

Financial Statements

Fiat Chrysler Finance Canada, Ltd.

(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Years Ended December 31, 2017 and 2016

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Financial Statements

Years Ended December 31, 2017 and 2016

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Report of Independent Auditors

The Board of Directors
Fiat Chrysler Finance Canada, Ltd.

We have audited the accompanying financial statements of Fiat Chrysler Finance Canada, Ltd. (a wholly owned subsidiary of Fiat Chrysler Automobiles N.V.) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of income (loss), changes in equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fiat Chrysler Finance Canada, Ltd. at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Ernst + Young LLP

March 22, 2018

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Statements of Financial Position
(Canadian Dollars in Thousands, Except Share Information)

	Notes	December 31,	
		2017	2016
Current assets			
Cash and cash equivalents	3	\$ 34,173	\$ 31,897
Prepaid expenses and other assets		17	18
Total current assets		34,190	31,915
Non-current assets			
Deferred tax assets		23	-
Total assets		\$ 34,213	\$ 31,915
Liabilities and equity			
Liabilities:			
Amounts due to affiliated companies	8	\$ 12,466	\$ 10,123
Accrued expenses and other liabilities		35	18
Total liabilities		12,501	10,141
Equity:			
Capital stock (no par value; unlimited authorized shares; 493 shares outstanding at assigned value)	7	-	-
Additional paid in capital	7	10,100	10,100
Retained earnings		11,612	11,674
Total equity		21,712	21,774
Total liabilities and equity		\$ 34,213	\$ 31,915

See accompanying notes to financial statements

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Statements of Income (Loss)
(Canadian Dollars in Thousands)

		Years Ended December 31,	
	Notes	2017	2016
Revenues:			
Interest income	9	\$ 161	\$ 165
Total revenues		161	165
Expenses:			
Interest expense	9	187	17
General and administrative expenses		45	72
Other expenses		14	38
Total expenses		246	127
(Loss)/income before income taxes		(85)	38
Income tax expense (benefit)	6	(23)	10
Net (loss)/income		\$ (62)	\$ 28

See accompanying notes to financial statements

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Statements of Changes in Equity
(Canadian Dollars in Thousands, Except Share Information)

	<u>Capital Stock</u>		<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance - December 31, 2015	493	\$ -	\$ 10,100	\$ 11,646	\$ 21,746
Net income	-	-	-	28	28
Balance - December 31, 2016	493	-	10,100	11,674	21,774
Net loss	-	-	-	(62)	(62)
Balance - December 31, 2017	493	\$ -	\$ 10,100	\$ 11,612	\$ 21,712

See accompanying notes to financial statements

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Statements of Cash Flows
(Canadian Dollars in Thousands)

	Years Ended December 31,	
	2017	2016
Operating activities		
Net (loss) income	\$ (62)	\$ 28
Adjustments to reconcile net income to cash flows provided by operating activities:		
Net change in operating assets:		
Change in amounts due from affiliated companies	-	5,860
Change in deferred tax assets	(23)	-
Change in prepaid expense and other assets	1	18
Change in amounts due to affiliated companies	2,343	10,123
Change in accrued expenses and other liabilities	17	(31)
Net cash flow provided by operating activities	2,276	15,998
Net increase in cash and cash equivalents	2,276	15,998
Cash and cash equivalents - beginning of the year	31,897	15,899
Cash and cash equivalents - end of the year	\$ 34,173	\$ 31,897
Operational cash flows from interest and income tax		
Net interest (paid) received	\$ (24)	\$ 157
Net income tax refunds	\$ -	\$ 8

See accompanying notes to financial statements

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Notes to Financial Statements
(Expressed in Canadian Dollars in Thousands)

December 31, 2017

1. Business Description and Organization

Fiat Chrysler Finance Canada, Ltd. (the “Company”), a 100 percent owned subsidiary of Fiat Chrysler Automobiles N.V. (“FCA NV”), was incorporated on May 2, 1991, under the Business Corporation Act of the Province of Alberta and began operations on May 6, 1991. The Company’s registered office is located at 3500, 855-2 Street S.W. Calgary, Alberta T2P 4J8 Canada. The Company performs cash management, investment and corporate finance services and working capital financing for all Fiat Group companies in Canada. On March 22, 2018, the Board of Directors authorized the issuance of the Company’s financial statements.

Effective September 30, 2017 FCA NV became the 100 percent owner of the Company by purchasing all membership interests from Fiat Chrysler Finance Europe, S.A. for \$21,724 Canadian dollars.

2. Basis of Accounting and Summary of Significant Accounting Policies

Basis of Presentation

The Company’s financial statements are prepared in conformity with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The Company’s financial statements consist of the Statements of Financial Position, Statements of Income (Loss), Statements of Changes in Equity and Statements of Cash Flows, with related notes.

The accounting records of the Company are maintained in Canadian dollars (“CAD”), which represents the main functional currency of the Company; the financial statements are presented in this currency.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Notes to Financial Statements (continued)
(Expressed in Canadian Dollars in Thousands)

2. Basis of Accounting and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalent. Time deposits and current accounts that meet with above criteria are reported at par value on our balance sheet.

Fair Value Measurements

The Company follows the provisions of IFRS 13 – *Fair Value Measurement* (“IFRS 13”), which clarifies the determination of fair value for the purpose of the financial statements and is applicable to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value.

IFRS 7 – *Financial instruments: Disclosures* requires financial instruments in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The fair value of financial instruments is determined by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

IFRS 13 requires all assets and liabilities for which fair value is measured or disclosed in the financial statements to be categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 – Unadjusted quoted prices in the active market for identical assets or liabilities:

Level 2 – Inputs other than quoted prices, included within Level 1, that are observable for the asset or the liability either directly (i.e., prices) or indirectly (i.e., derived from prices);

Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Notes to Financial Statements (continued)
(Expressed in Canadian Dollars in Thousands)

2. Basis of Accounting and Summary of Significant Accounting Policies (continued)

<u>Financial Instrument</u>	<u>Fair Value Method</u>	<u>Fair Value Heirarchy</u>
Amounts due to affiliated companies	Carrying value approximates fair value	Level 2

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics, and the risks of asset or liability and the level of fair value hierarchy as above.

In 2017 and 2016, there were no transfers between the levels used in the fair value hierarchy.

Recent Accounting Pronouncements

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. There was no impact to our Financial Statements from the adoption of these amendments, effective January 1, 2017.

In July 2014, the IASB issued IFRS 9 – *Financial Instruments* (“IFRS 9”). The standard is effective for financial years beginning on January 1, 2018. IFRS 9 introduces improvements in the accounting requirements for classification and measurement of financial assets, for impairment of financial assets and for hedge accounting. We do not expect this to have an impact to our Financial Statements or disclosures upon adoption of the standard in 2018.

We have implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Fiat Chrysler Finance Canada, Ltd.
(A Subsidiary of Fiat Chrysler Automobiles N.V.)

Notes to Financial Statements (continued)
(Expressed in Canadian Dollars in Thousands)

3. Cash and Cash Equivalents

In 2017, the Company had CAD 34,173 in cash and cash equivalents. In 2016, the Company had CAD 31,897 in cash and cash equivalents, of which CAD 18,000 related to term deposits held with financial institutions.

4. Estimated Fair Value of Financial Instruments

The below fair values have been determined by reference to available market information and the following methodologies:

	Nominal Value	Carrying Value	Fair Value
December 31, 2017			
Assets:			
Cash and cash equivalents	\$ 34,173	\$ 34,173	\$ 34,173
Total assets	\$ 34,173	\$ 34,173	\$ 34,173
Liabilities:			
Amounts due to affiliated companies	\$ 12,452	\$ 12,466	\$ 12,466
Total liabilities	\$ 12,452	\$ 12,466	\$ 12,466
 December 31, 2016			
Assets:			
Cash and cash equivalents	\$ 31,891	\$ 31,897	\$ 31,897
Total assets	\$ 31,891	\$ 31,897	\$ 31,897
Liabilities:			
Amounts due to affiliated companies	\$ 10,118	\$ 10,123	\$ 10,123
Total liabilities	\$ 10,118	\$ 10,123	\$ 10,123

Carrying value equals nominal value plus accrued interest

5. Information on Financial Risks

The Company is exposed to various financial risks in the course of its operation. The Company regularly monitors and manages its exposure in a conservative and prudent manner, as required by the FCA Group's financial risk management policy.

Fiat Chrysler Finance Canada, Ltd.
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Notes to Financial Statements (continued)
(Expressed in Canadian Dollars in Thousands)

5. Information on Financial Risks (continued)

Credit Risk

The credit risk of the Company is represented by the investments of excess cash in the market.

Management believes the credit risk to be extremely low. The assets largely consist of cash and cash equivalents.

Market investments are made according to strict regulations and policies which define minimum counterparty rating requirements and limits to amounts invested in single counterparties in order to avoid concentration of risk.

Liquidity Risk

Liquidity risk arises if the Company is unable to obtain under acceptable economic conditions the funds needed to carry out its operations.

The Company's liquidity position for December 31, 2017 and 2016 is as follows (in carrying value, which approximates undiscounted cash flows):

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2017						
Assets:						
Cash and cash equivalents	\$ 34,173	\$ -	\$ -	\$ -	\$ -	\$ 34,173
Liabilities:						
Amounts due to affiliated companies	12,466	-	-	-	-	12,466
Net	\$ 21,707	\$ -	\$ -	\$ -	\$ -	\$ 21,707
December 31, 2016						
Assets:						
Cash and cash equivalents	\$ 13,891	\$ 18,006	\$ -	\$ -	\$ -	\$ 31,897
Liabilities:						
Amounts due to affiliated companies	10,123	-	-	-	-	10,123
Net	\$ 3,768	\$ 18,006	\$ -	\$ -	\$ -	\$ 21,774

Amounts include accrued interest

Fiat Chrysler Finance Canada, Ltd.
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Notes to Financial Statements (continued)
(Expressed in Canadian Dollars in Thousands)

6. Income Taxes

The components of income tax expense for the years ended December 31, 2017 and 2016 are as follows:

	Years Ended December 31,	
	2017	2016
Current tax expense (benefit)		
Federal	\$ -	\$ 6
State and local	-	4
Deferred tax benefit	(23)	-
Total income tax expense (benefit)	\$ (23)	\$ 10

7. Equity

The share capital of the Company amounts to CAD 10,100 represented in thousands by 493 shares fully subscribed and paid up with no nominal value. The Company is not subject to any specific constraints on equity within its course of business. Management believes that the capital structure of the Company is fully adequate to its operations.

8. Transactions with Affiliated Parties

Cash management services provided by the Company are funded primarily from the receipt of excess cash from affiliated companies and capital market transactions; such balances are used for investment and for the financing of the working capital needs of other affiliated companies.

The impact on the financial statements of transactions with affiliates appears below:

	Years Ended December 31,	
	2017	2016
Interest income	\$ -	\$ 39
Interest expense	187	17
Amounts due to affiliated companies*	12,466	10,123

* Amounts include accrued interest

Fiat Chrysler Finance Canada, Ltd.
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Notes to Financial Statements (continued)
(Expressed in Canadian Dollars in Thousands)

9. Interest Income and Interest Expense

Interest income is comprised of interest on cash and cash equivalents and loans with affiliated parties. Interest expense is comprised primarily of loans with affiliated parties.

10. Subsequent Events

Management has evaluated subsequent events through March 22, 2018, the date these financial statements were available to be issued.