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

Financial Statements

For the Years Ended December 31, 2018 and 2017

Confidential & Proprietary Information - Not to be disclosed without the prior written consent of Fiat Chrysler Finance North America, Inc.

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

Financial Statements

For the Years Ended December 31, 2018 and 2017

Ernst & Young LLP
One Kennedy Square
Suite 1000
777 Woodward Avenue
Detroit, MI 48226-5495

Tel: +1 313 628 7100
Fax: +1 313 628 7101
ey.com

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, 2018 and 2017, 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, 2018 and 2017, 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 26, 2019

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)

	Notes	December 31, 2018	December 31, 2017
CURRENT ASSETS:			
Cash and cash equivalents	*3*	$ 342,515	$ 202,115
Amounts due from affiliated companies	*12*	2,478,725	1,136,600
Financial derivatives - at fair value	*8*	52,150	34,229
Prepaid expenses and other assets		2	167
TOTAL CURRENT ASSETS		**2,873,392**	**1,373,111**
NON-CURRENT ASSETS:			
Deferred tax assets	*10*	5,099	5,362
TOTAL NON-CURRENT ASSETS		**5,099**	**5,362**
TOTAL ASSETS		**$ 2,878,491**	**$ 1,378,473**
LIABILITIES:			
Amounts due to affiliated companies	*12*	$ 2,608,188	$ 1,139,391
Financial derivatives - at fair value	*8*	45,389	14,296
Accrued expenses and other liabilities		817	1,287
TOTAL LIABILITIES		**2,654,394**	**1,154,974**
EQUITY:			
Additional paid in capital	*11*	$ 190,090	$ 190,090
Retained earnings		34,007	33,409
TOTAL EQUITY		**224,097**	**223,499**
TOTAL LIABILITIES AND EQUITY		**$ 2,878,491**	**$ 1,378,473**

See accompanying notes to financial statements.

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Statements of Income

(U.S. Dollars in Thousands)

		Year Ended December 31,	
	Notes	**2018**	**2017**
Revenues:			
Interest income	*13*	$ 66,190	$ 65,868
Other income		—	2
Total revenues		66,190	65,870
Expenses:			
Interest expense	*13*	44,829	47,602
General and administrative expenses		92	46
Other financial expenses	*14*	100	771
Net result on hedging and trading activities	*4*	16,050	12,897
Total expenses		**61,071**	**61,316**
Income before income taxes		5,119	4,554
Income tax expense	*10*	4,521	1,264
Net income		**$ 598**	**$ 3,290**

See accompanying notes to financial statements.

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Statements of Comprehensive Income

(U.S. Dollars in Thousands)

		Year Ended December 31,	
	Notes	**2018**	**2017**
Net income		$ 598	$ 3,290
Other comprehensive income:			
Gross amount reclassified to the income statement	*4*	—	1,289
Gross amount reclassified to the cash flow hedge reserve	*4*	—	552
Tax impact of the amounts reclassified to the income statement		—	(545)
Tax impact of the amounts reclassified to the cash flow hedge reserve		—	(233)
Net change on cash flow hedge reserve		—	1,063
Total comprehensive income		$ 598	$ 4,353

See accompanying notes to financial statements.

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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 Paid in Capital	Retained Earnings	Cash Flow Hedge Reserve	Total Equity
	Shares	Amount				
BALANCE AS OF 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 AS OF DECEMBER 31, 2017	380	$ —	$ 190,090	$ 33,409	$ —	$223,499
Net income			—	598	—	598
BALANCE AS OF DECEMBER 31, 2018	380	$ —	$ 190,090	$ 34,007	$ —	$224,097

See accompanying notes to financial statements.

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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, 2018	Years Ended December 31, 2017
CASH FLOWS PROVIDED BY OPERATIONS:		
Net income	$ 598	$ 3,290
Add (deduct) items not affecting cash:		
Changes in deferred taxes	263	(2,383)
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
Net change in financial derivatives	13,172	(144,230)
Changes in other assets, liabilities and other adjustments	(305)	2,984
Changes in amounts due from affiliated companies	(1,342,125)	631,578
Changes in amounts due to affiliated companies	1,468,797	616,671
CASH FLOWS PROVIDED BY OPERATIONS	**140,400**	**1,117,138**
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Repayment of bond	—	(1,117,600)
CASH FLOWS USED IN FINANCING ACTIVITIES	**—**	**(1,117,600)**
CASH FLOWS:		
Increase (decrease) during the year	140,400	(462)
Cash and cash equivalents at the beginning of the year	202,115	202,577
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**$ 342,515**	**$ 202,115**
Supplemental disclosures of cash flow information:		
Interest paid on bond and other loans	$ (44,011)	$ (77,102)
Interest received on loans and bank balances	59,968	44,348
Income taxes paid	(364)	(389)

See accompanying notes to financial statements.

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Notes to Financial Statements
(U.S. Dollars in Thousands)

Note 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 certain FCA companies in the North American region. On March 26, 2019, management 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 U.S. Dollars.

Note 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.

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

Foreign Currency

The accounting records of the Company are maintained in USD, which represents the 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.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

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Financial Instruments

IFRS 9 - Financial Instruments ("IFRS 9") replaces the guidance in IAS 39 - Financial Instruments ("IAS 39"). In particular, it amends the previous guidance in three main areas:

- the classification and measurement of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held;
- the accounting for impairment of financial assets through the introduction of an "expected credit loss" impairment model, replacing the incurred loss method under IAS 39; and
- hedge accounting, in particular removing some of the restrictions in applying hedge accounting under IAS 39 and to more closely align the accounting for hedge instruments with risk management policies.

Classification and measurement (policy applicable from January 1,2018)

The classification of a financial asset is dependent on our business model for managing such financial assets and their contractual cash flows. We consider whether the contractual cash flows represent solely payments of principal and interest that are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss ("FVPL").

Financial asset cash flow business model	Initial measurement	Measurement category
Solely to collect the contractual cash flows (Held to Collect)	Fair Value including transaction costs	Amortized Cost ("AC")
Collect both the contractual cash flows and generate cash flows arising from the sale of assets (Held to Collect and Sell)	Fair Value including transaction costs	Fair value through other comprehensive income ("FVOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	FVPL

Financial assets are not reclassified subsequent to their initial recognition unless we change our business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Derivative Financial Instruments

Derivative financial instruments are used for economic hedging purposes in order to reduce currency and interest rate risks. In accordance with IFRS 9, derivative financial instruments are recognized on the basis of the settlement date and, upon initial recognition, are measured at fair value less (in case a financial asset is not measured at FVPL) transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, all derivative financial instruments are measured at fair value. Furthermore, derivative financial instruments qualify for hedge accounting when (i) there is formal designation and documentation of the hedging relationship and our risk management objective and strategy for undertaking the hedge at inception of the hedge and (ii) the hedge is expected to be effective.

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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 Statements of Income. The effective portion of any gain or loss is recognized in the Statements of Income at the same time as the economic effect arising from the hedged item that affects the Statements of Income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the Statements of Income immediately.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. We enter into hedge relationships where the critical terms of the hedging instrument match closely or exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match closely or exactly with the critical terms of the hedging instrument, we use the hypothetical derivative method to assess effectiveness.

Ineffectiveness is measured by comparing the cumulative changes in fair value of the hedging instrument and cumulative change in fair value of the hedged item arising from the designated risk. The primary potential sources of hedge ineffectiveness are mismatches in timing or the critical terms of the hedged item and the hedging instrument.

The hedge ratio is the relationship between the quantity of the derivative and the hedged item. Our derivatives have the same underlying quantity as the hedged items, therefore the hedge ratio is expected to be one for one.

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

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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).

Financial Instrument	**Fair Value Method**	**Fair Value Hierarchy**
Amounts due from/to affiliated	Carrying value approximates fair value	Level 2
Interest rate swaps	Discounted cash flow of expected interest streams.	Level 2
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.	Level 2

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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 2018 and 2017, there were no transfers between the levels used in the fair value hierarchy.

Income Taxes

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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

In July 2014, the IASB issued IFRS 9. IFRS 9 introduces improvements in the accounting requirements for classification and measurement of financial assets, for impairment of financial assets and for hedge accounting. We adopted the new guidance as of January 1, 2018. There was no material impact to our Financial Statements as a result of adopting the standard.

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.

Note 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 2018 and 2017 the full amount of $342.5 million and $202.1 million, respectively of Cash and cash equivalents related to current account balances held with primary financial institutions.

Note 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 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

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(U.S. Dollars in Thousands)

currency positions are matched. Therefore, the Company expects the changes in fair value of the derivative financial instruments to offset the changes in fair value of the short or medium term loans to affiliates and on the notes issued.

The following summarizes the the type of hedging instruments used and their fair values. These swap contract maturities are presented in *Note 9. Information on Financial Risks* below.

December 31, 2018	**Notional**	**Fair**
Trading:	**Amount**	**Value**
Interest rate swaps [a]	$ 6,000,000	$ —
Forward foreign exchange swaps	395,456	6,761
Total derivative instruments	**$ 6,395,456**	**$ 6,761**

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

[a] Fair values of swaps are mirrored and net to $0

Cash Flow Hedge

As of December 31, 2018 the company had no cash flow hedges outstanding. For the year ended December 31, 2017, a loss of $1.3 million was 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.

Fair Value Hedge

As of December 31, 2018 the company had no fair value hedges outstanding.

The following summarizes the gains and losses arising from the valuation of the hedging instruments and hedged items:

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(U.S. Dollars in Thousands)

	Year Ended December 31,	
Currency risk:	**2018**	**2017**
Net gains (losses) on qualifying hedges	$ —	$ 29,226
Fair value changes in hedged items (notes payable)	—	(29,226)
Net gains (losses)	**$ —**	**$ —**
Interest rate risk:		
Net losses on qualifying hedges	$ —	$ (13,738)
Fair value changes in hedged items	—	13,837
Net gains (losses)	**$ —**	**$ 99**

For the year ended December 31, 2017, a gain of $6.4 million was recognized in Net result on hedging and trading activities in the accompanying Statements of Income related to the discontinuation of fair value hedges.

As of December 31, 2017, a gain of $99 thousand, arising from fair value hedge relationships with the Company's notes payable as hedged items, was recognized as ineffectiveness. 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 $16.1 million and a loss of $12.9 million in 2018 and 2017, respectively. Net results from unrealized trading derivative activities were a loss of $13.2 million and a gain of $55.0 million in December 31, 2018 and 2017, respectively.

Note 5. Bank Borrowings

The Company had bank borrowings based on various benchmark rates plus a spread. As of December 31, 2018 and 2017 the Company had no borrowings against its available lines of credit. 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.

Note 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.

Note 7. Commitments and Contingencies

The Company had outstanding standby letters of credit issued on behalf of affiliated companies of $1.7 million and $1.1 million at December 31, 2018 and 2017, respectively. These contract amounts represent the amounts at risk should the contracts be fully drawn upon and the affiliate defaults.

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Note 8. Estimated Fair Value of Financial Instruments

The following summarizes the fair value measurement of the Company's financial assets and liabilities (in thousands of dollars):

December 31, 2018	Notional Value	Carrying Value	Fair Value	Difference
Assets/(Liabilities) for which fair value is disclosed:				
Assets				
Cash and cash equivalents	$ 342,515	$ 342,515	$ 342,515	$ —
Amounts due from affiliated companies	2,461,418	2,478,725	2,478,725	—
Total assets	**$ 2,803,933**	**$ 2,821,240**	**$ 2,821,240**	**$ —**
Liabilities:				
Amounts due to affiliated companies	$ 2,606,582	$ (2,608,188)	$ (2,608,188)	$ —
Total liabilities	**$ 2,606,582**	**$ (2,608,188)**	**$ (2,608,188)**	**$ —**
Assets/(Liabilities) measured at fair value:				
Derivatives:				
Interest rate swap assets	$ 3,000,000	$ 43,206	$ 43,206	$ —
Interest rate swap liabilities	3,000,000	(43,206)	(43,206)	—
Forward foreign exchange swap assets	339,003	8,944	8,944	—
Forward foreign exchange swap liabilities	56,453	(2,183)	(2,183)	—
Total derivatives	**$ 6,395,456**	**$ 6,761**	**$ 6,761**	**$ —**
December 31, 2017				
Assets/(Liabilities) for which fair value is disclosed:				
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)**	**$ —**
Assets/(Liabilities) measured at fair value:				
Derivatives:				
Interest rate swap assets	$ 3,000,000	$ 12,416	$ 12,416	$ —
Interest rate swap liabilities	3,000,000	(12,416)	(12,416)	
Forward foreign exchange swap assets	362,511	21,813	21,813	
Forward foreign exchange swap liabilities	111,539	(1,880)	(1,880)	—
Total derivatives	**$ 6,474,050**	**$ 19,933**	**$ 19,933**	**$ —**

Carrying value includes accrued interest

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Due to management's judgment required in interpreting market information , the estimates presented above approximate the amounts 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, 2018, the relevant currency and the risk of underlying instrument were all used. In all cases, fair values were translated into USD using the exchange rates ruling at the balance sheet date.

Note 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 following section provides qualitative and quantitative disclosures on the effect that these risks may have upon us. The quantitative data reported in the following does not have any predictive value, in particular the sensitivity analysis on finance market risks does not reflect the complexity of the market or the reaction which may result from any changes that are assumed to take place.

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 is extremely low. These loans 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, 2018 and 2017 were delinquent or written off.

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.

Financial market risk

Due to the nature of the Company business, the Company is exposed to a variety of market risks, including foreign currency exchange rate risk and interest rate risk.

Specific amounts due from and due to 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. It is the Company's policy to use derivative financial instruments to fully hedge its exchange rate risk exposure.

The Company also provides fixed rate medium and long term financing to certain affiliated companies. These transactions expose the company to interest rate risk. In order to manage this risk, the Company uses interest rate swaps to mitigate unfavorable interest rate movements associated with these transactions.

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(U.S. Dollars in Thousands)

The Company interest rate swaps include forward starting swaps transacted on behalf of FCA NAH. These trades, executed with third parties to hedge 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.

Sensitivity Analysis

The potential loss in fair value of derivative financial instruments held by the Company at December 31, 2018 and 2017, 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 $30.0 million and $27.0 million, respectively. These amounts will be potentially offset by the change of the underlying instruments.

Liquidity Risk

Liquidity risk arises if the Company is unable to obtain under acceptable economic conditions the funds needed to carry out its operations. The Company's liquidity position for December 31, 2018 and 2017 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, 2018						
Assets:						
Cash and cash equivalents	$ 342,515	$ —	$ —	$ —	$ —	$ 342,515
Amounts due from affiliated companies	1,326,920	287,674	864,131	—	—	2,478,725
	$ 1,669,435	**$ 287,674**	**$ 864,131**	**$ —**	**$ —**	**$ 2,821,240**
Liabilities:						
Amounts due to affiliated companies	$ 2,608,188	$ —	$ —	$ —	$ —	$ 2,608,188
Net	**$ (938,753)**	**$ 287,674**	**$ 864,131**	**$ —**	**$ —**	**$ 213,052**

	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**

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

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(U.S. Dollars in Thousands)

due date:

December 31, 2018	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Interest rate swaps [a]	$ —	$ —	$ —	$ —	$ —	$ —
Forward foreign exchange	—	6,821	(60)	—	—	6,761
Total derivatives	**$ —**	**$ 6,821**	**$ (60)**	**$ —**	**$ —**	**$ 6,761**

December 31, 2017	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Interest rate swaps [a]	$ —	$ —	$ —	$ —	$ —	$ —
Forward foreign exchange	—	19,808	125	—	—	19,933
Total derivatives	**$ —**	**$ 19,808**	**$ 125**	**$ —**	**$ —**	**$ 19,933**

[a] *Fair values of swaps and mirrored swaps net to $0. See Note 4. Financial Derivatives for additional information.*

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, 2018						
Financial Guarantees	**$ —**	**$ —**	**$ 1,718**	**$ —**	**$ —**	**$ 1,718**
December 31, 2017						
Financial Guarantees	**$ —**	**$ —**	**$ 1,083**	**$ —**	**$ —**	**$ 1,083**

Note 10. Income Taxes

The components of income tax expense for the years ended December 31, 2018 and 2017 are as follows:

	Year Ended December 31,	
Current tax expense (benefit)	**2018**	**2017**
Federal	$ —	$ (30)
State and local	364	419
Withholding tax	3,894	3,258
Deferred tax	263	(2,383)
Total income tax expense	**$ 4,521**	**$ 1,264**

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(U.S. Dollars in Thousands)

The differences between the theoretical rate and the Company's effective rate are mainly attributable to tax credit utilization and related withholding tax. This resulted in a theoretical tax rate of 27.00 % and 40.00% as opposed to an effective tax rate of 88.34% and 27.74% at December 31, 2018 and December 31, 2017, respectively.

For the year ended December 31, 2018, the increase in the Company's effective tax rate is primarily related to the accounting for its foreign tax credits. Prior to 2018, the Company filed its federal U.S. tax return separately and therefore accounted for its foreign tax credits on a stand-alone basis. Effective September 30, 2017, FCA NAH obtained 100 percent ownership of the Company and elected to include the Company in its U.S. consolidated federal tax return. As a result, the Company's 2018 foreign tax credits were limited on a consolidated basis by FCA NAH. For the year ended December 31, 2017, 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 U.S. tax law, including a permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%. Based on the information available as of December 31, 2017, the Company estimated a tax expense of $10 thousand in 2017 for the effects of the changes in the tax rate. This position was finalized in 2018, and no material adjustments were made to the estimated amount recorded in 2017.

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

	Years Ended December 31,	
	2018	**2017**
Income before income taxes	5,119	4,554
Tax expense at U.S. federal statutory rate	1,075	1,594
U.S. state income taxes, net of federal benefit	243	178
Impact due to U.S. tax reform	—	10
Prior year return adjustments	77	(460)
Withholding Tax	3,126	—
Other	—	(58)
Total	**$ 4,521**	**$ 1,264**

The Company's deferred tax assets are composed of:

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(U.S. Dollars in Thousands)

	Year Ended December 31,	
	2018	2017
Foreign tax credit	$ 5,099	$ 5,342
Other	—	20
Total	**$ 5,099**	**$ 5,362**

Note 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. 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.

Note 12. Transactions with Affiliated Parties

The Company is a party to the FCA Group revolving credit facility agreement that originated in June 2015. In March 2018, the FCA Group amended its syndicated revolving credit facility (the "RCF"). The amendment extends the RCF's final maturity to March 2023. The RCF, which is available for general corporate purposes and for the working capital needs of the FCA Group, is structured in two tranches: €3.125 billion, with a 37-month tenor and two extension options of 1-year and of 11-months exercisable on the first and second anniversary of the amendment signing date, respectively, and €3.125 billion, with a 60-month tenor. At December 31, 2018 the €6.25 billion RCF was undrawn.

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.

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

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(U.S. Dollars in Thousands)

	Year Ended December 31, 2018	2017
Interest income	$ 62,353	$ 48,780
Interest expense	44,829	14,427
Other expenses (income)	(7)	149
Net (loss) on hedging and trading activities	(5,047)	(8,535)
Amounts due from affiliated companies*	2,478,725	1,136,600
Financial derivatives - at positive fair value	20,302	8,105
Amounts due to affiliated companies*	2,608,188	1,139,391
Financial derivatives - at negative fair value	25,027	6,191

**Amounts include accrued interest*

Note 13. Interest Income and Interest Expense

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

Note 14. Other Financial Expenses

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

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

Note 16. Subsequent Events

Management has evaluated subsequent events through March 26, 2019, the date these financial statements were available to be issued.

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