Financial Statements

Fiat Chrysler Finance North America, Inc.

(A Subsidiary of FCA North America Holdings LLC)

Years Ended December 31, 2017 and 2016

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Financial Statements

Years Ended December 31, 2017 and 2016

Contents

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Report of Independent Auditors

The Board of Directors
Fiat Chrysler Finance North America, Inc.

We have audited the accompanying financial statements of Fiat Chrysler Finance North America, Inc. (a wholly owned subsidiary of FCA North America Holdings LLC whose ultimate parent is Fiat Chrysler Automobiles N.V.) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Building a better working world

Opinion

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

Ernst & Young LLP

March 22, 2018

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Statements of Financial Position

(U.S. Dollars in Thousands, Except Share Information)

		December 31,	
	Notes	2017	2016
Current assets			
Cash and cash equivalents	3	**$ 202,115**	$ 202,577
Amounts due from affiliated companies	12	**1,136,600**	1,768,178
Financial derivatives - at fair value	4	**34,229**	40,363
Prepaid expenses and other assets		**167**	168
Total current assets		**1,373,111**	2,011,286
Non-current assets			
Deferred tax assets	10	**5,362**	3,757
Total assets		**$ 1,378,473**	$ 2,015,043
Liabilities and equity			
Liabilities:			
Amounts due to affiliated companies	12	**$ 1,139,391**	$ 522,720
Notes payable	6	**-**	1,108,372
Financial derivatives - at fair value	4	**14,296**	164,660
Accrued expenses and other liabilities		**1,287**	145
Total liabilities		**1,154,974**	1,795,897
Equity:			
Additional paid in capital	11	**190,090**	190,090
Retained earnings		**33,409**	30,119
Cash flow hedge reserve		**-**	(1,063)
Total equity		**223,499**	219,146
Total liabilities and equity		**$ 1,378,473**	$ 2,015,043

See accompanying notes to financial statements

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Statements of Income
(U.S. Dollars in Thousands)

	Notes	Years Ended December 31, 2017		2016	
Revenues:					
Interest income	13	**$**	**65,868**	$	85,497
Other income			**2**		33
Total revenues			**65,870**		85,530
Expenses:					
Interest expense	13		**47,602**		73,724
General and administrative expenses			**46**		1,294
Other financial expenses	14		**771**		1,331
Net result on hedging and trading activities	4		**12,897**		5,655
Loss on disposal of property, plant and equipment			**-**		39
Total expenses			**61,316**		82,043
Income before income taxes			**4,554**		3,487
Income tax expense	10		**1,264**		1,404
Net income		**$**	**3,290**	$	2,083

See accompanying notes to financial statements

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Statements of Comprehensive Income

(U.S. Dollars in Thousands)

	Notes	Years Ended December 31, 2017	2016
Net income		**$ 3,290**	$ 2,083
Other comprehensive income:			
Gross amount reclassified to the income statement	4	**1,289**	3,496
Gross amount reclassified to the cash flow hedge reserve	4	**552**	458
Tax impact of the amounts reclassified to the income statement		**(545)**	(1,477)
Tax impact of the amounts reclassified to the cash flow hedge reserve		**(233)**	(431)
Net change on cash flow hedge reserve		**1,063**	2,046
Total comprehensive income		**$ 4,353**	$ 4,129

See accompanying notes to financial statements

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Statements of Changes in Equity

(U.S. Dollars in Thousands, Except Share Information)

	Capital Stock		Additional	Retained	Cash Flow Hedge Reserve	Total
	Shares	**Amount**	**Paid in Capital**	**Earnings**	**(Note 4)**	**Equity**
Balance - December 31, 2015	380	-	190,090	28,036	(3,109)	215,017
Gains recognized in the cash flow hedge reserve (net of tax)	-	-	-	-	27	27
Recognized portion of cash flow hedge reserve in the income statement (net of tax)	-	-	-	-	2,019	2,019
Net income	-	-	-	2,083	-	2,083
Balance - December 31, 2016	380	$ -	$ 190,090	$ 30,119	$ (1,063)	$ 219,146
Gains recognized in the cash flow hedge reserve (net of tax)	**-**	**-**	**-**	**-**	**319**	**319**
Recognized portion of cash flow hedge reserve in the income statement (net of tax)	**-**	**-**	**-**	**-**	**744**	**744**
Net income	**-**	**-**	**-**	**3,290**	**-**	**3,290**
Balance - December 31, 2017	**380**	**$ -**	**$ 190,090**	**$ 33,409**	**$ -**	**$ 223,499**

See accompanying notes to financial statements

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Statements of Cash Flows
(U.S. Dollars in Thousands)

	Years Ended December 31, 2017	Years Ended December 31, 2016
Operating activities		
Net income	**$ 3,290**	$ 2,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**-**	9
Loss on disposal of property, plant and equipment	**-**	39
Changes in deferred taxes	**(2,383)**	(2,870)
Amortization of debt issuance costs and discounts, fair value adjustments on bond, changes in bond foreign exchange re-measurement and changes in accrued interest on bond	**9,228**	(79,946)
Net change in financial derivatives	**(144,230)**	61,310
Changes in other assets, liabilities and other adjustments	**2,984**	4,019
Changes in amounts owed by affiliated companies	**631,578**	143,739
Changes in amounts owed to affiliated companies	**616,671**	(86,887)
Net cash provided by operating activities	**1,117,138**	41,496
Investing activities		
Proceeds from sale of property, plant and equipment	**-**	2
Net cash provided by investing activities	**-**	2
Financing activities		
Repayment of bond	**(1,117,600)**	-
Net decrease in borrowing from bank	**-**	(45,055)
Net cash used in financing activities	**(1,117,600)**	(45,055)
Net decrease in cash and cash equivalents	**(462)**	(3,557)
Cash and cash equivalents - beginning of the year	**202,577**	206,134
Cash and cash equivalents - end of the year	**$ 202,115**	$ 202,577
Supplemental disclosures of cash flow information		
Interest paid on bond and other loans	$ (77,102)	$ (65,880)
Interest received on loans and bank balances	$ 44,348	$ 61,146
Income taxes paid	$ (389)	$ (897)

See accompanying notes to financial statements

Fiat Chrysler Finance North America, Inc.
(A Subsidiary of FCA North America Holdings LLC)

Notes to Financial Statements

December 31, 2017

1. Business Description and Organization

Fiat Chrysler Finance North America, Inc. (the "Company"), a 100 percent owned subsidiary of FCA North America Holdings LLC ("FCA NAH"), was incorporated on August 5, 1996, and began operations on September 15, 1996. The Company's principal place of business is located at 1000 Chrysler Drive, Auburn Hills, Michigan 48326. The Company performs cash management, investment and corporate finance services and working capital financing for all FCA companies in the North American region. On March 22, 2018, the Board of Directors authorized the issuance of the Company's financial statements.

Effective September 30, 2017 FCA NAH obtained 100 percent ownership of the Company by purchasing all membership interests from Fiat Chrysler Finance Europe, S.A. ("FCFE") for $221.3 million US dollars.

2. Basis of Accounting and Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Company's financial statements consist of the Statements of Financial Position, Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows, with related notes. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates relate mainly to the fair value of financial derivatives and notes payable.

Amounts are expressed in U.S. Dollars ("USD") in thousands, except when otherwise indicated.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

Foreign Currency

The accounting records of the Company are maintained in USD, which represents the main functional currency of the Company; the financial statements are prepared in this currency. Assets and liabilities denominated in currencies other than USD are converted into USD at the exchange rates prevailing at the balance sheet date. Foreign currency exchange gains and losses arising from fluctuations in currency exchange rates on transactions and the effects of remeasurement of monetary balances denominated in currencies other than the functional currency are recorded in earnings as incurred and are included in Net result on hedging and trading activities in the accompanying Statements of Income.

Financial Instruments

For initial recognition of standardized purchases and sales of financial assets (contracts requiring delivery of an asset within a period of time determined by market regulation or convention), the Company uses the settlement date accounting.

The classification of financial instruments at initial recognition depends on the purpose and characteristics of the instruments and management's intention in acquiring them. All financial instruments are measured initially at fair value plus transaction costs.

Amounts owed by affiliated companies where they have a fixed term are measured at amortized cost using the effective interest rate method. Assets that do not have a fixed term are measured at cost. As an exception to the above policy, amortized cost is not used for short term current assets and liabilities (including cash and cash equivalents), given the immateriality of the impact of the effective interest rate method.

Borrowings are initially recognized at fair value adjusted for any income and expense directly attributable to the liability. Fair value of borrowings is equivalent to the carrying value. With the exception of on demand and short-term borrowings, subsequent measurement is at amortized cost using the effective interest rate method.

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

Derivative Financial Instruments

Derivative financial instruments are used for economic hedging purposes in order to reduce currency, interest rate and market price risks (primarily related to securities). In accordance with International Accounting Standards ("IAS") 39, derivative financial instruments are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Furthermore, derivative financial instruments qualify for hedge accounting only when there is formal designation and documentation of the hedging relationship at inception of the hedge, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:
• *Fair value hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the Statements of Income, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the Statements of Income. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the Statements of Income.

• *Cash flow hedges* – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the Statements of Income, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income. The cumulative gain or loss is reclassified from Other comprehensive income to the Statements of Income at the same time as the economic effect arising from the hedged item that affects the Statement of Income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized within the Statements of Income immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in Other comprehensive income and is recognized in the Statements of Income at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in Other comprehensive income is recognized in the Statements of Income immediately.

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

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately within the Statements of Income.

Fair Value Measurements

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

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

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

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

> *Level 1* – Unadjusted quoted prices in the active market for identical assets or liabilities:
>
> *Level 2* – Inputs other than quoted prices, included within Level 1, that are observable for the asset or the liability either directly (i.e., prices) or indirectly (i.e., derived from prices);
>
> *Level 3* – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

Financial Instrument	Fair Value Method
Amounts due from affiliated companies	Carrying value approximates fair value
Amounts due to affiliated companies	Carrying value approximates fair value
Notes payable	Market prices (if available) or discounted cash flow for long term financial instruments.

Financial Instrument	Fair Value Method
Interest rate swaps	Discounted cash flow of expected interest streams.
Cross currency swaps	Discounted cash flow of interest and principal streams.
Forward foreign exchange swaps	Forward exchange rate estimated on the basis of the prevailing exchange rate and interest rates in the two currencies at the balance sheet date.

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

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

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

Income Taxes

The Company follows the provisions of IAS 12 (Revised) – *Income Taxes*, which requires the recognition of deferred tax assets and liabilities attributable to temporary differences as determined using the asset and liability method. Current taxes represent a prudent estimate of tax rate to taxable income, which is pre-tax profit adjusted in accordance with the tax regulations governing the taxability/deductibility of income and expenses. Income taxes are recognized in the Statements of Income, except where they relate to items charged or credited directly to equity or other comprehensive income, in which case the tax effect is also recognized in the Statements of Comprehensive Income.

Recent Accounting Pronouncements

We adopted the following new standards and amendments applicable from January 1, 2017.

- In January 2016, the IASB issued Amendments to IAS 7 – *Statement of Cash Flows* introducing additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosures have been included in Note 15, *Explanatory Notes to the Statements of Cash Flows.*

- In January 2017, the IASB issued Amendments to IAS 12 – *Income Taxes* that clarify how to account for deferred tax assets related to debt instruments measured at fair value. There was no effect to our Financial Statements from the adoption of this amendment.

We adopted the following new standard applicable from January 1, 2018.

- In July 2014, the IASB issued IFRS 9 – *Financial Instruments* ("IFRS 9"). The standard is effective for financial years beginning on January 1, 2018. IFRS 9 introduces improvements in the accounting requirements for classification and measurement of financial assets, for impairment of financial assets and for hedge accounting.

  - Financial assets will be classified and measured on the basis of our business model and characteristics of the financial asset's cash flows. A financial asset is initially measured either at "amortized cost", at "fair value through other comprehensive income" or at "fair value through profit or loss". At the date of initial application of IFRS 9, the measurement of our financial assets under IFRS 9 has not changed compared to IAS 39. The classification of financial liabilities under IFRS 9 is unchanged compared with the current accounting requirements of IAS 39.

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

- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred losses as is the case under IAS 39. The expected credit losses will be recorded either on a 12-month or lifetime basis.

- The new hedge accounting rules will align the accounting for hedge instruments more closely with our risk management practices. Generally, under IFRS 9 more hedge relationships will be eligible for hedge accounting, as the standard introduces a more principles-based approach. We have undertaken an assessment of our IAS 39 hedge relationship against the requirements of IFRS 9 and have concluded that our current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. The new standard also introduces expanded disclosure requirements and changes in presentation.

We do not expect this to have an impact to our Financial Statements or disclosures upon adoption of the standard in 2018.

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

3. 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 equivalents. Time deposits and current accounts and money market accounts that meet the above criteria are reported at par value on our balance sheet, which also represents the fair value. In 2017, the full amount of $202.1 million in Cash and cash equivalents related to current account balances held with primary financial institutions. In 2016, $202.6 million in Cash and cash equivalents related to current account balances held with primary financial institutions.

4. Financial Derivatives

Financial derivatives consist of interest rate swap, cross currency swap and forward foreign exchange swap agreements entered into by the Company in order to hedge exposure to interest rate and cross currency movements, in connection with (i) fixed rate lending to affiliates funded by floating-rate liabilities, (ii) notes issued or expected to be issued in currencies other than USD or bearing interest at a fixed rate and (iii) lending to affiliates in currencies other than USD. The interest rate swaps include forward starting swaps transacted on behalf of FCA NAH. These trades, executed with third parties to hedge future anticipated debt issuances for a total notional amount of $3.0 billion, are mirrored on an intercompany basis over to FCA NAH for the same notional amount. Specific policy guidelines are established to ensure that asset and liability interest rate and currency positions are matched. Therefore, the Company believes that fair value of the derivative financial instruments at year-end was or will be offset by similar and opposite unrealized gains and losses on its existing short or medium term loans to affiliates and on the notes issued. The following indicates the type of swaps and hedges used and their fair values. These swap contract maturities are presented in Note 9, *Information on Financial Risks* below.

The swaps primarily hedge the risks on the notes payable, in some cases the risk is hedged by more than one derivative simultaneously.

	Notional Amount	Fair Value
December 31, 2017		
Trading:		
Interest rate swaps	**$ 6,000,000**	**$ -**
Forward foreign exchange swaps	**474,050**	**19,933**
Total derivative instruments	**$ 6,474,050**	**$ 19,933**

4. Financial Derivatives (continued)

		Notional Amount	Fair Value
December 31, 2016			
Fair value hedge:			
Interest rate swaps	$	**685,165**	**$ 31,362**
Cross currency swaps		**453,045**	**(120,595)**
Cash flow hedge:			
Forward foreign exchange swaps		**-**	**-**
Trading:			
Forward foreign exchange swaps		**1,101,710**	**(35,065)**
Total derivative instruments	**$**	**2,239,920**	**$(124,298)**

The amount recorded in the cash flow hedge reserve for a total of $(1.1) million (net of tax) as of December 31, 2016, was reversed according to the duration of the underlying notes payable which matured in June 2017, resulting in a $0 balance at December 31, 2017. With reference to the above cash flow hedge reserve, deferred tax assets of $0 and $0.8 million were recognized directly in equity in the cash flow hedge reserve as of December 31, 2017 and 2016, respectively. In 2017 and 2016, the ineffectiveness of cash flow hedges, recognized in Net result on hedging and trading activities in the accompanying Statements of Income, was immaterial.

For the years ended December 31, 2017 and 2016, losses of $1.3 million and $3.0 million, respectively, were recognized in the accompanying Statements of Income in Net result on hedging and trading activities related to the amortization of hedge effectiveness arising from cash flow hedge discontinuance.

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:

4. Financial Derivatives (continued)

	Years Ended December 31,	
	2017	**2016**
Currency risk:		
Net gains (losses) on qualifying hedges	**$ 29,226**	$ (14,871)
Fair value changes in hedged items (notes payable)	**(29,226)**	14,871
Net gains (losses)	**$ -**	$ -
Interest rate risk:		
Net losses on qualifying hedges	**$ (13,738)**	$ (31,766)
Fair value changes in hedged items	**13,837**	31,587
Net gains (losses)	**$ 99**	$ (179)

For the years ended December 31, 2017 and 2016, gains of $6.4 million and $14.7 million were recognized in Net result on hedging and trading activities in the accompanying Statements of Income related to the discontinuation of fair value hedges, respectively.

As of December 31, 2017 and 2016, the ineffectiveness arising from transactions treated as fair value hedges referring to the hedging relationships related to the notes payable was a gain of $99 thousand and a loss of $179 thousand, respectively. The ineffectiveness arising from fair value hedges related to fixed rate lending to affiliates was not material. The net result of gains and losses on hedging and trading activities was a loss of $12.9 million and a loss of $5.7 million in 2017 and 2016, respectively. Net results from unrealized trading activities were a gain of $55.0 million and a loss of $35.1 million in December 31, 2017 and 2016, respectively.

5. Bank Borrowings

The Company had bank borrowings based on various benchmark rates plus a spread. As of December 31, 2017 and 2016 the Company had no borrowings against its available lines of credit. At December 31, 2017 and 2016, the Company had zero and $100 million, respectively, in unutilized lines of credit available. Information on the expiration dates of such borrowings are presented in Note 9, *Information on Financial Risks* below. Interest expenses are recorded on the accrual basis of accounting.

6. Notes Payable

The Company participated as an issuer in a Euro 20 billion Global Medium-Term Notes Program, together with Fiat Chrysler Finance Canada, Ltd., FCFE, and Fiat Chrysler Automobiles N.V. ("FCA NV"). The notes were unconditionally and irrevocably guaranteed by the ultimate Parent Company (FCA NV). As of December 31, 2017, the note had fully matured. As of December 31, 2016, the Company had one note outstanding with a notional value of Euro 1 billion bearing an interest rate of 5.625% which matured on June 12, 2017. As the note is issued in a currency other than USD and with a fixed interest rate, the Company entered into cross currency and interest rate swaps in order to hedge such exposure (see Note 4, *Financial Derivatives*).

7. Commitments and Contingencies

The Company had outstanding standby letters of credit issued on behalf of affiliated companies of $1.1 million and $2.0 million at December 31, 2017 and 2016. These contract amounts represent the amounts at risk should the contracts be fully drawn upon and the affiliate defaults.

8. Estimated Fair Value of Financial Instruments

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

	Nominal Value	Carrying Value	Fair Value	Difference
December 31, 2017				
Assets:				
Cash and cash equivalents	**$ 202,115**	**$ 202,115**	**$ 202,115**	**$ -**
Amounts due from affiliated companies	**1,125,717**	**1,136,600**	**1,136,600**	**-**
Total assets	**$ 1,327,832**	**$ 1,338,715**	**$ 1,338,715**	**$ -**
Liabilities:				
Amounts due to affiliated companies	**$ 1,138,911**	**$ 1,139,391**	**$ 1,139,391**	**$ -**
Total liabilities	**$ 1,138,911**	**$ 1,139,391**	**$ 1,139,391**	**$ -**
Derivatives:				
Interest rate swaps	**$ 6,000,000**	**$ -**	**$ -**	**$ -**
Forward foreign exchange swaps	**474,050**	**19,933**	**19,933**	**-**
Total derivatives	**$ 6,474,050**	**$ 19,933**	**$ 19,933**	**$ -**
December 31, 2016				
Assets:				
Cash and cash equivalents	$ 202,577	$ 202,577	$ 202,577	$ -
Amounts due from affiliated companies	1,763,162	1,768,178	1,768,178	-
Total assets	$ 1,965,739	$ 1,970,755	$ 1,970,755	$ -
Liabilities:				
Amounts due to affiliated companies	$ 522,430	$ 522,720	$ 522,720	$ -
Notes payable	1,054,100	1,108,372	1,116,893	8,521
Total liabilities	$ 1,576,530	$ 1,631,092	$ 1,639,613	$ 8,521
Derivatives:				
Interest rate swaps	$ 685,165	$ 31,590	$ 31,590	$ -
Cross currency swaps	453,045	(120,823)	(120,823)	-
Forward foreign exchange swaps	1,101,710	(35,065)	(35,065)	-
Total derivatives	$ 2,239,920	$ (124,298)	$ (124,298)	$ -

8. Estimated Fair Value of Financial Instruments (continued)

The following table provides an analysis under this hierarchy of the financial instruments measured or disclosed at fair value:

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Assets measured at fair value:				
Interest rate swaps	**$ -**	**$ 12,416**	**$ -**	**$ 12,416**
Forward foreign exchange swaps	**-**	**21,813**	**-**	**21,813**
Liabilities measured at fair value:				
Interest rate swaps	**-**	**12,416**	**-**	**12,416**
Forward foreign exchange swaps	**-**	**1,880**	**-**	**1,880**
Assets for which fair value is disclosed:				
Amounts due from affiliated companies	**-**	**1,136,600**	**-**	**1,136,600**
Liabilities for which fair value is disclosed:				
Amounts due to affiliated companies	**-**	**1,139,391**	**-**	**1,139,391**
December 31, 2016				
Assets measured at fair value:				
Interest rate swaps	$ -	$ 31,590	$ -	$ 31,590
Forward foreign exchange swaps	-	8,773	-	8,773
Liabilities measured at fair value:				
Cross currency swaps	-	120,823	-	120,823
Forward foreign exchange swaps	-	43,837	-	43,837
Assets for which fair value is disclosed:				
Amounts due from affiliated companies	-	1,768,178	-	1,768,178
Liabilities for which fair value is disclosed:				
Amounts due to affiliated companies	-	522,720	-	522,720
Notes payable	1,116,893	-	-	1,116,893

8. Estimated Fair Value of Financial Instruments (continued)

Due to management's judgment required in interpreting market information, the estimates presented above approximate the amounts that the Company could realize in a current market transaction.

In applying discounted cash flow techniques, a discount rate commensurate with market conditions at December 31, 2017, the relevant currency and the risk of the underlying instrument were all used. In all cases, fair values were translated into USD using the exchange rates ruling at the balance sheet date.

9. Information on Financial Risks

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

The quantitative data reported in the following does not have any value of a prospective nature, in particular the sensitivity analysis on market risks. The Company is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit Risk – The credit risk of the Company is represented by loans granted to affiliated companies and by cash account balances held with primary financial institutions.

Management believes the credit risk to be extremely low. The majority of the assets consist of loans to affiliated companies and cash and cash equivalents.

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

Loans to affiliated companies are granted at arms' length rates and terms are regulated by standard Intercompany Agreements. None of the outstanding loans to affiliates as of December 31, 2017 and 2016 were delinquent or written off.

9. Information on Financial Risks (continued)

Exchange Rate Risk – The notes payable and specific loan receivables from affiliated parties are denominated in a currency other than USD and as a result, the Company is exposed to risk resulting from changes in the currency exchange rate versus USD. It is the Company's policy to use derivative financial instruments to fully hedge its exchange rate risk exposure.

Sensitivity Analysis

The potential loss in fair value of derivative financial instruments held by the Company at December 31, 2017 and 2016, for managing exchange rate risk, which would arise in the case of a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates, amounts to approximately $27.0 million and $121.0 million, respectively. These amounts will be potentially offset by the change of the underlying instruments (mainly the notes payable in 2016).

Liquidity Risk – The table below summarizes the maturity profile of the flows of the Company's financial assets and liabilities as at December 31, 2017 and December 31, 2016, respectively. Liquidity risk arises if the Company is unable to obtain under acceptable economic conditions the funds needed to carry out its operations. The Company's liquidity position for December 31, 2017 and December 31, 2016 is as follows (in carrying value, which approximates undiscounted cash flows):

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2017						
Assets:						
Cash and cash equivalents	**$ 202,115**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 202,115**
Amounts due from affiliated companies	**880,223**	**251,294**	**5,083**			**1,136,600**
	1,082,338	**251,294**	**5,083**	**-**	**-**	**1,338,715**
Liabilities:						
Amounts due to affiliated companies	**1,139,391**	**-**	**-**	**-**	**-**	**1,139,391**
Net	**$ (57,053)**	**$ 251,294**	**$ 5,083**	**$ -**	**$ -**	**$ 199,324**
December 31, 2016						
Assets:						
Cash and cash equivalents	$ 202,577	$ -	$ -	$ -	$ -	$ 202,577
Amounts due from affiliated companies	1,584,271	19,015	164,892			1,768,178
	1,786,848	19,015	164,892	-	-	1,970,755
Liabilities:						
Amounts due to affiliated companies	522,720	-	-	-	-	522,720
Notes payable	-	-	1,108,372			1,108,372
	522,720	-	1,108,372	-	-	1,631,092
Net	$1,264,128	$ 19,015	$(943,480)	$ -	$ -	$ 339,663

9. Information on Financial Risks (continued)

The following table summarizes the fair value amounts of our derivative financial instruments by due date:

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2017						
Interest rate swaps	$ -	$ -	$ -	$ -	$ -	$ -
Cross currency swaps	-	-	-	-	-	-
Forward foreign exchange swaps	-	19,808	125	-	-	19,933
Total derivatives	$ -	$ 19,808	$ 125	$ -	$ -	$ 19,933

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2016						
Interest rate swaps	$ -	$ -	$ 31,362	$ -	$ -	$ 31,362
Cross currency swaps	-	-	(120,595)	-	-	(120,595)
Forward foreign exchange swaps	-	(35,256)	191	-	-	(35,065)
Total derivatives	$ -	$ (35,256)	$ (89,042)	$ -	$ -	$ (124,298)

The Company's financial guarantees are counter guaranteed by FCA NV affiliates on behalf of which the financial guarantees have been issued. Their maturity profile is as follows:

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
December 31, 2017						
Financial Guarantees	$ -	$ -	$ 1,083	$ -	$ -	$ 1,083
December 31, 2016						
Financial Guarantees	$ -	$ -	$ 2,048	$ -	$ -	$ 2,048

Interest Rate Risk – The Company provides fixed rate medium and long term financing to certain affiliated companies. The interest rate profile of our liabilities may not necessarily match that of these specific assets. In order to manage these risks, the Company uses interest rate swaps with the object of mitigating, under economically acceptable conditions, the potential variability of interest rate swaps.

9. Information on Financial Risks (continued)

Sensitivity Analysis

In assessing the potential impact of changes in interest rates, the Company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

The fixed rate financial instruments consist of loans granted to affiliated companies and notes payable.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have resulted in a $36.3 million charge to income in 2017 and an immaterial amount in 2016. The increase of the impact is due to the pre-hedge derivatives that were entered into in 2017 in anticipation of future debt issuance.

Floating rate financial instruments mainly include loans granted to affiliated companies.

A hypothetical, unfavorable and instantaneous change of 10% in short-term interest rates applied to floating rate financial assets and liabilities and derivatives financial instruments, would have resulted in a charge to income of approximately $2.2 million and $1.3 million at December 31, 2017 and 2016, respectively.

10. Income Taxes

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

	Years Ended December 31, 2017	2016
Current tax expense (benefit)		
Federal	**$ (30)**	$ 553
State and local	**419**	302
Withholding tax	**3,258**	3,419
Deferred tax benefit	**(2,383)**	(2,870)
Total income tax expense	**$ 1,264**	$ 1,404

10. Income Taxes (continued)

The differences between the theoretical rate and the Company's effective rate are mainly attributable to tax credits. This resulted in a theoretical tax rate of 40.00 % and 42.24% as opposed to an effective tax rate of 27.74 % and 40.26% at December 31, 2017 and December 31, 2016, respectively. The decrease in the effective rate is primarily related to tax credit generation.

The Tax Cuts and Jobs Act ("Tax Act") was enacted into law in the U.S. on December 22, 2017. The Tax Act includes various changes to the tax law, including a permanent reduction in the corporate income tax rate. The Company recognized the effects of the changes in the tax rate and laws resulting from the Tax Act during 2017. The Tax Act reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The related changes in its deferred tax assets and deferred tax liabilities re-measured at the new rate did not have a material impact on the financial statements. The net tax expense may be revised in the future as the related temporary differences are further evaluated.

A reconciliation of the company's tax expense from the statutory rate to the effective tax rate is as follows:

	Years Ended December 31,	
	2017	**2016**
Income before income taxes	**4,554**	3,487
Tax expense at U.S. federal statutory rate	**1,594**	1,220
U.S. state income taxes, net of federal benefit	**178**	253
Impact due to U.S. tax reform	**10**	-
Prior year return adjustments	**(460)**	-
Other	**(58)**	(69)
Total	**1,264**	**1,404**

The Company's deferred tax assets are composed of:

	Years Ended December 31,	
	2017	**2016**
Foreign tax credit	**5,342**	2,795
Other	**20**	962
Total	**5,362**	3,757

11. Equity

The share capital of the Company amounts to $190.1 million represented by 380 shares fully subscribed and paid up with no nominal value. As of December 31, 2016, a cash flow hedge reserve of $1.1 million (net of tax) was recorded to be released upon the maturing interest portions of the notes payable. During 2017, the cash flow hedge reserve was reversed according to the duration of the underlying notes payable which matured in June 2017. 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.

12. Transactions with Affiliated Parties

Cash management services provided by the Company are funded primarily from the receipt of excess cash from affiliated companies, capital market transactions, and revolving credit lines from third parties; such balances are used for investment and for the financing of the working capital needs of other affiliated companies. Amounts owed by affiliated companies also consist of short term loans maturing within one year. For transactions having a duration of less than or equal to one year it is believed that the carrying value approximates the fair value. For transactions having duration of more than one year they are reported at fair value. They are carried out at arm's length, considering the services rendered.

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

	Year Ended December 31,	
	2017	**2016**
Interest income	**$ 48,780**	$ 48,338
Other income	**-**	33
Interest expense	**14,427**	2,297
Other expenses	**149**	337
Net result on hedging and trading activities	**(8,535)**	11,305
Amounts due from affiliated companies*	**1,136,600**	1,768,178
Financial derivatives - at positive fair value	**8,105**	7,591
Amounts due to affiliated companies*	**1,139,391**	522,720
Financial derivatives - at negative fair value	**6,191**	725

**Amounts include accrued interest*

13. Interest Income and Interest Expense

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

14. Other Financial Expenses

Other financial expenses are comprised of letter of credit fees, commitment fees with banks, and guarantees with affiliated companies.

15. Explanatory Notes to the Statements of Cash Flows

The Statements of Cash Flows set out changes in Cash and cash equivalents during the year. Cash flows are separated into operating, investing, and financing activities. The following is a reconciliation of liabilities arising from financing activities for the year ended December 31, 2017.

	January 1,		Non-cash movements			December 31,
	2017	Cash flows	Foreign exchange	Fair value changes	Other	2017
Notes Payable	$ 1,108,372	(1,180,465)	64,326	(22,097)	29,864	-

16. Subsequent Events

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