

**DATE: 15 JUNE 2014**

**BOARD REPORT TO COMMON CROSS-BORDER MERGER TERMS DRAWN UP BY THE BOARD OF DIRECTORS OF:**

**Fiat Investments N.V.**, a public company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and having its office address at 240 Bath Road, SL1 4 DX, Slough, United Kingdom, registered with the trade register of the Amsterdam Chamber of Commerce (*Kamer van Koophandel*) under number: 60372958, which company will upon completion of the cross-border merger be renamed Fiat Chrysler Automobiles N.V. (**FCA**).

**1. CONSIDERING THAT:**

- 1.1 The board of directors (the **FCA Board of Directors**) of FCA and the board of directors (the **Fiat Board of Directors**) of Fiat S.p.A. (**Fiat**) have drawn up common cross-border merger terms (the **Common Merger Terms**) in order to establish a cross-border legal 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 **DCC**) and transposed into Italian law by Italian Legislative Decree no. 108 of May 30, 2008 (**Legislative Decree 108**), whereby Fiat shall be merged into FCA, which shall succeed to all assets and assume all liabilities of Fiat under universal title of succession (*verkrijging onder algemene titel*) (the **Merger**).
- 1.2 Pursuant to the provisions of Articles 4 and 15, paragraph 3, of the Italian Legislative Decree 108 and Section 2:318 of the DCC, the Merger shall be executed in accordance with the relevant provisions of Dutch law and as such will become effective on the day following the day on which the notarial deed of merger is executed before a civil law notary, officiating in the Netherlands (the **Merger Effective Date**).
- 1.3 This board report was prepared by the FCA Board of Directors having examined and reviewed the Merger and taking into consideration the overall impact on Fiat and FCA (the **Report**).

**2. REASONS FOR THE CROSS-BORDER MERGER**

The FCA Board of Directors considers the Merger to be necessary for the following reasons:

- (a) Corporate structure

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 common shares of FCA with a nominal value of EUR 0.01 each (the **FCA Common Shares**) on the New York Stock

Exchange (the *NYSE*), taking into account the recently completed acquisition by Fiat, through a subsidiary, of 100% ownership interest in Chrysler Group LLC.

(b) Capital structure

Fiat is currently listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. (*Mercato Telematico Azionario*) as well as Euronext Paris and the Frankfurt stock exchange. However, in connection with the Merger, FCA Common Shares 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. This 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 and, therefore, it is not expected that FCA Common Shares will be listed on those stock exchanges following the Merger. The Merger is also intended to simplify the capital structure of the Fiat group by creating a single class of liquid stock listed on the NYSE and on the Mercato Telematico Azionario. Completion of the Merger will be subject to, *inter alia*, approval for listing of the FCA Common Shares on the NYSE. To this end, FCA shall prepare and file: (i) with the United States Securities and Exchange Commission (the *SEC*) a registration statement on Form F-4 (together with all amendments thereto, the *Registration Statement*), in connection with the registration under the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the *Securities Act*) of FCA Common Shares and the special voting shares of FCA (the *FCA Special Voting Shares*) and (ii) with the NYSE a listing application for the listing of FCA Common Shares.

In addition, an equivalent document (*documento di equivalenza*) will be prepared and submitted to the supervisory authorities in order to obtain the authorization to publish such equivalent document in connection with the listing of FCA Common Shares on the Mercato Telematico Azionario and, for the purpose of the above listing, the relevant application will be submitted to Borsa Italiana S.p.A.

### **3. EXPECTED CONSEQUENCES FOR THE ACTIVITIES**

The Merger is not expected to have any consequences with respect to the activities, since FCA will continue all activities of Fiat.

### **4. COMMENTS ON THE LEGAL, ECONOMIC AND SOCIAL ASPECTS**

#### **4.1 Legal perspective:**

As a result of the Merger Fiat shall be merged into FCA, which shall succeed to all assets and assume all liabilities of Fiat under universal title of succession (*verkrijging onder algemene titel*).

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 (the *Equity Rights*), immediately following the Merger Effective Date, a comparable right with respect to FCA.

4.2 Economic perspective:

From an economic point of view, the Merger shall enable shareholders of Fiat to share in the opportunities offered by an enhanced platform for future growth and strategic independence and benefit from the improved capital markets appeal of FCA.

4.3 Social perspective:

From a social point of view, the Merger is not expected to have any material impact on the employees of Fiat or the Fiat group in general. Currently, FCA does not have any employees.

Neither FCA nor Fiat applies an employee participation system within the meaning of the EU Directive 2005/56/EC of October 26, 2005 on cross-border mergers of limited liability companies.

**5. METHOD FOR DETERMINING THE SHARE EXCHANGE RATIO, APPLICABILITY OF THIS METHOD AS WELL AS THE RESULT OF THE VALUATION**

(i) *Method pursuant to which the share exchange ratio has been established*

5.1 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 shall succeed to all assets and assume all liabilities of Fiat and the value of FCA will equal the value of Fiat immediately preceding the Merger Effective Date (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 FCA Common Share for each Fiat ordinary share held by them. As the value of each FCA Common Share 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.

(ii) *Applicability of the method applied*

5.2 In the context of a merger, the objective of the 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 under Sections 5.1 through 5.2 inclusive are considered appropriate for the Merger.

(iii) *The method to determine the share exchange ratio has led to the following valuation*

5.3 FCA shall succeed to all assets and assume all liabilities of Fiat as a result of the Merger and all shareholders of Fiat will receive shares representing the same interest in FCA as they held in Fiat before the Merger.

5.4 When valuing the assets and liabilities of Fiat and FCA at their net asset value and any other valuation method applied to those assets and liabilities in respectively the 2013 annual accounts of Fiat and the interim balance sheet of FCA attached as Schedules 6 and 7 respectively to the Common Merger Terms, Fiat and FCA are valued at respectively EUR 8,693,456.028 as of December 31, 2013 and EUR 200,000 as of April 1, 2014. However, as in this reversed downstream merger the value of FCA immediately after the Merger equals the value of Fiat immediately prior to the Merger, for purposes of this Report these companies are considered to be of equal value and therefore, when taking into account the Sections 5.1 through 5.2, an exchange ratio of one newly-issued FCA Common Share for each Fiat ordinary share (the ***Exchange Ratio***) is being proposed. No additional payments shall be made by FCA on occasion of the Merger.

(iv) *The problems that have arisen with regard to the valuation and determination of the share Exchange Ratio*

5.5 No particular difficulties have arisen as a result of the valuation method used or as a result of the determination of the Exchange Ratio.

## **6. MEASURES IN CONNECTION WITH SHAREHOLDING IN FIAT**

6.1 As a result of the Merger becoming effective, all shares of Fiat currently outstanding will be cancelled by operation of law and in exchange thereof, FCA will allot FCA Common Shares to the shareholders of Fiat on the basis of the Exchange Ratio.

As a result of the exercise of Equity Rights as defined under Section 4.1 above, the total number of outstanding ordinary shares in the share capital of Fiat might be higher than the number of outstanding shares as stated in Section 1.2 of the Common Merger Terms.

6.2 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 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.

- 6.3 The FCA Common Shares being allotted on the occasion of the Merger – to be listed on the NYSE and the Mercato Telematico Azionario – will be allotted in dematerialized form and delivered to the beneficiaries through the centralized clearing system with effect from the date on which the Merger becomes effective. Further information on the conditions and procedure for allocation of the FCA Common Shares shall be communicated publicly in a notice published on the website of Fiat, as well as on the daily newspaper *La Stampa*. The shareholders of Fiat will bear no costs in relation to the exchange.
- 6.4 Immediately after the Merger having become effective FCA will issue FCA Special Voting Shares, with a nominal value of EUR 0.01 each, to those eligible shareholders of Fiat who elect to receive such special voting shares upon completion of the Merger in addition to FCA Common Shares. The essential characteristics of the special voting shares are further set out in the FCA articles of association as attached to the Common Merger Terms and in the terms and conditions of the FCA Special Voting Shares. For the avoidance of doubt, these special voting shares are not part of the Exchange Ratio.

## **7. MISCELLANEOUS**

- 7.1 The Common Merger Terms and its appendices form an integral part of this Report.
- 7.2 A copy of the auditor statement referred to in Section 2:328 of the DCC is attached to this Report.

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Name: **Sergio Marchionne**  
Title: Executive member and CEO

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Name: **Richard K. Palmer**  
Title: Executive member

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Name: **Derek J. Neilson**  
Title: Non-executive member