

FINANCIAL STATEMENTS

Fiat Chrysler Finance Canada, Ltd.  
(a Subsidiary of Fiat Chrysler Finance Europe S.A.)  
Years Ended December 31, 2016 and 2015  
With Report of Independent Auditors

Ernst & Young LLP



Building a better  
working world

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Financial Statements

Years Ended December 31, 2016 and 2015

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## Report of Independent Auditors

The Board of Directors  
Fiat Chrysler Finance Canada, Ltd.

We have audited the accompanying financial statements of Fiat Chrysler Finance Canada, Ltd. (a wholly owned subsidiary of Fiat Chrysler Finance Europe S.A., whose ultimate parent is Fiat Chrysler Automobiles N.V.) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fiat Chrysler Finance Canada, Ltd. at December 31, 2016 and 2015, 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 17, 2017

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

	<b>Notes</b>	<b>December 31,</b>	
		<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Cash and cash equivalents	3	\$ 31,897	\$ 15,899
Amounts owed by affiliated companies	8	-	5,860
Prepaid expenses and other assets		<u>18</u>	<u>36</u>
<b>Total assets</b>		<u>\$ 31,915</u>	<u>\$ 21,795</u>
 <b>Liabilities and stockholder's equity</b>			
<b>Liabilities:</b>			
Amounts owed to affiliated companies	8	\$ 10,123	\$ -
Accrued expenses and other liabilities		<u>18</u>	<u>49</u>
<b>Total liabilities</b>		<b>10,141</b>	49
 <b>Stockholder's equity:</b>			
Capital stock (no par value; unlimited authorized shares; 493 shares outstanding at assigned value)	7	-	-
Additional paid in capital	7	<b>10,100</b>	10,100
Retained earnings		<u>11,674</u>	<u>11,646</u>
<b>Total stockholder's equity</b>		<u>21,774</u>	<u>21,746</u>
<b>Total liabilities and stockholder's equity</b>		<u>\$ 31,915</u>	<u>\$ 21,795</u>

*See accompanying notes to financial statements*

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

		Years Ended December 31,	
	Notes	2016	2015
Revenues:			
Interest income	9	\$ 165	\$ 176
<b>Total revenues</b>		<b>165</b>	<b>176</b>
Expenses:			
Interest expense	9	17	4
General and administrative expenses		72	139
Other expenses		38	37
<b>Total expenses</b>		<b>127</b>	<b>180</b>
<b>Income/(loss) before provision for income taxes</b>		<b>38</b>	<b>(4)</b>
Provision for income taxes	6	10	1
<b>Net income/(loss)</b>		<b>\$ 28</b>	<b>\$ (3)</b>

*See accompanying notes to financial statements*

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

	<u>Capital Stock</u>		<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance - December 31, 2014	493	\$ -	\$ 10,100	\$ 11,649	\$ 21,749
Net loss	-	-	-	(3)	(3)
Balance - December 31, 2015	493	-	10,100	11,646	21,746
Net income	-	-	-	28	28
Balance - December 31, 2016	<b>493</b>	<b>\$ -</b>	<b>\$ 10,100</b>	<b>\$ 11,674</b>	<b>\$ 21,774</b>

*See accompanying notes to financial statements*

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

Statements of Cash Flows  
(Canadian Dollars in Thousands)

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Net income (loss)	\$ 28	\$ (3)
Adjustments to reconcile net income to cash flows provided by (used in) operating activities:		
Net decrease/(increase) in operating assets:		
Decrease/(increase) in amounts owed by affiliated companies	5,860	(5,860)
Decrease/(increase) in prepaid expense and other assets	18	(24)
Increase/(decrease) in amounts owed to affiliated companies	10,123	-
Increase/(decrease) in current tax liabilities	-	(14)
(Decrease)/increase in accrued expenses and other liabilities	(31)	32
<b>Net cash flow provided by (used in) operating activities</b>	<b>15,998</b>	<b>(5,869)</b>
Net increase/(decrease) in cash and cash equivalents	15,998	(5,869)
Cash and cash equivalents - beginning of the year	15,899	21,768
Cash and cash equivalents - end of the year	<b>\$ 31,897</b>	<b>\$ 15,899</b>
<b>Operational cash flows from interest and income tax</b>		
Net interest received	\$ 157	\$ 175
Net income tax refunds (payments)	<b>\$ 8</b>	<b>\$ (39)</b>

*See accompanying notes to financial statements*



Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

December 31, 2016

**1. Business Description and Organization**

Fiat Chrysler Finance Canada, Ltd. (the “Company”), a wholly owned subsidiary of Fiat Chrysler Finance Europe, S.A., was incorporated on May 2, 1991, under the Business Corporation Act of the Province of Alberta and began operations on May 6, 1991. The Company is ultimately controlled by Fiat Chrysler Automobiles N.V. (“FCA”), incorporated in the Netherlands. The Company’s registered office is located at 3500, 855-2 Street S.W. Calgary, Alberta T2P 4J8 Canada. The Company performs cash management, investment and corporate finance services and working capital financing for all Fiat Group companies in Canada. On March 17, 2017, the Board of Directors authorized the issuance of the Company’s financial statements.

**2. Basis of Accounting and Summary of Significant Accounting Policies**

***Basis of Presentation***

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

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

***Use of Estimates***

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

***Reclassifications***

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

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

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

***Cash and Cash Equivalents***

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

***Recent Accounting Pronouncements***

In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers*, which requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive. This new revenue recognition model defines a five step process to achieve this objective. The updated guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. On September 11, 2015, the IASB issued an amendment to this standard, formalizing the deferral of the effective date for periods beginning January 1, 2018. In April 2016, the IASB issued further amendments to the standard, which do not change the underlying principles of the standard, but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation in a contract, determine whether a company is a principal or an agent, determine whether the revenue from granting a license should be recognized at a point in time or over time and provide two additional reliefs to reduce cost and complexity. The amendments are effective from January 1, 2018, which is the same effective date as IFRS 15. We do not expect a material impact to our Financial Statements or disclosures upon adoption of the standard in 2018.

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

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

**3. Cash and Cash Equivalents**

In 2016, the Company had CAD 31,897 in cash and cash equivalents, of which CAD 18,000 related to term deposits held with financial institutions. In 2015, the Company had CAD 15,899 in cash and cash equivalents, of which CAD 14,000 related to term deposits held with financial institutions.

**4. Estimated Fair Value of Financial Instruments**

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

	<b>Nominal Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Difference</b>
<b>December 31, 2016</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 31,891	\$ 31,897	\$ 31,897	\$ -
Amounts owed by affiliated companies	-	-	-	-
<b>Total assets</b>	<b>\$ 31,891</b>	<b>\$ 31,897</b>	<b>\$ 31,897</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Amounts owed to affiliated companies	\$ 10,118	\$ 10,123	\$ 10,123	\$ -
<b>Total liabilities</b>	<b>\$ 10,118</b>	<b>\$ 10,123</b>	<b>\$ 10,123</b>	<b>\$ -</b>
<b>December 31, 2015</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 15,898	\$ 15,899	\$ 15,899	\$ -
Amounts owed by affiliated companies	5,850	5,860	5,860	-
<b>Total assets</b>	<b>\$ 21,748</b>	<b>\$ 21,759</b>	<b>\$ 21,759</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Amounts owed to affiliated companies	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Carrying value equals nominal value plus accrued interest*

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

**5. Information on Financial Risks**

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

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

**Credit Risk**

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

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

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

**Liquidity Risk**

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

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

**5. Information on Financial Risks (continued)**

The Company's liquidity position for December 31, 2016 and 2015, is as follows (in carrying value):

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
<b>December 31, 2016</b>						
Assets:						
Cash and cash equivalents	\$ 13,891	\$ 18,006	\$ -	\$ -	\$ -	\$ 31,897
Amounts owed by affiliated companies	-	-	-	-	-	-
	<u>13,891</u>	<u>18,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,897</u>
Liabilities:						
Amounts owed to affiliated companies	<u>10,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,123</u>
<b>Net</b>	<u>\$ 3,768</u>	<u>\$ 18,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,774</u>

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
<b>December 31, 2015</b>						
Assets:						
Cash and cash equivalents	\$ 1,898	\$ 14,001	\$ -	\$ -	\$ -	\$ 15,899
Amounts owed by affiliated companies	5,860	-	-	-	-	5,860
<b>Net</b>	<u>\$ 7,758</u>	<u>\$ 14,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,759</u>

Amounts include accrued interest

**6. Income Taxes**

The components of income tax expense for the years ended December 31, 2016 and 2015 are as follows:

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Current tax expense (benefit)		
Federal	\$ 6	\$ (1)
State and local	4	-
Deferred tax expense	-	-
<b>Total income tax expense (benefit)</b>	<u>\$ 10</u>	<u>\$ (1)</u>

Fiat Chrysler Finance Canada, Ltd.  
(A Subsidiary of Fiat Chrysler Finance Europe S.A.)

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

**7. Stockholder's Equity**

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

**8. Transactions with Affiliated Parties**

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

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

	<b>Years Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Interest income	\$ 39	\$ 14
Interest expense	17	3
Amounts owed by affiliated companies*	-	5,860
Amounts owed to affiliated companies*	<b>10,123</b>	-

\* Amounts include accrued interest

**9. Interest Income and Interest Expense**

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

**10. Subsequent Events**

Management has evaluated subsequent events through March 17, 2017, the date these financial statements were available to be issued.

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