

**Fiat Chrysler Finance Europe S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**Fiat Chrysler Finance Europe S.A.**

Registered Office: 24, Boulevard Royal

L-2449 Luxembourg

Share Capital: €86,494,000

R.C.S. Luxembourg: B 59500

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# Board of Directors and Auditors

## BOARD OF DIRECTORS

### Chairman

Leonardo Cecchetti

### Directors

Marella Moretti  
Jacques Loesch

## INDEPENDENT AUDITOR

Ernst & Young S.A.

# REPORT ON OPERATIONS

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# OPERATING ENVIRONMENT

## GENERAL ECONOMIC ENVIRONMENT AND PERFORMANCE OF FINANCIAL MARKETS

Global growth for 2017 is expected at 3.7 percent compared to 3.2 percent recorded last year. This global pickup in activity gained further momentum and economic conditions remained strong, both in advanced and developing economies.

Economic growth in the USA progressed at 2.3 percent in 2017 compared to 1.6 percent of 2016. The economic cycle was determined by improving financial conditions and strong business and consumer confidence. The Federal Reserve continued its monetary policy normalization process by raising the Federal Funds target rate to 1.25-1.50 percent.

In Japan the national GDP recorded a progress of 1.7 percent in 2017, while the pace of expansion should weaken thereafter.

In the UK growth is confirmed at a 1.8 percent slightly lower than last year (1.9 percent in 2016). The pound's depreciation weighed on household real income and led to a softer growth in private consumption. Uncertainty about the future direction of policy, the relationship between the United Kingdom and the European Union, and the reaction of the economy remains high.

In the Eurozone economic growth continues to grow at a moderate pace, thanks to the support of internal components of demand and acceleration in exports. Growth in the Eurozone is expected to report a 2.4 percent growth in 2017. Inflation remains low and the European Central Bank has confirmed its expansionary monetary policy approach.

In China, economic growth has improved thanks to public investment policy adopted by the Authorities. In 2017 the activity registered a 6.9 percent improvement, compared to 6.7 percent of the previous year.

Inflation has increased in both advanced and developing economies, reflecting the cyclical recovery and the increase in commodity prices. In 2017 the average growth rate of retail prices in the advanced economies increased by 2.0 percent on a yearly basis while decreased to 3.1 from 4.6 percent in the developing economies. In the USA, the headline inflation at year end has been recorded at 2.1 percent, while in the Eurozone inflation grown by 1.5 percent.

The Federal Reserve continued its monetary policy normalization process by raising the Federal Funds target rate to 1.25-1.50 percent. The yield curve flattened, as long-term yields remained stable (10-year swap rate closed the year at 2.4 percent from 2.3 percent at the end of 2016) while the 3-month Libor rate raised to 1.7 percent (from 1 percent of the previous year). The forward rate curve forecasts USD 3-month Libor approximately 50 basis points higher at the end of 2018.

In Europe, the ECB continued to keep at zero its main interest rate and extended the duration of the Asset Purchase Program up to the September 2018 (even if reduced to a monthly pace of €30 billion from €60 billion from January 2018). Compared to the end of 2016, the yield curve has remained moderately steep, with the 3-month Euribor rate stable at minus 0.33 percent and the 10-year swap rate at 0.9 percent. The short-term forward rates quoted by the market for the end of 2018 show stable expectations compared to the current level of spot rates.

The depreciation of the Euro stopped in 2017 thanks to the positive economic outlook. The Euro opened the year at 1.05 against the US dollar, touching a high of 1.21 in September and then closing the year at 1.20 (+14.6 percent). The Euro reported a gain against the Japanese yen (9.8 percent) and the British pound (4.2 percent). Regarding emerging countries, the Euro has lost against the Polish Zloty (-5.3 percent), while recorded a gain against the Chinese yuan (7.4 percent), the Turkish lira (22.6 percent) and the Brazilian real (15.9 percent).

## CORPORATE OBJECTIVES AND STRATEGIES

The Fiat Chrysler Finance Europe S.A. and its subsidiaries ("the Group") act as the main treasury and financing vehicle of the Fiat Chrysler Group companies outside Italy. The Group finances its activity through bond issuance under the Euro Medium Term Notes (EMTN), credit lines with leading international banks and intercompany loans.

In relation to the management of financial risks (liquidity, currency and interest rate), the Group follows the guidelines established by the relevant internal policies ("General aspects and credit risk management policies" Note 21).

For liquidity management in particular, the primary investment objective is the protection and ready convertibility to cash of capital invested, maintaining an adequate level of portfolio diversification.

In keeping with these general requirements, during the year the Group's surplus liquidity was placed in short-term deposits, remunerated current account and Liquidity Funds with major financial institutions. With regard to exposure to currency risk, the Group's exposure arises mainly due to the geographical diversity of the Group's activities and Fiat Chrysler Group companies to which cash management and other treasury services are provided. The Group seeks to minimize this exposure mainly by the use of forward foreign exchange contracts and currency swaps.

The Group manages interest rate risk substantially through matching the interest rate periods of financial assets and liabilities, thereby minimizing the risk arising from changes in the relevant rates.

## MAIN RISKS AND UNCERTAINTIES TO WHICH THE FIAT CHRYSLER GROUP IS EXPOSED

The Group provides cash management and treasury services to Fiat Chrysler Automobiles N.V. Group subsidiaries and is one of the main treasury affiliates of the Group operating on the international financial market. Its primary goal is to ensure that funds are available to support the operations of Fiat Chrysler Automobiles N.V. Group subsidiaries, that liquidity, cash flows and the exposure to financial risks are properly managed. As a consequence, earnings and financial position may be impacted by various macroeconomic factors – including increases or decreases in gross domestic product, the level of consumer and business confidence, changes in interest rates on consumer and business credit, the energy prices, the cost of commodities or other raw materials and the rate of unemployment – within the various countries in which it operates.

These potential developments could adversely affect the businesses and operations of the Fiat Chrysler Automobiles N.V. Group. In general, the sector in which the Fiat Chrysler Automobiles N.V. Group operates have historically been subject to highly cyclical demand and tend to reflect the overall performance of the economy, in certain cases even amplifying the effects of economic trends. Given the difficulty in predicting the magnitude and duration of economic cycles, there can be no assurances as to future trends in the demand for or supply of products sold by the Fiat Chrysler Automobiles N.V. Group in any of the markets in which it operates (For more details refer to Note 21).

## HUMAN RESOURCES

To meet its objectives, the Group employs highly-qualified personnel and during 2017 it continued its training activities, which are considered essential to the provision of qualified professional services.

At December 31, 2017, the Group had 11 employees.

## CORPORATE GOVERNANCE STATEMENT

Direction and coordination activities consist in the definition and updating of Group-wide models for the system of internal control, corporate governance and organizational structure, the dissemination of a Code of Conduct, which is adopted throughout the Group, and the establishment of general policies for the management of human and financial resources. Group coordination also includes centralized management of corporate, administrative, tax and internal audit services through specialized companies.

Consistent with the above, the Company, which retains full management and operating autonomy, adopted a Code of Conduct that sets out the principles of professional conduct adhered to by the Company and the Group. The Company has also established a model of corporate governance and internal control through its organizational and reporting structure, a Compliance Program, which is continually revised to reflect legislative changes.

Starting from 2017 FCFE's Shareholder has formed an Audit Committee in compliance with Art. 52 of the law of 23 July 2016 on the audit profession, transposing European Directive 2014/56 and implementing European Regulation 537/2014 applicable to Public Interest Entities (PIEs). FCFE qualifies as PIE being an entity governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of a Member State. The new committee is independent from the administrative body and has assigned duties and responsibilities in accordance with article 52 (6) of the Audit Law and the EC Regulation.

### INTERNAL CONTROL SYSTEM

The various corporate departments, with the support of Group Internal Audit, acted to ensure compliance with best management practices and the adequacy of the organizational structure and internal procedures. The Compliance Officer and the Compliance Program Supervisory Body at Group level (the institutional roles with responsibility for control) perform their activities in close collaboration with the management keeping them constantly apprised of the outcome of audits conducted and any need for improvement.

Overall, the Internal Control System operated alongside core business processes to enhance operating activities and manage the related risks, supporting management in the pursuit of its corporate objectives, in accordance with law and internal policies and procedures.

### CODE OF CONDUCT

The Board of Directors formally adopted the Group's Code of Conduct that reinforces the principles of sustainability, making express reference to compliance with the United Nations' Universal Declaration of Human Rights, the principal Conventions of the International Labor Organization (I.L.O.), the OECD Guidelines for Multinational Enterprises, and the United States Foreign Corrupt Practices Act (FCPA). Greater attention has been dedicated to issues relating to health and safety in the workplace and protection of the environment, with an emphasis on preventive risk assessment together with definition of the specific responsibilities of employees. The main issues addressed in the Code are set out in specific guidelines. The Code can be publicly consulted on the internet web site of Fiat Chrysler Automobiles N.V.

## TRANSACTIONS WITH RELATED PARTIES

In keeping with the by-laws, the Group acts as the treasury and financing vehicle of the Fiat Chrysler Group companies outside Italy.

Information on related-party transactions is contained in a separate note to the financial statements. At December 31, 2017, the Group did not hold, either directly or through third parties, its own shares or shares in its parent company, or buy and/or sell such shares during the year.

## OPERATING PERFORMANCE AND FINANCIAL REVIEW

The Group provides treasury services to local Fiat Chrysler Group companies, as explained in more detail in the notes to the financial statements.

These companies operate autonomously in their local market, equipped with an adequate organizational structure, and conduct their treasury activities in adherence with Fiat Chrysler Group's risk management policies.

The Group is active on the financial market in order to finance its activity or refinance position coming to maturity.

On September 30, 2017 with the final aim of simplifying the structure of the treasury companies within FCA Group following the "restructuring plan" approved by Board of Directors on September 27, 2017, FCFE sold the entire stakes of "North America segment" subsidiaries, to FCA NV. As a result of this sale, the Group as of December 31, 2017 consisted of only Fiat Chrysler Finance Europe S.A.. In accordance with IFRS 5 the disposal of "North America segment" has been treated as "discontinued operations" as described in Note 8.

In 2017 the Group repaid three notes coming to maturity, while no new notes were issued. The net cash flow related to capital market operation was negative for approximately EUR 2.3 billion.

The Group's liquidity over the year has been mainly invested in short term bank deposits with a wide number of reputable financial institutions.

The Extraordinary Shareholder Meeting held on November 17<sup>th</sup> decided to reduce the share capital of the Company by an amount of EUR 165,000,000 and the legal reserve by an amount of EUR 4,794,432. The equivalent amount was allocated to a Distributable Reserves.

On December 22<sup>nd</sup>, the management, according to the available distributable reserve, the profit brought forward and the profit for the period, resolved to distribute to the shareholder EUR 201,000,000 as Interim Dividend.

The Company closed 2017 with a profit of EUR 36.3 million. The variation of the result compared to previous year is mainly related to the disposal of the participations in Fiat Chrysler Finance North America Inc. and Fiat Chrysler Finance Canada Ltd., as per decision of the Board of Directors meeting held on September 27<sup>th</sup>. This operation generated a capital gain of EUR 36.9 million (for more details refer to Note 2 and Corporate Information).

For the year 2018, we do not expect relevant changes in the companies' activities and results.



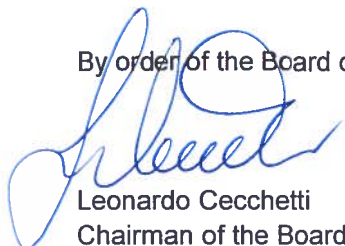
## Legal and Financial Information

### DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

1. the annual Consolidated Financial Statements of Fiat Chrysler Finance Europe S.A. presented in this Annual Report and established in conformity with measurement and recognition criteria of IFRS adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of Fiat Chrysler Finance Europe S.A. and its subsidiaries at 31 December 2017; and
2. the Consolidated Management report includes a fair review of the development and performance of the business and position of Fiat Chrysler Finance Europe S.A. and its subsidiaries at 31 December 2017 and a description of the principal risks and uncertainties they face.

By order of the Board of Directors



Leonardo Cecchetti  
Chairman of the Board

February 22, 2018

# FIAT CHRYSLER FINANCE EUROPE S.A. CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2017

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 31 December 2017

(figures in €)	Notes	<b>2017</b>	<b>2016</b> <i>(restated)*</i>
<b>Continuing operation</b>			
Revenue from services	1	148,468	150,083
Personnel costs	3	(909,894)	(890,688)
Other operating costs	4	(2,299,759)	(3,630,086)
Amortisation and depreciation		(108,906)	(134,916)
Financial income	5	408,696,472	584,296,931
Financial expense	6	(413,785,425)	(581,320,093)
Net gain on derivatives financial instruments	7	9,102,082	(1,446,167)
<b>Discontinued operations</b>			
Profit on disposal	8	36,064,900	
Profit for the year from discontinued operations		918,056	1,900,389
<b>PROFIT OR (LOSS) BEFORE TAXES</b>		<b>37,825,994</b>	<b>(1,074,547)</b>
Income taxes	9	(1,115,950)	624,270
<b>PROFIT OR (LOSS) FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>36,710,044</b>	<b>(450,277)</b>
 <b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>			
<b>Continuing operations</b>			
<b>Cash flow hedges (net of tax)</b>	<b>10</b>	<b>(3,382,822)</b>	<b>(5,223,955)</b>
Gain/(Losses) on cash flow hedge (net effect)		40,039,478	(6,156,757)
Transfer from cash flow hedge reserve (net effect)		(43,422,300)	932,802
<b>Discontinued operations</b>	<b>8</b>	<b>941,351</b>	<b>9,459,119</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>		<b>(2,441,471)</b>	<b>4,235,164</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>34,268,573</b>	<b>3,784,887</b>

\*Certain amounts shown here do not correspond to the 2016 financial statements and reflect the impact of applying IFRS 5 to discontinued operations, refer to Note 8.  
The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

(figures in €)	Notes	2017	2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Non-current loans	11	29,755,531	220,847,197
Tangible assets		6,140	4,039
Intangible assets		97,304	162,111
Deferred tax asset	9	311,161	3,710,704
Escrow account	12	46,075,083	34,609,840
<b>Total non-current assets</b>		<b>76,245,219</b>	<b>259,333,891</b>
<b>CURRENT ASSETS</b>			
Current loans	13	8,371,374,692	8,799,132,824
Derivative financial instruments	14	45,304,218	205,569,783
Prepayments		70,629,461	38,937,409
Current tax receivable		1,990,425	1,439,224
Cash and cash equivalents	15	379,490,524	2,288,415,301
<b>Total current assets</b>		<b>8,868,789,320</b>	<b>11,333,494,541</b>
<b>TOTAL ASSETS</b>		<b>8,945,034,539</b>	<b>11,592,828,432</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		86,494,000	251,494,000
Legal reserve		8,649,400	13,443,832
Reserves		25,654,223	81,533,597
<b>Total Equity</b>	16	<b>120,797,623</b>	<b>346,471,429</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current borrowings	17	3,820,638,694	5,689,796,350
Deferred tax liabilities	9		-
<b>Total non-current liabilities</b>		<b>3,820,638,694</b>	<b>5,689,796,350</b>
<b>CURRENT LIABILITIES</b>			
Current borrowings	18	4,958,451,360	5,322,373,269
Derivative financial instruments	19	27,774,497	227,511,105
Trade and other payables		17,372,365	6,676,279
<b>Total current liabilities</b>		<b>5,003,598,222</b>	<b>5,556,560,653</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,945,034,539</b>	<b>11,592,828,432</b>

The accompanying notes form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### for the year ended 31 December 2017

(figures in €)	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Profit/(loss) before tax from continuing operations	843,038	(2,974,936)
Profit/(loss) before tax from discontinued operations	37,612,570	3,175,476
	38,455,608	200,540
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Net foreign exchange difference and derivatives effect	(9,102,082)	(17,564,276)
Finance income	(408,696,472)	(628,871,514)
Finance expense	413,785,425	640,506,540
Depreciation and amortisation of tangible and intangible assets	108,906	178,038
Net Gain on disposal financial asset	(36,064,956)	-
<i>Working capital adjustments:</i>		
(Decrease)/ increase in trade and other payables	(7,507)	(172,915)
Income tax paid	564,750	(942,633)
<b>Net cash flow generated by/(used in) operating activities</b>	<b>(956,328)</b>	<b>(6,666,220)</b>
<b>Investing activities</b>		
Loans (granted)/reimbursed	615,014,778	2,672,497,466
Interest received	413,176,545	631,256,692
Purchase of equipment and other tangible/intangible assets	(212,350)	(47,920)
Payment of escrow account	-	(34,609,840)
Net cash inflow (outflow) on disposal of subsidiaries	(12,433,661)	-
<b>Net cash flow generated by/(used in) investing activities</b>	<b>1,015,545,312</b>	<b>3,269,096,398</b>
<b>Financing activities</b>		
Repayments of Bonds issued	(2,192,396,361)	(2,458,685,523)
Proceeds from other borrowings	77,838,235	356,470,861
Repayments of other borrowings	(174,009)	(106,034,662)
Transaction cost on credit line	(22,526,425)	-
Dividend paid	(201,000,000)	-
Interest paid	(509,333,560)	(724,773,239)
<b>Net cash flow generated by/(used in) financing activities</b>	<b>(2,847,592,120)</b>	<b>(2,933,022,563)</b>
Effect of exchange rate adjustments on cash and bank balances	(75,921,640)	15,399,568
Net increase in cash and cash equivalents	(1,908,924,776)	344,807,184
Cash and cash equivalents at the beginning of the year	2,288,415,301	1,943,608,117
<b>Cash and cash equivalents at the end of the year/period</b>	<b>379,490,524</b>	<b>2,288,415,301</b>

The accompanying notes form an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2017**  
**(€ thousand)**

Attributable to equity holders of the parent

	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	Issued capital	Legal Reserve	Foreign currency translation reserve	Distributable Reserve	Interim Dividend	Cash flow hedge reserve	Other Reserves	Retained earnings	Total equity		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 1 January 2016</b>	251 494	13 444	38 527	--	--	7 184	5 347	26 691	342 687		
Allocation of prior year result	--	--	--	--	--	--	--	--	--		
Profit for the year	--	--	--	--	--	--	--	(450)	(450)		
Other comprehensive income	--	--	7 611	--	--	(3 377)	--	--	4 234		
Total comprehensive income	--	--	7 611	--	--	(3 377)	--	(450)	3 784		
<b>At 31 December 2016</b>	251 494	13 444	46 138	--	--	3 807	5 347	26 241	346 471		
Allocation of prior year result	--	--	--	--	--	--	--	--	--		
Profit for the year	--	--	--	--	--	--	--	36 710	36 710		
Dividend Payment	--	--	--	--	(201 000)	--	--	--	(201 000)		
Discontinued operation	--	--	(46 138)	--	--	(924)	--	(11 880)	(58 942)		
Capital Reduction	(165 000)	(4 794)	--	169 794	--	--	--	--	--		
Other comprehensive income	--	--	--	--	--	(2 442)	--	--	(2 442)		
Total comprehensive income	--	--	--	--	--	(2 442)	--	36 710	34 268		
<b>At 31 December 2017</b>	86 494	8 650	--	169 794	(201 000)	441	5 347	51 071	120 797		

The accompanying notes form an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

(€ thousand)

Attributable to equity holders of the parent

	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	Issued capital	Legal reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Retained earnings	Total equity
<b>As at 1 January 2015</b>	<b>251,494</b>	<b>13,438</b>	<b>19,784</b>	<b>(6,120)</b>	<b>4,412</b>	<b>23,748</b>	<b>306,756</b>
Allocation of prior year result	---	6	---	---	935	(941)	---
Profit for the year	---	---	---	---	---	3,884	3,884
Other comprehensive income	---	---	18,743	13,304	---	---	32,047
Total comprehensive income	---	---	18,743	13,304	---	3,884	35,931
<b>At 31 December 2015</b>	<b>251,494</b>	<b>13,444</b>	<b>38,527</b>	<b>7,184</b>	<b>5,347</b>	<b>26,691</b>	<b>342,687</b>
Allocation of prior year result	---	---	---	---	---	---	---
Profit for the year	---	---	---	---	---	(450)	(450)
Other comprehensive income	---	---	7,611	(3,377)	---	---	4,234
Total comprehensive income	---	---	7,611	(3,377)	---	(450)	3,784
<b>At 31 December 2016</b>	<b>251,494</b>	<b>13,444</b>	<b>46,138</b>	<b>3,807</b>	<b>5,347</b>	<b>26,241</b>	<b>346,471</b>

The accompanying notes form an integral part of the consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CORPORATE INFORMATION

Fiat Chrysler Finance Europe S.A. ("FCFE", the "Company"), was incorporated in 1997 under the laws of Luxembourg for an unlimited number of years. On December 15, 2011 in order to concentrate in one single entity the participations of the treasury companies operating in North America, the Company bought from Fiat Chrysler Finance S.p.A. and Fiat Chrysler Automobiles N.V. their participations in Fiat Chrysler Finance North America Inc., and from Fiat Chrysler Finance S.p.A. the participation in Fiat Chrysler Finance Canada Ltd. and became a parent company ("the Group").

On September 29, 2017 Fiat Chrysler Automobiles N.V., which is also the ultimate parent company of the ultimate group ("FCA Group"), acquired from Fiat Chrysler Finance S.p.A. the remaining 60.003% of the outstanding shares in Fiat Chrysler Finance Europe S.A. and obtained 100% of the interests in the company.

On September 30, 2017 with the final aim of simplifying the structure of the treasury companies within FCA Group, FCFE sold the entire stakes in the two subsidiaries, described on Consolidated Financial Statement as "North America segment", to FCA NV. As a result of this sale, the Group as of December 31, 2017 consisted of only Fiat Chrysler Finance Europe S.A..

The Group acts as the main treasury and financing vehicle of the Fiat Chrysler Group companies outside Italy.

The Group's parent company, Fiat Chrysler Finance Europe S.A. has its registered office at 24, Boulevard Royal, Luxembourg. The Company has two operational branches in the UK (London) and Spain (Madrid).

The consolidated financial statements as at December 31, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on February 22, 2018. Under Luxembourg law the consolidated financial statements are approved by the Shareholders at the annual general meeting.

## SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and with their interpretation by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretation Committee (IFRIC), and endorsed by the European Union ("EU"). The management report and corporate governance statement are prepared pursuant to Luxembourg legal and regulatory requirements added to these financial statements.

### Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, that would otherwise be carried at amortized cost, are adjusted to record changes in the fair values attributable to the risk that is being hedged in effective hedge relationship.

The Group's accounting year starts on January 1 and ends on December 31.

The Consolidated Financial Statements are presented in Euro ("EUR"). Figures in the notes are presented in thousands of Euro.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent and its subsidiaries as at December 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Subsidiaries are fully consolidated.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group transactions and balances are fully eliminated.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

On December 15, 2011 in order to concentrate the participations of the treasury companies operating in North America in one single entity the Company bought from Fiat Chrysler Finance S.p.A. and Fiat Chrysler Automobiles N.V. their participations in Fiat Chrysler Finance North America Inc. and from Fiat Chrysler Finance S.p.A. the participation in Fiat Chrysler Finance Canada Ltd.. Hence, this transaction qualified for a business combination under common control using the pooling of interests method, where no goodwill / badwill were recognized. Moreover no significant differences were identified between the net asset value at the date of acquisition and the acquisition price, so that this transaction did not impact the reserves of the Group.

On September 30, 2017 with the final aim of simplifying the structure of the treasury companies within FCA Group following the "restructuring plan" approved by Board of Directors on September 27, 2017, FCFE sold the entire stakes of "North America segment" subsidiaries, to FCA NV. As a result of this sale, the Group as of December 31, 2017 consisted of only Fiat Chrysler Finance Europe S.A.. In accordance with IFRS 5 the disposal of "North America segment" has been treated as "discontinued operations" as described in Note 8.

## Foreign currency translation

### *Group companies*

The Group's consolidated financial statements are presented in EUR which is also the parent company's functional currency. Fiat Chrysler Finance North America Inc. functional currency is US dollars ("USD"), and Canadian dollars ("CAD") for Fiat Chrysler Finance Canada Ltd.. On consolidation the assets and liabilities of these two foreign subsidiaries are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at average rate during the year. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## ***Transactions and balances***

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated at the exchange rate prevailing on that date.

Currency translation differences arising on the settlement of monetary items or on translation of such items at rates which differ from those used for initial recognition during the year or in a previous period are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

## **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## **Financial assets**

### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value, plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### **Subsequent measurement**

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The following categories of financial assets as defined in IAS 39 are relevant in the Group's financial statements.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Gains or losses on assets held for trading are recognised in the statement of profit or loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

This category generally applies to derivatives not designated as effective hedge instruments. For more information on derivative financial assets, refer to note 14.

## **Loans and receivables**

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. Should the losses arise from impairment, they would be recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to loans. For more information on loans, refer to note 13.

## **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

## **Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **Impairment of financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

## Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. This category generally applies to derivatives not designated as effective hedge instruments. For more information on derivative financial liabilities, refer to note 19.

#### Loans and borrowings

This is the most relevant category to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This category generally applies to borrowings. For more information on borrowings, refer to notes 17 and 18.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **Derivative financial instruments and hedge accounting**

#### **Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and cross currency swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

## **Fair value hedges**

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as finance costs. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

## **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

## **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, available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalent. Time deposits, current accounts and money market accounts that meet the above criteria are reported at par value on the statement of financial position, which also represents their fair value.

## **Other current assets and liabilities**

Other current assets and other liabilities consist of accrued or deferred income or expense.

## **Tangible assets**

Tangible assets include furniture, office machines and equipment.

They are initially recognized at purchase cost, inclusive of any expenses directly related to their purchase or installation, and are not subsequently revalued but are carried net of any accumulated depreciation and impairment losses, if any.

Tangible assets are depreciated on a straight-line basis over their estimated useful lives at the following rates:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **Annual depreciation rate**

Fixtures and furnishings	33,3%
Other Tangible fixed assets	33,3%
Electronic equipment	33,3%

The residual values, useful lives and methods of depreciation of tangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

Tangible assets are derecognized when the assets are sold or if future economic benefits from their use are no longer expected. Any gain or loss arising on derecognition of the asset is included in the income statement when the asset is derecognized.

## **Intangible assets**

Intangible assets are identifiable, non-monetary assets without physical substance that are held for use for periods of more than one year. These include software developed in-house or acquired from third parties.

Software development expenses are recognized as intangible assets subject to verification that completion of the related projects is technically feasible and that they can generate future economic benefits.

Upon completion and placement in service, applications are amortized on a straight-line basis over their useful life, which is estimated at five years. If the recoverable value of these assets is less than their carrying amount, the difference is recognized in profit or loss.

Intangible assets are derecognized when they are sold or if future economic benefits from their use are no longer expected.

## **Financial income and expense**

Financial income and expense are recognized in profit and loss according to the matching principle. Specifically, interest is recognized on a time-proportion basis which takes into account the effective yield.

## **Income taxes**

### ***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises 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 the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised 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 differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **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. Noncurrent 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

See Note 8 for further details.

## **Fair value measurement**

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions Section "Significant accounting judgments, estimates and assumptions"

Quantitative disclosures of fair value measurement hierarchy Note 21

Financial instruments (including those carried at amortised cost) Note 21

Fair value is 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. 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 principal or the most advantageous market must be accessible by the Group.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statement on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## **Changes in accounting policies and disclosures**

### ***New and amended standards and interpretations***

Although new amendments and standards issued and endorsed by the EU, which are effective for annual periods beginning on or after 1 January 2017, applied for the first time in 2017, they did not have any impact on the consolidated financial statements of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

## **Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 9

Contingencies are disclosed in Note 20

## **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

See Note 21 for further details.

## **Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing includes relevant standards and interpretations not yet effective which are expected to have an impact on the Group's financial position, performance and disclosure, as the Group intends to adopt those standards when they become effective and/or adopted by EU.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date as endorsed by the EU.

### (a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

### (b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

### (c) Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group doesn't assess changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

## 1. Segment information

Operations of the Group are managed as part of the management structure of the ultimate Fiat Chrysler Group such that there is not a dedicated management structure for the Group. No dedicated management reporting information is presented for the Group to a chief decision maker; only the annual consolidated financial statements are presented to the Board of Directors in analyzing the performance of the Group.

Information about services

(€ thousand)	2017	2016
Revenues from services rendered to Group companies	148	150
<b>Total revenues</b>	<b>148</b>	<b>150</b>

Revenues from services relate to financial consultancy services to Fiat Chrysler Group companies.

No single customer accounted for 10% or more of total revenue in 2017 or 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Geographic information

The following tables show the distribution of revenue from services and non-current assets allocated based on the market's activities.

			2017
(€ thousand)			
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	EUROPE	AMERICA	Total
Revenue from services	148	-	148

			2017
(€ thousand)			
NON CURRENT ASSETS	EUROPE	AMERICA	Total
Tangible assets	6	-	6
Intangible assets	97	-	97
Escrow account	46,075	-	46,075

The following tables show the segment information as disclosed as of December 31, 2016:

			2016
(€ thousand)			
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	EUROPE	AMERICA	Total
Revenue from services	150	-	150

			2016
(€ thousand)			
NON CURRENT ASSETS	EUROPE	AMERICA	Total
Tangible assets	4	-	4
Intangible assets	162	-	162
Escrow account	34,609	-	34,609

## 2. Group information

On September 30, 2017 the company sold to FCA N.V. the 100% of shares held in Fiat Chrysler Finance North America, Inc. (FCFNA) and Fiat Chrysler Finance Canada Ltd (FCFC) for a total price of EUR 202,227,365 realizing a capital gain of EUR 36,982,956.

Fully-controlled	Carrying amount	Fair Value September 30, 2017	Capital gain	Registered office
FIAT CHRYSLER FINANCE CANADA LTD.	15,830,469	14,732,650	(1,097,819)	Calgary (Canada)
FIAT CHRYSLER FINANCE NORTH AMERICA INC.	149,413,940	187,494,715	38,080,775	Wilmington (USA)
<b>Total</b>	<b>165,244,409</b>	<b>202,227,365</b>	<b>36,982,956</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. Personnel costs

(€ thousand)	2017	2016
Salary	(808)	(750)
Social Security Contributions	(102)	(114)
Other employee benefits	-	(27)
<b>Total</b>	<b>(910)</b>	<b>(891)</b>

## 4. Other operating costs

(€ thousand)	2017	2016
Information technology expenses	(617)	(588)
Building-related costs	(168)	(141)
Professional services and consultancy	(474)	(1,727)
Audit fees	(90)	(76)
Audit related fees	(8)	-
Other personnel costs	(73)	(71)
Other management costs	23	(59)
Indirect Taxes & Other taxes	(892)	(980)
<b>Total</b>	<b>(2,299)</b>	<b>(3,642)</b>

## 5. Financial income

(€ thousand)	2017	2016
<b>Financial Income from Fiat Chrysler Group companies:</b>		
Interest income from current accounts	392,113	565,778
Interest and other income on loans	16,013	17,279
Other Interest income and similar charges	-	-
<b>Total Financial Income from Fiat Chrysler Group Company</b>	<b>408,126</b>	<b>583,057</b>
<b>Financial Income from third parties:</b>		
Interest income from current accounts	60	261
Interest income on bank deposits	508	975
<b>Other financial income:</b>		
Commission on guarantees and credit lines	3	4
<b>Total Financial Income from third parties</b>	<b>571</b>	<b>1,240</b>
<b>Total financial income</b>	<b>408,697</b>	<b>584,297</b>

Financial income relates essentially to the activity, in both Euro and other currencies, carried out by the Company for the management of funding for the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6. Financial expense

(€ thousand)	2017	2016
<b>Financial expense to Fiat Chrysler Group companies:</b>		
Interest expense on current accounts	(1,267)	(6,698)
Interest and other expense on loans	(18,786)	(10,884)
<b>Other financial expense:</b>		
Commission on guarantees and credit lines	(1,953)	(2,669)
<b>Total financial expense to Fiat Chrysler Group companies</b>	<b>(22,006)</b>	<b>(20,251)</b>
<b>Financial expense to third parties:</b>		
Interest expense on current accounts	(84)	(128)
Interest and other expense on borrowings	(360,925)	(510,337)
<b>Other financial expense:</b>		
Commission on guarantees and credit lines	(30,770)	(50,604)
<b>Total financial expense to third parties</b>	<b>(391,779)</b>	<b>(561,069)</b>
<b>Total financial expenses</b>	<b>(413,785)</b>	<b>(581,320)</b>

Financial expenses relate to interest on Bonds issued under GMTN, commission on credit line and intercompany activity.

## 7. Net gain on derivatives financial instruments

(€ thousand)	2017	2016
Foreign exchange rate Gain/(Losses)	11,183	(52)
Derivatives Instruments Interest and Currency rates swap Gain/(Losses)	(2,081)	(1,394)
<b>Net Gains/(Losses) on derivative financial instruments</b>	<b>9,102</b>	<b>(1,446)</b>

Foreign exchange rate Gain/(Losses) includes realized and unrealized gains and losses, on currency hedges (e.g., outright and forex swaps), as well as limited derivatives activity on other underlying, entered into between Fiat Chrysler Group counterparties, on one side, and international banking institutions. Derivatives Instruments Interest and Currency rates swap Gain/(Losses) includes realized and unrealized gains and losses, on interest rate and currency hedges (e.g., interest rate swaps, cross currency swaps).

## 8. Profit for the year from discontinued operations

On September 30, 2017 with the final aim of simplifying the structure of the treasury companies within FCA Group following the "restructuring plan" approved by Board of Directors on September 27, 2017, FCFE sold the entire stakes of "North America segment" subsidiaries, to FCA NV.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The results of "North America segment" for the year are presented below:

(figures in €)	<b>2017</b>	<b>2016</b>
Revenue from services	-	30,087
Other operating costs	(101,636)	(1,217,897)
Amortisation and depreciation	-	(35,290)
Financial income	34,894,718	44,574,583
Financial expense	(34,748,581)	(62,360,077)
Net gain on derivatives financial instruments	1,503,169	22,184,070
<b>PROFIT OR (LOSS) BEFORE TAXES</b>	<b>1,547,670</b>	<b>3,175,476</b>
Income taxes	(629,614)	(1,275,087)
<b>PROFIT OR (LOSS) FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>918,056</b>	<b>1,900,389</b>
Gain on disposal	36,064,900	-
<b>Profit for the year from discontinued operations (attributable to equity holders of the parent)</b>	<b>36,982,956</b>	<b>1,900,389</b>
<b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		
Translation reserve	-	7,611,304
<b>Cash flow hedges (net of tax)</b>	<b>10</b>	<b>941,351</b>
Gain/(Losses) on cash flow hedge (net effect)	282,029	23,671
Transfer from cash flow hedge reserve (net effect)	659,322	1,824,144
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX</b>	<b>941,351</b>	<b>9,459,119</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>37,924,307</b>	<b>11,359,509</b>

The net cash flows incurred by North America segment are, as follows:

(figures in €)	<b>2017</b>	<b>2016</b>
Net cash inflow from operating activities	19,417	1,722,874
Net cash inflow from investing activities	904,306	3,338,008
Net cash inflow	923,723	5,060,882

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. Income taxes

Consolidated statement of profit or loss	2017	2016
(€ thousand)		
Current income tax:		
Current income tax charge	-	(358)
Deferred tax:		
Adjustment on prior year taxation	(16)	(416)
Relating to origination and reversal of temporary differences	(1,100)	123
<b>Income tax expense reported in the statement of profit or loss</b>	<b>(1,116)</b>	<b>(651)</b>
Consolidated statement of OCI	2017	2016
(€ thousand)		
Deferred tax related to items recognised in OCI during in the year:		
Net (gain)/loss on revaluation of CFH	1,265	590
<b>Deferred tax charged on OCI (Note 10)</b>	<b>1,265</b>	<b>590</b>

### Reconciliation of tax expense and the accounting profit multiplied by Luxembourg's tax rate for 2016 and 2017:

	2017	2016
(€ thousand)		
Accounting profit before tax from continuing operations	843	(2,975)
Profit/(loss) before tax from a discontinued operation	37,612	3,176
<b>Accounting profit before income tax</b>	<b>38,455</b>	<b>201</b>
At Luxembourg statutory income tax rate of 27.08% (2016: 29.22%)	(10,414)	(59)
Adjustment on prior year taxation	(210)	(416)
<i>Non deductible expenses for tax purpose:</i>		
Capital gain	10,015	-
Other	(168)	-
Effect of higher tax rates in the United States	(339)	(176)
<b>At the effective income tax rate of 3% (2016: 27%)</b>	<b>(1,116)</b>	<b>(651)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated statement of financial position		Consolidated Statement of profit or loss	
	2017	2016	2017	2016
<b>Deferred tax</b>				
(€ thousand)				
Accelerated depreciation for tax purposes	-	(13)	-	2
Revaluation of cash flow hedges	(155)	(682)	-	-
Deferred tax asset on tax losses	376	1,072	(270)	982
Revaluation of other derivatives	90	978	-	(360)
Other temporary differences*	-	2,356	(830)	(501)
<b>Deferred tax</b>	<b>311</b>	<b>3,711</b>	<b>1,100</b>	<b>123</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>2017</b>	<b>2016</b>		
(€ thousand)				
Reflected in the statement of financial position as follows:				
Deferred tax assets	311	3,724		
Deferred tax liabilities	-	(13)		
<b>Deferred tax assets, net</b>	<b>311</b>	<b>3,711</b>		
<b>Reconciliation of deferred tax assets, net</b>			<b>2017</b>	<b>2016</b>
(€ thousand)				
<b>As of 1 January</b>			<b>3711</b>	<b>(51)</b>
Tax income/(expense) during the period recognised in profit or loss			(1,100)	123
Tax income/(expense) during the period recognised in OCI			1,265	590
Other temporary differences*			-	2,746
Revaluation of other derivatives			-	178
Discontinued operation			(3,565)	-
Foreign exchange on deferred tax asset/ liabilities			-	125
<b>As at 31 December</b>			<b>311</b>	<b>3,711</b>

\* The amount corresponds to the tax credit that FCFNA claimed in 2016 in relation to withholding tax expenses, as foreseen by the applicable US tax laws. The tax credit will be used in the future fiscal years and may be carried forward during a period of 10 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. Deferred tax on Other Comprehensive Income

In 2017, tax effect on Other Comprehensive Income is related to income recognized in the cash flow hedge reserve and transfer from cash flow hedge reserve amounted to **EUR (3.4) million** and **EUR (5.2) million** as at December 31, 2016, and it contains the movement on cash flow hedge reserve for Fiat Chrysler Finance Europe on 2017 and its subsidiaries on 2016.

(€ thousand)	2017	2016
Net Gain/(Losses) on cash flow hedge (gross effect)	(58,687)	(8,818)
Net Gain/(Losses) on cash flow hedge (tax effect)	15,264	2,661
<b>Total net gain/(losses) on cash flow hedge (net effect)</b>	<b>(43,423)</b>	<b>(6,157)</b>
Movement on cash flow hedge reserve (gross effect)	54,039	1,279
Movement on cash flow hedge reserve (Tax effect)	(13,999)	(346)
<b>Total Movement on cash flow hedge reserve (net effect)</b>	<b>40,040</b>	<b>933</b>
<b>Effect of discontinued operation</b>		
<b>Change on Cash flow hedge reserve at December 31, 2016:</b>	<b>(3,383)</b>	<b>(5,224)</b>

## 11. Non-current loans

(€ thousand)	2017	2016
<b>Non-Current loans:</b>		
Loans	29,756	220,847
<b>Total</b>	<b>29,756</b>	<b>220,847</b>

The non-current loan is owed by affiliated companies due and payable after more than 1 year.

## 12. ESCROW ACCOUNT

On 21 October 2015, the European Commission issued a decision addressed to the Grand Duchy of Luxembourg ("Luxembourg") in case SA.38375 (2014/C ex 2014 NN) stating that the tax ruling issued on 3 September 2012 in favour of FCFE constitutes state aid which is incompatible with the internal market being in breach of Article 108(3) of the TFEU.

Fiat Chrysler Finance Europe and Luxembourg brought an action seeking the annulment of the Contested Decision. This action is being heard by the Court under case number T-755/. Waiting for the outcome of the appeal in order to fulfil Luxembourg's recovery obligation under Article 2(1) of the Contested Decision FCFE paid into an escrow account the amount of the alleged state aid that has been evaluated as follows:

2012	EUR 11,588,861
2013	EUR 11,538,263
2014	EUR 11,482,716
2015	EUR 11,465,243
<b>TOTAL</b>	<b>EUR 46,075,083</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The amount related to 2015 has been reclassified as of 31 December and has been paid on Escrow account on 26 January 2018.

The fiduciary assets will be retained until the General Court or the Court of Justice renders the final judgment.

### 13. Current loans

At December 31, 2016, this item consisted of amounts receivable from Fiat Chrysler Group companies, broken down as follows:

(€ thousand)	2017	2016
<b>Current loans:</b>		
Current accounts	8,126,882	8,524,745
Loans	244,492	274,388
<b>Total</b>	<b>8,371,374</b>	<b>8,799,133</b>

### 14. Derivative financial instruments

(€ thousand)	2017	2016
<b>Derivative financial instruments:</b>		
Back to back derivatives		
with Fiat Chrysler Group counterparties	491	54,039
with external counterparties	36,162	34,961
Hedging derivatives		
with Fiat Chrysler Group counterparties	-	-
with external counterparties	8,651	116,570
Fees receivable on guarantees and lines of credit	-	-
<b>Total</b>	<b>45,304</b>	<b>205,570</b>

These derivatives are essentially forward transactions and swaps on currencies, interest rates, and cross currency swaps.

As of 31 December 2017, the reporting did not present derivative financial instruments designated as fair value hedge.

The aggregate fair value of the derivative financial instruments designated as cash flow hedge at the end of the reporting period was an asset of EUR 8.6 million (2016: asset of EUR 86.1 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. Cash and cash equivalents

(€ thousand)	2017	2016
<b>Current account</b>	315,236	488,313
<b>Deposits</b>	-	600,001
<b>Liquidity fund</b>	64,255	1,200,101
<b>Total</b>	<b>379,491</b>	<b>2,288,415</b>

This item relates to Cash and cash equivalents held by the Company with major international banks.

Liquidity Funds used by the Company and its subsidiaries are money market instruments rated AAAM by S&P and/or Aaa by Moody's. The product offers same value day liquidity and an attractive yield compared with time deposits.

## 16. Equity

### Share capital

(€ thousand)	2017	2016
13,416 shares with no nominal value	86,494	251,494

### Subscribed capital

As at 31 December 2016 the share capital of the Company amounted to EUR 251,494,000 and was represented by 13,416 shares with no nominal value.

During the Extraordinary Shareholder Meeting held on November 17, 2017 the Company decided to:

- reduce the share capital of EUR 165,000,000;
- allocate the share capital reduction to the Distributable Reserves.

As at 31 December 2017 the subscribed and fully paid up capital amounting to EUR 86,494,000 is represented by 13,416 shares with no nominal value.

### Capital Management

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.

### Legal reserve

Under Luxembourg Law the Company must appropriate to a legal reserve a minimum of 5% of the annual net profit until such reserve is equal to 10% of the issued share capital. The legal reserve is not available for distribution. Thereafter the capital reduction described above, the legal reserve exceeded the amount required by law of EUR 4,794,432. During the Extraordinary Shareholder Meeting held on November 17 the shareholder decided to decrease the legal reserve and allocate the excess amount to Distributable Reserves. As at 31 December 2017 the legal reserve amounts to EUR 8,649,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Other reserves

In accordance with the provisions of the Luxembourg tax law, the Company opted for the reduction of the net worth tax by posting an amount equivalent to five times the net worth tax due to "Other Reserves". This reserve is to be maintained for a period of five years following the year in which the net worth tax was reduced.

## Distributable Reserves

During the Extraordinary Shareholder Meeting held on November 17, 2017, the shareholders resolved to constitute the reserve to allocate the amounts from the share capital and legal reserve decrease.

## Interim dividend

The Board of Directors held on December 22, 2017 resolved to distribute to the shareholder EUR 201,000,000 as Interim Dividend according to the available distributable reserve, the profit brought forward and the profit for the period.

## Dividend policy

Dividends payable are recognized as changes in equity for the period in which they are approved by shareholders.

## Cash flow hedge reserve

As of December 31, 2017 and 2016, a cash flow hedge reserve of € 0.4 million and € 3.8 million (net of tax) was recorded to be released upon the maturing interest portions of the notes payable.

As at December 2016 the variance on the amount of cash flow reserve of the group is € (3.4).

## Translation reserve

The net investments in overseas subsidiary undertakings are translated from their functional currency into Euro at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to the translation reserve. As of 31 December 2017, as consequence of the disposal of "North America segment" no translation reserve outstanding.

## 17. Non-Current Borrowings

(€ thousand)	2017	2016
<b>Non-current borrowings</b>		
<b>from third parties*</b>	<b>3,820,639</b>	<b>5,689,796</b>
<b>Total</b>	<b>3,820,639</b>	<b>5,689,796</b>

\*issued bonds outstanding as at December 31, 2017 are as follows:

- (1) Bond for which a listing at Dublin or Swiss Stock Exchange was obtained,
- (2) European Inflation Linked Notes (Harmonized Index for Computer Prices – HICP)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Currency	Face value of outstanding bonds	Maturity	Face value of outstanding amount
		(in million)		(€ million)
<b>Global Medium Term Notes:</b>				
Fiat Chrysler Finance Europe S,A, (1)	EUR	600	9 July 2018	600
Fiat Chrysler Finance Europe S,A, (1),,	EUR	1250	15 March 2018	1250
Fiat Chrysler Finance Europe S,A, (1),	EUR	1250	14 October 2019	1250
Fiat Chrysler Finance Europe S,A, (1),,	CHF	250	30 September 2019	214
Fiat Chrysler Finance Europe S,A, (1),,	EUR	1000	22 March 2021	1000
Fiat Chrysler Finance Europe S,A, (2),,	EUR	7	16 February 2021	7
Fiat Chrysler Finance Europe S,A, (1),,	EUR	1350	15 July 2022	1350
<b>Total Bonds*,,</b>				<b>5671</b>

\*for the total bonds please refer to note 17 and 18 current and non-current loans

Changes in bonds during 2017 are due to the repayment on maturity of follow bonds:

- 23 March 2017 for a nominal value of € 850 million issued by Fiat Chrysler Finance Europe S,A, in 2012;
- 12 June 2017 for a nominal value of € 1,000 million issued by Fiat Chrysler Finance North America Inc. in 2012;
- 22 November 2017 for a nominal value of CHF 450 million issued by Fiat Chrysler Finance Europe S.A. in 2013;

All bonds and notes have been issued under a Global Medium Term Note Programme (GMTN) which increased from EUR 3 billion to EUR 6 billion on 21 February 2000, to EUR 10 billion on 27 July 2000, to EUR 15 billion on 18 May 2001 and to EUR 20 billion on 19 December 2014. At December 31, 2017 €5.7 billion have been issued (€ 8.0 billion at December 31, 2016). Global Medium Term Note Programme was updated and converted into Euro Medium Term Note Programme on March 31st 2017. The Program is guaranteed by Fiat Chrysler Automobiles N.V.. The issuers taking part in the program include, amongst others, Fiat Chrysler Finance Europe S.A. for an amount outstanding of € 7.0 billion and Fiat Chrysler Finance North America Inc. with a bond having a nominal value of € 1 billion.

The Group intends to repay the bonds issued in cash at maturity by utilizing available liquid resources. In addition, the companies in the Fiat Chrysler Group may from time to time buy back bonds on the market that have been issued by the Group, also for purposes of their cancellation. Such buybacks, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The prospectuses and offering circulars, or their extracts relating to the principal bond issues are available on the Group's website at [www.fcagroup.com](http://www.fcagroup.com) under "Investors". These documents are unaudited. The bonds 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 Fiat Chrysler Automobiles N.V. as guarantor, which is standard international practice for similar bonds issued by companies in the same industry sector as the Group. Such covenants include: (i) negative pledge clauses which require that bonds benefit from any existing or future pledges of assets of the issuer and/or Fiat Chrysler Automobiles N.V. granted in connection with other bonds or debt securities having the same ranking; (ii) pari passu clauses, under which no obligations ranking senior to the bonds in question may be assumed; (iii) periodic disclosure obligations; (iv) for bond issued under the Global Medium Term Notes programme, cross-default clauses which require immediate repayment of the bonds under certain events of default on other financial instruments issued by the Group's main entities; and, (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants can lead to the early repayment of the notes. In addition, the agreements for the bonds guaranteed by Fiat Chrysler Automobiles N.V. contain clauses which could lead to a requirement to make early repayment if there is a change of the controlling shareholder of Fiat Chrysler Automobiles N.V. which leads to a resulting downgrading by the ratings agencies.

### 18. Current borrowings

Borrowings consist of amounts payable to Fiat Chrysler Group companies and credit institutions, as follows:

(€ thousand)	2017	2016
<b>Borrowings</b>		
<b>Current accounts :</b>		
held by Fiat Chrysler Group companies	836,630	1,273,474
held by third parties	-	83
<b>Loans:</b>		
from Fiat Chrysler Group companies	2,104,179	1,516,293
from third parties*	2,017,642	2,532,523
<b>Total</b>	<b>4,958,451</b>	<b>5,322,373</b>

(\*) Including outstanding bonds with maturity within one year. Nominal values are indicated in the table in the previous page.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. Derivative financial instruments

(€ thousand)	2017	2016
<b>Derivative financial instruments:</b>		
Back to back derivatives		
with Fiat Chrysler Group counterparties	15,151	5,704
with external counterparties	12,584	106,648
<b>Hedging derivatives:</b>		
with external counterparties	40	115,159
<b>Total</b>	<b>27,775</b>	<b>227,511</b>

This item includes financial derivatives, having a negative fair value, used by the Company to hedge its own fixed-rate and foreign currency positions and trading derivatives. These derivatives are essentially forward transactions and swaps on currencies, interest rates, and cross currency swaps.

Cash flows are expected to occur between June 2007 and September 2019 and will be recognised through profit or loss at that time.

The valuation techniques applied to fair value the derivatives include the swap models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.

## 20. Guarantees, commitments and contingencies

As of December 31, 2017, Fiat Chrysler Finance Europe S.A. has issued guarantees in favor of Fiat Chrysler Group Companies for a total amount of 1.3 EUR million (3.4 EUR million at December 31, 2016).

On June 11, 2014 the European Commission announced the opening of an investigation against the Grand Duchy of Luxembourg into the five years tax ruling issued by the Luxembourg Tax Authorities in 2012, regarding the calculation of the taxable basis of the financing activities carried out by Fiat Chrysler Finance Europe S.A. for the benefit of the FCA Group's European operations, on the ground that such ruling could yield a tax treatment for company's income in alleged violation of EU state aid rules.

On October 21, 2015 the European Commission issued a decision finding that the tax ruling granted by Luxembourg represented a state aid to Fiat Chrysler Finance Europe S.A.

On December 29, 2015 Fiat Chrysler Finance Europe S.A. appealed against the decision with the General Court of the European Union. Luxembourg state has also filed an appeal against the decision with the General Court of the European Union.

Waiting for the outcome of the appeal in order to fulfil Luxembourg's recovery obligation under Article 2(1) of the Contested Decision, FCFE paid into an escrow account the amount of the alleged state aid (NOTE 12).

Fiat Chrysler Finance Europe S.A. believes its and Luxembourg's appeals raise very strong arguments against the EC's position, that the tax ruling is consistent with OECD principles and that no provision is necessary at this stage.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. Information on risks and hedging policies

### Estimated Fair Value of Financial Instruments

The following methods and significant assumptions were used to determine the fair value of financial instruments:

- cash and cash equivalents: the carrying amount is assumed to approximate fair value;
- current loans: the carrying amount is assumed to approximate fair value;
- other current assets: the carrying amount is assumed to approximate fair value;
- non-current loans: the fair value is determined with reference to market rates, when available, or by discounting future cash flows at the market rates at the reporting date adjusted as necessary;
- current borrowings: the fair value is obtained using market rates at the reporting date; the fair value of current borrowings is determined with reference to market rates, when available, or by discounting future cash flows at the market rates at the reporting date, adjusted as necessary;
- other current liabilities: the carrying amount is assumed to approximate fair value;
- non-current borrowings: the fair value is determined, in the absence of quotations on an active market, by referring to a security with analogous financial characteristics or, in their absence, by discounting cash flows, considering any factors that can influence the value of the security in question (e.g., credit rating);
- financial derivatives are measured at fair value and recognized either in other financial assets and liabilities depending on the rights and obligations under the contract, the determination of fair value applies the value of market variables at the reporting date and uses valuation models that are widely used in the financial sector. In particular:
  - the fair value of forwards and currency swaps is computed on the basis of the exchange rate and interest rates in the two currencies at the reporting date;
  - the fair value of interest rate swaps, cross currency swaps and forward rate agreements is determined by using discounted cash flow method.

The below fair value have been determined by reference to available market information and the above indicated methodologies:

<b>December 31, 2017</b> (€ thousand)	Nominal value	Carrying Value	Fair Value	Difference
<b>ASSETS</b>				
Cash and cash equivalents	379,491	379,491	379,491	-
Current and non-current loans (loans and receivables)	8,387,921	8,401,130	8,404,336	3,206
	<b>8,767,412</b>	<b>8,780,621</b>	<b>8,783,827</b>	<b>3,206</b>
<b>LIABILITIES</b>				
Current and non-current borrowings (other financial liabilities)	8,608,612	8,779,090	9,279,466	500,375
	<b>8,608,612</b>	<b>8,779,090</b>	<b>9,279,466</b>	<b>500,375</b>
<b>DERIVATIVES</b>				
Forward currency contracts (FVTPL)	3,705,987	6,262	6,262	-
Interest rate swaps (FVTPL)	764,000	2,656	2,656	-
Cross currency swaps (CFH)	213,401	8,611	8,611	-
	<b>4,683,388</b>	<b>17,529</b>	<b>17,529</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>December 31, 2016</b> (€ thousand)	<b>Nominal value</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Difference</b>
<b>ASSETS</b>				
Cash and cash equivalents	2,288,415	2,288,415	2,288,415	-
Current and non-current loans (loans and receivables)	9,002,290	9,019,980	9,042,976	22,996
	<b>11,290,705</b>	<b>11,308,395</b>	<b>11,331,391</b>	<b>22,996</b>
<b>LIABILITIES</b>				
Current and non-current borrowings (other financial liabilities)	10,746,861	11,012,170	11,673,648	661,478
	<b>10,746,861</b>	<b>11,012,170</b>	<b>11,673,648</b>	<b>661,478</b>
<b>DERIVATIVES</b>				
Forward currency contracts (FVTPL)	6,503,624	(28,750)	(28,750)	-
Interest rate swaps (FVTPL)	764,000	5,306	5,306	-
Interest rate swap (FVH)	650,000	29,969	29,969	-
Cross currency swaps (CFH)	651,592	86,155	86,155	-
Cross currency swaps (FVH)	429,793	(114,621)	(114,621)	-
	<b>8,999,009</b>	<b>(21,941)</b>	<b>(21,941)</b>	<b>-</b>

For fair value hedges, the gains and losses arising from the valuation of interest rate and cross currency swaps and interest rate swaps to be recognized in accordance with fair value hedge accounting and the gains and losses arising from the respective hedged items are set out in the following table:

<b>December 31, 2017</b> (€ thousand)	<b>2017</b>	<b>2016</b>
<b>Currency risk</b>		
Net losses on qualifying hedges	-	(14,108)
Fair value changes in hedges items (notes payable)	-	14,108
<b>Net gains (losses)</b>	<b>-</b>	<b>-</b>
	<b>2017</b>	<b>2016</b>
<b>Interest rate risk</b>		
Net losses on qualifying hedges	-	(30,136)
Fair value changes in hedges items	-	29,966
<b>Net gains (losses)</b>	<b>-</b>	<b>(170)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Credit risk

### General aspects and credit risk management policies

The Company's exposure to credit risk is relatively limited, due to the fact that the Group provides only cash management and treasury services. Credit risk is mitigated by the following factors:

- counterparties for financial receivables are principally companies within the Fiat Chrysler Group;
- investment of excess liquidity follows specific Fiat Chrysler Group policies that set out criteria for the selection of bank and financial counterparties, as well as the liquidity profile of investments.

Similar criteria are applied to the selection of bank and financial counterparties for derivative activities.

### Credit risk concentration

#### Counterparty Concentration by geographic location

(€ thousand)				2017
	Europe	America	Other	Total
Cash and cash equivalents	379,490	-	-	379,490
Current loans and non-current loan	8,401,130	-	-	8,401,130
Other financial assets	45,304	-	-	45,304
Other current and non current assets	116,704	-	-	116,704
<b>Total assets</b>	<b>8,942,629</b>	<b>-</b>	<b>-</b>	<b>8,942,629</b>

(€ thousand)				2016
	Europe	America	Other	Total
Cash and cash equivalents	2,077,184	211,231	-	2,288,415
Current loans and non-current loan	7,342,573	1,502,871	174,536	9,019,980
Other financial assets	198,348	7,222	-	205,570
Other current and non current assets	73,519	20	8	73,547
<b>Total assets</b>	<b>9,691,624</b>	<b>1,721,344</b>	<b>174,544</b>	<b>11,587,512</b>

## Market risks

Market risks for the Company are: Interest rate and currency risk.

### Qualitative information

#### General aspects and interest rate and currency risk management policies

Currency risk is generated when the composition of the Company's assets and liabilities results in net positions in currencies other than the functional currency.

Under Fiat Chrysler Group policy, the Company may not take positions in currencies other than the functional currency. If activities in support of Fiat Chrysler Group companies require that the Company takes a position in a foreign currency, that position must be hedged.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest rate risk results from changes in interest rates that can have an adverse impact on the Company's operating performance, cash flows or financial position.

The Company regularly assesses its exposure to changes in currency and interest rates and uses derivative financial instruments as one method of hedging those risks, as established by its risk management policies.

Under those policies, the use of derivatives is limited to management's exposure to changes in currency and interest rates connected with cash flows and assets and liabilities, Speculative transactions are prohibited.

The Group uses derivatives designated as fair value and cash flow hedges, principally to manage interest rate risk on loans, borrowings and issued bonds. The principal instruments used include currency swaps, forward contracts and interest rate swaps. For cash flow hedges, in which derivatives hedge the variability of cash flows related to floating-rate assets, liabilities, or forecasted transactions, the accounting treatment will depend on the effectiveness of the hedge.

To the extent these derivatives are effective in offsetting the variability of the hedged cash flow, changes in the derivatives' fair value will not be included in current earnings but will be reported as cash flow hedge reserve (net of tax) in the Statement of Comprehensive income. These changes in fair value will be included in earnings of future periods when earnings are also affected by the variability of the hedged cash flows. On these cash flow hedges, Fiat Chrysler Finance North America Inc, and Fiat Chrysler Finance Europe S,A, currently hedge bonds denominated in foreign currencies. These hedges have been deemed highly effective. Counterparties to these derivatives are major and diverse financial institutions.

### Sensitivity Analysis

The quantitative data presented below are not forecasts. The sensitivity analysis of market risk, in particular, cannot reflect the complexity or reaction of markets that could result from the various scenarios assumed.

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, interest rate and currency swaps) at December 31, 2017 resulting from a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates of the leading foreign currencies with the Euro would have been approximately € 141 million (€308 million in 2016). The biggest part refers to the derivatives that are hedging the Swiss Franc Bonds issued by Fiat Chrysler Finance Europe S.A. Financial receivables and payables 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. The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivatives) held at December 31, 2017, resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately € 1.5 million (€ 0.5 million in 2016) the impact refers to issue bonds at fixed rate.

A hypothetical, adverse and sudden change of 10% in short-term interest rates applicable to variable-rate financial assets and liabilities and interest-rate derivatives at December 31, 2017 would have reduced pre-tax profit for 2017 by € 2.3 million (€ 3.1 million in 2016).

This analysis assumes a general, sudden change of 10% in benchmark interest rates applied to similar classes of assets and liabilities, denominated in the same currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Operating risks

The operating risks to which the Company is exposed are directly correlated to its activities of providing treasury services, optimization of funding and investment, and hedging financial risks for the Fiat Chrysler Group.

Activities with the highest degree of risk (management of currency and interest rate risk, investments and liquidity) are subject to policies issued at Fiat Chrysler Group level, while more specific operational aspects are governed by procedures and controls to ensure conformity with required standards of conduct.

Additionally, during 2017 as in previous year, no problematic issues emerged in relation to those operating processes.

## Liquidity risks

### Qualitative information

The Company's liquidity risk is related to the potential difficulty which might be encountered in obtaining adequate amounts of financing, on a timely basis to fund Fiat Chrysler Group's operations or meet its own repayment obligations, in addition to risks and uncertainties, discussed in the report on operations, related to Fiat Chrysler Group's operating and financial performance.

### Quantitative information

#### Distribution by remaining term to maturity of financial liabilities

Quantitative Information as at 31 December 2017 (€ thousand)	Within 1 Year	From 1 to 5 Years	From 5 to 10 Years
Bonds	1,850,000	3,820,638	-
Interests on bonds	332,525	381,532	-
Borrowings	2,938	-	-
Interests payable	9	-	-
<b>Total</b>	<b>2,185,472</b>	<b>4,202,170</b>	<b>-</b>

Quantitative Information as at 31 December 2016 (€ thousand)	Within 1 Year	From 1 to 5 Years	From 5 to 10 Years
Bonds	2,269,033	4,339,796	1,350,000
Interests on bonds	463,139	646,108	64,125
Borrowings	2,788,177	-	-
Interests payable	6,309	-	-
<b>Total</b>	<b>5,526,658</b>	<b>4,985,904</b>	<b>1,414,125</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

**December 31 , 2017**

(€ thousand)	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Loans receivable	-	8,401,130	-	8,401,130
Foreign exchange forward contracts	-	24,882	-	24,882
Embedded derivatives	-	1,234	-	1,234
Interest rate swaps	-	10,537	-	10,537
Cross currency swaps	-	8,651	-	8,651
<b>Liabilities measured at fair value</b>				
Loans payable	5,670,639	3,108,721	-	8,779,360
Foreign exchange forward contracts	-	18,619	-	18,619
Embedded derivatives	-	1,234	-	1,234
Interest rate swaps	-	7,881	-	7,881
Cross currency swaps	-	40	-	40

**December 31 , 2016**

(€ thousand)	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Loans receivable	-	8,799,132	-	8,799,132
Foreign exchange forward contracts	-	65,949	-	65,949
Embedded derivatives	-	1,206	-	1,206
Interest rate swaps	-	51,814	-	51,814
Cross currency swaps	-	86,601	-	86,601
<b>Liabilities measured at fair value</b>				
Loans payable	7,958,828	3,053,341	-	11,012,169
Foreign exchange forward contracts	-	94,698	-	94,698
Embedded derivatives	-	1,450	-	1,450
Interest rate swaps	-	16,295	-	16,295
Cross currency swaps	-	115,068	-	115,068
	-	8,799,132	-	8,799,132

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. Related-party transactions

Intercompany and related-party transactions consist of transactions with direct and indirect subsidiaries of Fiat Chrysler Automobiles N.V. Those transactions, which were included in the statements of income and financial position for 2017 and 2016, are summarized in the following tables:

(€ thousand)	Fiat Chrysler Automobiles N.V.	Subsidiaries of Fiat Chrysler Automobiles N.V.	Other related parties to Fiat Chrysler Automobiles N.V.	Third parties	2017
<b>Continuing operations</b>					
Operating revenues	-	63	85	-	148
Personnel costs	-	-	-	(910)	(910)
Other operating costs	-	(137)	-	(2,272)	(2,409)
Financial income/(expense)	194,868	107,168	-	(298,023)	4,013
<b>Discontinued operations</b>					
Profit for discontinued operations	36,983	-	-	-	36,983
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>231,851</b>	<b>107,094</b>	<b>85</b>	<b>(301,205)</b>	<b>37,825</b>

(€ thousand)	Fiat Chrysler Automobiles N.V.	Subsidiaries of Fiat Chrysler Automobiles N.V.	Other related parties to Fiat Chrysler Automobiles N.V.	Third parties	2016
<b>Continuing operation</b>					
Operating revenues	-	61	89	-	150
Personnel costs	-	-	-	(891)	(891)
Other operating costs	-	(99)	(3)	(3,663)	(3,765)
Financial income/(expense)	294,676	360,866	-	(654,012)	1,531
<b>Discounted operation</b>					
Profit for discontinued operation	-	-	-	-	-
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>294,676</b>	<b>360,828</b>	<b>86</b>	<b>(658,566)</b>	<b>(2,975)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(€ thousand)	Fiat Chrysler Automobiles N.V.	Subsidiaries of Fiat Chrysler Automobiles N.V.	Other related parties to Fiat Chrysler Automobiles N.V.	Third parties	2017
<b>CURRENT ASSETS</b>					
Current loans	5,980,728	2,420,402	-	-	<b>8,401,130</b>
Derivatives Financial Instruments	379	112	-	44,813	<b>45,304</b>
Other current assets	-	31	-	70,599	<b>70,630</b>
Current taxes receivable	-	-	-	1,990	<b>1,990</b>
Cash and cash equivalents	-	-	-	425,567	<b>425,567</b>
<b>Total current assets</b>	<b>5,981,107</b>	<b>2,420,545</b>	<b>-</b>	<b>542,969</b>	<b>8,944,621</b>
<b>NON-CURRENT ASSETS</b>					
Non current Loan	-	29,756	-	-	<b>29,756</b>
Tangible assets	-	-	-	6	<b>6</b>
Intangible assets	-	-	-	97	<b>97</b>
Deferred tax asset	-	-	-	311	<b>311</b>
Escrow account	-	-	-	46,075	<b>46,075</b>
<b>Total non-current assets</b>	<b>-</b>	<b>29,756</b>	<b>-</b>	<b>46,489</b>	<b>76,245</b>
<b>CURRENT LIABILITIES</b>					
Borrowings	201,000	2,739,809	-	2,017,642	<b>4,958,451</b>
Derivatives financial instruments	15,075	76	-	12,624	<b>27,775</b>
Trade and other payables	1,953	15	-	15,404	<b>17,372</b>
<b>Total current liabilities</b>	<b>218,028</b>	<b>2,739,900</b>	<b>-</b>	<b>2,045,670</b>	<b>5,003,598</b>
<b>NON-CURRENT LIABILITIES</b>					
Non-current borrowings	-	-	-	5,689,796	<b>5,689,796</b>
Deferred tax liabilities	-	-	-	-	<b>-</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,689,796</b>	<b>5,689,796</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(€ thousand)	Fiat Chrysler Automobiles N.V.	Subsidiaries of Fiat Chrysler Automobiles N.V.	Other related parties to Fiat Chrysler Automobiles N.V.	Third parties	2016
<b>CURRENT ASSETS</b>					
Current loans	5,710,676	3,088,457	-	-	8,799,133
Derivatives Financial Instruments	46,714	7,325	-	151,531	205,570
Other current assets	-	63	-	38,874	38,937
Current taxes receivable	-	-	-	1,440	1,440
Cash and cash equivalents	-	-	-	2,288,415	2,288,415
<b>Total current assets</b>	<b>5,757,390</b>	<b>3,095,845</b>	<b>-</b>	<b>2,480,260</b>	<b>11,333,495</b>
<b>NON-CURRENT ASSETS</b>					
Non current Loan	220,847	-	-	-	220,847
Tangible assets	-	-	-	4	4
Intangible assets	-	-	-	162	162
Deferred tax asset	-	-	-	3,711	3,711
Escrow account	-	-	-	34,610	34,610
<b>Total non-current assets</b>	<b>220,847</b>	<b>-</b>	<b>-</b>	<b>38,487</b>	<b>259,334</b>
<b>CURRENT LIABILITIES</b>					
Borrowings	500,000	2,289,767	-	2,532,606	5,322,373
Derivatives financial instruments	4,898	807	-	221,807	227,512
Trade and other payables	3,072	100	-	3,504	6,676
<b>Total current liabilities</b>	<b>507,970</b>	<b>2,290,674</b>	<b>-</b>	<b>2,757,917</b>	<b>5,556,561</b>
<b>NON-CURRENT LIABILITIES</b>					
Non-current borrowings	-	-	-	5,689,796	5,689,796
Deferred tax liabilities	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,689,796</b>	<b>5,689,796</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SUBSEQUENT EVENTS

On February 5<sup>th</sup>, 2018 S&P Global Ratings has increased the corporate family rating from "BB" to "BB+" . .

Luxembourg, 22 February 2018

On behalf of the Board of Directors

A handwritten signature in blue ink, appearing to be 'J. L. ...', is written over the text 'On behalf of the Board of Directors'.

CHAIRMAN OF THE BOARD

## Independent auditor's report

To the Shareholders of  
Fiat Chrysler Finance Europe S.A.  
24, Boulevard Royal  
L-2449 Luxembourg

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Fiat Chrysler Finance Europe S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment assessment of Non-Current Loans and Current Loans as presented in Note 11 and Note 13 of the accompanying consolidated financial statements**

#### **Matter**

As of 31 December 2017, Non-Current Loans and Current Loans amounted to EUR 8,401,130,223 which represents 94% of Company's total assets. As detailed in Note 11 and Note 13 of the consolidated financial statements, Non-Current Loans and Current Loans are valued at amortised cost using the effective interest rate (EIR) method, less impairment. A solvency analysis is performed at year end by the Management in order to assess whether an impairment exists on Non-Current Loans and Current Loans.

Given the significance of Non-Current Loans and Current Loans and the important judgment involved regarding the assessment of the collectability of these receivables, the impairment assessment of Non-Current Loans and Current Loans is a key audit matter.

#### **Response**

We have performed the following audit procedures over the impairment assessment of Non-Current Loans and Current Loans:

- We inspected the solvency analysis prepared by the Management
- We analysed the methods and assumptions retained by Management in the solvency analysis
- We compared the nominal value of Non-Current Loans and Current Loans reported in the consolidated financial statements to the intercompany reconciliation performed by the Company
- We assessed the adequacy of the Company's disclosures in respect of the accounting policies on Non-Current Loans and Current Loans as disclosed in Note 11 and Note 13 of the consolidated financial statements.

#### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and of those charged with governance for the consolidated financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the “réviseur d'entreprises agréé” for the audit of the consolidated financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

### **Report on other legal and regulatory requirements**

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 23 February 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.



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The corporate governance statement, included in the consolidated management report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

#### **Other matter**

The corporate governance statement includes, when applicable, the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

  
Werner Weynand

Luxembourg, 22 February 2018

