the offer and the subsequent redemption of the relevant exit shares will not take place or become effective.

## **11 IMPACT OF THE TRANSACTION ON SHAREHOLDERS, CREDITORS AND EMPLOYEES**

Pursuant to Article 8 of the Legislative Decree 108, the impact of the Merger with and into FCA with respect to the current Fiat's shareholders, creditors and employees is described below.

### *11.1 Impact of the Transaction on the shareholders*

As to the new shareholder structure and control of FCA subsequent to the Transaction, please refer to Section 8 above, while as to the tax impacts on shareholders, please refer to Section 7 above.

With respect to the rights and obligations of a shareholder of a Dutch company (*i.e.*, FCA), please refer to the FCA articles of association attached to the Common Merger Terms as Schedule 4.

### *11.2 Impact of the Transaction on creditors*

Fiat creditors whose claims precede the registration of the Common Merger Terms with the Turin Companies' Register will be entitled to oppose the Merger pursuant to Article 2503 of the Italian Civil Code within 60 days of the registration provided for by Article 2502-*bis* of the Italian Civil Code, unless such term is waived pursuant to applicable law. Even if an opposition is filed, the competent Court – if it deems the risk of prejudice to creditors ungrounded or where the company has posted a bond sufficient to satisfy creditors' claims – may nonetheless authorize the Merger, pursuant to Article 2445 of the Italian Civil Code.

FCA creditors have the right to oppose the proposed Merger by filing a formal objection to the Common Merger Terms with the local court of Amsterdam, the Netherlands pursuant to Section 2:316 of the Dutch Civil Code, within a period of one month starting the day following the day of public announcement of the filing of the Common Merger Terms in a newspaper with national circulation in the Netherlands. If creditor's opposition is filed on a timely basis (*i.e.*, before the end of the month period) the notarial deed of merger may not be executed unless the court ruling to release the opposition has immediate effect or the opposition was withdrawn.

### *11.3 Impact of the Transaction on employees*

Article 19 of Legislative Decree 108 regulating participation of employees is not applicable to the Transaction as the incorporating company is non an Italian company (*i.e.*, FCA) and neither FIAT nor FCA applies is managed under an employee participation system pursuant to Article 2(1)(m) of the Legislative Decree no. 188 of August 19, 2005 or in the meaning of EU Directive 2005/56/EC of 26 October 2005 on cross-border mergers of limited liability companies.

Fiat will carry out the consultation procedure set out under Article 47 of Italian Law no. 428 of December 29, 1990, as amended. Additionally, in accordance with the provisions of Article 8 of Legislative Decree 108, this Report will be made available to Fiat employees' representatives at least 30 days prior to the final approval of the Merger.

In connection with any outstanding compensation plans based on financial instruments adopted by Fiat prior to the Merger Effective Date, the beneficiaries of said plans shall be awarded, for each right held, immediately following the Merger Effective Date, a comparable right with respect to FCA.

\* \* \* \* \*

Turin, June 15, 2014