

**FIAT CHRYSLER FINANCE EUROPE S.A.**  
(SOCIÉTÉ ANONYME)

**ANNUAL ACCOUNTS  
AS AT 31 DECEMBER 2017  
AND  
INDEPENDENT AUDITOR'S REPORT**

**24 BOULEVARD ROYAL  
L-2449 LUXEMBOURG**

R.C.S. Luxembourg: B 59500

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2 - 6
MANAGEMENT REPORT AND CORPORATE GOVERNANCE STATEMENT	7 - 10
DIRECTORS' RESPONSIBILITY STATEMENT	11
ANNUAL ACCOUNTS	
- Balance sheet	12 - 13
- Profit and loss accounts	14
- Notes to the annual accounts	15 - 33

## 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 financial statements

#### Opinion

We have audited the financial statements of Fiat Chrysler Finance Europe S.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### 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 financial statements » section of our report. We are also independent of the Company 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 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 financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Evaluation of recoverability of Amounts Owed by Affiliated Undertakings as presented in Note 7 of the accompanying annual accounts**

#### **Matter**

As of 31 December 2017, the Amounts Owed by Affiliated Undertakings amounted to EUR 8,401,130,223 which represents 94% of Company's total assets. As detailed in Note 7 of the annual accounts, the Amounts owed by Affiliated Undertakings are valued at nominal value including the expenses incidental thereto and value adjustments are made in case of a durable depreciation in value. A solvency analysis is performed at year end by the Management in order to assess whether a durable depreciation exists on Amounts Owed by Affiliated Undertakings.

Given the significance of Amounts Owed by Affiliated Undertakings and the important judgment involved regarding the assessment of the collectability of these receivables, the evaluation of the recoverability of Amounts Owed by Affiliated Undertakings is a key audit matter.

#### **Response**

We have performed the following audit procedures over the evaluation of the recoverability of Amounts Owed by Affiliated Undertakings:

- 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 Amounts Owed by Affiliated Undertakings reported in the annual accounts to the intercompany reconciliation performed by the Company.
- We assessed the adequacy of the Company's disclosures in respect of the accounting policies on Amounts Owed by Affiliated Undertakings as disclosed in Note 7 of the annual accounts.

#### **Other information**

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

The objectives of our audit are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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 management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the 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 financial statements and has been prepared in accordance with applicable legal requirements.

#### **Other matter**

The corporate governance statement includes the information required by article 68ter paragraph (1) 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, 12 February 2018

## **Management Report**

### **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).



**FIAT CHRYSLER FINANCE EUROPE S.A.**  
**Management Report**  
**31 December 2017**

**MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED**

Fiat Chrysler Finance Europe S.A. ("FCFE", "the Company") provides cash management and treasury services mainly to Fiat Chrysler Automobiles N.V. Group subsidiaries ("Group Companies") based in Europe. FCFE's primary goal is to ensure that funds are available to support the operations of Group Companies, and that liquidity, cash flows and the exposure to financial risks are properly managed. As a consequence, FCFE 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 within the various countries in which it operates.

**CORPORATE GOVERNANCE STATEMENT**

Fiat Chrysler Finance Europe S.A. ("FCFE", "the Company") acts, both directly and through its branches, in accordance with general strategic guidelines issued by its ultimate parent company, Fiat Chrysler Automobiles N.V..

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.

**FIAT CHRYSLER FINANCE EUROPE S.A.**  
**Management Report**  
**31 December 2017**

**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..

**OPERATING PERFORMANCE AND ANALYSIS OF THE FINANCIAL POSITION**

Fiat Chrysler Finance Europe S.A. ("FCFE", "the Company") acts as the treasury and financing vehicle of the Fiat Chrysler Automobiles N.V. Group ("The Group") companies mainly based in Europe providing cash management and treasury services. FCFE manages cash pooling structures in Austria, Belgium, Denmark, Germany, Ireland, the Netherlands, Spain, Switzerland, Slovakia and the United Kingdom.

As of December 31, 2017 Inter-company loans stood at EUR 8.4 billion with an important but cyclical increase compared to EUR 7.3 billion of the previous year (note 7).

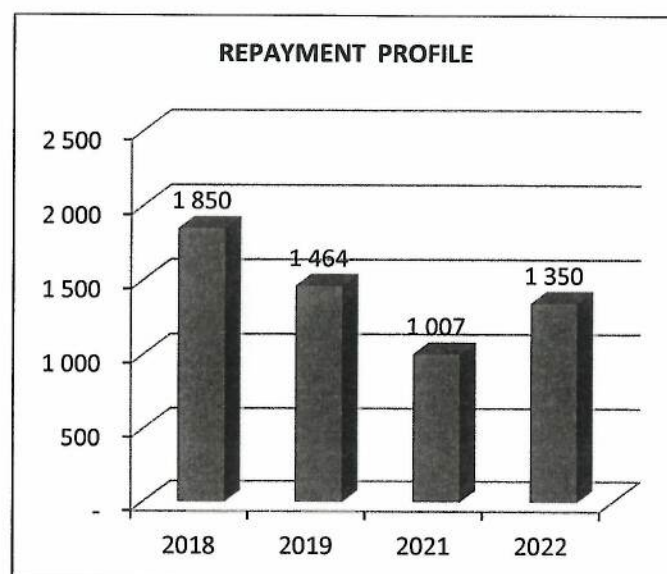
FCFE is also active on the financial market in order to finance its activity or refinance position coming to maturity.

During 2017 there were no new issuances and the two notes coming to maturity in March and November were repaid with the cash available at the end of the previous year (notes 8 and 9).

*Bonds repayment*

ISIN	Type	Distribution	Currency	Issue date	Maturity	Ccy Outstanding
XS0764640149	MTN	Syndicated	EUR	23-Mar-12	23-Mar-17	850,000,000
CH0225173308	MTN	Syndicated	CHF	22-Nov-13	22-Nov-17	450,000,000

*Schedule of bonds maturities at 31 December 2017 (in EUR million)*



**FIAT CHRYSLER FINANCE EUROPE S.A.**  
**Management Report**  
**31 December 2017**

All Fiat Chrysler Finance Europe S.A. bonds issues are guaranteed by Fiat Chrysler Automobiles N.V.. As far as the management of financial risks is concerned (liquidity, exchange and interest rates), the Company follows the guidelines set out in the relative policy. More specifically for the management of liquidity, the primary object of the investments is the safeguarding and the accessibility of the invested capital, as well as an acceptable diversification of the investment portfolio.

In light of these general guidelines, the liquidity available over the year has been mainly invested in short term bank deposits with a wide number of reputable financial institutions.

From a financial stand point all derivatives are entered into for hedging purposes; derivatives that do not apply for hedge accounting treatment have always a hedge rational.

The Company closed the year with a profit of EUR 36.3 million. The pick of the result is due to the disposal of the participation in Fiat Chrysler Finance North America Inc. and Fiat Chrysler Finance Canada Ltd., as per decision of the Board meeting held on September 27<sup>th</sup>. This operation generated a capital gain of EUR 36.9 million.

Earnings generated from the ordinary activity are still weak due to the current financial environment characterized by either negative or very low level of short term interest rates that influenced the return on liquid assets. In line with previous years, also in 2017 the Company incurred in additional extraordinary charges relating to external consultancies in the context of the ongoing legal procedure with the General Court of the European Commission for the annulment of the European Commission's decision dated 21 October 2015 as discussed in the notes 6 and 21 of the financial statements.

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.

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

By order of the Board of Directors

Leonardo Cecchetti  
Chairman of the Board



**FIAT CHRYSLER FINANCE EUROPE S.A.**

**31 December 2017**

**Legal and Financial Information**

**DIRECTORS' RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge:

1. the annual accounts of Fiat Chrysler Finance Europe S.A. presented in this Annual Report and established in conformity with measurement and recognition criteria of the financial reporting framework in Luxembourg give a true and fair view of the assets, liabilities, financial position and profit of Fiat Chrysler Finance Europe S.A. at 31 December 2017; and
2. the management report includes a fair review of the development and performance of the business and position of Fiat Chrysler Finance Europe S.A. 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 12<sup>th</sup>, 2018

# FIAT CHRYSLER FINANCE EUROPE S.A.

## BALANCE SHEET

AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

<b><u>ASSETS</u></b>	<b>Note</b>	<b>31.12.2017</b> EUR	<b>31.12.2016</b> EUR
<b>FIXED ASSETS</b>			
Intangible assets			
<i>Concessions, patents, licences, trade marks and similar rights and assets</i>	3	97,304	162,111
Tangible fixed asset			
<i>Other fixtures and fittings, tools and equipment</i>	4	6,140	4,039
Financial assets	5	-	165,244,409
Other Loans			
<i>Escrow account</i>	6	46,075,083	34,609,840
		<hr/>	<hr/>
<b>TOTAL FIXED ASSETS</b>		<b>46,178,527</b>	<b>200,020,399</b>
<b>CURRENT ASSETS</b>			
Debtors			
Amounts owed by affiliated undertakings			
<i>Becoming due and payable within one year</i>	7	8,371,374,692	7,121,726,893
<i>Becoming due and payable after more than one year</i>		29,755,531	220,847,197
Other receivables			
<i>Becoming due and payable within one year</i>		35,172,027	1,423,299
Investments			
<i>Other investments</i>	8	64,254,590	1,200,101,301
Cash at bank and in hand	9	<hr/> 315,241,279	<hr/> 873,569,691
<b>TOTAL CURRENT ASSETS</b>		<b>8,815,798,119</b>	<b>9,417,668,381</b>
<b>PREPAYMENTS</b>	10	94,246,140	212,591,272
		<hr/>	<hr/>
<b><u>TOTAL ASSETS</u></b>		<b><u>8,956,222,786</u></b>	<b><u>9,830,280,052</u></b>

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## BALANCE SHEET

AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016 (continued)

### LIABILITIES

	Note	31.12.2017 EUR	31.12.2016 EUR
<b>CAPITAL AND RESERVES</b>			
Subscribed capital		86,494,000	251,494,000
Reserves			
<i>Legal reserve</i>		8,649,400	13,443,832
<i>Other not available reserves</i>		5,347,440	5,347,440
<i>Distributable Reserves</i>		169,794,432	-
Interim Dividend		(201,000,000)	-
<i>Profit or loss brought forward</i>		14,619,802	18,697,805
<i>Profit or loss for the financial year</i>		36,331,367	(4,078,003)
<b>TOTAL SHAREHOLDER'S EQUITY</b>	11	120,236,441	284,905,074
<b>PROVISIONS</b>			
Provisions for taxation	12	18,573	27,771
<b>CREDITORS</b>			
Debenture loans			
<i>Non convertible loans</i>			
<i>Becoming due and payable within one year</i>	13	2,023,867,360	1,490,926,662
<i>Becoming and due payable after more than one year</i>		3,820,638,694	5,689,796,350
Amounts owed to credit institutions			
<i>Becoming due and payable within one year</i>		-	2,547
Amounts owed to affiliated undertakings			
<i>Becoming due and payable within one year</i>	14	2,940,809,441	2,287,162,196
Other creditors			
<i>Tax authorities</i>		1,323,672	868,580
<i>Social security authorities</i>		10,343	7,479
<i>Other creditor</i>			
<i>Becoming and due payable within one year</i>		11,518,515	29,053
<b>TOTAL CREDITORS</b>		8,798,168,025	9,468,792,867
<b>DEFERRED INCOME</b>	15	37,799,747	76,554,340
<b><u>TOTAL CAPITAL, RESERVES AND LIABILITIES</u></b>		<b><u>8,956,222,786</u></b>	<b><u>9,830,280,052</u></b>

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## PROFIT AND LOSS ACCOUNTS

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

	Note	31.12.2017 EUR	31.12.2016 EUR
Other operating income		148,468	150,083
Raw materials and consumables and other external expenses			
<i>Other external expenses</i>	17	(1,407,783)	(2,650,283)
Staff costs			
<i>Wages and salaries</i>		(807,591)	(777,500)
<i>Social security costs relating to pensions</i>		(31,559)	(28,812)
<i>other social security costs</i>		(61,662)	(75,232)
<i>Other Staff costs</i>		(9,082)	(9,145)
Value adjustments			
<i>in respect of formation expenses and of tangible and intangible fixed assets</i>	4	(108,905)	(134,916)
Other operating expenses		(270,320)	(546,334)
Income from other investments and loans forming part of the fixed assets	5	36,982,956	-
Other interest receivable and similar income	18		
<i>derived from affiliated undertakings</i>		408,125,880	583,056,483
<i>other interest and similar income</i>		14,317,659	6,771,078
Interest payable and similar expenses	19		
<i>derived from affiliated undertakings</i>		(20,053,309)	(17,581,753)
<i>other interest and similar expenses</i>		(399,855,645)	(571,823,629)
Tax on profit or loss		(16,085)	5,428
Profit or loss after taxation		36,953,022	(3,644,532)
<i>Other taxes not shown under previous items</i>		(621,655)	(433,471)
<b>Profit or loss for the financial year</b>		<b>36,331,367</b>	<b>(4,078,003)</b>

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### **Note 1 - GENERAL INFORMATION**

Fiat Chrysler Finance Europe S.A. ("the Company"), was incorporated on 18 June 1997 under the laws of Luxembourg for an unlimited period of time.

The Company's registered office is at 24 Boulevard Royal, L-2449 Luxembourg and is registered in the Luxembourg trade register under the number B 59500, TVA LU20771477.

The Company's financial year starts on 1 January and ends on 31 December of each year.

The Company acts as the treasury and financing vehicle of the Group companies outside Italy and operates on the international financial markets. The Company main activity is the funding of Group companies and the management of surplus cash. The Company finances its activity with public issue of debt (bonds) and lines of credit with banks. It is the intention of the Company's management to optimise the centralisation of funds. The Company administers the centralised treasury and financing functions of the Group by effectively managing risk, as explained in note 16 below. The Company has branches in the UK (London) and Spain (Madrid). The aim of the branches is to assist the Company in managing financial services for the Group subsidiaries.

In 2011 the Company acquired the entire (aggregate 100%) stakes in Fiat Chrysler Finance North America Inc. and Fiat Chrysler Finance Canada Ltd. On September 30, 2017 the Company sold the entire stakes in the two subsidiaries to FCA NV. Therefore, as prescribed by Luxembourg law, the Company will prepare the last consolidated Financial Statements in Luxembourg in accordance with International Financial Reporting Standards (IFRS) as adopted by the UE.

On September 29, 2017 Fiat Chrysler Automotive N.V. (FCA N.V.) acquired from Fiat Chrysler Finance S.p.A. 60.003% of the outstanding shares in Fiat Chrysler Finance Europe S.A. and obtained 100% of the outstanding shares of the company. The Company's accounts are included in the consolidated accounts of Fiat Chrysler Automobiles N.V. a public limited liability company (naamloze vennootschap) organized under the laws of the Netherlands and are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. A copy of the mentioned consolidated financial statements are available on the internet web site of Fiat Chrysler Automobiles N.V..

### **Note 2 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements for the year ended 31 December 2017 have been prepared in accordance with accounting principles generally accepted and rules and regulations in force in the Grand Duchy of Luxembourg.

The accompanying notes form an integral part of the annual accounts



# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### **Tangible and intangible assets**

Tangible and intangible assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to reduce the carrying value over its useful economic life.

### **Financial Assets**

Financial assets are recorded at the cost value. Value adjustments, if any, are made of any permanent impairment in value.

### **Foreign currency transactions**

The accounting records of the Company are maintained in Euro (EUR), which represents the main functional currency of the Company; the financial statements are denominated in this currency.

Assets and liabilities denominated in currencies other than EUR are translated into EUR at the exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are converted into EUR at the exchange rates prevailing on the transaction date. Both unrealised and realised foreign exchange differences are recognised in the profit and loss account.

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.

### **Derivatives financial instruments**

From a financial point of view all derivatives are entered into for hedging purposes; derivatives that do not apply for hedge accounting treatment have always a hedge rational. In particular during 2011 part of the IRS covering outstanding bonds have been unwound via new off-setting IRS ("mirror swaps"). In those cases both of them have been subsequently classified as trading derivatives.

### **Forward foreign exchange contracts**

All forward foreign exchange contracts are accounted for as notional loans and deposits in the off balance sheet accounts. The Mark-to-Market on these notional loans and deposits is accrued in the balance sheet as accrued income or accrued expenses and included in the profit and loss account on a net basis.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### Swaps

Swaps comprise interest rate swaps and currency swaps which are stated at their notional values at the balance sheet date in the off balance sheet accounts.

The notional values serve as a reference for determining the interest streams. The interest streams receivable and payable are recognised in the profit and loss account on an accruals basis.

The notional amounts denominated in foreign currencies are translated into EUR at the exchange rates prevailing at the balance sheet date. Translation differences are recorded on the balance sheet as accrued income or other creditors or liabilities and are included in the profit and loss account.

### Forward rate agreements (FRA's)

FRA contracts are stated at their notional values at the balance sheet date in the off balance sheet accounts.

The interest income and expense on settled FRA contracts are deferred and recognised net in the profit and loss account on an accruals basis, under the item net result on off-balance sheet items.

The notional amounts denominated in foreign currencies are translated into EUR at the exchange rates prevailing at the balance sheet date.

### Non convertible loans

Bonds are disclosed at their repayment value. Costs associated with issuing debt (such as, for example, fees and commissions paid to banks, law firms, auditors and regulators) are capitalised and reflected in the balance sheet as an asset, and amortised over the remaining life of the underlying debt instrument. The unamortised amounts are included in deferred charges.

### Negotiable European Commercial Paper (NEU CP)

Starting on 12 December 2005 the Company relieved Fiat Chrysler France S.A. in the NEU CP Programme with a maximum aggregate nominal amount of EUR 1 billion totally guaranteed by Fiat Chrysler Automobiles N.V..

Societe Generale S.A., with registered office at 29 boulevard Haussmann in Paris, is appointed as issuing and paying agent, without exclusion of other financial institution authorised by Banque de France.

The interest payable is recognised in the income statement on an accrual interest basis.

The accompanying notes form an integral part of the annual accounts

# **FIAT CHRYSLER FINANCE EUROPE S.A.**

## **NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)**

### **Debtors**

Debtor balances are recorded at nominal amount. Value adjustments, if any, are made for any permanent impairment in value.

### **Other assets and liabilities**

Unless otherwise stated, all other assets and liabilities are stated at their nominal values.

### **Investments**

Other investments are composed of liquidity funds. Rated AAAm by S&P and/or AAA by Moody's these funds invest in short term high quality money market instruments. The product offers same value day liquidity and an attractive yield compared with time deposits.

### **Cash and cash equivalents**

Cash and cash equivalents comprise amounts due from banks with an original average maturity up to 3 months.

### **Income and expenses recognition**

Income and expenses are recognised when earned or incurred on an accruals basis.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 3 - INTANGIBLE FIXED ASSETS

	31 December 2016	Additions of the year	Amortization of the year	Reductions and other changes of the year	31 December 2017
Gross carrying amount	699,034	42,060	-	-	741,094
Cumulated amortization	(536,923)	-	(106,867)	-	(643,790)
Net carrying amount	162,111	42,060	(106,867)	-	97,304

	1 January 2016	Additions of the year	Amortization of the year	Reductions and other changes of the year	31 December 2016
Gross carrying amount	651,822	47,212	-	-	699,034
Cumulated amortization	(403,872)	-	(133,051)	-	(536,923)
Net carrying amount	247,950	47,212	(133,051)	-	162,111

The intangible assets are mainly constituted of software licenses and systems' implementation costs.

### NOTE 4 - TANGIBLE FIXED ASSETS

	31 December 2016	Additions of the year	Amortization of the year	Reductions and other changes of the year	31 December 2017
Gross carrying amount	110,400	4,139	-	(25,354)	89,185
Accumulated amortization	(106,361)	-	(2,038)	25,354	83,045
Net carrying amount	4,039	4,139	(2,038)	-	6,140

	1 January 2016	Additions of the year	Amortization of the year	Reductions and other changes of the year	31 December 2016
Gross carrying amount	106,675	3,725	-	-	110,400
Accumulated amortization	(104,496)	-	(1,865)	-	(106,361)
Net carrying amount	2,179	3,725	(1,865)	-	4,039

The tangible assets are mainly constituted of IT infrastructure, furniture's and office equipment

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 5 - FINANCIAL FIXED ASSETS

(amounts expressed in EUR thousands):

On September 30, 2017 the company sold to FCA N.V. the entire quote of shares held on Fiat Chrysler Finance North America, Inc (FCFNA) and Fiat Chrysler Finance Canada Ltd (FCFC) corresponding to the 100% of the subscribed capital. The transaction price was fixed at the fair market value as of September 30, 2017.

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>	

Art.65, paragraph (1) 2° of the law of December 19, 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings ("the law") requires the disclosure of the amount of capital and reserves and profit and loss for the last financial year of each affiliated undertaking. In conformity with art. 67 (3) of the law these details have been omitted as the Company prepares consolidated accounts and these consolidated accounts and the related consolidated management report and auditor's report thereon have been lodged with the Luxembourg Trade Registry.

### NOTE 6 – 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

**TOTAL EUR 46,075,083**

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 6 – ESCROW ACCOUNT (continued)

The amount related to 2015 has been reclassified as of December 31<sup>st</sup> and has been paid on Escrow account on January 26<sup>th</sup> 2018.

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

### NOTE 7 - AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

	31.12.2017	31.12.2016
	EUR	EUR
Current accounts		
<i>Nominal</i>	8,109,870,641	6,984,852,984
<i>Accrued interest</i>	17,008,871	36,955,205
Receivable, short term portion		
<i>Nominal</i>	242,106,788	96,151,630
<i>Accrued interest</i>	2,388,392	3,767,074
	<hr/>	<hr/>
	8,371,374,692	7,121,726,893
Receivable, long term portion		-
<i>Nominal</i>	29,755,531	220,847,197
	<hr/>	<hr/>
Total receivable	<u>8,401,130,223</u>	<u>7,342,574,090</u>

All transactions with affiliated undertakings have been concluded at market conditions and relate to treasury services provided to the Group subsidiaries as per the Company by-laws.

### NOTE 8 – INVESTMENTS

	31.12.2017	31.12.2016
	EUR	EUR
Other investments		
<i>Nominal</i>	64,244,897	1,200,012,425
<i>Accrued interest</i>	9,693	88,876
	<hr/>	<hr/>
	<u>64,254,590</u>	<u>1,200,101,301</u>

Other investments are composed of liquidity funds. Rated AAAM by S&P and/or AAA by Moody's these funds invest in short term high quality money market instruments. The product offers same value day liquidity and an attractive yield compared with time deposits.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 9 - CASH AT BANK AND IN HAND

	31.12.2017 EUR	31.12.2016 EUR
Bank current accounts		
<i>Nominal</i>	315,241,279	273,569,080
<i>Accrued interest</i>	-	-
Short term deposits		
<i>Nominal</i>	-	600,000,000
<i>Accrued interest</i>	-	611
	<u>315,241,279</u>	<u>873,569,691</u>

### NOTE 10 –PREPAYMENTS

	31.12.2017 EUR	31.12.2016 EUR
Accrued income		
<i>Unrealized gain on forward foreign exchange contracts</i>	24,881,865	57,626,606
<i>Accrued interest on interest rate swaps</i>	4,949,842	4,919,706
<i>Accrued interest and exchange difference on interest rate and cross currency swaps</i>	8,095,088	82,500,016
	<u>37,926,795</u>	<u>145,046,328</u>
Deferred charges		
<i>Deferred expenses on issued bonds and credit lines</i>	56,302,331	67,527,007
<i>Prepaid expenses</i>	-	923
<i>Other</i>	17,014	17,014
	<u>56,319,345</u>	<u>67,544,944</u>
	<u>94,246,140</u>	<u>212,591,272</u>

Deferred expenses are related to the non-amortised costs directly associated with the issuance of bonds and bank credit lines. For detail of the costs amortised during the year, please refer to NOTE 19.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 11 - SHAREHOLDERS' EQUITY

The movements of shareholder's equity are summarised as follows (amounts expressed in EUR thousands):

	Subscribed Capital	Legal Reserve	Other Reserves	Distribut. Reserves	Interim dividend	Retained Earnings	Result for the Year	TOTAL SHAREHOLDERS' EQUITY
<b>Balance at 01.01.2016</b>	<b>251,494</b>	<b>13,444</b>	<b>5,347</b>	-	-	<b>19,671</b>	<b>(973)</b>	<b>288,983</b>
Allocation to retained earnings	-	-	-	-	-	(973)	973	-
Allocation to legal reserve	-	-	-	-	-	-	-	-
Allocation to other reserves	-	-	-	-	-	-	-	-
Allocation to distrib. Res	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-
Result for the financial year	-	-	-	-	-	-	(4,078)	(4,078)
<b>Balance at 31.12.2016</b>	<b>251,494</b>	<b>13,444</b>	<b>5,347</b>	-	-	<b>18,698</b>	<b>(4,078)</b>	<b>284,905</b>
Allocation to retained earnings	-	-	-	-	-	(4,078)	4,078	-
Allocation to legal reserve	-	-	-	-	-	-	-	-
Allocation to other reserves	-	-	-	-	-	-	-	-
Allocation to distrib. Res	(165,000)	(4,795)	-	169,795	-	-	-	-
Interim dividend	-	-	-	-	(201,000)	-	-	(201,000)
Result for the financial year	-	-	-	-	-	-	36,331	36,331
<b>Balance at 31.12.2017</b>	<b>86,494</b>	<b>8,649</b>	<b>5,347</b>	<b>169,795</b>	<b>(201,000)</b>	<b>14,620</b>	<b>36,331</b>	<b>120,236</b>

The accompanying notes form an integral part of the annual accounts



# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 11 - SHAREHOLDERS' EQUITY (continued)

#### 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.

#### 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.

#### Other reserves

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

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 12 - PROVISIONS FOR TAXATION

The Company is subject to all taxes applicable to commercial companies in Luxembourg.

### NOTE 13 - NON CONVERTIBLE LOANS

The Company issues long term debt securities at mainly fixed interest rates. The bonds and notes are unconditionally and irrevocably guaranteed by the ultimate parent company Fiat Chrysler Automobiles N.V.

		31.12.2017	31.12.2016
		EUR	EUR
<i>EUR</i>		-	850,000,000
<i>CHF</i>	450,000,000	-	419,033,429
<i>EUR</i> – accrued interest on bonds and TCNs		-	218,305,259
<i>CHF</i> – accrued interest on bonds		-	3,587,974
<b>Repayable in year 2017</b>		<b>-</b>	<b>1,490,926,662</b>
<i>EUR</i>		1,850,000,000	1,850,000,000
<i>EUR</i> – accrued interest on bonds		172,198,307	-
<i>CHF</i> – accrued interest on bonds		1,669,053	-
<b>Repayable in year 2018</b>		<b>2,023,867,360</b>	<b>1,850,000,000</b>
<i>EUR</i>		1,250,000,000	1,250,000,000
<i>CHF</i>	250,000,000	213,638,694	232,796,350
<b>Repayable in year 2019</b>		<b>1,463,638,694</b>	<b>1,482,796,350</b>
<i>EUR</i>		1,007,000,000	1,007,000,000
<b>Repayable in year 2021</b>		<b>1,007,000,000</b>	<b>1,007,000,000</b>
<i>EUR</i>		1,350,000,000	1,350,000,000
<b>Repayable in year 2022</b>		<b>1,350,000,000</b>	<b>1,350,000,000</b>
<b>Total repayable after more than one year</b>		<b>3,820,638,694</b>	<b>5,689,796,350</b>

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 13 - NON CONVERTIBLE LOANS (continued)

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. Global Medium Term Note Programme was updated and converted into Euro Medium Term Note Programme on March 31<sup>st</sup> 2017. All issuances are guaranteed by Fiat Chrysler Automobiles N.V..

NEU CP Programme is still in place with a maximum aggregate nominal amount of EUR 1 billion and totally guaranteed by Fiat Chrysler Automobiles N.V. There are no outstanding notes under this programme as of December 31<sup>st</sup> 2017.

### NOTE 14 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

	31.12.2017	31.12.2016
	EUR	EUR
Current accounts		
<i>Nominal</i>	836,534,354	770,768,894
<i>Accrued interest</i>	95,779	100,334
Short term borrowings		
<i>Nominal</i>	2,101,613,059	1,514,800,199
<i>Accrued interest</i>	2,566,249	1,492,769
	<hr/>	<hr/>
	<b><u>2,940,809,441</u></b>	<b><u>2,287,162,196</u></b>

All transactions with affiliated undertakings have been concluded at market conditions and relate to treasury services provided to the Group subsidiaries as per the Company by-laws.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 15 - DEFERRED INCOME

	31.12.2017	31.12.2016
	EUR	EUR
Accrued expenses		
<i>Unrealized loss on forward foreign exchange contracts</i>	18,619,415	53,111,181
<i>Accrued interest on interest rate swaps</i>	3,406,622	3,402,768
<i>Accrued interest and difference exchange on cross currency swaps</i>	39,680	445,805
<i>Other</i>	4,519,833	5,282,792
	<u>26,585,550</u>	<u>62,242,546</u>
Other deferred income	11,214,197	14,311,794
	<u>37,799,747</u>	<u>76,554,340</u>

Other deferred income refers to the future remaining portion of the income achieved with the unwinding of some hedging instruments; this income is amortized over the residual life of the previously hedged financial instruments.

### NOTE 16 - FINANCIAL INSTRUMENTS AND DERIVATIVES

#### Treasury activity

As required by the Group's financial risk management policy, the Company regularly assesses and manages its exposure to financial risks. The Group's risk management programs do not use complex or leveraged instruments and future contracts are not part of the programs. Accordingly, management believes that these risks are managed in a conservative and prudent manner as follows:

#### Investment activity

The Company's treasury activity comprises investing surplus liquidity received either from other Group companies or from the market through debt instruments.

All investments entered into by the Company are made according to the Group conservative investment policy, with the objective of effectively managing the financial risks incurred by the Company.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 16 - FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

#### Foreign currency risk

Exposure to foreign currency risk arises mainly due to the geographical diversity of the Group's activities and Group companies to which cash management and other treasury services are provided.

The Company seeks to minimise this exposure mainly by the use of forward foreign exchange contracts and currency swaps.

#### Interest rate risk

Exposure to interest rate risk arises mainly due to the different maturities and interest rate structures of assets and liabilities.

The Company seeks to remove any undesired exposure mainly by the use of interest rate swaps and forward rate agreements.

#### Credit risk

Exposure to third party credit risk is managed by the establishment and monitoring of counterparty limits which are largely functions of the counter-party rating. Financial instruments are distributed among financial institutions, which have a high credit rating.

#### Liquidity risk

Liquidity risk arises if the Company is unable to obtain, at economical terms, the funding needed to carry out its operating activities.

It is the Company's policy to maintain liquidity in demand or short-term deposits and negotiable money market instruments, dividing such investments over an appropriate number of counterparties, primarily banking institutions, with the principal purpose of having ready availability to those investments. Counterparties are selected according their creditworthiness, reliability and the quality of service provided.

#### Notional amounts of off balance sheet financial instruments and derivatives are presented below:

(Amounts expressed in EUR thousands)

	31.12.2017	31.12.2016
	EUR	EUR
Forward foreign exchange contracts	3,705,987	5,458,458
Interest rate swaps	764,000	764,000
Cross currency swaps	213,401	651,592
	<hr/>	<hr/>
	<b>4,683,388</b>	<b>6,874,050</b>

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 16 - FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

Fair value of off balance sheet financial instruments and derivatives as at 31 December 2017 (in EUR thousands)

	Nominal value	Carrying value	Gross fair value	Difference
Forward foreign exchange contracts	3,705,987	6,263	6,263	-
Interest rate swaps	764,000	1,543	2,656	1,113
Cross currency swaps	213,401	8,055	8,611	556
	<u>4,683,388</u>	<u>15,861</u>	<u>17,530</u>	<u>1,669</u>

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

<u>Financial instrument</u>	<u>Fair value method</u>
Forward foreign exchange contracts	Forward exchange rate estimated on the basis of the forward exchange and interest rates at year end
Interest rate swaps and forward start swaps	Discounted cash flow of expected interest streams
Forward rate agreements	Discounted cash flow of expected interest differential

Due to management judgement required in interpreting market information, the estimates presented above may approximate the amounts that the Company could realise in a current market transaction.

In applying discounted cash flow techniques, a discount rate commensurate with market conditions at 31 December 2017, the relevant currency and the risk of the underlying instrument was used.

In all cases, fair values were translated into EUR using the exchange rates ruling at the balance sheet date.

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 17 – RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES

	31.12.2017 EUR	31.12.2016 EUR
Rental and additional charges	168,416	142,286
Services acquired	180,898	163,546
Audit fees (NOTE 22)	90,298	76,298
Audit related fees (NOTE 22)	8,000	-
Audit Committee fees	22,500	-
IT maintenance, legal and consulting fees	937,671	2,268,153
	<hr/>	<hr/>
	<b>1,407,783</b>	<b>2,650,283</b>

### NOTE 18 - OTHER INTERESTS RECEIVABLE AND SIMILAR INCOME

	31.12.2017 EUR	31.12.2016 EUR
Other interest receivable and similar income		
Derived from affiliated undertakings	408,125,880	583,056,483
Other interest and similar income:		
Other income from financial current asset		
<i>Premiums on bonds</i>	3,097,597	3,696,626
<i>Other (NOTES 10 and 15)</i>	2,558	3,883
Net result on off-balance sheet items (NOTE 16)		
<i>Interest rate swaps (NOTES 10 and 15)</i>	2,925,773	3,130,599
<i>Cross currency swaps (NOTES 10 and 15)</i>	(2,356,504)	(1,296,593)
Foreign Exchange gain (NOTES 10 and 15)	10,080,202	-
Other income from financial current asset		
<i>Banks (NOTE 9)</i>	327,107	282,173
<i>Other investments (NOTE 8)</i>	240,926	954,390
	<hr/>	<hr/>
	14,317,659	6,771,078
	<hr/>	<hr/>
	<b>422,443,539</b>	<b>589,827,561</b>

The accompanying notes form an integral part of the annual accounts

# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 18 - OTHER INTERESTS RECEIVABLE AND SIMILAR INCOME (continued)

For the year ended 31 December 2017, income from other investments is composed of interest on Liquidity Funds.

As of 31 December 2017, foreign exchange result is off-set by valuation gains on foreign exchange derivatives and by items included in the interest payable and receivable. Therefore the impact on revaluation of foreign currency financial assets and liabilities and the impact on revaluation of outstanding exchange currency derivatives represent an economic hedge.

### NOTE 19 – INTEREST PAYABLE AND SIMILAR EXPENSES

	<b>31.12.2017</b>	<b>31.12.2016</b>
	EUR	EUR
Interest and other financial charges		
<i>Derived from affiliated undertaking (NOTE 14)</i>	20,053,309	17,581,753
Other interest and similar financial charges	10,164	60,676
<i>Banks</i>		
<i>Bonds (NOTE 13)</i>	357,089,880	503,435,090
<i>Amortized commissions on credit lines (NOTE 10)</i>	30,769,291	50,603,964
<i>Amortized commissions on bond issues (NOTE 10)</i>	9,959,027	14,281,786
<i>Bonds' guarantee costs and other fees and commissions</i>	2,027,283	2,767,522
Forward foreign exchange contracts (NOTES 10 and 15)	-	674,591
	<u>399,855,645</u>	<u>571,823,629</u>
	<u><b>419,908,954</b></u>	<u><b>589,405,382</b></u>

As of 31 December 2016, foreign exchange result is off-set by valuation gains on foreign exchange derivatives and by items included in the interest payable and receivable. Therefore the impact on revaluation of foreign currency financial assets and liabilities and the impact on revaluation of outstanding exchange currency derivatives represent an economic hedge.

The accompanying notes form an integral part of the annual accounts



# FIAT CHRYSLER FINANCE EUROPE S.A.

## NOTES TO THE ANNUAL ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 (Expressed in EUR, unless otherwise stated) (continued)

### NOTE 20 - STAFF

The number of persons employed by the Company as at 31 December 2017 amounts to 11: 7 in Luxembourg, 3 in United Kingdom, 1 in Spain.

### NOTE 21 - COMMITMENTS AND CONTINGENCIES

As of 31 December 2017, the Company has issued guarantees in favour of Group Companies for a total amount of EUR 1,269,233 to different banks.

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 6).

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.

### NOTE 22 – EXTERNAL AUDIT FEES

As of 31 December 2017 and 31 December 2016 audit fees are related to follow services:

	31.12.2017	31.12.2016
	<i>EUR</i>	<i>EUR</i>
Audit fees *	90,298	76,298
Audit Related Fees**	8,000	-
	<u>98,298</u>	<u>76,298</u>

\*Audit fees are related to audit of Statutory Annual Account and Consolidated Financial Statements.

\*\*Audit Related fees are related to interim dividend distribution.

The accompanying notes form an integral part of the annual accounts

# **FIAT CHRYSLER FINANCE EUROPE S.A.**

## **NOTES TO THE ANNUAL ACCOUNTS**

**FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016**

**(Expressed in EUR, unless otherwise stated) (continued)**

### **NOTE 23 – SUBSEQUENT EVENTS**

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

The accompanying notes form an integral part of the annual accounts

