

FCA INVESTOR DAY

**Closing Remarks
from the CEO, Sergio Marchionne**

Auburn Hills, May 6, 2014 – 6:00 p.m.

Ladies and Gentlemen,

It has been a long and intense day.



I want to start by thanking the scores of people in our organization who have worked incredibly long hours to make this event possible and help the management team prepare.

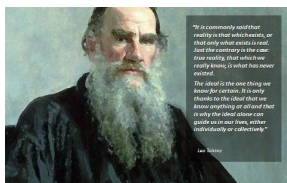
They are not on the podium right now, but they deserve to be front and center.

I thought long and hard about how to close a day like this, and as usual I found the answer in re-reading one of my favorite Russian authors, Leo Tolstoy.

In one of his characteristically insightful essays entitled “Non-Acting”, he talked about the concept of reality and the power of our dreams and aspirations.

He wrote, **“It is commonly said that reality is that which exists, or that only what exists is real. Just the contrary is the case: true reality, that which we really know, is what has never existed.**

The ideal is the one thing we know for certain. It is only thanks to the ideal that we know anything at all and that is why the ideal alone can guide us in our lives, either individually or collectively.”



After hours of nearly non-stop presentations, you should have a pretty clear picture of our collective ideal here at FCA.

The plan we have just presented couldn't be more real.

It is a vision and an ideal that we have firmly fixed in our minds.



It embodies the series of targets that my colleagues and I are committed to achieving between now and 2018 as we continue to forge and shape the energy and competitiveness of a new global automaker, Fiat Chrysler Automobiles.

As an organization, we are no strangers to this process.

The ideal that we created for ourselves back in 2009 – to take one group that had just emerged from bankruptcy and combine it with another group that had begun to grapple with the economic crisis in Europe to create a leading global automaker – is what guided us.



And, despite the skeptics, we made that ideal a reality.



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There are five aspects of the plan to which I draw your attention.

They are the most significant because they represent a dramatic break from the past.

The first is our **premium brand strategy**.



As you saw, we worked for about a year and a half to prepare ourselves and now we are beginning to execute and establish ourselves as a player in the premium market segment.

In terms of our global business model, implementation of this strategy will enable us to resolve the issue of overcapacity in the European mass-market by utilizing our excess production capacity to develop the Maserati and Alfa Romeo brands in service to the domestic and more importantly export markets.



The first results of our decision to expand into the more profitable premium end of the market are beginning to become evident in Maserati's recent outstanding achievements.

Driven by the success of the new Quattroporte and the Ghibli, in the first quarter, the brand posted a four-fold year-over-year increase in revenues, a six-fold increase in volumes and a more than €60 million jump in trading profit, confirming the strong upward trend already reported in 2013.



Simply put, Maserati today is making in a single quarter more than it used to make in an entire year.

It is taking the battle to the giants.



And we are just getting started.

With the planned expansion of the product portfolio and full coverage of the luxury market by 2018, Maserati will reach annual sales of 75,000 vehicles or nearly 5 times its 2013 level.

Perhaps of greater significance is the commitment we are making with Alfa Romeo, a project that has been 28 years in the making.



As you know, Alfa became part of the Fiat universe in 1986.

Over the years, we have learned from the brand's successes and failures and now it's time to maximize its potential and take a giant step forward.

We are ready to move forward with more than €5 billion in investments, an aggressive product plan and the leveraging of our global distribution capability.

We have developed a strategy to fully revive the spirit of this distinctive 104-year-old marque and maximize Alfa Romeo's global appeal.

For more than a year, we have had a skunkworks team quietly working away in locations around Italy to develop a range of purebred Alfa products that will be brought to market over the next five years.

We are committed to transforming Alfa into a leading premium brand and, as you were shown earlier, we expect worldwide sales of 400,000 vehicles a year by 2018, or 500,000 on an annualized basis.

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The second aspect represents another paradigm shift.



At first glance, it could seem to be a story that is opposite from the one I just told you, but actually it is just as logical and economically rational.

I'm talking about the **mass-market in Europe** and our role there.



We have debated this strategy internally for a long time.

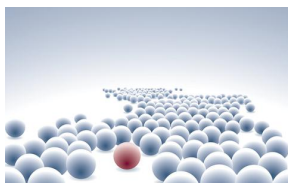
Considering the continued deterioration in trading conditions over the past several years, and the fact that no significant improvement is expected in

the near future, we concluded that we must continue on a path of caution and limited investments.

We have no intention to engage in a suicide strategy that has - as the only really reliable outcome - the destruction of capital.



This means that, although we are going to maintain a presence in our traditional segments, we will shift the focus of our efforts and resource allocation to the premium-end of the market and onto segments like the CUV segment – through the Jeep brand – that are growing rapidly now, and expected to continue to grow in the years to come.

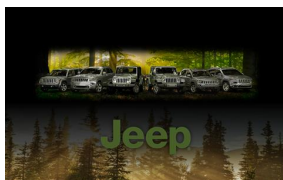


The Fiat brand will leverage its strengths in Europe by continuing to develop the 500 family, but its biggest source of growth will be outside the EMEA region: in LATAM, of course, where Fiat already has a well-established presence, and especially in Asia.

We are going to pull back from chasing unprofitable business and look for opportunities that are real and within our reach.

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The third strategic priority is **Jeep**.



Today is the first time that we have articulated such an ambitious volume target for Jeep, demonstrating our belief in its potential and our intention to develop it as a truly global brand.

As you saw earlier, Jeep has just posted two record years and we expect a third this year with year-to-date sales on track to pass the million-vehicle mark.

It is a brand with the qualities and potential to be number one and, in fact, has always been a benchmark in its segment.

Today it is clearly seen by the market as a quality brand with reliable products.

Our plan is detailed and ambitious.

Unprecedented investments in localized production for our group will enable us to accelerate development of the brand in Asia and Latin America, where there is clearly the greatest potential for growth.

And expansion of the product range has also opened the door wider for the brand's development in the European market.

All of these steps will enable us to achieve global sales of 1.9 million vehicles by the end of the plan period, which is nearly three times the all-time record level set just last year.

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The other point I wanted to touch on is FCA's target for **total volumes** in 2018.



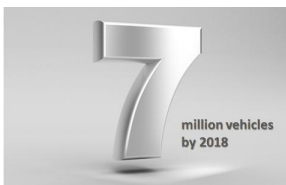
We all know that economies of scale have to be large enough to justify investment in new architectures and products.

You've heard me say on numerous occasions that an automaker needs to reach at least 6 million units a year to be a credible long-term competitor capable of generating adequate returns on investment.

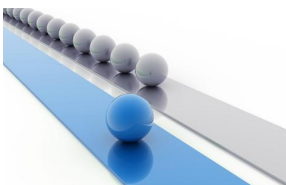
Our operating and strategic decisions have all been aimed at ensuring that we are in that group of survivors.

Today we have set out, by brand and market, how we plan to reach and exceed that threshold by 2018.

Our target of 7 million vehicles, including joint ventures, is consistent with our individual brand targets and our ambitions as a leading global player.



Fiat Chrysler Automobiles has the resources and potential to achieve that target without acquiring or merging with any of our competitors.



And, in fact, we expect to consolidate our leadership position even further by moving at least one position higher in the global ranking.



But, while total volumes are important, to ensure adequate returns on investment we also need to achieve minimum volumes per platform.

The plan we presented today also addresses that aspect.

By 2018, we expect to exceed the minimum threshold of 1 million vehicles on each of the 3 principal platforms where we have already completed convergence.

The creation of FCA has made all this possible.

* * *

The fifth step change is at the **financial level**.



As you were shown earlier, we have the resources necessary to execute the plan.

All brands and regions will contribute to the growth and we expect to see positive cash generation from 2016, increasing annually to the end of the plan.



By 2018, the Group will be nearly debt free, with EBIT more than three times last year's level and margins doubling to a level equivalent to our best competitors.

* * *

Those are the five things I would like you to walk away with today.



The FCA we have just presented is a group that is significantly more than the sum of its two predecessors.

It is a new organization with a new vision.

We have talked about our commitment and ambitions for FCA worldwide.

An organization that has the determination and capabilities to compete at the global level.



To anyone asking what gives us confidence in the achievement of the plan, the answer is simple: we are different!

We are a fundamentally different group than we were just a few years ago and we are also fundamentally different from our competitors.



We have been through monumental changes that didn't break us but made us grow and prepared us for the future.

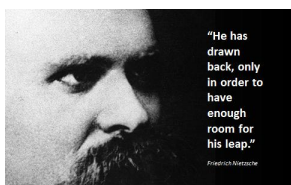
We are different because we know what it means to weather a storm and come out stronger on the other side.



We are different because we have the combined experience of two groups with a century of history and we have learned how to capitalize on the best of our respective pasts without being limited by them.



As Nietzsche wrote, ***“He has drawn back, only in order to have enough room for his leap.”***



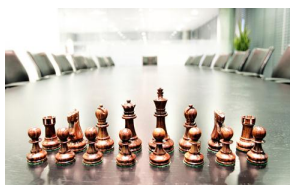
We see our past and the past of our brands not as a prison that prevents us from changing and seeking a new life, but as a springboard that can help us reach new heights.

We are different because we have achieved cultural integration and adopted an openness to different ways of thinking that, in addition to bringing human and professional enrichment, are also the greatest source of ideas and innovation.



The result is a group with a unique mix of experience, perspective and know-how.

We are different because our single most important driver is the concept of leadership.



The privilege of being part of the management team that leads this organization is only given to those who demonstrate the ability to lead change and to lead people.

A competitive spirit, reliability, integrity, rapid decision-making, passion and the drive to achieve results, coupled with a commitment to transparency, sense of responsibility, sharing of information and recognition of merit, commitment to helping others grow and to treating everyone with dignity and fairness are what makes us different.

This is why we consider leadership a sacred trust.

We are different because even though we are a multinational, we take our social responsibility seriously.



In every decision we have made and we intend to make, we seek to find the right equilibrium between economic profit and socially responsible behavior, between financial returns and sustainable development.

We engage actively with local communities to ensure our business activities are in harmony with their development.

Wherever we operate, we are committed to developing initiatives that promote cultural development and social progress.

We do this because of our conviction that success must also be measured by the impact our activities have on society as whole.

Our “Árvore da Vida” program in Brazil, for example, promotes social and economic development initiatives in Jardim Teresópolis, one of the most impoverished districts in the metropolitan area around the Group’s plant in Betim.



We have been working for the past 10 years with local authorities and other institutions to help break the cycle of misery and empower families most at risk. So far, more than 20,000 children and adolescents have been helped by the program.

And in 2006, to commemorate our 30th anniversary in the Brazilian market, we created “Casa Fiat”, a space made available to the local community for exhibits, cultural events and training laboratories. Today, the center is considered one of the most important places in Brazil for the discussion and exhibition of the arts.



Our commitment to Fiat’s Italian activities is no different.

We have done everything in our power to save jobs and keep all of our plants open despite the dramatic collapse in the European market at the end of the last decade.

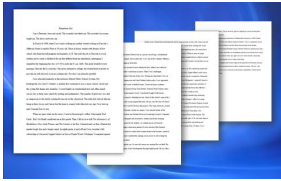


It was a decision that went against pure financial or business logic and did not provide an immediate answer to the demands of the financial markets, of the analyst community, including many of you in the audience today.

The reason we chose the route we chose is that we have a different definition of success and a different vision of the kind of future we want to build.

You cannot build our future, our ideal, simply on the basis of spreadsheets.

I would like to read some excerpts from a letter written by a young girl who applied to the FCA Scholarship Award Program this year.



Although the scholarship awards will not be announced until next month, I'm happy to tell you that this young woman is among those who have been chosen.

For those of you who might not know the program, it was established in 1996 to recognize the most deserving children of Group employees. And our Chairman, John Elkann, is its strongest proponent.

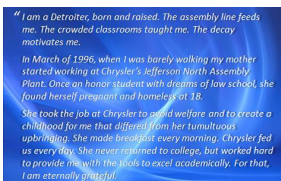
Since then, it has supported thousands of young people worldwide in their high school and university studies.

In her letter titled "Hometown Girl", she writes:

"I am a Detroit, born and raised. The assembly line feeds me. The crowded classrooms taught me. The decay motivates me.

In March of 1996, when I was barely walking my mother started working at Chrysler's Jefferson North Assembly Plant. Once an honor student with dreams of law school, she found herself pregnant and homeless at 18.

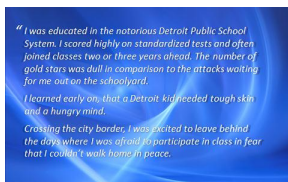
She took the job at Chrysler to avoid welfare and to create a childhood for me that differed from her tumultuous upbringing. She made breakfast every morning. Chrysler fed us every day. She never returned to college, but worked hard to provide me with the tools to excel academically. For that, I am eternally grateful.



I was educated in the notorious Detroit Public School System. I scored highly on standardized tests and often joined classes two or three years ahead. The number of gold stars was dull in comparison to the attacks waiting for me out on the schoolyard.

I learned early on, that a Detroit kid needed tough skin and a hungry mind.

Crossing the city border, I was excited to leave behind the days where I was afraid to participate in class in fear that I couldn't walk home in peace.



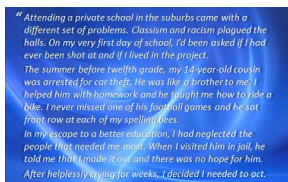
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Attending a private school in the suburbs came with a different set of problems. Classism and racism plagued the halls. On my very first day of school, I'd been asked if I had ever been shot at and if I lived in the project.

The summer before twelfth grade, my 14-year-old cousin was arrested for car theft. He was like a brother to me. I helped him with homework and he taught me how to ride a bike. I never missed one of his football games and he sat front row at each of my spelling bees.

In my escape to a better education, I had neglected the people that needed me most. When I visited him in jail, he told me that I made it out and there was no hope for him.

After helplessly crying for weeks, I decided I needed to act.

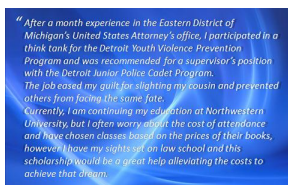


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After a month experience in the Eastern District of Michigan's United States Attorney's office, I participated in a think tank for the Detroit Youth Violence Prevention Program and was recommended for a supervisor's position with the Detroit Junior Police Cadet Program.

The job eased my guilt for slighting my cousin and prevented others from facing the same fate.

Currently, I am continuing my education at Northwestern University, but I often worry about the cost of attendance and have chosen classes based on the prices of their books, however I have my sights set on law school and this scholarship would be a great help alleviating the costs to achieve that dream.



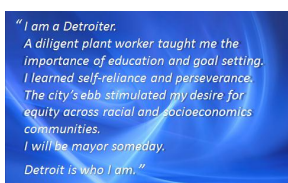
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I am a Detroiter.

A diligent plant worker taught me the importance of education and goal setting. I learned self-reliance and perseverance. The city's ebb stimulated my desire for equity across racial and socioeconomic communities.

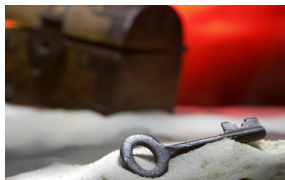
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The reason why I read you this note is because as you walk away from this session you need to somehow evaluate the feasibility of our plan.



It is not simply a matter of financial targets or market-share objectives.

It has to do with leadership, culture and conviction.

The people you have heard from today are people who are passionate about achieving, but who are equally passionate about the impact of their actions on the lives of the people they have been asked to lead.

Those responsible for leading a global enterprise have the duty to open their minds and look beyond the walls of their offices.

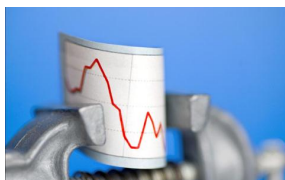


Their commitment goes beyond a simple professional obligation.

There is a reality out there that must not be overlooked.

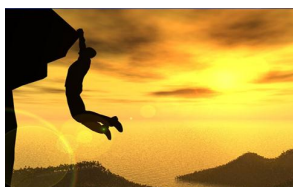
We all need to understand that there can never be rational markets, growth and economic well-being if a large part of our society has nothing to bargain with other than their own lives.

The truth of the matter is that spreadsheet capitalism has failed and does not work.

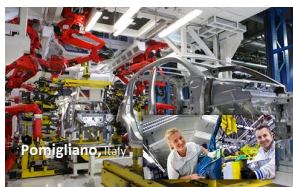


Sometimes I wonder whether we have stiffened our mental models even in the face of clear market threats because we feel comfortable in our relative well-being and uncomfortable in dealing close up with the have-nots.

I do not know how many times in my professional life, and in particular in my last 10 years at FCA, I have witnessed and partaken in extraordinary acts of courage and commitment.



From the people in Pomigliano, an area historically labeled as one of the most socially complex and least productive regions in Italy, who have earned gold medal status in our WCM activities...



...to the people here in our Jefferson Assembly Plant who were left an inheritance that can be best described as a shameful example of industrial neglect and who rebuilt that plant from the ground up, and now are building two of the most successful and highest quality vehicles within the FCA portfolio...



...to the people in Kokomo, Indiana who operate the largest transmission plant in the world and who were on the roof repairing the building within

hours after a tornado touched down, to ensure that they could keep on feeding our assembly plants.



All these people, and people in other plants, such as Betim in Brazil, Melfi in Italy, Tychy in Poland, responded to similar challenges in similar ways.



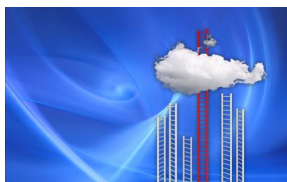
They are the reason why this plan is doable.



I told you this morning that our FCA culture responds better when given purpose and challenge.

And our plan has purpose.

Because when all is said and done, mediocrity is not worth the trip.



Thank you for coming, and Godspeed to you all.

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