Exor

2019 Annual Report

Exor

Board Report

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The 2019 Annual Report is available on the corporate website at: www.exor.com

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Dear Shareholders,

As I write to you this year – a 'letter from lockdown' – we are enduring the most extraordinary weeks that are fast becoming unimagined months. These are events that none of us could have reasonably predicted even a short time ago when we held our Investor Day in Torino, which also marked Exor's tenth anniversary. Great emergencies, by their nature, lead us to live life in the moment as we seek to do everything we possibly can to protect and tend to the hour-to-hour, day-to-day needs of our families, friends, colleagues and communities.

In this letter I will share with you the details of what we have been doing, across the extended Exor family, during this time to confront the unprecedented Covid-19 pandemic and its serious health, social and economic implications. But before doing this, I believe it is important to take the time to remember what we have done and learned throughout the first decade of Exor, because our ability to face these challenges is rooted in what we have achieved, and has shaped who we are today. I will then summarise the most relevant events of 2019 before turning to 2020.

Our family has been in business for a long time and has overcome wars, revolutions, crises and pandemics and we know that our response to the current crisis will require, as Leonardo da Vinci said five centuries ago:

"The urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do."

EXOR'S FIRST DECADE

As we discussed with those of you who attended or livestreamed our Investor Day in Torino last November, in our first decade we achieved our objective of beating the MSCI World Index. Exor's compound annual growth rate of NAV per share was, in aggregate, 18.9% compared to the MSCI's 10.8%.

Annual percentage change

In USD Year	NAV/Share	MSCI World Index	Delta
2009[1]	113.2	55.6	57.6
2010	33.7	9.6	24.1
2011	(26.2)	(7.6)	(18.6)
2012	21.6	13.2	8.4
2013	21.0	24.1	(3.1)
2014	0.8	2.9	(2.1)
2015	8.4	(2.7)	11.1
2016	9.6	5.3	4.3
2017	56.9	20.1	36.8
2018	(13.6)	(10.4)	(3.2)
2019[1]	12.6	11.3	1.3
Compound Annual Rate	**18.9**	**10.8**	**8.1**

Total percentage change

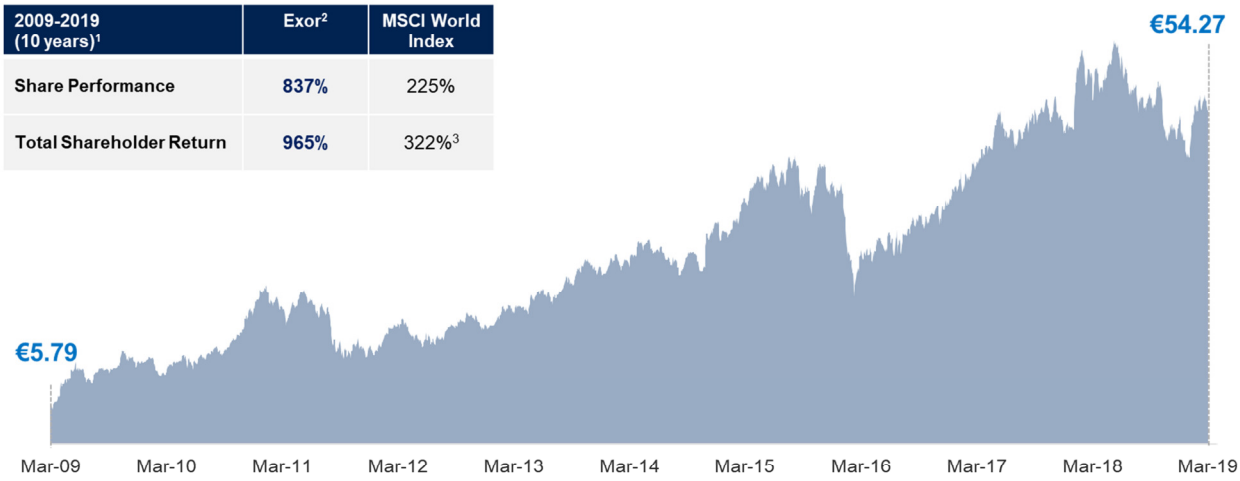
2009 - 2019[1] (10 years)	**465.9**	**179.2**	**286.7**

1) Data in 2009 starts from March 1st, the date before Exor's listing on Borsa Italiana. Data in 2019 up to March 1st.

This outperformance was reflected in our share price. In fact, looking at the 10 year period from March 2009 to March 2019, we achieved a ~10x increase in value, taking into account both our share appreciation and dividends.

Exor Share price (€)

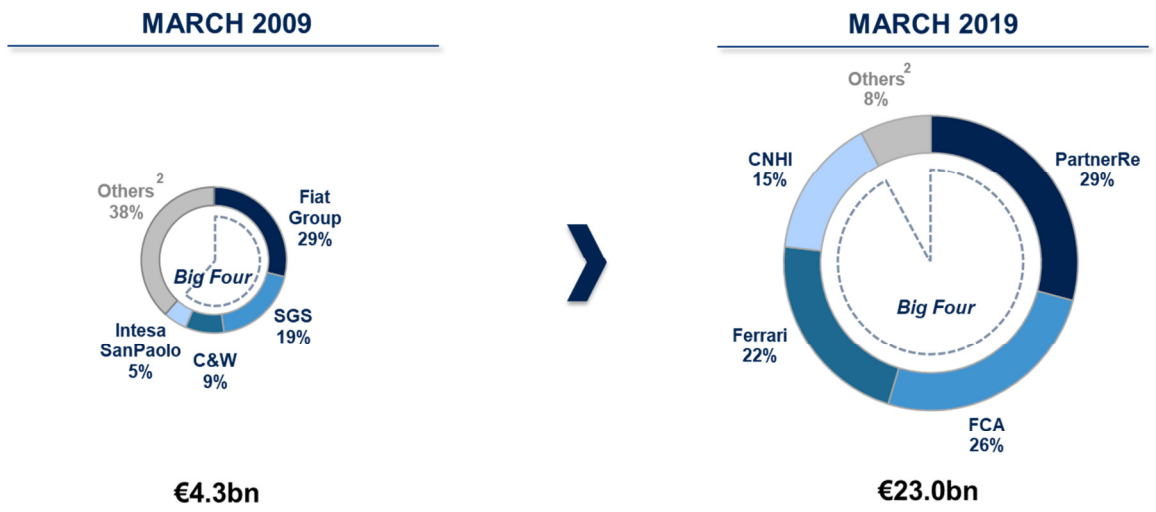
2009-2019 (10 years)[1]	Exor[2]	MSCI World Index
Share Performance	**837%**	225%
Total Shareholder Return	**965%**	322%[3]



1) For the period starting March 2, 2009 (first day of Exor's listing on Borsa Italiana) up to March 1, 2019. Data based in Euro currency.
2) Based on the official share price released by Borsa Italiana (fixing).
3) MSCI World Gross Return Index in Euro. Source: CapitalIQ.

In achieving these results, we shifted our portfolio in several fundamental ways. First of all, we sold three out of our four biggest companies by value and we made our largest acquisition ever with PartnerRe.

Exor Gross Asset Value (GAV) [1]



1) Figures at March 1, 2009 and March 1, 2019.
2) Others includes: Other investments, Financial investments, Cash and cash equivalents and Treasury shares.

In addition, the Fiat Group was transformed from a troubled industrial conglomerate into three global leaders in their own fields: FCA, Ferrari and CNH Industrial. We also grew and evolved the geographical mix of our businesses. Ten years ago, two-thirds of our revenues were generated in Europe while today it is less than a third. In this last decade our companies also achieved significant operational improvements which has driven both their robust financial performance and their balance sheet strength.

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We have been reflecting on the journey we have taken since the foundation of FIAT back in 1899 because, though we are proud of our past achievements, we are most interested in what we can learn from them, and also what we can learn from our mistakes. We found that our achievements have been underpinned by two characteristics: our entrepreneurial spirit, and our financial discipline. Using this as a starting point, we have gone on to define Exor's culture with its purpose and its values.

We believe that the purpose of Exor is to build great companies. Great companies perform to the highest standards, are distinctive in what they do, act in a responsible way and seek renewal and change.

The values that we apply in delivering this purpose are:

1. Ambition & Humility: We set high aspirations but remain grounded
2. Curiosity & Focus: We seek new ideas while prioritizing what matters
3. Patience & Drive: We take a long-term perspective but are relentless in getting things done
4. Courage & Responsibility: We take bold actions while being mindful of their consequences

In defining our culture this way, we believe we capture the strength of our historic entrepreneurial spirit and financial discipline. We have deliberately expressed our values in pairs or dualities, which are often in tension with each other, just as entrepreneurial spirit can be in productive tension with financial discipline. But each duality is most powerful when the right balance between the two sides is achieved.

This concept of duality was well captured by Bertrand Russell when he said that:

"The desire to understand the world and the desire to reform it are the two great engines of progress, without which human society would stand still or retrogress."

Of course, what matters more than these words is how we translate them into the actions that we and our companies take each day. We achieve this by cultivating clear and strong cultures within our companies, appointing directors and leaders who share our purpose and values and establishing governance that aligns those cultures with actions.

One key learning from our past successes and mistakes is that the behaviours our leaders exhibit are as important as their skills and knowledge. We look for people who embody our values, who are results oriented, who fight complacency especially during periods of success and who are always aware of what they do not know. We are grateful to the leaders who have been part of our history and look forward to working with those who will accompany us in the future.

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EXOR IN 2019

In 2019, Exor's Net Asset Value per share in Dollars, or NAV per Share, increased by 34.5%, outperforming by 9.3 p.p. our benchmark, the MSCI World Index, denominated in Dollars.

EXOR NAV PER SHARE PERFORMANCE vs. THE MSCI WORLD INDEX (in US Dollars)

	Annual percentage change		
Year	1 - EXOR NAV per share in US$	2 - MSCI World Index in US$	Relative results (1-2)
2009	113.2	55.6	57.6
2010	33.7	9.6	24.1
2011	(26.2)	(7.6)	(18.6)
2012	21.6	13.2	8.4
2013	21.0	24.1	(3.1)
2014	0.8	2.9	(2.1)
2015	8.4	(2.7)	11.1
2016	9.6	5.3	4.3
2017	56.9	20.1	36.8
2018	(13.6)	(10.4)	(3.2)
2019	34.5	25.2	9.3
Compound annual rate	**19.3**	**11.1**	**8.2**

Note: data in 2009 starts from March 1st, the date before EXOR's listing on Borsa Italiana

Our performance needs to be looked at in the context of a year in which every asset class meaningfully increased in value. The strongest contributor was Ferrari (up +71% in Euro and +68% in USD) on the back of strong results and a substantial increase in the valuation multiples of the luxury goods sector.

US$ million	31/12/2019	31/12/2018	Change vs 31/12/2018	
			Amount	%
Investments	**28,923**	**23,276**	5,647	+24.3%
Others	**1,074**	**497**	577	+116.1%
Gross Asset Value (GAV)	**29,997**	**23,773**	6,224	+26.2%
Gross Debt	**(3,842)**	**(4,033)**	191	-4.7%
Net Asset Value (NAV)	**26,155**	**19,740**	6,415	+32.5%
NAV per Share ($)	**110.8**	**82.3**	28	+34.5%

Investments (96.4% of GAV)

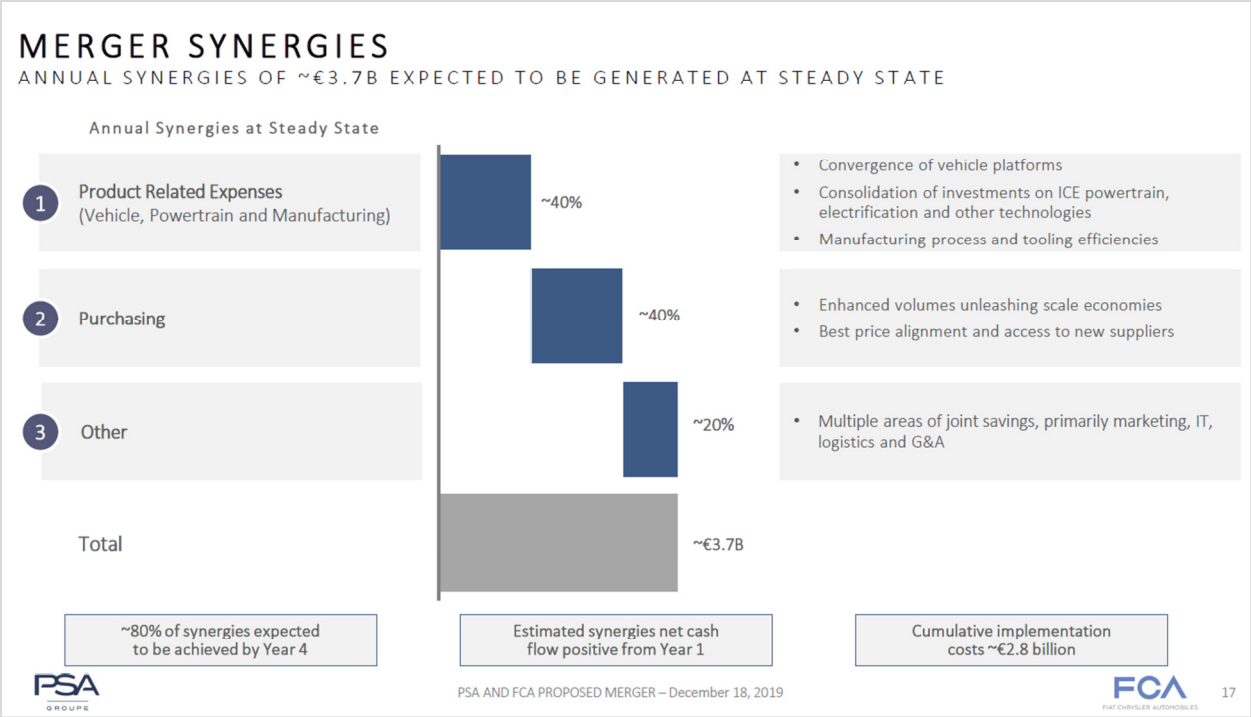
The most significant event within our portfolio in 2019 was the announcement of the FCA-PSA merger. This merger, the largest in our history, will create the 3rd largest global car company by revenues and 4th largest by volume.

Both companies have glorious histories. Like FIAT, Peugeot traces its beginnings back to the nineteenth century. The two companies have had many interactions, particularly in the 1970s when Fiat invested in Citroën, Citroën sold Maserati and Peugeot acquired Citroën and Chrysler's European activities. The iconic Citroën SM (Super Maserati) is a reminder of that past collaboration, as is the successful joint venture between FIAT and PSA in commercial vehicles that was signed in 1978 and which has since produced 6.3 million vehicles.

Credit archivio Quattroruote

The NewCo formed through the FCA-PSA merger will have strong market shares in EMEA, in NAFTA and in Latin America and will have significant opportunity to grow in APAC where it will have ~1% market share. It will also own a broad-based portfolio of brands covering all market segments.

The rationale for consolidation in the car industry is a topic that I have written about in the past and its benefits have been demonstrated both by PSA coming together with Opel and FCA and FIAT coming together with Chrysler. We are very confident in achieving annual synergies of ~€3.7 billion at steady state (without plant closures) through the creation of NewCo, particularly given that it will be led by Carlos Tavares, who has achieved strong results as the CEO of PSA and understands the importance of culture.



As I shared in last year's letter, for the car industry the next twenty years have the potential to be as exciting as the first twenty. We believe that the new company will have the resources and scale to be at the forefront of this new era of sustainable mobility.

Exor will be the NewCo's largest shareholder, with ~14% of the capital, and is looking forward to working alongside the Peugeot Family who, through their holding companies EPF and FFP, will be the second largest shareholder. In doing this we will draw on the lessons we have learned from our successful partnership with the Ferrari family, which has given Ferrari's leadership the stable governance it has needed to continue to grow their great company.

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This year CNH Industrial presented its “Transform 2 Win” plan.

CNHI is a global leader in the capital goods industry, with a strong presence in both the off-highway and on-highway segments. A key pillar of the new plan is based on portfolio transformation that will result in the creation of two global leaders, one in sustainable agriculture and construction and the other in sustainable transportation and propulsion. This new configuration will reduce complexity and allow each company to concentrate on its markets to reach its full potential and deliver its ambitious goals.

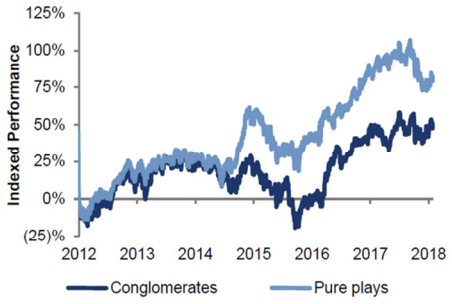
As EXOR we support this split of the company into two more focused businesses because we know from experience how greater clarity in scope drives improved results. This is also supported by empirical third-party data, as shown below.

Pure play companies have higher returns, higher earnings growth and higher valuations...

Number of business segments (BICS standard)[1]	1	5 or more
Average 2019E CROCI[2]	12.9%	8.0%
Average 2018-2022E EBITDA CAGR	8.3%	5.2%
Average 2019E P/E multiples	17.8x	12.9x

Source: Goldman Sachs Global Investment research, Bloomberg. Relates to European companies, excluding outliers.
1 – Bloomberg Industry Classification Standard (BICS). 2 – Cash Return On Capital Invested.

... which is correlated with higher Total Shareholder Returns



Source: Goldman Sachs Global Investment research.
Note: Based on selected group of capital goods European conglomerates (having two or more businesses selling through different channels with limited manufacturing overlap).

We look forward to the two companies thriving as they start their independent lives. In preparing for that it will be important for CNHI to improve its performance after a disappointing year in 2019 with net sales of industrial activities of $26.1 billion, down 6.0% from 2018, operating profit of $1.4 billion, down 12.3%, and free cash flow from industrial activities decreasing from $552 million to $21 million.

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2019 was a strong year for Juventus both on and off the pitch.

The team once again strengthened its leading position in Italian Football by winning its eighth consecutive Championship title, while the Juventus Women's team won its second league title and their first Italian Cup.

On the commercial side, Juventus' revenues grew to €621 million (€505 million in 2018, +23%) and its diversification strategy continued with the opening of the J-Hotel (the first hotel structure in Italy built in collaboration with a football club) and the opening of a branch in Hong Kong to increase its exposure to the Asian market. The club now has 420 million supporters worldwide. This number is strengthened by its digital audience, with 41 million on Facebook, 38 million on Instagram, 11 million on Twitter, 2.6 million on YouTube and 2.6 million on SinaWeibo.

We invested in Juventus this year by underwriting our entire portion, equal to €191 million (63.8% of the share capital) of the fully subscribed capital increase of €300 million. This year the club also issued a €175 million bond, the first unsecured senior bond issued by a football club. With its newly-strengthened balance sheet we believe that Juventus is well positioned for a more sustainable future in an industry in which the extraordinary revenue growth of the last decade has not been translated into sufficient profitability. Juventus also starts the next stage of its journey with a strong position in European football. For the fourth year in the row it has been the fifth club in UEFA's official ranking and it is the only Italian club to have been consistently placed in the top 10 for the last 5 years. It will continue to work with other teams and institutions

under the strong leadership of its Chairman, Andrea Agnelli, who also chairs the European Club Association, to secure a sustainable future for the most popular sport in the world.

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In 2019 we also agreed to increase our stake in GEDI Gruppo Editoriale. GEDI is a market leader in the Italian media landscape, owning a set of first tier media brands well-known for their high quality journalism. The company owns two of the leading Italian newspapers: *La Repubblica* (founded in 1976) and *La Stampa* (founded in 1867). These are the second and third largest daily newspapers in Italy by circulation. They also both have a strong digital presence. *La Repubblica* runs the most popular online news website in Italy and has the strongest social media engagement, while *La Stampa* holds the 3rd position. In the radio media space, GEDI is the second largest private player, with properties like Radio DEEJAY being followed by ~5 million daily listeners. In 2019 the company generated ~€603 million in revenues and ~€59 million in EBITDA. With its growing digital media activities now representing close to 13% of revenues, it is ideally positioned to profit from market transformation.

We are very familiar with GEDI since it was formed in 2016 through the combination of CIR and our traditional media interests, after which we remained a minority shareholder with a 5.99% interest. In 2019 we agreed to buy from CIR its 43.78% stake in GEDI at a price of €0.46 per share (an implied market capitalization for the whole company of ~€234 million). This represents a total purchase price for the stake of €102.4 million and we will subsequently launch a tender offer to acquire the remainder of the shares at the same price.

We are conscious that this is a contrarian acquisition given the headwinds facing the newspaper industry. However, we believe that, despite these challenges, news organizations providing quality journalism will continue to attract and grow digital paying readers. This was demonstrated in these difficult and uncertain times by the 60% growth in digital subscriptions that GEDI saw in March 2020, taking it from 130k at the end of February to 210k. At the same time its website traffic increased by 220% with video and audio also growing strongly. This subscription model will underpin a business that provides an important service within society, giving readers responsible news coverage and independent opinions on both local and world events.

The value of high quality journalism has also been apparent at *The Economist* where, during the last couple of weeks of March 2020, traffic to its digital products increased by more than 80% while there was a 250%+ increase in daily registrations and a doubling of its average new subscriber numbers. We were delighted to welcome Lara Boro as the new CEO of The Economist. Lara brings with her both a wealth of experience in B2C and B2B media and strong leadership skills, which she is putting to good use in these difficult times.

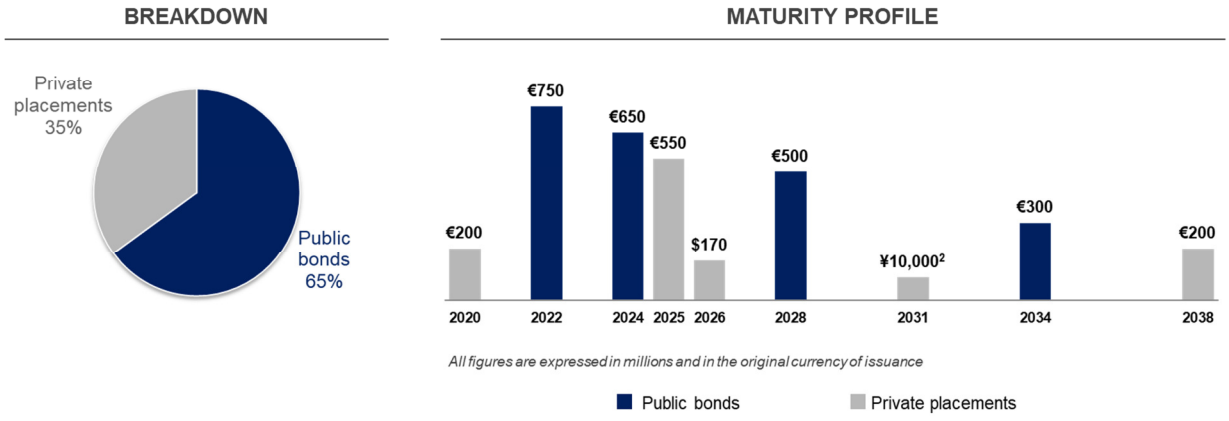
Finally, we continued to invest in all our companies by buying back 3,646,822 Exor shares for €207 million at an average price of €56.7.

Gross Debt

We have been active in extending our maturities, reducing our cost of funding and increasing our overall liquidity levels from €267 million cash, cash equivalents and financial assets at the end of 2018 to €789 million at the end of 2019. We know the importance of having started this year with close to 3 times more liquidity than when we began the last one, having learned the meaning of "cash is king" in other crises.

In October 2019, we accessed long maturities at all-time-low rates. We issued a 15-year bond for an amount of €300 million with a fixed annual coupon of 1.75%, due in 2034. This issuance enabled a further extension of Exor's credit curve at attractive prices. We also reimbursed a €150 million private bond maturing in November with available cash. We will continue to assess opportunities in the private placement market as a way to diversify our capital structure, complementing public issuances, and to continue building long-term relationships with our institutional credit investors.

As of the 31 December 2019, all of Exor's Gross Debt was made up of bonds (35% private placements and 65% public bonds) with average maturity ~7 years and average cost ~2.6%. In addition, we had available committed lines for €435 million and uncommitted credit lines for €587 million, all of which were undrawn. Our focus on managing our debt effectively and prudently, in addition to the announced transactions, were recognized when Standard & Poor's decided to improve Exor's outlook from stable to positive at the end of 2019.



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EXOR IN 2020

This year began with a $9 billion unsolicited offer from Covéa, the French mutual insurance company, for PartnerRe. We thought carefully about our response to this since we were very focused on building a great company for the long-term and we were pleased with the progress that had been made since we acquired PartnerRe in 2016. This included strengthening the Board of Directors and the leadership team, which benefited from new talent from both internal promotions and recruitment from within the industry.

We had also accelerated the development of the Life & Health business organically and via the acquisition of Aurigen. Life & Health offers attractive returns due to high barriers to entry (driven by balance sheet size, long-term capital commitment and the service level required by clients) and it complements Non-Life reinsurance because of the uncorrelated nature of the underlying risks. This results in significant earnings and capital diversification benefits.

By the time we received Covéa's offer, PartnerRe had become a much leaner company with its expense base improved by approximately 25 percent compared to the pre-EXOR acquisition levels, a more robust balance sheet and stronger underwriting and investment skills. Its book value grew by 13% (16% dividend adjusted) from $5.8 billion in 2018 to $6.6 billion in 2019.

The decision to move ahead with the sale was therefore a difficult one. But, in the end, we concluded that Covéa would provide a good home for PartnerRe and its employees and that having access to Covéa's balance sheet would be competitively advantageous. The welcome the transaction received from clients, brokers and rating agencies, with Standard & Poor's and Fitch improving PartnerRe's rating outlook to positive, endorsed this decision. Covéa's commitment to entering the re-insurance industry as an attractive adjacent and complementary business and as a way to diversify globally its strong French domestic presence, makes it a good fit with PartnerRe and the first interactions between the Covéa and PartnerRe teams have been very positive.

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In the early weeks of 2020, we became aware from our colleagues and partners in China of the spread of a new coronavirus and the nature and impact of the containment measures being taken. However, we had little idea at that time of the profound consequences that Covid-19 would soon have on the rest of the world.

Italy was the first country outside of Asia to be badly hit by the virus, which has made those of us who live and work here feel like we have been experiencing other countries' potential futures for the past six weeks. The nation's health has become the priority for all of us during this period and the government's strong lockdown measures have been matched by an extraordinary and inspiring demonstration of responsibility and community from those living here.

Despite the difficulties and discomfort that social distancing creates, we have seen people provide psychological, practical and financial support to those at risk and in greatest need while families, friends and colleagues have all been confronted, sometimes in the most tragic of ways, with the realities of this pandemic.

My sincere condolences go to all those who have lost loved ones to this cruel disease. I would also like to pay tribute to the countless heroic acts of the doctors, nurses and other medical staff who are protecting us all and saving countless lives.

The dedication and selflessness shown by everyone working in essential services has been just as inspiring. These measures are beginning to show some results, with Italy seeing signs of a reduced level of contagion.

These glimmers of hope suggest that we will eventually be able to start a return to some kind of normality. But there can be no arbitrage between people's health and the health of the economy. Without the former we can never have the latter.

During this crisis we have been doing all we can to protect our companies, conscious that when our economies reopen, they will be in the front line of ensuring that our communities and countries can begin to recover. We have been doing this in a number of ways:

- We have ensured that each company has established a clear and effective process for managing the crisis, with increased board interaction and frequent internal communication.
- We have made the protection of people's health, their employment and their livelihoods the primary concern for all our companies. The issues they face are very different – for example FCA, Ferrari and CNHI have all had to temporarily close their plants while our media companies have been grappling with the challenges of providing high quality reporting while working remotely – but this does not change the priority that they are all placing on protecting their people.
- We have ensured that all of our companies are focused on business continuity. This has included detailed assessments of their liquidity positions, taking actions to reduce cash outflows and ensuring effective access to financing through debt markets and banking partners, with the crisis being a good reminder of who these partners really are. Each company has also looked at ways to reschedule its investments and reduce costs. However, mindful of the businesses' long-term health, we have emphasized the need to maintain essential investments and to support our partner companies, including critical suppliers and dealers.

These have been challenging days and weeks for us all and we know the ripples from this crisis will likely continue for some time. But we have been impressed by the spirit and resolve of our people in making sure our companies emerge stronger when this all passes.

In addition to addressing the consequences of the crisis for our companies, we have taken immediate actions to support the healthcare response in the communities where they operate, and will continue to look for ways of providing this support. Some of these actions have included:

- Purchasing and donating ventilators and Personal Protective Equipment (PPE) for frontline healthcare providers such as the 500,000 surgical masks donated on April 1st to first responders and hospitals throughout Michigan.
- Applying pro-bono our technical and engineering skills to significantly increase production at Siare, Italy's only producer of ventilators. Similar projects are under way with GE Healthcare and Hillrom in the US and with the latter we are also working to help increase their production of hospital beds.
- Repurposing 3D printers in different European plants to produce face shields for local health authorities and converting a plant in China to produce and donate face masks.
- Providing five fully-equipped bio-ambulances and 500 others vehicles to be used in the medical relief efforts in Italy and in Brazil helping to create a field hospital and fund initiatives to provide basic hospital care to low income families.

We are conscious that this crisis requires more than a healthcare response so we have also supported our companies in undertaking wider community initiatives. These have included FCA's provision of a million meals in the US for children who rely on school meals; Ferrari's support for children and their families in its hometown of Maranello; and Juventus' fundraising initiative #DistantiMaUniti. La Stampa, through the Specchio dei Tempi Foundation, has also gathered over 10,000 donations, including from our family, that have been used to provide food and medicine to vulnerable people in Torino and Piedmont including to the elderly and to single mothers.

The importance of Exor's values has become very evident during the last few weeks, with the leaders and directors of our companies adding to our corporate actions by personally sacrificing some or all of their compensation for this year. At Exor we have done the same and will work with the Agnelli foundation to channel these resources into an education initiative to help address the Covid-19 learning challenges faced by schools and students both today and as the current restrictions are lifted.

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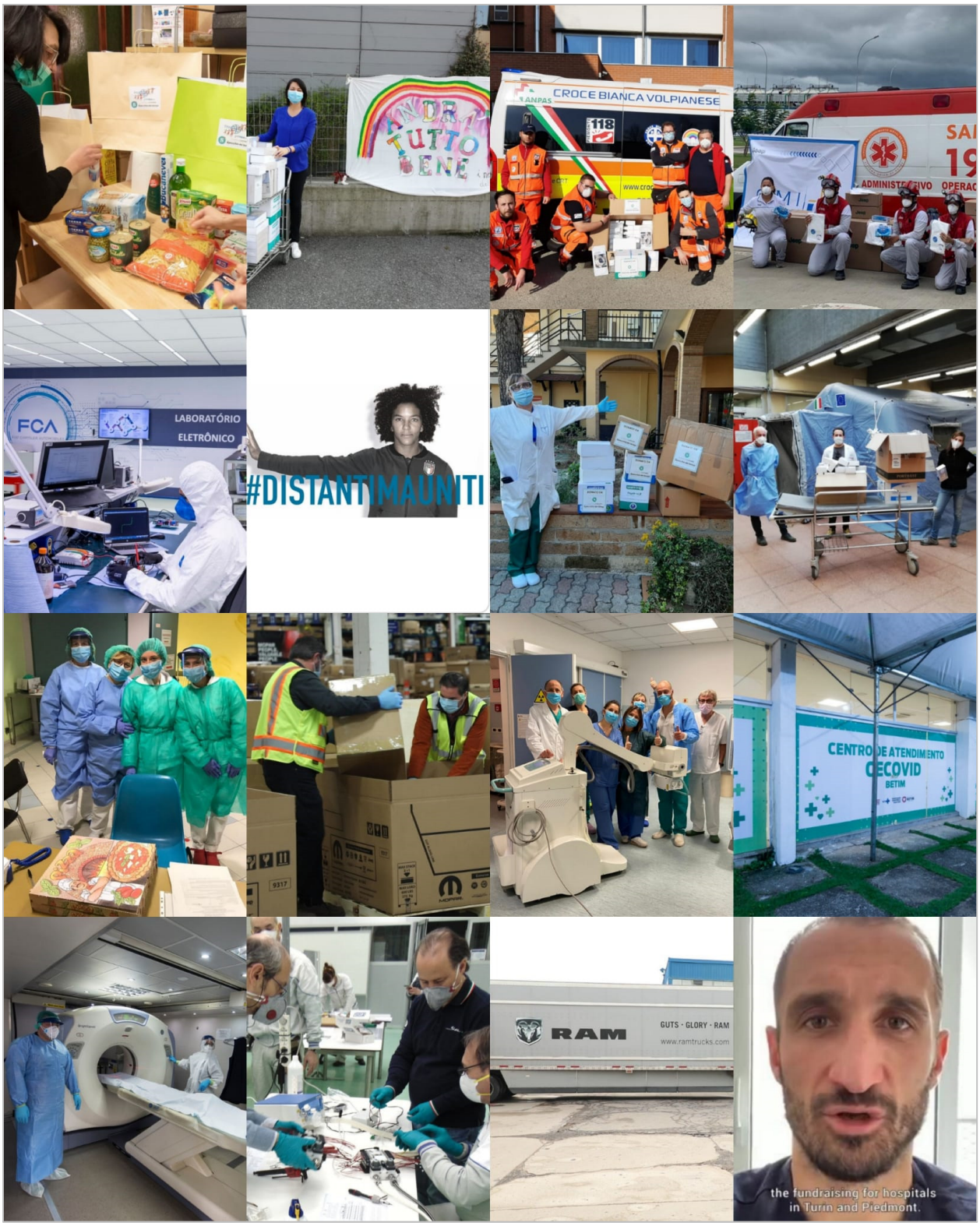
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the fundraising for hospitals
in Turin and Piedmont.

Despite some tentative signs that the peak of the epidemic has been reached, at least in Italy, we know there are still many difficult days ahead of us. We will continue to do all we can within our companies and communities to help mitigate the effects of this emergency, while ensuring that we are prepared for the future.

One way in which we are doing this is by designing systems and protocols to enable the gradual and safe reopening of our workplaces, in close cooperation with our union partners and the competent health authorities. With the patronage of the Emilia Romagna regional government, we are piloting an advanced project with Ferrari with the collaboration of a pool of scientists and experts. In the initial stage we will conduct voluntary screening of employees and their families. This will be followed by the use of an App, developed in full respect of all the applicable privacy rules, to monitor and contain the emergence of any new cases of infection amongst employees. The pilot will also provide those returning to work with medical assistance, temporary living arrangements in the case of any quarantine and specific insurance coverage. The results of the project called “Back on Track” will be shared locally and worldwide to assist in the creation of new labour practices for the protection of workers' health throughout their communities.

At the same time, we have continued to look to the future in our search for new opportunities to build great companies.

Via is a successful and highly innovative technology company specializing in dynamic, data-driven optimization of mobility systems around the world. Daniel Ramot and Oren Shoval founded the business in 2012 in New York City and have since grown rapidly, building a highly talented global team. Through an earlier investment by Exor Seeds, we have seen the business evolve first hand. We were impressed by Via's ambitious vision and strong execution skills and decided to make a significant investment to support their next stage of development. At this point the Covid-19 pandemic struck.

What we did next is, I hope, not only a strong signal of our faith in and support for Daniel, Oren and their team, but also one that resonates with all our companies and indeed with all of you who place your trust in us. On 30th March, with the pace of Covid-19 contagion increasing around the world and with an unprecedented financial market sell-off taking place, we announced our investment of $200 million to acquire an 8.87% equity stake in Via. The fact that we are making an important investment in a business that supports mass transit solutions globally at time of great uncertainty may seem overly optimistic. We think that optimism balanced with sound business judgment can lead to terrific outcomes and we have a high level of conviction in Via's prospects beyond the current crisis. Our commitment to them at this time therefore reflects the purpose and values I set out at the beginning of this letter: these are values full of optimism; but they are not impossible to apply successfully.

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I'd like to end this year's letter with a quote from Albert Camus, an author admired for his insights into the human condition. In his novel *The Plague*, he wrote the following:

"What we learn in a time of pestilence is that there are more things to admire in men than to despise in men."

The extraordinary spirit we see as people all around the world adjust to previously unimaginable restrictions; the inspirational, selfless heroism of our health professionals and those carrying out the essential tasks that are keeping our societies afloat; the unstinting efforts of the hundreds of thousands of colleagues in our companies both inside their businesses and in their communities, are some of the things that we admire, and they are what I believe will take us, in time, to the other side of this storm, together.

John Elkann

Board of Directors

Chairman and Chief Executive Officer	John Elkann
Vice Chairman	Alessandro Nasi
Non-independent Directors	Andrea Agnelli
	Ginevra Elkann
Independent	
Senior non-executive Director	Marc Bolland
Non-executive Directors	Joseph Bae
	Melissa Bethell
	Laurence Debroux
	António Horta-Osório

Audit Committee

Melissa Bethell (*Chair*), Laurence Debroux and Ginevra Elkann

Compensation and Nominating Committee

António Horta-Osório (*Chair*), Joseph Bae and Alessandro Nasi

Independent Auditors

Ernst & Young Accountants LLP

Expiry of term of office

The Board of Directors was appointed on 30 May 2017 and Mr. Joseph Bae on 29 May 2018. The Board's appointment term will expire concurrently with the shareholders' meeting that will approve the 2019 annual financial statements, hence in 2020.

KEY DATA

EXOR Group – Consolidated Data € million	**2019**	2018	2017[a]
Net Revenues	**143,755**	143,294	138,226
Profit before tax	**6,820**	6,354	7,481
Net profit from continuing operations	**4,985**	5,114	4,427
Net profit[b]	**8,915**	5,416	4,646
of which attributable to owners of the parent	**3,053**	1,347	1,392

(a) Data restated following the presentation of Magneti Marelli as a discontinued operation. For further detail see Note 3 in the consolidated financial statements.
(b) Of which in 2019 €3,930 million from discontinued operation, including the gain on the disposal of Magneti Marelli for €3,769 million, net of tax (€302 million in 2018 and €219 million in 2017).

EXOR Group – Consolidated Data – Shortened[a] € million	**2019**	2018	2017
Profit attributable to owners of the parent	**3,053**	1,347	1,392
Share of earnings of investments and dividends	**4,212**	1,575	1,671
Investments in subsidiaries and associates	**17,551**	15,393	13,879
Issued capital and reserves attributable to owners of the parent	**15,025**	12,210	10,805
Consolidated net financial position of EXOR's Holdings System	**(2,631)**	(3,255)	(3,164)

(a) The basis of preparation is presented in the section "Review of the Consolidated Results of the EXOR Group - Shortened".

Earnings per share (€)[a]	**2019**	2018	2017[b]
Profit attributable to owners of the parent – basic	**13.16**	5.73	5.93
Profit attributable to owners of the parent – diluted	**13.12**	5.67	5.87

(a) Additional details on the calculation of basic and diluted earnings per share are provided in Note 12 to the consolidated financial statements.
(b) Data restated following the presentation of Magneti Marelli as a discontinued operation. For further detail, see Note 3 in the consolidated financial statements.

Dividend per share (€)	**Paid in 2019**	Paid in 2018	Paid in 2017
Dividend paid – Total € million	**99.7**	82.3	82.1
Per share	***0.43***	*0.35*	*0.35*

Other information	**31/12/2019**	31/12/2018	31/12/2017
Net Asset Value – Total € million[a][b]	**23,282**	17,238	19,155
Per share[c]	***98.60***	*71.89*	*79.48*
Market Capitalization – Total € million	**16,648**	11,341	12,301
Per share[d]	***69.08***	*47.06*	*51.04*
Issued capital and reserves attributable to owners of the parent – Total € million	**15,025**	12,210	10,805
Per share	***64.88***	*52.11*	*45.97*

(a) Alternative Performance Measure as defined on page 15.
(b) Equal to $26,155 million at 31 December 2019, $19,740 million at 31 December 2018, $22,972 million at 31 December 2017.
(c) NAV per share at 31 December 2019, 31 December 2018 and 31 December 2017 are based on 236,121,668, 239,768,490 and 241,000,000 shares, respectively. Shares bought back in the context of the buyback program launched on 14 November 2018 are deducted from total issued shares.
(d) Market capitalization per share based on 241,000,000 total issued shares.

Stock Market data	**01/01/20 – 25/03/20**	01/01/19 – 31/12/19
At the end of the period (€)	**46.48**	69.08
Maximum (€)	**75.76**	72.04
Minimum (€)	**35.68**	46.35
Average daily volume exchanged during the period (shares)	**628,831**	350,473
Average daily value of exchanges during the period (in Euro)[a]	**40,639,691**	21,218,419

(a) Official daily trading price by daily volume, managed by Borsa Italiana during the period.

EXOR PROFILE

EXOR N.V. (“EXOR” or the “Company”) is listed on the *Mercato Telematico Azionario* managed by Borsa Italiana S.p.A. (MTA) and headquartered in Amsterdam, the Netherlands.

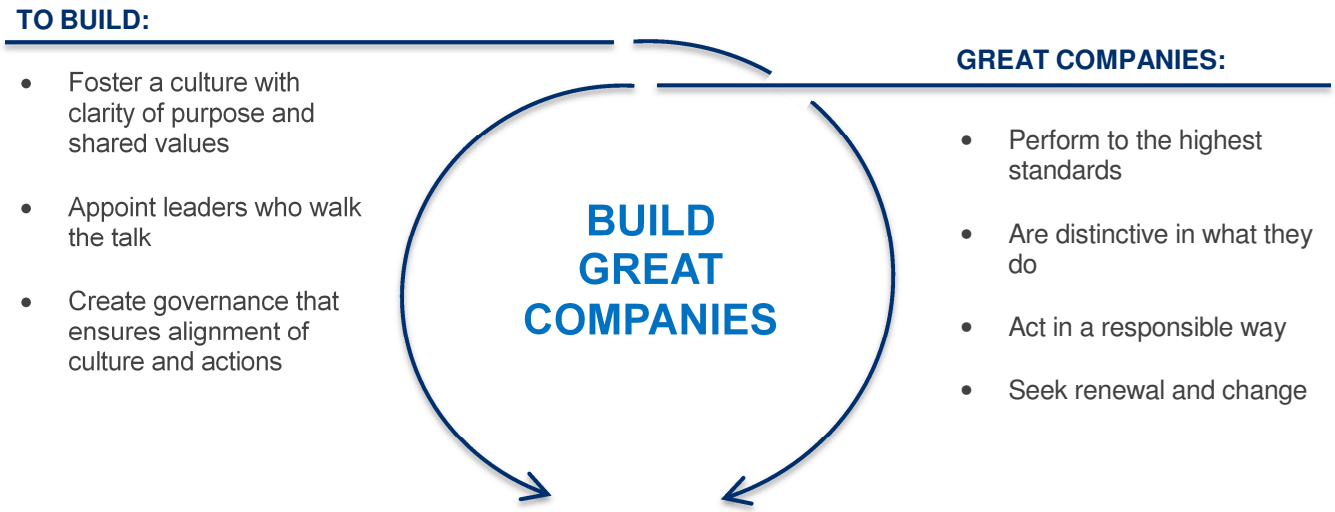
EXOR is registered in the Dutch companies’ register of the Chamber of Commerce (*Kamer van Koophandel*) under registration number 64236277. The registered office is Gustav Mahlerplein 25, 1082 MS, Amsterdam, the Netherlands, telephone number +31 (0) 202402220.

PROFILE

- EXOR is one of Europe's largest diversified holding companies, with a Net Asset Value (NAV)[1] of around $26 billion (equal to over €23 billion) at 31 December 2019.
- For over a century, EXOR has made successful investments and built great companies worldwide with a culture that combines entrepreneurial spirit and financial discipline. EXOR's portfolio is principally made up of companies in which EXOR is a leading shareholder.
- EXOR is majority owned and controlled by Giovanni Agnelli B.V., the company grouping the descendants of Senator Giovanni Agnelli, the founder of FIAT, which holds 52.99% of its share capital.

PURPOSE

EXOR's purpose is to build great companies, while providing opportunities for its people to grow, make a positive contribution to society and deliver superior returns to its investors.



VALUES

AMBITION & HUMILITY	CURIOSITY & FOCUS
We set high aspirations but remain grounded	We seek new ideas while prioritising what matters
COURAGE & RESPONSIBILITY	**PATIENCE & DRIVE**
We take bold actions while being mindful of their consequences	We take a long term perspective but are relentless in getting things done

OUR FINANCIAL PRIORITIES

- NAV per share to outperform the MSCI World index
- Financial strength and discipline, keeping LTV[2] ratio below 20%
- Generate Free Cash Flow in excess of dividends paid
- Cash Holding Cost as a percentage of Gross Asset Value below 10bps

(1) An Alternative Performance Measure as defined on page 15.
(2) Reference is made to the Loan-to-Value (LTV) ratio as defined by Standard and Poor's, which uses the LTV ratio to assess the financial risk profile of an Investment Holding Company, namely Adjusted Debt (or Gross Debt minus Cash and Equivalents) divided by Portfolio Value (or Gross Asset Value minus Cash and Equivalents), expressed as a percentage.

COMPANIES

Company	Description	Economic rights voting rights[1]	% on GAV[2]
PartnerRe	• Leading global pure-play reinsurer, with a broadly diversified and balanced portfolio of traditional reinsurance risks and capital markets risks. • PartnerRe commenced operations in 1993 and provides Non-life (Property & Casualty (P&C) and Specialty) and Life and Health reinsurance on a worldwide basis.	100% 99.72%	30%
Ferrari	• Ferrari is among the world's leading luxury brands, with unique world-class capabilities, and a vision built on its historic foundations and strengths. It focuses on the design, engineering, production and sale of the world's most recognizable luxury performance sports cars. • Listed on the New York Stock Exchange (NYSE) and the Mercato Telematico Azionario managed by Borsa Italiana (MTA) and is included in the FTSE MIB Index.	22.91% 35.80%	24.6%
FCA FIAT CHRYSLER AUTOMOBILES	• FCA is a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide through over a hundred manufacturing facilities and over forty research and development centres. • FCA is listed on the New York Stock Exchange (NYSE) and the Mercato Telematico Azionario managed by Borsa Italiana (MTA) and is included in the FTSE MIB Index.	28.67% 42.44%	22.2%
CNH INDUSTRIAL	• CNHI is a leading global capital goods company engaged in the design, production, marketing, sale and financing of agricultural and construction equipment, trucks, commercial vehicles, buses and specialty vehicles as well as engines for different applications. • Listed on the New York Stock Exchange (NYSE) and the Mercato Telematico Azionario managed by Borsa Italiana (MTA) and is included in the FTSE MIB Index.	26.89% 42.22%	13.5%
JUVENTUS	• Founded in 1897, it is one of the most prominent professional football teams in the world. • Listed on the Mercato Telematico Azionario managed by Borsa Italiana (MTA) and is included in the FTSE MIB Index.	63.77% 63.77%	4.0%
The Economist	• Leading source of analysis on international business and world affairs. Based in London and serving a global readership and client base, The Economist Group delivers its information through a range of formats, from newspapers and magazines to conferences and electronic services.	43.40% 20.00% (*) (*) Voting rights are limited to 20%	1.2%

(1) Updated at 29 February 2020.
(2) At 31 December 2019.

SIGNIFICANT EVENTS IN 2019

SIGNIFICANT EVENTS IN 2019

Significant events below refer to EXOR N.V. and the Holdings System[(1)].

EXOR share buyback program

In 2019 EXOR, under the share buyback program launched on 14 November 2018, purchased on the Italian Stock Exchange 3,646,822 ordinary shares for a total invested amount of €207 million.
At 31 December 2019 EXOR held in total 9,412,215 ordinary shares in treasury (3.91% of total issued share capital), of which 4,878,332 ordinary shares acquired under such program in 2018 and in 2019.

Spin-off of commercial vehicles and powertrain segments from CNH Industrial

On 3 September 2019 EXOR announced its strong support to the CNH "Transform 2 Win" plan that includes the spin-off by early 2021 of CNH Industrial's 'On-Highway' assets (commercial vehicles and powertrain segments), to be listed alongside the Group's 'Off-Highway' assets (agriculture, construction and specialty segments), resulting in two distinct world leading businesses, each focused on creating value in their respective areas of activity.

Issue of non-convertible bond due October 2034

On 14 October 2019 EXOR N.V. issued bonds for a nominal amount of €300 million, maturing in October 2034 with a fixed annual coupon of 1.75%. The bonds are listed on the Luxembourg Stock Exchange's unregulated segment (Euro MTF Market) with a BBB+ credit rating assigned by Standard & Poor's.

Acquisition of the controlling stake in GEDI Gruppo Editoriale S.p.A.

On 2 December 2019 CIR and EXOR N.V. signed a binding agreement for the transfer from CIR to EXOR of the controlling stake in GEDI Gruppo Editoriale S.p.A., equal to 43.78% of its total share capital, at a sale price of €0.46 per share, for a total amount of €102.4 million. Following the closing, EXOR will launch a public tender offer (Mandatory Tender Offer) via a newly incorporated vehicle, on all the outstanding GEDI shares not already owned by it at €0.46 per share.
CIR intends to reinvest in the new company in order to acquire a shareholding equal to 5% in GEDI's fully diluted share capital.
It is expected that the transaction will be completed in the second quarter of 2020, subject to the approval of the competent authorities.

Juventus Football Club capital increase

On 12 December 2019 EXOR N.V. paid €191.3 million to subscribe its portion of Juventus's share capital increase, equal to 63.77%. The capital increase of Juventus for a total amount of €300 million, proposed by the Juventus's board of directors on 30 September 2019 and approved at the extraordinary shareholders' meeting of 24 October 2019, was completed at the beginning of 2020 with the full subscription of the share capital increase.

Agreement for the merger between Groupe PSA and FCA

On 18 December 2019 Groupe PSA and FCA signed a binding Combination Agreement providing for a merger of their businesses (50% by Groupe PSA and a 50% by FCA) to create the 4th largest global automotive OEM by volume and 3rd largest by revenue. The proposed combined company will be an industry leader with the management, capabilities, resources and scale to successfully capitalize on the opportunities presented by the new era in sustainable mobility.
The merged entity will benefit from an efficient governance structure designed to promote effective performance, with a Board comprised of 11 members, the majority of whom will be independent. Five Board members will be nominated by FCA and its reference shareholder (including John Elkann as Chairman) and five will be nominated by Groupe PSA and its reference shareholders (including the Senior Non-Executive Director and the Vice Chairman). Carlos Tavares will be Chief Executive Officer for an initial term of five years and will also be a member of the board of directors.
The new group's Dutch-domiciled parent company will be listed on Euronext (Paris), the Milan stock exchange (Borsa Italiana -Milan) and the New York Stock Exchange (NYSE) and will benefit from its strong presence in France, Italy and the U.S.

(1) An Alternative Performance Measure as defined on page 19.

Under the proposed by-laws of the combined company, no shareholder would have the power to exercise more than 30% of the votes cast at shareholders' meetings. It is also foreseen that there will be no carryover of existing double voting rights but that new double voting rights will accrue after a three-year holding period after completion of the merger.
A standstill in respect of the shareholdings of EXOR, Bpifrance, Dongfeng Group (DFG) and the Peugeot Family (EPF/FFP) will apply for a period of 7 years following completion of the merger, except that EPF/FFP will be permitted to increase its shareholding by up to a maximum of 2.5% in the merged entity (or 5% at the Groupe PSA level) by acquiring shares from Bpifrance and/or DFG and/or on the market.
EXOR, Bpifrance and EPF/FFP will be subject to a 3-year lock-up in respect of their shareholdings except that Bpifrance will be permitted to reduce its shareholdings by 5% in Groupe PSA or 2.5% in the merged entity.
DFG has agreed to sell, and Groupe PSA has agreed to buy, 30.7 million shares prior to closing and those shares will be cancelled. DFG will be subject to a lock-up until the completion of the transaction for the balance of its participation in Groupe PSA, resulting in an ownership of 4.5% in the new group.
EXOR, Bpifrance, Peugeot Family and Dongfeng have each irrevocably committed to vote in favor of the transaction at the shareholders' meetings of FCA and Groupe PSA. Before closing, FCA will distribute to its shareholders a special dividend of €5.5 billion while Groupe PSA will distribute to its shareholders its 46% stake in Faurecia.
Each company intends to distribute a €1.1 billion ordinary dividend in 2020 related to fiscal year 2019, subject to approval by each company's board of directors and shareholders. At closing, Groupe PSA shareholders will receive 1.742 shares of the new combined company for each share of Groupe PSA, while FCA shareholders will have 1 share of the new combined company for each share of FCA.
The completion of the proposed combination is expected to take place in 12-15 months from the announcement of the Combination Agreement, subject to customary closing conditions, including approval by both companies' shareholders at their respective extraordinary general meetings and the satisfaction of antitrust and other regulatory requirements.

EXOR's credit ratings

On 19 December 2019 Standard & Poor's affirmed EXOR's long-term and short-term debt ratings at "BBB+" and "A-2" respectively and improved the outlook to "positive" from "stable".

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP

EXOR (and the subsidiaries constituting the Holdings System) together with its operating subsidiaries, constitutes the “EXOR Group” or the “Group”.

This section includes a selection of the most relevant financial data from the consolidated financial statements of the EXOR Group.

In order to ensure that data is coherent and uniform, it is presented based on EXOR consolidation rules and IFRS accounting standards and therefore may differ from the data published by subsidiaries in their financial reports.

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP

Significant economic data[a]

€ million	FCA	CNH INDUSTRIAL	PARTNERRE	FERRARI	JUVENTUS	MINOR AND ADJUSTMENTS[b]	CONSOLIDATED
2019							
Revenues	108,187	25,033	7,034	3,766	614	(879)	**143,755**
Net profit (loss)	6,630	809	831	699	(98)	44	**8,915**
Share of profit (loss) attributable to owners of the parent (EXOR share)	1,898	212	798	167	(62)	20	**3,033**
2018							
Revenues	110,412	25,179	4,694	3,420	544	(955)	143,294
Net profit (loss)	3,632	1,185	(75)	787	(55)	(58)	5,416
Share of profit (loss) attributable to owners of the parent (EXOR share)	1,046	314	(105)	186	(35)	31	1,437

(a) Data prepared by each subsidiary for EXOR consolidation purposes, whichmay differ from data published by each subsidiary in its own financial report.
(b) Includes the net result of EXOR, subsidiaries and associates of the Holdings System excluding the share of the profit of the operating companies presented in their respective columns. Further details are provided in the section Alternative Performance Measures on pages 14-21.

Net revenues

Net revenues of FCA for the year 2019 were €108,187 million with a decrease of €2,225 million compared to the year 2018 (€110,412 million) primarily due to lower volumes in EMEA and Maserati, partially offset by a favorable model mix and foreign exchange effect in North America.

Net revenues of CNH Industrial for the year 2019 were €25,033 substantially in line with the year 2018 (€25,179 million). The difference was the combined result of foreign currency translation and lower sales volume of industrial activities.

Net revenues of PartnerRe, including the net gains on the investment portfolio, for the year 2019 were €7,034 million, an increase of €2,340 million compared to the year of 2018 (€4,694 million), principally due to the improvement of the result of the portfolio (€1,180 million) and the increase in net premiums earned (€1,160 million). Non-life net premiums for the year 2019 were up 18%, driven by a 21% increase in the Property and Casualty (P&C) segment and a 14% increase in the Specialty segment. Net premium in Life & Health segment were up 21% compared to the same period of 2018.

Net revenues of Ferrari for 2019 were €3,766 million with an increase of €346 million (+10.1%) compared to €3,420 million in 2018, mainly attributable to the combination of a €391 million increase in cars and spare parts, partially offset by a €86 million decrease in engines.

Net Profit (loss)

In 2019 FCA net profit was €6,630 million, of which €3,930 million from discontinued operations (including the net gain on the disposal of Magneti Marelli for €3,769 million) and €2,700 million from continuing operations (€3,330 million in 2018). The decrease in the net profit from continuing operations (€630 million) was mainly driven by the pre-tax impact of the €1,376 million impairment of assets recognized in relation to the rationalization of product portfolio plans and the increase in tax charges, partially offset by the one-off of €748 million for estimated costs related to U.S. diesel emissions matters recognized during 2018. Decreased operating performance in EMEA and Maserati was offset by improvements in APAC, LATAM and North America.

Net profit of CNH Industrial was €809 million in 2019 compared to €1,251 million in 2018. In 2019, net profit included a charge of €147 million related to the asset optimization portion of the "Transform2Win" strategy, the €18 million pre-tax non-cash settlement charge resulting from the purchase of a group annuity contract, the pre-tax gain of €42 million related to a healthcare plan amendment in the U.S., the €24 million charge related to the repurchase of notes and €103 million of restructuring costs.

In 2018, net profit included the after-tax gain of €357 million related to the Benefit Modification gain previously mentioned, the €20 million charge related to the repurchase of notes and $56 million of restructuring costs.

Net profit of PartnerRe was €831 million in 2019 compared to a net loss of €75 million in 2018. The positive change of €906 million is mainly due to the increase in net revenues (€2,340 million, principally due to a net increase in realized and unrealized investment gains and in net premiums earned), partially offset by an increase in cost of sales (€1,109 million), in financial expenses (€185 million), in general expenses (€61 million) and in tax expense (€54 million).

In 2019 net profit of Ferrari was €699 million (€787 million in 2018). The decrease of €88 million is mainly due to an increase in cost of sales, general expenses and research and development for a total amount of €254 million, an increase in tax expense (€160 million), partially offset by an improvement in net revenues, principally in cars and spare part (€346 million).

Significant financial data[a]

€ million	FCA	CNH INDUSTRIAL	PARTNERRE	FERRARI	JUVENTUS	MINOR AND ADJUSTMENTS[b]	CONSOLIDATED
31 December 2019							
Cash and cash equivalents	15,014	5,140	1,321	898	137	425	22,935
Total assets	98,677	43,780	22,980	5,446	1,129	599	172,611
Gross debt[c]	13,219	22,729	1,476	2,105	464	3,506	43,499
Total equity	28,675	6,999	7,142	1,487	276	(2,020)	42,559
Issued capital and reserves attributable to owners of the parent (EXOR share)	8,173	1,852	6,477	378	176	(2,031)	15,025
31 December 2018							
Cash and cash equivalents	12,450	5,068	766	794	36	22	19,136
Total assets	96,873	42,489	20,566	4,852	925	580	166,275
Gross debt[c]	14,735	21,529	1,328	1,939	424	3,621	43,576
Total equity	24,903	6,525	6.355	1,354	80	(2,772)	36,445
Issued capital and reserves attributable to owners of the parent (EXOR share)	7,154	1,722	5,719	342	51	(2,778)	12,210

(a) Data prepared by each subsidiary for EXOR consolidation purposes, which may differ from data published by each subsidiary in its own financial report.
(b) Includes the data of EXOR and subsidiaries of the Holdings System excluding the share of the profit of the operating companies presented in their respective columns. Further details are provided in the section Alternative Performance Measures on pages 14-21.
(c) Gross debt referred to CNH Industrial includes industrial activities and financial services debt.

Gross debt

€ million	31/12/2019	31/12/2018	31/12/2017
Bonds	**19,031**	20,470	22,103
Borrowings from banks	**7,562**	9,143	11,239
Asset-backed financing	**11,405**	10,981	10,943
Payables represented by securities	**1,899**	1,551	826
Lease liabilities[a]	**2,180**	264	-
Other financial debt and liabilities	**1,422**	1,167	1,585
Gross debt	**43,499**	43,576	46,696

(a) Of which €1,615 million recognized after the adoption of the IFRS 16 - Leases on 1 January 2019.

Financial debt is constituted mainly of bond issues and bank borrowings. As is usual practice, the major part of such debt agreements contains covenants which *inter alia* limit the capacity of Group companies to contract further debt, make certain types of investment, put into effect certain types of transaction with Group companies, dispose of certain assets or merge with or into other companies and use assets as security for other transactions. Further, certain bond issues and bank borrowings require the issuer to remain in compliance with financial ratio covenants.

Cash flow

€ million	2019	2018[1]	2017
Cash and cash equivalents at the beginning of the period	**19,136**	20,028	25,162
Cash and cash equivalents at the beginning of the period included in Assets held for sale	719	-	-
Cash and cash equivalents at the beginning of the period	**19,855**	20,028	25,162
Cash flow from (used in) operating activities:	11,738	12,916	13,390
- continuing operations	*12,046*	*12,438*	*12,685*
- discontinued operations	*(308)*	*478*	*705*
Cash flow from (used in) investing activities	(3,448)	(10,184)	(10,771)
- continuing operations	*(3,293)*	*(9,552)*	*(10,201)*
- discontinued operations	*(155)*	*(632)*	*(570)*
Cash flow from (used in) financing activities	(5,435)	(3,030)	(5,944)
- continuing operations	*(5,760)*	*(2,940)*	*(5,758)*
- discontinued operations	*325*	*(90)*	*(186)*
Translation exchange differences	242	125	(1,809)
Net change in cash and cash equivalents	3,097	(173)	(5,134)
Cash and cash equivalents at the end of the period	**22,952**	19,855	20,028
Cash and cash equivalents at the end of the period included in Assets held for sale	**(17)**	(719)	-
Cash and cash equivalents at the end of the period	**22,935**	19,136	20,028

(1) Data restated following the presentation of Magneti Marelli as a discontinued operation.

In 2019 the Group companies generated positive cash flows from the operating activities for €11,738 million and used €3,448 million in investing activities for. Cash flow from investing activities mainly related to the investments in property, plant and equipment and intangible assets for €10,290 million, partially offset by the net cash deriving from the disposal of Magneti Marelli for €5,348 million.

In 2019 net cash used in financing activities was €5,435 million, primarily related to dividends paid for €2,615 million, net change in financial debt for €1,287 million, partially offset by repayment of notes, net of issuance of new notes for €1,011 million.

In 2018 the Group companies generated positive cash flows from the operating activities for €12,916 million while cash flows used in investing activities were €10,184 million and mainly related to the investments in property, plant and equipment and intangible assets (€7,165 million).

For the year ended 31 December 2018, net cash used in financing activities was €3,030 million, primarily related to the repayment of notes for €3,522 million, net reduction in other long-term debt for €1,601 million, partially offset by the issuance of new notes for €1,603 million.

ALTERNATIVE PERFORMANCE MEASURES (APM)

This section presents the Alternative Performance Measures (APM) identified by EXOR's management to facilitate the understanding of the economic and financial performance of EXOR and the Group:

- Net Asset Value (NAV)
- Net Financial Position (NFP)
- Share of the profit (loss) of investments accounted for using the equity method

ALTERNATIVE PERFORMANCE MEASURES (APM)

To facilitate the understanding of the economic and financial performance of EXOR and of the Group, the Management of EXOR has identified a number of Alternative Performance Measures (APM), which are used to identify operational trends and to make investment and resource allocation decisions. To ensure that the APM are correctly interpreted it is emphasized that these measures are not indicative of the future performance of the Group. The APM are not part of international reporting standards (IFRS) and are unaudited. They should not be taken as replacements of the measures required under the reference financial reporting standards.

The APM should be read together with the consolidated financial information prepared using the shortened consolidation criterion. Since they are not based on the reference financial reporting standards, the APM used by EXOR may not be consistent and comparable with those used by other companies or groups. The APM used by EXOR have been consistently calculated and presented for all the reporting periods for which financial information is presented in this Report.

It should also be noted that the principal subsidiaries and associates make use of non-GAAP financial measures to illustrate their performance to the market. Such indicators are commonly used by analysts and investors in the sectors to which the subsidiaries belong to evaluate business performance. A description of how such indicators are calculated is provided by the individual subsidiary companies and these are included in the section Review of performance of the Operating Subsidiaries in the Board Report, as extracted from their respective published documents. Such information is prepared autonomously by the companies and is not homogeneous.

Set out below are the main APM's identified by EXOR:

- Net Asset Value
- Net Financial Position
- Share of the profit (loss) of investments accounted for using the equity method.

Net Asset Value (NAV)

Definition and Methodology

Net Asset Value (NAV) corresponds to the total value of assets net of the Gross Debt of the Holdings System as defined below. In determining the total value of assets at 31 December 2019, listed equity investments and other securities are valued at official market trading prices, unlisted equity investments are valued at fair value, determined annually by independent experts at the end of the year and unlisted other investments (funds and similar instruments) are valued by reference to the most recent available fair value. Bonds held to maturity are valued at amortized cost.

Treasury stock relates to the shares held in treasury before the Share Buyback Program launched on 14 November 2018. Treasury shares are valued at the official stock exchange price, except for the part designated to service stock option plans (measured at the option exercise price under the plan if this is less than the stock exchange price).

The sum of the aforesaid values constitutes the total value of assets (Gross Asset Value or GAV). Gross Debt corresponds to the total amount of the financial debt of the Holdings System.

Items included in the calculation of Gross Asset Value and Gross Debt which are denominated in foreign currencies are converted at the official exchange rates at the corresponding reporting date.

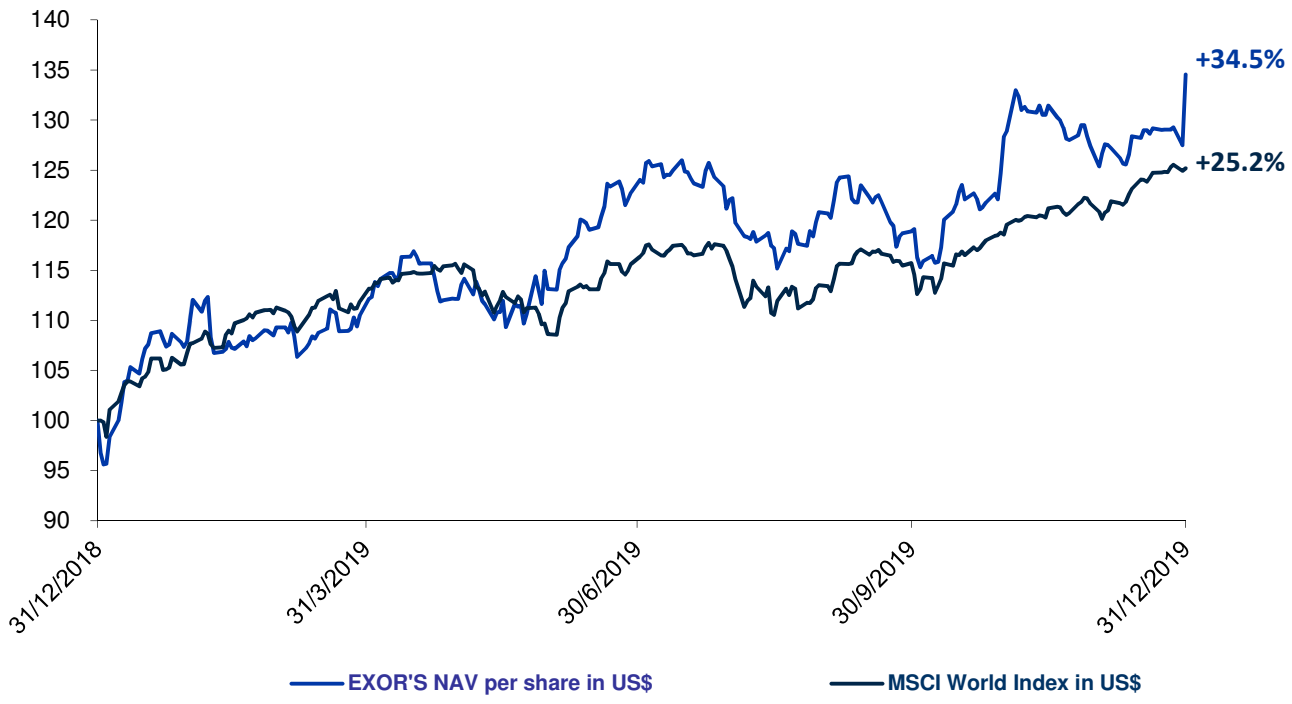
Highlights

- At 31 December 2019 EXOR's NAV is $26,155 million (€23,282 million) compared to $19,740 million (€17,238 million) at 31 December 2018.
- At 31 December 2019 EXOR's NAV per share amounts to $110.77 or €98.60 compared to $82.33 (€71.89 at 31 December 2018), an increase of $28.44/share or +34.5%. This compares to an MSCI World Index increase of +25.2%.

At 31 December 2019, the NAV per share is calculated taking into account market prices for listed companies and independent fair valuations for non-listed assets. In the case of PartnerRe, the fair value has been aligned to the price under the Memorandum of Understanding signed with Covéa on 3 March 2020. NAV per share at 31 December 2019 and at 31 December 2018 are based on 236,121,668 and 239,768,490 shares respectively.

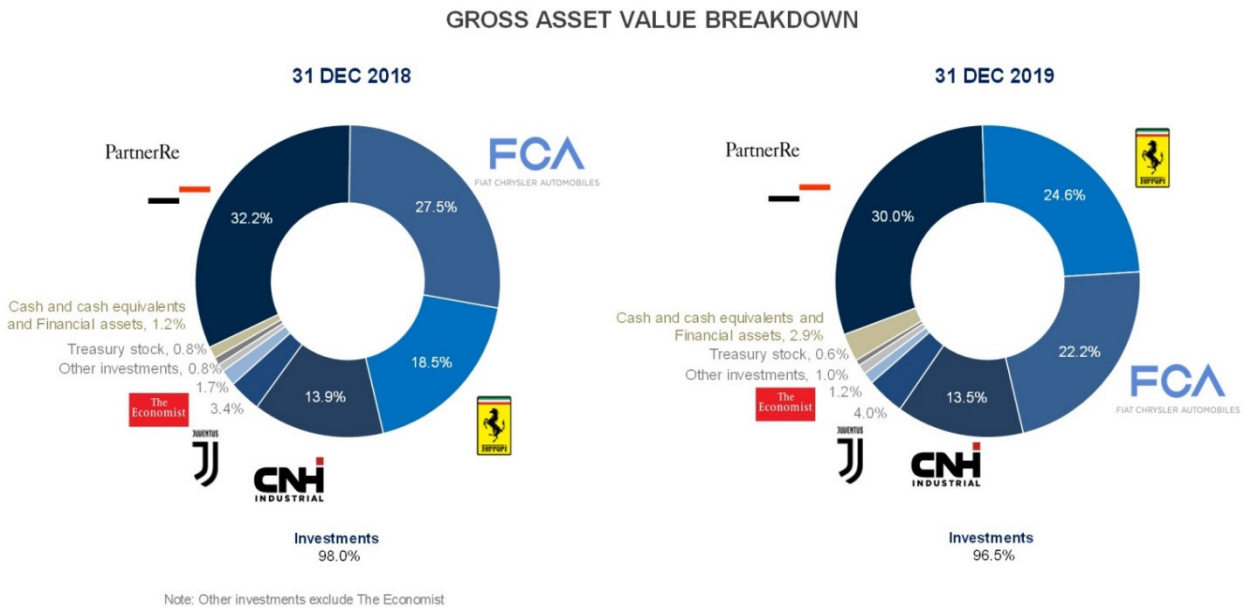
This is calculated assuming 241,000,000 issued shares net of the shares bought back in the context of the share buyback program launched on 14 November 2018.

Change in NAV per share compared to the MSCI World Index in U.S. Dollar



Gross Asset Value composition

The following pie chart illustrates the GAV composition at 31 December 2019 ($29,997 million or €26,702 million), compared to 31 December 2018 ($23,773 million or €20,760 million).



Breakdown of Net Asset Value in U.S. Dollar

US$ million	Ownership %	Valuation methodology	31/12/2019	31/12/2018	Change vs 31/12/2018 Amount	%
Investments			**28,923**	23,276	5,647	+24.3%
PartnerRe	100.00%	Fair value[(a)]	**9,000**	7,650	1,350	+17.6%
Ferrari	22.91%	Official market price	**7,383**	4,404	2,979	+67.6%
Fiat Chrysler Automobiles	28.67%	Official market price	**6,661**	6,538	123	+1.9%
CNH Industrial	26.89%	Official market price	**4,036**	3,296	740	+22.4%
Juventus Football Club	63.77%	Official market price	**1,188**	797	391	+49.1%
Other investments[(b)]		Listed: official market prices Unlisted: last available fair value	**655**	591	64	+10.8%
Other Assets			**1,074**	497	577	+116.2%
Cash and cash equivalents and Financial assets			**886**	306	580	+189.7%
Treasury stock[(c)]			**188**	191	(3)	-1.6%
Gross Asset Value			**29,997**	23,773	6,224	+26.2%
Gross Debt			**(3,842)**	(4,033)	191	-4.7%
Net Asset Value (NAV)			**26,155**	19,740	6,415	+32.5%
NAV per Share in US$[(d)]			**110.77**	82.33	28.44	+34.5%

(a) At 31 December 2019 the fair value is aligned with the price under the terms of the Memorandum of Understanding signed with Covéa; at 31 December 2018 it is based on the fair value determined by an independent expert.
(b) Other investments at 31 December 2019 include the stake in The Economist Group ($368 million), Welltec ($108 million), Exor Seeds ($64 million), Perella Weinberg ($21 million), GEDI ($16 million) and financial investments ($3 million) among others. Other investments at 31 December 2018 included the stake in The Economist Group ($400 million), Welltec ($106 million), Exor Seeds ($25 million), Perella Weinberg ($24 million), GEDI ($12 million) and financial investments ($4 million) among others. Financial investments previously classified under Other Assets have been reclassified under Other investments for presentation purposes. Exor Seeds refers only to the quota held directly by Exor S.A.
(c) Treasury stock includes shares held in treasury before the buyback program launched on 14 November 2018.
(d) NAV per share at 31 December 2019 and at 31 December 2018 are based on 236,121,668 and 239,768,490 shares, respectively. Shares bought back in the context of the buyback program launched on 14 November 2018 are deducted from total issued shares.

Breakdown of Net Asset Value in Euro

The value of the NAV in the Euro currency, converted at the official exchange rates at the respective dates, is presented below:

€ million	Ownership %	Valuation methodology	31/12/2019	31/12/2018	Change vs 31/12/2018	
					Amount	%
Investments			**25,746**	20,326	5,420	+26.7%
PartnerRe	100.00%	Fair value[(a)]	**8,011**	6,681	1,330	+19.9%
Ferrari	22.91%	Official market price	**6,572**	3,846	2,726	+70.9%
Fiat Chrysler Automobiles	28.67%	Official market price	**5,930**	5,710	220	+3.8%
CNH Industrial	26.89%	Official market price	**3,592**	2,878	714	+24.8%
Juventus Football Club	63.77%	Official market price	**1,058**	696	362	+52.0%
Other investments[(b)]		Listed: official market prices Unlisted: last available fair value	**583**	515	68	+13.2%
Other Assets			**956**	434	522	+120.4%
Cash and cash equivalents and Financial assets			**789**	267	522	+195.5%
Treasury stock[(c)]			**167**	167	0	0.2%
Gross Asset Value			**26,702**	20,760	5,942	+28.6%
Gross Debt			**(3,420)**	(3,522)	102	-2.9%
Net Asset Value (NAV)			**23,282**	17,238	6,044	+35.1%
NAV per Share in Euro[(d)]			**98.60**	71.89	26.71	+37.1%

(a) At 31 December 2019 the fair value is aligned with the price under the terms of the Memorandum of Understanding signed with Covéa; at 31 December 2018 it is based on the fair value determined by an independent expert.
(b) Other investments at 31 December 2019 include the stake in The Economist Group (€328 million), Welltec (€97 million), Exor Seeds (€57 million), Perella Weinberg (€19 million), GEDI (€14 million) and financial investments (€2 million) among others. Other investments at 31 December 2018 included the stake in The Economist Group (€348 million), Welltec (€92 million), Exor Seeds (€22 million), Perella Weinberg (€21 million), GEDI (€10 million) and financial investments (€3 million) among others. Financial investments previously classified under Other Assets have been reclassified under Other investments for presentation purposes. Exor Seeds refers only to the quota held directly by Exor S.A.
(c) Treasury stock includes shares held in treasury before the share buyback program launched on 14 November 2018.
(d) NAV per share at 31 December 2019 and at 31 December 2018 are based on 236,121,668 and 239,768,490 shares, respectively. Shares bought back in the context of the buyback program launched on 14 November 2018 are deducted from total issued shares.

Reconciliation with the IFRS financial statements

The following table shows the reconciliation between the Net Asset Value (NAV) and the issued capital and reserves attributable to owners of the parent.

€ million	31/12/2019	31/12/2018
Issued capital and reserves attributable to owners of the parent	**15,025**	12,210
Difference between the market value and the book value of the investments	**8,095**	4,861
Treasury stock and other	**162**	167
Net Asset Value (NAV)	**23,282**	17,238

The following table shows the difference between the market value and the book value of Investments:

	31/12/2019		31/12/2018	
€ million	**Book value**	**Market value**	Book value	Market value
PartnerRe[(a)]	**6,477**	**8,011**	5,719	6,681
Ferrari	**378**	**6,572**	342	3,846
FCA	**8,173**	**5,930**	7,154	5,710
CNH Industrial	**1,852**	**3,592**	1,722	2,878
Juventus Football Club	**176**	**1,058**	51	696
The Economist Group	**323**	**328**	318	348
Others	**267**	**250**	159	167
Total	**17,646**	**25,741**	15,465	20,326
Difference		*8,095*		*4,861*

(a) At 31 December 2019 the fair value is aligned with the price under the terms of the Memorandum of Understanding signed with Covéa; at 31 December 2018 it is based on the fair value determined by an independent expert.

Net financial position of the Holdings System

The net financial position of the Holdings System, determined by applying the shortened consolidation criterion, is a representative measure of the financial resources and commitments directly attributable to and managed by EXOR.

Using the shortened consolidation criterion adopted by EXOR, rather than the line-by-line method of consolidation required by law and under IFRS, the data derived from the financial statements or accounting data prepared in accordance with IFRS by EXOR and by the subsidiaries constituting the Holdings System - Exor Nederland N.V. (the Netherlands), EXOR S.A. (Luxembourg), Exor Investments Limited (United Kingdom), Exor Investment (UK) LLP (United Kingdom), Ancom USA Inc. (USA), Exor SN LLC (USA) - are consolidated in the financial statements of the parent company EXOR using the line-by-line method, while the data derived from the financial statements or accounting data prepared in accordance with IFRS of the operating subsidiaries and associates (PartnerRe, Ferrari, CNH Industrial, Juventus Football Club, Exor Seeds, The Economist Group and Welltec) are included in the consolidated financial statements of the parent company EXOR using the equity method.

The presentation of financial data under the shortened consolidation method facilitates the analysis of the financial position and results of EXOR and it is generally recognized by the financial community, including financial counterparties and rating agencies.

Nevertheless, such data do not fully represent, nor should be treated as the consolidated financial position of the EXOR Group prepared in accordance with International Financial Reporting Standards (IFRS). In fact, the shortened consolidation method is not contemplated in the reference accounting standards on the presentation of consolidated financial statements and may not be consistent with the method adopted by other groups and, therefore, such data may not be comparable with the data reported by such groups. The consolidated data prepared in shortened form are not audited by the independent auditors.

Set out below are the data relating to the net financial position prepared in shortened consolidation form:

€ million	31/12/2019	31/12/2018	31/12/2017
Financial assets and financial receivables	**366**	246	82
Cash and cash equivalents	**423**	21	24
Cash, cash equivalents and financial assets	**789**	267	106
EXOR bonds	**(3,391)**	(3,236)	(2,521)
Bank debt	**0**	(30)	(715)
Commercial paper	**0**	(230)	0
Other financial liabilities	**(29)**	(26)	(34)
Gross debt	**(3,420)**	(3,522)	(3,270)

The reconciliation of the consolidated cash and cash equivalents of EXOR Group with the consolidated cash and cash equivalents of the Holdings System is as follows:

€ million	31/12/2019	31/12/2018	31/12/2017
Cash and cash equivalents[(1)]	**22,935**	19,136	20,028
(Less) Cash and cash equivalents of the operating subsidiaries accounted for using the equity method in the Holdings System	**(22,512)**	(19,115)	(20,004)
Financial assets and financial receivables	**366**	246	82
Cash, and cash equivalents and financial assets of the Holdings System	**789**	267	106

(1) GAAP measure.

The reconciliation of the consolidated gross debt of EXOR Group with the consolidated gross debt of the Holdings System is as follows:

€ million	31/12/2019	31/12/2018	31/12/2017
Gross debt[(1)]	**(43,499)**	(43,576)	(46,696)
(Less) Gross debt of the operating subsidiaries accounted for using the equity method in the Holdings System	**40,079**	40,054	43,426
Gross debt of the Holdings System	**(3,420)**	(3,522)	(3,270)

(1) GAAP measure.

Share of the profit (loss) of investments accounted for using the equity method

The composition of the share of the profit (loss) of investments accounted for using the equity method is as follows:

€ million	2019	2018	Change
PartnerRe	**798**	(105)	903
Ferrari	**167**	186	(19)
FCA[(1)]	**1,898**	1,046	852
CNH Industrial	**212**	314	(102)
Juventus Football Club	**(62)**	(35)	(27)
The Economist Group	**12**	37	(25)
Other	**4**	(5)	9
	3,029	1,438	1,591
Adjustments	**4**	(1)	5
Share of the profit of investments accounted for using the equity method	**3,033**	1,437	1,596

(1) In 2019 including the net gain relating to the disposal of Magneti Marelli of €3.8 billion (EXOR's share €1.1 billion).

The reconciliation of the share of the profit of investments accounted for using the equity method with the profit attributable to owners of the parent is as follows:

€ million	2019	2018	Change
Profit attributable to owners of the parent[1]	**3,053**	1,347	1,706
Less:			
- Loss from investments in subsidiaries and associates	**0**	1	(1)
- Net financial income/expenses	**(44)**	65	(109)
- Net recurring general expenses and non-recurring other expenses	**22**	23	(1)
- Income taxes and other taxes and duties	**2**	1	1
Share of the profit of investments accounted for using the equity method	**3,033**	1,437	1,596

(1) GAAP measure.

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP – SHORTENED

This section includes the results of the EXOR Group based on the “shortened” criterion of consolidation.

According to this method, the Holdings System companies are consolidated line-by-line and the operating subsidiaries and associates are consolidated using the equity method.

While the presentation of such data is not contemplated in the reference accounting standards, EXOR believes that this information facilitates the analysis of the results and the financial position of EXOR.

REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP - SHORTENED

As described above in the APM section, EXOR applies a shortened consolidation criterion to facilitate the analysis of the financial position and results of EXOR.
Using the shortened consolidation criterion, rather than the line-by-line method of consolidation required by law and under IFRS, the data derived from the financial statements or accounting data prepared in accordance with IFRS by EXOR and by the subsidiaries constituting the Holdings System are consolidated in the financial statements of the parent company EXOR using the line-by-line method, while the data derived from the financial statements or accounting data prepared in accordance with IFRS of the operating subsidiaries (PartnerRe, Ferrari, FCA, CNH Industrial, Juventus Football Club and Exor Seeds) and associates (The Economist Group and Welltec) are included in the consolidated financial statements of the parent company EXOR using the equity method.

The consolidated data prepared in shortened form are not audited by the independent auditors.

The following table shows the scope of consolidation under the shortened method:

	Reporting currency	31/12/2019	31/12/2018
Holding Company			
- EXOR N.V. (The Netherlands)	€	**100**	100
Companies in the Holdings System consolidated line-by-line			
- Exor Nederland N.V. (The Netherlands)	$	**100**	100
- Exor S.A. (Luxembourg)	€	**100**	100
- Ancom USA Inc. (USA)	$	**100**	100
- Exor SN LLC (USA)	$	**100**	100
- Exor Investments Limited (United Kingdom)	£	**100**	100
- Exor Investments (UK) LLP (United Kingdom)	£	**99.67**	99.67
Investments in operating subsidiaries and associates, accounted for using the equity method			
- PartnerRe	$	**100**	100
- Ferrari	€	**23.98**	23.65
- FCA	€	**28.67**	28.98
- CNH Industrial	$	**27.18**	27.10
- Juventus Football Club	€	**63.77**	63.77
- The Economist Group	£	**43.40**	43.40
- Welltec	$	**22.12**	22.12
- Exor Seeds[(a)]	$	**73.11**	-

(a) At 31 December 2019 the percentage includes the amount held directly by Exor S.A. and indirectly through PartnerRe. At 31 December 2018 the investment was accounted at fair value through other comprehensive income.

The exchange rates used to translate foreign currencies into Euro are as follows:

	2019		2018	
	Average	31/12	Average	31/12
U.S. dollar	**1.120**	**1.123**	1.181	1.145
British pound	**0.878**	**0.851**	0.885	0.895

EXOR closed the year 2019 with a consolidated profit of €3,053 million; the year 2018 ended with a consolidated profit of €1,347 million. The increase of €1,706 million is mainly attributable to the improvements in the overall performance of the subsidiaries of €1,596 million and includes EXOR's share of the net gain realized on the disposal of Magneti Marelli by FCA for €1,081 million (total €3.8 billion). Additional details are provided in Note 1.

At 31 December 2019 the consolidated equity attributable to owners of the parent amounts to €15,025 million with a net increase of €2,815 million, compared to €12,210 million at 31 December 2018. Additional details are provided in Note 6.

The consolidated net financial position of the Holdings System at 31 December 2019 is a negative €2,631 million and reflects a positive change of €624 million compared to the negative financial position of €3,255 million at 31 December 2018, mainly due to dividends received from the subsidiaries (€1,179 million), partially offset by investments (€274 million), buyback of EXOR shares (€207 million) and payment of dividends (€100 million). Additional details are provided in Note 7.

The shortened consolidated income statement and statement of financial position and notes on the most relevant line items are presented below.

EXOR GROUP –Consolidated Income Statement – Shortened

€ million	Note	2019	2018	Change
Profit (loss) from investments in subsidiaries and associates:				
Share of the profit (loss)		**3,033**	1,437	1,596
Dividends received		**1,179**	138	1,041
Dividends eliminated[(a)]		**(1,179)**	(138)	(1,041)
Profit (loss) from investments in subsidiaries and associates	1	**3,033**	1,437	1,596
Profit (loss) from investments at FVTOCI		**0**	(1)	1
Net financial income (expenses):				
Profit (loss) from cash, cash equivalents and financial assets		**134**	16	118
Cost of debt		**(96)**	(96)	0
Exchange gains (losses), net		**6**	15	(9)
Net financial income (expenses)	2	**44**	(65)	109
Net recurring general expenses	3	**(21)**	(20)	(1)
Non recurring other expenses		**(1)**	(3)	2
Income taxes and other taxes and duties		**(2)**	(1)	(1)
Profit (loss) attributable to owners of the parent		**3,053**	1,347	1,706

a) Dividends from investments in subsidiaries and associates which are included in the share of the profit (loss) from investments in subsidiaries and associates are eliminated in the consolidation process.

EXOR GROUP –Consolidated Statement of Financial Position – Shortened

€ million	Note	31/12/2019	31/12/2018	Change
Investments in subsidiaries and associates	4	**17,551**	15,393	2,158
Investments at FVTOCI	5	**78**	55	23
Other asset (liabilities), net		**27**	17	10
Invested capital		**17,656**	15,465	2,191
Issued capital and reserves attributable to owners of the parent	6	**15,025**	12,210	2,815
Cash, cash equivalents and financial assets	7	**(789)**	(267)	(522)
Gross debt	7	**3,420**	3,522	(102)
Equity and net financial position		**17,656**	15,465	2,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - SHORTENED

1. Profit (loss) from investments in subsidiaries and associates

Share of the profit (loss) of investments accounted for using the equity method

The share of the profit of investments accounted for using the equity method in the year of 2019 amounts to €3,033 million, with an increase of €1,596 million compared to the year 2018 (€1,437 million). The positive change reflects in particular the increase in the share of the profit of PartnerRe (€903 million) and FCA (€852 million), partially offset by the decrease of CNH Industrial (€102 million), The Economist Group (€25 million), Ferrari (€19 million) and by the increase in the negative result of Juventus (€27 million).

In particular the increase of FCA is principally due to a net gain realized on the disposal of Magneti Marelli of €3.8 billion (EXOR's share €1.1 billion), while the increase of PartnerRe is principally driven by the improvements of net realized and unrealized investment gains.

	Profit (Loss)[a]		EXOR's share		
€ million	**2019**	2018	**2019**	2018	Change
PartnerRe	798	(105)	**798**	(105)	903
Ferrari	696	785	**167**	186	(19)
FCA	6,622	3,608	**1,898**	1,046	852
CNH Industrial[b]	781	1,159	**212**	314	(102)
Juventus Football Club[c]	(98)	(55)	**(62)**	(35)	(27)
The Economist Group[d]	29	86	**12**	37	(25)
Other			**4**	(5)	9
			3,029	1,438	1,591
Adjustments			**4**	(1)	5
Total			**3,033**	1,437	1,596

(a) Results attributable to owners of the parents. Results reported in foreign currencies have been converted into Euro at the average exchange rate of the year.
(b) The year 2019 includes a charge of €147 million (EXOR's share €40 million) related to the asset optimization portion of "Transform2Win" strategy and the €103 million of restructuring costs (EXOR's share €28 million). The year 2018 included a net gain related to the modification of healthcare plan in the United States for €357 million (EXOR's share €98 million).
(c) The result refers to the accounting data prepared for consolidation in EXOR for the period 1 January – 31 December.
(d) The result refers to the period 1 October – 30 September.

For comments on the performance of the principal operating subsidiaries, please refer to the section "Review of performance of the operating subsidiaries".

Dividends

€ million	**2019**	2018	Change
Dividends from investments accounted for using the equity method:			
- PartnerRe	**178**	41	137
- Ferrari	**46**	31	15
- FCA	**876**	0	876
- CNH Industrial	**66**	51	15
- The Economist Group	**12**	15	(3)
- Other	**1**	-	(1)
Dividends included in the net financial position	**1,179**	138	1,041
Less: Dividends included in the share of the profit (loss) of investments accounted for using the equity method	**(1,179)**	(138)	(1,041)
Dividends included in the income statement	**0**	0	0

2. Net financial income (expenses)

In 2019 net financial income amounts to €44 million (net financial expenses of €65 million in 2018).

€ million	2019	2018	Change
Profit (loss) from cash, cash equivalents and financial assets:			
Realized gains (losses)[(a)]	**10**	0	10
Unrealized gains (losses)[(b)]	**120**	10	110
Interest income on:			
- bank current accounts and deposits	**1**	1	0
- debt securities	**3**	2	1
- financial receivables	**0**	3	(3)
Profit (loss) from cash, cash equivalents and financial assets	**134**	16	118
Cost of debt:			
Bonds[(c)]	**(94)**	(93)	(1)
Bank debt	**(2)**	(3)	1
Cost of debt	**(96)**	(96)	0
Exchange gains (losses)	**6**	15	(9)
Net financial income (expense)	**44**	(65)	109

(a) Related to disposals of financial instruments.
(b) Change in fair value related to cash invested in financial assets managed by Exor Investments (UK) LLP through a Luxembourg SICAV Fund.
(c) Includes the credit risk adjustment component recorded in the income statement relating to the fair value measurement of the cross currency swap in accordance with IFRS 13.

3. Net recurring general expenses

Net recurring general expenses in 2019 amount to €21 million, with an increase of €1 million compared to prior year (€20 million). The main items are detailed below:

€ million	2019	2018	Change
Personnel costs	**(6)**	(6)	0
Compensation and other costs relating to directors	**(2)**	(2)	0
Service costs, net	**(7)**	(6)	(1)
Net recurring general expenses included in the net financial position	**(15)**	(14)	(1)
Share based compensation plan costs	**(6)**	(6)	0
Net recurring general expenses recorded in the income statement	**(21)**	(20)	(1)

4. Investments in subsidiaries and associates

€ million	31/12/2019	31/12/2018	Change
PartnerRe	**6,477**	5,719	758
Ferrari	**378**	342	36
FCA	**8,173**	7,154	1,019
CNH Industrial	**1,852**	1,722	130
Juventus Football Club	**176**	51	125
The Economist Group	**323**	318	5
Other	**172**	87	85
Total	**17,551**	15,393	2,158

The positive change in EXOR's investment in PartnerRe (€758 million) is mainly attributable to EXOR's shares of the profit (€798 million), the positive translation exchange differences (€172 million), partially offset by the payment of dividends (€178 million).

The positive change in EXOR's investment in Ferrari (€36 million) is primarily due to EXOR's shares of the profit (€167 million), partially offset by the buy-back of treasury stock (€93 million) and the payment of dividends (€46 million).

The positive change in EXOR's investment in FCA (€1,019 million) is mainly attributable to EXOR's shares of the profit (€1,898 million), the positive translation exchange differences (€73 million), partially offset by the payment of dividends (€876 million) and the negative cash flow hedge reserve (€39 million).

The positive change in EXOR's investment in CNH Industrial (€130 million) can be ascribed primarily to EXOR's shares of the profit (€212 million) and the positive translation exchange differences (€17 million), partially offset by the payment of dividends (€67 million) and the negative remeasurement of the defined benefit plan reserve (€36 million).

5. Investments measured at fair value through other comprehensive income

The investments measured at fair value through other comprehensive income amount to €78 million (€55 million at 31 December 2018) and include principally investments in listed equity instruments. The positive change (€23 million) is due to new investments (€50 million), partially offset by the negative fair value adjustment (€6 million) and the reclassification of Exor Seeds to "Investments in subsidiaries and associates" (€22 million).

6. Issued capital and reserves attributable to owners of the parent

€ million	31/12/2019	31/12/2018	Change
Share capital	**2**	2	0
Reserves	**15,292**	12,270	3,022
Treasury stock	**(269)**	(62)	(207)
Total	**15,025**	12,210	2,815

Details of changes during the period are as follows:

€ million	
Balance at 31 December 2018	**12,210**
Buyback EXOR treasury stock	(207)
Dividend paid by EXOR	(100)
Exercise of stock options	19
Fair value adjustment to investments and other financial assets	(6)
Measurement of EXOR derivative financial instruments	(4)
Attributable other net changes recorded in equity, shown by EXOR Holdings System and operating companies accounted for using the equity method:	
- Exchange differences on translation	276
- Buyback treasury stock	(108)
- Remeasurement of defined benefit plan	(62)
- Cash flow hedge	(48)
- Other	2
Consolidated profit attributable to owners of the parent	3,053
Net change during the year	**2,815**
Balance at 31 December 2019	**15,025**

7. Net financial position of the Holdings System

The net financial position of the Holdings System at 31 December 2019 is a negative €2,631 million and shows a positive change of €624 million compared to the balance at 31 December 2018 (a negative €3,255 million).

€ million	31/12/2019	31/12/2018	Change
Financial assets	**358**	238	120
Financial receivables	**8**	8	0
Cash and cash equivalents	**423**	21	402
Cash, cash equivalents and financial assets	**789**	267	522
EXOR bonds	**(3,391)**	(3,236)	(155)
Bank debt	**0**	(30)	30
Commercial paper	**0**	(230)	230
Other financial liabilities	**(29)**	(26)	(3)
Gross debt	**(3,420)**	(3,522)	102
Net financial position of the Holdings System	**(2,631)**	(3,255)	624

Financial assets include principally financial instruments accounted for at FVTPL and debt securities listed on an active market measured at amortized cost.
Cash and cash equivalents include short-term deposits and money market instruments. Investments are spread over an appropriate number of counterparties chosen according to their creditworthiness and their reliability since the primary objective is to hold investments, which can readily be converted into cash.

Bonds issued by EXOR and outstanding at 31 December 2019 are as follows:

Issue date	Maturity date	Issue price	Fixed Rate (%)	Nominal amount (million)	Balance at 31/12/2019 (€ million)	Balance at 31/12/2018 (€ million)	Change
16-Oct-12	16-Oct-19	98.136	4.750	150	**0**	(151)	151
12-Nov-13	12-Nov-20	99.053	3.375	200	**(201)**	(200)	(1)
03-Dec-15	02-Dec-22	99.499	2.125	750	**(748)**	(747)	(1)
08-Oct-14	08-Oct-24	100.090	2.500	650	**(653)**	(653)	0
07-Dec-12	31-Jan-25	97.844	5.250	100	**(104)**	(103)	(1)
22-Dec-15	22-Dec-25	100.779 (a)	2.875	450 (a)	**(451)**	(452)	1
20-May-16	20-May-26	99.650	4.398	170 (b)	**(152)**	(149)	(3)
18-Jan-18	18-Jan-28	98.520	1.750	500	**(501)**	(500)	(1)
09-May-11	09-May-31	100.000	2.800 (c)	10,000 (d)	**(82)**	(80)	(2)
14-Oct-19	14-Oct-34	99.725	1.75	300	**(298)**	-	(298)
15-Feb-18	15-Feb-38	98.183	3.125	200	**(201)**	(201)	0
					(3,391)	(3,236)	(155)
- Current portion					**(227)**	(178)	(49)
- Non-current portion					**(3,164)**	(3,058)	(106)

(a) Originally €250 million; the amount was increased by another €200 million on 10 May 2016. The issue price corresponds to the weighted average of the prices calculated on the entire amount of €450 million.
(b) Nominal value in $, original currency of issuance.
(c) To protect against currency fluctuations, a hedging transaction was put in place using a cross currency swap. The cost in Euro is fixed at 6.012% per year.
(d) Nominal value in Yen.

EXOR intends to repay the bonds in cash at maturity using available liquid resources and undrawn credit lines.

EXOR may, from time to time, buy back bonds on the market for cancellation purposes. The decision to buy back bonds will depend on, among other factors, market conditions and EXOR's financial situation.

EXOR established a Euro-Commercial Paper Program on 15 May 2018, for a maximum amount outstanding of €500 million, to achieve greater diversification of its funding sources in the capital markets and enhance its liquidity management. At 31 December 2019, there is no outstanding amount compared to €230 million at 31 December 2018.

Other financial liabilities (€29 million) mainly consist of the fair value of cash flow hedge derivative instruments.

The net change in 2019, a positive €624 million, is analyzed as follows:

€ million		31/12/2019	31/12/2018
Net financial position of the Holdings System - Initial amount	Note	**(3,255)**	(3,164)
Impact resulting from the adoption of IFRS 16 – Leases[(a)]		(3)	-
Dividends received from investments	1	1,179	138
Investments[(b)]		(274)	(22)
Asset disposals[(c)]		0	32
Dividends paid by EXOR		(100)	(82)
Buyback EXOR treasury stock		(207)	(62)
Other changes	2	29	(95)
Net change during the year		**624**	(91)
Net financial position of the Holdings System - Final amount		**(2,631)**	(3,255)

(a) Following the retrospective adoption on 1 January 2019 of IFRS 16 – Leases, EXOR recognized lease financial liabilities for €3 million.
(b) 2019 includes the subscription of EXOR's portion of Juventus's share capital increase for €191 million.
(c) 2018 includes the sale of the investment in Banca Leonardo and others.

€ million	2019	2018
1. Dividends received from investments	**1,179**	138
FCA[(a)]	876	-
PartnerRe	178	41
Ferrari	46	31
CNH Industrial	66	51
The Economist Group	12	15
Other	1	0
2. Other changes	**29**	(95)
Net recurring general expenses	(15)	(14)
Non-recurring other expenses	(1)	(3)
Net financial income (expenses)[(b)]	44	(65)
Other net changes	1	(13)

(a) Of which €292 million as ordinary annual dividend and €584 million as extraordinary cash distribution.
(b) In 2019 related to: unrealized gains on financial assets (€120 million), realized gains on financial assets (€10 million), cost of debt (€96 million), net exchange gains (€6 million) and other net financial income (€4 million). In 2018 related to: unrealized gains on financial assets (€10 million), cost of debt (€96 million), net exchange gains (€15 million) and other net financial income (€6 million).

At 31 December 2019 EXOR has irrevocable credit lines in Euro of €435 million, expiring after 31 December 2020, as well as revocable credit lines of €587 million.
At the same date EXOR also has credit lines in foreign currency for a total of $50 million (€45 million) expiring before 31 December 2020.

On 19 December 2019 Standard & Poor's affirmed EXOR's long-term and short-term debt ratings at "BBB+" and "A-2" respectively and improved the outlook to "positive" from "stable".

REVIEW OF THE PERFORMANCE OF THE OPERATING SUBSIDIARIES

(The share capital and voting rights percentages are based on data at 31 December 2019)

Set out below is a summary of the key highlights from the interim reports of the operating subsidiaries, including the Management Report.

In order to facilitate the readers' use and cross reference the data has been extracted from the financial statements of each subsidiary, and presented in the original reporting currency and accounting principles.

Therefore, data presented in this section may differ from those prepared for EXOR consolidation purposes.

Further information and details of significant events of subsidiaries are shown in the respective companies' reports.

PartnerRe

(99.72% of voting rights; 100% interest in common shareholder's equity through EXOR Nederland N.V.)

Data presented and commented below are derived from PartnerRe's consolidated financial information for the year ended 31 December 2019 prepared in accordance with US GAAP.

	Year	
$ million	**2019**	2018
Net premiums written	6,909	5,803
Non-life combined ratio[(a)]	100.3%	101.9%
Life and Health allocated underwriting result[(b)]	73	86
Net investment return	7.7%	0.1%
Other expenses	370	306
Net (loss) income attributable to PartnerRe common shareholders[(c)]	890	(132)
Net Income ROE[(d)]	14.4%	(2.2)%

(a) PartnerRe uses a combined ratio to measure results for the Non-life P&C and Specialty segments. The combined ratio is the sum of the technical and other expense ratios.
(b) PartnerRe uses allocated underwriting result as a measure of underwriting performance for its Life and Health segment. This metric is defined as net premiums earned, other income or loss and allocated net investment income less life policy benefits, acquisition costs and other expenses.
(c) Net income/loss attributable to PartnerRe common shareholders is defined as net income/loss attributable to PartnerRe less preferred dividends.
(d) Net income ROE is calculated as net income return on average common shareholders' equity.

Net premiums written for 2019 increased to $6.9 billion compared to $5.8 billion in 2018. Non-life net premiums written were up 18% for the full year 2019 compared to 2018, driven by a 21% increase in the P&C segment and a 14% increase in the Specialty segment.

The Non-life combined ratio was 100.3% for the full year 2019 compared to 101.9% for 2018. The improvement in combined ratio was driven by the P&C segment with a combined ratio of 98.7% for the full year 2019 compared to 108.7% for the same period of 2018, reflecting an improvement in the current accident year attritional loss ratio and a decrease in losses related to large catastrophic events. Catastrophic losses of $258 million, net of retrocession and reinstatement premiums, related to Typhoons Hagibis and Faxai and Hurricane Dorian contributed 8.4 points on the P&C combined ratio for the full year 2019, compared to 15.1 points in 2018 related to Typhoons Jebi and Trami, Hurricanes Florence and Michael, and California wildfires. This was offset by the Specialty segment, which recorded a combined ratio of 103.0% for the full year 2019 compared to 91.9% for the same period of 2018, driven by net adverse prior years' reserve development and a large loss on Ethiopian Airlines and Boeing of $42 million, net of retrocession and reinstatement premiums (2.1 points on the Specialty combined ratio).

The Life and Health allocated underwriting result was a profit of $73 million in 2019 compared to a profit of $86 million in 2018. The decrease was primarily driven by adverse experience in PartnerRe's short term life business, higher expenses to support growth in the business and higher annual incentive bonus payment to employees.

Net investment return for 2019 was $1,352 million, or 7.7%, which included net investment income of $449 million, net realized and unrealized investment gains of $887 million and interest in earnings of equity method investments of $16 million. This compares to a net investment return of $37 million, or 0.1%, for the full year 2018, which included net investment income of $416 million and interest in earnings of equity method investments of $11 million, offset by net realized and unrealized investment losses of $390 million.

Net realized and unrealized investment gains of $887 million for the full year 2019 included net realized and unrealized investment gains of $434 million on fixed maturities and short-term investments, primarily due to decreases in world-wide risk-free rates and credit spreads, and $453 million of net realized and unrealized investment gains on equities, investments in real estate and other invested assets, primarily due to gains in public equity funds.

Included within the net realized and unrealized investment gains of $434 million on fixed maturities and short-term investments was $244 million of net realized gains, primarily due to PartnerRe's decisions to rebalance certain portfolios, particularly in lower rated investment grade credit, and to reallocate the proceeds to other investment classes, particularly highly rated governments and mortgage backed securities, and to alternative credit. For the full year 2018, net realized and unrealized investment losses of $390 million included net realized and unrealized investment losses of $376 million on fixed maturities and short-term investments, driven by increases in U.S. risk free rates and the widening of U.S. and European investment grade corporate spreads, and $14 million of net realized and unrealized investment losses on equities, investments in real estate and other invested assets.

Other Income Statement items

Other income was $15 million for the full year 2019 compared to $50 million for 2018. During the fourth quarter of 2018 PartnerRe recognized a gain on commutation of $29 million due to the reserve and reinsurance agreement with Colisée Re being commuted with the associated guaranteed reserves and funds held and directly managed assets released.

Other expenses of $370 million (expense ratio of 5.7%) for the full year 2019 increased by $64 million when compared to 2018 ($306 million - expense ratio of 5.5%). The increase was primarily driven by (i) higher annual incentive and long-term incentive payout for employees of $39 million compared to prior year due to the strong growth in book value reported by PartnerRe in 2019 and (ii) an increase in Life and Health expenses compared to prior year to support the organic growth of the business.

Net foreign exchange losses were $87 million for the full year 2019, driven by the depreciation of the U.S. dollar against certain major currencies and the cost of hedging compared to gains of $119 million for 2018, driven by the appreciation of the U.S. dollar against certain major currencies, partially offset by hedging costs.

Interest expense of $40 million for the full year 2019 compared to $43 million for 2018. During the second quarter of 2019, PartnerRe issued $500 million 3.70% Senior Notes due 2029 and used the proceeds to early redeem the $500 million 5.50% Senior Notes due 2020 in the third quarter of 2019. These transactions resulted in the lower interest expense in 2019. Loss on redemption of debt was $15 million for the full year 2019, related to the redemption of PartnerRe's 5.50% Senior Notes due 2020 at a make-whole redemption price.

Preferred dividends of $46 million paid in 2019 were comparable to 2018.

Income tax expense was $53 million on pre-tax income of $989 million in 2019 compared to an income tax benefit of $9 million on pre-tax losses of $95 million in 2018. These amounts were primarily driven by the geographical distribution of pre-tax profits and losses.

Balance sheet and capitalization

Total investments and cash and cash equivalents were $17.8 billion at 31 December 2019, up 9.4% compared to 31 December 2018. The increase to 31 December 2019 was primarily driven by the $1,352 million net investment return for the full year 2019 and the increase in payables for securities purchased to $169 million as at 31 December 2019 from $80 million as at 31 December 2018.

Cash and cash equivalents, fixed maturities and short-term investments, which are government issued or investment grade fixed income securities, were $12.8 billion at 31 December 2019, representing 72% of the total investments and cash and cash equivalents.

The average credit rating of the fixed income portfolio increased to AA as of 31 December 2019 compared to A at 31 December 2018. The improvement in the average credit quality of the fixed income portfolio was due to actions taken during 2019 to reduce exposure to lower rated investment grade credit and reinvest certain proceeds in highly rated governments and mortgage backed securities. The expected average duration of the public fixed income portfolio at 31 December 2019 was 2.7 years, while the average duration of PartnerRe’s liabilities was 4.3 years.

There were no dividends declared and paid to common shareholders in the fourth quarter of 2019 and fourth quarter of 2018. Dividends declared and paid to common shareholders were $200 million for the full year 2019, compared to $48 million for the full year 2018.

Total capital was $8.7 billion at 31 December 2019, up 9.2% compared to 31 December 2018, primarily due to net income for the full year 2019, partially offset by dividends on preferred and common shares. PartnerRe issued $500 million 3.70% Senior Notes due 2029 during the second quarter of 2019 and used the proceeds to early redeem the $500 million 5.50% Senior Notes due 2020 in the third quarter of 2019.
Common shareholder's equity (or book value) of $6.6 billion and tangible book value of $6.0 billion at 31 December 2019 increased by 13.0% and 14.6% respectively, compared to 31 December 2018, primarily due to net income available to common shareholders for the full year 2019, partially offset by dividends on common shares. Book value, excluding dividends on common shares for 2019, was up 16.4% compared to 31 December 2018.

Dividends Paid to EXOR

During 2019, PartnerRe declared and paid to Exor Nederland N.V. common share dividends of $200 million compared to $48 million for the full year 2018.

Reconciliation of reported US GAAP financial information to IFRS financial information used for line-by-line consolidation purposes

The differences between the US GAAP net income ($890 million) and the IFRS net income ($894 million) are immaterial and related only to the economic effects of the application of the acquisition method by EXOR to account for the acquisition.

2020 Outlook

PartnerRe believes that overall, reinsurance will broadly remain a cyclical market, albeit of less amplitude, primarily as a result of excess capital, and that the cycles will become more specific and local, with less global amplitude. The outlooks for 2020 for each of PartnerRe's segments are summarized as follows:

2020 P&C Segment Outlook

During the 1 January 2020 renewals, PartnerRe focused on portfolio optimization and improving profit margins and observed improving pricing trends in most of the North American business. The European business continued to see flat to low single digit rate decreases in all lines except casualty where pricing increases were observed.
As a result of the persisting competition and excess capacity in the industry, it is not possible to forecast if improving pricing conditions will continue in the future.

2020 Specialty Segment Outlook

During the 1 January 2020 renewals, PartnerRe focused on portfolio optimization and improving profit margins and generally observed improved pricing in most lines of business within the Specialty segment (engineering, aviation, energy, marine, and property).
As a result of the persisting competition and excess capacity in the industry, it is not possible to forecast if improving pricing conditions will continue in the future.

2020 Life and Health Outlook

The 1 January 2020 renewal for Life business is not considered significant, as only a limited portion of the premium associated with the Life portfolio is short-term business.
Management expects moderate continued growth in PartnerRe’s Life portfolio in 2020 assuming constant foreign exchange rates, mainly due to growth in Asia, Canada, Europe and the United States. Pricing conditions are not expected to materially differ from 2019.

Ferrari

(22.91% stake and 34.54% of voting rights on issued capital)

Key consolidated data of Ferrari reported in the year 2019 are as follows:

€ million	Year 2019	2018	Change
Shipments (in units)	**10,131**	9,251	880
Net revenues	**3,766**	3,420	346
EBIT	**917**	826	91
Net profit	**699**	787	(88)
Net Industrial debt[1]	**(337)**	(370)	33

(1) Defined as net debt less net debt of financial services activities.

Shipments

Shipments totaled 10,131 units in 2019 with an increase of 880 units (or 9.5%) compared to the prior year. This achievement was driven by an 11.2% increase in sales of the 8-cylinder models (V8) and a 4.6% increase of 12-cylinder models (V12). Robust deliveries of the Ferrari Portofino and the 812 Superfast, along with the first deliveries of the F8 Tributo, the Ferrari Monza SP1 and SP2, were partially offset by lower volumes from the 488 family, with the 488 GTB and the 488 Spider concluding their lifecycle, partially compensated by the 488 Pista and the 488 Pista Spider.

Units[1]	Year 2019	2018	Change amount	%
EMEA	**4,895**	4,227	668	16
Americas	**2,900**	3,000	(100)	(3)
Mainland China, Hong Kong and Taiwan	**836**	695	141	20
Rest of APAC	**1,500**	1,329	171	13
Shipments	**10,131**	9,251	880	10

(1) Excluding the XX Programme, racing cars, Fuori Serie, one-off and pre-owned cars.

Net revenues

Net revenues for 2019 were €3,766 million, with an increase of €346 million, or 10.1% (an increase of 8.2% on a constant currency basis). The increase was attributable to the combination of a €391 million increase in cars and spare parts, €32 million increase in sponsorship, commercial and brand, and €9 million increase in other net revenues, partially offset by a €86 million decrease in engines.

The increase of €391 million in cars and spare parts revenues was primarily attributable to positive volume impact, positive contribution from the personalization programs and positive foreign currency impact. In particular, total shipments increased by 880 cars, or 9.5%, compared to the prior year, primarily attributable to an 11.2% increase in V8 models and a 4.6% increase in V12 models. The increase in shipments was mainly driven by deliveries of the Ferrari Portofino, the 812 Superfast, the 488 Pista and 488 Pista Spider, and the initial deliveries of the F8 Tributo, as well as the initial deliveries of the Ferrari Monza SP1 and SP2 in the last four months of 2019. These effects were partially offset by lower shipments of the 488 GTB and 488 Spider, which concluded their lifecycle in 2019, as well as deliveries in 2018 of the LaFerrari Aperta and the strictly limited edition Ferrari J50.

Engines revenues were €198 million for 2019, a decrease of €86 million, or 30.3%, from €284 million for 2018 mainly attributable to a decrease in net revenues generated from the sale of engines to Maserati.

Net revenues generated from sponsorship, commercial agreements and brand management activities were €538 million for 2019, an increase of €32 million, or 6.4%, from €506 million for 2018. The increase was primarily attributable to higher revenues from Formula 1 racing activities and positive foreign currency exchange impact.

€ million	Year 2019	2018	change amount	% - current currency	% - constant currency
Car and spare parts	**2,926**	2,535	391	15	13
Engines	**198**	284	(86)	(30)	(30)
Sponsorship, commercial and brand	**538**	506	32	6	4
Other	**104**	95	9	10	6
Net revenues	**3,766**	3,420	346	10	8

EBIT

EBIT for 2019 was €917 million, an increase of €91 million, or 11.0%, from €826 million for 2018. As a percentage of net revenues, EBIT increased from 24.2 percent in 2018 to 24.4 percent in 2019.

The increase in EBIT was primarily attributable to the combined effects of positive volume impact of €99 million, positive product mix and price impact of €78 million, an increase in research and development costs of €56 million, an increase in selling, general and administrative costs of €16 million, an increase of industrial costs of €31 million mainly due to the operational startup costs in connection with the introduction of new models, including higher depreciation of fixed assets and other variable costs, negative contribution of €33 million due to lower engine sales to Maserati and other supporting activities, and positive foreign currency exchange impact of €50 million (including foreign currency hedging instruments) primarily driven by the strengthening of the U.S. Dollar compared to the Euro.
The positive volume impact was attributable to an increase in total shipments, driven by the 488 Pista family, the Ferrari Portofino and the 812 Superfast, as well as the initial deliveries of the new F8 Tributo, partially offset by lower shipments of the 488 GTB and the 488 Spider, which concluded their lifecycle in 2019. The positive product mix and price impact was primarily attributable to the combined positive effects of the Ferrari Monza SP1 and SP2 in the fourth quarter of 2019, the personalization program and deliveries of the FXX K EVO, partially offset by negative product mix from range models as well as prior year shipments of the LaFerrari Aperta and the strictly limited edition Ferrari J50.

Net industrial debt

Net industrial debt at 31 December 2019 was €337 million, with a decrease of €33 million compared to €370 million at 31 December 2018. During 2019, a total worth of €387 million of share repurchases and a €195 million dividend distribution were accomplished. Lease liabilities per IFRS 16 as of 31 December 2019 were €60 million.

€ million	31/12/2019	31/12/2018	Change
Debt	**(2,090)**	(1,927)	(163)
of which: Lease liabilities as per IFRS 16 (simplified approach)	**60**	-	60
Cash and cash equivalents	**898**	794	104
Net debt	**(1,192)**	(1,133)	(59)
Net debt of Financial Services Activities	**(855)**	(763)	(92)
Net Industrial Debt[1]	**(337)**	(370)	33

(1) Net industrial debt is defined as net debt excluding the funded portion of the self-liquidating financial receivables portfolio.

2020 Outlook

The Ferrari Group targets the following performance in 2020, increased across all metrics compared to the Plan announced at the Capital Markets Day on 18 September 2018:

- Net revenues: more than €4.1 billion (from more than €3.8 billion);
- Adjusted EBITDA: €1.38 billion - €1.43 billion (from more than €1.3 billion);
- Adjusted EBIT: €0.95 billion - €1 billion (from more than €0.9 billion);
- Adjusted diluted EPS: €3.90 - €3.95 per share (from more than €3.40 billion per share);
- Industrial free cash flow: more than/equal to €0.4 billion (from more than €0.4 billion).

FIAT CHRYSLER AUTOMOBILES

(28.67% stake, 41.75% of voting rights on issued capital)

The key consolidated data of FCA for 2019 are presented below:

€ million	Year 2019	Year 2018	Change amount	Change %
Net revenues	**108,187**	110,412	2,225	2
Adjusted EBIT[(1)]	**6,668**	6,738	(70)	-1
Net profit from continuing operations	**2,700**	3,330	(630)	-18.9
Net profit (including discontinued operations)	**6,630**	3,632	2,998	n.s.

(1) Adjusted EBIT is a non-GAAP financial measure used to measure performance. Adjusted EBIT excludes certain adjustments from Net profit from continuing operations, including: gains/(losses) on the disposal of investments, restructuring, impairments, asset write-offs and unusual income/(expenses) that are considered rare or discrete events that are infrequent in nature, and also excludes Net financial expenses and Tax expense/(benefit).

Net revenues and Adjusted EBIT

Net revenues Years ended 31 December 2019	Net revenues Years ended 31 December 2018	€ million	Adjusted EBIT Years ended 31 December 2019	Adjusted EBIT Years ended 31 December 2018
73,357	72,384	North America	**6,690**	6,230
8,461	8,152	LATAM	**501**	359
2,814	2,703	APAC	**(36)**	(296)
20,571	22,815	EMEA	**(6)**	406
1,603	2,663	Maserati	**(199)**	151
1,381	1,695	Other activities, unallocated items and adjustments	**(282)**	(112)
108,187	110,412	**Total**	**6,668**	6,738

NORTH AMERICA

North America Net revenues in 2019 were in line compared to the 2018, with favorable model mix and foreign exchange translation effects, offset by lower volumes and negative channel mix. Adjusted EBIT was up 7% compared to 2018, with record margin, due to favorable model mix, positive net price, industrial efficiencies, lower advertising costs and favorable foreign exchange effects, partially offset by lower volumes and increased product costs on new vehicles.

LATAM

The LATAM Net revenues in 2019 were up 4% with positive net pricing, including recognition of Brazilian indirect tax credits, partially offset by negative foreign exchange effects. Adjusted EBIT up 40%, due to higher Net revenues and industrial efficiencies, partially offset by purchasing cost inflation, higher import and export duties, as well as negative foreign exchange effects.

APAC

The increase in APAC Net revenues in 2019 of 4% compared to 2018 was primarily due to favorable model mix and vehicle mix, positive net pricing due to reduced incentives, partially offset by lower volumes. The increase in APAC Adjusted EBIT was primarily due to increased Net revenues, as well as lower industrial costs, partially offset by lower China JV results.

EMEA

The decrease in EMEA Net revenues in 2019 compared to 2018 of 10% was primarily due to lower volumes. The decrease in EMEA Adjusted EBIT was primarily due to lower volumes, higher incentives, compliance and product costs, partially offset by reduced advertising costs and labor efficiencies resulting from restructuring actions, as well as favorable model and channel mix.

Maserati

The decrease in Maserati Net revenues in 2019 of 40% compared to 2018 was primarily due to lower volumes. The decrease in Maserati Adjusted EBIT was primarily due to lower revenues and adjustments of residual values in the U.S. during the second quarter and higher incentives related to accelerated transition to China 6, partially offset by favorable model and market mix.

The following table is the reconciliation of Net profit from continuing operations to Adjusted EBIT (non-GAAP measure).

	Year	
€ million	2019	2018
Net profit from continuing operations	**2,700**	3,330
Tax expense	**1,321**	778
Net financial expenses	**1,005**	1,056
Adjustments:		
Restructuring costs, net of reversals	**154**	103
China inventory impairment		129
Costs for recall, net of recovery – airbag inflators		114
Impairment expense and supplier obligations	**1,542**	353
Gains on disposal of investments	**(15)**	
U.S. special bonus payment		111
Employee benefits settlement losses		92
Port of Savona fire and flood		43
North America capacity realignment		(60)
Recovery of costs for recall		(50)
Brazilian indirect tax - reversal of liability/recognition of credits	**(164)**	**(72)**
Other	**125**	63
Total adjustments	**1,642**	1,574
Adjusted EBIT	**6,668**	6,738

Cash flows from operating activities to Industrial free cash flows

(€ million)	FY 2019	FY 2018
Cash flows from operating activities	**10,462**	**9,948**
Less cash flows from operating activities – discontinued operations	(308)	484
Cash flows operating activities – continuing operations	**10,770**	**9,464**
Less: operating activities not attributable to industrial activities	74	59
Less: Capital expenditures for industrial activities	8,383	5,389
Add: Net intercompany payments between continuing operations and discontinued operations	(200)	(46)
Add: Discretionary pension contribution, net of tax	-	478
Industrial free cash flows	**2,113**	**4,448**

2020 Outlook

FCA expected continued strong performance in 2020 and confirms guidance:

- Adjusted EBIT >€7 billion.
- Adjusted diluted EPS >€2.80 per share.
- Industrial free cash flow >€2.0 billion.

(26.89% stake, 41.68% of voting rights on issued capital)

Key consolidated figures of CNH Industrial for the year 2019 are as follows:

	Year		
$ million	**2019**	2018	Change
Revenues	**28,024**	29,736	(1,712)
Adjusted EBIT[1]	**1,873**	2,028	(155)
Net income	**906**	1,399	(493)
of which attributable to owners of the parent	***809***	*1,368*	*(559)*
Net Industrial Debt[2]	**(1,403)**	(639)	(764)

(1) Adjusted EBIT is a non-GAAP financial measure used to measure performance. Adjusted EBIT is defined as profit/(loss) before taxes, financial income (expense) of industrial activities, restructuring costs, and certain non- recurring items.
(2) Net Industrial debt is defined as net debt excluding the funded portion of the sell-liquidating financial receivables portfolio.

Revenues

Revenues for 2019 were $28,024 million, a decrease of 5.8% (down 0.9% on a constant currency basis) compared to 2018, primarily due to a decrease of 6.3% (down 1.4% on a constant currency basis) compared to the prior year in net revenues of Industrial Activities.

Net revenues for Agriculture were $10,958 million in 2019, a 7.0% decrease (down 2.8% on a constant currency basis) compared to 2018. The decrease was primarily driven by lower industry volumes in North America and rest of world markets, coupled with actions to reduce dealer inventories in the second half of the year, partially offset by positive price realization performance across all geographies and sustained aftermarket activity.
For 2019, worldwide industry unit sales for tractors decreased 7% compared to 2018, while worldwide industry sales for combines were down 4% compared to 2018. In North America, industry volumes in the over 140 hp tractor market sector were down 3% and combines were down 7%. Industry volumes for under 140 hp tractors were up 2%. European markets were up 5% for tractors and down 16% for combines. In South America, tractor industry volumes decreased 13% and combine industry volumes decreased 5%. Rest of world markets decreased 10% for tractors and increased 2% for combines.

Net revenues for Construction were $2,768 million in 2019, down 8.4% compared to 2018 (down 6.3% on a constant currency basis), as result of lower net sales in North America and rest of world markets due to weaker market conditions and actions to reduce dealer inventory levels in the second half of the year, partially offset by positive price realization.
In 2019, construction equipment's worldwide compact equipment industry sales were up 4% compared to 2018, while worldwide general equipment industry sales were down 1% compared to 2018 and worldwide road building and site equipment industry sales were down 9%.

Commercial and Specialty Vehicles' net revenues were $10,440 million in 2019, down 4.5% compared to 2018 (up 1.8% on a constant currency basis), driven by increased deliveries in bus and specialty vehicles, sustained aftermarket activity and positive price realization, more than offset by reduced wholesale volumes in M&H trucks in both Europe, where CNH Industrial is transitioning to a new commercial policy and refreshed product offering, and South America, primarily due to low industry volume in Argentina.

Powertrain net revenues were $4,114 million in 2019, down 9.7% compared to 2018 (down 3.5% on a constant currency basis), due to lower sales volume. Sales to external customers accounted for 51% of total net revenues (50% in 2018).

Financial Services reported net revenues of $1,996 million in 2019, flat compared to 2018 (up 3.7% on a constant currency basis) and primarily due to higher average portfolio, offset by the negative impact from foreign currency translation.

$ million	Year 2019	2018	% change
Agriculture	**10,958**	11,786	-7.0
Construction	**2,768**	3,021	-8.4
Commercial and Specialty Vehicles	**10,440**	10,933	-4.5
Powertrain	**4,114**	4,557	-9.7
Elimination and other	**(2,111)**	(2,370)	-
Total Industrial Activities	**26,169**	27,927	-6.3
Financial Services	**1,996**	1,996	0.0
Eliminations and other	**(141)**	(187)	-
Revenues	**28,024**	29,736	-5.8

Adjusted EBIT

Adjusted EBIT of Industrial Activities was down 8.0% to $1,376 million in 2019, compared to $1,496 million in 2018, representing an Adjusted EBIT margin of 5.3%, down 10 basis points ("bps") compared to 2018, mainly due to unfavorable volume and mix as well as raw material headwinds, which more than offset positive price realization and cost management actions.

Adjusted EBIT of Agriculture was $900 million in 2019, a $198 million decrease compared to $1,098 million in 2018. Positive price realization, disciplined cost management, industrial efficiencies and a reduction in short-term incentive compensation expense were more than offset by lower wholesale volume and market and product mix, including negative industrial absorption primarily from the lower production levels (mainly in the second half of the year), as well as higher product costs as a result of increased raw material costs and tariffs. Adjusted EBIT margin decreased 80 bps to 8.2%.

Adjusted EBIT of Construction was $50 million in 2019, a $19 million decrease compared to 2018, with an Adjusted EBIT margin of 1.8% (2.3% in 2018). Positive price realization was more than offset by unfavorable volume and mix in North America and rest of world markets, including negative industrial absorption, and higher product costs primarily related to increased raw material costs and tariffs, and costs associated with the product quality excellence initiative.

Adjusted EBIT of Commercial and Specialty Vehicles was $188 million in 2019 ($285 million in 2018) and includes a $50 million gain realized in the third quarter from granting to Nikola Corporation access to certain Iveco technology as part of the $150 million in-kind contribution as consideration for the initial equity interest in Nikola. Adjusted EBIT was negatively impacted by higher product costs, foreign exchange transaction impacts, and the remeasurement of certain provisions completed in the fourth quarter, partially offset by favorable volume and mix, positive price realization and a reduction in short-term incentive compensation expense.

Adjusted EBIT of Powertrain was $362 million in 2019, a $23 million decrease compared to $385 million in 2018 due to unfavorable volume and mix and higher product development investment geared towards the "Transform2Win" strategy initiatives, partially offset by positive price realization and product cost efficiencies. Adjusted EBIT margin was 8.8% in 2019, up 40 bps compared to 2018.

$ million	Year 2019	2018	Change	*2019 adjusted EBIT margin*[1]	*2018 adjusted EBIT margin*
Agriculture	**900**	1,098	(198)	**8.2%**	9.3%
Construction	**50**	69	(19)	**1.8%**	2.3%
Commercial and Specialty Vehicles	**188**	285	(97)	**1.8%**	2.6%
Powertrain	**362**	385	(23)	**8.8%**	8.4%
Unallocated items, elimination and other	**(124)**	(341)	217	**-**	-
Total Industrial Activities	**1,376**	1,496	(120)	**5.3%**	5.4%
Financial Services	**497**	532	(35)	**24.9%**	26.7%
Eliminations and other	**-**	-	-	**-**	-
Adjusted EBIT	**1,873**	2,028	(155)	**6.7%**	6.8%

(1) On 1 January 2019, CNH Industrial adopted the updated accounting standard on leases (IFRS 16) using the modified retrospective approach, without recasting prior periods. Adoption of the standard had an immaterial impact on adjusted EBIT in the year ended at 31 December 2019.

The following table is the reconciliation of Net income to Adjusted EBIT (non-GAAP measure).

$ million	Year 2019	2018
Net income	**906**	1,399
Add back:		
Financial expenses	**362**	578
Income tax expenses	**302**	515
Adjustments:		
Restructuring costs	**116**	63
Pre-tax gain related to the modification of a healthcare plan in the U.S.	**47**	(527)
Other discrete items[1]	**140**	-
Adjusted EBIT	**1,873**	2,028

(1) In 2019, this item mainly includes the other asset optimization charges for $165 million due to actions included in the "Transform2Win" strategy, $20 million pre-tax non-cash settlement charge resulting from the purchase of a group annuity contract to settle a portion of the outstanding U.S. pension obligation.

Net Industrial debt

$ million	31/12/2019	31/12/2018	Change
Third party debt[1]	**(25,413)**	(24,543)	(870)
Cash and cash equivalents	**5,773**	5,803	(30)
Other/financial asset/(liabilities)[2]	**10**	(9)	1
(Net debt)/Cash[3]	**(19,630)**	(18,749)	(881)
Industrial Activities	**(1,403)**	(639)	(764)
Financial Services	**(18,227)**	(18,110)	(117)

(1) As a result of the role played by the central treasury, debt for Industrial Activities also includes funding raised by the central treasury on behalf of Financial Services.
(2) Including fair value of derivative financial instruments.
(3) The net intersegment receivable/payable balance recorded by Financial Services relating to Industrial Activities was -$194 million and $71 million as of 31 December 2019 and 31 December 2018, respectively.

2020 Outlook (US GAAP)[1]

While CNH Industrial continues to act prudently as a result of prevailing market uncertainties, CNH industrial steps up its efforts on performance and cost initiatives to drive profitability, while continuing its strategic investments in digitalization, automation and alternative propulsion.
In light of the aforementioned industry headwinds and the Company's initiatives planned for 2020, CNH Industrial is issuing the following 2020 guidance:

- Net sales of Industrial Activities flat to slightly down to prior year in constant currency.
- Adjusted diluted EPS[2] expected between $0.78 to $0.86 per share.
- Free cash flow of Industrial Activities expected between $400 million and $600 million.

Finally, CNH Industrial is fully on track with the separation of it On-Highway and Off-Highway businesses with the target to complete the spin-off in January 2021, supported by specialist financial and business advisors.

(1) 2020 guidance does not include any impacts deriving from the gain resulting from the modification of the healthcare plan in the U.S. previously mentioned, as this gain has been considered non-recurring and therefore treated as an adjusting item for the purpose of the adjusted diluted EPS calculation. In addition, 2020 guidance does not include any impacts deriving from possible further repurchases of CNH Industrial's shares under the plan authorized by the shareholders on 12 April 2019.
(2) Outlook is not provided on diluted EPS, the most comparable GAAP financial measure of this non-GAAP financial measure, as the income or expense excluded from the calculation of adjusted diluted EPS and instead included in the calculation of diluted EPS are, by definition, not predictable and uncertain.

(63.77% of share capital)

The results for the first half of 2019/2020 of Juventus Football Club S.p.A. are as follows:

€ million	I Half 2019/2020	2018/2019	Change
Revenues	**322**	330	(8)
Operating costs	**(261)**	(227)	(34)
Operating income (loss)	**(38)**	17	(55)
(Loss)/profit for the period	**(50)**	7	(57)

€ million	31/12/2019	30/06/2019	Change
Shareholders' equity	**276**	31	245
Net financial debt	**327**	464	(137)

For a correct interpretation of the data, it should be noted that the financial year of Juventus does not coincide with the calendar year but covers the period 1 July–30 June, which corresponds to the football season. The accounting data under examination thus represents the first half of operations for the financial year 2019/2020.
Interim data are prepared only for EXOR consolidated reporting purpose and cannot be construed as representing the basis for a Juventus full-year projection.
Profit performance is characterized by the highly seasonal nature typical of the sector, determined mainly by the calendar of football events and the two phases of the players' Transfer Campaign.
The financial position and cash flows are also affected by the seasonal nature of the income components; in addition, some revenue items are collected in a period different from the period to which they refer.

The loss for the period, strongly affected by the league calendar (2 home Serie A matches less than in the first half of 2018/2019), mainly derived from lower revenues for €8 million, higher players' wages and technical staff costs for €30 million, higher players' registration rights expenses for €10 million, higher amortization and write-downs on players' registration rights for €11 million, higher other amortization for €3 million and higher net financial expenses for €3 million. These changes were partially offset by lower purchases for products held for sale for €4 million, lower costs for external services for €3 million and reduced provisions for €1 million.

Shareholders' equity at 31 December 2019 amounted to €276 million, with an increase of €245 million compared to the closing at 30 June 2019 (€31 million), due to accounting recognition of the portion of the share capital increase (€295 million) net of related costs, and to the loss for period (€50 million).

2020 Outlook

The 2019/2020 financial year of Juventus Football Club, forecasted to result in a loss, will be as usual strongly influenced by sports results, in particular in the UEFA Champions League.

SUBSEQUENT EVENTS AND 2020 OUTLOOK

SUBSEQUENT EVENTS AND 2020 OUTLOOK

Subsequent events

Dividends and distribution of reserves expected to be received in the year 2020

The dividends and distributions of reserves already proposed by the board of directors of some subsidiaries are as follows:

Investee company	Share class	Number of shares	Dividends Per share (€)	Dividends Total (€/million)
FCA N.V.[(a)]	ordinary	449,410,092	0.7	315
CNH Industrial N.V.	ordinary	366,927,900	0.18	66
Ferrari N.V.	ordinary	44,435,280	1.13	50
Holdings System's share of dividends				**431**

(a) Excluding the dividend related to the merger with Groupe PSA.

Juventus Football Club capital increase

On 10 January 2020 Juventus Football Club completed the execution of the capital increase proposed by the Juventus's board of directors on 30 September 2019 and approved by the extraordinary meeting of Juventus shareholders of 24 October 2019, with a full subscription of the share capital increase. After this operation EXOR held 848,246,906 shares of Juventus Football Club (63.77% of the share capital).

Disposal of PartnerRe

On 3 March 2020 EXOR announced its entry to the Memorandum of Understanding for the sale of PartnerRe to Covéa, a leading French mutual insurer.

The Memorandum of Understanding provides for EXOR to receive a total cash consideration of $9 billion plus a cash dividend of $50 million to be paid before closing, with an aggregate total cash return of $3 billion, taking into account the dividends received during the holding period.

The proposed transaction is expected to be completed by the end of 2020, subject to customary closing conditions, antitrust, regulatory and other approvals.

Appointment of Suzanne Heywood as Acting Chief Executive Officer of CNH Industrial

On 22 March 2020 Suzanne Heywood, Managing Director of EXOR, was appointed by the board of directors of CNH Industrial as Acting Chief Executive Officer, following the resignation of Hubertus Mühlhäuser as CEO, who left the Group. Lady Heywood, in addition to her role as Chair of the board of directors, will lead the business until a new permanent CEO has been identified by means of a thorough search process.

Covid-19

The recent outbreak of Covid-19 (Coronavirus), a virus causing potentially deadly respiratory tract infections originating in China and spreading worldwide, will negatively affect economic conditions regionally as well globally, disrupt operations situated in countries particularly exposed to the contagion, affect supply chains or otherwise impact EXOR's businesses.

Governments in affected countries are imposing travel bans, quarantines, restrictions on travel and the movement and gathering of people, as well as restrictions on commercial activity and other emergency public safety measures.

In order to respond to the interruption of market demand by ensuring optimisation of supply, FCA, CNH Industrial and Ferrari have temporarily suspended production across the majority of their manufacturing plants.

These measures, though temporary in nature, may continue and increase depending on developments with regard to the virus' outbreak. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore EXOR cannot reasonably estimate the impact it will have on its operations and results.

2020 Outlook

EXOR N.V. does not prepare budgets or business plans, nor does it publish forecast data or data on the basis of which it is possible to calculate forecast data.
Certain EXOR operating subsidiaries (FCA, Ferrari and CNH Industrial) publish forecast data on their performance.

Other operating subsidiaries (PartnerRe and Juventus Football Club) publish information on the foreseeable outlook. Additional information is provided under "Review of performance of the Operating Subsidiaries" in the Board Report.

The forecast data and information of the abovementioned operating companies are drawn up autonomously and communicated by the respective companies and are not homogeneous. Quantitative forecast disclosures prepared by these operating companies and the type of information provided, as well as the underlying assumptions and calculation methods vary according to the accounting principles applicable to each subsidiary and the conventional application practices in the respective sector of reference.
EXOR N.V. in fact, is a holding company without a specific business of reference, head of a diversified and non-integrated group that operates in different segments and does not exercise direction and coordination activities over its subsidiaries, which operate in a completely independent manner.

EXOR N.V. deems that the forecasted data and information of the subsidiaries are not significant or suitable for the purposes of providing indications about the prospective economic trend of EXOR N.V.'s operations, nor represent a forecast or estimate of the company's results. Therefore, in assessing EXOR N.V.'s future prospects it is not possible to rely on the data and prospective information published by the aforesaid operating subsidiaries.

25 March 2020

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

António Horta-Osório

MAJOR SHAREHOLDERS AND OWNERSHIP STRUCTURE

MAJOR SHAREHOLDERS AND OWNERSHIP STRUCTURE

Introduction

EXOR N.V. ("EXOR" or the "Company") is a public limited liability company (*naamloze vennootschap*), incorporated under the laws of the Netherlands and its shares are listed in Italy on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. (the "MTA"). The Company's legal and tax residence is in the Netherlands.

Capital Structure

Structure of share capital

Share class	Number of shares	Listing market	Rights and obligations
Ordinary shares[1]	241,000,000	MTA/Borsa Italiana	

As of 31 December 2019 the Company held 9,412,215 of its own ordinary shares as treasury stock.

Economic and administrative rights

Each EXOR ordinary share entitles its holder to one vote at general meetings of shareholders – ordinary and extraordinary – as well as to the economic and administrative rights according to the applicable provisions of law and of the Company's articles of association (the "Articles of Association").

Issuance of shares

Shares may be issued pursuant to a resolution of the general meeting of shareholders. This competence concerns all non-issued shares of the Company's authorized capital, except insofar as the competence to issue shares is vested in the board of directors (the "Board of Directors") by a resolution of the general meeting of shareholders to this extent.

Shares may be issued pursuant to a resolution of the Board of Directors, if and insofar as the Board of Directors is designated to do so by the general meeting of shareholders. Such designation can be made each time for a maximum period of five years and can be extended each time for a maximum period of five years. A designation must determine the number of shares of each class concerned which may be issued pursuant to a resolution of the Board of Directors. A resolution of the general meeting of shareholders to designate the Board of Directors as a body of the Company authorized to issue shares can only be withdrawn upon proposal of the Board of Directors.
By means of the resolution adopted by the general meeting on 24 November 2016, the Board of Directors has been designated as the competent body to issue ordinary shares and to grant rights to subscribe for shares for a term of five (5) years with effect from 11 December 2016. The Board of Directors has been authorized to increase the share capital with such number of shares for a nominal value up to five million Euro (Euro 5,000,000.00) and to issue convertible bonds for an aggregate issue price up to one billion Euro (Euro 1,000,000,000.00), and to issue the underlying ordinary shares (or granting of rights to subscribe for such underlying ordinary shares) pursuant to the applicable conversion ratio.

Payment for shares shall be made in cash unless another form of consideration has been agreed. Payment in a currency other than Euro may only be made with the consent of the Company.

Upon the issuance of ordinary shares, each holder of ordinary shares will have pre-emptive rights in proportion to the aggregate nominal value of his ordinary shares. A shareholder will not have pre-emptive rights in respect of ordinary shares issued against a non-cash contribution. Nor will the shareholder have pre-emptive rights in respect of ordinary shares issued to employees of the Company or of a group company (*groepsmaatschappij*).

Prior to each individual issuance of ordinary shares, pre-emptive rights may be restricted or excluded by a resolution of the general meeting of shareholders. However, with respect to an issue of ordinary shares pursuant to a resolution of the Board of Directors, the pre-emptive rights can be restricted or excluded pursuant to a resolution of the Board of Directors if and insofar as the Board of Directors is designated to do so by the general meeting of shareholders.
By means of the resolution adopted by the general meeting on 24 November 2016, the Board of Directors has been authorized to limit or exclude pre-emptive rights of shareholders when issuing ordinary shares or granting rights to subscribe for ordinary shares for a term of five (5) years with effect from 11 December 2016.

[1] The ordinary shares are registered shares, freely transferable and issued in electronic form. Shares are managed through the centralized clearing system organized by Monte Titoli.

Holders of Special Voting Shares have no pre-emptive rights on the issuance of shares of any class and with respect to the issuance of Special Voting Shares no pre-emptive rights exist.

The general meeting of shareholders or the Board of Directors, as the case may be, shall decide – when passing the resolution to issue shares or rights to subscribe for shares – in which manner the shares shall be issued and, to the extent that rights of pre-emption apply, within what period those rights may be exercised.

Special Voting Structure

In order to foster the development and continued involvement of a core and stable base of long-term shareholders in a manner that reinforces the group's stability, as well as providing EXOR with enhanced flexibility when pursuing strategic investment opportunities in the future, the Articles of Association provide for a special-voting structure (the "Special Voting Structure"). The purpose of the Special Voting Structure is to reward long-term ownership of EXOR ordinary shares by granting long-term EXOR shareholders with special voting shares to which multiple voting rights are attached additional to the right granted by each EXOR ordinary share held.

More precisely, according to the Special Voting Structure:

(i) after 5 years of uninterrupted ownership of EXOR ordinary shares held in the Loyalty Register (as defined below), each EXOR shareholder will be entitled to 5 voting rights for each EXOR ordinary share and, to this purpose, will receive – and EXOR will issue – one special voting share, to which 4 voting rights are attached, and with a nominal value of Euro 0.04 ("Special Voting Share-A"), additional to each EXOR ordinary share owned (to which 1 voting right is attached); and

(ii) after 10 years of uninterrupted ownership of EXOR ordinary shares held in the Loyalty Register (as defined below), each EXOR shareholder will be entitled to 10 votes for each EXOR ordinary share and, to this purpose, each Special Voting Share-A held will be converted into one special voting share B, to which 9 voting rights are attached, and with a nominal value of Euro 0.09 ("Special Voting Share-B"), additional to each EXOR ordinary share owned (to which 1 voting right is attached).

Special Voting Shares-A and Special Voting Shares-B, which are collectively referred to as "Special Voting Shares", will not be tradable and will have only minimal economic entitlements.

Application for Special Voting Shares – Loyalty Register

A shareholder may at any time opt to become eligible for Special Voting Shares by requesting the agent (the "Agent") referred to Article 3.3 of the Terms and Conditions for Special Voting Shares (the "SVS Terms"), acting on behalf of the Company, to register one or more ordinary shares in the loyalty register (the "Loyalty Register") maintained by the Company pursuant to the SVS Terms. Such request will need to be made by the relevant shareholder via its intermediary, by submitting (i) a duly completed form (the "Election Form") and (ii) an intermediary confirmation statement attesting the uninterrupted holding of EXOR ordinary shares, pursuant to the SVS Terms.

Together with the Election Form, the relevant shareholder must submit a duly signed power of attorney, irrevocably instructing and authorizing the Agent to act on his behalf and to represent him in connection with the issuance, allocation, acquisition, conversion, sale, repurchase and transfer of Special Voting Shares in accordance with and pursuant to the SVS Terms (the "Power of Attorney").

Upon receipt of the Election Form, the intermediary's confirmation and the Power of Attorney, the Agent will examine the same and use its reasonable efforts to inform the relevant shareholder, through his intermediary, as to whether the request is accepted or rejected (and, if rejected, the reasons why) within ten business days of receipt of the above-mentioned documents. The Agent may reject a request for reasons of incompleteness or incorrectness of the Election Form, the Power of Attorney or the broker's confirmation or in case of serious doubts with respect to the validity or authenticity of such documents. If the Agent requires further information from the relevant shareholder in order to process the request, then such shareholder shall provide all necessary information and assistance required by the Agent in connection therewith.

EXOR ordinary shares for which a shareholder has issued a request for registration in the Loyalty Register – as well as ordinary shares already registered – are referred to as "Electing Ordinary Shares".

Allocation of Special Voting Shares

For the sake of clarity, it should be noted that, as of the effective date of the Merger (i.e. 11 December 2016), no Special Voting Shares had been issued by EXOR. As a consequence, assuming that a request for registration of EXOR ordinary shares in the Loyalty Register was made at the effective date of the Merger, the requesting shareholder will be entitled to receive Special Voting Shares-A only after 5 years from the abovementioned registration in the Loyalty Register.

As per the date on which an EXOR ordinary share has been registered in the Loyalty Register in the name of one and the same shareholder or its Loyalty Transferee (as defined under the SVS Terms) for an uninterrupted period of five years (the "SVS A Qualification Date"), such Electing Ordinary Share will become a "Qualifying Ordinary Share A" and the holder thereof will be entitled to acquire one Special Voting Share A in respect of each of such Qualifying Ordinary Share A.

As per the date on which an EXOR ordinary share has been registered in the Loyalty Register in the name of one and the same shareholder or its Loyalty Transferee for an uninterrupted period of ten years (the "SVS B Qualification Date"), such Electing Ordinary Share – which, in the meantime, will have become a Qualifying Ordinary Share A – will become a "Qualifying Ordinary Share B". Qualifying Ordinary Shares A and Qualifying Ordinary Shares B are collectively referred to as "Qualifying Ordinary Shares".

On the SVS B Qualification Date, the Agent will, on behalf of the Company, issue a conversion statement pursuant to which the Special Voting Shares A corresponding to the number of Qualifying Ordinary Shares B will automatically convert into an equal number of Special Voting Shares B.

Transfer of Electing Ordinary Shares, Qualifying Ordinary Shares and Special Voting Shares; removal from the Loyalty Register

According to the SVS Terms and during the time in which Electing Ordinary Shares or Qualifying Ordinary Shares are held in the Loyalty Register, these cannot be sold, disposed of or transferred unless to a Loyalty Transferee.

No shareholder shall, directly or indirectly, (a) sell, dispose of or transfer any Special Voting Share or otherwise grant any right or interest therein, unless the shareholder is obliged to transfer Special Voting Shares to a Loyalty Transferee, or (b) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any Special Voting Share or any interest in any Special Voting Share.

As described above, anyone holding Electing Ordinary Shares or Qualifying Ordinary Shares may request at any time that all or part of their Electing Ordinary Shares or Qualifying Ordinary Shares be removed from the Loyalty Register and be transferred to the ordinary trading system, so as to enable the shareholder to freely dispose of their EXOR shares as indicated below. Starting from the time the abovementioned request is made, it shall be considered that the person holding Qualifying Ordinary Shares has waived the attribution of the voting rights associated with the Special Voting Shares issued and attributed in relation to the Qualifying Ordinary Shares.

Each of the abovementioned requests shall result in a compulsory transfer by effect of which the Special Voting Shares shall be offered and transferred to EXOR without any consideration (*om niet*) under the Articles of Association and the SVS Terms. EXOR may keep the Special Voting Shares as treasury shares, but shall not be entitled to exercise the related voting rights. Alternatively, EXOR may withdraw and cancel the Special Voting Shares and by this effect the nominal value of those shares shall be allocated to the special capital reserve of EXOR. Therefore, the voting rights embodied in Special Voting Shares shall cease to apply with reference to the related Qualifying Ordinary Shares removed from the Loyalty Register.

Each shareholder holding Qualifying Ordinary Shares shall promptly notify EXOR about the occurrence of an event of Change of Control (as defined under the SVS Terms) which concerns the same. A shareholder's Change of Control causes the related Qualifying Ordinary Shares to be removed from the Loyalty Register. The voting rights attaching to Special Voting Shares and assigned in relation to the corresponding Qualifying Ordinary Shares shall be suspended with immediate effect as a result of any event of Change of Control, directly or indirectly, related to each holder of Qualifying Ordinary Shares held in the Loyalty Register.

Other characteristics of Special Voting Shares

Issuance of Special Voting Shares does not require qualified shareholders to pay up their nominal value to EXOR. Pursuant to Article 13.4 of the Articles of Association, EXOR maintains a separate reserve (the "Special Capital Reserve") to pay-up Special Voting Shares. The Board of Directors is authorized to credit or debit the Special Capital Reserve at the expense or in favour of the Company's general share premium reserve. If the Board of Directors so decides, Special Voting Shares can be issued at the expense of the Special Capital Reserve *in lieu* of an actual payment for the shares concerned.

However, the holder of Special Voting Shares issued at the expense of the Special Capital Reserve may at any time substitute the charge of the Special Capital Reserve by making an actual payment to the Company in respect of the shares concerned (in accordance with payment instructions provided by the Board of Directors on request) in an amount equal to the nominal value of such Special Voting Shares (such shares being defined as "Special Voting Shares paid-up in cash").

As anticipated, Special Voting Shares have minimal economic entitlement. Under Dutch law, in fact, Special Voting Shares cannot be excluded – as a whole – from the assignment of economic rights. Consequently, in accordance with Article 28.2 of the Articles of Association, holders of Special Voting Shares paid-up in cash will be entitled to the payment of an annual dividend equal to one per cent (1%) of the amount actually paid for such shares in accordance with the above, provided, however, that profits realized with respect to the financial year concerned are not fully appropriated to increase and/or form reserves. Actual payments made during the financial year to which the dividend relates will not be counted.

In case of liquidation of the Company, out of the balance remaining after payment of its debts, the following payments will be proceeded:

- firstly, the amounts actually paid-in on Special Voting Shares in accordance with Article 13.5 of the Articles of Association will be transferred to those holders of Special Voting Shares whose Special Voting Shares have so been actually paid for; and
- secondly, the balance remaining will be transferred to the holders of ordinary shares in proportion to the aggregate number of the ordinary shares held by each of them.

Pursuant to Article 11 of the SVS Terms, in the event of a breach of any of the obligations of a shareholder, that shareholder must pay to the Company an amount for each Special Voting Share affected by the relevant breach (the "Compensation Amount"), which amount is the average closing price of an ordinary share on the MTA calculated on the basis of the period of twenty (20) trading days prior to the day of the breach or, if such day is not a business day, the preceding business day, such without prejudice to the Company's right to request specific performance.

Pursuant to Article 12 of the SVS Terms, the SVS Terms may be amended pursuant to a resolution by the Board of Directors, provided, however, that any material, not merely technical amendment will be subject to the approval of the general meeting of shareholders of EXOR, unless such amendment is required to ensure compliance with applicable laws or listing regulations.

Repurchase of Shares

The authorization of the Board of Directors to repurchase its own fully paid-up ordinary shares, up to the maximum number of ordinary shares that can be repurchased under Dutch law, and further within the limits of Dutch law, applicable regulations and the Company's articles of association, has been extended, by the annual general meeting of shareholders held on 29 May 2019 for a term of 18 months, starting from the date thereof.

Under the authorization granted by the annual general meeting of shareholders to the Board of Directors on 29 May 2018, an ordinary share buyback program was launched on 14 November 2018, under which the Company repurchased, until 9 August 2019 a total amount of 4,878,332 ordinary shares, for a total invested amount of approximately €269 million.

At 25 March 2020, the Company holds 9,388,215 ordinary shares in treasury (3.9% of issued capital).

Restrictions on the transfer of shares

There are no restrictions on the transfer of EXOR ordinary shares, no limitations on ownership and no clauses requiring acceptance on the part of the Company or of other shareholders upon a transfer of shares.

The above shall not apply to transfers of Special Voting Shares or Electing Ordinary Shares or Qualifying Ordinary Shares: for such provisions, reference is made to the section above.

Restrictions on voting rights

There are no restrictions on voting rights.

Shareholders

Significant shareholdings

Based on the regulatory filings with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") the following entities own as of 31 December 2019, directly or indirectly, more than 3% of the share capital carrying voting rights:

Shareholder	% of issued capital
Giovanni Agnelli B.V.	52.99%
Harris Associates LP	4.99 %

In total five shareholders, one of which is Giovanni Agnelli B.V., are registered, for a total amount of 132,205,649 shares, in the Loyalty Register to participate in the Special Voting Structure, as explained above.

Giovanni Agnelli B.V. is the largest shareholder of EXOR through its 52.99% shareholding interest in EXOR's issued capital. Giovanni Agnelli B.V. is a Dutch private company with limited liability the shares of which are held by descendants of Giovanni Agnelli, founder of Fiat. The main business objective is to preserve unity and continuity of its controlling equity interest in EXOR.

Consequently, Giovanni Agnelli B.V. could strongly influence all matters submitted to a vote of EXOR's shareholders, including approval of annual dividends, election and removal of directors and approval of extraordinary business transactions.

Employee shareholdings: system for the exercise of voting rights

A specific mechanism for the exercise of voting rights applicable to employees' shareholdings does not exist. In particular the voting rights on shares deriving from the vesting of shares or from the exercise of option rights under stock option plans or incentive plans – for information on which reference should be made to the section "Remuneration of Directors" – are not subject to any form of restriction and are directly exercisable by the beneficiaries.

Shareholder agreements

EXOR is not aware of shareholder agreements concerning either the exercise of the rights attached to the Company's shares or the transfer of the shares.

Change of control clauses and By-Law provisions relevant to a public offer

Any change in control of the Company[2] would entitle subscribers of the following bonds outstanding at 31 December 2019 to demand early repayment.

- Non-convertible bond issue 2013/2020 of €200 million
- Non-convertible bond issue 2015/2022 of €750 million
- Non-convertible bond issue 2014/2024 of €650 million
- Non-convertible bond issue 2012/2025 of €100 million
- Non-convertible bond issue 2015/2025 of €450 million
- Non-convertible bond issue 2016/2026 of $170 million
- Non-convertible bond issue 2018/2028 of €500 million
- Non-convertible bond issue 2019/2034 of €300 million
- Non-convertible bond issue 2011/2031 of ¥10 billion
- Non-convertible bond issue 2018/2038 of €200 million.

In addition, three lending banks would have the right to demand the cancellation of four irrevocable lines of credit totaling €250 million, which, however, were unutilized as of 31 December 2019.

Except for the aforesaid, as of the date of this report, there are no significant agreements to which the Company is a party that would become effective, be amended or be extinguished on a change of control of the Company.

The Articles of Association do not provide for derogations from the passivity rule or for the application of the breakthrough rule contemplated in the Dutch and Italian legislation on public offers.

[2] The articles of association of the majority shareholder Giovanni Agnelli B.V. include a condition that requires (i) the unanimous vote of directors in function, and (ii) the approval of the general meeting of shareholders by a special majority of more than two thirds of the votes cast representing more than two thirds of the issued and outstanding share capital for any disposal of ordinary shares in EXOR which does not leave at least 51% of the ordinary share capital of EXOR in the full ownership of Giovanni Agnelli B.V.

RISK MANAGEMENT, RISKS AND CONTROL SYSTEM

RISK MANAGEMENT, RISKS AND CONTROL SYSTEM

In compliance with the principles of the Dutch Corporate Governance Code EXOR has adequate internal risk management and control systems in place. To assess the risk affecting the Company's activities and the effectiveness of the internal control system EXOR has in place an internal control and risk management system based on the model provided by the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission Report – Enterprise Risk Management model) and the principles of the Dutch Corporate Governance Code (hereafter also the "System"). The System consists of a set of policies, procedures, rules and organizational structures the purpose of which is to provide an adequate process for the identification, measurement, management and monitoring of the principal risks in order to ensure the reliability, accuracy and timeliness of financial information, the safeguarding of the Company's assets, the efficiency and effectiveness of business processes and the Company's compliance with laws and regulations. An effective internal control and risk management system contributes to the conduct of the business in a manner consistent with its pre-established objectives and facilitates well-informed decision-making. The System is integrated within the organization and governance structure adopted by EXOR and is developed giving adequate consideration to the reference models and the best practices available nationally and internationally.

The responsibility for the institution and maintenance of an effective System which is coherent with EXOR's business, process objectives and for the corresponding risk management method employed with a pre-established containment plan is entrusted to the Board of Directors.

In particular, EXOR's System operates at three levels of internal control:

- First Level: operating areas identification, evaluation and monitoring of applicable risks in the single processes and the establishment of specific actions managing such risks. At this level are located the structures responsible for the individual risks, for their identification, measurement and management, as well as for the performance of the necessary checks.
- Second Level: departments responsible for risk control which define methodologies and tools for managing risks and monitoring of such risks.
- Third Level: provides an independent and objective assurance of the adequacy and effective operation of the first and second level of control and in general of the overall mode of managing risks. This activity is carried out by the Internal Audit function which operates independently.

The System is subject to verification and updating annually in order to ensure its constant suitability as an instrument of control over the business's principal areas of risk.

The Audit Committee monitors the effectiveness of the Company's System.

Internal control and external control over financial reporting

The System of control over financial reporting is set in a broader framework of internal control and risk management and has the purpose of ensuring the reliability, accuracy, completeness and timeliness of the Group's financial information.

The System of internal controls over financial reporting is focused on the procedures and organizational structures which ensure the reliability, accuracy, completeness and timeliness of financial reporting.

The System of internal control over financial reporting aims to ensure the adequate and effective application of the administrative and accounting procedures designed to provide a true and fair representation and reliable information on the business activities in the financial reports (annual consolidated and company only financial statements and shortened half yearly consolidated financial statements) prepared by the Company.

The approach adopted by the Company for the evaluation, monitoring and continuous updating of the System of control over financial reporting, is based on a 'top-down, risk-based' process consistent with the COSO Framework. This enables focus on areas of higher risk and/or materiality, where there is risk of significant errors, including those attributable to fraud, in the elements of the financial statements and related documents.

The principal characteristics of the System of control over financial reporting are based on the following components and phases:

- Identification and assessment of administrative and accounting risks.
- Identification of the controls responding to the risks identified.
- Verification of the effective application of the controls and evaluation of any problems detected.

The EXOR System of control over financial reporting has been developed taking into consideration existing law, the regulations, best practices as well as the guidelines provided by the competent bodies and is composed of the following administrative and accounting procedures:

- *Code of Conduct* – which illustrates the ethical principles and values of the Company and must be observed by Company personnel involved, for any reasons, in the implementation of the System of control over financial reporting;
- *System of delegated powers and proxies* – which identifies the powers to represent the Company held by individual managers;
- *Risk Management process* – which identifies roles, responsibilities and methodologies in performing the risk management activity and in the preparation, diffusion and checking of financial reports disclosed to the market;
- *Administrative and accounting procedures* – which establish the responsibilities and rules for the process controls to be applied;
- *Financial reporting instructions and closing timetables* – which are used to communicate operational instructions for the preparation of the reporting package;
- *The process of internal attestation* by the corporate bodies of the significant subsidiaries as regards the data and the related internal control system under their responsibility reported to the Parent company.

Internal control covering the preparation and processing of financial information

Overview of the organizational structure and management of accounting and financial information

The consolidated financial statements of the EXOR group are prepared in accordance with international financial reporting standards (IFRS) and interpretations as adopted in the European Union at the balance sheet date.

As parent company, EXOR N.V., under the responsibility of the Chief Financial Officer defines and oversees the preparation of reported accounting and financial information of EXOR N.V. and the process related to the financial information being requested from the operating subsidiaries. Accordingly, the Chief Financial Officer of EXOR N.V. ensures that the processes for preparing accounting and financial information produce reliable information and give, in a timely manner, a fair view of the Company's financial position and results. He obtains and reviews all information that he deems useful, such as closing assumptions, critical accounting positions and judgments, changes in accounting method and results of audits performed by the external auditors.

For consolidation purposes, the Chief Financial Officers of operating subsidiaries are responsible for preparing the reporting packages of such companies in accordance with group instructions. These financial statements are prepared under the control of their respective Board of Directors and are the responsibility of company management of each subsidiary. Each reporting package is accompanied with a representation letter in which management of the subsidiary takes responsibility for the information provided in the consolidation process.

Members of the EXOR N.V. Audit Committee examine the annual and interim financial statements of EXOR N.V. and monitor the process for preparing accounting and financial information. Their conclusions are based notably on information produced by the Chief Financial Officer and his team, exchanges with the team during Audit Committee meetings and the findings of internal audits. The Chairman of the Audit Committee reports on the committee's work to the Board of Directors.

The Board of Directors of EXOR N.V. approves EXOR N.V. consolidated financial statements (interim and annual) and separate (company) financial statements.

Processes for the preparation and processing of accounting and financial information for the consolidated financial statements

The process for the preparation of the consolidated financial statements is organized and coordinated under the responsibility of the Chief Financial Officer.

The consolidated financial statements are produced using a consolidation software configured to automate a certain number of consistency checks on the data in the reporting packages.

Detailed consolidation instructions are sent before each interim and annual closing to the attention of the finance departments of the various consolidated subsidiaries.

The closing schedule for accounts and the related instructions are prepared sufficiently in advance to enable the financial teams of the subsidiaries to organize their procedures and anticipate closing constraints.

Risk Management

EXOR has adopted its own Enterprise Risk Management ("ERM") system to identify and analyze the main risks associated with the Company's activities and the achievement of its objectives.

The EXOR ERM system is based on the above mentioned COSO ERM Framework, which defines risk management as a "process effected by the Board of Directors, management and other personnel, applied in setting strategy across the organization and designed to identify potential events that may affect the business, in order to manage the risk within the risk appetite and to provide reasonable assurance regarding the achievement of the business objectives". The COSO Framework is based on five areas: the control environment, risk assessment, control activities, information and communication, and monitoring and supervision.

The Audit Committee monitors the effectiveness of the Company's internal control and ERM system. The Audit Committee, together with executive management, every other year performs a thorough exercise for the identification of the main risks and their ranking. In 2019 a detailed risk assessment and update of the risk profile as well as a re-assessment of the relevant risks and risk appetite has been performed. Risk Appetite indicators (Risk Category & Measurement & Tolerance Level) have been reviewed and confirmed for 2019 and onwards.

The ERM system is integrated within the Company's organization and corporate governance, supporting the efficiency and effectiveness of business processes, the reliability of financial information and compliance with laws and regulations. An effective ERM system contributes to the conduct of the business in a manner consistent with its objectives and facilitates well-informed decision-making.

In this context, the Board of Directors is responsible for the identification of the risks to which EXOR and the "Holdings System" are exposed in relation to the business objectives and Company characteristics, and for performing an assessment of the possible risk scenarios mitigation, considering the effectiveness of the control process currently in place.

The EXOR ERM system is subject to verification and updating over time in order to ensure its constant suitability as an instrument of control over the business's principal areas of risk.

An assessment of the design and operating effectiveness of key controls is carried out through tests performed by the Internal Audit Function, using sampling techniques recognized as best practices internationally.

The assessment of the controls may require the definition of compensating controls and plans for remediation and improvement. The results of monitoring are subject to periodic review by management and are communicated to the Audit Committee (which in return reports to the Board of Directors). No significant deficiencies or material weaknesses have been reported by the Internal Audits performed.

Risk Appetite

EXOR set its risk appetite within risk taking and risk acceptance parameters which are driven by applicable laws, the Code of Conduct, core principles and values, corporate policies and directives.

EXOR operates within a moderate overall risk range, inherent to its activities and strategy. In this context, EXOR's highest risk appetite relates to the strategic and operational objectives related to a positive Net Asset Value (NAV) per share / MSCI ratio in the long term and maintaining an adequate credit rating and cash flow to enable continuity of investment activities, while ensuring in any case the compliance with the criteria that direct EXOR investment choices.

EXOR's lowest risk appetite relates to the objectives of protecting the Group reputation, compliance with the rules and regulations and of accuracy and reliability of the financial reporting. Meeting applicable legal and regulatory obligations will take priority over other business objectives.

The EXOR risk management and internal control system comprises a structured process aimed at addressing individual risk categories, with a defined risk appetite applied to each category as detailed below:

Risk Category	Risk Description	Risk Appetite	
Strategic Risks	Strategic risks may affect EXOR long-term strategic performance objectives.	Moderate	EXOR is willing to accept moderate risks in order to realize its strategic objectives. EXOR defined tolerable levels of deviation from NAV per share compared with MSCI, credit rating and cash flow targets in the short and medium term, in order to achieve long term goals.
Operational Risks	Operational risks include adverse, unexpected impacts resulting from internal processes, people and systems, or from external events linked to the performance of the Company's portfolio of businesses.	Low – Moderate	EXOR aims for lean operations focused on its core activities.
Compliance Risks	Compliance risks cover unanticipated failures to comply with applicable laws, regulations, policies and procedures.	Low	EXOR strives to comply with (international) applicable laws and regulations at all times. EXOR focuses on good governance of its activity as a diversified investment holding company.
Financial reporting risks	Financial reporting risks primarily relate to (failure) of internal controls leading to possible misrepresentation of EXOR's positions and performance to investors and other stakeholders	Low	In the external reporting EXOR aims to provide an insightful, fair and accurate representation of the Group and Company performance and economic results. Adequacy of financial reporting is secured through the financial reporting policies and internal control framework at EXOR and its affiliates.
Financial Risks	Financial risks include uncertainty of financial return and the potential for financial loss due to capital structure imbalances, inadequate cash flows and the volatility of financial instruments.	Low – Moderate	Inherent to EXOR's long term investment horizon, a low to moderate level of financial risk is accepted in our investment portfolio. Through capital market transactions, cash balances and bank credit line agreements, EXOR seeks to maintain a capital structure profile which achieves long term goals and maintains its covenant compliance.

EXOR has established the appetite for principal risks, identifying its overall risk capacity and appetite position. Risk metrics for each principal risk have been identified in order to put in place monitoring activity and corrective mitigation actions, if needed.

Key Risks and Key trends

As a part of the 2019 risk assessment process, management performed an update of the previous Risk Assessment. Based on the potential business impact and likelihood of occurrence, as well as existing and/or planned countermeasures (mitigating actions) the risks have been reviewed and updated where needed. The risk impact could result in a material direct or indirect adverse effect on its business, operations, financial condition and performance, reputation and/or other interests. The results of this assessment were presented to the Audit Committee on 2 September 2019 and to the Board of Directors on 13 November 2019.

EXOR expects that the implemented (internal and external) controls will mitigate the risks up to the level of the risk appetite.

The sequence in which these risks and mitigating actions are presented does not reflect any order of importance, likelihood or materiality. For further information regarding the risks EXOR faces, refer to the section Risk Factors below.

Risk Event	Risk Description	Control/Mitigation Activities
Dividend risk (Cash Flow) / underperformance of subsidiaries (Financial risks)	Risk of holding shares in companies that do not generate a cash flow of dividends sufficient to manage operating costs and net financial expenses of EXOR. The risk of underperformance of the subsidiaries has been combined with the dividend risk, as underperformance and divided are related to each other/connected.	Careful management of cash in / cash out and investment portfolio diversification. EXOR maintains an adequate cash flow management by performing cash flow analysis, adjusting and monitoring the flows on a regular basis. The Company risk management approach mixes a wide variety of investments within the portfolio thus mitigating unsystematic risk events in the collection of dividends from the investments.
Portfolio composition (Strategic/operational risk)	Risk that investment decisions do not allow EXOR to (i) obtain a return on investments that will increase the Net Asset Value (NAV) per share, surpassing the MSCI World Index in USD; and (ii) define an adequate portfolio mix in terms of diversification of the investments, resulting in difficulties in optimizing the Group's future performance.	The Company risk management approach mixes a wide variety of investments within the portfolio. The Company portfolio consists of different kinds of investments, consequently characterized by an overall lower risk level. Company investment procedures ensure adequate evaluation also in relation to portfolio composition.
Stock market performance (Strategic risk)	Risk that fluctuations in the stock market can affect the value of investments.	Asset allocation. The Company risk management approach mixes a wide variety of investments within the portfolio. The Company portfolio is composed of diversified and different kinds of investment, consequently characterized by an overall lower risk level. The diversification by sector and geograpy for example mitigates unsystematic risk events in the portfolio, so the positive performance of some investments neutralizes the negative performance of others.
General state of the economy / changes in economic/political environment (Financial risks)	Risk related to developments in the political / economic / social environment (e.g. legislation, nationalization, terrorism, general state of the economy) of the countries where the Company and/or the subsidiaries operate, with potential adverse effects on the businesses in which they operate.	The Company risk management approach and investment procedures ensure diversification of the portfolio and global presence of the operating subsidiaries.

Risk Factors

The following risks and uncertainties are deemed material and, in the judgement of the Board of Directors, relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Report of Operations.

RISKS RELATED TO BUSINESS, STRATEGY AND OPERATIONS

Risks relating to international markets and exposure to changes in local conditions and trade policies, as well as economic, geopolitical or other events

The earnings and financial position of EXOR and its subsidiaries are affected by the performance of financial markets and macroeconomic variables over which EXOR exercises little or no control.

EXOR is subject to risks inherent in operating globally, including those related to:

- exposure to local economic and political conditions;
- import and/or export restrictions;
- multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries;
- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds;
- the introduction of more stringent laws and regulations.

Unfavorable developments in any one or a combination of these areas (which may vary from country to country) could have a material adverse effect on EXOR's business, financial condition and results of operations.

With the increasing interconnectedness of global economic and financial systems, a financial crisis, natural disaster, geopolitical crisis, or other significant event in one area of the world can have an immediate and devastating impact on markets around the world.

In addition to slow economic growth or recession, other economic circumstances, such as increases in energy prices, fuel prices and fluctuations in prices of raw materials or contractions in infrastructure spending, could have negative consequences for the industries in which EXOR operates.

On 23 June 2016, a majority of voters in a national referendum in the United Kingdom ("UK") voted in favor of the UK leaving ("Brexit") the European Union (the "EU"). The UK left the EU on 31 January2020 and pursuant to a negotiated withdrawal agreement, there will be an 11-month transition period under which EU rules will continue to apply in the UK. During this period, the UK and the EU will seek to reach an agreement on their future relationship. There can be no assurance that an agreement with regard to future trade and co-operation will be reached prior to the end of the transition period.

Although EXOR does not believe Brexit will have a direct material impact on the Company, the form of Brexit remains uncertain and may result in greater restrictions on imports and exports between the UK and EU countries, a fluctuation in currency exchange rates and additional regulatory complexity as well as further global economic uncertainty, all of which could have a material adverse effect.

Additionally, in recent years, certain member countries of the European Union have implemented austerity measures to avoid defaulting on debt repayments. If a country within the euro area were to default on its debt or withdraw from the euro currency, or, in a more extreme circumstance, the euro currency were to be dissolved entirely, the impact on markets around the world, and on EXOR's global business, could be immediate and significant.

New or revised agreements between the United States and its trading partners may also impact business and potential changes in tax laws that could adversely affect U.S. operations. These developments have introduced an elevated level of economic and policy uncertainty and could have a material adverse effect on business, financial condition and results of operations.

EXOR is also susceptible to risks relating to epidemics and pandemics of diseases. For example, the recent outbreak of coronavirus COVID-19 ("Coronavirus") will negatively affect economic conditions regionally as well as globally, disrupt operations in countries particularly exposed to the contagion, affect supply chains or otherwise impact EXOR's business. Governments in affected countries are imposing travel bans, quarantines, restrictions on travel and the movements and gatherings, as well as restrictions on commercial activity and other emergency public safety measures. These measures, though temporary in nature, may continue and increase depending on developments with regard to the virus' outbreak.

It is not possible to provide an indication of the future effects of the aforementioned factors and variables which may have an adverse impact on the demand for products and services, earnings, business prospects and financial position of EXOR and its subsidiaries and affiliates.

Risks relating to the business, operations and profitability of EXOR

The composition of EXOR's investment portfolio may vary substantially from time to time. Maintaining long-term ownership in investments and a flow of investments and divestments in new investment activities involves commercial risk, such as having a high exposure to a certain industry or an individual holding, changed market conditions for finding attractive investment candidates or barriers that arise and prevent exit from a holding at the chosen time.

EXOR does not have operations or significant assets other than the capital stock of its subsidiaries and other intercompany balances. EXOR has cash outflows in the form of other expenses, payments on its indebtedness and dividends to its shareholders. EXOR relies primarily on cash dividends and payments from its subsidiaries to meet its cash outflows. In particular, EXOR does not have a significant operating business of its own and, accordingly, EXOR's financial condition depends upon the results of its investment activities, including the receipt of funds by other members of the Group. EXOR expects future dividends and other permitted payments from its subsidiaries to be the principal source of funds to repay its indebtedness and to pay expenses and dividends. The ability of EXOR's subsidiaries to make such payments (in the form of dividends and intercompany payments) depends on their economic performance and financial condition and may also be limited by contractual or regulatory constraints. No assurance can be given that EXOR will receive adequate funding to maintain its financial condition.

The financial results of the EXOR Group and of EXOR are no indicators of the future profitability of EXOR. For the 2019 financial statements, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1 - Presentation of Financial Statements) exist about its ability to continue as a going concern.
There can be no assurance concerning the profitability of EXOR in future periods.

Risks associated with the distribution of dividends

The distribution of dividends by EXOR and the amount of such dividends depend on the Company's future profits which in turn depend on the dividends distributed by EXOR's subsidiaries and affiliates and on the gains realized on divestments of these companies, events which by their nature are neither periodic nor recurrent.

The failure to achieve the objectives of the subsidiaries and affiliates business plan due to, among other things, deterioration of economic and financial conditions and of the general conditions of the market, may have a significant negative effect on the economic results and financial position of EXOR's subsidiaries and affiliates and affect their capability to pay dividend to EXOR.

Therefore, no assurance can be given with regard to the fact that EXOR will receive constant flows of dividends from the subsidiaries and affiliates which depend on the economic and financial performance and the investment and dividend policies of such companies.

Accordingly, EXOR's results in different financial years may not be regular and/or comparable. Where investments have been made having recourse to debt financing, part of the resources arising from the divestment will, as a priority, be applied in repayment of such debt and only the remaining part may be used for the distribution of dividends.

It will be recalled that under the merger agreement relating to the PartnerRe acquisition, there is a restriction on payment of dividends on common shares declared with respect to any fiscal quarter to an amount not exceeding 67% of the net income during such fiscal quarter until 31 December 2020. As explained in the paragraph of PartnerRe's Risk factors, the dividends distribution from PartnerRe depends also on the company's capital requirements including the regulatory requirements. Nevertheless, following EXOR's announcement of the Memorandum of Understanding signed with Covéa to dispose of PartnerRe, the dividend from PartnerRe in 2020 will not exceed $50 million.

Further, EXOR does not have a policy for the payment of dividends (for example a minimum distribution per share in absolute terms or as a percentage-dividend payout) and has not made any specific undertaking in this respect.

Risks relating to the EXOR's credit rating

On 19 December 2019, Standard and Poor's (S&P) affirmed EXOR's long-term and short-term corporate credit ratings ("BBB+" and "A-2" respectively) and improved the outlook to positive from stable.

On 4 March 2020, following EXOR's announcement of the Memorandum of Understanding signed with Covéa to dispose of PartnerRe, S&P maintained the positive outlook on EXOR while affirming its BBB+ rating.

The positive outlook reflects the possibility that S&P could upgrade EXOR by one notch over the next 12-18 months if it maintains a conservative LTV ratio below 20% while redeploying its capital resources following the disposal of PartnerRe.

An upgrade will also depend on EXOR successfully completing the reorganization of its current investments, notably the merger between PSA and FCA and the spin-off of CNH Industrial into two independent and listed entities.

EXOR's ability to access capital markets and the cost of borrowing in those markets is highly dependent on its credit ratings. The rating agencies may review their ratings for possible downgrades and any downgrades would increase the Issuer's cost of capital, potentially limiting its access to sources of financing, and could negatively affect its businesses.

Risks associated with market conditions

EXOR holds investments in both publicly listed companies and unlisted companies. The value of the investments in listed companies is based on their market prices, whereas for investments in unlisted companies one of the methods used to value the shareholdings is based on multiples of comparable listed companies. Therefore, changes in prices and market conditions can negatively impact the value of EXOR's business operations. A substantial weakening of equity and/or bond markets or changes in interest rates and/or currency exchange rates could impact negatively on the value of EXOR's businesses.

Further, the operating costs which EXOR incurs cannot be reduced with the same speed as a fall or unabated decline in financial markets and, in the case of inadequately efficient cost management, this could negatively impact the financial results of EXOR.

Risks associated with the sectors and markets in which EXOR's subsidiaries operate

Through its investments in subsidiaries and affiliates, EXOR is present mainly in the reinsurance business (PartnerRe), automobile business (FCA), agricultural and construction equipment business (CNH Industrial), Ferrari brand, publishing (The Economist Group) and professional football (Juventus Football Club). As a result, EXOR is exposed to the risks typical of the sectors and markets in which such subsidiaries and affiliates operate. Therefore, the performance of the main subsidiaries has a very significant impact on the earnings, financial position and cash flows of EXOR.

The paragraph Risk Factors from main subsidiaries highlights the most significant risk factors related to FCA, PartnerRe, CNH Industrial and Ferrari.

Exposure to financial counterparty risk

EXOR is exposed to financial institution counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. Financial services institutions are inter-related as a result of trading, counterparty and other relationships. The Company has exposure to many different industries and counterparties and routinely executes transactions with counterparties in the financial industry, including financial intermediaries, brokers and dealers, commercial banks and investment banks for its own account. Defaults by, or even the perceived questioning of the creditworthiness of, one or more financial services institutions or the financial services industry, generally, has led and may continue to lead to market-wide liquidity problems and could also lead to losses or defaults. The exact nature of the risks faced by EXOR is difficult to predict and guard against in view of the severity of the global financial crisis and the fact that many of the related risks to the business are totally, or in part, outside of the control of the Company.

Risks associated with the consolidated indebtedness of the EXOR Group

The overall amount of the consolidated indebtedness of the EXOR Group could have a significant negative impact on the business and the financial performance of EXOR and of the EXOR Group. A deterioration in market conditions, which the companies of the Group were not able to tackle rapidly, could have negative effects on revenues and cash flows of Group companies; such a situation could result in higher financial charges with a consequent negative impact on the profitability of such Group companies and as a consequence on the flow of dividends and other payments to EXOR.

The deterioration of the economic and financial position of the Group companies could, also, have negative effects on the possibility of accessing sources of additional funding for the achievement of the business objectives of EXOR and of the Group companies, for capital expenditure, working capital and the repayment of debt as well as on the cost of the latter; such circumstances could render the Group more vulnerable. Further, if EXOR and the other companies in the Group should fail to generate the financial resources necessary to repay debt within the terms agreed, they would be compelled to seek other financial resources or to refinance or renegotiate existing debt on more onerous terms and conditions, with the consequent limitation of available funds and the increase of the related costs.

Any difficulty in obtaining financing could have a significant impact on the Group, its business prospects and its profits. It should be noted that EXOR has not given any guarantees regarding the indebtedness of its operating subsidiaries and affiliates.

Risks associated with acquisitions and disposals

No assurance can be given that the present investments or those in the future, if completed, will not impact negatively on EXOR's results and financial position in the short and/or the medium term and on its ratings and will not encounter obstacles of an administrative, legal, technical, industrial, operational, regulatory or financial policy nature or other difficulties, such that they may not assure the achievement of the results, objectives or benefits expected. EXOR is also exposed to the risk that the disposal of its investments may be effected on terms and conditions which are unsatisfactory with consequent negative impacts on its financial position and on its own prospects.

EXOR is a diversified holding company and in the normal course of its business assesses new investment opportunities as well as opportunities to disinvest, such activity being its core business. In assessing new investment opportunities, EXOR intends to keep its indebtedness at a level consistent with the objective of maintaining an investment grade rating, that is to say a "BBB" or higher. Any delay in completing, or the failure to complete, an acquisition, disposal, merger, joint venture or similar operation, could prejudice the full achievement or delay fully achieving, the results and the benefits expected for EXOR, and could have significant negative repercussions on its business prospects and on its results and/or its financial situation.

Risks associated with the investment portfolio and the concentration of investments

EXOR is a diversified holding company, with the financial results of its major investments and the capital distributed by the subsidiaries and affiliates (as dividends or otherwise) having a significant impact on its performance.

Since EXOR holds a limited amount of investments, the economic and financial performance of EXOR and of the EXOR Group may be materially influenced by the negative economic and financial results even of a single investment.

EXOR's investment portfolio is monitored and analyzed constantly both through the use of corporate governance rights (e.g. board representation) and through constant dialogue with the management of the subsidiaries and affiliates without affecting their independence as the managers of the companies.

EXOR does not have a specific policy on investment and disposals: investment decisions taken by EXOR are formulated on the basis of in-depth assessments and the expertise developed in specific sectors, as well as on the basis of the potential contribution of the individual investment to the geographical and sector diversification of the portfolio and of its capacity to generate future cash flows.

The exposure to long term investments and the decisions to invest and divest entail business risks, such as having a concentrated portfolio in one or few companies or industries, being subject to movements and changes in market conditions and having to deal with obstacles holding back the disposal of investments. This also means that, immediately after the disposal of a (or several) significant portfolio investment (or investments), EXOR could temporarily be exposed to few companies or industries, exhibiting low levels of portfolio diversification.

Risks associated with the loss of key management figures

The success of EXOR and of the EXOR Group has depended, and will continue to depend, partly upon the ability to attract and retain management personnel and its abilities to manage efficiently EXOR and the EXOR Group. If the EXOR Group should lose the contribution of key executives, this could have a significant negative effect on the business prospects as well as the financial results and/or financial position.

Furthermore, if one or more managers should resign from service with EXOR or with EXOR's investee companies and should it not be possible to adequately replace them in a timely manner with persons of equal skill and experience, the competitive capacity of such companies could diminish with potentially negative effects on the business and on the ability to replicate the results achieved in the past.

Risks associated with the presentation of consolidated data in shortened form (Shortened Consolidation)

The Shortened Consolidation data is prepared by EXOR on the basis of a "shortened" method of consolidation in which the data derived from the IFRS financial statements of EXOR and of the subsidiaries of the Holdings System: Exor Nederland N.V. (the Netherlands); Exor S.A. (Luxemburg); Ancom USA Inc. (USA); Exor SN LLC (USA); Exor Investments Limited (United Kingdom); Exor Investment (UK) LLP (United Kingdom) are included in the financial statements of the parent company EXOR using the line-by-line method, while the data derived from the financial statements prepared in accordance with IFRS of the operating subsidiaries and affiliates (PartnerRe, FCA, CNH Industrial, Ferrari, Juventus Football Club, Exor Seeds, The Economist Group and Welltec) are included in the financial statements of the parent company EXOR using the equity method.

While the data and information prepared using the shortened consolidation method are recognized by the financial community, by financial counterparties and by the ratings agencies, and EXOR believes that these data and information facilitate analysis of the financial position and results of EXOR, such data do not fully represent, nor should be treated as the consolidated financial position of the EXOR Group prepared in accordance with International Financial Reporting Standards (IFRS). In fact the shortened consolidation method is not contemplated in the reference accounting standards on the presentation of consolidated financial statements and may not be consistent with the method adopted by other groups and, therefore, such data may not be comparable with the data reported by such groups.

The consolidated data prepared in shortened form are not audited by the independent auditors.

Risks associated with tax assessments of the Italian tax authorities relating to periods prior to the date when the merger became legally effective

It should be noted that the merged company, EXOR S.p.A. was taxable for IRES and IRAP purposes up until the legally effective date of the Merger.

For Italian tax purposes the Merger qualifies as an intra-community cross-border merger as defined by the Italian tax regulations (TUIR) which implemented E.U. Council Directive 1990/434 dated 23 July 1990 on the common system of taxation to be applied to mergers, de-mergers, transfers of assets and share exchanges involving companies of differing Member States (consolidated in E.U. Council Directive 2009/133 dated 12 October 2009, the "Merger Directive").

The Italian tax regulations provide for the fiscal neutrality of the intra-community merger with respect to assets and liabilities which remain connected with a permanent organization in Italy, providing, conversely, that elements which do not remain connected with a permanent organization in Italy are deemed to be realized at fair value. Considering that EXOR N.V. has not maintained a permanent organization in Italy after the Merger, all the components of EXOR S.p.A. (including investments in companies, financial liabilities and tax-suspended reserves) have been treated as having been realized at fair value, resulting in the crystallization of taxable surpluses ("EXIT gains") in the financial position at the 10 December 2016 merger date.

EXOR believes that the related taxation which was declared and paid in June 2017 is correctly determined, however any related disputes and Italian tax authority decisions could have a negative effect, also for a significant amount, on the results of future financial years.

Risks and uncertainties associated with the development and interpretation of tax regulations

The economic and financial activities of EXOR and of its principal subsidiaries and associates make it subject to a variety of taxes and duties. EXOR and those subsidiaries and affiliates are, therefore, exposed to the risk that the level of taxation to which they are subjected may rise in the future. Any such increase in the level of taxation, or the introduction of new taxes, to which EXOR and its principal subsidiaries and affiliates may be subjected, could have negative effects on the economic results and financial position of EXOR.

Additionally, EXOR and its principal investee companies are also exposed to risk from the interpretative complexity of tax regulations and may from time to time be subjected to inspections by the tax authorities.

RISKS RELATED TO THE COMMON SHARES

The loyalty voting structure could have a negative effect on the liquidity of the common shares and reduce the common share price

The introduction of the Special Voting Structure could reduce the liquidity of EXOR common shares adversely affecting the trading price in the market. The Special Voting Structure is intended to reward long-term shareholding and provide an incentive for a stable shareholder base, giving shareholders the opportunity to decide to receive special voting shares after a certain uninterrupted period of ownership of common shares.

The Special Voting Shares cannot be traded and must be transferred to EXOR for no consideration (*om niet*) immediately prior to cancellation of the common shares from the EXOR special register.

The Special Voting Structure may reduce liquidity in EXOR common shares and adversely affect their trading price. No Special Voting Shares had been issued at the Merger date and none are outstanding at 31 December 2019.

The Special Voting Structure may make it more difficult for shareholders to acquire a controlling interest, change the management or the strategy of the Group or exercise influence over it, resulting in a reduction in the market price of the common shares

The provisions of the Articles of Association which establish the Special Voting Structure, allowing qualifying shareholders to exercise up to 5 or 10 voting rights for each EXOR common share held, may make it more difficult to acquire, or attempt to acquire, control of EXOR and prevent or discourage any initiatives seeking to change EXOR's management, even if a change of control were considered favorably by shareholders holding the majority of the EXOR common shares.

The Special Voting Structure may prevent or discourage initiatives of shareholders seeking to change the ownership structure or the strategy of EXOR or to exercise their influence and also may prevent or discourage initiatives of shareholders seeking to bring about changes in the company's management.

Shareholders who hold a significant quantity of EXOR common shares for the uninterrupted periods prescribed in the Articles of Association and who request special voting shares could be in a position to exercise a significant quota of voting rights at meetings of shareholders and to have substantial influence over EXOR.

Based on the most recent information available Giovanni Agnelli B.V. holds 52.99% of the issued capital of EXOR, such that its control is not at present contestable.

It should be recalled, however, that the Special Voting Structure will commence to have its effect only when five years have passed from the date of adoption of the new Articles of Association following the Merger's becoming effective, assuming that the holders of EXOR common shares satisfy the conditions for requesting Special Voting Shares. No Special Voting Shares had been issued at the Merger date and none are outstanding at 31 December 2019.

Risks related to the tax treatment of Special Voting Shares

No statutory, judicial or administrative authority directly discusses how the receipt, ownership, or disposition of Special Voting Shares should be treated for Italian or Dutch tax purposes and as a result the tax consequences in the Netherlands are uncertain. The fair market value of the EXOR Special Voting Shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Considering that the EXOR Special Voting Shares are not transferable (other than, in very limited circumstances, together with the associated EXOR common shares) and that a shareholder's rights to receive amounts in respect of the Special Voting Shares are extremely limited, EXOR believes and intends to take the position that the fair market value of each Special Voting Share is minimal. However, the relevant tax authorities could assert that the value of the Special Voting Shares as determined by EXOR is incorrect. The tax treatment of the Special Voting Shares and the consequences of acquiring them, therefore, are not entirely clear and established.

CORPORATE GOVERNANCE

GOVERNANCE

Introduction

EXOR N.V. is a public company with limited liability incorporated under the laws of the Netherlands following a cross-border merger with EXOR S.p.A.; its shares are listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A (the "MTA").

The Company endorses the Dutch Corporate Governance Code's principles and best practice provisions adopted by the Monitoring Committee Corporate Governance Code 2016 (the "Dutch Corporate Governance Code"). The purpose of the Dutch Corporate Governance Code is to facilitate, with or in relation to other laws and regulations, a sound and transparent system of checks and balances within Dutch listed companies and, to that end, to regulate relations between the Board of Directors, its Committees and its shareholders.

It should be noted that the Dutch Corporate Governance Code provisions primarily refer to companies with a two-tier board structure (consisting of a management board and a separate supervisory board), while EXOR has implemented a one-tier board. The best practices reflected in the Dutch Corporate Governance Code for supervisory board members apply by analogy to non-executive directors.

This Annual Report provides the relevant information on the overall corporate governance structure of the Company. This report also includes information, which the Company is required to disclose pursuant to the Dutch Decree on section 10 of the Directive on takeover bids ("Takeover Directive"). EXOR discloses in this Annual Report, and intends to disclose in its future Annual Reports, any material departure from the best practice provisions of the Dutch Corporate Governance Code.

Corporate Offices and Home Member State

The Company has its corporate seat at Gustav Mahlerplein 25, 1082 MS Amsterdam, the Netherlands.
EXOR has elected the Netherlands as home Member State for the purposes of Article 2, paragraph 1, letter i), Article 20 and Article 21 of the Directive 2004/109/EC of the European Parliament and the Council of 15 December 2004 (the so-called "Transparency Directive").

The Company is registered in the Dutch Commercial Register under number 64236277.

BOARD OF DIRECTORS

Pursuant to the Articles of Association, the total number of directors must be at least seven and at most nineteen (the "Directors"). Pursuant to the Annual General Meeting of shareholders held on 30 May 2017 the Directors were (re-)appointed, and Mr. Bae pursuant to the Annual General Meeting of shareholders held on 29 May 2018, each of them until the close of the Annual General Meeting of shareholders to be convened in 2020 for the approval of the 2019 annual accounts. Mrs. Fentener van Vlissingen stepped down as Board Member with effect from 27 March 2019. Pursuant to the Articles of Association and the Dutch Corporate Governance Code, the term of office of Directors may not exceed a maximum period of four years at a time. A Director who ceases office in accordance with the previous provisions is immediately eligible for re-appointment.

The Board of Directors is entrusted with the management of the Company and as a whole is responsible for the strategy of the Company. The Board of Directors is composed of one Executive Director (i.e., the Chief Executive Officer and Chairman), having day-to-day responsibility for management of the Company, and eight Non-Executive Directors. The Non-Executive Directors do not have day-to-day responsibility and their duty is to supervise the performance of duties by the Executive Director. Each Director is responsible for the general course of affairs of the Company and the business connected with it. Pursuant to Article 19 of the Articles of Association, the general authority to represent the Company is vested in the Board of Directors and the Chief Executive Officer independently.

By means of the resolution adopted on 12 December 2016, the Board of Directors appointed the following internal committees: (i) an Audit Committee, and (ii) a Compensation and Nominating Committee.

The table below shows the name, year of birth, position held, appointment date and current term of each of the Directors.

Name	Year of birth	Position	Appointment date	Current term in office
John Elkann	1976	Chairman and Chief Executive Officer	30 May 2017	3 years
Alessandro Nasi	1974	Vice Chairman and Non-Executive Director	30 May 2017	3 years
Marc Bolland	1959	Senior Non-Executive Director	30 May 2017	3 years
Andrea Agnelli	1975	Non-Executive Director	30 May 2017	3 years
Joseph Bae	1972	Non-Executive Director	29 May 2018	2 years
Melissa Bethell	1974	Non-Executive Director	30 May 2017	3 years
Laurence Debroux	1969	Non-Executive Director	30 May 2017	3 years
Ginevra Elkann	1979	Non-Executive Director	30 May 2017	3 years
António Horta-Osório	1964	Non-Executive Director	30 May 2017	3 years

Five of the eight Non-Executive Directors (representing a majority) qualify as independent for the purposes of the Dutch Corporate Governance Code.

The following members are independent within the meaning of the Dutch Corporate Governance Code:

- Marc Bolland;
- Joseph Bae;
- Melissa Bethell;
- Laurence Debroux;
- António Horta-Osório.

The Board of Directors has resolved to grant the following titles:

- John Elkann: Chief Executive Officer and Chairman; and
- Alessandro Nasi: Vice-Chairman.

The Board of Directors also has granted Marc Bolland the title of “Senior Non-Executive Director”. According to Article 18 of the Articles of Association the chairman of the Board, as referred to in the Dutch Civil Code, has the title of “Senior Non-Executive Director”.

The composition of the Board of Directors, and their respective CVs, is as follows:

John Elkann - Chairman and Chief Executive Officer (executive director)

John Elkann is Chairman and Chief Executive Officer of EXOR N.V., Chairman of Fiat Chrysler Automobiles N.V. and Chairman of Ferrari N.V.

Born in New York in 1976, Mr. Elkann obtained a scientific baccalaureate from the Lycée Victor Duruy in Paris, and graduated in Engineering from Politecnico, the Engineering University of Turin. While at university, he gained work experience in various companies of the Fiat Group in the UK and Poland (manufacturing) as well as in France (sales and marketing). He started his professional career in 2001 at General Electric as a member of the Corporate Audit Staff, with assignments in Asia, the USA and Europe.

John Elkann is Chairman of Giovanni Agnelli B.V. and Vice-Chairman of GEDI Gruppo Editoriale S.p.A.

He is also a board member of PartnerRe Ltd. and The Economist Group.

Mr. Elkann is Chairman of the Giovanni Agnelli Foundation and a member of MoMA.

Alessandro Nasi - Vice Chairman and Non-Executive Director

Alessandro Nasi was born in Turin (Italy) in 1974; he grew up in New York and then returned to Italy where he obtained a degree in Economics at the University of Turin.

He started his career as a financial analyst in several banks, gaining experience at Europlus Asset Management - a division of Unicredito in Dublin - Pricewaterhouse Coopers in Turin, Merrill Lynch and JP Morgan in New York.

He then joined JP Morgan Partners in New York as an Associate in their Private Equity Division.

In 2005 he joined Fiat Group as a Corporate and Business Development manager, heading the APAC division. In this role, he was involved in supporting the activities of the Fiat Group sectors in developing their businesses in Asia Pacific.

In 2007 he was appointed Vice President of Business Development and a member of the Steering Committee of Fiat Powertrain Technologies, the Engine and Powertrain division of Fiat Group.

At the beginning of 2008 he took on a new responsibility at CNH, the Fiat Group company which manufactures agricultural machinery and construction equipment, of which he was Senior Vice President of Business Development until September 2013.

From October 2009 to January 2011 he was also Senior Vice President for Network Development.

From January 2011 to January 2019 Mr. Nasi held the position of Secretary of the Industrial Executive Council of Fiat Industrial, continuing in the role of Executive Coordinator to the successor Group Executive Council of CNH Industrial.

From September 2013 until January 2019 he was President Specialty Vehicles of CNH Industrial.

From April 2019 he is member of the Board of CNH Industrial.

From November 2019 he is member of the Advisory Board of Lego Brand Group.

He is a Director of Giovanni Agnelli B.V.

Marc Bolland - Senior Non-Executive Director

Marc Bolland was born in the Netherlands in 1959 and graduated with an MBA from the University of Groningen in the Netherlands. In November 2011, he was awarded an Honorary Doctorate from the University of York, in the UK.

He began his professional career at Heineken N.V. in 1987 as a Management trainee. During his first 14 years he occupied several international management positions. He served as an Executive board member of Heineken N.V. from 2001 to 2006 and as Chief Operating Officer of Heineken N.V. from 2005 to July 2006.

In 2006 he was appointed as Chief Executive Officer of WM Morrison Supermarkets plc, where he led the turnaround after the acquisition of Safeway plc until April 2010.

In May 2010 he joined the board of Marks and Spencer plc was Chief Executive Officer until April 2016. He led the transformation of Marks and Spencer to become a Multi-channel, General Merchandise Retailer and developed the Food business with industry leading growth.

In September 2016 he joined the Blackstone Group International Partners LLP as Senior Operating Partner and Chairman Europe.

He is currently a Non-Executive Director of the Coca-Cola company board, Atlanta USA and Non-Executive Director on the Board of IAG (Parent company of British Airways). He is Vice President at Unicef UK. He was elected Vice Chairman of the Consumer Goods Forum in 2014. He was appointed by HRH Prince Wales his personal National Ambassador and was appointed by the Prime Minister as a British Business Ambassador.

Andrea Agnelli - Non-Executive Director

Andrea Agnelli is chairman of Juventus Football Club S.p.A. since 19 May 2010, and Lamse S.p.A., a holding company for which he is a founding shareholder since 2007.

Born in Turin in 1975, he studied at Oxford (St Clare's International College) and Milan (Università Commerciale Luigi Bocconi). While at university, he gained professional experience both in Italy and abroad, including positions at Iveco-Ford in London, Piaggio in Milan, Auchan Hypermarché in Lille, Schroder Salomon Smith Barney in London and, finally, Juventus Football Club S.p.A. in Turin.

He began his professional career in 1999 at Ferrari Idea di Lugano, where he was responsible for promoting and developing the Ferrari brand in non-automotive areas. In November 2000, he moved to Paris and assumed responsibility for marketing at Uni Invest SA, a Banque San Paolo company specializing in managed investment products. From 2001 to 2004, Mr. Agnelli worked at Philip Morris International in Lausanne, where he initially had responsibility for marketing and sponsorships and, subsequently, corporate communication.

In 2005, he returned to Turin to work in strategic development for IFIL Investments S.p.A. (now EXOR N.V.). He joined the board of directors of IFI S.p.A. (now EXOR N.V.) on 25 May 2006.

Mr. Agnelli is a Director of Giovanni Agnelli B.V., a member of the board of directors of FIAT S.p.A. (now Fiat Chrysler Automobiles N.V.) and a member of the advisory board of BlueGem Capital Partners LLP. Since March 2017 he is the President of "Fondazione del Piemonte per l'Oncologia".

He is a member of the European Club Association Executive Board since 2012.

He has served as a board member of the Serie A National League of Professionals and board member of The Foundation for General Mutuality in Professional Team Sports from 2014 to 2017.

In September 2015 he was appointed to the UEFA Executive Committee as an ECA representative and, as of September 2017, he is Chairman of the European Club Association.

Joseph Bae - Non-Executive Director

Joseph Y. Bae joined KKR in 1996, where he is now Co-President and Co-Chief Operating Officer. Mr. Bae has been a member of the board of directors of KKR since 16 July 2017. Prior to July 2017, when he was promoted to his current position, he was the managing partner of KKR Asia and the global head of KKR's infrastructure and energy real asset businesses. He is the chairman of KKR's Asia and Americas Private Equity Investment Committees and serves on KKR's European Private Equity, Growth Equity, Energy, Infrastructure, Real Estate and Special Situations Investment Committees. He is also a member of KKR's Inclusion and Diversity Council.

Prior to KKR, Mr. Bae worked for Goldman Sachs & Co. in its principal investment area, where he was involved in a broad range of merchant banking transactions. He has a B.A., magna cum laude, from Harvard College.

Mr. Bae was born in 1972 in Korea and serves on the boards of a number of non-profit educational and cultural institutions including as a trustee for Phillips Andover Academy, the Global Advisory Council at Harvard University, a board member of the Lincoln Center and The Asia Society.

Melissa Bethell - Non-Executive Director

Melissa Bethell is a Partner at Atairos, an investment fund backed by Comcast NBCUniversal, where she is the Managing Partner of Atairos Europe.

Ms. Bethell was previously a Managing Director at Bain Capital for over 18 years and member of the senior leadership team responsible for strategy setting, fundraising and portfolio management. Prior to joining Bain Capital, Ms. Bethell worked in the Capital Markets group at Goldman Sachs & Co., with a focus on media and technology.

Ms. Bethell is a non-executive director of Tesco plc. Ms. Bethell previously held non-executive director positions at Samsonite, Worldpay and Atento.

Ms. Bethell has an MBA with distinction from Harvard Business School and received a BA with honours in Political Science and Economics from Stanford University. Born in 1974 in Taiwan, Melissa was educated in America and is now a British national.

Laurence Debroux - Non-Executive Director

Laurence Debroux was born in France in 1969 and graduated at HEC (Ecole des Hautes Etudes Commerciales) Paris.

Mrs. Debroux joined Heineken N.V. in 2015 as member of the Executive Board and CFO. Before joining Heineken she had been Chief Financial and Administrative Officer and a member of the Executive Board of JCDecaux since July 2010. Prior to this, Mrs. Debroux spent 14 years with the global healthcare company SANOFI where she held various executive positions including CFO and Chief Strategic Officer.

Mrs. Debroux began her career in investment banking. She has had Executive responsibility for Global functions such as Strategic Planning & Business Control, Tax & Financial Markets, Business Development, Financial Processes & Internal Control, Accounting & Reporting, Procurement and Information Systems.

Mrs. Debroux is presently also a member of the Board of Directors of HEC (Ecole des Hautes Etudes Commerciales) Paris and an independent Board member of Novo Nordisk A/S.

Ginevra Elkann - Non-Executive Director

Ginevra Elkann was born in London in 1979 and she has lived in the UK, France and Brasil.

She graduated in Visual Communication at the American University of Paris and completed a Master in Film Making at the London Film School.

Ginevra Elkann is President of Asmara Films, a film production company founded in 2010.

Since 2011 she is the President of Pinacoteca Giovanni and Marella Agnelli. She sits on the Boards of Christie's, Fondation Cartier and UCCA in Beijing, China. Mrs. Elkann also sits on the Board of Trustees of the American Academy in Rome. In May 2018 she was nominated new independent Director of Kering Group.

António Horta-Osório - Non-Executive Director

António joined the board of Lloyds Banking Group in January 2011 as an Executive Director and became Group Chief Executive on 1 March 2011.

Previously he was the Chief Executive of Santander UK plc and Executive Vice President of Grupo Santander. He was also Chairman of Santander Totta in Portugal until 2011, where he was CEO between 2000-2006, and between 1996-1999 he was CEO of Banco Santander Brazil, having started its retail banking activities in the country.

Born in Portugal in 1964, António started his career at Citibank Portugal where he was Head of Capital Markets. At the same time, he was an assistant professor at Universidade Católica Portuguesa. He subsequently worked for Goldman Sachs in New York and London. In 1993, he joined Grupo Santander as Chief Executive of Banco Santander de Negócios Portugal.

A graduate of management and business administration at Universidade Católica Portuguesa, António has an MBA from INSEAD where he was awarded the Henry Ford II prize – and an AMP from Harvard Business School. He has also been awarded Honorary Doctorates from the University of Edinburgh, the University of Bath, the University of Warwick and the University of Birmingham.

In 2014 the Government of Portugal awarded him with the Order of Merit Grã-Cruz which is the highest Order of Civil Merit. The Spanish Government in 2009 awarded him the order of Isabel la Catolica, Commander by Number and in 1998 he was also awarded the National Order of Cruzeiro do Sul from the Government of Brazil.

Previously a non-executive Director to the Court of the Bank of England, António is currently a non-executive Director of Exor N.V., Sociedade Francisco Manuel dos Santos B.V., Stichting INPAR Management/Enable and Fundação Champalimaud in Portugal.

He serves on the CBI President's Committee. In 2018 he was granted the Freedom of the City of London and in 2019 was a recipient of the Foreign Policy Association Medal, British American Business Corporate Citizenship Award and the INSEAD Alumni Achievement Award. In addition, he has been Chairman of the Wallace Collection since 2015. The Wallace Collection is one of Europe's foremost art collections and the greatest private bequest to the nation in Great Britain.

António is married with three children and is a keen tennis player and scuba diver.

Composition and diversity of the Board of Directors

The Company believes that it is a prerequisite for effective management and supervision of the Company to have a Board of Directors that has an appropriate and diverse mix of skills, cultural/professional backgrounds, experience, expertise and diversity factors (such as gender, age, nationality). The Board of Directors believes that, considering the specific characteristics, culture and business of the Company, the Board of Directors has the appropriate diversity mix, independence and judgment to allow the Board of Directors to fulfill its responsibilities, execute its duties appropriately and to have a good understanding of the current affairs and long-term risks and opportunities related to the Company's business.

In this context, and as prescribed in the Dutch Corporate Governance Code, and in addition to the Board profile in place, a Diversity Policy, as included in the Board Regulations, as to diversity in education, gender (at least 30% male and female representatives), background, knowledge, expertise and work experience, was adopted by the Board of Directors on 13 November 2017 Meeting.

The Board of Directors endorses the importance of diversity in education, work experience, nationality, age and gender and in addition, the Board of Directors tries to maintain a balance between experience and affinity with the nature, culture and business of the Company.

Pursuant to Dutch law, and in accordance with the Company's Diversity Policy, the Company should strive to achieve at Board of Directors composition that is at least 30% male and at least 30% female and it should disclose in its annual report if this requirement is not met. Three of the current nine members of the Board of Directors are female and therefore its composition complies with the above-mentioned gender diversity requirement.

Board Practice and Committees

Directors are expected to prepare themselves for and to attend all Board of Directors meetings, the annual general meeting of shareholders and the meetings of the committees on which they serve, with the understanding that, on occasion, a Director may be unable to attend a meeting.

In total six Board of Directors meetings were held in 2019 and the table below shows the attendance of the Board members at these meetings. During those meetings, amongst other matters, the strategy of the Company, investments, the Annual Report and the Half-year Financial Report, the main risks related to the Company's activities and its mitigation measures, the long-term value creation, the Company's values and objectives, governance, policies and the evaluation of the functioning of the Board, its members and its Committees, were discussed.

Director	Board of Directors	Audit Committee	Compensation and Nominating Committee
John Elkann	6/6	-	-
Alessandro Nasi	6/6	-	2/2
Andrea Agnelli	6/6	-	-
Joseph Bae	4/6	-	1/2
Melissa Bethell	6/6	4/4	-
Marc Bolland	6/6	-	-
Laurence Debroux	6/6	4/4	-
Ginevra Elkann [(a)]	4/6	1/3	-
António Horta-Osório	6/6	-	2/2

(a) Joined the Audit Committee on 27 March 2019.

Evaluation

Annually, under the oversight and responsibility of the Compensation and Nominating Committee and with the assistance of the Legal Counsel, the Board of Directors has evaluated and discussed its own functioning and performance, the functioning of its Committees and its individual Directors. In 2019 the evaluation of the Board of Directors and its Committees consisted of a self-assessment facilitated by written questionnaires.

The main topics of the questionnaire related to composition, competence, performance, information, operational and strategic topics, oversight and involvement of the Board and the functioning of the internal Committees. The outcome of the questionnaire (the response rate was 100%) was assessed and discussed in the Compensation and Nominating Committee and this committee gave its feedback and recommendations in the Board of Directors meeting in which the evaluation was further discussed. The overall conclusion of the evaluation was good to excellent and the further conclusion that must be drawn on the basis thereof, as prescribed by the best practice provision 2.2.8 of the Dutch Corporate Governance Code, is that, with regard to the agenda and the duration of the meetings, to ensure sufficient time for in depth discussions, a relative improvement is needed; this conclusion has been taken into account in the scheduling and timing of future meetings.

Board Regulations

The Board of Directors adopted its regulations, pursuant to Article 20.8 of the Articles of Association, on 26 March 2018. Such regulations govern the operations concerning the Board of Directors and its Committees internally and contain provisions concerning the manner in which meetings of the Board of Directors are convened and held, including the decision-making process. The regulations provide that Directors may participate in a meeting of the Board of Directors by means of conference call, video conference or by any other means of communication, provided that all Directors participating in such meeting are able to follow the proceedings and to participate in real-time discussion of the items on the agenda.

The Board of Directors can only adopt valid resolutions when the majority of the Directors in office shall be present at the meeting or be represented thereat.

A Director may only be represented at a Board of Directors meeting by another Director duly authorized in writing, and such authorization shall constitute presence by proxy at such meeting. A Director may not act as a proxy for more than one other Director.

All resolutions shall be adopted by the favorable vote of the majority of the Directors present or represented at the meeting. Each Director has one vote.

Resolutions may be adopted by the Board of Directors without convening a meeting if the proposal is submitted to all Directors and none of them has objected to adopting resolutions in this way.

The regulations are available on the Company's website at www.exor.com.

Indemnification of Directors

To the extent permissible by law, as prescribed under Article 24 of the Articles of Association, the Company is required to indemnify any and all of its Directors, both former members and members currently in office or persons who may have served at its request as a Director or Officer of another Company, (each of them an "Indemnified Person"), against any and all expenses actually and necessarily incurred by any of them in connection with the defense of any action; suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been Director or Officer of the Company, or such other Company, except in relation to matters as to which any such person shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of its duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise, claims, judgments, fines and penalties ("Claims") incurred by the Indemnified Person as a result of any expected, pending or completed action, investigation or other proceeding, whether civil, criminal or administrative (each, a "Legal Action"), initiated by any party other than EXOR itself or a controlled entity of EXOR, in relation to any acts or omissions in or related to his capacity as an Indemnified Person. Claims will include derivative actions of or initiated by the Company or a group company thereof against the Indemnified Person and (recourse) claims by the Company itself or a group company thereof for payments of claims by third parties if the Indemnified Person will be held personally liable therefore.

Conflict of interest

The Board of Directors adopted rules dealing with Conflict of Interests and Related Party Transactions on 5 April 2017.

A Director may not participate in discussions or decision-making within the Board of Directors, if with respect to the matter concerned he has a direct or indirect personal interest that conflicts with the interests of the Company and the business connected with it ("Conflict of Interests"). This prohibition does not apply if the Conflict of Interests exists for all Directors; should this be the case, the Board of Directors shall maintain its power, subject to the approval of the general meeting of shareholders.

A Director having a Conflict of Interests or an interest which may have the appearance of such a Conflict of Interests must declare the nature and extent of that interest to the other Directors. All transactions, where there is a Conflict of Interest, must be concluded on terms that are customary in the branch or sector concerned and must be approved by the Board of Directors.

During the year under review, no Conflict of Interests matters occurred at EXOR N.V. level.

At least annually, each Director shall assess in good faith whether he or she is independent under best practice provision 2.1.8 of the Dutch Corporate Governance Code, and he or she would have a Conflict of Interests in connection with any transactions between the Company and a significant shareholder or related party of the Company, including affiliates of a significant shareholder (such conflict, a "Related-Party Conflict"), it being understood that currently Giovanni Agnelli B.V. would be considered a significant shareholder. There have been no Related Party Transactions in the year under review.

A Director shall inform the Board of Directors through the Company Secretary of the Board of Directors as to all material information regarding any circumstances or relationships that may impact their characterization as "independent," or impact the assessment of their interests, including by responding promptly to the annual questionnaire circulated by or on behalf of the Company Secretary that are designed to elicit relevant information regarding business and other relationships.

Based on each Director's assessment described above, the Board of Directors shall make a determination at least annually regarding such Director's independence and such Director's Related-Party Conflict. These annual determinations shall be conclusive, absent a change in circumstances from those disclosed to the Board of Directors that necessitates a change in such determination.

Mr. Elkann is the chairman of Ferrari N.V., FCA N.V. and Giovanni Agnelli B.V., the latter being the largest shareholder of the Company. FCA, Ferrari and a number of companies in the FCA and Ferrari groups are related parties to EXOR. The Company may have potential conflicts of interest with FCA and Ferrari and its related companies.

Amount and Composition of the remuneration of the Board of Directors

Details of the remuneration of the members of the Board of Directors and its committees are set forth under the Section "Remuneration of Directors".

THE AUDIT COMMITTEE

The Audit Committee, under the responsibility of the Board of Directors, assists and supports the Board of Directors with its oversight of, amongst others: (i) the integrity and quality of the Company's financial statements and the auditors' report thereon; (ii) the effectiveness of risk management and the systems of internal controls that management and/or the Board of Directors have established, including the internal audit reviews thereon; (iii) the Company's compliance with legal and regulatory requirements; (iv) the Company's follow-up on recommendations and observations of the internal and the independent auditors; (v) the Company's policies and procedures; (vi) the qualifications, independence and remuneration of the Company's independent auditors and any non-audit services provided to the Company by the independent auditors; (vii) the effectiveness and functioning of the Company's internal audit function and independent auditors; and (viii) the implementation and effectiveness of the Company's ethics and compliance program.

The tasks and functions of the Audit Committee are described in the Audit Committee Charter, which was last amended and approved during the Board meeting held on 13 November 2018. The Charter is published on the EXOR website.

The Audit Committee consists of Ms. Bethell (Chair), Mrs. Debroux and Mrs. Elkann, of whom the majority is independent within the meaning of the Dutch Corporate Governance Code. Each member of the Audit Committee shall, neither have a material relationship with the Company, as determined by the Board of Directors nor perform the functions of auditors or accountants for the Company. The Audit Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors.

At least one member of the Audit Committee shall be a financial expert and have competence in accounting or auditing, relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

No Director of the Company may serve as a member of the Audit Committee if such Director serves on the audit committees of more than four other public companies unless the Board of Directors has determined that such simultaneous service would not impair the ability of such Director to effectively serve on the Audit Committee, and discloses this determination in the Company's board report. Unless the Audit Committee determines otherwise, the independent auditors, the Chief Financial Officer, the Chief Audit Executive as the internal auditor will attend the meetings of the Audit Committee. The Company's Chief Executive Officer will be free to attend the meetings of the Audit Committee unless the Audit Committee determines otherwise and shall attend if the Audit Committee so requires.

The majority of the Audit Committee members is independent and the Board considered two members to be a financial experts.

The Audit Committee met four times during 2019. The average attendance rate was 83%.

The main items discussed and/or reviewed during these meetings were: the annual and semi-annual reports; incident reporting & investigations; the Risk Assessment and Risk appetite; the appropriateness of the Risk Management & Control systems in place; the Internal and External audit plan; updates on Compliance and legal matters. Review of updated policies and procedures; review of the internal Audit assessment on the Separate/Consolidated financial reporting, Treasury and Payments, GDPR, Insider Trading and Human Resources; the Internal and External audit scope; the quality of the control environment; review of the draft press releases on full and half year results; the evaluation of the external auditors and the (re)appointment of the external auditors; evaluation and the reappointment of the internal audit function; and, self-assessment of the Audit Committee itself.

The CFO, the General Counsel and the Chief Audit Executive (head of the internal audit function) and the external auditors (Ernst & Young Accountants LLP) attended all the meetings. Furthermore, the Committee held executive sessions with the Chief Audit Executive and the external auditors in addition to the four meetings held in 2019.

INTERNAL AUDIT FUNCTION

The Corporate Governance Code emphasizes on an internal audit function and the Company underlines the importance of an internal audit function. Therefore, the Board of Directors meeting resolved to outsource the internal audit function to Deloitte Risk Advisory B.V. as the size and nature of the Company are not suited to have an internal audit department established internally. An internal audit charter has been adopted and as of his appointment, the Chief Audit Executive has attended all the Audit Committee meetings.

The Company has an internal control system in place, which is integrated within the organizational and corporate governance framework adopted by the Company, which contributes to the protection of corporate assets, as well as to ensure the efficiency and effectiveness of business processes, the reliability of financial information and compliance with laws, regulations, the Articles of Association, policies and internal procedures.

Internal audit reviews, assessments and tests were performed on a regular basis in 2019. As part of these reviews and tests, the effectiveness of the risk management and internal control systems was tested and no material weaknesses or deficiencies were identified.

THE COMPENSATION AND NOMINATING COMMITTEE

The Compensation and Nominating Committee, under the responsibility of the Board of Directors, assists and supports the Board of Directors with its oversight of, amongst other matters: (i) determining the executive compensation; (ii) the Company's remuneration policy; (iii) determining the compensation of Non-Executive Directors; (iv) preparation of the remuneration reports; (v) drawing up of the selection criteria and appointment procedures for Directors of the Company; (vi) periodic assessment of the size and composition of the Board of Directors and as appropriate making proposals for changes in the composition of the Board of Directors; (vii) periodic assessment of the performance of individual Directors and reporting on this to the Board of Directors; and (viii) proposals for the nomination and re-nomination of Executive and Non-Executive Directors to be appointed by the shareholders meeting.

The tasks and functions of the Compensation and Nominating Committee are described in the Compensation and Nominating Committee Charter, which was last amended and approved during the Board meeting held on 13 November 2019. The Charter is published on the EXOR website.

The Compensation and Nominating Committee is elected by the Board of Directors and is comprised of at least three Non-Executive Directors. The Compensation and Nominating Committee currently consists of Mr. Horta-Osório (Chairman), Mr. Nasi and Mr. Bae. More than half of its members shall be independent according to the Dutch Corporate Governance Code and as contemplated by the Dutch Corporate Governance Code and Article 2 of the Compensation and Nominating Committee Charter, the majority of the Compensation and Nominating Committee is independent.

In 2019, the Compensation and Nominating Committee met twice and the average attendance rate was 83%.

The main items discussed and/or reviewed during these meetings were: review of the 2018 Remuneration Report and the review and approval of the variable part of the executive remuneration; review, assessment and discussion of the results of the self-assessment and the recommendations thereof to the Board of Directors; establishment of the independence of the Non-Executive Directors, assessment of the composition of the Board and review and amendments of the Compensation and Nominating Committee Charter.

For a description of the Company's commitment to environmental, social and governance matters (ESG) and its sustainability governance guidelines, reference should be made to the non-financial information section of this Board Report.

DISCLOSURES PURSUANT TO THE DECREE IMPLEMENTING ARTICLE 10 EU-DIRECTIVE ON TAKEOVERS

In accordance with the Dutch *Besluit artikel 10 overnamerichtlijn* (the "Decree"), the Company makes the following disclosures.

(a) For information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, reference should be made to the section above Major Shareholders and Ownership Structure. For information on the rights attached to the ordinary shares reference is made to the Articles of Association which can be found on the Company's website. To summarize, the rights attached to ordinary shares comprise pre-emptive rights upon issue of ordinary shares, the right to attend the general meeting of shareholders and to speak and vote at that meeting and the entitlement to distributions of such amount of the Company's profit as remains after allocation to the reserves. For information on the rights attached to the special voting shares reference should be made to the Articles of Association and the SVS Terms which can both be found on the Company's website and more in particular to the section Special Voting Structure above.

(b) No transfer restrictions apply to ordinary shares. Pursuant to the Articles of Association and the SVS Terms transfer restrictions apply for special voting shares.

(c) For information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts (*Wet op het financieel toezicht*) notification requirements apply reference is made to the section "Major Shareholders and Ownership Structure" of this Board Report. This section lists the shareholders who hold 3% or more of the issued ordinary shares.

(d) No special control rights or other rights accrue to shares in the capital of the Company other than the right of holders of ordinary shares to receive special voting shares if and when the terms and conditions as set out in the SVS terms are met.

(e) A mechanism for verifying compliance with a scheme allowing employees to subscribe for or to acquire shares in the capital of the Company or a subsidiary if the employees do not arrange for such verification directly is not applicable to the Company.

(f) No restrictions apply to voting rights attached to ordinary shares in the capital of the Company, nor are there any deadlines for exercising voting rights. No depositary receipts for ordinary shares have been issued with the cooperation of the Company.

(g) The Company is not aware of the existence of any agreements with any shareholder which may result in restrictions on the transfer of shares or limitation of voting rights.

(h) The rules governing the appointment and dismissal of members of the Board of Directors are stated in the Articles of Association. All members of the Board of Directors are appointed by the general meeting of shareholders. The Board of Directors will nominate a candidate for each vacant seat. A nomination by the Board of Directors will be binding. However, the general meeting of shareholders may deprive the nomination of its binding character by a resolution passed with a two-thirds majority of the votes cast. If the binding nomination is not deprived of its binding character, the person nominated will be deemed appointed.

If the nomination is deprived of its binding character, the Board of Directors will be allowed to make a new binding nomination. The term of office of Directors may not exceed a maximum period of four years at a time. A Director who ceases office in accordance with the previous provisions is immediately eligible for reappointment. The rules governing an amendment of the Articles of Association are stated in the Articles of Association and require a resolution of the general meeting of shareholders which can only be adopted upon a proposal of the Board of Directors.

(i) The Board of Directors has been designated by the general meeting of shareholders as the competent body to issue ordinary shares and to grant rights to subscribe for shares for a term of five years with effect from 11 December 2016. The Board of Directors will be authorized to increase the share capital with such number of shares for a nominal value up to EUR 5,000,000 and to issue convertible bonds for an aggregate issue price up to EUR 1,000,000,000, and to issue the underlying ordinary shares (or granting of rights to subscribe for such underlying ordinary shares) pursuant to the applicable conversion ratio. This designation can be used for any and all purposes. The Board of Directors is also authorized to limit or exclude pre-emptive rights of shareholders when issuing ordinary shares or granting rights to subscribe for ordinary shares, for a term of five years with effect from 11 December 2016.

With respect to Special Voting Shares A the Board of Directors has been designated by the general meeting of shareholders as the competent body to issue Special Voting Shares A and to grant rights to subscribe for Special Voting Shares A for a term of five years with effect from 11 December 2016. The power of the Board of Directors concerns all authorized but un-issued Special Voting Shares A in the Company's share capital from time to time. The Board of Directors has also been authorized by the general meeting of shareholders with effect from 29 May 2019 to resolve on the acquisition by the Company of its own fully paid-up ordinary shares, up to the maximum number of shares that can be repurchased under Dutch law, and further within the limits of Dutch law and the Articles of Association through a purchase on the stock exchange or otherwise for a term of 18 months against a repurchase price between, on the one hand, the nominal value of the shares concerned and, on the other hand, an amount of 110% of the reference price recorded for the ordinary shares on the Mercato Telematico Azionario on the day before each transaction is made or, in the event of purchases carried out through public purchase or exchange offerings on the day before the disclosure to the public. The maximum amount to be used for the repurchase of ordinary shares will be EUR 500,000,000.

(j) The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Acts (*Wet op het financieel toezicht*), provided that certain of the loan agreements entered into by the Company contain clauses that, as is customary for financing agreements of similar type, may require early repayment or termination in the event of a change of control of the Company.

(k) The Company did not enter into any agreement with a director or employee providing for a payment / distribution upon termination of employment as a result of a public offer within the meaning of article 5:70 of the Dutch Financial Supervision Acts.

GENERAL MEETING OF SHAREHOLDERS

Each year, though not later than in the month of June, an annual general meeting of shareholders will be held.

Other general meetings of shareholders will be held whenever the Board of Directors deems such to be necessary, without prejudice to the provisions of Sections 2:108a, 2:110, 2:111 and 2:112 of the Dutch Civil Code.

The agenda of the general meeting will include the following subjects for discussion or voting:

a) discussion of the board report;
b) discussion and adoption of the annual accounts;
c) dividend proposal (if applicable);
d) appointment of Directors;
e) appointment of an External Auditor;
f) other subjects presented for discussion or voting by the Board of Directors and announced with due observance of the provisions of the Articles of Association, as for instance (i) release of Directors from liability; (ii) discussion of the policy on reserves and dividends; (iii) authorization of the Board of Directors to issue shares; and/or (iv) authorization of the Board of Directors to resolve to acquire own shares.

Calling of meetings

Notice of general meetings of shareholders is given by the Board of Directors.

Notice of the meeting must be given with due observance of the statutory notice period of forty-two (42) days. Further communications which must be made to the general meeting pursuant to the law or the Articles of Association can be made by including such communications either in the notice, or in a document which is deposited at the Company's office for inspection, provided a reference thereto is made in the notice itself.

Notice of general meetings of shareholders will be given in accordance with the requirements of law and the requirements of regulation applicable to the Company pursuant to the listing of its shares on the MTA. The Board of Directors may determine that shareholders and other persons entitled to attend the general meeting of shareholders will be given notice of meetings exclusively by announcement on the website of the Company and/or through other means of electronic public announcement.

The notice of the meeting will state (a) the subjects to be dealt with; (b) venue and time of the meeting; (c) the requirements for admittance to the meeting as described in Articles 35.2 and 35.3 of the Articles of Association, as well as the information referred to in Article 36.3 of the Articles of Association (if applicable); and (d) the address of the Company's website, together with any such other information as may be required by law.

Furthermore, shareholders solely or jointly representing at least ten percent (10%) of the issued share capital may request the Board of Directors, in writing, to call a general meeting of shareholders, stating the matters to be dealt with.

If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorized by the court in preliminary relief proceedings (*voorzieningenrechter van de rechtbank*) to convene a general meeting of shareholders. Such application may be rejected if the court is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a general meeting of shareholders.

Shareholders and/or other persons entitled to attend the general meeting of shareholders, who, alone or jointly, meet the requirements set forth in section 2:114a subsection 2 of the Dutch Civil Code will have the right to request the Board of Directors to place items on the agenda of the general meeting of shareholders, provided the reasons for the request must be stated therein and the request must be received by the Senior Non-Executive Director or the Chief Executive Officer in writing at least sixty (60) days before the date of the general meeting of shareholders.

For each general meeting of shareholders a statutory record date is applied, in order to determine in which persons voting rights are vested and which persons are entitled to attend the general meeting of shareholders. The record date is the twenty-eighth day before the relevant general meeting. The manner in which persons entitled to attend the general meeting of shareholders can register and exercise their rights will be set out in the notice convening the meeting.

General meetings of shareholders can be held in Amsterdam or Haarlemmermeer (including Schiphol Airport), at the choice of those who call the meeting.

Conduct of the meeting

General meetings of shareholders will be chaired by the Senior Non-Executive Director or his replacement. However, the Board of Directors may also appoint another person to chair the meeting. The chairman of the meeting will have all the powers he may deem required to ensure the proper and orderly functioning of the general meeting of shareholders.

Each shareholder and each other person entitled to attend the general meeting of shareholders is authorised to attend, to speak at, and to the extent applicable, to exercise his voting rights in the general meeting of shareholders. They may be represented by a proxy holder authorised in writing.

A person entitled to attend the general meeting of shareholders or his proxy will only be admitted to the meeting if he has notified the Company of his intention to attend the meeting in writing at the address and by the date specified in the notice of meeting. The proxy is also required to produce written evidence of his mandate.

The Board of Directors is authorised to determine that the voting rights and the right to attend the general meeting of shareholders can be exercised by using an electronic means of communication. If so decided, it will be required that each person entitled to attend the general meeting of shareholders, or his proxy holder, can be identified through the electronic means of communication, follow the discussions in the meeting and, to the extent applicable, exercise the voting right.

The Board of Directors may also determine that the electronic means of communication used must allow each person entitled to attend the general meeting of shareholders or his proxy holder to participate in the discussions.

The Board of Directors may determine further conditions to the use of electronic means of communication as referred above, provided such conditions are reasonable and necessary for the identification of persons entitled to attend the general meeting of shareholders and the reliability and safety of the communication. Such further conditions will be set out in the notice of the meeting. The foregoing does, however, not restrict the authority of the chairman of the meeting to take such action as he deems fit in the interest of the meeting being conducted in an orderly fashion. Any non- or malfunctioning of the means of electronic communication used is at the risk of the persons entitled to attend the general meeting of shareholders using the same.

The chairman of the meeting will decide upon the admittance to the meeting of persons other than those who are entitled to attend.

The company secretary will arrange for the keeping of an attendance list in respect of each general meeting of shareholders. The attendance list will contain in respect of each person with voting rights present or represented: his name, the number of votes that can be exercised by him and, if applicable, the name of his representative. The chairman of the meeting can decide that also the name and other information about other people present will be recorded in the attendance list.

The Company is authorized to apply such verification procedures as it reasonably deems necessary to establish the identity of the persons entitled to attend the general meeting of shareholders and, where applicable, the identity and authority of representatives.

The Board of Directors shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the Company.

Each ordinary share confers the right to cast one vote. Each Special Voting Share-A confers the right to cast four votes and each Special Voting Share-B confers the right to cast nine votes.

At the general meeting of shareholders, all resolutions must be adopted by an absolute majority of the votes validly cast, except in those cases in which the law or the Articles of Association require a greater majority. If there is a tie in voting, the proposal will thus be rejected.

The Board of Directors may determine that votes cast prior to the general meeting of shareholders by electronic means of communication or by mail, are equated with votes cast at the time of the general meeting. Such votes may not be cast before the record date referred to above. Without prejudice to the provisions of article 35 of the Articles of Association, the notice convening the general meeting of shareholders must state how shareholders may exercise their rights prior to the meeting.

Blank and invalid votes will be regarded as not having been cast.

The chairman of the meeting will decide whether and to what extent votes are taken orally, in writing, electronically or by acclamation.

When determining how many votes are cast by shareholders, how many shareholders are present or represented, or what portion of the Company's issued capital is represented, no account will be taken of shares for which no votes can be cast by law.

No voting rights shall be exercised in the general meeting of shareholders for shares owned by the Company or by a subsidiary of the Company. Pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the right of pledge or usufruct was created before the shares were owned by the Company or a subsidiary. Neither the Company nor any of its subsidiaries may exercise voting rights for shares in respect of which it holds a right of pledge or usufruct.
Minutes will be kept of the proceedings at the general meeting of shareholders by, or under supervision of, the company secretary, which will be adopted by the chairman of the meeting and the secretary and will be signed by them as evidence thereof.

However, the chairman of the meeting may determine that notarial minutes will be prepared of the proceedings of the meeting. In that case the co-signature of the chairman will be sufficient.

The minutes of the general meeting of shareholders shall be made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three months. The minutes shall then be adopted in the manner as described in the Articles of Association.

CODE OF CONDUCT

By means of the resolution passed on 24 November 2016, the Board of Directors approved and adopted the Code of Ethics, which Code of Ethics has been amended, updated and renamed into the Code of Conduct and approved by the Board of Directors meeting in November 2017 (the “Code”).

The Code sets out the principles and the ethical values that contribute to a culture which EXOR follows in the conduct of its activities and the quality and integrity which it requires of all persons in the Company and more generally of all those who work with and are collaborators of the Company. Together with all the other regulations, policies and dispositions issued by the Company, the Code constitutes the foundation necessary for the prevention and detection of any infringement of the law.

The Code includes specific guidelines relating to the mission and values contributing to a long-term-horizon-culture, the ethical principles, social commitment, principles for the management of its investments and conduct principles, anti-corruption, respect of human rights, conflicts of interest and abuse of inside information, data privacy, safeguarding of Company's assets, workplace health and safety, and relationships with third parties, such as public institutions.

The following are required to be familiar with the dispositions of the Code: executives, managers and staff; all those who have a function of representation, administration and direction; all employees, without any exception; collaborators (including, as mere example, consultants, professional advisers, etc.).

The Company is committed to assuring the maximum diffusion of the Code also by means of appropriate communication methods, also through training and measures to increase awareness of its contents. For violations of the Code disciplinary measures could be taken.

EXOR, also, takes steps to ensure that the companies in which it has an investment have adopted principles similar to or based on those of the Code.

The Code is available on EXOR's website under the Governance section at www.exor.com.

INSIDER TRADING POLICY

The EXOR Insider Trading Policy sets forth the guidelines, recommendations and prohibitions for all members of the board of directors and employees of EXOR regarding the legal and regulatory duties and sanctions applicable to, insider trading and unlawful disclosure of inside information. In addition, the Insider Trading Policy states the notification obligations that have to be fulfilled under Dutch and Italian law by members of the board of directors when dealing in securities of EXOR and its group companies. The insider Trading Policy is also applicable to persons closely associated (immediate family members or members of the same household) with the members of the board of directors or employees.

With the Insider Trading Policy EXOR makes sure that the requirements of article 18(2) and 19(5) of the Market Abuse Regulation (Regulation 596/2014) will be fulfilled. The amended and restated EXOR Insider Trading Policy was adopted by the Board of Directors on 13 November 2019.

EXOR also maintains a so-called insider list including all persons, who in the exercise of their employment, profession or duty, have access to Inside Information.

Compliance with the Dutch Corporate Governance Code

The Company acknowledges the importance of good corporate governance. The Company endorses the principles and best practice provisions of the Dutch Corporate Governance Code and complies with the majority of the provisions, except for the best practice provisions listed below:

a) *Best practice provision 2.1.7 (iii) of the Dutch Corporate Governance Code: For each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the company, there is at most one supervisory board member who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.*

The non-executive directors Alessandro Nasi, Andrea Agnelli and Ginevra Elkann are considered non-independent non-executive directors within the meaning of best practice provision 2.1.7 (iii) of the Dutch Corporate Governance Code. Alessandro Nasi, Andrea Agnelli and Ginevra Elkann belong to the Agnelli family, which controls Giovanni Agnelli B.V. In light of the major shareholding of Giovanni Agnelli B.V., the Company's history and commencement the Company feels it is appropriate that more than one member of the Agnelli family has a seat on the Board of Directors as a non-executive director.

b) *Principle 2.3.2 of the Dutch Corporate Governance Code: If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee.*

The Company has combined the roles of the remuneration committee and the selection and appointment committee in one committee, called the Compensation and Nominating Committee. The Company feels that there would be no benefits for the Company, given its size and its simple organizational structure, in splitting the Compensation and Nominating Committee as prescribed under the Dutch Corporate Governance Code.

c) *Best practice provision 4.3.3 of the Dutch Corporate Governance Code*: The general meeting of shareholders of a company not having statutory two-tier status (*structuurregime*) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast.

Pursuant to article 15.3 of the Company's articles of association the binding nature may only be canceled with a two-third majority of the votes cast. The Company feels that in view of the major shareholding of Giovanni Agnelli B.V. it is appropriate to have such a threshold.

REPORT OF THE NON-EXECUTIVE DIRECTORS

Introduction

This is the report of the non-executive Directors of the Company over the financial year 2019 as referred to in best practice provision 5.1.5 of the Dutch Corporate Governance Code.
It is the responsibility of the non-executive Directors to supervise the policies carried out by the executive Directors and the general affairs of the Company and its affiliated enterprises, including the implementation of the strategy of the Company regarding long-term value creation. In doing so, the non-executive Directors act solely in the interest of the Company. With a view to maintaining supervision on the Company, the non-executive Directors regularly discuss EXOR's long-term business plans, the implementation of such plans and the risks associated with such plans with the executive Director.

According to the Articles of Association, the Board of Directors is a single board and consists of at least seven and at most nineteen members, comprising both members having responsibility for the day-to-day management of the Company (executive Directors) and members not having such day-to-day responsibility (non-executive Directors).

The tasks of the executive and non-executive Directors in a one-tier board such as the Company's Board of Directors may be allocated under or pursuant to the Articles of Association, provided that the general meeting of shareholders has stipulated whether such Director is appointed as executive or as nonexecutive director and furthermore provided that the task to supervise the performance by the Directors of their duties can only be performed by the non-executive Directors. Regardless of an allocation of tasks, all Directors remain collectively responsible for the proper management and strategy of the Company (including supervision thereof in the case of non-executive Directors).

Details of the current composition of the Board of Directors, including the non-executive Directors, and its committees are set forth in the section "Board of Directors".

Supervision by the non-executive Directors

The non-executive Directors supervise the policies carried out by the executive Directors and the general affairs of the Company. In so doing, the non-executive Directors have also focused on the effectiveness of the Company's internal risk management and control systems, the integrity and quality of the financial reporting and the Company's long-term business plans and strategy, the implementation of such plans and the associated risks.

The non-executive Directors also determine the remuneration of the executive directors and nominate Director candidates, via the Compensation and Nominating Committee, for appointments. Furthermore, the Board of Directors may allocate certain specific responsibilities to one or more individual directors or to a committee comprised of eligible Directors of the Company. In this respect, the Board of Directors has allocated certain specific responsibilities to the Audit Committee and the Compensation and Nominating Committee. Further details on the manner in which these Committees have carried out their duties, are set forth in the sections: "The Audit Committee" and "The Compensation and Nominating Committee".

The non-executive Directors supervised the adoption and implementation of the procedures, strategies and policies of the Company, reviewed this Annual Report, including the Remuneration Report, the financial results and received updates on legal and compliance matters. The non-executive Directors have also reviewed the reports of the Board of Directors and its committees and the recommendations for the appointment of Directors.

During the meetings held in 2019, for an overview of which reference is made to the section "Board of Directors", the key topics discussed were, amongst others: the strategy, performance and strategy of the operating subsidiaries, cash flow management, values and objectives, the financial results and reporting, investments and acquisitions, executive compensation, risk management, legal and compliance matters, sustainability, the Remuneration Report and evaluation of the Board.

Independence of the non-executive Directors

The non-executive Directors are required by Dutch law to act solely in the interest of the Company. The Dutch Corporate Governance Code stipulates the corporate governance rules relating to the independence of non-executive Directors and requires under most circumstances that a majority of the non-executive Directors be "independent."

The non-executive Directors have determined that five of the nine Board members qualify as independent in accordance with the Dutch Corporate Governance Code.

Whilst EXOR acknowledges that it is not in compliance with best practice provision 2.1.7 (iii) of the Dutch Corporate Governance Code on the basis that more than one of its non-executive directors are affiliated with EXOR's largest shareholder, Giovanni Agnelli B.V. and notwithstanding the foregoing regarding the non-independent directors, EXOR is of the opinion that it otherwise meets the independence requirements set forth in best practice provision 2.1.10 of the Dutch Corporate Governance Code.

Evaluation by the non-executive Directors

The non-executive Directors are responsible for supervising the Board of Directors and its committees, as well as the individual executive and non-executive Directors, and are assisted by the Compensation and Nominating Committee in this respect.

In accordance with the Compensation and Nominating Committee Charter, the Compensation and Nominating Committee assists and advises the Board of Directors with respect to periodic assessment of the performance of individual Directors. In this respect, the Compensation and Nominating Committee has, amongst others, the duties and responsibilities to review annually the Board of Directors' performance and the performance of its committees.

In 2019, the Compensation and Nominating Committee focused on the periodic assessment of the performance of the Board of Directors, its committees, the individual Directors and the results of the self-assessment questionnaires prepared by the individual Directors during the meeting held on 27 March. During that meeting, the Compensation and Nominating Committee also assessed the size and composition of the Board of Directors and its committees.

The Board of Directors concluded that each of the Directors continues to demonstrate commitment to its respective role in the Company.

The non-executive Directors have been regularly informed by each committee as referred to in best practice provision 2.3.5 of the Dutch Corporate Governance Code, of the results and recommendations of these meetings and the conclusions of those committees were taken into account when drafting this report of the non-executive Directors.

The non-executive Directors were able to review and evaluate the performance of the Audit Committee and the Compensation and Nominating Committee. For the Audit Committee, to fulfill the vacancy due to the stepping down of Mrs. A. Fentener van Vlissingen, Mrs. G. Elkann was proposed to join the Audit Committee based on her professional background and expertise and per 27 March 2019 Mrs. G. Elkann joined the Audit Committee. With the joining of Mrs. G. Elkann, the Audit Committee consists of three members and there is no need to amend the size or composition of the Audit Committee nor of the Compensation and Nominating Committee. There was the request to amend the Compensation and Nominating Committee Charter to clarify certain tasks and duties, which Charter was amended and approved during the Board meeting held in November 2019 and available on EXOR's website. Further details on the manner in which these committees have carried out their duties, are set forth in the sections "The Audit Committee", "Compensation and Nominating Committee", within "Board Practices and Committees" above.

The non-executive Directors have supervised the performance of the Audit Committee and the Compensation and Nominating Committee.

IN CONTROL STATEMENT

Internal Control System

Based on the assessment performed, the Board of Directors believes that, as of 31 December 2019, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Board Report provides sufficient insights into any material weakness in the effectiveness of the internal risk management and control systems. This is discussed in the Internal Audit Function on page 73, (ii) the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies. This is discussed in Risk Management, Risks and Control System on page 53, (iii) based on the current state of affairs, it is justified that the Group's and the Company's financial reporting is prepared on a going concern basis. This is justified by the discussion in the Consolidated Financial Statements from page 195 and in the Company Financial Statement from page 299, and (iv) the Board Report states those material risks and uncertainties that are, in the Board of Director's judgment, relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board Report. You may refer to the Risk Factors section on page 57.

25 March 2020

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John Elkann

Chairman and Chief Executive Officer

RESPONSIBILITIES IN RESPECT TO THE ANNUAL REPORT

The Board of Directors is responsible for preparing the Annual Report, inclusive of the Consolidated and Company Financial Statements and Board Report, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (EU-IFRS).

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the Financial Statements prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of the Company and its subsidiaries and that the Board Report provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of the Company and its subsidiaries, developments during the year, together with a description of the principal risks and uncertainties that the Company and the Group face.

25 March 2020

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

António Horta-Osório

SUSTAINABILITY REPORT

EXOR's Sustainability Report is presented as part of the Annual Report and has been prepared in accordance with GRI (Global Reporting Initiative) Standards under the Core option.

I. REPORTING SCOPE AND BOUNDARIES

This section addresses the requirements of the Dutch Civil Code, and of the Dutch Decree on Non-Financial Information (*Besluit bekendmaking niet-financiële informatie*), which is a transposition of Directive 2014/95/EU "Disclosure of non-financial and diversity information" into Dutch law.

The reporting scope of non-financial information in this section is at EXOR's holding level (EXOR N.V. and the Holdings System subsidiaries). While EXOR's main listed operating companies (Ferrari, FCA, CNH Industrial and Juventus) publish their own Sustainability Reports, which are available at their official websites, a summary of their approach to sustainability is included at the end of this section.

II. EXOR BUSINESS MODEL

1. OVERVIEW

EXOR is a diversified holding company with a culture that combines entrepreneurial spirit and financial discipline. Most of its portfolio is made up of companies in which EXOR is the leading shareholder.

EXOR's purpose is to *Build Great Companies*, while providing opportunities for its people to grow, make a positive contribution to society and deliver superior returns to its investors:

- *Companies are built* by fostering a culture with clarity of purpose and shared values, by appointing leaders who demonstrate their purpose and creating governance that aligns culture and actions.
- *Great Companies* are ones that perform to the highest standards, are distinctive in what they do, act in a responsible way and seek out renewal and change.

2. IMPLEMENTATION AND LONG-TERM VALUE CREATION

Through its role in their governance, EXOR ensures that its companies derive the benefits of its ownership.

Those include:

1 CREATING AN ENVIRONMENT WHERE COMPANIES CAN THRIVE

- ✓ Long-term, stable ownership
- ✓ Permanent capital
- ✓ Strong network
- ✓ Support and challenge companies' plans

2 EMPOWERING LEADERS TO BUILD GREAT COMPANIES

- ✓ Use our network to find new leaders
- ✓ Act as a "critical-friend" to our leaders
- ✓ Strong culture across our companies
- ✓ Promote diversity and inclusiveness

3 USING GOVERNANCE TO STEER OUR COMPANIES

- ✓ Build effective Boards
- ✓ Support companies in their management successions
- ✓ Play an active role in the Boards of all our companies

In assessing its investments both in companies and financial EXOR considers the following criteria:

Understanding – We invest only when we understand

- We learn from practitioners who bring deep knowledge
- We form our own opinions and strive to be aware of what we don't know

People – We back talent and look for cultural alignment

- We believe people are what makes the difference
- We know that behaviors are as important as skills or knowledge

Value – We decide based on value

- We assess intrinsic and potential value to invest when the price is right

EXOR aims to recruit the best talent, offering equal opportunities, promotes a diverse workforce and builds relationships based on collaboration, integrity and mutual respect. An important part of this is ensuring that its people respect its values.

EXOR's values, together with its purpose, form the foundation of its culture:

- *Ambition & Humility:* We set high aspirations but remain grounded.
- *Curiosity & Focus:* We seek new ideas while prioritizing what matters.
- *Patience & Drive:* We take a long-term perspective but are relentless in getting things done.
- *Courage & Responsibility:* We take bold actions while being mindful of their consequences.

EXOR's goal is to outperform the MSCI World Index over the long-term through the increase in its NAV per share. In addition, EXOR's financial priorities are:

- To generate free cash flows above its dividend outflows over time.
- To maintain financial strength and discipline while keeping its Loan-To-Value ratio below 20%.
- To keep cash holding costs as a percentage of its GAV below 10 bps.

3. RISK MANAGEMENT

EXOR maintains an internal control and risk management system to identify, measure, manage and monitor its principal risks. This enables it to ensure the reliability, accuracy and timeliness of its financial information, the safeguarding of its assets, the efficiency and effectiveness of its business processes and its compliance with laws and regulations.

For more information regarding the key global focus risks identified by EXOR and the control measures taken, refer to the section – Risk management, risks and control system in this report.

III. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY

1. EXOR'S APPROACH

EXOR expects its companies to consider ESG issues and does so itself at holding company level, believing that stakeholder value creation needs to be both long-term and sustainable.

1.1. STAKEHOLDER ENGAGEMENT

EXOR believes in the importance of maintaining a continuous dialogue with both internal and external stakeholders. A review of relevant stakeholder groups at the EXOR holding company level has been performed to understand stakeholder priorities.

STAKEHOLDER	AREAS OF FOCUS	ENGAGEMENT METHODS
EXOR employees	Motivation and Development, Equal opportunities and Diversity, Health and Safety, Ethical business conduct	Regular meetings and communications, Annual review of objectives, Internal initiatives and Compensation
Investors & Analysts, Rating agencies, Media	Market transparency, Communications, Financial Performance	Annual and half-year reporting, Investor events, Meetings with investors, Corporate website, Press releases
Operating companies	Governance, Boards of Directors	Active representation and participation in the Boards, Regular Communication and meetings
Authorities and regulators	Compliance with applicable laws and regulations, Risk management	Implementation of governance, risk management structures and corporate responsibility best practices

EXOR is committed to:

- Keeping a regular dialogue with each of these stakeholder groups.
- Being clear about its purpose and its priorities both internal and externally.
- Providing relevant information to each stakeholder group, while being accessible and responsive.
- Promoting transparent capital markets, while aligning to best practices and disclosing information in an accurate, complete, balanced and reliable manner.

1.2. IDENTIFIED MATERIAL ESG TOPICS AND BOUNDARIES

EXOR focuses on a number of ESG issues that have been identified relevant to its stakeholders, its activities and the fulfillment of its long-term objectives.

These are identified through an internal assessment, a review of market best practices and peer benchmarking.

FACTOR	IDENTIFICATION OF MATERIAL TOPICS
Social	EXOR aims to improve and strengthen its impact on the social systems within which it operates, in particular in relation to: • Stakeholder relationships • Employment related matters
Governance	EXOR is implementing a governance structure and composition that ensures transparency, accountability and diversity with particular focus on: • Board of Directors diversity • Majority of independent Directors
Environmental	Although EXOR's environmental footprint is minimal at the group holding company level, it has put in place environmental policies for all its offices and is committed to show leadership on this issue.

Activities that are more relevant for the operating companies within the EXOR Group are addressed separately in "*Section 3. Summary of ESG Performance at an operating company level"* and on the operating companies' websites.

Its focus areas at holding company level are defined below.

FOCUS AREA	ACTION
EXOR to be an active and responsible owner focused on the long-term development and success of its companies	Engaging in continuous dialogue with the companies, through presence in the Boards. Promoting solid governance and business practices.
EXOR to be an attractive employer committed to building a diverse and high-performing workforce	Attracting and retaining talent through engagement, competence development, reward and a strong company culture.
EXOR to contribute to the cultural, social and economic development of communities	Engaging with local communities and supporting projects and initiatives, with a special focus on the field of education.

2. SUMMARY OF ESG APPROACH AT EXOR HOLDING LEVEL

2.1. SOCIAL: EMPLOYMENT RELATED MATTERS

EXOR has a lean organization structure at holding company level, employing 23 people at 31 December 2019.

It puts considerable effort into its recruiting processes, training and competency development, and into building a strong company culture, because it believes in the importance of its people to its future success.

EXOR values and promotes a multicultural environment within its offices and its employees come from diverse professional, national and cultural backgrounds. Key workforce metrics are reported below.

NUMBER OF EMPLOYEES

Employees	31st December 2019	31st December 2018
Total	**23**	**22**
of which women	***47.8%***	***63.6%***

BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY GENDER

Type of employment contract	31st December 2019			31st December 2018		
	Male	Female	Total	Male	Female	Total
Permanent	9	11	**20**	7	12	**19**
Temporary	3	-	**3**	1	2	**3**
Total	**12**	**11**	**23**	**8**	**14**	**22**

BY GEOGRAPHICAL AREA

Geographical Area	31st December 2019			31st December 2018		
	Male	Female	Total	Male	Female	Total
The Netherlands	5	7	**12**	3	9	**12**
Luxembourg	-	1	**1**	-	2	**2**
United Kingdom	7	3	**10**	5	3	**8**
Total	**12**	**11**	**23**	**8**	**14**	**22**

PER EMPLOYEE CATEGORY BY GENDER

Employment category	31st December 2019			31st December 2018		
	Male	Female	Total	Male	Female	Total
Top Managers	2	2	**4**	2	2	**4**
Middle-managers	3	5	**8**	2	5	**7**
Professionals	7	4	**11**	4	7	**11**
Total	**12**	**11**	**23**	**8**	**14**	**22**

PER EMPLOYEE CATEGORY BY AGE GROUP

Employment category	31st December 2019				31st December 2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Top Managers	-	1	3	**4**	-	3	1	**4**
Middle-managers	-	7	1	**8**	2	5	-	**7**
Professionals	4	4	3	**11**	5	3	3	**11**
Total	**4**	**12**	**7**	**23**	**7**	**11**	**4**	**22**

EMPLOYEE TURNOVER

New hires		
	2019	2018
Number of employees	7	3
Turnover %	30.4%	13.6%
Leavers		
	2019	2018
Number of employees	6	2
Turnover %	26.1%	9.1%

2.1.1. HR POLICY

Safeguarding and ensuring the wellbeing of the people that work at and within EXOR is of critical importance. Their creativity, drive, perseverance and loyalty have contributed to the successful development of the Company and will continue to shape its future. EXOR makes high demands on its employees: expecting them to excel in their work, to work together in diverse teams and to improve and expand their capabilities.

EXOR is committed to a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the Company.

In return EXOR offers a chance to operate in a dynamic and enjoyable work environment and to collaborate with highly skilled and ambitious colleagues from all over the world.

EXOR wants its employees to enjoy their work and to be proud to work for the Company.

EXOR offers programs and tools to help its employees to balance their personal and professional lives. Depending on the employee needs, EXOR provides the tools to address the expectations of an evolving labor market.

EXOR has arrangements in place to improve work-life balance including flextime, part-time or reduced hours, telecommuting, parental leave and other leaves.

2.1.2. WORKPLACE HEALTH AND SAFETY

EXOR provides for working conditions which respect the dignity of the individual and it assures a healthy and safe workplace, in compliance with the applicable occupational accident prevention and health regulations. It also promotes a health and safety culture across all its employees.

2.1.3. DIVERSITY AND INCLUSION

EXOR promotes diversity and believes that no individual should be subjected to discrimination by reference for example to age, gender, sexual orientation, race, nationality, political opinion or religious faith. The Company also undertakes to ensure that authority is exercised fairly and correctly, avoiding any abuse of power or activities that harm the dignity and autonomy of employees or collaborators.

Under no circumstances will the Company tolerate requests or threats aimed at inducing persons to act in breach of the law or of the Code of Conduct, or to behave in a manner, which conflicts with the moral convictions and personal preferences of the individual.

2.2. SOCIAL: SUPPORT OF INSTITUTIONS AND FOUNDATIONS

EXOR conducts its activities responsibly and attaches great importance to the ties it has with its community. EXOR supports various activities in the field of social research, education, cultural promotion and assistance.

Among the institutions supported by EXOR, the foremost is *Fondazione Agnelli*, which is an independent institute of culture and research in the field of human and social sciences and which leads many projects and initiatives related to education. It was founded in 1966 by FIAT and IFI to celebrate the centenary of the birth of Senator Giovanni Agnelli, the founder of FIAT and it is headquartered in Turin, Italy. Since 2008, *Fondazione Agnelli* has chosen to concentrate its research activities on education (schools, universities and lifelong learning), convinced that education is amongst the main factors for economic development for social cohesion and for human fulfillment. The initiatives launched and supported by *Fondazione Agnelli* include:

- "*Combo, il laboratorio didattico*", an educational experimentation project on robotics and coding designed for students and teachers of all schools in Turin and Piedmont, created together with several partners, such as Comau, the Italian Institute of Technology and Google;

- "*Eduscopio*", the portal that, since 2014, helps students and families in the choice of the most suitable high school, by comparing the quality of institutions and providing a list of the top schools in a given area, which has become a true reference point for Italian families;

- "*Torino fa scuola*", through which in 2019 Fondazione Agnelli completed the restructuring of a state lower secondary school building in the Turin area. The new building has immediately become a landmark in architectural design and an example of how school spaces should be rethought in order to enhance new teaching methodologies;

- "*SEI - School of Entrepreneurship and Innovation*", promoting the entrepreneurial inclination of university and high school students, through training sessions in the classroom, operational experience in the world of innovative companies/startups and mentoring support of entrepreneurs, investors and professionals.

The Fondazione Agnelli also carries out charitable activities, thanks to the support of EXOR, which include:

- *Fondazione Faro*, a foundation founded in Rome in 1997 to help young people coming from all over the world in overcoming difficult living conditions. It organizes free training courses and promotes professional integration by giving people the basic instruments. *Fondazione Faro* also gives hospitality to people in a state of need;

- *"Fondazione Piemontese per la Ricerca sul Cancro"*, an organization formed to set up an oncological institute in Piedmont that, through scientific research and clinical practice, offers an important contribution to conquering cancer, thus becoming a centre of reference for oncology. It has undertaken to complete the construction and the technological equipment of a medical centre in Candiolo (Turin) and promotes study projects relative to oncological research;

- institutions and foundations tackling various challenges, such as *Associazione Area* (assistance to disabled persons and special need children), *Fondazione Crescere Insieme* (scientific development, research and humanization of therapies in the field of neonatology), *Associazione Italiana Sindrome di Williams* (promoting knowledge and coordinating scientific research projects on the genetic disease), *Fondazione Asphi* (digital devices and applications for impaired and disabled people), *Opera Pia Cucina Malati Poveri* (hunger relief and poverty).

EXOR supports also many cultural initiatives such as the *Pinacoteca Giovanni and Marella Agnelli*, an institution set up in 2002 in Turin to carry out activities of public interest in the area of culture, especially in the artistic field and the study of art.

2.3. GOVERNANCE: FRAMEWORK

A strong governance framework within EXOR and across its operating companies is key to delivering its purpose. EXOR is therefore in the process of implementing the best practices:

BOARD STRUCTURE

We create effective Board Structures

- Board size – we have reduced the size of our Boards to increase the quality of board debates
- Committees – we have streamlined committees, focusing them on audit, governance and remuneration
- Meetings – we create systematic board schedules and agendas

PEOPLE

We spend time choosing the right Directors

- Exor role – we play an active governance role on the boards of all our companies
- Diversity – we ensure we have a range of perspectives on all our boards
- Expertise – we appoint Directors with appropriate sector and functional expertise

PROCESS

We incentivise and improve Board performance

- Assessment – we conduct regular Chair, CEO and Board reviews
- Remuneration – we expect Directors to become shareholders
- Director terms – we appoint Directors for clear and overlapping terms

2.4. GOVERNANCE: BOARD DIVERSITY

EXOR ensures that its Board of Directors has the diversity of experience, expertise and backgrounds, and the appropriate independence and judgment needed to fulfill its responsibilities and execute its duties.

BOARD OF DIRECTORS COMPOSITION: Evolution

2009

- 17 Members
- 23% Independent
- 0% Female
- 60 Years old on average
- 2 Nationalities

2019

- 9 Members
- 56% Independent
- 33% Female
- 48 Years old on average
- 6 Nationalities

INDEPENDENT DIRECTORS

JOSEPH Y. BAE
Co-President and Co-Chief Operating Officer at KKR

MELISSA BETHELL
Partner at Atairos and Managing Partner of Atairos Europe

MARC BOLLAND
Senior Operating Partner and Chairman Europe at the Blackstone Group International Partners LLP

LAURENCE DEBROUX
Executive Board member and CFO at Heineken N.V.

ANTONIO HORTA-OSORIO
Group Chief Executive at Lloyds Banking Group

For further information, please refer to the Directors' full biographies under the Governance section on EXOR's website.

At 31 December 2019 the composition of the Board of Directors by gender and age groups is as follows:

Directors by gender and age groups	30-50	>50	Total
Male	4	2	**6**
Female	2	1	**3**
Total	**6**	**3**	**9**

2.5. GOVERNANCE: INTEGRITY OF BUSINESS CONDUCT AND COMPLIANCE

2.5.1. CODE OF CONDUCT

By means of the resolution passed on 24 November 2016, the Board of Directors approved and adopted the Code of Ethics, which Code of Ethics was amended, renamed the Code of Conduct and approved by the Board of Directors in November 2017 (the "Code").

EXOR conducts its business with integrity and with respect for all its stakeholders, while safeguarding its corporate image and reputation, by following and respecting the values, principles and guidelines as laid down in the Code. Its rigorous observance is required of all people in the Company and of all those who collaborate in the pursuit of its corporate mission.

EXOR's governance model, regulating the decision-making process and approach of the Company and its employees in the interest of its stakeholders is firmly based on the Code. Together with all the other regulations, policies and dispositions issued by the Company, the Code constitutes the foundation necessary for the prevention and detection of any infringement of the law.

The Code includes specific guidelines relating to health and safety, business ethics and anti-corruption, principles for the management of investments, human resource management, respect of human rights, conflicts of interest and abuse of inside information, data privacy, safeguarding of Company's assets and relationships with public institutions.

Explicit reference is made to the respect of human rights in all of its activities by endorsing the principles of the United Nations "Declaration on Human Rights".

EXOR is committed to the following integrity principles:

- **Observance of the law:** the behavior of people associated with EXOR (including executives, managers, directors, employees and external consultants or advisors), in the activities undertaken in the interests of the Company is founded on the rigorous observation of national, community and international laws and regulations.
- **Equality and Impartiality:** people associated with EXOR are required to act in the best interest of the Company taking decisions with professional rigor and impartiality, applying to the decisions criteria which are objective and neutral.
- **Transparency:** people associated with EXOR must be founded on the maximum transparency and reliability, ensuring that transparent, truthful, complete and accurate information is communicated to all stakeholders without favoring any interest group or single individual. EXOR undertakes to provide all the information necessary for the market to make informed investment decisions, ensuring the correctness and clarity of the aforesaid information and the equality of access to it.
- **Honesty and correctness in the presence of potential conflict of interest:** each transaction should take place in the interest of the Company and should be conducted through a correct and balanced management. Situations where the people involved in transactions are or could be in conflict of interests must be avoided. In the presence of a potential conflict of interests, people associated with EXOR are required to inform their Company referent. The Directors undertake to inform the Board of Directors of any financial advantage which they may derive from transactions submitted to the Board's review.

- **Confidentiality:** the Company ensures the confidentiality of the information in its possession and does not use confidential information unless in possession of express and explicit authorization and, anyhow, always in observance of the applicable legislation concerning the protection of personal data. Disclosure of information is permitted solely for business or professional purposes; the third party is expressly notified of the confidential nature of the information and requested to observe the confidentiality obligation. No employee or collaborator may derive advantage of any kind from the use of confidential information, nor may disclose such information to others without an authorization.

The Company is committed to assuring the maximum diffusion of the Code through appropriate communication methods, including training and measures to increase awareness of its contents. EXOR also takes steps to ensure that the companies in which it has an investment adopt Codes of Conduct whose principles are based on those of its Code of Conduct (available on EXOR's corporate website at www.exor.com).

2.5.2. ANTI-CORRUPTION AND BRIBERY

EXOR's Code of Conduct includes, among others, rules related to anti-bribery, anti-corruption, competitive behavior and conflicts of interest. EXOR is committed to the highest standards of integrity, honesty, correctness, fairness and legality in all internal and external affairs and will not tolerate any kind of bribery or corruption.

In particular, the Company asks all recipient of the Code of Conduct to participate actively in the fight against every form of corruption and to avoid any activity or behavior which is incompatible with the obligations arising from the relationship with the Company on behalf of which they are acting.

It is also forbidden to offer, promise, give, pay or authorize the giving or payment, directly or indirectly, of an economic advantage or other utility to a third party (private or public) with the object of:

- Inducing a third party to perform any function or act in a manner which is improper or contrary to the duties of his or her position (or to reward the performance of the same).
- Improperly obtaining or maintaining an unfair business advantage, in violation of the applicable laws.

A violation of anti-bribery and anti-corruption laws is a serious offense for both companies and individuals, which can result in significant fines, reputational damage and imprisonment of individuals.

2.5.3. INSIDER TRADING POLICY

The EXOR Insider Trading Policy describes the guidelines, recommendations and prohibitions for all members of the board of directors and employees of EXOR regarding the legal and regulatory duties and sanctions applicable to, insider trading and unlawful disclosure of inside information. In addition, the Insider Trading Policy states the notification obligations that must be fulfilled under Dutch and Italian law by members of the board of directors when dealing in securities of EXOR and its group companies. The insider Trading Policy is also applicable to persons closely associated (immediate family members or members of the same household) with the members of the board of directors or employees.

With the Insider Trading Policy EXOR makes sure that the requirements of article 18(2) and 19(5) of the Market Abuse Regulation (Regulation 596/2014) will be fulfilled. The amended and restated EXOR Insider Trading Policy was adopted by the Board of Directors on 13 November 2019

2.5.4. TAX APPROACH

Responsible tax behavior is an essential element and an integral part of EXOR's sustainability strategy. Thereby EXOR takes the social and corporate responsibility into consideration and the interests of all its stakeholders. As part of EXOR's aim to create sustainable growth for all its stakeholders and recognizing the role that tax plays in this regard, EXOR commits to the following global tax approach.

Profile

EXOR aims for a low tax risk profile. The tax regulations are subject to change, among others due to recent developments in the international tax arena (e.g. BEPS). The tax regulations are often complex and subject to interpretation. In that regard tax certainty is aimed on the adopted tax positions. Where no certainty can be obtained in advance, EXOR ensures that the position is settled in line with its tax approach.

Structuring

EXOR uses structures that meet the intentions and the spirit of the law and does not compromise business motives for tax gains. EXOR does not use tax havens (as defined by the European Commission's "blacklist") for tax avoidance purposes and does not engage in artificial tax arrangements. EXOR aims for a tax neutral investment structure, not resulting in economic double taxation for its investors.

Tax planning is considered part of the overall business strategy but EXOR ensures that it is based on sound commercial business activity. This means that aside from factors such as financial impact, complexity and reputation, solid business and/or commercial reasons have to exist.

Compliance

EXOR strives to be compliant with all applicable laws at all times. EXOR's tax approach is based on a well-defined set of principles and internationally accepted standards. We support and adhere to the principles promoting tax transparency and responsible tax management as set out in the OECD Action Plan on Base Erosion and Profit Shifting (BEPS), and the EU Anti-Tax Avoidance Directives (ATAD I and II).
EXOR aims to comply with the spirit as well as the letter of the law. EXOR complies with any legitimate disclosure requirement at first demand. EXOR files its tax returns timely and accurately in compliance with reasonable and responsible interpretations of local tax laws and regulations. Moreover, the way of working conforms with EXOR's Code of Conduct.

Transfer pricing

EXOR aims to pay an appropriate amount of tax according to where value is created within the normal course of business activity. Any transfer pricing is always calculated using the "arm's-length" principle.

Transparency

EXOR integrates transparency in its approach to tax. Disclosures are made in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards.

Relationships with tax authorities

EXOR seeks to develop strong, honest and mutually respectful relationships with national tax authorities based on transparency and mutual trust. All dealings with them are undertaken in a professional, courteous and timely manner. EXOR provides the tax authorities with all relevant information they require within a reasonable timeframe.

2.6. ENVIRONMENTAL RESPONSIBILITY

EXOR is committed to respecting and protecting the environment and fully supports its operating companies in developing and adopting sustainable strategies. While the direct impact of its own operations on the environment is limited at holding company level, EXOR recognizes the importance of showing leadership in this issue.
For several years, the main operating companies controlled by EXOR (and thus consolidated, in accordance with IFRS) have decided to make specific and measurable environmental commitments. This has included adopting sustainable management processes throughout their organizations and regularly publishing sustainability reports and providing updates on their progress.

As a result, they have adopted sustainable management processes that pervade throughout the entire organization and regularly publish sustainability reports with an update on their progress.

3. SUMMARY OF ESG PERFORMANCE OF THE OPERATING SUBSIDIARIES

The EXOR Group, through its operating subsidiaries, is present in a diversified range of sectors, specifically Reinsurance (PartnerRe), Luxury goods (Ferrari), Automotive (FCA), Agricultural Equipment, Construction Equipment and Commercial Vehicles (CNH Industrial), and professional football (Juventus Football Club).

The performance of the main operating subsidiaries in which EXOR is the leading shareholder is monitored regularly both through use of corporate governance rights (e.g. board representation) and through constant dialogue with the management of the subsidiaries and affiliates without affecting their independence as the managers of the companies.

Once again, in 2019, their commitment to sustainability has been recognized by the main indexes and ratings:

- During 2019, following the award as strongest brand in the world from Brand Finance, Ferrari won first place in the Reputation Institute's Italy RepTrak® ranking. Besides product excellence, long term vision, social responsibility and sustainable management were deciding factors in the company's primary ranking.

- During 2019 FCA was ranked in the Refinitiv Diversity & Inclusion Index in the global "Top 25 Most Diverse & Inclusive Companies." The index lists the most successful companies in promoting and leveraging diversity and inclusion in the workplace.

- In 2019, CNH Industrial was reconfirmed as Industry Leader in the Dow Jones Sustainability Indices (DJSI) World and Europe for the ninth consecutive year. CNH Industrial also scored A- in the CDP Climate Change program, in recognition of its actions to optimize energy consumption, reduce CO2 emissions, and mitigate the business risks of climate change.

3.1. PartnerRe

3.1.1. Business Model

PartnerRe is a leading global reinsurer that helps insurance companies reduce their earnings volatility, strengthen their capital and grow their businesses through reinsurance solutions. PartnerRe brings a more personal approach to the marketplace with a distinctive balance of technical skills and client focus, expertise and partnership.

PartnerRe has the scale and expertise to meet clients' needs across virtually all markets, risks, business lines and products, while remaining small enough to be adaptive and responsive.
Being a pure-play reinsurer gives PartnerRe the ability to truly serve brokers and clients, rather than compete with them. PartnerRe builds long-term relationships to understand the client's challenges and be a resourceful, problem-solving partner.

Technical expertise, committed personal relationships and strong capitalization enable PartnerRe to provide the solutions their clients are looking for, such as innovating for growth, reducing volatility, protecting reputation and optimizing capital.
PartnerRe has a clear value proposition based on a strategy and financial foundation to achieve strong growth and profitability:

1. *Leading, Privately Held composite pure-play reinsurer*
2. *Global footprint and Broad Underwriting diversification*
3. *Attractive Business mix with low exposure to property cat risk*
4. *Robust Financial Strength*
5. *Dynamic approach to risk management*
6. *Strong underwriting and financial performance*
7. *World class management team*

3.1.2. Risk Management

A disciplined approach to risk management, backed by a strong balance sheet, ensures PartnerRe's ability to pay claims and endure over the long term.
Managing risk effectively is paramount to PartnerRe's success. PartnerRe is built around intelligent risk assumptions and careful risk management, as evidenced by its development of the PartnerRe risk management framework, which provides an integrated approach to risk across the entire organization. Among the potential risks, Natural catastrophe risk is managed by catastrophe modeling and a combination of quantitative and qualitative analysis.

In order to achieve an appropriate growth in book value over the reinsurance cycle, PartnerRe believes it must be able to generate an appropriate return on average common shareholder's equity over the reinsurance cycle. Its ability to do that over a reinsurance cycle is dependent on its individual performance, but also on industry factors that impact the level of competition and the price of risk.

PartnerRe manages large loss events through evaluation processes designed to enable proper pricing of these risks over time, and, as a result, short-term earnings volatility may be experienced. Earnings volatility is dampened through diversification, by building a portfolio of uncorrelated risks and through the purchase of retrocessional coverage to optimize a portfolio.

PartnerRe has identified what the company believes reflects key significant risks to the organization, and, in turn, to the common and preferred shareholders, debt holders, and its policyholders. Reference should be made to the *section Risk factors IFRS Footnotes – PartnerRe and to PartnerRe's 20-F Report filed with the SEC for more information regarding the Company's specific Risk factors.*

3.1.3. Environmental, Social and Governance (ESG) Responsibility

PartnerRe is committed to achieve long-term economic growth by managing its business and relationships in a responsible way, taking into account ESG aspects that are relevant to all its stakeholders.

PartnerRe provides benefits and maintains a continuous and open dialogue with all its stakeholders:

- For its clients, PartnerRe exists to make risk manageable, combining technical expertise and strong personal relationships to help fuel their success and their peace of mind
- For its shareholders, PartnerRe aims to deliver long-term returns
- For its employees, it provides rewarding employment and development opportunities
- For the communities in which it operates, PartnerRe believes in investing in their economic sustainability through social, environmental or charitable programs

PartnerRe has identified the following material aspects, considered to be relevant for its business and its own activities:

IDENTIFICATION OF MATERIAL ASPECTS			
	Social	Governance	Environmental
Stakeholder dialogue	x	x	
Responsible management	x	x	x
Sustainable solutions	x		x
Board diversity	x	x	
Employee development	x		
Employee diversity	x		
Compliance	x	x	x
Community involvement	x		x

3.1.4. SOCIAL: Employee-related matters

At PartnerRe there are common values that apply to the entire organization and that underpin the business activities and behaviors. The Company is committed to a culture of trust, responsibility and openness; therefore, the highest level of ethical conduct should be reflected in all of its business activities.

PartnerRe is an international, dynamic, challenging and rewarding place to work, always striving to develop proactive people with expert knowledge, skills and integrity. PartnerRe aims to provide each employee with a healthy and safe work environment, by putting in place a set of environmental, health and safety rules and practices.

NUMBER OF EMPLOYEES

	31st December 2019	31st December 2018
Total	**1,008**	**958**

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER

Employment category	31st December 2018			31st December 2018		
	Male	Female	Total	Male	Female	Total
Top Managers	156	35	**191**	160	30	**190**
Middle-managers	162	105	**267**	146	99	**244**
Professionals	224	327	**550**	214	309	**523**
Total	**541**	**467**	**1,008**	**520**	**438**	**958**

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP

Employment category	31st December 2019				31st December 2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Top Managers	-	92	99	**191**		96	94	**190**
Middle-managers	2	162	103	**267**	1	148	96	**245**
Professionals	96	305	150	**550**	80	288	155	**523**
Total	**98**	**559**	**351**	**1,008**	**81**	**532**	**345**	**958**

NUMBER OF EMPLOYEES BY GEOGRAPHICAL AREA

	31st December 2019	31st December 2017
Europe	551	551
Americas	395	367
Asia Pacific	62	50
Total	**1,008**	**958**

NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE

	31st December 2019	31st December 2018
Full Time	928	883
Part Time	80	75
Total	**1,008**	**958**

EMPLOYEE TURNOVER BY GENDER

New hires	2019		2018	
	Number	% Turnover	Number	% Turnover
Male	87	16.1%	68	13.1%
Female	71	15.2%	60	13.7%
Total	**158**	**15.7%**	**128**	**13.4%**

Leavers	2019		2018	
	Number	% Turnover	Number	% Turnover
Male	59	10.9%	88	16.9%
Female	47	10.1%	62	14.2%
Total	**106**	**10.5%**	**150**	**15.8%**

EMPLOYEE TURNOVER BY AGE GROUP

New hires	2019		2018	
	Number	% Turnover	Number	% Turnover
<30	41	41.8%	42	51.8%
30-50	106	19.0%	70	13.2%
>50	11	3.1%	16	4.6%
Total	**158**	**15.7%**	**128**	**13.4%**

Leavers	2019		2018	
	Number	% Turnover	Number	% Turnover
<30	8	8.2%	8	9.9%
30-50	65	11.6%	67	12.6%
>50	33	9.4%	76	22.0%
Total	**106**	**10.5%**	**151**	**15.8%**

In addition, PartnerRe expects its work environment to be free from all forms of discrimination, harassment or intimidation and does therefore not tolerate any prejudice, whether based on race, color, age, religion, gender, sexual orientation, national origin or otherwise.

3.1.5. SOCIAL: Involvement with communities

PartnerRe takes its responsibility to give back to its local communities seriously, as well as supporting employees engaged in providing personal support to local causes. As a result, it has decided to align its corporate giving with employee participation. This way, all employees have a meaningful opportunity to participate in how PartnerRe gives back to its communities.

Giving Approach

- PartnerRe will direct its corporate donations to organizations/initiatives that are actively supported by employees.
- PartnerRe encourages employees to donate their time and expertise by allocating one day a year for volunteering.
- PartnerRe will contribute its expertise in the form of professional advice, employee engagement and global connections.

In addition, PartnerRe has established partnerships with companies helping to deliver better insurance products aimed at addressing specific needs and challenges of communities.
For example, in February 2018 PartnerRe signed a four-year agreement with Farmers Edge- a global leader in precision agriculture – in a deal that will help insurers close the insurance gap among farmers across all continents. This partnership brings together precision farming technology and agriculture insurance in a landmark deal that will fundamentally advance the $5 trillion global food and agriculture industry.

3.1.6. GOVERNANCE: Board of Directors diversity

PartnerRe is guided and governed by a world-class board whose members derive from leading global businesses.

Directors by gender and age groups	30-50	>50	Total
Male	2	2	**4**
Female	-	1	**1**
Total	**2**	**3**	**5**

3.1.7. GOVERNANCE: Integrity and Business Ethics

The Board of PartnerRe has adopted the Code of Business Conduct and Ethics (the "Code of Conduct") and other procedures and guidelines which apply to all directors, officers and employees.
PartnerRe's Code of Business Conduct and Ethics makes clear to employees the actions and behavior expected of them when representing the organization. The organization strives to maintain the highest standards of employee conduct and ethical behavior in all its business activities including when managing relationships with contractors.

The Code is approved by the Audit Committee of PartnerRe Ltd. and is designed to provide a high-level overview of the Company's core values in practice. It is supplemented by additional policies and guidelines that fully explain the application of these values. In particular:

- **Whistleblowing Procedure** – PartnerRe has an established Whistleblowing Procedure to provide employees with guidelines for reporting potential, actual or suspected violations of any laws, rules, regulations or PartnerRe policies and guidelines. Employees are encouraged to disclose violations which they may be aware of, including improper business conduct or unethical business behavior. Retaliation of any type against an employee who reports a violation or potential violation in good faith is not tolerated and is prohibited by the principles outlined in the Code of Business Conduct and Ethics.
- **Conflict of Interest** - PartnerRe is committed to an environment free from conflicts of interest. All decisions regarding PartnerRe's interests must be based solely on what is best for PartnerRe and must not be improperly influenced by personal interests. Accordingly, PartnerRe has implemented a Policy Statement on Conflicts of Interest whereby PartnerRe employees are required to disclose circumstances that create a real or potential conflict of interest.
- **Sanctions and Anti-Money Laundering Guidelines** – PartnerRe requires employees to conduct Sanctions and Anti-Money Laundering checks in order to detect and prevent money laundering and related activities, terrorism financing or transactions with prohibited countries, people and organizations.
- **Anti-Bribery and Corruption Guidelines** – PartnerRe is committed to fighting corruption in compliance with applicable laws and regulations of the country in which business is conducted. Employees must not accept or offer any benefit to any person during the course of their duties to induce the person to do or not do something within the scope of their position.
- **Recruitment and Selection Procedures** – PartnerRe recruits from reputable sources and is committed to compliance with applicable employment laws and regulations.

Employees are required to read, understand, accept and apply the values contained in the Code of Business Conduct and Ethics and in all other policies and guidelines applicable to them, in their everyday work and behavior.

3.1.8. ENVIRONMENTAL: Support of institutions and partnerships

As a company invested in the future, environmental sustainability is important to PartnerRe.
The Company's sustainability partners, Native Energy and the Swiss Climate Foundation, help PartnerRe in its efforts. PartnerRe looks to Native Energy to offset carbon emissions related to some of its business operations, while Swiss Climate Foundation helps PartnerRe to support small and medium enterprises on the forefront of energy efficiency and climate protection.

For more information, please refer to the PartnerRe 2019 Annual Report and its corporate website.

3.2. Ferrari

Ferrari is committed to creating a culture of sustainability. Ferrari recognizes that creating such a culture requires effective risk management, responsible and proactive decision-making and innovation.

Sustainability is a core element of Ferrari's governance model and executive management plays a direct and active role in developing and achieving its sustainability objectives under the oversight of its Board of Directors.

3.2.1. Stakeholder engagement

In 2019 Ferrari carried out various stakeholder engagement activities in order to enhance the voice of its stakeholders and further strengthen its materiality analysis. Ferrari engaged with its employees by explaining what sustainability stands for within Ferrari while taking into consideration their priorities. Ferrari also engaged with its top investors to better understand what they consider to be the main ESG drivers for Ferrari.

Considering the rising environmental and social changes, these engagement activities are an important part of the sustainability approach to help Ferrari identify its sustainability risks and opportunities, as well as supporting management in achieving the company's objectives.

3.2.2. Materiality analysis

In 2019 Ferrari updated the analysis of the most relevant sustainability topics to better reflect sustainability context developments, changes in its drivers and goals, as well as its 2019-2022 plan, which led to the creation of its 5 sustainability strategic pillars: exceeding expectations; reducing environmental footprint; being the employer of choice; creating and sharing value with the community and; proactively fostering best practice governance.

The most relevant topics identified by Ferrari, representing its strategic sustainability priorities, are related to product responsibility*: image and brand reputation, innovation, customer satisfaction and supply chain responsible management*. Special attention is also paid to ethical business conduct and risk management and compliance. The analysis also confirmed the importance of the development of human capital and the commitment to employees' health and safety. With a particular focus on reducing emissions, environmental responsibility is also a key aspect.

3.2.3. Sustainability governance

The Governance and Sustainability Committee is responsible for, among other things, assisting and advising the Board of Directors with monitoring and evaluating reports on the Group's sustainable development policies.

The foundation of Ferrari's governance model is the Code of Conduct that reflects its commitment to a culture dedicated to integrity, responsibility and ethical behavior. The Code of Conduct aims to ensure that all members of the Ferrari Group workforce act with the highest level of integrity, comply with applicable laws and build a better future for the Company and the communities in which it operates. Ferrari's Code of Conduct includes, among others, rules related to anti-bribery, anti-corruption, competitive behavior and conflicts of interest.

3.2.4. Social Responsibility

Ferrari has always put people and their passion at the center of all its processes and involvement in motorsport, starting with its employees and their families then extending outward to clients and the community as a whole.

The high attention and care for its products is the foundation upon which Ferrari's success is built and this is feasible thanks to the efforts of the people working in Ferrari. One of the many strengths is the ability to attract, retain and develop talents. Since 1997, Ferrari has developed the "Formula Uomo" initiative, with the intention of developing a high quality working life for its employees.

Over the years, the project has become a pillar of its culture, based on redesigning the working environment, enforcing a safety-first culture, enabling individual development, enhancing teamwork and building a community comprising 53 different nationalities.

NUMBER OF EMPLOYEES

Employees	31st December 2019	31st December 2018
Total	**4,285**	**3,851**
of which women	***14.0%***	***13.0%***

Ferrari is aware of its responsibility towards the community and its efforts are directed to support the development of the local community, mainly through collaborations with local universities and thanks to the industry network in the Emilia-Romagna region. Ferrari believes that promoting the education of young talents is an essential step to reinforce the connection with local communities. Shaping brilliant engineers with a specific academic background that focuses on new technologies within the automotive industry, and in particular innovative solutions for state-of-the-art performance in luxury cars, is also a prerequisite for Ferrari to seize future opportunities.

Ferrari is partner of the Motor vehicle University of Emilia-Romagna (MUNER) and has established long-term relationships with technical schools in Maranello and other towns nearby. Education is also the focus of a series of different initiatives that provide scholarships to talented junior high, high school and university students.

3.2.5. Environmental Responsibility

Ferrari's most significant environmental efforts are deployed through efficiencies in the manufacturing processes and a program for the reduction of polluting emissions.

The monitoring and management of the environmental performance of its productive plants is assigned to a team that reports to the Chief Technology Officer. Their effort is aimed at minimizing the impact of its activities on the environment, particularly in relation to the energy consumption of production facilities. A different team is in charge of overseeing regulatory developments while monitoring the emissions of Ferrari cars.

Part of the environmental impact of Ferrari's activities is also related to the product lifecycle.

Ferrari has invested heavily to minimize its environmental impact since 2001. Ferrari is determining its carbon footprint in order to set ambitious targets to become ultimately carbon neutral over the longer term.

FERRARI: ENVIRONMENTAL IMPACT KPIs

	31st December 2019	31st December 2018
Total energy consumption *(thousands GJ)*	**1,734**	**1,655**
Total CO_{2eq} emissions *(tons of CO_{2eq})*	**94,615**	**91,773**
NO_X *(tons)*	**43.99**	**59.61**
SO_X *(tons)*	**1.07**	**1.38**
Volatile Organic Compounds (VOCs) *(tons)*	**43.39**	**50.91**
Dust *(tons)*	**2.16**	**4.26**
Total water withdrawal *(thousands of m^3)*	**626.2**	**668.6**

In 2019 Ferrari achieved a 35% reduction in CO2 emissions compared to 2007 for its European fleet through improvements in energy efficiency by increasing the energy produced for the same level of input and therefore reducing the cars' energy requirements.

In addition to its focus on the energy consumption in its facilities, Ferrari is deploying considerable resources for the development of hybrid and electric powertrains, which will be mounted on an increasingly larger proportion of its car models; this is intended to improve performance and driving experience while also satisfying customer preferences and regulatory requirements regarding emissions.

3.2.6. Responsible Supply Chain

Ferrari's focus on excellence, in terms of luxury, quality, aesthetics and performance, requires it to implement a responsible and efficient supply chain management in order to select suppliers and partners that are able to meet its high standards. Ferrari encourages the adoption and sharing of sustainable practices among its business partners, suppliers and dealers. All suppliers must respect the Ferrari Code of Conduct, which includes the set of values recognized, adhered to and promoted by the company.

For more information, refer to the Ferrari 2019 Sustainability Report and corporate website.

3.3. Fiat Chrysler Automobiles (FCA)

FCA aims to create value through its relationships and connections with customers, employees, dealers, suppliers and communities, among others. FCA recognizes that its environmental and social activities affect not only its aspiration to grow the business but also its commitment to positively affect the world.

3.3.1. Stakeholder engagement

As a global enterprise with a complex, intricately connected value chain, FCA engages with a wide range of stakeholders, including employees, customers, suppliers, dealers, institutions, investors, trade unions, associations and local communities.

FCA annually conducts surveys and stakeholder engagement activities focused on sustainability topics. FCA has a target to innovate the sustainability dialogue with stakeholders, in the belief that these activities are an essential part of a robust sustainability program. They help FCA to better identify risks and opportunities, as well as to align its objectives to social, technological and regulatory changes around the globe. In each of the regions where FCA operates, these stakeholder initiatives are adapted to locally relevant topics and needs.

3.3.2. Materiality Analysis

Each year, FCA conducts an analysis of sustainability-related topics which may be considered material to the company.

Material aspects include the most important factors that have an impact on FCA's ability to create long-term value for its stakeholders. The evaluation of material aspects involves consideration of factors such as stakeholder input, business plan targets, corporate values, industry trends, information of interest for investors, societal standards and expectations.

In addition, key global risks that have been identified through FCA's risk management framework are also examined for their relevance to the company's sustainability profile and impact.

As a result, FCA has long-term sustainability-focused targets covering several priority areas such as quality and safety of vehicles; environmentally responsible products, plants and processes; corporate governance; and a healthy, safe and inclusive work environment.

3.3.3. Sustainability governance

The Board of Directors' Governance and Sustainability Committee evaluates proposals related to strategic sustainability initiatives, advises the full Board as necessary, and reviews the sustainability achievements and objectives.

The foundation of FCA's governance model is the Code of Conduct and a collection of supporting statements that reflect its commitment to a culture dedicated to integrity, responsibility and ethical behavior. The Code of Conduct amplifies aspects of conduct related to the economic, social and environmental dimensions, underscoring the importance of dialog with stakeholders. Included in FCA's Code of Conduct are, among others, rules related to anti-bribery, anti-corruption, anti-competitive behavior and conflicts of interest.

3.3.4. Social Responsibility

FCA endeavors to create a work environment that enables employees to collaborate in ways that transform differences into strengths, breaking down geographic and cultural barriers, and developing each person's potential. FCA regards the diversity of its workforce as a key asset and does not tolerate any form of discrimination, as stated in the Human Rights Guidelines.

FCA's approach to employee management and development is embodied in the commitment to its leadership principles: FCA defines leadership as leading change and leading people; embracing and cherishing competition; aiming to achieve best in class performance; collaborating and simplifying decision making, striving for speed, rigor and discipline in all that is done; and it values diversity and inclusion.

These foundational elements are expected to influence every decision, including the appointment of leaders, as FCA continues to strive to be an organization of best-in-class talent in today's automotive industry.

NUMBER OF EMPLOYEES

Employees	2019	2018
Total	**191,752**	**198,545**
of which women	***20.4%***	***20.0%***

FCA's community-related targets are aligned with the United Nations Sustainable Development Goals, and address employee volunteering, enhancing the socio-economic development of local communities, and advancing youth education and training, with particular emphasis on science, technology, engineering and math programs.

FCA supports a variety of educational and training programs worldwide, with the aim of enhancing the self-sustaining social-economic development of local communities. As part of its sustainability focus, in 2019 FCA has provided significant support through the FCA Foundation for an ambitious and innovative project supporting scientific education and outreach to be launched by CERN in Geneva with the Science Gateway, which is expected to host more than 300,000 people every year.

3.3.5. Environmental responsibility

FCA's environmental stewardship endeavors to achieve objectives on two fronts: to reduce its environmental footprint while also contributing to the company's financial success through reduced production costs.

FCA's Environmental Guidelines specify the company's commitment to address environmental and climate change issues. FCA has implemented an Environmental Management System ("EMS") worldwide, a system of methodologies and processes designed to prevent or reduce the environmental impact of the Group's manufacturing activities through, for example, reductions in emissions, water consumption and waste generation, and conservation of energy and raw materials.

A key contributor to FCA's environmental stewardship is the adoption of the World Class Manufacturing ("WCM") program. WCM was first adopted more than 10 years ago and has been implemented in nearly all FCA plants worldwide to promote sustainable and systematic improvements that evaluate and address the reduction or elimination of all types of wastes and losses at its manufacturing operations and facilities.

FCA: ENVIRONMENTAL IMPACT KPIs

	2019	2018
Total energy consumption *(million GJ)*	**41.8**	**45.3**
Total CO_2 emissions *(million tons of CO_2)*	**3.4**	**~~3.6~~3.7**
NO_X *(thousands of tons)*	**1.2**	**1.3**
SO_X *(thousands of tons)*	**0.1**	**0.1**
Dust *(thousands of tons)*	**0.1**	**0.1**
Total water withdrawal *(million m^3)*	**18.8**	**21.7**

FCA's approach to responsible vehicle development includes dedication to efficient powertrains, improved aerodynamics, weight reduction, safety, quality, increased use of renewable materials, and innovative mobility options that include autonomous technology and connectivity solutions.

Economically viable results can best be achieved by combining, where technologically possible, conventional and alternative technologies, while recognizing and accommodating the different regulatory requirements of each market. FCA acknowledges the challenges posed by climate change and has established targets to contribute to the goal of transitioning to a low-carbon future.

3.3.6. Supply chain

FCA works to prevent or mitigate adverse environmental or social impacts that may be directly linked to its own business activities or to products and services from its suppliers.

FCA collaborates with peers, suppliers and other stakeholders on issues related to human rights and working conditions throughout the supply chain.

Because its environmental footprint extends beyond the boundaries of its own manufacturing locations, FCA supports its suppliers in addressing climate change issues, which includes reducing greenhouse gas emissions.

FCA believes that strong supplier relationships built on cooperation and mutual understanding are vital to the effective sourcing of goods and services. FCA recognizes that working as an integrated team with its supply chain helps develop responsible and sustainable practices that limit exposure to unexpected events and supply disruption.

Suppliers must conduct business activities according to ethical standards and procedures and as set forth by the FCA Code of Conduct and Sustainability Guidelines for Suppliers.

For more information, refer to the FCA 2019 Sustainability Report and corporate website.

3.4. CNH Industrial

CNH Industrial is committed to a better future, integrating sustainability in its day-to-day activities and involving all employees. The full integration of environmental and social considerations with economic objectives enables CNH Industrial to identify potential risks and seize additional development opportunities, resulting in a process of continuous, and sustainable, improvement that creates value over the long-term.

3.4.1. Stakeholder engagement

In the past four years, CNH Industrial has evaluated its material topics through stakeholder engagement to assess:

- their relevance to CNH Industrial, based on feedback from the Sustainability Steering Committee members;

- their relevance to stakeholders, based on feedback from a sample of 1,934 stakeholders (247 in 2019) including employees, customers, dealers, opinion leaders, public institutions, non-governmental organizations, investors, and journalists.

CNH Industrial managers and stakeholders were engaged through an online survey or direct interviews. They were asked to evaluate the 14 material topics identified, ranking the five most significant based on their impact on the economy, the environment, and society.

3.4.2. Materiality analysis

The materiality analysis is a tool that CNH Industrial uses to ensure close alignment between the material topics identified and the company's business decisions, increasingly integrating sustainability principles into the company's daily activities.

The materiality analysis by CNH Industrial confirms the greater significance of business-related aspects, in line with the sustainability priorities defined within CNH Industrial's Strategic Business Plan. Specifically, from a circular economy perspective, the material topic Circular product life cycle was considered, both within and outside the Company, as one of the most relevant to CNH Industrial, highlighting the importance of adopting alternative solutions that minimize the impact of a product's life cycle.

CO2 and other air emissions was also one of the most relevant topics, considering not only the impact of manufacturing processes but also of the entire value chain (logistics, supply chain, and product use). Even the topic Occupational health and safety ranked among the most relevant to both the Company and its stakeholders, highlighting the importance of an approach based on effective preventive and protective measures that involves all employees.

3.4.3. Sustainability governance

In 2016, the Sustainability Steering Committee was established to identify sustainability strategies, integrate them with business needs, adopt a medium-to-long term vision, and provide a forum for communication and benchmarking among the geographic areas.

CNH Industrial's sustainability management system consists of several tools, including a set of approximately 200 sustainability-related Key Performance Indicators (KPIs), designed to provide maximum coverage of all the key environmental, social, and governance aspects, in line with GRI Standards and those of the major sustainability rating agencies.

The Code of Conduct forms an integral part of the internal control system and describes the Company's values that contribute to a culture focused on long-term value creation.

The Code of Conduct covers topics such as the environment, health and safety, antitrust/competition, anti-corruption, data privacy, management of human resources, communities and respect of human rights.

3.4.4. Social responsibility

CNH Industrial believes that the ability to attract, retain, and further develop qualified employees is crucial to the success of its businesses and its ability to create value over the long-term.

CNH Industrial recognizes that the nature of today's socio-economic context calls for leaders with the ability to evolve. A solid people management process is the key to success, as it includes employees in the company's business goals, takes advantage of employee talent and fuels workforce motivation. CNH Industrial is committed to support its employees with development opportunities and rewards their achievements and contribution to business results.

NUMBER OF EMPLOYEES

Employees	31st December 2019	31st December 2018
Total	**63,499**	**64,625**

As evidenced by its materiality analysis, both employee engagement in sustainability matters and digital workplaces are key contributors to being a more sustainable company. These material topics affect, both directly and indirectly, how employees adapt their approach to the changing workplace environment.

CNH Industrial's community efforts also focus on young people, and in particular on their education. In addition to the awards and scholarships given to employees' children, the Company works hard to promote young people's education by collaborating with private and public institutions and other stakeholders. Activities range from promoting long-running educational projects, to sponsoring organizations involved in young people's education.

A prime example of youth training includes the TechPro² project, which is conducted in association with Salesian Society schools, and offers specialist training in mechatronics for the commercial vehicles, agricultural equipment, and construction equipment segments. The project began in Italy in 2011, and was subsequently extended to Brazil in 2012, Ethiopia in 2013, China in 2014, and South Africa in 2015.

3.4.5. Environmental responsibility

CNH Industrial is committed to climate change mitigation and aims at full transparency in its management of climate related risks and opportunities, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

The identification of climate-related risks and opportunities led to the definition of a decarbonization strategy, in the light of which CNH Industrial reviewed its business priorities, adapted its financial programming, and identified the following key development steps for its product portfolio: biofuels, electrification and hydrogen fuel cells.

In order to implement its decarbonization strategy, CNH Industrial plans to develop new products by 2022 and 2024 (e.g., next generation alternative fuel engines, natural gas engine technologies, and alternative fuel tractors and wheel loaders).

To tackle climate change issues, CNH Industrial has integrated these projects and specific climate-related topics into its Sustainability Plan and has defined long-term targets that will drive its business strategy.

Long-term environmental protection at CNH Industrial is focused on prevention, conservation, information and people engagement. CNH Industrial has adopted an Environmental Policy that describes the short, medium, and long-term commitments toward the responsible management of environmental aspects, such as: energy, natural resources, raw materials, hazardous substances, polluting emissions, waste, natural habitats and biodiversity.

The company is committed to continuously improving the environmental performance of its processes, implementing the best technologies available and acting responsibly to preserve natural resources. To this end, it has adopted World Class Manufacturing (WCM), an innovative program for continuous improvement.

CNH INDUSTRIAL: ENVIRONMENTAL IMPACT KPIs

	2019	2018
Total energy consumption *(GJ per hour of production)*	**0.10050**	**0.10898**
CO_{2eq} emissions *(tons per hour of production)*	**0.00509**	**0.00597**
VOC emissions* *(g/m^2)*	**42.0**	**45.7**
Total water withdrawal *(m^3 per hour of production)*	**0.075**	**0.079**

(*) 2018 restated with respect to the 2018 EU-IFRS Annual Report, following a change in 2019 to the way of calculating the painted surfaces of vehicles manufactured at 3 plants in South America.

3.4.6. Supply chain

CNH Industrial adopts a responsible approach to the management of its supply chain, establishing relationships that go beyond commercial transactions, fostering long-lasting and mutually satisfying collaborations with qualified partners that share the Group's principles.

CNH Industrial has adopted the Supplier Code of Conduct that provides the framework for responsible supply chain management, which calls for observance of human rights and working conditions, respect for the environment and business ethics. All suppliers carrying on business with CNH Industrial are deemed to agree and accept the contents of the Supplier Code of Conduct.

For more information, refer to the CNH Industrial 2019 Sustainability Report and corporate website.

3.5. Juventus

Juventus aims at using football as a tool of promoting and conveying values such as respect, sharing, and social inclusion. Juventus' commitment is to keep improving as a club and as a company by attempting to identify and meet the demands of its stakeholders, not only in the short term.

Juventus commits to supporting activities in three areas in which a football company may have the greatest influence: playtime, education and social inclusion.

Every year, Juventus promotes a wide range of interaction and engagement activities among its stakeholders including athletes, fans, suppliers, educational institutions and universities, sports institutions, media, sponsors and trade partners, staff, management and employees among others.

Juventus aspires to establish and consolidate a relationship of trust with its stakeholders. The Code of Ethics fixed the values of Juventus. Adherence to the Code is required of corporate bodies and employees, as well as all those who work for the achievement of business objectives, each within their own functions and responsibilities.

The Juventus Corporate Governance System is founded on: the values defined in the Code of Ethics, the central role of the Board of Directors, management transparency, careful distribution of management responsibilities, the monitoring and review of the internal auditing and risk management system, a risk governance system in line with best practice, the remuneration system focused on the specificities of the sector, its employees.

Juventus plans to seek the best talents to represent the Club's image with professionality and competence. The Club has increased partnerships with Universities and occasions for direct contact with recent graduates throughout specifically organized events. It has also increased cooperation in academic project work.

NUMBER OF EMPLOYEES

Employees	Season 2018/2019	Season 2017/2018
Total	**258**	**238**
of which women	***48.1%***	***44.2%***

For more information, refer to the Juventus 2018/2019 Annual Report, 2018/2019 Sustainability Report and corporate website.

4. EXOR GRI CONTENT INDEX

General disclosures		Page	Comment
102-1	Name of the organization		EXOR N.V.
102-2	Activities, brands, products and services	4-6	
102-3	Location of headquarters		Gustav Mahlerplein 25, 1082 MS Amsterdam, The Netherlands
102-4	Location of operations	23	
102-5	Ownership and legal form	46,50	
102-6	Markets served		Mainly Europe and United States
102-7	Scale of the organization	3, 15-21 87-88	
102-8	Information on employees and other workers	87-88	
102-9	Supply chain		As a diversified holding company with a lean organization of 23 employees at 31 December 2019, EXOR's supply chain is limited to office supplies and consulting or service companies in its main offices in Amsterdam and London. There has been no major change of suppliers in 2019 compared to 2018.
102-10	Significant changes to the organization and its supply chain		There have been no significant changes to the organization or supply chain.
102-11	Precautionary Principle or approach	123-189	No direct reference is made to the precautionary principle or approach at the EXOR holding level. Reference is made to the risk management framework of the operating companies with respect to the assessments and management of sustainability risks.
102-12	External initiatives	89-90	
102-13	Membership of associations	89-90	
102-14	Statement from senior decision-maker	I-XVII	See Letter to shareholders
102-16	Values, principles, standards, and norms of behavior	84-85,92-93	
102-18	Governance structure	64-82	
102-35	Remuneration policies	113-121	
102-40	List of stakeholder groups	86	
102-41	Collective bargaining agreements		No employees at the Exor holding level are covered by such agreements. Reference is made to the Code of Conduct (available on the EXOR's website), where EXOR recognizes the freedom of association and the right to collective bargaining.
102-42	Identifying and selecting stakeholders	86	
102-43	Approach to stakeholder engagement	86	
102-44	Key topics and concerns raised	86-87	
102-45	Entities included in the consolidated financial statements	218	
102-46	Defining report content and topic Boundaries	84	
102-47	List of material topics	87	
102-48	Restatements of information		No changes compared to Year 2018
102-49	Changes in reporting		No significant changes compared to Year 2018
102-50	Reporting period		Year 2019
102-51	Date of most recent report		31 December 2018
102-52	Reporting cycle		Annually
102-53	Contact point for questions regarding the report		See Index page
102-54	Claims of reporting in accordance with the GRI Standards	83	
102-55	GRI content index	111-112	
102-56	External assurance		Not verified by an external third party

Material topics		Page	Comment
201-1	Direct economic value generated and distributed	3,84-85	
203-2	Significant indirect economic impacts	89-90,95-110	
205-2	Communication and training about anti-corruption policies and procedures	92-93	
207-1	Approach to tax	93-94	
401-1	New employee hires and employee turnover	87-88	
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REMUNERATION REPORT

REMUNERATION REPORT

Foreword

This section on the remuneration of the EXOR Executive and Non-Executive directors is divided into two sections.

Section I of the Report provides general information regarding the current remuneration policy (the "Remuneration Policy") – as approved and adopted by the general meeting of shareholders on 30 May 2017 – and describes the policies, structures and principles applicable to the remuneration of Executive and Non-Executive directors of EXOR N.V. ("**EXOR**" or the "**Company**").

The Remuneration Policy will be amended in line with requirements of the *Shareholder Rights Directive II* and its implementation into the Dutch Civil Code and will be presented to the EXOR's shareholders for approval during its Annual General Meeting of Shareholders ("**AGM**") in May 2020.

Section II – the Remuneration Report provides information on the application of the Remuneration Policy during the year and the compensation paid to the Directors with reference to the period from 1 January 2019 until the end of the financial year (*i.e.* 31 December 2019).

Within the scope of EXOR's Remuneration Policy, the remuneration of the Executive Directors is determined by the Board of Directors at the recommendation of the Compensation and Nominating Committee of the Company (the "**CNC**").

The Remuneration Report contains disclosures as required under the *Shareholder Rights Directive II* and its implementation into the Dutch Civil Code, and in line with this regulation, will be subject to an advisory vote for approval during the AGM in May 2020.

SECTION I

Objectives and principles of the Remuneration Policy

Objectives and principles

The objective of the Remuneration Policy is to provide a compensation structure that allows the Company to attract and retain the most highly qualified executives and to motivate them to achieve business and financial goals that create long-term value for shareholders in a manner consistent with the Company's core business and leadership values.

For these objectives to be achieved, the Remuneration Policy is determined considering (i) best practices in compensation policy (in accordance, inter alia, with the Dutch Corporate Governance Code); and (ii) the need for sustainable compensation and the alignment with the medium-to-long-term interests of the shareholders.

The Remuneration Policy aims, further, to provide a total compensation opportunity that is competitive compared to the compensation paid by comparable companies and to reinforce the Company's performance-driven culture and meritocracy.

All the above is in the context of the specific characteristics of the Company, in particular of the ownership structure and the, organization wise, simple structure.

The Remuneration Policy is determined to be coherent with the Company's risk management policy and internal control system.

During its committee meeting in March 2019 the CNC reviewed and assessed the effectiveness of the Remuneration Policy and established that the subsisting Remuneration Policy functions well in enhancing the long-term value of EXOR. In this review and assessment by the CNC, the view of the CEO on his own remuneration package and the view on long-term value creation in this respect, was taken into account.

The CNC has also spent considerable time during the year reviewing the effectiveness of Remuneration Policy, how it contributes to EXOR's long-term business strategy. This review has informed the proposals in the revised policy which will be submitted for approval at the 2020 AGM.

Scenario analysis

In the CNC the Non-Executive Directors examined, by taking into account different scenario assumptions, the relationship between the performance criteria chosen and the possible results of the variable remuneration components and the manner in which this effects the remuneration of EXOR's CEO (scenario analysis).

As such, the Non-Executive Directors have also assessed the functioning of the Remuneration Policy taking into account the relationship between the Company's objectives, the chosen performance criteria and the long-term interest/value creation.

2019 Internal pay ratios

In line with the Dutch Corporate Governance Code, the internal pay ratio is taken into consideration when determining the Remuneration Policy for the Board of Directors. The ratio between the CEO's annual fixed remuneration and the average fixed remuneration for all employees within the Holdings System was 13:1 for the 2019 financial year and in line with 2018 (12:1).

The development of this ratio will be monitored and disclosed going forward. The CNC also monitor the ratio on a total compensation basis, incorporating the value of variable compensation delivered to the CEO and all employees within the Holdings System.

Framework for Executive Directors Remuneration

The Board of Directors determines the compensation for Executive Directors based on recommendations from the CNC and in accordance with the Remuneration Policy.

The compensation structure for Executive Directors includes a fixed component and a variable component based on short and long-term performance. The Company believes that its compensation structure promotes the interests of EXOR in the short and the long-term and is designed to encourage Executive Directors to act in the best interests of EXOR. In determining the level and structure of the compensation of Executive Directors, the Non-Executive Directors will take into account, among other things, the Company's financial and operational results and other business objectives. The Company establishes target compensation levels using a market-based approach and periodically benchmarks its Executive compensation program against peer companies and monitors compensation levels and trends in the market. The components of Executive Directors' variable remuneration are linked to predetermined, assessable targets.

Fixed components

The base salary is the fixed part of the annual cash compensation for Executive Directors. The primary objective is to attract and retain highly qualified senior executives.

Variable components

Executive Directors are also eligible to receive variable compensation subject to the achievement of pre-established financial target, aligning to the Dutch Corporate Governance Code. The variable compensation will only be payable if at the end of the year the average change in Net Asset Value (the "NAV") per EXOR share in US$ in the three preceding years exceeds the average change in the MSCI World Index in the three preceding years.

Short-Term Incentives

The primary performance objective of short-term variable cash incentives is to incentivize Executive Directors to focus on the business priorities for the current or next year. Executive Directors' variable remuneration is linked to the achievement of pre-determined short-term (*i.e.* annual) financial and other identified objectives proposed by the CNC and approved by the Non-Executive Directors each year.

In addition, upon proposal of the CNC, the Non-Executive Directors have authority to grant periodic bonuses for specific transactions that are deemed exceptional in terms of strategic importance and effect on the Company's results. The form of any such bonus (cash, EXOR ordinary shares or options to purchase ordinary shares) is determined by the Non-Executive Directors from time to time. During the 2019 financial year no such bonuses were awarded.

Long Term Incentives

The primary performance objective of long-term variable incentives is to reward and retain qualified Executive Directors over the longer term while aligning their interests with those of shareholders.

These equity-based awards help in aligning Executive Directors' interests with shareholder interests by delivering greater value to the Executive Director as shareholder value increases.

Other Benefits
Executive Directors may also be entitled to customary fringe benefits such as company car and driver, personal/home security, (medical) insurances, tax preparation and financial counseling. The CNC may grant other benefits to the Executive Directors in particular circumstances.

SECTION II

2019 Application of the Executive Remuneration Framework

The applicability of the remuneration framework for the Chief Executive Officer, being the only Executive Director, is described hereafter.

Fixed components
The Chief Executive Officer's annual compensation is a fixed component being US$1,000,000. No increase was made during 2019 and no increase is planned for 2020.

Short-Term Incentives
The Chief Executive Office is eligible for a variable component of US$1,000,000, the so-called "cash performance". The cash performance will only be paid if at the end of the year the average change in Net Asset Value (the "NAV") per EXOR share in US$ in the three preceding years exceeds the average change in the MSCI World Index in the three preceding years.

For the year ending 31 December 2019, performance of the three preceding financial years 2017 – 2019 was:

- The average performance of the MSCI World Index was: 11.6%.
- The average change in EXOR's NAV per share in US$ was: 25.9%.

On the basis that the predetermined performance objective was achieved, the Chief Executive's variable component will be paid in full. The CNC is comfortable that this outcome reflects the overall performance of the individual and the Company.

Long Term Incentives
No long-term incentives awards were granted to the Chief Executive Officer during 2019.

According to the 2016 Long Term Stock Option, the CEO of the Company has been granted an amount of options corresponding to a value of US$ 4,000,000 per year for the duration of the aforesaid plan.

Framework for Non-Executive Directors Remuneration

The remuneration of Non-Executive Directors is a cash remuneration only, is fixed and is not dependent on the Company's financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any incentive plans. The committee membership and committee chair fee payments will be made all in cash.

Based on the Remuneration Policy the compensation for Non-Executive Directors is as follows:

On annual basis:

- Euro 50,000 for each Non-Executive Director;
- an additional Euro 15,000 for each member of the Audit Committee and Euro 20,000 for the Audit Committee Chairman;
- an additional Euro 7,500 for each member of the Compensation and Nominating Committee and Euro 10,000 for the Compensation and Nominating Committee Chairman.

In 2019, the above remuneration has been paid, except to the Non-Executive Directors who waived the remuneration, to the Non-Executive Directors and, on a pro-rata basis, to the Non-Executive Directors who left the Company.

Incentive Plans for Executive Directors and management

By means of the resolution adopted by the general meeting of shareholders, the Company resolved to maintain effective all the stock option plans already established by EXOR S.p.A. (now EXOR N.V.) in order to attract, retain and motivate directors as well as employees and other individuals having business relationships with EXOR to reward such persons for their loyalty and commitment to the long-term value creation of EXOR (the "Stock Option Plans").

The Remuneration Policy has proven to be effective in terms of establishing a correlation between EXOR's strategic goals and the chosen performance instrument (Stock Option Plan), as the main key performance instrument of our CEO's long-term incentive, which represents a significant part of the CEO compensation package, which supports both EXOR's business strategy and the value creation for our shareholders, being stock appreciation.

The Long-term incentive compensation is an important component of the Executive Directors' compensation structure and, in addition, a tool to motivate and reward employees of the Company. This compensation component is designed to:

- align the interest of our Executive Directors and other key contributors with the interests of our shareholders;
- motivate the attainment of Company performance goals and reward sustained shareholder value creation; and
- serve as an important attraction and long-term retention tool that management and the Compensation and Nominating Committee use to strengthen loyalty to the Company.

The Long term incentive compensation is a retention plan and for this reason not a performance linked remuneration, however the recipient has to be an employee of EXOR and can only exercise the stock option 3 years after the vesting date, hence in line with the Dutch Corporate Governance Code the Stock Options cannot be exercised during the first three years after they have been granted.

The EXOR 2008-2019 Stock Option Plan

The vesting period ended on 14 May 2016 and therefore no cost has been recorded in 2019. In 2019 the CEO exercised the options under the EXOR 2008-2019 stock option Plan, at an exercise price of Euro 19.97. After 31 December 2019 no options under the EXOR 2008-2019 stock option Plan remain exercisable.

The 2012 Incentive Plan

The 2012 Incentive Plan is in two parts, the first has the form of a stock grant and the second that of a stock option.
Under the stock grant part of the plan, which was denominated as the "Long Term Stock Grant", recipients were granted a maximum of 400,000 shares, conditional on the professional relationship with the Company and with companies in the so called "Holdings System". At the end of May 2018 the Long Term Stock Grant vested and 124,612 shares were delivered to the beneficiaries.
Under the second part, denominated as the "Company Performance Stock Option", a maximum of 3,000,000 options are granted, allowing recipients to purchase a corresponding number of shares, conditional on the achievement of a pre-established performance objective and on the continuation of the professional relationship with the Company and with the companies in the Holdings System.
The performance objective was determined as the change in EXOR's NAV is greater than the change in the MSCI World Index expressed in Euro in the year preceding the year in which the options vest. The exercise price for the options is Euro 16.62.
At the end of May 2018, the Company Performance Stock Options vested 1,019,200 options of which 450,000 to the Chief Executive Officer and 569,200 to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price per share of €16.59 and €16.62, respectively. The options are exercisable until 2021. During 2019 the CEO did not exercise any option.

The 2016 Long Term Stock Option Plan

The general meeting of shareholders held on 25 May 2016 approved a stock option plan (the "2016 Long Term Stock Option Plan").

This plan is in line with the most evolved international practice and constitutes a share-based compensation instrument. The plan provides for the granting of a maximum 3,500,000 options which will enable recipients (i.e. the Chief Executive Officer and employees of the Company from time to time identified by the Chief Executive Officer as beneficiaries of the plan) to purchase a corresponding number of the Company's shares conditional on the continuation of the professional relationship with the Company or companies EXOR controls in the period between the grant date and the vesting date.

The options are granted once at the date of joining the plan (after being identified by the Chief Executive Officer as beneficiary) and vest on 30 May each year as follows:

- in five equal annual quotas, beginning in 2017, for options granted prior to 31 December 2016;
- in four equal annual quotas, beginning in 2018, for options granted between 1 January and 31 December 2017;
- in three equal annual quotas, beginning in 2019, for options granted between 1 January and 31 December 2018;
- in two equal annual quotas, beginning in 2020, for options granted between 1 January and 31 December 2019; and
- in a single quota, on 30 May 2021, for options granted between 1 January and 31 December 2020.

The vesting of the options as herein described will be definitive. In line with the Dutch Corporate Governance Code, each option may not be exercised until after 3 years from the vesting of the options and until 31 December 2026 and recipients who do not exercise their options by that date will cease to have any rights.

The plans will be serviced exclusively through treasury shares of the Company, without recourse to the issue of shares and, therefore, will not have a dilutive effect. If so required, the Company will purchase, in compliance with the applicable regulations, a quantity of own shares sufficient to cover the entire plan approved by the shareholders. In connection with the servicing of the plan no other financial instrument will be issued by the Company or by its subsidiary or by third parties.

No awards were made under the 2016 Long Term Stock Option Plan during 2019.

Director and Officer Overlaps

There is an overlap between the composition of the Board of Directors of Giovanni Agnelli B.V. and that of the Board of Directors of the Company.
More specifically, John Elkann, Alessandro Nasi and Andrea Agnelli are also Directors of Giovanni Agnelli B.V. of which John Elkann is also the Chairman.

Treatment on cessation of office and non-competition agreements

There are no severance agreements or arrangments between the Company and its Directors which provide for indemnities in the event of early termination of the relationship or for the granting or maintaining of non-monetary benefits for Directors who have left the Company or for consulting arrangements covering periods after termination of the relationship or for compensation for non-competition agreements.

Non-monetary benefits and supplementary insurance coverage

In line with best practice in the field of compensation and in consideration of the specific responsibilities assigned, the compensation plans of Directors include non-monetary benefits (such as, reimbursement of expenses for travel outside the municipality of residence). For all Directors there is also insurance cover for directors' civil liability relating to claims for compensation for non-fraudulent acts performed in the performance of the director's duties. All the aforesaid being in addition to the reimbursement of out-of-pocket expenses incurred in the performance of the activities associated with the responsibilities assigned.

There are no pension arrangements in place for the Directors.

Derogations and deviations from the Remuneration Policy

In 2019 no derogations or deviations were made from the Remuneration Policy.

Board of Directors

Hereafter follows an illustration, on an individual basis, of the compensation paid in whatever form to the Directors in the financial year 2019.
The data in the tables relates to Board positions held in the Company and in the listed and non-listed (operating) subsidiaries.

In addition, the Share Ownership table sets out the number of common shares of EXOR and the (operating) subsidiaries, owned by EXOR Directors at the end of December 2019.

Directors' Compensation

The following table summarizes the remuneration paid to the members of the Board of Directors for the year ended 31 December 2019.

Amount in €									
			EXOR N.V.					OTHER[1]	TOTAL
Directors of EXOR N.V.	**Office held**	**Year**	**Salary/ Annual fee (cash)**	**Compensation/ Annual fee (equity)**	**Bonus and other (non-equity)**	**Committee**	**Total EXOR N.V.**	**Total Other**	**Total Compensation**
ELKANN John	Chairman and CEO	2019	899,290	3,585,945	890,155		5,375,390	5,138,059	10,513,449
		2018	851,776	3,696,373	873,362		5,421,511	3,527,238	8,948,749
NASI Alessandro	Vice Chairman	2019	0 [2]			7,500	7,500	1,003,751	1,011,251
		2018	0 [2]			7,500	7,500	2,122,129	2,129,629
AGNELLI Andrea	Director	2019	0 [2]				0	687,182	687,182
		2018	0 [2]				0	668,990	668,990
ELKANN Ginevra	Director	2019	0 [2]			0 [3]	0		0
		2018	0 [2]				0		0
BOLLAND Marc	Director	2019	50,000				50,000		50,000
		2018	50,000			8,333	58,333		58,333
BAE Joseph	Director	2019	0 [4]			0 [4]	0		0
		2018	0 [4]			0 [4]	0		0
BETHELL Melissa	Director	2019	50,000			20,000	70,000		70,000
		2018	50,000			11,667	61,667		61,667
DEBROUX Laurence	Director	2019	50,000			15,000	65,000		65,000
		2018	50,000			8,750	58,750		58,750
HORTA-OSORIO Antonio	Director	2019	50,000			10,000	60,000		60,000
		2018	50,000			5,833	55,833		55,833
FENTENER VAN VISSLINGEN Annemiek[5]	Director	2019	0			0	0		0
		2018	50,000			15,000	65,000		65,000
Total 2019			**1,099,290**	**3,585,945**	**890,155**	**52,500**	**5,627,890**	**6,828,992**	**12,456,882**

(1) Related to FCA, CNH Industrial, Ferrari, PartnerRe and Juventus.
(2) Directors have waived their right to the emolument of €50,000 as determined by the EXOR Shareholders' Meeting.
(3) Director has waived her right to the emolument of €15,000 as determined by the EXOR Shareholders' Meeting.
(4) Director has waived his right to the emolument of €57,500 as determined by the EXOR Shareholders' Meeting (€50,000 for Salary/Annual Fee and €7,500 for Committee).
(5) Director stepped down per 27 March 2019; she has waived her right to the emolument for salary/annual Fee for Audit Committee.

With regard to the remuneration received from the (operating) subsidiaries FCA, CNH Industrial, Ferrari, PartnerRe and Juventus, reference is made to the information published in their respective financial statement.

Directors' Remuneration and Company Performance

In line with the new guidance provided under the Dutch Civil Code, the performance of the company, the annual change of remuneration of each director, and of the average employee remuneration other than directors from 2017 to 2019 financial years is disclosed in the following table.

The requirement in the Dutch Civil Code is to disclose this information over five financial years. However, as EXOR N.V. was incorporated in its current structure in December 2016, this information is only available and relevant from 2017 onwards.

€	**2019** (Change to 2018)	**2018** (Change to 2017)	**2017**
Company performance			
Net profit attributable to owner of the parent	3,053,000,000 (+126.7%)	1,347,000,000 (-3.23%)	1,392,000,000
Net Asset Value per share	98.6 (+37.2%)	71.89 (-9.6%)	79.48
Earnings per share - diluted	13.12 (+131.4%)	5.67 (-3.4%)	5.87
Executive Director			
John Elkann	5,375,390 (-0.85%)	5,421,511 (-2.2%)	5,543,052
Non-Executive Directors			
Alessandro Nasi	7,500 (0%)	7,500 (0%)	7,500
Andrea Agnelli	0 (0%)	0 (0%)	0
Joseph Bae	0 (0%)	0	n/a
Melissa Bethell	70,000 (+13.51%)	61,667 (+23%)	50,000
Marc Bolland	50,000 (-14,29%)	58,333 (-17%)	70,000
Laurence Debroux	65,000 (+10.64%)	58,750 (+18%)	50,000
Ginevra Elkann	0 (0%)	0 (0%)	0
Antonio Horta-Osório	60,000 (+7.46%)	55,833 (+12%)	50,000
Employees			
Average employee remuneration[(1)]	343,415 (-9.3%)	378,649 (-18.1%)	462,566

(1) Calculated as total employee cost divided by the average number of FTEs.

Stock options granted in previous year

The following table summarizes outstanding stock options held by EXOR N.V. Directors as of 31 December 2019:

			at 1 January 2019				**at 31 December 2019**
Name/Plan	Grant Date	Exercise price	Granted and not vested	Granted	Vested	Expired	Granted and not vested
Elkann John / EXOR 2016 Plan	1/7/2016	€32.38	**1,208,370**	-	402,790	-	**805,580**

Share plans granted to Directors

The following table gives an overview of the share plans held by EXOR N.V. Directors as of 31 December 2019:

Name Plan	Grant Date	Vesting Date	Number of shares under award at 1 January 2019	Shares Granted	Shares Vested	Shares subject to a Performance condition	Shares Forfeited	Number of shares under award at 31 December 2019
ELKANN John Ferrari Equity incentive Plan 2019-2021 PSUs and RSUs	April 2019	March 2022	-	20,703	-	13,802	-	**20,703**
ELKANN John FCA 2019 LTI RSU(1)	15/05/2019	1/05/2020, 1/05/2021, 1/05/2022	-	139,620	-	-	-	**139,620**
ELKANN John FCA 2019 LTI PSU(1)	15/05/2019	1/05/2020, 1/05/2021, 1/05/2022	-	418,860	-	418,860	-	**418,860**
NASI Alessandro 2016 CNH RSU	6/9/2016	6/9/2020	**6,267**	-	6,267	-	-	**-**
NASI Alessandro 2017 CNH PSU	22/12/2017	28/02/2020	**184,000**	-	-	-	184,000	**-**
NASI Alessandro 2017 CNH RSU	22/12/2017	30/06/2020	**61,334**	-	30,667	-	-	**30,667**

1) In December 2019, the Compensation Committee, in accordance with the terms of the LTI plan, approved a conversion factor of 1.107723 that was applied to outstanding awards under the Long Term Incentive Plan to make equity award holders whole for the resulting diminution in the value of an FCA common share as a result of the payment of an extraordinary cash distribution to holders of FCA common shares on 30 May 2019. The number of shares granted has been adjusted as follows.

Name of Director, Position	Specification of Plan	Performance Period	Grant Date	Shares Granted	Conversion Factor	Dilution Adjustment	Number of Adjusted Shares
ELKANN John Chairman	2019 LTI RSU	2019-2021	15-May-2019	139,620	1.107723	15,040	154,660
ELKANN John Chairman	2019 LTI PSU	2019-2021	15-May-2019	418,860	1.107723	45,121	463,981

The total cost recognized in 2019 in the consolidated financial statements in connection with the stock options plans and the share plans referenced above was approximately €7.2 million, of which €6.6 million related to the Chairman and CEO of EXOR N.V. and €0.6 million to the other board members, in particular related to the plans granted by FCA, Ferrari and CNH Industrial.

Share Ownership

The following table summarizes the number of common shares of EXOR N.V. and its subsidiaries owned by EXOR directors owned as of at 31 December 2019:

	EXOR N.V. common shares	FCA N.V. common shares	CNH Industrial N.V. common shares	Ferrari N.V. common shares	JUVENTUS S.p.A. ordinary shares
ELKANN John		133,000		15,375	
NASI Alessandro		3,750	333,286	375	
AGNELLI Andrea		36,102		1,122	50,901
HORTA-OSORIO Antonio	3,818				

RISK FACTORS FROM SUBSIDIARIES

RISK FACTORS FROM SUBSIDIARIES

The following paragraphs indicate the specific main risks and uncertainties of the companies in consolidation (FCA, PartnerRe, CNH Industrial and Ferrari).

FCA

Risks related to the Group's business, strategy and operations

FCA- If vehicle shipment volumes deteriorate, particularly shipments of the Group's pickup trucks and larger sport utility vehicles in the U.S. retail market, the results of operations and financial condition of the Group will suffer

As is typical for an automotive manufacturer, the Group has significant fixed costs primarily due to its significant investment in product development, property, plant and equipment and the requirements of its collective bargaining agreements and other applicable labor relations regulations. As a result, changes in vehicle shipment volumes can have a disproportionately large effect on profitability.

Further, profitability in the U.S., Canada, Mexico and Caribbean islands ("North America"), a region which contributed a majority of the Group's profit in each of the last three years, is particularly dependent on demand for its pickup trucks and larger SUVs. The Group's pickup trucks and larger SUVs have historically been more profitable than other vehicles and accounted for approximately 71 percent of total U.S. retail vehicle shipments in 2019. A shift in consumer demand away from these vehicles within the North America region, and towards compact and mid-size passenger cars, whether in response to higher fuel prices or other factors, could adversely affect the Group's profitability.

The Group's dependence within the North America region on pickup trucks and larger SUVs remained high in 2019 as it continued implementation of its plan to reallocate more production capacity to these vehicle types after ceasing production in the region of compact and mid-size passenger cars in 2016. The Group's dependence on these vehicles is expected to continue given the Group's focus on pickup trucks and SUVs in the North America region.

Moreover, the Group tends to operate with negative working capital as it generally receives payment for vehicles within a few days of shipment, whereas there is a lag between the time when parts and materials are received from suppliers and when the Group pays for such parts and materials; therefore, in periods in which the Group's vehicle shipments decline materially it will suffer a significant negative impact on cash flow and liquidity as it continues to pay suppliers for components purchased in a high volume environment during a period in which it receives reduced proceeds from vehicle shipments. If vehicle shipments decline, or if they were to fall short of the Group's assumptions, due to recessionary conditions, changes in consumer confidence, geopolitical events, inability to produce sufficient quantities of certain vehicles, limited access to financing or other factors, such decline or shortfall could have a material adverse effect on the Group's business, financial condition and results of operations.

FCA - The Group's businesses may be adversely affected by global financial markets, general economic conditions, pandemics, changes to and enforcement of government incentive programs as well as other macro developments over which it has little or no control

The Group's results of operations and financial position may be influenced by various macroeconomic factors within the various countries in which it operates including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates for or availability of consumer and business credit, the rate of unemployment and foreign currency exchange rates.

In addition to slow economic growth or recession, other economic circumstances, such as increases in energy prices, fuel prices and fluctuations in prices of raw materials (including as a result of tariffs) or contractions in infrastructure spending, could have negative consequences for the industry in which the Group operates and, together with the other conditions discussed above, could have a material adverse effect on its business, financial condition and results of operations.

The Group has operations in a number of emerging markets, including Turkey, China, Brazil, Argentina, India and Russia. It is particularly susceptible to risks relating to local political conditions, import and/or export restrictions (including the imposition of tariffs on raw materials which it procures and on vehicles which it sells), and compliance with local laws and regulations in these markets.

In Brazil, The Group has historically received and continues to receive certain tax benefits and other government grants, which have favorably affected the results of its operations, and were recently extended through 2025.

Expiration of these tax benefits and government grants without their renewal or any change in the amount of such tax benefits or government grants could have a material adverse effect on the Group's business, financial conditions and results of operations.

The Group is also susceptible to risks relating to epidemics and pandemics of diseases. For example, the recent outbreak of coronavirus, a virus causing potentially deadly respiratory tract infections originating in China, may negatively affect economic conditions regionally as well as globally and may disrupt supply chains and otherwise impact operations. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though expected to be temporary in nature, may continue and increase depending on developments in the virus' outbreak. As of the date hereof, FCA has temporarily halted production at one of its European plants because of an interruption of critical supplies. The Chinese automobile market has also begun to experience reduced demand. The ultimate severity of the coronavirus outbreak is uncertain at this time and therefore the Group cannot predict the impact it may have on its end markets and its operations; however, the effect on FCA's results could be material and adverse.

FCA is also subject to other risks inherent to operating globally. For example, it is subject to multiple tax regimes, including regulations relating to transfer pricing and withholding and other taxes on remittances and other payments to or from subsidiaries. European developments in data and digital taxation may also negatively affect some of the Group's automated driving and infotainment connected services. Unfavorable developments in any one or a combination of these risk areas (which may vary from country to country) could have a material adverse effect on the Group's business, financial condition and results of operations and on its ability to execute planned strategies.

On 23 June 2016, a majority of voters in a national referendum in the United Kingdom ("UK") voted in favor of the UK leaving ("Brexit") the European Union (the "EU"). The UK left the EU on 31 January 2020 and pursuant to a negotiated withdrawal agreement, there will be an 11-month transition period under which EU rules will continue to apply in the UK. During this period, the UK and the EU will seek to reach an agreement on their future relationship. There can be no assurance that an agreement with regard to future trade and co-operation will be reached prior to the end of the transition period.

Although FCA does not believe Brexit will have a direct material impact on its operations or materially impact its tax expense, the form of Brexit remains uncertain and may result in greater restrictions on imports and exports between the UK and EU countries, a fluctuation in currency exchange rates and additional regulatory complexity as well as further global economic uncertainty, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

There has been a recent and significant increase in activity and speculation regarding tariffs and duties between the U.S. and its trading partners. The FCA Group manufactures a significant percentage of its vehicles outside the U.S. (particularly in Canada, Mexico and Italy) for import into the U.S. It also manufactures vehicles in the U.S. that are exported to China. Tariffs or duties implemented between the U.S. and its trading partners could have a material adverse effect on the Group's business, financial condition and results of operations. Tariffs or duties that directly impact the Group's products could reduce consumer demand and/or make its products less profitable. In addition, a continued escalation in tariff or duty activity between the U.S. and its major trading partners could negatively impact global economic activity, which could in turn reduce demand for FCA products.

FCA - The Group may be unsuccessful in efforts to increase the growth of some of the brands that it believes have global appeal and reach, which could have material adverse effects on its business.

The volume growth and margin expansion strategies reflected in the Group's business plan include the renewal of key products, the launch of white-space products, the implementation of various electrified powertrain applications and partnerships relating to the development of autonomous driving technologies. The Group has experienced challenges in expanding the product range and global sales of certain brands, in particular, Alfa Romeo. As a result it has rationalized its product plans, which resulted in the recognition of impairment charges in the third quarter of 2019.

The Group's strategies have required and will continue to require significant investments in products, powertrains, production facilities and distribution networks. If the Group is unable to achieve its volume growth and margin expansion goals, it may be unable to earn a sufficient return on these investments which could have a material adverse effect on its business, financial condition and results of operations.

FCA - Future performance depends on the Group's ability to offer innovative, attractive products

The Group's success depends on, among other things, its ability to develop innovative, high-quality products that are attractive to consumers and provide adequate profitability. The Group may not be able to effectively compete with other automakers with regard to electrification, autonomous driving, mobility and other emerging trends in the industry. In certain cases, the technologies that the Group plans to employ are not yet commercially practical and depend on significant future technological advances by the Group, its partners and by suppliers. There can be no assurance that these advances will occur in a timely or feasible manner that the funds the Group has budgeted or expended for these purposes will be adequate, or that it will be able to obtain rights to use these technologies. Further, competitors and others are pursuing similar technologies and other competing technologies, and there can be no assurance that they will not acquire and implement similar or superior technologies sooner than the Group will or on an exclusive basis or at a significant cost advantage.

In addition, as a result of the extended product development cycle and inherent difficulty in predicting consumer acceptance, a vehicle that the Group believes will be attractive may not generate sales in sufficient quantities and at high enough prices to be profitable. It generally takes two years or more to design and develop a new vehicle, and a number of factors may lengthen that schedule. For example, if the Group determines that a safety or emissions defect, a mechanical defect or a non-compliance with regulation exists with respect to a vehicle model prior to retail launch, the launch of such vehicle could be delayed until the Group remedies the defect or non-compliance. Various elements may also contribute to consumers' acceptance of new vehicle designs, including competitors' product introductions, fuel prices, general economic conditions and changes in styling preferences. In addition there can be no assurance that vehicles developed by the Group in order to comply with government regulations, particularly those related to fuel efficiency, greenhouse gas and tailpipe emissions standards, will be attractive to customers or will generate sales in sufficient quantities and at high enough prices to be profitable.

If the Group fails to develop products that contain desirable technologies and are attractive to and accepted by consumers, the residual value of its vehicles could be negatively impacted. In addition, the increasing pace of inclusion of new innovations and technologies in the Group's vehicles and in those of its competitors could also negatively impact the residual value of the Group's vehicles. A deterioration in residual value could increase the cost that consumers pay to lease the Group's vehicles or increase the amount of subvention payments that the Group makes to support its leasing programs.

The failure to develop and offer innovative, attractive and relevant products on a timely basis could have a material adverse effect on the Group's business, financial condition and results of operations.

FCA – The Group's success largely depends on the ability of the management team to operate and manage effectively

The Group's success largely depends on the ability of its senior executives and other members of management to effectively manage the Group and individual areas of the business. The Group's management team is critical to the execution of the Group's strategic direction and implementation of its business plan.

The Group has developed succession plans that it believes are appropriate, although it is difficult to predict with any certainty that it will be able to replace these individuals with persons of equivalent experience and capabilities. If the Group is unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, such inability could have a material adverse effect on its business, financial condition and results of operations.

FCA - Labor laws and collective bargaining agreements with the Group's labor unions could impact its ability to increase the efficiency of its operations and the Group may be subject to work stoppages in the event it is unable to agree on collective bargaining agreement terms or have other disagreements

Unlike businesses operating in different industries and/or in different geographical regions, substantially all of the Group's production employees are represented by trade unions, are covered by collective bargaining agreements and/or are protected by applicable labor relations regulations that may restrict its ability to modify operations and reduce personnel costs quickly in response to changes in market conditions and demand for its products. These and other provisions in the Group's collective bargaining agreements may impede its ability to restructure its business successfully to compete more effectively, especially with those automakers whose employees are not represented by trade unions or are subject to less stringent regulations, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, the Group may be subject to work stoppages in the event that it and its labor unions are unable to agree on collective bargaining agreement terms or have other disagreements. Any such work stoppage could have a material adverse effect on the Group's business, financial condition and results of operations.

FCA – If the Group fails to accurately forecast demand for its vehicles, its profitability may be affected

The Group has taken steps to improve efficiency in its manufacturing, supply chain and logistics processes. This includes producing certain vehicle models with specified features based on forecasted dealer orders, which the Group believes will allow it to more efficiently and cost effectively manage its supply chain. This practice may result in higher finished goods inventory in certain periods when increased dealer orders are anticipated. Further, while the Group is confident that its analytical tools should enable it to align production with dealer orders, if dealer orders do not meet the Group's forecasts, its profitability on these vehicles may be affected.

FCA – Product recalls and warranty obligations may result in direct costs, and any resulting loss of vehicle sales could have material adverse effects on FCA's business

FCA, and the U.S. automotive industry in general, have experienced a sustained increase in recall activity to address performance, compliance or safety-related issues. For example, in November 2019, FCA voluntarily recalled more than 700,000 SUVs worldwide due to problems with an electrical connection that could result in a vehicle stall. The costs to recall vehicles have been significant and typically include the cost of replacement parts and labor to remove and replace parts. These costs substantially depend on the nature of the remedy and the number of vehicles affected and may arise many years after a vehicle's sale. Product recalls may also harm the Group's reputation, force it to halt the sale of certain vehicles and cause consumers to question the safety or reliability of its products. Given the intense regulatory activity across the automotive industry, ongoing compliance costs are expected to remain high.

Any costs incurred, or lost vehicle sales, resulting from product recalls could materially adversely affect the Group's financial condition and results of operations. Moreover, if the Group faces consumer complaints, or it receives information from vehicle rating services that calls into question the safety or reliability of one of its vehicles and it does not issue a recall, or if it does not do so on a timely basis, its reputation may also be harmed and it may lose future vehicle sales. The Group is also obligated under the terms of its warranty agreements to make repairs or replace parts in its vehicles at its expense for a specified period of time. Therefore, any failure rate that exceeds the\ Group's assumptions could have a material adverse effect on its business, financial condition and results of operations.

FCA - The lack of a captive finance company in certain key markets could place the Group at a competitive disadvantage to other automakers that may be able to offer consumers and dealers financing and leasing on better terms than the Group's consumers and dealers are able to obtain

The Group's dealers enter into wholesale financing arrangements to purchase vehicles from the Group to hold in inventory and facilitate retail sales, and retail consumers use a variety of finance and lease programs to acquire vehicles.

Unlike many of its competitors, the Group does not own and operate a controlled finance company dedicated solely to its mass-market vehicle operations in the U.S. and certain key markets in Europe, Asia and South America. Instead it has elected to partner with specialized financial services providers through joint ventures and commercial agreements with third parties, including third party financial institutions, to provide financing to its dealers and retail customers. The Group's lack of a controlled finance company in these key markets may increase the risk that its dealers and retail consumers will not have access to sufficient financing on acceptable terms which may adversely affect its vehicle sales in the future. Furthermore, many of the Group's competitors are better able to implement financing programs designed to maximize vehicle sales in a manner that optimizes profitability for them and their finance companies on an aggregate basis. Since the Group's ability to compete depends on access to appropriate sources of financing for dealers and retail consumers, its lack of a controlled finance company in those markets could have a material adverse effect on its business, financial condition and results of operations.

Any financial services provider, including the Group's joint ventures and controlled finance companies, will also face other demands on their capital, including the need or desire to satisfy funding requirements for dealers or consumers of the Group's competitors as well as liquidity issues relating to other investments. Furthermore, they may be subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to the Group's dealers and retail consumers.

To the extent that a financial services provider is unable or unwilling to provide sufficient financing at competitive rates to the Group's dealers and retail consumers, such dealers and retail consumers may not have sufficient access to financing to purchase or lease Group vehicles. As a result, the Group's vehicle sales and market share may suffer, which could have a material adverse effect on its business, financial condition and results of operations.

FCA - A significant security breach compromising the electronic control systems contained in the Group's vehicles could damage its reputation, disrupt business and adversely impact the Group's ability to compete

The Group's vehicles, as well as vehicles manufactured by other original equipment manufacturers (or "OEMs"), contain complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. These electronic control systems, which are increasingly connected to external cloud-based systems, are susceptible to cybercrime, including threats of intentional disruption and theft of personal information. These threats are also likely to increase in terms of sophistication and frequency as the level of connectivity and autonomy in its vehicles increases. A significant malfunction, disruption or security breach compromising the electronic control systems contained in the Group's vehicles could damage its reputation, expose it to significant liability and could have a material adverse effect on its business, financial condition and results of operations.

FCA - A significant malfunction, disruption or security breach compromising the operation of the Group's information technology systems could damage its reputation, disrupt its business and adversely impact its ability to compete

The Group's ability to keep its business operating effectively depends on the functional and efficient operation of its information, data processing and telecommunications systems, including the vehicle design, manufacturing, inventory tracking and billing and payment systems. In addition, the Group's vehicles are increasingly connected to external cloud-based systems. These systems are regularly the target of threats from third parties. A significant or large-scale malfunction or interruption of any one of the Group's computer or data processing systems, including through the exploitation of a weakness in its systems or the systems of its vendors, could have a material adverse effect on its ability to manage and keep its manufacturing and other operations running effectively, and damage its reputation. A malfunction or security breach that results in a wide or sustained disruption to its business could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition to supporting its operations, the Group uses its systems to collect and store confidential and sensitive data, including information about its business, its consumers and its employees. As its technology continues to evolve, the Group anticipates that it will collect and store even more data in the future and that its systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of the Group's value is derived from its confidential business information, including vehicle design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, it may lose its competitive advantage and its vehicle shipments may suffer. The Group also collects, retains and uses personal information, including data it gathers from consumers for product development and marketing purposes, and data it obtains from employees. In the event of a breach in security that allows third parties access to this personal information, the Group is subject to a variety of ever-changing laws on a global basis that require it to provide notification to the data owners, and that subject it to lawsuits, fines and other means of regulatory enforcement.

For example, the General Data Protection Regulation (Regulation (EU) 2016/679) (the "GDPR") has increased the stringency of European Union data protection requirements and related penalties. Non-compliance with the GDPR can result in fines of the higher of €20 million or 4% of annual worldwide revenue. The requirements of the GDPR have necessitated changes to existing business practices and systems in order to comply with the GDPR or to address the concerns of the Group's customers or business partners. In addition, the California Consumer Privacy Act of 2018 became effective on 1 January 2020 and provides California residents with new data privacy rights. Several other U.S. states are also considering adopting laws and regulations imposing obligations regarding the handling of personal data. Complying with any new data protection-related regulatory requirements could force the Group to incur substantial expenses or require it to change its business practices in a manner that has a material adverse effect on its business, financial condition and results of operations.

The Group's reputation could also suffer in the event of a data breach, which could cause consumers to purchase their vehicles from its competitors. Ultimately, any significant compromise in the integrity of the Group's data security could have a material adverse effect on its business, financial condition and results of operations.

FCA - There can be no assurance that the Group will be able to offset the earnings power lost from the sale of Magneti Marelli

In October 2018, FCA announced that it had entered into a definitive agreement with CK Holdings, Ltd., a holding company of Calsonic Kansei Corporation, pursuant to which CK Holdings Co., Ltd. would acquire the Group's automotive components business, Magneti Marelli This transaction was completed in the second quarter of 2019 for consideration of €5.8 billion, subject to certain adjustments, and enabled the payment of an extraordinary dividend of €2 billion at closing.

If the improvement in the Group's capital position resulting from the sale of Magneti Marelli is not sufficient to offset the related loss of revenue and earnings, the Group could experience a material adverse effect on its business, financial condition and results of operations.

FCA - The Group's reliance on joint arrangements in certain emerging markets may adversely affect the development of its business in those regions

The Group intends to expand its presence in emerging markets, including China and India, through partnerships and joint ventures. For instance, the GAC FCA JV locally produces the Jeep Cherokee, Jeep Renegade, Jeep Compass, Jeep Grand Commander and Jeep Commander PHEV for the Chinese market, expanding the portfolio of Jeep SUVs currently available to Chinese consumers. The Group also has a joint operation with TATA Motors Limited for the production of certain of the Group's vehicles, engines and transmissions in India.

The Group's reliance on joint arrangements to enter or expand its presence in these markets may expose it to risk of conflict with its joint arrangement partners and the need to divert management resources to oversee these shareholder arrangements. Further, as these arrangements require cooperation with third party partners, these joint arrangements may not be able to make decisions as quickly as the Group would if it was operating on its own or may take actions that are different from what the Group would do on a standalone basis in light of the need to consider its partners' interests. As a result, the Group may be less able to respond timely to changes in market dynamics, which could have a material adverse effect on its business, financial condition and results of operations.

Risks related to the Industry in which the Group operates

FCA - The automotive industry is highly competitive and cyclical and the Group may suffer from those factors more than some of its competitors

Substantially all of the Group's revenues are generated in the automotive industry, which is highly competitive, encompassing the production and distribution of passenger cars, light commercial vehicles and components and production systems. The Group faces competition from other international passenger car and light commercial vehicle manufacturers and distributors and components suppliers in Europe, North America, Latin America and the Asia Pacific region. These markets are all highly competitive in terms of product quality, innovation, the introduction of new technologies, pricing, fuel economy, reliability, safety, consumer service and financial services offered. Many of its competitors are also better capitalized than the Group and command larger market shares, which may enable them to compete more effectively in these markets.

If its competitors are able to successfully integrate with one another and the Group is not able to adapt effectively to increased competition, its competitors' integration could have a material adverse effect on the Group's business, financial condition and results of operations.

In the automotive business, sales to consumers are cyclical and subject to changes in the general condition of the economy, the readiness of consumers to buy and their ability to obtain financing, as well as the possible introduction of measures by governments to stimulate demand, particularly related to new technologies that the Group has not yet included in its vehicles (for example, technologies related to compliance with evolving emissions regulations). The automotive industry is also subject to the constant renewal of product offerings through frequent launches of new models and the incorporation of new technologies in those models. A negative trend in the automotive industry or the Group's inability to adapt effectively to external market conditions coupled with more limited capital than many of its principal competitors could have a material adverse effect on the Group's business, financial condition and results of operations.

Additionally, global vehicle production capacity exceeds current demand. In the event that industry shipments decrease and overcapacity intensifies, the Group's competitors may attempt to make their vehicles more attractive or less expensive to consumers by adding vehicle enhancements, providing subsidized financing or leasing programs, or by reducing vehicle prices whether directly or by offering option package discounts, price rebates or other sales incentives in certain markets.

Manufacturers in countries that have lower production costs may also choose to export lower-cost automobiles to more established markets. An increase in these actions could have a material adverse effect on the Group's business, financial condition and results of operations.

FCA - Vehicle retail sales depend heavily on affordable interest rates for vehicle financing and a substantial increase in interest rates could adversely affect the Group's business

In certain regions, including North America, financing for new vehicle sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. As interest rates rise, generally market rates for new vehicle financing are expected to rise as well, which may make the Group's vehicles less affordable to retail consumers or steer consumers to less expensive vehicles that tend to be less profitable for the Group, adversely affecting its financial condition and results of operations. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, consumers may not desire to or be able to obtain financing to purchase or lease the Group's vehicles. Furthermore, because purchasers of its vehicles may be relatively more sensitive to changes in the availability and adequacy of financing and macroeconomic conditions, the Group's vehicle sales may be disproportionately affected by changes in financing conditions relative to the vehicle sales of its competitors. As a result, a substantial increase in consumer interest rates or tightening of lending standards could have a material adverse effect on the Group's business, financial condition and results of operations.

FCA - The Group faces risks associated with increases in costs, disruptions of supply or shortages of raw materials, parts, components and systems used in its vehicles

The Group uses a variety of raw materials in its business including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium, as well as energy. Also, as the Group begins to implement various electrified powertrain applications throughout its portfolio in accordance with its business plan, it will also depend on a significant supply of lithium, nickel and cobalt, which are used in lithium-ion batteries. The prices for these raw materials fluctuate, and market conditions can affect the Group's ability to manage its Cost of revenues. In particular, as production of electric vehicles increases, the Group may face shortages of raw materials and lithium cells and prices may increase. The Group may not be successful in managing its exposure to these risks. Substantial increases in the prices for raw materials would increase its operating costs and could reduce profitability if the increased costs cannot be offset by higher vehicle prices or productivity gains. In particular, certain raw materials are sourced from a limited number of suppliers and from a limited number of countries, particularly those needed in catalytic converters and lithium-ion batteries. From time to time these may be susceptible to supply shortages or disruptions. The Group cannot guarantee that it will be able to maintain arrangements with suppliers that assure access to these raw materials at reasonable prices.

As with raw materials, the Group is also at risk for price fluctuations, supply disruption and shortages in parts and components for use in its vehicles for many reasons including, but not limited to, supplier disputes, particularly with regard to warranty recovery claims, supplier financial distress, tight credit markets, trade restrictions, tariffs, natural or man-made disasters, epidemics or pandemics of diseases, or production difficulties. With respect to the impact of the current outbreak of coronavirus, see " – *The Group's businesses may be adversely affected by global financial markets, general economic conditions, pandemics, changes to and enforcement of government incentive programs as well as other macro developments over which it has little or no control."* Fluctuations in the price of parts and components can affect the Group's costs and profitability in the manner described above with respect to raw materials. The Group will continue to work with suppliers to monitor potential disruptions and shortages and to mitigate the effects of any emerging shortages on its production volumes and revenues. However, there can be no assurances that these events will not have an adverse effect on its production in the future, and any such effect may be material. Further, there can be no assurance that trade restrictions and tariffs will not be imposed, and if imposed, tariffs and other trade restrictions may make the cost of required raw materials more expensive or delay or limit the Group's access to these raw materials, each of which could have a material adverse effect on its business, financial condition and results of operations.

Any interruption in the supply or any increase in the cost of raw materials, parts, components and systems could negatively impact the Group's ability to achieve its vehicle shipment objectives and profitability. The potential impact of an interruption is particularly high in instances where a part or component is sourced exclusively from a single supplier. Long-term interruptions in supply of raw materials, parts, components and systems may result in a material impact on vehicle production, vehicle shipment objectives, and profitability. Cost increases which cannot be recouped through increases in vehicle prices, or countered by productivity gains, could have a material adverse effect on the Group's business, financial condition and results of operations.

This risk can increase at points of economic uncertainty such as has been experienced in LATAM as a result of economic deterioration in Argentina.

FCA - The Group is subject to risks associated with exchange rate fluctuations, interest rate changes and credit risk

The Group operates in numerous markets worldwide and is exposed to risks stemming from fluctuations in currency and interest rates. The exposure to currency risk is mainly linked to the differences in geographic distribution of Group manufacturing activities and commercial activities, resulting in cash flows from sales being denominated in currencies different from those connected to purchases or production activities. Additionally, a significant portion of operating cash flow is generated in U.S. Dollars and, although the Group has significant U.S. Dollar-denominated debt, the majority of its indebtedness is denominated in Euro and Brazilian Real.

The Group uses various forms of financing to cover funding requirements for its industrial activities and for providing financing to its dealers and consumers. Moreover, liquidity for industrial activities is also principally invested in variable-rate or short-term financial instruments. The Group's financial services businesses normally operate a matching policy to offset the impact of differences in rates of interest on the financed portfolio and related liabilities. Nevertheless, changes in interest rates can affect the Group's net revenues, finance costs and margins.

In addition, although the Group manages risks associated with fluctuations in currency and interest rates through financial hedging instruments, fluctuations in currency or interest rates could have a material adverse effect on its business, financial condition and results of operations.

The Group's financial services activities are also subject to the risk of insolvency of dealers and retail consumers. Despite its efforts to mitigate such risks through the credit approval policies applied to dealers and retail consumers, there can be no assurances that the Group will be able to successfully mitigate such risks.

Risks related to the Legal and Regulatory Environment in which the Group operates

FCA – Current and future more stringent or incremental laws, regulations and governmental policies, including those regarding increased fuel efficiency requirements and reduced greenhouse gas and tailpipe emissions, have a significant effect on how the Group does business and may increase its cost of compliance and negatively affect its operations and results

As the Group seeks to comply with government regulations, particularly those related to fuel efficiency, vehicle safety and greenhouse gas and tailpipe emissions standards, it must devote significant financial and management resources, as well as vehicle engineering and design attention, to these legal requirements. The Group expects the number and scope of these regulatory requirements, along with the costs associated with compliance, to increase significantly in the future, and these costs could be difficult to pass through to consumers, particularly if the acceptance rate for such vehicles is low.

For example, EU regulations governing passenger car and LCV fleet average CO_2 emissions become significantly more stringent in 2020 and provide for material penalties if targets are exceeded. In addition, the U.S. federal government has challenged the jurisdiction of U.S. states such as California to impose their own environmental regulatory requirements on the vehicles that the Group sells, resulting in uncertainty regarding the applicability of these regulations. Uncertainty regarding these regulations may increase the Group's costs of compliance.

FCA - The Group remains subject to diesel emissions investigations by several government agencies and to a number of related private lawsuits, as well as other claims and lawsuits which may lead to further enforcement actions, penalties or damage awards and may also adversely affect the Group's reputation with consumers

On 10 January 2019, FCA announced that FCA US reached final settlements on civil, environmental and consumer claims with the U.S. Environmental Protection Agency ("EPA"), U.S. Department of Justice, the California Air Resources Board, the State of California, 49 other States and U.S. Customs and Border Protection, for which €748 million was accrued during the year ended 31 December 2018. Approximately €350 million of the accrual related to civil penalties to resolve differences over diesel emissions requirements. A portion of the accrual was attributable to settlement of a putative class action on behalf of consumers in connection with which FCA US agreed to pay an average of $2,800 per vehicle for each eligible customer affected by the recall. FCA continues to defend individual claims from approximately 3,200 consumers that have exercised their right to opt out of the class action settlement and pursue their own individual claims against the Group (the "Opt-Out Litigation"). The Group has engaged in further discovery in the Opt-Out Litigation and participated in court-sponsored settlement conferences but has reached settlement agreements with only a very small number of these remaining plaintiffs.

In the U.S., FCA remains subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice, Criminal Division. In September 2019, the U.S. Department of Justice filed criminal charges against an employee of FCA US for, among other things, fraud, conspiracy, false statements and violations of the Clean Air Act primarily in connection with efforts to obtain regulatory approval of the vehicles that were the subject of the civil settlements described above. FCA continues to cooperate with these investigations and to present FCA's positions on concerns raised by these governmental authorities. FCA may also engage in discussions in an effort to reach an appropriate resolution of these investigations. It is also subject to a number of related private lawsuits.

FCA has also received inquiries from other regulatory authorities in a number of jurisdictions as they examine the on-road tailpipe emissions of several automakers' vehicles and, when jurisdictionally appropriate, it continues to cooperate with these governmental agencies and authorities.

In Europe, FCA has been working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union, and the UK Driver and Vehicle Standards Agency in connection with their review of several of the Group's vehicles.

FCA also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for its vehicles, and it discussed the KBA reported test results, its emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its exclusive jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. Thereafter, mediations have been held under EC rules, between the MIT and the German Ministry of Transport and Digital Infrastructure, which oversees the KBA, in an effort to resolve their differences. The mediation was concluded with no action being taken with respect to FCA. In May 2017, the EC announced its intention to open an infringement procedure against Italy regarding Italy's alleged failure to respond to EC's concerns regarding certain FCA emission control calibrations. The MIT has responded to the EC's allegations by confirming that the vehicles' approval process was properly performed.

In December 2019, the MIT notified FCA that the Dutch Ministry of Infrastructure and Water Management ("I&W") had been communicating with the MIT regarding certain irregularities allegedly found by the RDW and the Dutch Center of Research TNO in the emission levels of certain Jeep Grand Cherokee Euro 5 models and a vehicle model of another OEM that contains a Euro 6 diesel engine supplied by FCA. In January 2020, the Dutch Parliament published a letter from the I&W summarizing the conclusions of the RDW regarding those vehicles and engines and indicating an intention to order a recall and report their findings to the Public Prosecutor, the EC and other Member States. FCA is in the process of providing a response to the MIT and engaging with the RDW to present its positions and cooperate to reach an appropriate resolution of this matter. In addition, at the request of the French Consumer Protection Agency, the Juge d'Instruction du Tribunal de Grande Instance of Paris is investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

In December 2018, the Korean Ministry of Environment ("MOE") announced its determination that approximately 2,400 FCA vehicles imported into Korea during 2015, 2016 and 2017 were not emissions compliant and that the vehicles with a subsequent update of the emission control calibrations voluntarily performed by FCA, although compliant, would have required re-homologation of the vehicles concerned. In May 2019, the MOE revoked certification of the above-referenced vehicles and announced an administrative fine for an amount not material to the Group. FCA has appealed the MOE's decision. FCA's subsidiary in Seoul, Korea is also cooperating with local criminal authorities in connection with their review of this matter and with the Korean Fair-Trade Commission regarding a purported breach of the Act on Fair Labeling and Advertisement in connection with the subject vehicles.

The results of the unresolved governmental inquiries and private litigation cannot be predicted at this time and these inquiries and litigation may lead to further enforcement actions, penalties or damage awards, any of which may have a material adverse effect on the Group's business, financial condition and results of operations. It is also possible that these matters and their ultimate resolution may adversely affect FCA's reputation with consumers, which may negatively impact demand for its vehicles and consequently could have a material adverse effect on its business, financial condition and results of operations.

FCA - The Group's business operations and reputation may be impacted by various types of claims, lawsuits, and other contingencies

The Group is involved in various disputes, claims, lawsuits, investigations and other legal proceedings relating to several matters, including product liability, warranty, vehicle safety, emissions and fuel economy, product performance, asbestos, personal injury, dealers, suppliers and other contractual relationships, alleged violations of law, environment, securities, labor, antitrust, intellectual property, tax and other matters. The Group estimates such potential claims and contingent liabilities and, where appropriate, records provisions to address these contingent liabilities. The ultimate outcome of the legal proceedings pending against the Group is uncertain, and such proceedings could have a material adverse effect on its financial condition or results of operations. Furthermore, additional facts may come to light or the Group could, in the future, be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on its business, financial condition and results of operations. While the Group maintains insurance coverage with respect to certain claims, not all claims or potential losses can be covered by insurance, and even if claims could be covered by insurance, the Group may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims. Further, publicity regarding such investigations and lawsuits, whether or not they have merit, may adversely affect the Group's reputation and the perception of its vehicles with retail customers, which may adversely affect demand for its vehicles, and have a material adverse effect on its business, financial condition and results of operations.

For example, in November 2019, General Motors LLC and General Motors Company (collectively, "GM") filed a lawsuit in the U.S. District Court for the Eastern District of Michigan against FCA US, FCA NV and certain individuals, claiming violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act, unfair competition and civil conspiracy in connection with allegations that FCA US paid bribes to UAW officials that corrupted the bargaining process with the UAW and as a result FCA US enjoyed unfair labor costs and operational advantages that caused harm to GM. GM also claimed that FCA US had made concessions to the UAW in collective bargaining that the UAW was then able to extract from GM through pattern bargaining which increased costs to GM in an effort to force a merger between GM and FCA NV. FCA is defending vigorously against this action and has filed a motion to dismiss all claims.

In addition, FCA and other Brazilian taxpayers have significant disputes with the Brazilian tax authorities regarding the application of Brazilian tax law. FCA believes that it is more likely than not that there will be no significant impact from these disputes. However, given the current economic conditions and uncertainty in Brazil, new tax laws or more significant changes such as tax reform, may be introduced and enacted. Changes to the application of existing tax laws may also occur or the realization of accumulated tax benefits may be limited, delayed or denied. Any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

FCA - The Group may not be able to adequately protect its intellectual property rights, which may harm its business

The Group's success depends, in part, on its ability to protect its intellectual property rights. If the Group fails to protect its intellectual property rights, others may be able to compete against it using intellectual property that is the same as or similar to its own. In addition, there can be no guarantee that the Group's intellectual property rights are sufficient to provide it with a competitive advantage against others who offer products similar to its own. For example, another OEM has been producing a vehicle closely resembling one of FCA's Jeep models for sale in the U.S. FCA has brought proceedings to stop these practices and while the court's initial ruling has been in FCA's favor, it cannot be certain of the proceeding's final outcome. More generally, despite its efforts, the FCA Group may be unable to prevent third parties from infringing its intellectual property and using its technology for their competitive advantage. Any such infringement could have a material adverse effect on the Group's business, financial condition and results of operations.

The laws of some countries in which the Group operates do not offer the same protection of its intellectual property rights as do the laws of the U.S. or Europe. In addition, effective intellectual property enforcement may be unavailable or limited in certain countries, making it difficult for the Group to protect its intellectual property from misuse or infringement there. The Group's inability to protect its intellectual property rights in some countries could have a material adverse effect on its business, financial condition and results of operations.

FCA - It may be difficult to enforce U.S. judgments against FCA

FCA is incorporated under the laws of the Netherlands, and a substantial portion of its assets are outside of the U.S. Most of its directors and senior management and its independent auditors are resident outside the U.S., and all or a substantial portion of their respective assets may be located outside the U.S.

As a result, it may be difficult for U.S. investors to effect service of process within the U.S. upon these persons. It may also be difficult for U.S. investors to enforce within the U.S. judgments predicated upon the civil liability provisions of the securities laws of the U.S. or any state thereof. In addition, there is uncertainty as to whether the courts outside the U.S. would recognize or enforce judgments of U.S. courts obtained against FCA or its directors and officers predicated upon the civil liability provisions of the securities laws of the U.S. or any state thereof. Therefore, it may be difficult to enforce U.S. judgments against FCA, its directors and officers and its independent auditors.

FCA - FCA operates so as to be treated as exclusively resident in the United Kingdom for tax purposes, but the relevant tax authorities may treat it as also being tax resident elsewhere

FCA is not a company incorporated in the United Kingdom ("UK"). Therefore, whether it is resident in the UK for tax purposes depends on whether its "central management and control" is located (in whole or in part) in the UK.

The test of "central management and control" is largely a question of fact and degree based on all the circumstances, rather than a question of law. Nevertheless, the decisions of the UK courts and the published practice of Her Majesty's Revenue & Customs ("HMRC"), suggest that FCA, a group holding company, is likely to be regarded as having become UK-resident on this basis from incorporation and remaining so if, as FCA intends, (i) at least half of the meetings of the Board of Directors are held in the UK with a majority of directors present in the UK for those meetings; (ii) at those meetings there are full discussions of, and decisions are made regarding, the key strategic issues affecting FCA and its subsidiaries; (iii) those meetings are properly minuted; (iv) at least some of FCA's directors, together with supporting staff, are based in the UK; and (v) FCA has permanent staffed office premises in the UK. Although it has been accepted by HMRC that FCA's "central management and control" is in the UK, it would nevertheless not be treated as UK-resident if (a) it were concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) that has a double tax treaty with the UK and (b) there were a tie-breaker provision in that tax treaty which allocated exclusive residence to that other jurisdiction. FCA's residence for Italian tax purposes is largely a question of fact based on all circumstances. The Company has set up and has thus far maintained, and intends to continue to maintain, its management and organizational structure in such a manner that it should not be regarded as an Italian tax resident either for Italian domestic law purposes or for the purposes of the Italy-UK tax treaty and should be deemed resident in the UK from its incorporation for the purposes of the Italy-UK tax treaty. Because this analysis is highly factual and may depend on future changes in FCA's management and organizational structure, there can be no assurance regarding the final determination of its tax residence. Should FCA be treated as an Italian tax resident, it would be subject to taxation in Italy on its worldwide income and may be required to comply with withholding tax and/or reporting obligations provided under Italian tax law, which could result in additional costs and expenses.

Although it has been accepted that its "central management and control" is in the UK, FCA would be resident in the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes on the basis that it is incorporated there. Nonetheless, it can be regarded as solely resident in either the UK or the Netherlands under the Netherlands-UK tax treaty if the UK and Dutch competent authorities agree that this is the case. FCA has received a ruling from the UK and Dutch competent authorities that it should be treated as resident solely in the UK for the purposes of the treaty. If there is a change over time to the facts upon which this ruling issued by the competent authorities is based, the ruling may be withdrawn or cease to apply.

FCA does not expect Brexit to affect its tax residency in the UK; however, it is unable to predict with certainty whether the discussions to implement the UK's exit from the European Union will ultimately have any impact on this matter.

Risks related to the FCA-PSA Merger

FCA – The exchange ratio will not be adjusted for changes in the value of FCA common shares or PSA ordinary shares of for developments in FCA's business or the business of PSA before the merger is completed

Upon the consummation of the merger, PSA shareholders will be entitled to receive 1.742 common shares of the combined company for each PSA ordinary share that they own. This exchange ratio will not be adjusted for changes in the value of FCA common shares or the value of PSA ordinary shares, or for changes in the relative value of FCA's business or the business of PSA between the date of the combination agreement and the date of the closing of the merger. Share price changes may result from a variety of factors that are beyond FCA's control, including changes in FCA's or PSA's respective businesses, operations or prospects, regulatory considerations, legal proceedings or in the general business, market, industry or economic conditions.

Market assessments of the benefits of the merger and of the likelihood that the merger will be completed, and related arbitrage activities, may also have an effect on share prices. If the value of FCA common shares relative to the value of PSA ordinary shares increases or decreases (or the value of FCA's business increases or decreases relative to the value of the PSA business) prior to the effectiveness of the merger, the market value of the combined company's common shares that shareholders will hold following the merger may be higher or lower than the relative values of their shares on a standalone basis at the date of the combination agreement or the date of this document.

FCA - The merger is subject to receipt of antitrust approvals from several competition authorities and the expiration of the applicable waiting period under the Hart Scott Rodino Act (the "HSR Act"). As a condition to obtaining the required antitrust approvals, the relevant regulatory authorities may impose conditions that could have an adverse effect on the combined company or, if such approvals are not obtained, could prevent the consummation of the merger

Before the merger may be completed, any waiting period (or extension thereof) applicable to the merger must have expired or been terminated, and any competition approvals, consents or clearances required in connection with the merger must have been received, in each case, under the applicable antitrust laws of the EU, under the HSR Act, and under the competition laws of the Federative Republic of Brazil, the Republic of Chile, the United States of Mexico, the People's Republic of China, Japan, the Republic of India, the Republic of South Africa, People's Democratic Republic of Algeria, the Kingdom of Morocco, Israel, the Swiss Confederation, Ukraine, the Russian Federation, the Republic of Serbia, the Republic of Turkey, and, potentially, the Argentine Republic. The consummation of the merger might be delayed due to the time required to fulfill the requests for information by the relevant regulatory authorities. The terms and conditions of any antitrust approvals, consents and clearances that are ultimately granted may impose conditions, terms, obligations or restrictions on the conduct of the combined company's business.

FCA and PSA are obligated under the combination agreement to take all actions necessary to consummate the merger as soon as reasonably practicable, including the relevant competition approvals and to undertake and comply with such commitments as the regulatory authorities may require as a condition for such competition approvals. As an exception to the foregoing, neither FCA nor PSA are required to nor may, without the consent of the other party, undertake or comply with any commitments or take any action (i) if any such commitment or action, individually or in the aggregate, would, or would reasonably be expected to, result in a substantial detriment to the combined company or (ii) unless any such commitment or action is conditioned upon the consummation of the merger.

Regulatory authorities may impose conditions, and any such conditions may have the effect of delaying the consummation of the merger or imposing additional material costs on, or materially limiting, the revenues of the combined company following the consummation of the merger. In addition, any such conditions may result in the delay or abandonment of the merger. FCA and PSA may each terminate the combination agreement if the merger has not been completed by 30 June 2021 as a result of a failure to obtain the required approvals from the applicable antitrust regulatory authorities.

FCA - Failure to timely complete the merger could negatively affect FCA's business plans and operations and share price

The obligation of FCA and PSA to effect the merger is subject to various closing conditions, some of which are beyond FCA's control and the control of PSA and any of which may prevent, delay or otherwise materially adversely affect the consummation of the merger.

The consummation of the merger is conditioned upon, among other conditions, (i) the approval of the merger by FCA's shareholders and by the PSA shareholders; (ii) the approval from the NYSE, the Euronext Paris and the MTA for listing of the combined company's common shares; (iii) the effectiveness of FCA's registration statement on Form F-4; (iv) the receipt of the required approvals from antitrust authorities; (v) the receipt of any consents necessary to be obtained in order to consummate the merger; (vi) the receipt of ECB clearance; and (vii) the absence of injunctions or restraints of any governmental entity that prohibit or make illegal the consummation of the merger, but only to the extent that any failure to comply with such prohibition would reasonably be expected to result in a substantial detriment to the combined company. FCA cannot provide any assurance as to when these conditions will be satisfied or waived, if at all, or that other events will not intervene to delay or result in the failure to complete the merger. Any delay in completing the merger could prevent or delay the combined company from realizing some or all of the anticipated cost savings, synergies, growth opportunities and other benefits that FCA expects to achieve if the merger is successfully completed within the expected time frame.

The market price of FCA common shares currently, and in the period prior to termination, if the combination agreement were to be terminated, may reflect a market assumption that the merger will occur. If the merger is not completed for any reason, including as a result of FCA's shareholders and PSA's shareholders failing to approve the merger, FCA's business, cash flows, financial condition or results of operations may be materially adversely affected. Without realizing any of the anticipated benefits of completing the merger, FCA would be subject to a number of risks, including:

- it may experience negative reactions from the financial markets, including a decline of its share price;
- it may experience negative reactions from its customers, suppliers, regulators and employees and other stakeholders; and
- it may be adversely affected by the substantial commitments of time and resources undertaken by the FCA management team in connection with the merger, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to its business had the merger not been contemplated.

FCA - The combined company may fail to realize some or all of the anticipated benefits of the merger, which could adversely affect the value of the shares of the combined company

FCA and PSA currently operate, and up to the closing of the merger will continue to operate, independently as separate companies. The success of the merger will depend, in part, on the combined company's ability to realize the anticipated cost savings, synergies, growth opportunities and other benefits from combining the businesses. The achievement of the anticipated benefits of the merger is subject to a number of uncertainties, including general competitive factors in the marketplace and whether FCA is able to integrate its business with PSA's business in an efficient and effective manner and establish and implement effective operational principles and procedures. Failure to achieve these anticipated benefits could result in increased costs, decreases in the revenues of the combined company and diversion of management's time and energy, and could materially impact the combined company's business, cash flows, financial condition or results of operations. If the combined company is not able to successfully achieve these objectives, the anticipated cost savings, synergies, growth opportunities and other benefits that FCA expects to achieve as a result of the merger may not be realized fully, or at all, or may take longer than expected to realize.

The combined company will have to devote significant management attention and resources to integrating the business practices and FCA operations and the operations of PSA. Potential difficulties that the combined company may encounter as part of the integration process include complexities associated with managing the business of the combined company, such as difficulty integrating manufacturing processes, systems and technology, in a seamless manner, as well as integrating the workforces of the two companies. In addition, the integration of FCA's business and PSA's business may result in additional and unforeseen expenses, capital investments and financial risks, such as the incurrence of unexpected write-offs, the possible effect of adverse tax treatments and unanticipated or unknown liabilities relating to PSA or the merger. All of these factors could decrease or delay the expected accretive effect of the merger.

It is possible that the integration process could take longer or be more costly than anticipated or could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of the combined company to maintain relationships with suppliers, customers and employees, to achieve the anticipated benefits of the merger or maintain quality standards.

An inability to realize the full extent of, or any of, the anticipated benefits of the merger, as well as any delays encountered in the integration process, could have an adverse effect on the combined company's business, cash flows, financial condition or results of operations, which may affect the value of the combined company shares following the consummation of the merger.

FCA - The announcement and pendency of the merger could adversely affect FCA's business, cash flows, financial condition or results of operations

The announcement and pendency of the merger could cause disruptions in and create uncertainty surrounding FCA's business, including with respect to its relationships with existing and future customers, suppliers and employees, which could have an adverse effect on its business, cash flows, financial condition or results of operations, irrespective of whether the merger is completed. FCA's business relationships may be subject to disruption as customers, suppliers and other persons with whom the Group has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with FCA or consider entering into business relationships with parties other than FCA or the combined company. The risk, and adverse effect, of any such disruptions could be exacerbated by a delay in the consummation of the merger.

FCA – The Group will incur significant transaction costs in connection with the merger and, if the merger is consummated, the combined company will incur significant integration costs

The FCA Group has incurred, and expects to continue to incur, significant costs in connection with the merger, including the fees of its professional advisors. FCA may also incur unanticipated costs associated with the transaction and the listings on the NYSE, the Euronext Paris and the MTA of the combined company's common shares as required in connection with the merger, and these unanticipated costs may have an adverse impact on the results of operations of the combined company following the effectiveness of the merger. In addition, if the merger is consummated, the combined company will incur significant integration costs following the consummation of the merger. FCA cannot provide assurance that the realization of efficiencies related to the integration of its business with the business of PSA will offset the incremental transaction and integration costs in the near term, if at all.

FCA - Uncertainties associated with the merger may cause a loss of management personnel or other key employees which could adversely affect the future business and operations of the combined company

FCA depends on the experience and industry knowledge of its officers and other key employees to execute its business plan. The combined company's success after the consummation of the merger will also depend, in part, upon the ability of the combined company to attract and retain key management personnel and other key employees. Current employees may experience uncertainty about their roles within the combined company following the consummation of the merger, which may have an adverse effect on FCA's ability to retain key management and other key personnel.

FCA - While the merger is pending, the FCA Group is subject to restrictions on its business activities

Under the combination agreement, FCA is subject to certain restrictions on the conduct of its business and generally must operate in the ordinary course and consistent with past practice (subject to certain exceptions agreed between FCA and PSA in the combination agreement), which may restrict FCA's ability to carry out certain business strategies. These restrictions may prevent FCA from pursuing otherwise attractive business opportunities, making certain investments or acquisitions, selling assets, engaging in capital expenditures in excess of certain agreed limits, incurring certain indebtedness or making changes to its business prior to the completion of the merger or termination of the combination agreement, as applicable. These restrictions could have an adverse effect on the Group's business, cash flows, financial condition, results of operations or share price.

FCA - Certain of FCA's directors and executive officers have benefit arrangements and other interests that may result in their interests in the merger being different from those of other shareholders

Some of FCA's directors who recommend that shareholders vote in favor of the merger and the transactions contemplated thereby, as well as some of its executive officers, have benefit arrangements that provide them with interests in the merger that may be different from those of FCA shareholders generally. The receipt of compensation or other benefits in connection with the merger may influence these persons in making their recommendation that shareholders vote in favor of approval of the merger and the transactions contemplated thereby.

FCA - FCA may not have discovered certain liabilities or other matters related to PSA, which may adversely affect the future financial performance of the combined company

In the course of the due diligence review that FCA conducted prior to the execution of the combination agreement, FCA may not have discovered, or may have been unable to properly quantify, issues relating to PSA which may lead the combined company to write-down or write-off assets or incur impairment or other charges that could result in losses that may be significant. In addition, even if the due diligence review conducted by FCA successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with its preliminary risk analysis. FCA shareholders would not be compensated for any such losses.

FCA - Resales of the combined company's common shares following the merger may cause the market value of the combined company's common shares to decline.

Several reference shareholders of the combined company will be subject to restrictions on share sales for a three-year period following the merger but will be free to sell once those restrictions expire. All other shareholders, which will own the majority of the combined company common shares following the merger, are not subject to any resale restrictions. The resale of such shares in the public market from time to time or the perception that such resales may occur could have the effect of depressing the market value for the combined company's common shares.

Risks related to FCA's liquidity and existing indebtedness

FCA - Limitations on the Group's liquidity and access to funding, as well as its significant outstanding indebtedness, may limit its financial and operating flexibility and its ability to execute its business strategies, obtain additional funding on competitive terms and improve its financial condition and results of operations

The Group's performance depends on, among other things, its ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and possible access to capital markets or other sources of financing. FCA substantially completed the de-leveraging of its balance sheet in 2018, however the extent of its indebtedness may still have important consequences on its operations and financial results, including:

- it may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
- it may need to use a portion of its projected future cash flow from operations to pay principal and interest on its indebtedness, which may reduce the amount of funds available for other purposes, including product development;
- it is generally more financially leveraged than its competitors, which may put it at a competitive disadvantage; and
- it may not be able to adjust rapidly to changing market conditions, which may make it more vulnerable to a downturn in general economic conditions or its business.

Although FCA has measures in place that are designed to ensure adequate liquidity levels, its liquidity is subject to significant potential absorption if its vehicle shipments decline materially as it operates with negative working capital.

FCA could, therefore, find itself in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions, with limited availability of funding and a general increase in funding costs. Any limitations on its liquidity, due to a decrease in vehicle shipments, the amount of or restrictions in its existing indebtedness, conditions in the credit markets, general economic conditions or otherwise, may adversely impact its ability to execute its business strategies and impair its financial condition and results of operations. In addition, any actual or perceived limitations of its liquidity may limit the ability or willingness of counterparties, including dealers, consumers, suppliers, lenders and financial service providers, to do business with FCA, which could have a material adverse effect on its business, financial condition and results of operations.

FCA - The Group may be exposed to shortfalls in its pension plans

Certain of the Group's defined benefit pension plans are currently underfunded. As of 31 December 2019, defined benefit pension plans were underfunded by approximately €4.3 billion and may be subject to significant minimum contributions in future years. The Group's pension funding obligations may increase significantly if the investment performance of plan assets does not keep pace with benefit payment obligations.

Mandatory funding obligations may increase because of lower than anticipated returns on plan assets, whether as a result of overall weak market performance or particular investment decisions, changes in the level of interest rates used to determine required funding levels, changes in the level of benefits provided for by the plans, or any changes in applicable law related to funding requirements.

The Group's defined benefit plans currently hold significant investments in equity and fixed income securities, as well as investments in less liquid instruments such as private equity, real estate and certain hedge funds. Due to the complexity and magnitude of certain investments, additional risks may exist, including the effects of significant changes in investment policy, insufficient market capacity to complete a particular investment strategy and an inherent divergence in objectives between the ability to manage risk in the short term and the ability to quickly re-balance illiquid and long-term investments.

To determine the appropriate level of funding and contributions to its defined benefit plans, as well as the investment strategy for the plans, the Group is required to make various assumptions, including an expected rate of return on plan assets and a discount rate used to measure the obligations under defined benefit pension plans. Interest rate increases generally will result in a decline in the value of investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases will generally increase the value of investments in fixed income securities and the present value of the obligations.

Any reduction in the discount rate or the value of plan assets, or any increase in the present value of obligations, may increase pension expenses and required contributions and, as a result, could constrain liquidity and materially adversely affect the Group's financial condition and results of operations.

If the Group fails to make required minimum funding contributions, it could be subject to reportable event disclosure to the U.S. Pension Benefit Guaranty Corporation, as well as interest and excise taxes calculated based upon the amount of any funding deficiency.

Risks related to FCA's common shares

FCA - The maintenance of multiple exchange listings may adversely affect liquidity in the market for FCA's common shares and could result in pricing differentials of its common shares between the exchanges

FCA's common shares are listed and traded on both the New York Stock Exchange ("NYSE") and the *Mercato Telematico Azionario* ("MTA") operated by *Borsa Italiana*. The dual listing of the common shares may split trading between the two markets and may result in limited trading liquidity of the shares in one or both markets, which may adversely affect the development of an active trading market for the common shares on either or both exchanges and may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the two trading currencies, among other factors, may result in different trading prices for its common shares on the two exchanges, which may contribute to volatility in the trading of its shares. In addition, in connection with the FCA-PSA Merger, the combined company will apply for admission to listing and trading of its common shares on Euronext Paris, subject to approval by the competent authorities. A third exchange listing may exacerbate certain of the risks set forth above.

FCA - FCA is a Dutch public company with limited liability, and the shareholders may have rights different from those of shareholders of companies organized in the U.S.

The rights of FCA's shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions. FCA is a Dutch public company with limited liability (*naamloze vennootschap*). Its corporate affairs are governed by its articles of association and by the laws governing companies incorporated in the Netherlands. The rights of shareholders and the responsibilities of members of FCA's board of directors may be different from the rights of shareholders and the responsibilities of members of the board of directors in companies governed by the laws of other jurisdictions including the U.S. In the performance of its duties, FCA's board of directors is required by Dutch law to consider the interests of the Company and the interests of its shareholders, employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of the shareholders.

FCA - The loyalty voting structure may affect the liquidity of FCA's common shares and reduce the common share price

FCA's loyalty voting structure may limit the liquidity of its common shares and adversely affect the trading prices of the common shares. The loyalty voting structure is intended to reward shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding FCA common shares continuously for at least three years at any time following the effectiveness of the 2014 Merger the option to elect to receive special voting shares.

FCA special voting shares cannot be traded and, immediately prior to the deregistration of common shares from the FCA Loyalty Register, any corresponding special voting shares shall be transferred to the Company for no consideration (*om niet*). This loyalty voting structure is designed to encourage a stable shareholder base and, conversely, it may deter trading by those shareholders who are interested in gaining or retaining FCA special voting shares. Therefore, the loyalty voting structure may reduce liquidity in the common shares and adversely affect their trading price.

FCA - The loyalty voting structure may make it more difficult for shareholders to acquire a controlling interest, change Group management or strategy or otherwise exercise influence over the Group, and the market price of the common shares may be lower as a result

The provisions of FCA's articles of association which establish the loyalty voting structure may make it more difficult for a third party to acquire, or attempt to acquire, control of the Company, even if a change of control were considered favorably by shareholders holding a majority of FCA common shares. As a result of the loyalty voting structure, a relatively large proportion of voting power could be concentrated in a relatively small number of shareholders who would have significant influence over the Group. As of 25 February 2020, EXOR N.V., which controls FCA, owns 28.66 percent of the FCA common shares, had a voting interest in FCA of 41.74 percent due to its participation in the loyalty voting structure and as a result will have the ability to exercise significant influence on matters involving its shareholders. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit FCA shareholders. The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changing Group management or strategy or otherwise exerting influence over the Group.

FCA - There may be potential Passive Foreign Investment Company tax considerations for U.S. Shareholders

Shares of FCA stock held by a U.S. holder would be stock of a passive foreign investment company ("PFIC") for U.S. federal income tax purposes with respect to a U.S. shareholder if for any taxable year in which such U.S. shareholder held FCA common shares, after the application of applicable look-through rules (i) 75 percent or more of FCA's gross income for the taxable year consists of passive income (including dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury Regulations), or (ii) at least 50 percent of its assets for the taxable year (averaged over the year and determined based upon value) produce or are held for the production of passive income. U.S. persons who own shares of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the dividends they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

While the Group believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, this conclusion is based on a factual determination made annually and thus is subject to change. Moreover, shares of FCA stock may become stock of a PFIC in future taxable years if there were to be changes in FCA's assets, income or operations.

FCA - Tax consequences of the loyalty voting structure are uncertain

No statutory, judicial or administrative authority directly discusses how the receipt, ownership, or disposition of special voting shares should be treated for Italian, UK or U.S. tax purposes and as a result, the tax consequences in those jurisdictions are uncertain.

The fair market value of the Group's special voting shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Because, among other things, the special voting shares are not transferable (other than, in very limited circumstances, together with the associated FCA common shares) and a shareholder will receive amounts in respect of the special voting shares only if the Company is liquidated, FCA believes and intends to take the position that the fair market value of each special voting share is minimal. However, the relevant tax authorities could assert that the value of the special voting shares as determined by FCA is incorrect.

The tax treatment of the loyalty voting structure is unclear and shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning and disposing of special voting shares.

FCA - Tax may be required to be withheld from dividend payments

Although the UK and Dutch competent authorities have ruled that FCA should be treated as solely resident in the UK for the purposes of the Netherlands-UK double tax treaty, under Dutch domestic law dividend payments made by FCA to Dutch residents are still subject to Dutch dividend withholding tax and the Group would have no obligation to pay additional amounts in respect of such payments.

Should Dutch or Italian withholding taxes be imposed on future dividends or distributions with respect to FCA's common shares, whether such withholding taxes are creditable against a tax liability to which a shareholder is otherwise subject depends on the laws of such shareholder's jurisdiction and such shareholder's particular circumstances. Shareholders are urged to consult their tax advisors in respect of the consequences of the potential imposition of Dutch and/or Italian withholding taxes. See " *FCA operates so as to be treated as exclusively resident in the UK for tax purposes but the relevant tax authorities may treat it as also being tax resident elsewhere* " in the section Risks Related to the Legal and Regulatory Environment in which the Group Operates.

PARTNERRE

Risks related to PartnerRe's business, strategy and operations

PartnerRe - The volatility of the reinsurance business that PartnerRe underwrites will result in volatility of its earnings

PartnerRe exposes itself to significant risks that are of a size that can impact its financial strength or regulatory capital. The Company believes that the following can be categorized as very significant risks:

- Strategic risk
- Financial market and credit risk
- Operational risk
- Emerging risk
- Reputational risk.

Most of these risks can accumulate to the point that they exceed a year's worth of earnings and potentially adversely affect the capital base of PartnerRe.

PartnerRe - The catastrophe business that PartnerRe underwrites will result in volatility of its earnings and could impair its financial condition

Catastrophic losses result from events such as windstorms, hurricanes, tsunamis, earthquakes, floods, hailstorms, tornadoes, severe winter weather, fires, drought, explosions and other natural and man-made disasters, the incidence and severity of which are inherently unpredictable. PartnerRe also has substantial exposure to unexpected, large losses resulting from future man-made catastrophic events, such as acts of terrorism, acts of war, nuclear accidents and political instability, or from other perils. Because catastrophe reinsurance accumulates large aggregate exposures to both man-made and natural disasters, the Company's loss experience in this line of business could be characterized as low frequency and high severity. Although it may attempt to exclude losses from terrorism and certain other similar risks from some coverage it writes, PartnerRe continues to have exposure to such unforeseen or unpredictable events. Irrespective of the clarity and inclusiveness of policy language, there can be no assurance that a court or arbitration panel will not limit enforceability of policy language or otherwise issue a ruling adverse to the Company.

This is likely to result in substantial volatility in PartnerRe's financial results and potentially significant net losses from time to time and may also result in a material decline of its book value or impairment of its financial condition that may limit its ability to make dividend, interest or principal payments on its preferred shares and debt securities and may limit the funds available to make payments on policyholder claims.

Should PartnerRe incur a very large catastrophic loss or a series of catastrophic losses, its ability to write future business may be adversely impacted if it is unable to replenish its capital.

PartnerRe – Changing climate conditions, and the trend towards increasingly frequent and severe catastrophic events, may adversely affect the Company's financial condition and results

In recent years, changing weather patterns and climatic conditions, such as global warming, appear to have contributed to the unpredictability, frequency and severity of natural disasters and created additional uncertainty as to future trends and exposures. There is a scientific consensus that global warming and other climate changes are increasing the frequency and severity of catastrophic weather events, such as hurricanes, tornadoes, windstorms, floods and other natural disasters. Such changes make it more difficult for PartnerRe to predict and model catastrophic events, reducing its ability to accurately price its exposure to such events and mitigate its risks. Any increase in the frequency or severity of natural disasters may adversely affect the Company's financial condition and results.

PartnerRe – Epidemics and pandemics could adversely affect PartnerRe's business, financial condition and results of operations

Epidemics and pandemics could adversely affect PartnerRe's business, financial condition and results of operations because they could exacerbate mortality and morbidity risk. The likelihood, timing, and severity of these events cannot be predicted. A pandemic or other disaster could have a major impact on the global economy or the economies of particular countries or regions, including travel, trade, tourism, the health system, food supply, consumption, overall economic output, as well as on the financial markets.

In addition, a pandemic or other disaster that affected the Company's employees or the employees of companies with which it does business could disrupt its business operations.

These events could cause a material adverse effect on PartnerRe's results of operations in any period and, depending on their severity, could also materially and adversely affect its financial condition.

PartnerRe - If actual losses exceed PartnerRe's estimated loss reserves, its net income and capital position will be reduced

PartnerRe's success depends upon its ability to accurately assess the risks associated with the businesses that it reinsures. The Company establishes loss reserves to cover its estimated liability for the payment of all losses and loss expenses incurred with respect to premiums earned on the reinsurance contracts that it writes. Loss reserves are estimates involving actuarial and statistical projections at a given time to reflect the Company's expectation of the costs of the ultimate settlement and administration of claims. Although it uses actuarial models as well as historical reinsurance and insurance industry loss statistics, PartnerRe also relies heavily on data provided by counterparties and on management's experience and judgment to assist in the establishment of appropriate claims and claim expense reserves. Because of the many assumptions and estimates involved in establishing reserves, the reserving process is inherently uncertain. PartnerRe's estimates and judgments are based on numerous factors and may be revised as additional experience and other data become available and are reviewed as new or improved methodologies are developed, as loss trends and claims inflation impact future payments, or as current laws or interpretations thereof change.

Estimates of losses are based on, among other things, a review of potentially exposed contracts, information reported by and discussions with counterparties, and the Company's estimate of losses related to those contracts and are subject to change as more information is reported and becomes available. Losses for casualty and liability lines often take a long time to be reported, and frequently can be impacted by lengthy, unpredictable litigation and by the inflation of loss costs over time. Changes in the level of inflation also result in an increased level of uncertainty in the Company's estimation of loss reserves, particularly for long-tail lines of business. As a consequence, actual losses and loss expenses paid may deviate substantially from the reserve estimates reflected in PartnerRe's financial statements.

Through various acquisitions, PartnerRe assumed certain asbestos and environmental exposures. Its non-life reserves include an estimate of its ultimate liability for asbestos and environmental claims for which it cannot estimate the ultimate value using traditional reserving techniques, and for which there are significant uncertainties in estimating the amount of its potential losses. These liabilities are especially hard to estimate for many reasons, including the long delays between exposure and manifestation of any bodily injury or property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays and difficulty in properly allocating liability for the asbestos or environmental damage. Certain of PartnerRe's subsidiaries have received and continue to receive notices of potential reinsurance claims from ceding insurance companies, which have in turn received claims asserting asbestos and environmental losses under primary insurance policies, in part reinsured by the Company. Such claims notices are often precautionary in nature and are generally unspecific, and the primary insurers often do not attempt to quantify the amount, timing or nature of the exposure. Given the lack of specificity in some of these notices, and the legal and tort environment that affects the development of claims reserves, the uncertainties inherent in valuing asbestos and environmental claims are not likely to be resolved in the near future.

It is difficult to predict the timing of such events or estimate the amount of loss any given occurrence will generate. Reserves for potential losses associated with catastrophic events are established at the time an event that may give rise to such losses occurs. If such an event were to occur, PartnerRe's reported income would decrease in the affected period. In particular, unforeseen large losses could reduce the Company's profitability or impair its financial condition. If ultimate losses and loss expenses exceed the reserves currently established, the Company will be required to increase loss reserves in the period in which it identifies the deficiency to cover any such claims. As a result, even when losses are identified and reserves are established for any line of business, ultimate losses and loss expenses may deviate, perhaps substantially, from estimates reflected in loss reserves in the Company's financial statements. Variations between loss reserve estimates and actual emergence of losses could be material and could have a material adverse effect on PartnerRe's results of operations and financial condition.

PartnerRe - Given the inherent uncertainty of models, the usefulness of PartnerRe's proprietary and third-party models as a tool to evaluate risk is subject to a high degree of uncertainty that could result in actual losses that are materially different than its estimates including probable maximum losses (PMLs), significantly impacting the Company's financial results and condition

PartnerRe uses its own proprietary catastrophe models and third-party vendor analytic and modeling capabilities to provide an objective risk assessment relating to risks in its reinsurance portfolio. PartnerRe uses these models to help it control risk accumulation and inform management and other stakeholders of capital requirements and to improve the risk/return profile. However, given the inherent uncertainty of modeling techniques and the application of such techniques, these models and databases may not accurately address a variety of matters that might impact certain of its coverages.

For example, catastrophe models that simulate loss estimates based on a set of assumptions are important tools used by PartnerRe to estimate its PMLs. These assumptions address a number of factors that impact loss potential including, but not limited to, the characteristics of the natural catastrophe event; demand surge resulting from an event; the types, function, location and characteristics of exposed risks; susceptibility of exposed risks to damage from an event with specific characteristics; and the financial and contractual provisions of the reinsurance contracts that cover losses arising from an event. The Company runs many model simulations in order to understand the impact of these assumptions on its catastrophe loss potential. Furthermore, there are risks associated with catastrophe events, which are either poorly represented or not represented at all by catastrophe models. Each modeling assumption or un-modeled risk introduces uncertainty into PML estimates that management must consider. These uncertainties can include, but are not limited to, the following:

- The models do not address all the possible hazard characteristics of a catastrophe peril (e.g. the precise path and wind speed of a hurricane);
- The models may not accurately reflect the true frequency of events;
- The models may not accurately reflect a risk's vulnerability or susceptibility to damage for a given event characteristic;
- The models may not accurately represent loss potential to reinsurance contract coverage limits, terms and conditions; and
- The models may not accurately reflect the impact on the economy of the area affected or the financial, judicial, political, or regulatory impact on insurance claim payments during or following a catastrophe event.

The Company's PMLs are selected after assessment of multiple third-party vendor model outputs, internally constructed independent models, including PartnerRe's CatFocus® suite of models, and other qualitative and quantitative assessments by management, including assessments of exposure not typically modeled in vendor or internal models. PartnerRe's methodology for estimating PMLs may differ from methods used by other companies and external parties given the various assumptions and judgments required to estimate a PML.

As a result of these factors and contingencies, PartnerRe's reliance on assumptions and data used to evaluate its entire reinsurance portfolio and specifically to estimate a PML, is subject to a high degree of uncertainty that could result in actual losses that are materially different from its PML estimates and, as a result, its financial results and financial condition may be significantly and adversely impacted.

PartnerRe – the Company's Life products expose it to volatility in net income arising from changes in the value of the Life and Health reserves liability that are directly affected by market risk and other factors and are based upon various assumptions

The pricing and establishment of reserves for PartnerRe's Life and Health segment related to future policy benefits and the valuation of life insurance and annuity products are based upon various assumptions, including but not limited to market changes, mortality rates, morbidity rates and policyholder behavior. The process of establishing reserves for future policy benefits relies on the Company's ability to accurately estimate insured events that have not yet occurred but that are expected to occur in future periods, as well as assumptions for investment returns. Significant deviations in actual experience from assumptions used for pricing and for establishing reserves for future policy benefits could have an adverse effect on the profitability of PartnerRe's products, its business and its financial results and condition.

Under reinsurance programs covering variable annuity guarantees PartnerRe assumes the risk of guaranteed minimum death benefits (GMDB). The Company's net income is directly impacted by changes in the reserves calculated in connection with the reinsurance of GMDB liabilities. Reported liabilities for GMDB reinsurance are determined using internal valuation models.

Such valuations require considerable judgment and are subject to significant uncertainty. The valuation of these products is subject to fluctuations arising from, among other factors, changes in interest rates, changes in equity markets, changes in credit markets, changes in the allocation of the investments underlying annuitant's account values and assumptions regarding future policyholder behavior. Adverse changes in market factors and policyholder behavior will have an impact on both life underwriting income and net income. These risks may increase as the Company seeks to expand its Life and Health business.

In addition, the reserves that PartnerRe has established may be inadequate. If ultimate losses and loss expenses exceed the reserves currently established, the Company will be required to increase loss reserves in the period in which it identifies the deficiency to cover any such claims. As a result, even when losses are identified and reserves are established for any line of business, ultimate losses and loss expenses may deviate, perhaps substantially, from estimates reflected in loss reserves in the Company's financial statements. Variations between PartnerRe's loss reserve estimates and actual emergence of losses could be material and could have a material adverse effect on its results of operations and financial condition.

PartnerRe - PartnerRe relies on a few reinsurance brokers for a large percentage of its business; loss of business provided by these brokers would reduce the Company's premium volume and net income

PartnerRe produces its business both through brokers and through direct relationships with insurance company clients. For the year ended 31 December 2019 more than 70% of its gross premiums written were produced through brokers. The Company has two brokers that each individually accounted for 22% of its total gross premiums written for 2019. Because broker-produced business is concentrated with a small number of brokers, PartnerRe is exposed to concentration risk. A significant reduction in the business produced by these brokers could potentially reduce the Company's premium volume and net income.

PartnerRe - PartnerRe is exposed to credit risk relating to its reinsurance brokers and cedants

In accordance with industry practice, PartnerRe may pay amounts owed under its reinsurance policies to brokers, and they in turn pay these amounts to the ceding insurer. In some jurisdictions, if the broker fails to make such an onward payment, the Company might remain liable to the ceding insurer for the deficiency. Conversely, the ceding insurer may pay premiums to the broker, for onward payment to PartnerRe in respect of reinsurance policies issued by the Company. In certain jurisdictions, these premiums are considered to have been paid to the Company at the time that payment is made to the broker, and the ceding insurer will no longer be liable to the Company for those amounts, whether or not the Company has actually received the premiums. PartnerRe may not be able to collect all premiums receivable due from any particular broker at any given time. The Company also assumes credit risk by writing business on a funds withheld basis. Under such arrangements, the cedant retains the premium they would otherwise pay to PartnerRe to cover future loss payments.

PartnerRe - If PartnerRe is downgraded by rating agencies, its standing with brokers and customers could be negatively impacted and may adversely impact its results of operations

Rating agencies assess and rate the claims-paying ability and financial strength of insurers and reinsurers, such as PartnerRe's principal operating subsidiaries. These ratings are based upon criteria established by the rating agencies and have become an important factor in establishing the Company's competitive position in the market. Insureds, insurers, ceding insurers and intermediaries use these ratings as one measure by which to assess the financial strength and quality of insurers and reinsurers. However these ratings are not an evaluation directed to investors in PartnerRe's preferred shares or debt securities, and are not a recommendation to buy, sell or hold the Company's preferred shares or debt securities.

PartnerRe's financial strength ratings are subject to periodic review as rating agencies evaluate the Company to confirm that it continues to meet their criteria for ratings assigned to it by them. Such ratings may be revised downward or revoked at the sole discretion of such rating agencies in response to a variety of factors, including capital adequacy, management strategy, operating earnings and risk profile. In addition, from time to time one or more rating agencies may effect changes in their capital models and rating methodologies that could have a detrimental impact on PartnerRe's ratings.

It is also possible that rating agencies may in the future heighten the level of scrutiny they apply when analyzing companies in the industry, may increase the frequency and scope of their reviews, may request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in their models for maintenance of certain rating levels. There can be no assurance that PartnerRe's ratings will remain at their current levels.

If PartnerRe's ratings were downgraded, its competitive position in the reinsurance industry may suffer, and it could result in a reduction in demand for its products. In addition, certain business that PartnerRe writes contains terms that give the ceding company or derivative counterparty the right to terminate cover and/or require collateral if the Company's ratings are downgraded.

PartnerRe's current financial strength ratings are as follows:

Standard & Poor's	A+
Moody's	A1
A.M. Best	A+

The status of any further changes to ratings or outlooks will depend on various factors. PartnerRe can offer no assurances that its ratings will remain at their current levels.

PartnerRe – the availability of retrocessional reinsurance to limit the Company's exposure may be limited, and counterparty credit and other risks associated with its retrocession arrangements may result in losses which could adversely affect its financial condition and results of operations

For the purposes of managing risk, PartnerRe uses retrocessional reinsurance. The availability and cost of retrocessional protection is subject to market conditions, which are beyond PartnerRe's control. As a result of such market conditions and other factors, the Company may not be able to successfully mitigate risk through retrocessional and other arrangements.

Further, PartnerRe is subject to credit risk with respect to its retrocessions because the ceding of risk to retrocessionaires does not relieve the Company of its liability to the clients or companies it reinsures. Although PartnerRe has not experienced any material credit losses to date, an inability of its retrocessionaires to meet their obligations to PartnerRe could have a material adverse effect on its financial condition and results of operations. PartnerRe's losses for a given event or occurrence may increase if its retrocessionaires dispute or fail to meet their obligations to the Company or the retrocessional protections purchased by it are exhausted or are otherwise unavailable for any reason. Failure to establish adequate retrocessional arrangements or the failure of its existing retrocessional arrangements to protect it from overly concentrated risk exposure could adversely affect PartnerRe's financial condition and results of operations.

PartnerRe - PartnerRe may require additional capital in the future, which may not be available or may only be available on unfavorable terms

PartnerRe's future capital requirements depend on many factors, including rating agencies and regulatory requirements, its ability to write new business successfully, the frequency and severity of catastrophic events, and its ability to establish premium rates and reserves at levels sufficient to cover losses. PartnerRe may need to raise additional funds through financings or curtail its growth and/or reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to the Company. Financings could result in the issuance of securities that have rights, preferences and privileges that are senior to those of its other securities. Disruption in the increasingly volatile financial markets may limit PartnerRe's ability to access capital required to operate its business and it may be forced to delay raising capital or bear a higher cost of capital, which could decrease its profitability and significantly reduce its financial flexibility. The large amounts of recent industry-wide catastrophe losses have made access to capital more challenging, potentially making it more difficult and more expensive for the Company to raise additional financing if necessary. In addition, if PartnerRe experiences a credit rating downgrade, withdrawal or negative watch/outlook in the future, it could incur higher borrowing costs and may have more limited means to access capital. If it cannot obtain adequate capital on favorable terms or at all, PartnerRe's business, operating results and financial condition could be adversely affected.

PartnerRe - PartnerRe's investments are subject to interest rate, credit, equity and real estate related risks which may adversely affect its net income and may affect the adequacy of its capital

PartnerRe invests the net premiums it receives unless, or until such time as, it pays out losses and/or until they are made available for distribution to common and preferred shareholders, used to pay interest or redeem debt or preferred shares, or otherwise used for general corporate purposes. Investment results comprise a substantial portion of PartnerRe's income, including net investment income and realized and unrealized gains on investments which are recognized through net income for investments at fair value through profit or loss and in other comprehensive income for available-for-sale investments. The majority of PartnerRe's investments are carried at fair value. An increase in interest rates will result in a decrease in the fair value of its investments and PartnerRe may be forced to liquidate investments prior to maturity at a loss in order to cover liabilities. A decrease in interest rates would have the opposite effect.

PartnerRe is exposed to significant financial and capital market risks, including changes in interest rates, credit spreads, equity and real estate prices, foreign exchange rates, market volatility, the performance of the economy in general and other factors outside its control.

PartnerRe's fixed maturity portfolio is primarily invested in high quality, investment grade securities. It also invests in other investments such as fixed income type mutual funds, notes receivable, loans receivable, private placement bond investments, derivative exposure assumed and other specialty asset classes. These securities generally pay a higher rate of interest and have a higher degree of credit or default risk. These securities may also be less liquid in times of economic weakness or market disruptions.

PartnerRe also invests in preferred and common stocks or equity-like securities. The value of these assets fluctuates with equity markets which are increasingly volatile. In times of economic weakness, the market value and liquidity of these assets may decline and may impact net income and capital. PartnerRe uses the term equity-like investments to describe its investments that have market risk characteristics similar to equities and are not investment grade fixed maturity securities. This category includes high yield and convertible fixed maturity investments and private placement equity investments. Fluctuations in the fair value of its equity-like investments may reduce PartnerRe's income in any period or year and cause a reduction in its capital. As global equity markets are close to historically high levels, there can be no assurance that PartnerRe's equity-like investments will maintain their current levels.

In addition, PartnerRe invests directly and indirectly in real estate assets, which are subject to overall market conditions. The Company has investments in real estate in various locations (including London, New York, France and Brazil) through investments in limited partnerships as well as through directly owned investments in real estate and an equity method investment in a privately held real estate investment and development group, Almacantar Group S.A.(Almacantar) in London. These real estate assets are exposed to various risks, including the supply and demand of leasable commercial and residential space and fluctuations in real estate prices globally.

PartnerRe - foreign currency fluctuations may reduce PartnerRe's net income and its capital levels

Through its multinational reinsurance operations, PartnerRe conducts business in a variety of foreign (non-U.S.) currencies, the principal exposures being the Euro, British pound, Canadian dollar, Japanese yen and Swiss Franc. Accordingly, PartnerRe is subject to market risks associated with devaluations and fluctuations in currency exchange rates. PartnerRe's assets and liabilities denominated in foreign currencies are therefore exposed to changes in currency exchange rates, which may be material. PartnerRe's reporting currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact its financial results and condition. The Company employs various strategies, including the use of foreign exchange forward contracts and other derivative financial instruments, to manage its exposure to foreign currency exchange risk. To the extent that these exposures are not fully offset or hedged, or the hedges are ineffective at mitigating adverse effects, PartnerRe's financial results and condition may be negatively impacted by fluctuations in foreign currency exchange rates.

PartnerRe - PartnerRe may suffer losses due to defaults by various counterparties, including issuers of investment securities, reinsurance contracts and derivatives

Issuers or borrowers whose securities PartnerRe holds, reinsurers, clearing agents, clearing houses, joint venture partners, derivative instrument counterparties and other financial intermediaries may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Even if PartnerRe is entitled to collateral when a counterparty defaults, such collateral may be illiquid or proceeds from such collateral when liquidated may not be sufficient to recover the full amount of the obligation. All or any of these types of default could have a material adverse effect on the Company's results of operations, financial condition and liquidity.

PartnerRe - PartnerRe's debt, credit and International Swap Dealers Association (ISDA) agreements may limit its financial and operational flexibility, which may affect the Company's ability to conduct its business
PartnerRe has incurred indebtedness and may incur additional indebtedness in the future. Additionally, it has entered into letter of credit facilities and ISDA agreements (including, but not limited to weather derivatives) with various institutions.

The agreements relating to its debt, letter of credit facilities and ISDA agreements contain various covenants that may limit PartnerRe's ability, among other things, to borrow money, make particular types of investments or other restricted payments, sell assets, merge or consolidate. Some of these agreements also require PartnerRe to maintain specified ratings. If the Company fails to comply with these covenants, the lenders or counterparties under these agreements could declare a default and demand immediate repayment of all amounts owed to them.

If PartnerRe is in default under the terms of these agreements, it may also be restricted in its ability to declare or pay any dividends, redeem, purchase or acquire any shares or make a liquidation payment.

PartnerRe - If any one of the financial institutions that PartnerRe uses in its operations, including those that participate in its credit facilities, fails or is otherwise unable to meet their commitments, the Company could incur substantial losses and reduced liquidity
PartnerRe maintains cash balances significantly in excess of the U.S. Federal Deposit Insurance Corporation insurance limits at various depository institutions. It also has funding commitments from a number of banks and financial institutions that participate in its credit facilities. Access to funds under these existing credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding requirements. Those banks may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time, and PartnerRe might be forced to replace credit sources in a difficult market. If PartnerRe cannot obtain adequate financing or sources of credit on favorable terms, or at all, its business, operating results and financial condition could be adversely impacted.

PartnerRe – Strategic investments and merger and acquisition (M&A) activities could disrupt PartnerRe's ongoing business and present risks not originally contemplated
PartnerRe has made, and in the future may make, strategic investments or acquisitions or it may also be acquired. Such endeavors involve significant risks and uncertainties, including those related to distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital and unidentified issues not discovered in due diligence. In addition, the integration of any acquired companies may place significant demands on the Company's management, systems, internal controls and financial and physical resources. These new ventures or M&A activities are inherently risky and may not achieve the expected benefits.

PartnerRe - Operational risks, including human or systems failures, are inherent in PartnerRe's business
Operational risks and losses can result from many sources including fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements or information technology failures.

PartnerRe's modeling, underwriting and information technology and application systems are critical to its business and reputation. Moreover, the Company's technology and applications are an important part of its underwriting process and its ability to compete successfully. The Company has also licensed certain systems and data from third parties. PartnerRe cannot be certain that it will have access to these, or comparable service providers, or that its technology or applications will continue to operate as intended. In addition, the Company cannot be certain that it would be able to replace these service providers or consultants without slowing its underwriting response time. A major defect or failure in PartnerRe's internal controls or information technology and application systems could result in management distraction, harm to the Company's reputation, a loss or delay of revenues or increased expense.

PartnerRe - Cybersecurity events could disrupt business operations, result in the loss of critical and confidential information, and adversely impact PartnerRe's reputation and results of operations
PartnerRe is dependent upon the effective functioning and availability of its information technology and application systems platforms. These platforms include, but are not limited to, the Company's proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including financial, analytic and modeling systems. PartnerRe relies on the security of such platforms for the secure processing, storage and transmission of confidential information.

Examples of cybersecurity incidents are unauthorized access, computer viruses, deceptive communications (phishing), data loss, malware or other malicious code or cyber-attack, destructive attack, system failures and disruptions and other events that could have security consequences. A cybersecurity incident could materially impact PartnerRe's ability to adequately price products and services, establish reserves, provide efficient and secure services to its clients, brokers, vendors and regulators, value its investments and to timely and accurately report its financial results. Although PartnerRe has implemented controls and has taken protective measures to reduce the risk of cybersecurity Incidents, it cannot reasonably anticipate or prevent all cybersecurity incidents. Cybersecurity incidents could expose the Company to a risk of loss or misuse of its information, litigation, reputational damage, violations of applicable privacy and other laws, fines, penalties or losses that are either not insured against or not fully covered by insurance maintained. PartnerRe may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities.

The Company believes there are frequent attempts to breach its cybersecurity measures. For example, in 2018 it encountered a phishing attempt where someone impersonating a senior executive of the Company sought payment; although the payment was initiated, the Company was able to detect the incident in time and stop the payment from being released. PartnerRe cannot assure that its systems and processes will be able to identify and prevent such attempts in the future.

PartnerRe - The loss of key management personnel could adversely affect PartnerRe

PartnerRe's success has depended, and will continue to depend, partly upon its ability to attract and retain management personnel. If any of these key management employees ceased to continue in their present role, the Company could be adversely affected.

The Company's ability to execute its business strategy is dependent on its ability to attract and retain a staff of qualified executive officers, underwriters, actuaries and other key personnel. The skills, experience and knowledge of the reinsurance industry of the Company's management team constitute important competitive strengths. If some or all of these managers leave their positions, and even if the Company were able to find persons with suitable skills to replace them, its operations could be adversely affected.

PartnerRe – The business may be adversely impacted by inflation

Deficit spending by governments in PartnerRe's major markets and monetary stimulus provided by central banks exposes PartnerRe to a heightened risk of inflation. The Company monitors the risk that the principal markets in which it operates could experience increased inflationary conditions, which would, among other things, cause policyholder loss costs to increase, and negatively impact the performance of the investment portfolio. Inflation related to medical costs, construction costs and tort issues in particular impact the property and casualty industry, and broader market inflation has the potential risk of increasing overall loss costs. The impact of inflation on loss costs could be more pronounced for those lines of business that are considered to be long tail in nature, as they require a relatively long period of time to finalize and settle claims. Changes in the level of inflation also result in an increased level of uncertainty in the Company's estimation of loss reserves, particularly for long tail lines of business. The onset, duration and severity of an inflationary period cannot be estimated with precision.

Risks Related to PartnerRe's Industry

PartnerRe - PartnerRe's profitability is affected by the cyclical nature of the reinsurance industry

Historically, the reinsurance industry has experienced significant fluctuations in operating results due to competition, levels of available capacity, trends in cash flows and losses, general economic conditions and other factors, particularly in the non-life lines of business. Demand for reinsurance is influenced significantly by underwriting results of primary insurers, including catastrophe losses, and prevailing general economic conditions. The supply of reinsurance is related directly to prevailing prices and levels of capacity that, in turn, may fluctuate in response to changes in rates of return on investments being realized in the reinsurance industry. In addition, the cycle of the industry may fluctuate as a result of changes in the economic, legal, political and social landscape. Since cyclicality is due in large part to the collective actions of insurers, reinsurers and general economic conditions and the occurrence of unpredictable events, PartnerRe cannot predict the timing or duration of changes in the market cycle. If any of these factors were to result in a decline in the demand for reinsurance or an overall increase in reinsurance capacity, the Company's profitability could be impacted.

In the recent past, PartnerRe has experienced a generally softening market cycle, with increased competition, surplus underwriting capacity, deteriorating rates and less favorable terms and conditions, all having an impact on its ability to write business.

Although the Company is currently experiencing improving market conditions with increased or constant pricing in most non-life classes, primarily in those markets that have been exposed to the catastrophe losses in 2019, as a result of the persisting competition and excess capacity in the industry, it is not possible to forecast if improving pricing conditions will continue.

Competition, pricing pressure and any other negative factors noted above may adversely affect PartnerRe's profitability and results of operations in future periods, and the impact may be material.

PartnerRe - PartnerRe operates in a highly competitive environment

The reinsurance industry is highly competitive and PartnerRe competes with a number of worldwide reinsurance companies including, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft (Munich Re), Swiss Re Ltd. (Swiss Re), Hannover Rück SE (Hannover Re), SCOR SE, Transatlantic Reinsurance Company Inc. (Transatlantic), General Reinsurance Corporation (GenRe), Reinsurance Group of America, Incorporated (RGA), Everest Re Group, Ltd. (Everest Re) and RenaissanceRe Holdings Ltd. (RenRe).

The lack of strong barriers to entry into the reinsurance business means that PartnerRe may also competes with new companies that may be formed to enter the reinsurance market. In addition, the Company may experience increased competition as a result of the consolidation in the insurance and reinsurance industry. These consolidated entities may try to use their enhanced market power and relationships to negotiate price reductions for PartnerRe's products and services and/or obtain a larger market share through increased line sizes. Consolidated companies may also purchase less reinsurance product and services, due to increased levels of capital.

Competition in the types of reinsurance that PartnerRe underwrites is based on many factors, including the perceived and relative financial strength, pricing and other terms and conditions, services provided, ratings assigned by independent rating agencies, speed of claims payment, geographic scope of business, client and broker relationships, reputation and experience in the lines of business to be written. If competitive pressures reduce its prices, PartnerRe may expect to write less business. In addition, competition for customers would become more intense and the Company could incur additional expenses relating to customer acquisition and retention, further reducing its operating margins.

Further, insurance-linked securities and derivative and other non-traditional risk transfer mechanisms and alternative vehicles are being developed and offered, which could impact the demand for traditional insurance or reinsurance. A number of new, proposed or potential industry or legislative developments could further increase competition in the industry. New competition from these developments could cause the demand for reinsurance and/or prices to fall or the costs related to client acquisition and retention to increase, either of which could have a material adverse effect on PartnerRe's growth and profitability.
All of the above factors may adversely affect PartnerRe's profitability and results of operations in future periods, the impact of which may be material, and may adversely affect its ability to successfully execute its strategy as a global diversified reinsurance company.

Legal and Regulatory Risks

PartnerRe - Political, regulatory, governmental and industry initiatives could adversely affect PartnerRe's business

PartnerRe's reinsurance operations are subject to extensive laws and regulations that are administered and enforced by a number of different governmental and non-governmental self-regulatory authorities and associations in each of their respective jurisdictions and internationally. PartnerRe's businesses in each jurisdiction are subject to varying degrees of regulation and supervision. The laws and regulations of the jurisdictions in which the Company's reinsurance subsidiaries are domiciled require, among other things, maintenance of minimum levels of statutory capital, surplus, and liquidity; various solvency standards; and periodic examinations of subsidiaries' financial condition. In some jurisdictions, laws and regulations also restrict payments of dividends and reductions of capital. Applicable statutes, regulations, and policies may also restrict the ability of these subsidiaries to write insurance and reinsurance policies, to make certain investments, and to distribute funds.

Some of these authorities regularly consider enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory authority in new and more robust ways, and new regulators could become authorized to oversee parts of PartnerRe's business.

It is not possible to predict all future impacts of these types of changes but they could affect the way PartnerRe conducts its business and manages its capital and may require the Company to satisfy increased capital requirements, any of which, in turn, could affect its results of operations, financial condition and liquidity.

If PartnerRe's compliance with any particular regulatory regime is challenged, it may be subject to monetary or other penalties. In addition, in order to ensure compliance with applicable regulatory requirements or as a result of any investigation, including remediation efforts, PartnerRe could be required to incur significant expenses and undertake additional work, which in turn may divert resources from its business. These, and other regulations relating to each of PartnerRe's material subsidiaries may in effect restrict each of those subsidiaries' ability to write new business, to make certain investments and to distribute funds or assets to the Company.
Recent government intervention and the possibility of future government intervention have created uncertainty in the insurance and reinsurance markets. Government regulators are generally concerned with the protection of policyholders to the exclusion of other interested parties, including shareholders and debt holders of reinsurers. PartnerRe believes it is likely there will continue to be increased regulation of, and other forms of government participation in, the industry in the future, which could materially adversely affect its business by, among other things:

- Providing reinsurance capacity in markets and to clients that PartnerRe targets or requiring PartnerRe's participation in industry pools and guaranty associations;
- Further restricting PartnerRe's operational or capital flexibility;
- Expanding the scope of coverage under existing policies;
- Regulating the terms of reinsurance policies;
- Adopting further or changing compliance requirements which may result in additional costs which may adversely impact PartnerRe's results of operations; or
- Disproportionately benefiting the companies domiciled in one country over those domiciled in another.

PartnerRe - Legal and enforcement activities relating to the insurance industry could affect PartnerRe's business and the industry

The insurance industry has experienced substantial volatility as a result of litigation, investigations and regulatory activity by various insurance, governmental and enforcement authorities concerning certain practices within the insurance industry.

These investigations have resulted in changes in the insurance and reinsurance markets and industry business practices. While at this time none of these changes have caused an adverse effect on its business, PartnerRe is unable to predict the potential effects, if any, that future investigations may have upon the industry. As noted above, because the Company frequently assumes the credit risk of the counterparties with whom it does business throughout its insurance and reinsurance operations, its results of operations could be adversely affected if the credit quality of these counterparties is severely impacted by investigations in the insurance industry or by changes to industry practices.

PartnerRe - Emerging claim and coverage issues could adversely affect PartnerRe's business

Unanticipated developments in the law, as well as changes in social and environmental conditions could potentially result in unexpected claims for coverage under PartnerRe's insurance, reinsurance and other contracts. These developments and changes may adversely affect the Company's business by either extending coverage beyond its underwriting intent or by increasing the number or size of claims. With respect to PartnerRe's casualty businesses, these legal, social and environmental changes may not become apparent until sometime after their occurrence. The Company's exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation.

The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. In some instances, these coverage changes may not become apparent until after the Company has issued reinsurance contracts that are affected by such changes. As a result, the full extent of PartnerRe's liability under such reinsurance contracts, and in particular, its casualty reinsurance contracts, may not be known for many years after a contract is issued.

The insurance industry is also affected by political, judicial and legal developments that may create new and expanded theories of liability, which may result in unexpected claim frequency and severity and delays or cancellations of products and services PartnerRe provides, which could adversely affect its business.

PartnerRe - The UK leaving the EU ("Brexit") could adversely affect PartnerRe's business

In accordance with the withdrawal agreement implementing Brexit, the UK formally left the EU on 31 January 2020. The withdrawal agreement provides for a transitional period ending on 31 December 2020, during which time the UK will continue to enjoy the same rights and obligations as it had as a member state, though without participating in the EU institutions. During this transitional period, the UK and the EU are expected to negotiate a long-term agreement covering, among other things, the terms of trade between them. However, EU officials and others have expressed skepticism that such a trade deal can be agreed in the time frame allowed. The UK government has stated that it will not seek to extend the transitional period. There is, therefore, a risk that at the end of 2020 no trade deal (or only a minimal trade deal) will have been completed, with the result that a "hard" Brexit occurs on 31 December 2020. Depending on the terms of the long-term trade deal with the EU and/or whether or not a "hard" Brexit occurs on 31 December 2020, the UK could lose access to the single EU market and to free trade deals with several countries that already have agreements with the EU.

Such uncertainty and barriers to trade could affect the attractiveness of the UK and impact PartnerRe's UK business. The Company also faces risks associated with the potential uncertainty and consequences relating to Brexit, including with respect to volatility in financial markets, exchange rates and interest rates. These uncertainties could increase the volatility of, or reduce, PartnerRe's investment results in particular periods or over time. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions and regulatory agencies. Brexit could also lead to legal uncertainty and differing laws and regulations between the UK and the EU. In addition, these uncertainties relating to Brexit could affect the operations, strategic position or results of insurers or reinsurers on whom PartnerRe ultimately relies to access underlying insured coverages. Any of these potential effects of Brexit, and others which PartnerRe cannot anticipate, could adversely affect its results of operations or financial condition.

PartnerRe - PartnerRe's business is subject to applicable laws and regulations relating to sanctions and foreign corrupt practices, the violation of which could adversely affect its operations

PartnerRe's activities are subject to applicable economic and trade sanctions, anti-bribery and anti-money laundering laws and regulations in the jurisdictions where it operates including the U.S. and the EU, among others. Compliance with these regulations may impose significant costs, limit or restrict its ability to do business or engage in certain activities, or subject it to the possibility of civil or criminal actions or proceedings. Although it has policies and controls in place designed to comply with applicable laws and regulations, there can be no assurance that PartnerRe, or an employee or agent acting on its behalf, would fully comply with applicable laws and regulations as interpreted by the relevant authorities. The divergence of regulatory requirements between the U.S. and the EU regarding business with Iran has increased these risks. Failure to accurately interpret, comply with or obtain appropriate authorizations and/or exemptions under such laws or regulations could expose PartnerRe to investigations, civil penalties, criminal penalties and other sanctions, including fines, injunctions, loss of licenses or other punitive actions. In addition, such violations could damage PartnerRe's business and/or its reputation. Such criminal or civil sanctions, penalties, other sanctions, or damage to its business and/or reputation could have a material adverse effect on PartnerRe's financial condition and results of operations.

PartnerRe - PartnerRe's business is subject to applicable laws and regulations relating to data privacy and protection and cybersecurity, the changes or the violation of which could affect its operations

Regulatory authorities around the world have implemented or are considering a number of legislative changes or regulations concerning data protection and cybersecurity which have required or may require PartnerRe to incur additional expenses. PartnerRe is subject to numerous U.S. federal and state laws and non-U.S. regulations governing the protection of personal and confidential information of its clients or employees, including in relation to medical records and financial information. Existing cybersecurity regulations vary by region or country in which PartnerRe operates and cover different aspects of business operations.

PartnerRe's business is subject to the General Data Protection Regulation (GDPR) which regulates data protection for all individuals within the EU, including foreign companies processing data of EU residents; it enhances individuals' rights, introduces complex and far-reaching company obligations and increases penalties significantly in case of violation. The GDPR sets out a number of requirements that must be complied with when handling personal data including: the obligation to appoint data protection officers in certain circumstances and the principal of accountability and the obligation to make public notification of significant data breaches.

The interpretation and application of data protection laws in the U.S., Europe and elsewhere are developing and are often uncertain and in flux. It is possible that these laws or cybersecurity regulations may be interpreted and applied in a manner that is inconsistent with PartnerRe's data protection or security practices. If so, in addition to the possibility of fines, this will result in an order requiring that PartnerRe changes its data practices, which could have an adverse effect on its business and results of operations. Complying with these various laws will cause PartnerRe to incur additional costs and could require it to change its business practices.

As a group operating worldwide, PartnerRe strives to comply with all applicable data protection laws and regulations. It is however possible that it fails to comply with all applicable laws and regulations. The failure or perceived failure to comply may result in inquiries and other proceedings or actions against PartnerRe by government entities or others, including monetary fees, or could cause it to lose clients which could potentially have an adverse effect on its business and results of operations.

Taxation Risks

PartnerRe - Changes in PartnerRe's effective income tax rate could affect its results of operations

PartnerRe's effective income tax rate could be adversely affected in the future by net income being lower than anticipated in jurisdictions where the Company has a relatively lower statutory tax rate and net income being higher than anticipated in jurisdictions where it has a relatively higher statutory tax rate, or by changes in corporate tax rates and tax regulations in any of the jurisdictions in which it operates. PartnerRe is subject to regular audit by tax authorities in the various jurisdictions in which it operates. Any adverse outcome of such an audit could have an adverse effect on the Company's net income, effective income tax rate and financial condition.

In addition, the determination of PartnerRe's provisions for income taxes requires significant judgment, and the ultimate tax determination related to certain positions taken is uncertain. Although PartnerRe believes its provisions are reasonable, the ultimate tax outcome may differ from the amounts recorded in its consolidated financial statements and may materially affect its net income and effective income tax rate in the period such determination is made.

PartnerRe - If PartnerRe's non-U.S. operations become subject to U.S. income taxation, its net income will decrease

PartnerRe believes that the Company itself and its non-U.S. subsidiaries, other than certain business sourced by Partner Reinsurance Europe SE (PartnerRe Europe) and PartnerRe Ireland dac (PartnerRe Ireland) through the U.S., and a foreign reinsurance entity that has elected under I.R.C Section 953(d) to be treated as a domestic corporation (953(d) electing reinsurer), have operated, and will continue to operate, their respective businesses in a manner that will not cause them to be viewed as engaged in a trade or business in the U.S. and, on this basis, PartnerRe does not expect that either it or its non-U.S. subsidiaries (other than PartnerRe Europe, PartnerRe Ireland, and the 953(d) electing reinsurer) will be required to pay U.S. corporate income taxes (other than potential withholding taxes on certain types of U.S. source passive income) or branch profits taxes. Because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the U.S., the IRS may contend that either PartnerRe or its non-U.S. subsidiaries are engaged in a trade or business in the U.S. In addition, legislation regarding the scope of non-U.S. entities and operations subject to U.S. income tax has been proposed in the past and may be proposed again in the future. If either PartnerRe or its non-U.S. subsidiaries are subject to U.S. income tax, PartnerRe's net income and shareholders' equity will be reduced by the amount of such taxes, which could be material.

PartnerRe – The Organization for Economic Co-operation and Development (OECD) initiative to limit harmful tax competition may result in higher taxation and increased complexity, burden and cost of compliance

The OECD has published reports and launched a global initiative among member and non-member countries on measures to limit harmful tax competition, known as the Base Erosion and Profit Shifting (BEPS) project. On 21 June 2016, the EU's ministers of Finance and Economic Affairs unanimously approved the Anti-Tax Avoidance Directive to harmonize potential BEPS changes in the EU. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. PartnerRe expects that countries may change their tax laws in response to this project, and several countries have already changed or proposed changes to their tax laws. Changes to tax laws and additional reporting requirements could increase the complexity, burden and cost of doing business with PartnerRe's Bermuda companies and/or subject its Bermuda companies to increased tax and compliance burdens.

In May 2019, the OECD published a “Programme of Work,” divided into two pillars, which is designed to address the tax challenges created by an increasing digitalized economy. Pillar One addresses the broader challenge of a digitalized economy and focuses on the allocation of group profits among taxing jurisdictions based on a market-based concept rather than historical “permanent establishment” concepts. Pillar Two addresses the remaining BEPS risk of profit shifting to entities in low tax jurisdictions by introducing a global minimum tax and a proposed tax on base eroding payments, which would operate through a denial of a deduction or imposition of source-based taxation (including withholding tax) on certain payments. The OECD expects to reach agreement on key policy issues by July 2020, with a final proposal to be agreed to by the participating members by the end of 2020 and incorporated into local jurisdiction tax laws and treaties sometime shortly thereafter. To date, the proposal has been written broadly enough to potentially apply to PartnerRe’s activities, and the Company is unable to determine at this time whether it would have a material adverse impact on its operations and results.

PartnerRe – The Company’s tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof

PartnerRe could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by taxation authorities. Changes could materially and adversely change the worldwide effective tax rate and PartnerRe may have to take further action to seek to mitigate the effect of such changes. Any future amendments to existing income tax treaties between the jurisdictions in which PartnerRe operates, could subject it to increased taxation and/or potentially significant expense.

CNH INDUSTRIAL

Risks related to the business, strategy and operations

CNH Industrial – Global economic conditions impact the Group's businesses

The Group's results of operations and financial position are and will continue to be influenced by macroeconomic factors – including changes in gross domestic product, the level of consumer and business confidence, changes in interest rates, the availability of credit, inflation and deflation, energy prices, and the cost of commodities or other raw materials – which exist in the countries in which the Group operates. Such macroeconomic factors vary from time to time and their effect on the results of operations and financial position cannot be specifically and singularly assessed and/or isolated.

Economic conditions vary across regions and countries, and demand for the Group's products and services generally increases in those regions and countries experiencing economic growth and investment. Slower economic growth or a change in global mix of regions and countries experiencing economic growth and investment could have an adverse impact on the Group's business, results of operations and financial condition. In a weaker economic environment, some dealers and customers may delay or cancel plans to purchase the Group's products and services and may not be able to fulfill their obligations to it in a timely fashion. The Group's suppliers may also be impacted by economic pressures, which may adversely affect their ability to fulfill their obligations to it. These factors could result in product delays, increased accounts receivable, defaults and inventory challenges. In addition, demand for the Group's products and services can be significantly impacted by concerns regarding the diverse economic and political circumstances in the European Union, the debt burden of several countries in the European Union, the risk that one or more European Union countries could come under increasing pressure to leave the European Union and the long term stability of the Euro as a single common currency. These concerns, along with the significant fiscal adjustments carried out in several countries, intended to manage actual or perceived sovereign credit risk, have led to further pressure on economic growth and may lead to new periods of economic volatility and recession in the European Union. Similarly, in Brazil and Argentina, macroeconomic conditions remain volatile. If there is significant deterioration in the global economy or the economies of key countries or regions, the demand for the Group's products and services would likely decrease and its results of operations, financial position and cash flows could be materially and adversely affected.

CNH Industrial - The Group is exposed to political, economic, trade and other risks beyond its control as a result of operating a global business

The Group manufactures and sells products and offers services in several continents and numerous countries around the world including those experiencing varying degrees of political and economic instability. Given the global nature of its activities, the Group is exposed to risks associated with international business activities that may increase its costs, impact its ability to manufacture and sell its products and require significant management attention. These risks include:

- changes in laws, regulations and policies that affect, among other things:
- import and export duties and quotas;
- currency restrictions;
- the design, manufacture and sale of the Group's products, including, for example, engine emissions regulations;
- interest rates and the availability of credit to the Group's dealers and customers;
- property, contract rights and intellectual property;
- where, to whom and what types of products may be sold, including new or additional trade or economic sanctions imposed by the U.S., EU or other governmental authorities and supranational organizations (e.g., the United Nations);
- taxes;
- regulations from changing world organization initiatives and agreements;
- changes in the dynamics of the industries and markets in which the Group operates;
- labor disruptions;
- disruption in the supply of raw materials and components (e.g. as a consequence of epidemics and pandemics), including rare materials (the latter might be more easily the target of sudden increases due to a variety of factors, including speculative measures or unforeseen political changes);
- changes in governmental debt relief and subsidy program policies in certain significant markets such as Argentina and Brazil, including the Brazilian government discontinuing programs subsidizing interest rates on equipment loans;

- withdrawal from or changes to trade agreements or trade terms, negotiation of new trade agreements and the imposition of new (and retaliatory) tariffs on certain countries or covering certain products or raw materials, including developments in US-China trade relations; and
- war, civil unrest and terrorism.

In recent years, terrorist attacks have occurred around the world, leading to personal safety anxieties and political instability in many countries and, ultimately, an impact on consumers' confidence. More recently, growing populist political movements in several major developed countries, changes in or uncertainty surrounding global trade policies and other unanticipated changes to the previous geopolitical order may have negative effects on the global economy. The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China, may negatively affect economic conditions regionally as well as globally, disrupt supply chains and otherwise impact operations. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Group cannot predict the impact it may have on its end markets and its operations; however, the effect on the Group's results may be material and adverse.

There can be no guarantee that the Group will be able to quickly and completely adapt its business model to changes that could result from the foregoing, and any such changes may have an adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial - Reduced demand for equipment would reduce the Group's sales and profitability

The agricultural equipment market is influenced by factors such as:

- the price of agricultural commodities and the ability to competitively export agricultural commodities;
- the profitability of agricultural enterprises, farmers' income and their capitalization;
- the demand for food products; and
- agricultural policies, including aid and subsidies to agricultural enterprises provided by governments and/or supranational organizations, policies impacting commodity prices or limiting the export or import of commodities, and alternative fuel mandates.

In addition, droughts and other unfavorable climatic conditions, especially during the spring, a particularly important period for generating sales orders, could have a negative impact on decisions to buy agricultural equipment and, consequently, on the Group's revenues.

The construction equipment market is influenced by factors such as:
- public infrastructure spending; and
- new residential and non-residential construction; and
- capital spending in oil and gas and, to a lesser extent, in mining.

The commercial vehicles market is influenced by factors such as:
- changes in global market conditions, including the level of interest rates;
- changes in business investment, including timing of fleet renewals; and
- public infrastructure spending.

The above factors can significantly influence the demand for agricultural and construction equipment, as well as for commercial vehicles, and consequently, the Group's financial results. Additionally, if demand for the Group's products is less than it expects, the Group may experience excess inventories and be forced to incur additional charges and its profitability will suffer, including higher fixed costs associated with lower production levels at its plants. The Group's business may be negatively impacted if it experiences excess inventories or it is unable to adjust its production schedules or its purchases from suppliers to reflect changes in customer demand and market fluctuations on a timely basis.

CNH Industrial – The Group depends on suppliers for raw materials, parts and components

The Group relies upon many suppliers for raw materials, parts and components that it requires to manufacture its products. The Group cannot guarantee that it will be able to maintain access to raw materials, parts and components, and in some cases, this access may be affected by factors outside of its control and the control of its suppliers. Certain components and parts used in the Group's products are available from a single supplier and cannot be quickly sourced from other suppliers. Increasing demand for certain products has resulted in challenges in obtaining parts and components due to supplier constraints.

Supply chain disruptions, including those due to supplier financial distress, capacity constraints, labor shortages, business continuity, delivery or disruptions due to weather-related, natural disaster, pandemics (like the recent Coronavirus outbreak) or other unforeseen events, could negatively impact the Group's business, results of operations and financial condition.

The Group uses a variety of raw materials in its businesses, including steel, aluminum, lead, resin and copper, and precious metals such as platinum, palladium and rhodium. The availability and price of these raw materials fluctuate, particularly during times of economic volatility or regulatory instability or in response to changes in tariffs and while the Group seeks to manage this exposure, it may not be successful in mitigating these risks. Further, increases in the prices for raw materials can significantly increase costs of production, which could have a material adverse effect on the Group's business, results of operations and financial condition, particularly if it is unable to offset the increased costs through an increase in product pricing.

CNH Industrial - Competitive activity, or failure by the Group to respond to actions by its competitors, could adversely affect its results of operations

The Group operates in highly competitive global and regional markets. Depending on the particular country and product, it competes with other international, regional and local manufacturers and distributors of agricultural and construction equipment, commercial vehicles, and powertrains. Certain of the Group's global competitors have substantial resources and may be able to provide products and services at little or no profit or even at a loss to compete with certain of the Group's product offerings. The Group competes primarily on the basis of product performance, innovation, quality, distribution, customer service and price. Aggressive pricing or other strategies pursued by competitors, unanticipated product or manufacturing delays, quality issues or the Group's failure to price its products competitively could adversely affect its business, results of operations and financial position. Additionally, there has been a trend towards consolidation in the truck and construction equipment industries that has resulted in larger and potentially stronger competitors in those markets. The markets in which the Group competes are highly competitive in terms of product quality, innovation, pricing, fuel economy, reliability, safety, customer service and financial services offered. Competition, particularly on pricing, has increased significantly in the markets in which the Group competes in recent years. Should it be unable to adapt effectively to market conditions, this could have an adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial - Costs of ongoing compliance with, or failure to comply with, increasingly stringent environmental, health and safety laws could have an adverse effect on the Group's results of operations

The Group is subject to comprehensive and constantly evolving laws, regulations and policies in numerous jurisdictions around the world. It expects the extent of legal requirements affecting its businesses and its costs of compliance to continue to increase in the future. Such laws govern, among other things, products – with requirements on emissions of polluting gases and particulate matter, increased fuel efficiency and safety becoming increasingly strict – and industrial plants – with requirements for reduced air emissions, treatment of waste and water and prohibitions on soil contamination also becoming increasingly strict. To comply with such laws, the Group makes significant investments in research and development and capital expenditures and expects to continue to incur substantial costs in the future. Failure to comply with such laws could limit or prohibit the Group's ability to sell its goods in a particular jurisdiction, expose it to penalties or clean-up costs, civil or criminal liability and sanctions on certain of its activities, as well as damage to property or natural resources. Liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws, including those that may be adopted or imposed in the future, could negatively impact the Group's ability to conduct its operations and its results of operations and financial condition. In addition, there can be no assurances that the Group will not be adversely affected by costs, liabilities or claims with respect to any subsequently acquired operations.

Further, environmental, health and safety regulations change from time to time, as may related interpretations and other guidance. For example, changes in environmental and climate change laws, including laws relating to engine and vehicle emissions, safety regulations, fuel requirements, restricted substances, or greenhouse gas emissions, could lead to new or additional investments in product designs and could increase environmental compliance expenditures. If these laws are either changed or adopted and impose significant operational restrictions and compliance requirements on the Group's products or operations, they could result in higher capital expenditures and negatively impact its business, results of operations, financial position and competitive position. Finally, recent public opinion backlash against diesel engine emissions might trigger the adoption of policies severely restricting the use of diesel engines.

CNH Industries - Changes in government monetary or fiscal policies may negatively impact the Group's results

Most countries where the Group's products and services are sold have established central banks to regulate monetary systems and influence economic activities, generally by adjusting interest rates. Some governments may implement measures designed to slow economic growth in those countries (e.g. higher interest rates, reduced bank lending and other anti-inflation measures). Rising interest rates could have a dampening effect on the overall economic activity and/or the financial condition of the Group's customers, either or both of which could negatively affect demand for its products and its customers' ability to repay obligations to the Group. Central banks and other policy arms of many countries may take further actions to vary the amount of liquidity and credit available in an economy. The impact from a change in liquidity and credit policies could negatively affect the customers and markets the Group serves or its suppliers, which could adversely impact the Group's business, results of operations and financial condition. Government initiatives that are intended to stimulate demand for products sold by the Group, such as changes in tax treatment or purchase incentives for new equipment, can substantially influence the timing and level of its revenues. The terms, size and duration of such government actions are unpredictable and outside of the Group's control. Any adverse change in government policy relating to those initiatives could have a material adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial – The Group's future performance depends on its ability to innovate and on market acceptance of new or existing products

The Group's success depends on its ability to maintain or increase its market share in existing markets and to expand into new markets through the development of innovative, high-quality products that provide adequate profitability. In September 2019, it announced its five-year Strategic Business Plan. This Plan includes investments in innovation designed to further develop existing, and create new, product offerings responsive to customer needs, thereby producing sales growth in existing markets and expansion into new markets. Achievement of these objectives is dependent on a number of factors, including the Group's ability to maintain key dealer relationships, its ability to produce products that meet the quality, performance and price expectations of customers, and its ability to develop effective sales, dealer training and marketing programs. Failure to develop and offer innovative products that compare favorably to those of the Groups' principal competitors in terms of price, quality, functionality, features, mobility and connected services, vehicle electrification, fuel cell technology and autonomy, or delays in bringing strategic new products to market, or the inability to adequately protect intellectual property rights or to supply products that meet regulatory requirements, including engine emissions requirements, could result in reduced market share, which could have a material adverse effect on the Group's business, results of operations and financial condition.

CNH Industrial – The Group's existing operations and expansion plans in emerging markets could entail significant risks

The Group's ability to grow its businesses depends to an increasing degree on its ability to increase market share and operate profitably worldwide and in particular in emerging market countries, such as Brazil, Russia, India, China, Argentina, Turkey, and South Africa. In addition, the Group could increase its use of suppliers located in such countries. The Group's implementation of these strategies will involve a significant investment of capital and other resources and exposes it to multiple and potentially conflicting cultural practices, business practices and legal requirements that are subject to change, including those related to tariffs, trade barriers, investments, property ownership rights, taxation and sanction and export control requirements. For example, the Group may encounter difficulties in obtaining necessary governmental approvals in a timely manner. In addition, it may experience delays and incur significant costs in constructing facilities, establishing supply channels, and commencing manufacturing operations. Further, customers in these markets may not readily accept the Group's products as compared with products manufactured and commercialized by its competitors. The emerging market countries may also be subject to a greater degree of economic and political volatility that could adversely affect the Group's financial position, results of operations and cash flows. Many emerging market economies have experienced slower growth, volatility and other economic challenges in recent periods and may be subject to a further slowdown in gross domestic product expansion and/or be impacted by domestic political or currency volatility, potential hyperinflationary conditions and/or increase of public debt.

CNH Industrial – The Group may not realize all of the anticipated benefits from its business simplification initiatives, the spin-off of its On-Highway business and cost management initiatives

As part of its Strategic Business Plan, the Group is actively engaged in a number of initiatives to simplify its business and increase its productivity, efficiency and cash flow, which it expects to have a positive long-term effect on its business, results of operations and financial condition. These initiatives include the announced spin-off of the Group's On-Highway business and the 80/20 simplification process related to the product portfolio.

There can be no assurance that these initiatives or others will be beneficial to the extent anticipated, or that the estimated efficiency improvements or cash flow improvements will be realized as anticipated or at all. If these initiatives are not implemented successfully, they could have an adverse effect on operations. The Group also expects to take targeted restructuring actions as it continues to optimize its cost structure and improve the efficiency of its operations. In order to complete these actions, the Group will incur charges. Failure to realize anticipated savings or benefits from its cost reduction actions could have a material adverse effect on the Group's business, prospects, financial condition, liquidity, results of operations and cash flows.

CNH Industrial – The Group is subject to extensive anti-corruption and antitrust laws and regulations

Due to the global scope of the Group's operations, it is subject to many laws and regulations that apply to its operations around the world, including the U.S. Foreign Corrupt Practices Act, and the U.K. Bribery Act, as well as a range of national anti-corruption and antitrust or competition laws that apply to conduct in a particular jurisdiction. These anti-corruption laws prohibit improper payments in cash or anything of value to improperly influence third parties to obtain or retain business or gain a business advantage. These laws tend to apply regardless of whether those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been an increase in the enforcement of anti-corruption and antitrust or competition laws both globally and in particular jurisdictions and the Group has from time to time been subject to investigations and charges claiming violations of anti-corruption or antitrust or competition laws, including its settlement of the EU antitrust investigation announced on 19 July 2016. Following this settlement, the Company has been named as defendant in current private litigation commenced in various European jurisdictions and Israel that remains at an early stage. The Company expects to face further claims in various jurisdictions, the extent and outcome of which cannot be predicted at this time. CNH Industrial is committed to operating in compliance with all applicable laws, in particular anti-corruption and antitrust or competition laws. It has implemented a program to promote compliance with these laws and to reduce the likelihood of potential violations. The Group's compliance program, however, may not in every instance protect it from acts committed by its employees, agents, contractors, or collaborators that may violate the applicable laws or regulations of the jurisdictions in which it operates. Such improper actions could subject the Group to civil or criminal investigations and monetary, injunctive and other penalties as well as damage claims. Investigations of alleged violations of these laws tend to be expensive and require significant management time and attention, and these investigations of purported violations, as well as any publicity regarding potential violations, could harm the Group's reputation and have a material adverse effect on its business, results of operations and financial position.

CNH Industrial – The Group may be adversely affected by the UK vote to leave the European Union (Brexit)

In a 23 June 2016 referendum, the United Kingdom ("UK") voted to terminate the UK's membership in the European Union ("Brexit"). The UK withdrew from the European Union on 31 January 2020. Following its departure, the UK entered a transition period until 31 December 2020. Negotiations during the transition period will determine the terms of the UK's future relationship with the European Union and its member states, including the terms of trade. Any effect of Brexit is expected to depend on the agreements, if any, negotiated between the UK and the EU with respect to reciprocal market access and other matters, either during a transitional period or more permanently. The terms of the withdrawal, including terms of trade, are subject to ongoing negotiations that have created significant uncertainty about the future relationship between the UK and the EU. Brexit may also lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect the Group's business, results of operations and financial condition.

Brexit could adversely affect UK, European or worldwide economic and market conditions more broadly and could contribute to instability in global financial markets. The Group has operations in the UK but does not believe that its global operations would be affected materially by Brexit. However, any adverse effect of Brexit on the Group or on global or regional economic or market conditions could adversely affect its business, results of operations, and financial condition as customers may reduce or delay spending decisions with respect to its products. Any uncertainty related to Brexit could also affect trading in the Group's shares.

CNH Industrial is organized as a Dutch company but it is considered resident in the UK for UK tax purposes. This determination is based on the UK as the location of management and control which has been confirmed through a mutual agreement procedure with the relevant tax authorities (as to which see "Other Risks – CNH Industrial operates and will continue to operate, as a company that is resident in the UK for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere"). The Group does not expect the UK's exit from the European Union to affect its tax residency in the UK; however, it is unable to predict with certainty whether any measures implemented in connection with the UK's exit from the European Union or arrangements relating to the future relationship between the European Union and the UK will ultimately have any such impact.

CNH Industrial - Dealer equipment sourcing and inventory management decisions could adversely affect the Group's sales

The Group sells its products primarily through independent dealers and is subject to risks relating to their inventory management decisions and operating and sourcing practices. The Group's dealers carry inventories of finished products and parts as part of ongoing operations and adjust those inventories based on their assessment of future sales opportunities and market conditions, including the level of used equipment inventory. If the dealers' inventory levels are higher than they desire, they may postpone product purchases from the Group, which could cause the Group's sales to be lower than the end-user demand for its products and negatively impact Group results. Similarly, the Group's sales could be negatively impacted through the loss of time-sensitive sales if its dealers do not maintain inventory sufficient to meet customer demand. Further, dealers who carry other products that compete with the Group's products may focus their inventory purchases and sales efforts on goods provided by other suppliers due to industry demand or profitability. Such inventory adjustments and sourcing decisions can adversely impact the Group's sales, results of operations and financial condition.

CNH Industrial - The Group may not be able to realize anticipated benefits from any acquisitions and, further, challenges associated with strategic alliances may have an adverse impact on the Group's results of operations

The Group has engaged in the past, and may engage in the future, in mergers and acquisitions or enter into, expand or exit from strategic alliances and joint ventures that could involve risks that could prevent it from realizing the expected benefits of the transactions or the achievement of strategic objectives or could divert management's time and attention. Such risks, many of which are outside the Group's control, include:

- technological and product synergies, economies of scale and cost reductions not occurring as expected;
- unexpected liabilities;
- incompatibility of operating, information or other systems;
  unexpected changes in laws;
- inability to retain key employees;
- protecting intellectual property rights;
- inability to source certain products or components (or the cost thereof);
- significant costs associated with terminating or modifying alliances; and
- problems in retaining customers and integrating operations, services, personnel, and customer bases.

If problems or issues were to arise among the parties to one or more strategic alliances for managerial, financial, or other reasons, or if such strategic alliances or other relationships were terminated, the Group's product lines, businesses, results of operations and financial condition could be adversely affected.

CNH Industrial – The Group's results of operations may be adversely impacted by various types of claims, lawsuits and other contingent obligations

In the ordinary course of business, the Group is involved in pending litigation and investigations on a wide range of topics, including dealer and supplier litigation, intellectual property right disputes, product warranty and defective product claims, product performance, asbestos, personal injury, engine emissions and/or fuel economy regulatory and contract issues, and environmental claims. The industries in which the Group operates are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. The ultimate outcome of these legal matters pending against the Group is uncertain, and although such legal matters are not expected individually to have a material adverse effect on its financial position or profitability, such legal matters could, in the aggregate, in the event of unfavorable resolutions thereof, have a material adverse effect on the Group's results of operations and financial condition. Furthermore, the Group could in the future be subject to judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on its results of operations in any particular period.

In addition, while the Group maintains insurance coverage with respect to certain risks, it may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against claims under such policies. The Group establishes reserves based on its assessment of contingencies, including contingencies related to legal claims asserted against it. Subsequent developments in legal proceedings may affect the Group's assessment and estimates of the loss contingency recorded as a reserve and require it to make payments in excess of its reserves, which could have a material adverse effect on the Group's results of operations and/or financial position.

CNH Industrial – A cybersecurity breach could interfere with the Group's operations, compromise confidential information, negatively impact its corporate reputation and expose it to liability

The Group relies upon information technology systems and networks, some of which are managed by third parties, in connection with a variety of its business activities. These systems include supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of the Group's products and from customers of its financial services business and connectivity services among vehicles. The Group uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, the Group collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary information of its customers, suppliers and dealers, as well as personally identifiable information of its dealers, customers and employees, in data centers and on information technology networks. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to the Group's business operations and strategy. Increased information technology security threats and more sophisticated computer crime pose a risk to the security of the Group's systems and networks and the confidentiality, availability and integrity of its data. Cybersecurity attacks could also include attacks targeting customer data or the security, integrity and/or reliability of the hardware and software installed in the Group's products.

While the Group actively manages information technology security risks within its control through security measures, business continuity plans and employee training around phishing and other cyber risks, there can be no assurance that such actions will be sufficient to mitigate all potential risks to its systems, networks, data and products. Furthermore, third parties on which the Group relies, including internet, mobile communications technology and cloud service providers, could be sources of information risk to the Group.

A failure or breach in security, whether of the Group's systems and networks or those of third parties on which the Group relies, could expose the Group and its customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data, defective products, production downtimes and operations disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as remediation costs and higher operational and other costs of implementing further data protection measures. In addition, as security threats continue to evolve the Group may need to invest additional resources to protect the security of its systems and data. The amount or scope of the insurance coverage the Group maintains may be inadequate to cover claims or liabilities relating to a cybersecurity attack.

CNH Industrial - Changes in privacy laws could disrupt the Group's business

The Group is also subject to various laws regarding privacy and the protection of personal information. The regulatory framework for privacy and data security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. The European Union's General Data Protection Regulation ("GDPR") imposes more stringent data protection requirements and provides for significant penalties for noncompliance. New privacy laws will continue to come into effect around the world, including the California Consumer Privacy Act and Brazil's General Law of Personal Data Protection. CNH Industrial may be required to incur significant costs to comply with privacy and data security laws, rules and regulations. Any inability to adequately address privacy and security concerns or comply with applicable privacy and data security laws, rules and regulations could have an adverse effect on the Group's business prospects, results of operations and/or financial position.

CNH Industrial – The Group faces risks associated with its employment relationships

In many countries where the Group operates, its employees are protected by laws and/or collective labor agreements that guarantee them, through local and national representatives, the right of consultation on specific matters, including downsizing or closure of production facilities, activities and reductions in personnel. Laws and/or collective labor agreements applicable to the Group could impair its flexibility in reshaping and/or strategically repositioning its business activities. Therefore, its ability to reduce personnel or implement other permanent or temporary redundancy measures is subject to government approvals and/or the agreement of labor unions where such laws and agreements are applicable. Furthermore, the Group is at greater risk of work interruptions or stoppages than non-unionized companies and any work interruption or stoppage could significantly impact the volume of products it manufactures and sells, which could have a material adverse effect on its business, results of operations and financial condition.

CNH Industrial - The Group's ability to execute its strategy is dependent upon its ability to attract, motivate and retain qualified personnel

The Group's ability to compete effectively, to manage its business effectively, to expand its business and to execute its strategic direction, in particular the implementation of the Group's Strategic Business Plan depends, in part, on its ability to attract, motivate and retain qualified personnel in key functions. In particular, the Group is dependent on its ability to attract, motivate and retain qualified personnel with the requisite education, background, talents and industry experience. Failure to attract and retain qualified personnel, whether as a result of an insufficient number of qualified applicants, difficulty in recruiting new personnel, or the inability to integrate and retain qualified personnel, could impair the Group's ability to execute its business strategy and could adversely affect its business.

CNH Industrial – The Group's business may be affected by unfavorable weather conditions, climate change or other calamities

Poor, severe or unusual weather conditions caused by climate change or other factors, particularly during the planting and early growing season, can significantly affect the purchasing decisions of the Group's agricultural equipment customers. The timing and quantity of rainfall are two of the most important factors in agricultural production. Insufficient levels of rain prevent farmers from planting crops or may cause growing crops to die, resulting in lower yields. Excessive rain or flooding can also prevent planting or harvesting from occurring at optimal times and may cause crop loss through increased disease or mold growth. Temperature affects the rate of growth, crop maturity, crop quality and yield. Temperatures outside normal ranges can cause crop failure or decreased yields and may also affect disease incidence. Natural disasters such as floods, hurricanes, storms, droughts, diseases and pests can have a negative impact on agricultural production. The resulting negative impact on farm income can strongly affect demand for the Group's agricultural equipment in any given period.

In addition, natural disasters, pandemic illness, terrorist attacks or violence, equipment failures, power outages, disruptions to the Group's information technology systems and networks or other unexpected events could result in physical damage to and complete or partial closure of one or more of the Group's manufacturing facilities or distribution centers, temporary or long-term disruption in the supply of parts or component products, disruption in the transport of products to dealers and customers and delay in delivery of products to distribution centers. In the event such events occur, the Group's financial results might be negatively impacted. The Group's existing insurance arrangements may not protect against all costs that may arise from such events.

Furthermore, the potential physical impacts of climate change on the Group's facilities, suppliers and customers and therefore on its operations are highly uncertain and will be particular to the circumstances developing in various geographical regions. These may include long-term changes in temperature levels and water availability. These potential physical effects may adversely impact the demand for the Group's products and the cost, production, sales and financial performance of its operations.

CNH Industrial - Changes in demand for food and alternate energy sources could impact the Group's revenues

Changing worldwide demand for farm outputs to meet the world's growing food and alternative energy demands, driven in part by government policies and a growing world population, are likely to result in fluctuating agricultural commodity prices, which affect sales of agricultural equipment. While higher commodity prices will benefit the Group's crop producing agricultural equipment customers, higher commodity prices also result in greater feed costs for livestock and poultry producers, which in turn may result in lower levels of equipment purchased by these customers. Lower commodity prices directly affect farm income, which could negatively affect sales of agricultural equipment.

Moreover, changing alternative energy demands may cause farmers to change the types or quantities of the crops they grow, with corresponding changes in equipment demands. Finally, changes in governmental policies regulating bio-fuel utilization could affect demand for the Group's equipment and result in higher research and development costs related to equipment fuel standards.

CNH Industrial - International trade policies may impact demand for the Group's products and its competitive position

Government policies on international trade and investment such as sanctions, import quotas, capital controls or tariffs, whether adopted by non-governmental bodies, individual governments or addressed by regional trade blocs, may affect the demand for the Group's products and services, impact the competitive position of its products or prevent it from being able to sell products to certain customers or in certain countries.

The implementation of more protectionist trade policies, such as more detailed inspections, higher tariffs, or new barriers to entry, in countries where the Group sells products and provides services could negatively impact its business, results of operations and financial position. For example, a government's adoption of trade sanctions or "buy national" policies or retaliation by another government against such policies could have a negative impact on the Group's results of operations.

Financial risks

CNH Industrial – difficulty in obtaining financing or refinancing existing debt could impact the Group's financial performance

The Group's performance will depend on, among other things, its ability to finance debt repayment obligations and planned investments from operating cash flow, available liquidity, the renewal or refinancing of existing bank loans and/or facilities and access to capital markets or other sources of financing. A decline in revenues could have a negative impact on the cash-generating capacity of the Group's operations. Consequently, the Group could find itself in the position of having to seek additional financing and/or having to refinance existing debt, including in unfavorable market conditions with limited availability of funding and a general increase in funding costs. Instability in global capital markets, including market disruptions, limited liquidity and interest rate and exchange rate volatility, could reduce the Group's access to capital markets or increase the cost of its short and long-term financing. Any difficulty in obtaining financing could have a material adverse effect on the Group's business, results of operations and financial position.

The Group's ability to access the capital markets or other forms of financing and related costs are highly dependent on, among other things, the credit ratings of CNH Industrial N.V., its subsidiaries, asset-backed securities ("ABS") and other debt instruments. Rating agencies may review and revise their ratings from time to time, and any downgrade or other negative action with respect to the Group's credit ratings by one or more rating agencies may increase the Group's cost of capital, potentially limit its access to sources of financing, and have a material adverse effect on its business, results of operations and financial condition.

CNH Industrial – The Group is subject to exchange rate fluctuations, interest rate changes and other market risks

The Group operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and interest rates, including as a result of changes in monetary or fiscal policies of governmental authorities from time to time. The Group is subject to currency exchange risk to the extent that its costs are denominated in currencies other than those in which it earns revenues. In addition, the reporting currency for the consolidated financial statements is the U.S. dollar. Certain of the Group's assets, liabilities, expenses and revenues are denominated in other currencies. Those assets, liabilities, expenses and revenues are translated into the U.S. dollar at the applicable exchange rates to prepare the consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items reflected in the consolidated financial statements, even if their value remains unchanged in their original currency. Changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on the Group's results of operations and financial condition.

The Group uses various forms of financing to cover the funding requirements of its Industrial Activities and for financing offered to customers and dealers. Financial Services normally implements a matching policy to offset the impact of differences in interest rates on the financed portfolio and related liabilities. Nevertheless, any future changes in interest rates can result in increases or decreases in revenues, finance costs and margins.

Although the Group seeks to manage its currency risk and interest rate risk, including through hedging activities, there can be no assurance that it will be able to do so successfully, and its business, results of operations and financial position could be adversely affected. In addition, by utilizing these instruments, the Group potentially foregoes the benefits that may result from favorable fluctuations in currency exchange and interest rates.

The Group also faces risks from currency devaluations. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation.

CNH Industrial – Because Financial Services provides financing for a significant portion of the Group's sales worldwide, the Group's operations and financial results could be impacted materially should negative economic conditions affect the financial industry

Negative economic conditions can have an adverse effect on the financial industry in which Financial Services operates. Financial Services, through wholly owned financial services companies and joint ventures, provides financing for a significant portion of the Group's sales worldwide. Financial Services may experience credit losses that exceed its expectations and adversely affect its financial condition and results of operations. Financial Services' inability to access funds at cost-effective rates to support its financing activities could have a material adverse effect on the Group's business. Financial Services' liquidity and ongoing profitability depend largely on timely access to capital in order to meet future cash flow requirements and to fund operations and costs associated with engaging in diversified funding activities. Additionally, negative market conditions could reduce customer confidence levels, resulting in declines in credit applications and increases in delinquencies and default rates, which could materially impact Financial Services' write-offs and provision for credit losses. Financial Services may also experience residual value losses that exceed its expectations caused by lower pricing for used equipment and higher than expected equipment returns at lease maturity.

CNH Industrial – An increase in delinquencies or repossessions could adversely affect the results of Financial Services

Fundamental in the operation of Financial Services is the credit risk associated with its customers/borrowers. The creditworthiness of each customer, rates of delinquency and default, repossessions and net losses on loans to customers are impacted by many factors, including: relevant industry and general economic conditions; the availability of capital; the terms and conditions applicable to extensions of credit; the experience and skills of the customer's management team; commodity prices; political events; weather; and the value of the collateral securing the extension of credit. An increase in delinquencies or defaults, or a reduction in repossessions could have an adverse impact on the performance of Financial Services and the Group's earnings and cash flows. In addition, although Financial Services evaluates and adjusts its allowance for credit losses related to past due or non-performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the financial health of customers could change the timing and level of payments received and thus necessitate an increase in Financial Services' estimated losses, which could have a material adverse effect on Financial Services' and the Group's results of operations and cash flows.

CNH Industrial – New regulations or changes in financial services regulations could adversely impact the Group

Financial Services' operations are highly regulated by governmental authorities in the locations where it operates, which can impose significant additional costs and/or restrictions on its business. In the U.S., for example, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), including its implementing regulations, may substantially affect Financial Services' origination, servicing, and securitization programs. The Dodd-Frank Act also strengthens the regulatory oversight of these securities and related capital market activities by the SEC and increases the regulation of the ABS markets through, among other things, a mandated risk retention requirement for securitizers and a direction to regulate credit rating agencies. Other future regulations may affect Financial Services' ability to engage in funding these capital market activities or increase the effective cost of such transactions, which could adversely affect the Group's financial position, results of operations and cash flows.

CNH Industrial – The Group may be exposed to shortfalls in its pension plans

At 31 December 2019, the funded status for the Group's defined benefit pension and other post-employment benefits was an underfunded status of $1,431 million that is included in the consolidated statement of financial position. The funded status is the balance between the present value of the defined benefit obligation and the fair value of related assets, in case of funded plans (plans managed by a separate fund, "trust"). Consequently, the funded status is subject to many factors.

To the extent that the Group's obligations under a plan are unfunded or underfunded, it will have to use cash flows from operations and other sources to pay its obligations as they become due. In addition, since the assets that currently fund these obligations are primarily invested in debt instruments and equity securities, the value of these assets is subject to changes due to market fluctuations.

CNH Industrial – The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding and may limit its financial and operating flexibility

As of 31 December 2019, the Group had an aggregate of $25,413 million (including $20,820 million relating to Financial Services' activities) of consolidated gross indebtedness, and its equity was $7,863 million, including non-controlling interests. The extent of the Group's indebtedness could have important consequences on its operations and financial results, including:

- the Group may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;
- the Group may need to use a portion of its projected future cash flow from operations to pay principal and interest on its indebtedness, which may reduce the amount of funds available for other purposes;
- the Group may be more financially leveraged than some of its competitors, which could put it at a competitive disadvantage;
- the Group may not be able to invest in the development or introduction of new products or new business opportunities;
- the Group may not be able to adjust rapidly to changing market conditions, which may make it more vulnerable to a downturn in general economic conditions; and
- the Group may not be able to access the capital markets on favorable terms, which may adversely affect its ability to provide competitive retail and wholesale financing programs.

These risks are exacerbated by the ongoing volatility in the financial markets, in part resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions, particularly in the European Union and Latin America, and from continued concerns about global economic growth, particularly in emerging markets.

Further, the Group's indebtedness under some of its instruments including its revolving credit facilities and derivative transactions may bear interest at variable interest rates based on LIBOR. The LIBOR benchmark has been subject to national, international, and other regulatory guidance and proposals for reform. In July 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit rates for calculation of LIBOR after 2021. These reforms may cause LIBOR to perform differently than in the past and LIBOR may ultimately cease to exist after 2021 or be unsuitable to use as a benchmark. The consequences of any potential cessation, modification or other reform of LIBOR cannot be predicted at this time. Any new benchmark rate will likely not replicate LIBOR exactly, which could impact new credit facilities and derivative transactions entered into after 2021. Any changes to benchmark rates could have an impact on the Group's cost of funds and its access to the capital markets, which could impact its results of operations and cash flows. Uncertainty as to the nature of such potential changes may also adversely affect the trading market for the Group's securities.

CNH Industrial – Restrictive covenants in the Group's debt agreements could limit its financial and operating flexibility

The agreements governing the Group's outstanding debt securities and other credit agreements to which it is a party from time to time contain, or may contain, covenants that restrict its ability to, among other things:

- incur additional indebtedness by certain subsidiaries;
- make certain investments;
- enter into certain types of transactions with affiliates;
- sell or acquire certain assets or merge with or into other companies; and/or
- use assets as security in other transactions.

Although the Group does not believe any of these covenants materially restrict its operations currently, a breach of one or more of the covenants could result in adverse consequences that could negatively impact the Group's businesses, results of operations, and financial position.

These consequences may include the acceleration of amounts outstanding under certain of its credit facilities, triggering an obligation to redeem certain debt securities, termination of existing unused commitments by its lenders, refusal by its lenders to extend further credit under one or more of the facilities or to enter into new facilities or the lowering or modification of CNH Industrial's credit ratings or those of one or more of its subsidiaries.

Other risks

CNH Industrial – The Group operates and will continue to operate, as a company that is resident in the UK for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere

CNH Industrial is not incorporated in the UK; therefore, in order to be resident in the UK for tax purposes, CNH Industrial's central management and control must be located (in whole or in part) in the UK. The test of central management and control is largely a question of fact based on all the circumstances. The decisions of the UK courts and the published practice of Her Majesty's Revenue & Customs, or HMRC, suggest that CNH Industrial should be regarded as being UK-resident on this basis. The competent authority ruling referred to below supports this analysis. Although CNH Industrial's "central management and control" is in the UK, it would not be treated as UK-resident if (a) CNH Industrial were concurrently resident in another jurisdiction (applying the tax residence rules of that jurisdiction) which has a double tax treaty with the UK; and (b) that tax treaty allocates exclusive residence to that other jurisdiction.

Although CNH Industrial's central management and control is in the UK, CNH Industrial is considered to be resident in the Netherlands for Dutch corporate income tax and Dutch dividend withholding tax purposes because CNH Industrial is incorporated in the Netherlands. The UK and Dutch competent authorities have agreed, following a mutual agreement procedure (as contemplated by the Netherlands-UK tax treaty), that CNH Industrial will be regarded as solely resident in the UK for purposes of the application of the Netherlands-UK tax treaty provided that CNH Industrial operates as planned and provides appropriate required evidence to the UK and Dutch competent tax authorities. If the facts upon which the competent authorities issued this ruling change over time, this ruling may be withdrawn or cease to apply and in that case the Netherlands may levy corporate income tax on CNH Industrial and impose withholding taxes on dividends distributed by CNH Industrial.

CNH Industrial does not expect Brexit to affect its tax residency in the UK; however, it is unable to predict with certainty whether the discussions to implement Brexit will ultimately have any impact on this matter.

CNH Industrial's residence for Italian tax purposes is also largely a question of fact based on all the circumstances. For Italian tax purposes, a rebuttable presumption of CNH Industrial's residence in Italy may apply under Italian legislation. However, CNH Industrial has a management and organizational structure such that CNH Industrial should be deemed resident in the UK from the date of its incorporation for purposes of the Italy-UK tax treaty. Because this analysis is highly factual and may depend on future changes in CNH Industrial's management and organizational structure, there can be no assurance that CNH Industrial's determination of its tax residence will be respected by all relevant tax authorities. Should CNH Industrial be treated as an Italian tax resident, CNH Industrial would be subject to corporate income tax in Italy on its worldwide income and may be required to comply with withholding tax on dividends and other distributions and/or reporting obligations under Italian law, which could result in additional costs and expenses.

CNH Industrial – Tax may be required to be withheld from dividend payments

Although the UK and Dutch competent authorities have ruled that CNH Industrial should be treated as solely resident in the UK for the purposes of the Netherlands-UK double tax treaty, under Dutch domestic law dividend payments made by the Company to Dutch residents are still subject to Dutch dividend withholding tax and CNH Industrial would have no obligation to pay additional amounts in respect of such payments.

Should withholding taxes be imposed on future dividends or distributions with respect to CNH Industrial common shares, whether such withholding taxes are creditable against a tax liability to which a shareholder is otherwise subject depends on the laws of such shareholder's jurisdiction and such shareholder's particular circumstances. Shareholders are urged to consult their tax advisors in respect of the consequences of the potential imposition of withholding taxes.

CNH Industrial – The Group may incur additional tax expense or become subject to additional tax exposure
The Group is subject to income taxes in many jurisdictions around the world. Its tax liabilities are dependent upon the location of earnings among these different jurisdictions. The Group's future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the Group's overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles and changes in the valuation of deferred tax assets and liabilities. If the Group's effective tax rates were to increase, or if the ultimate determination of taxes owed is for an amount in excess of amounts previously accrued or paid, the Group's operating results, cash flows, and financial position could be adversely affected.

CNH Industrial – It is intended for the On-Highway separation to qualify as a tax-free allocation of shares to its shareholders in some jurisdictions, but no assurance can be given that the separation will receive such tax-free treatment in any specific jurisdiction
It is the Group's intention to structure the spin-off of its "On-Highway" business (commercial vehicles and powertrain) in a tax efficient manner, taking appropriate account of the potential impact on shareholders, but no assurance can be given that the intended tax treatment will be achieved, or that shareholders, and/or persons that receive the allocation of On-Highway shares, will not incur tax liabilities in connection with the separation and allocation. In particular, the requirements for favorable tax treatment differ (and may conflict) from jurisdiction to jurisdiction and the relevant requirements are often complex. Accordingly, no assurance can be given that any ruling (or similar guidance) from any taxing authority would be sought or, if sought, granted.

CNH Industrial – The maintenance of two exchange listings may adversely affect liquidity in the market for CNH Industrial common shares and could result in pricing differentials of its common shares between the two exchanges
The dual listing of CNH Industrial's common shares on the NYSE and the MTA may split trading between the two markets and adversely affect the liquidity of the shares in one or both markets and the development of an active trading market for its common shares on the NYSE and may result in price differentials between the exchanges. Differences in the trading schedules, trading volume and investor bases, as well as volatility in the exchange rate between the two trading currencies, among other factors, may result in different trading prices for the common shares on the two exchanges or otherwise adversely affect liquidity and trading prices of the shares.

CNH Industrial – The loyalty voting program may affect the liquidity of the Company's common shares and reduce the share price
CNH Industrial's loyalty voting program is intended to reward shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding shares continuously for at least three years at any time following the effectiveness of the Merger of FIAT Industrial S.p.A and CNH Global N.V. with and into CNH industrial (the "Merger"), the option to participate in the loyalty voting program and have their common shares registered in the Company's Loyalty Register and receive special voting shares. Special voting shares cannot be traded and, immediately prior to the transfer of the common shares from the CNH Industrial Loyalty Register, any corresponding special voting shares shall be transferred to CNH Industrial for no consideration (*om niet*). This loyalty voting program is designed to encourage a stable shareholder base and, conversely, it may deter trading by those shareholders who are interested in gaining or retaining special voting shares. Therefore, the loyalty voting structure may reduce liquidity in CNH Industrial common shares and adversely affect their trading price.

CNH Industrial – The loyalty voting program may prevent or frustrate attempts by the Company's shareholders to change its management and hinder efforts to acquire a controlling interest in the Company, and the market price of its common shares may be lower as a result
The provisions of the Company's Articles of Association establishing the loyalty voting program may make it more difficult for a third party to acquire, or attempt to acquire, control of the Company, even if a change of control is considered favorably by shareholders holding a majority of the common shares. As a result of the loyalty voting program, a relatively large proportion of the voting power of the common shares could be concentrated in a relatively small number of shareholders who would have significant influence over the Company. As of 31 December 2019, EXOR N.V. had a voting interest in CNH Industrial of approximately 42.2%. Such shareholders participating in the loyalty voting program could effectively prevent change of control transactions that may otherwise benefit shareholders.
The loyalty voting program may also prevent or discourage shareholders' initiatives aimed at changes in the Company's management.

FERRARI

Risks Related to the Business, Strategy and Operations

Ferrari - Ferrari may not succeed in preserving and enhancing the value of the Ferrari brand, which it depends upon to drive demand and revenues

Ferrari's financial performance is influenced by the perception and recognition of the Ferrari brand, which, in turn, depends on many factors such as the design, performance, quality and image of its cars, the appeal of its dealerships and stores, the success of its promotional activities including public relations and marketing, as well as its general profile, including its brand's image of exclusivity. The value of Ferrari's brand and its ability to achieve premium pricing for Ferrari-branded products may decline if it is unable to maintain the value and image of the Ferrari brand, including, in particular, its aura of exclusivity. Maintaining the value of the brand will depend significantly on Ferrari's ability to continue to produce luxury performance cars of the highest quality. The market for luxury goods generally and for luxury automobiles in particular is intensely competitive, and Ferrari may not be successful in maintaining and strengthening the appeal of its brand. Client preferences, particularly among luxury goods, can vary over time, sometimes rapidly. Ferrari is therefore exposed to changing perceptions of its brand image, particularly as it seeks to attract new generations of clients and, to that end, continuously renovates and expands the range of its models. For example, the gradual expansion of hybrid engine and electric engine technology (already integrated in past models such as the LaFerrari and the LaFerrari Aperta as well as the new SP90 Stradale) will introduce a notable change in the overall driver experience compared to the combustion engine cars of Ferrari range models to date. Any failure to preserve and enhance the value of the brand may materially and adversely affect Ferrari's ability to sell its cars, to maintain premium pricing, and to extend the value of the brand into other activities profitably or at all.

Ferrari selectively licenses the Ferrari brand to third parties that produce and sell Ferrari-branded luxury goods and therefore it relies on its licensing partners to preserve and enhance the value of its brand. If Ferrari's licensees or the manufacturers of these products do not maintain the standards of quality and exclusivity that Ferrari believes are consistent with its brand, or if such licensees or manufacturers otherwise misuse the brand, Ferrari's reputation and the integrity and value of its brand may be damaged and its business, operating results and financial condition may be materially and adversely affected. In addition, Ferrari has recently announced a brand diversification strategy that will significantly increase the deployment of the brand in non-car products and experiences. If this strategy is not successful, Ferrari's brand image may be diluted or tainted.

Ferrari – Ferrari's brand image depends in part on the success of its Formula 1 racing team

The prestige, identity, and appeal of the Ferrari brand depend in part on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship. The racing team is a key component of Ferrari's marketing strategy and may be perceived by its clients as a demonstration of the technological capabilities of its Sports, GT special series and Icona cars which also supports the appeal of other Ferrari-branded luxury goods. Ferrari has focused on restoring the success of its Formula 1 racing team as its most recent driver's championship and constructors' championship were in 2007 and 2008, respectively. Ferrari is focused on improving its racing results and restoring its historical position as the premier racing team. If it is unable to attract and retain the necessary talent to succeed in international competitions or devote the capital necessary to fund successful racing activities, the value of the Ferrari brand and the appeal of its cars and other luxury goods may suffer. Even if Ferrari is able to attract such talent and adequately fund its racing activities, there is no assurance that this will lead to competitive success for its racing team.

The success of its racing team depends in particular on Ferrari's ability to attract and retain top drivers and racing management and engineering talent. Its primary Formula 1 drivers, team managers and other key employees of Scuderia Ferrari are critical to the success of its racing team and if it was to lose their services, this could have a material adverse effect on the success of the racing team and correspondingly the Ferrari brand. If Ferrari is unable to find adequate replacements or to attract, retain and incentivize drivers and team managers, other key employees or new qualified personnel, the success of its racing team may suffer. As the success of the Ferrari racing team forms a large part of its brand identity, a sustained period without racing success could detract from the Ferrari brand and, as a result, potential clients' enthusiasm for the Ferrari brand and their perception of its cars, which could have an adverse effect on Ferrari's business, results of operations and financial condition.

Ferrari – If Ferrari is unable to keep up with advances in high performance car technology, its brand and competitive position may suffer

Performance cars are characterized by leading-edge technology which is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. Although Ferrari invests heavily in research and development, it may be unable to maintain its leading position in high performance car technology and, as a result, its competitive position may suffer. As technologies change, Ferrari plans to upgrade or adapt its cars and introduce new models in order to continue to provide cars with the latest technology. However, its cars may not compete effectively with its competitors' cars if it is not able to develop, source and integrate the latest technology into its cars.

For example, in the next few years luxury performance cars will increasingly transition to hybrid and electric technology, albeit at a slower pace compared to mass market vehicles. See "*The introduction of hybrid and electric technology in Ferrari's cars is costly and its long-term success is uncertain*".

Developing and applying new automotive technologies is costly and may become even more costly in the future as available technology advances and competition in the industry increases. If Ferrari's research and development efforts do not lead to improvements in car performance relative to the competition, or if it is required to spend more to achieve comparable results, sales of its cars or its profitability may suffer.

Ferrari - If its car designs do not appeal to clients, Ferrari's brand and competitive position may suffer

Design and styling are an integral component of Ferrari's models and of its brand. Its cars have historically been characterized by distinctive designs combining the aerodynamics of a sports car with powerful, elegant lines. Ferrari believes that its clients purchase its cars for their appearance as well as their performance. However, it will need to renew over time the style of its cars to differentiate the new models it produces from older models, and to reflect the broader evolution of aesthetics in its markets. Ferrari devotes great efforts to the design of its cars and most of its current models are designed by Ferrari Design Centre, its in-house design team. If the design of its future models fails to meet the evolving tastes and preferences of its clients and prospective clients, or the appreciation of the wider public, its brand may suffer and its sales may be adversely affected.

Ferrari - The value of the Ferrari brand depends in part on the automobile collector and enthusiast community

An important factor in the connection of clients to the Ferrari brand is Ferrari's strong relationship with the global community of automotive collectors and enthusiasts, particularly collectors and enthusiasts of Ferrari automobiles. This is influenced by its close ties to the automotive collectors' community and its support of related events (such as car shows and driving events), at its headquarters in Maranello and through its dealers, the Ferrari museums and affiliations with regional Ferrari clubs. The support of this community also depends upon the perception of its cars as collectibles, which Ferrari also supports through its Ferrari Classiche services, and the active resale market for its automobiles which encourages interest over the long term. The increase in the number of cars Ferrari produces relative to the number of automotive collectors and purchasers in the secondary market may adversely affect its cars' value as collectible items and in the secondary market more broadly.

If there is a change in collector appetite or damage to its brand, Ferrari's ties to and the support it receives from this community may be diminished. Such a loss of enthusiasm for its cars from the automotive collectors' community could harm the perception of the Ferrari brand and adversely impact Ferrari's sales and profitability.

Ferrari – Ferrari's business is subject to changes in client preferences and trends in the automotive and luxury industries

Ferrari's continued success depends in part on its ability to originate and define products and trends in the automotive and luxury industries, as well as to anticipate and respond promptly to changing consumer demands and automotive trends in the design, styling, technology, production, merchandising and pricing of its products. Ferrari's products must appeal to a client base whose preferences cannot be predicted with certainty and are subject to rapid change. Evaluating and responding to client preferences has become even more complex in recent years, due to Ferrari's expansion in new geographical markets. The introduction of hybrid and electric technology and the associated changes in customer preferences that may follow are also a challenge Ferrari will face in future periods. See also *"If Ferrari is unable to keep up with advances in high performance car technology, its competitive position may suffer"* and "*The introduction of hybrid and electric technology in its cars is costly and its long term success is uncertain*". In addition, there can be no assurance that Ferrari will be able to produce, distribute and market new products efficiently or that any product category that it may expand or introduce will achieve sales levels sufficient to generate profits.

Ferrari will encounter this risk, for example, as it introduces the Purosangue, a luxury high performance vehicle within the GT range that it is developing and will launch in the coming years. Furthermore, this risk is particularly pronounced as Ferrari expands in accordance with its strategy into adjacent segments of the luxury industry, where it does not have a level of experience and market presence comparable to the one it has in the automotive industry. Any of these risks could have a material adverse effect on Ferrari's business, results of operations and financial condition.

Ferrari - Demand for luxury goods, including luxury performance cars, is volatile, which may adversely affect Ferrari's operating results

Volatility of demand for luxury goods, in particular luxury performance cars, may adversely affect Ferrari's business, operating results and financial condition. The market in which Ferrari sells its cars is subject to volatility in demand. Demand for luxury automobiles depends to a large extent on general, economic, political and social conditions in a given market as well as the introduction of new vehicles and technologies. As a luxury performance car manufacturer and low volume producer, Ferrari competes with larger automobile manufacturers many of which have greater financial resources in order to withstand changes in the market and disruptions in demand. Demand for Ferrari's cars may also be affected by factors directly impacting the cost of purchasing and operating automobiles, such as the availability and cost of financing, prices of raw materials and parts and components, fuel costs and governmental regulations, including tariffs, import regulation and other taxes, including taxes on luxury goods, resulting in limitations to the use of high performance sports cars or luxury goods more generally. Volatility in demand may lead to lower car unit sales, which may result in downward price pressure and adversely affect Ferrari's business, operating results and financial condition. The impact of a luxury market downturn may be particularly pronounced for the most expensive among Ferrari's car models, which generate a more than proportionate amount of its profits, therefore exacerbating the impact on its results. In addition, these effects may have a more pronounced impact on Ferrari given its low volume strategy and relatively smaller scale as compared to large global mass-market automobile manufacturers.

Ferrari - Ferrari faces competition in the luxury performance car industry

Ferrari faces competition in all product categories and markets in which it operates. It competes with other international luxury performance car manufacturers which own and operate well-known brands of high-quality cars, some of which form part of larger automotive groups and may have greater financial resources and bargaining power with suppliers than Ferrari does, particularly in light of its policy to maintain low volumes in order to preserve and enhance the exclusivity of its cars. In addition, several other manufacturers have recently entered or are attempting to enter the upper end of the luxury performance car market, thereby increasing competition. Ferrari believes that it competes primarily on the basis of its brand image, the performance and design of its cars, its reputation for quality and the driving experience for its customers. If it is unable to compete successfully, its business, results of operations and financial condition could be adversely affected.

Ferrari – Ferrari's growth strategy exposes it to risks

Ferrari's growth strategy includes a controlled expansion of its sales and operations, including the launching of new car models and expanding sales, as well as dealer operations and workshops, in targeted growth regions internationally. In particular, its growth strategy requires it to expand operations in regions that it has identified as having relatively high growth potential. Ferrari may encounter difficulties, including more significant competition in entering and establishing itself in these markets.

Ferrari's growth depends on the continued success of its existing cars, as well as the successful introduction of new cars. Its ability to create new cars and to sustain existing car models is affected by whether it can successfully anticipate and respond to consumer preferences and car trends. The failure to develop and launch successful new cars or delays in their launch that could result in others bringing new products and leading edge technologies to the market first, could compromise its competitive position and hinder the growth of Ferrari's business. As part of its growth strategy, Ferrari plans to broaden the range of its models to capture additional customer demand for different types of vehicles and modes of utilization. At its Capital Markets Day in September 2018, Ferrari announced its plan to introduce 15 new models in the 2019-2022 period (which is unprecedented for Ferrari over a similar time period), including the Icona limited editions, a new concept that takes inspiration from its iconic cars of the past and interprets them in a modern way with innovative technology and materials. In the GT range, Ferrari is developing a luxury high performance vehicle, the Purosangue, and is planning a new line of cars powered by V6 engines. In addition, Ferrari will gradually but rapidly expand the use of hybrid and electric technology in its road cars, consistent with customer preferences and broader industry trends.

While it will seek to ensure that these changes remain fully consistent with the Ferrari car identity, Ferrari cannot be certain that they will prove profitable and commercially successful.

Ferrari's growth strategy may expose it to new business risks that it may not have the expertise, capability or the systems to manage. This strategy will also place significant demands on it by requiring it to continuously evolve and improve its operational, financial and internal controls. Continued expansion also increases the challenges involved in maintaining high levels of quality, management and client satisfaction, recruiting, training and retaining sufficient skilled management, technical and marketing personnel. If Ferrari is unable to manage these risks or meet these demands, its growth prospects and its business, results of operation and financial condition could be adversely affected.

Ferrari continuously improves its international network footprint and skill set. It also plans to open additional retail stores in international markets. Ferrari does not yet have significant experience directly operating in many of these markets, and in many of them it faces established competitors. Many of these countries have different operational characteristics, including but not limited to employment and labor, transportation, logistics, real estate, environmental regulations and local reporting or legal requirements.

Consumer demand and behavior, as well as tastes and purchasing trends may differ in these markets, and as a result, sales of Ferrari's products may not be successful, or the margins on those sales may not be in line with those it currently anticipates. Furthermore, such markets will have upfront short-term investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and therefore may be dilutive to Ferrari in the short-term. In many of these countries, there is significant competition to attract and retain experienced and talented employees.

Consequently, if Ferrari's international expansion plans are unsuccessful, its business, results of operation and financial condition could be materially adversely affected.

Ferrari - The low volume strategy may limit potential profits, and if volumes increase Ferrari's brand exclusivity may be eroded

A key to the appeal of the Ferrari brand and its marketing strategy is the aura of exclusivity and the sense of luxury which the brand conveys. A central facet to this exclusivity is the limited number of models and cars Ferrari produces and its strategy of maintaining its car waiting lists to reach the optimal combination of exclusivity and client service. Ferrari's low volume strategy is also an important factor in the prices that its clients are willing to pay for its cars. This focus on maintaining exclusivity limits Ferrari's potential sales growth and profitability.

On the other hand, Ferrari's current growth strategy contemplates a measured but significant increase in car sales above current levels as it targets a larger customer base and modes of use and increases its focus on GT cars and its product portfolio evolves with a broader product range. Ferrari sold 10,131 cars in 2019 compared to 7,255 cars in 2014, and sales are expected to increase gradually.

In pursuit of its strategy, Ferrari may be unable to maintain the exclusivity of the brand. If it is unable to balance brand exclusivity with increased production, it may erode the desirability and ultimately the consumer demand for its cars. As a result, if Ferrari is unable to increase car production meaningfully or introduce new car models without eroding the image of exclusivity in its brand it may be unable to significantly increase its revenues.

Ferrari - The small number of car models Ferrari produces and sells may result in greater volatility in its financial results

Ferrari depends on the sales of a small number of car models to generate its revenues. Ferrari's current product range consists of nine range models (including five sports cars and four GT cars) and two special series cars as well as its limited edition Icona cars. While it anticipates significantly expanding its car offerings as part of its growth strategy through its previously announced plan to introduce 15 new products in the 2019-2022 period, a limited number of models will continue to account for a large portion of its revenues at any given time in the foreseeable future, compared to other automakers. Therefore, a single unsuccessful new model would harm Ferrari more than it would harm other automakers. There can be no assurance that Ferrari's cars will continue to be successful in the market or that it will be able to launch new models on a timely basis compared to its competitors. It generally takes several years from the beginning of the development phase to the start of production for a new model and the car development process is capital intensive. As a result, Ferrari would likely be unable to replace quickly the revenue lost from one of its main car models if it does not achieve market acceptance.

Furthermore, its revenues and profits may also be affected by its "special series" and limited edition cars (including the new Icona limited edition cars) that it launches from time to time and which are typically priced higher than its range models.

There can be no assurance that Ferrari will be successful in developing, producing and marketing additional new cars that will sustain sales growth in the future.

Ferrari - Global economic conditions and macro events may adversely affect Ferrari

Ferrari's sales volumes and revenues may be affected by overall general economic conditions. Deteriorating general economic conditions may affect disposable incomes and reduce consumer wealth impacting client demand, particularly for luxury goods, which may negatively impact Ferrari's profitability and put downward pressure on its prices and volumes. Furthermore, during recessionary periods, social acceptability of luxury purchases may decrease and higher taxes may be more likely to be imposed on certain luxury goods including Ferrari cars, which may affect its sales. Adverse economic conditions may also affect the financial health and performance of Ferrari's dealers in a manner that will affect sales of its cars or dealers' ability to meet their commitments to Ferrari.

Many factors affect the level of consumer spending in the luxury performance car industry, including the state of the economy as a whole, stock market performance, interest and exchange rates, inflation, political uncertainty, the availability of consumer credit, tax rates, unemployment levels and other matters that influence consumer confidence. In general, although Ferrari's sales have historically been comparatively resilient in periods of economic turmoil, sales of luxury goods tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low.

Ferrari is also susceptible to risks relating to epidemics and pandemics of diseases. For example, the recent outbreak of coronavirus COVID-19 ("Coronavirus"), a virus causing potentially deadly respiratory tract infections originating in China, may negatively affect economic conditions regionally as well as globally, disrupt supply chains and otherwise impact operations. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore Ferrari cannot predict the impact it may have on its end markets, supply chain or operations; however, the effect on its results may be material and adverse.

Ferrari distributes its products internationally and it may be affected by downturns in general economic conditions or uncertainties regarding future economic prospects that may impact the countries in which it sells a significant portion of its products. In particular, the majority of Ferrari's current sales are in the EU and in the United States; if it is unable to expand in emerging markets, a downturn in mature economies such as the EU and the United States may negatively affect its financial performance. The EU economies in particular suffered a prolonged period of slow growth since the 2008 financial crisis. In addition, uncertainties regarding future trade arrangements and industrial policies in various countries or regions, such as in the United Kingdom following the referendum in 2016 to leave the European Union (see further *"Ferrari may be adversely affected by the UK determination to leave the European Union (Brexit)"*) create additional macroeconomic risk. In the United States, any policy to discourage import into the United States of vehicles produced elsewhere could adversely affect Ferrari's operations. Any new policies may have an adverse effect on its business, financial condition and results of operations. Although China only represents approximately 9% of Ferrari's net revenues and a limited proportion of its growth in the short term, slowing economic conditions in China may adversely affect the company's net revenues in that region. A significant decline in the EU, the global economy or in the specific economies of Ferrari's markets, or in consumers' confidence, could have a material adverse effect on its business. See also *"Developments in China and other growth and emerging markets may adversely affect Ferrari's business"*.

Ferrari - Developments in China and other growth and emerging markets may adversely affect Ferrari's business

Ferrari operates in a number of growth and emerging markets, both directly and through its dealers. Ferrari believes it has potential for further success in new geographies, in particular in China, but also more generally in Asia, recognizing the increasing personal wealth in these markets. While demand in these markets has increased in recent years due to sustained economic growth and growth in personal income and wealth, Ferrari is unable to foresee the extent to which economic growth in these emerging markets will be sustained.

For example, rising geopolitical tensions and potential slowdowns in the rate of growth there and in other emerging markets could limit the opportunity for it to increase unit sales and revenues in those regions in the near term. See "*Global economic conditions and macro events may adversely affect Ferrari*" for a discussion of the recent Coronavirus outbreak, which, for example, may negatively affect sales of its cars in Hong Kong and China in the coming periods.

Ferrari's exposure to growth and emerging countries is likely to increase, as it pursues expanded sales in such countries. Economic and political developments in emerging markets, including economic crises or political instability, have had and could have in the future material adverse effects on Ferrari's results of operations and financial condition. Further, in certain markets in which Ferrari or its dealers operate, required government approvals may limit its ability to act quickly in making decisions on its operations in those markets.

Other government actions may also impact the market for luxury goods in these markets, such as tax changes or the active discouragement of luxury purchases.

Maintaining and strengthening its position in these growth and emerging markets is a key component of Ferrari's global growth strategy. However, initiatives from several global luxury automotive manufacturers have increased competitive pressures for luxury cars in several emerging markets. As these markets continue to grow, Ferrari anticipates that additional competitors, both international and domestic, will seek to enter these markets and that existing market participants will try to aggressively protect or increase their market share. Increased competition may result in pricing pressures, reduced margins and Ferrari's inability to gain or hold market share, which could have a material adverse effect on its results of operations and financial condition. See also "*Global economic conditions and macro events may adversely affect Ferrari*".

Ferrari - Ferrari may be adversely affected by the UK determination to leave the European Union (Brexit)

In a 23 June 2016, referendum, the United Kingdom voted to terminate the UK's membership in the European Union ("Brexit"). The UK ceased to be a member of the European Union on 31 January 2020, opening the transition period that is currently set to last until 31 December 2020, during which the future terms of the UK's relationship with the European Union, including the terms of trade between the UK and the member states in the EU, will be negotiated. Any effect of Brexit is expected to depend on the agreements, if any, that may be negotiated between the UK and the EU with respect to reciprocal market access and custom arrangements, during the transitional period and more permanently. Failure to reach appropriate agreements could adversely affect European or worldwide economic or market conditions. It is possible that there will be greater restrictions on imports and exports between the UK and European Union countries and increased regulatory complexities which may prove challenging and costly. The UK's withdrawal from the EU could also negatively impact economic conditions in Europe more generally, which in turn could adversely impact global economic conditions. For instance, the negotiating process surrounding the terms of the departure of the UK from the EU may continue to contribute to significant volatility in exchange rates, wider risks to supply chains across the European Union and ultimately lead to changes in market access or trading terms, including to customs duties, tariffs and/or industry-specific requirements and regulations and generally increased legal and regulatory complexity and costs. In 2019, approximately 10 percent of Ferrari's cars and spare parts net revenues were generated in the UK; therefore, any material adverse effect of Brexit on global or regional economic or market conditions could adversely affect Ferrari's business, results of operations and financial condition as customers may reduce or delay spending decisions on its products.

Ferrari – Ferrari's success depends largely on the ability of its current management team to operate and manage effectively

Ferrari's success depends on the ability of its senior executives and other members of management to effectively manage its business as a whole and individual areas of the business. Ferrari's employees, particularly in its production facilities in and around Maranello, Italy include many highly skilled engineers, technicians and artisans. If it were to lose the services of any of these senior executives or key employees, this could have a material adverse effect on its business, operating results and financial condition. Ferrari has developed management succession plans that it believes are appropriate in the circumstances, although it is difficult to predict with any certainty that it will replace these individuals with persons of equivalent experience and capabilities. If Ferrari is unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, its business, results of operations and financial condition may suffer.

Ferrari - Ferrari relies on its dealer network to provide sales and services

Ferrari does not own its dealers and virtually all of its sales are made through its network of dealerships located throughout the world. If its dealers are unable to provide sales or service quality that its clients expect or do not otherwise adequately project the Ferrari image and its aura of luxury and exclusivity, the Ferrari brand may be negatively affected. Ferrari depends on the quality of its dealership network and its business, operating results and financial condition could be adversely affected if the dealers suffer financial difficulties or otherwise are unable to perform to Ferrari's expectations. Furthermore, Ferrari may experience disagreements or disputes in the course of its relationship with its dealers or upon termination which may lead to financial costs, disruptions and reputational harm.

Ferrari's growth strategy also depends on its ability to attract a sufficient number of quality new dealers to sell its products in new areas. Ferrari may face competition from other luxury performance car manufacturers in attracting quality new dealers, based on, among other things, dealer margin, incentives and the performance of other dealers in the region. If Ferrari is unable to attract a sufficient number of new Ferrari dealers in targeted growth areas, its prospects could be materially adversely affected.

Ferrari – Ferrari depends on its suppliers, many of which are single source suppliers; and if these suppliers fail to deliver necessary raw materials, systems, components and parts of appropriate quality in a timely manner, Ferrari's operations may be disrupted

Ferrari's business depends on a significant number of suppliers, which provide the raw materials, components, parts and systems it requires to manufacture cars and parts and to operate its business. It uses a variety of raw materials in its business including aluminum, and precious metals such as palladium and rhodium. It sources materials from a limited number of suppliers. Ferrari cannot guarantee that it will be able to maintain access to these raw materials, and in some cases this access may be affected by factors outside of its control and the control of its suppliers. In addition, prices for these raw materials fluctuate and while Ferrari seeks to manage this exposure, it may not be successful in mitigating these risks.

As with raw materials, Ferrari is also at risk of supply disruption and shortages in parts and components it purchases for use in its cars. Ferrari sources a variety of key components from third parties, including transmissions, brakes, driving-safety systems, navigation systems, mechanical, electrical and electronic parts, plastic components as well as castings and tires, which make it dependent upon the suppliers of such components. In the future, it will also require a greater number of components for hybrid and electric engines as it introduces hybrid and electric technology in its cars, and it expects producers of these components will be called upon to increase the levels of supply as the shift to hybrid or electric technology gathers pace in the industry. While Ferrari obtains components from multiple sources whenever possible, similar to other small volume car manufacturers, most of the key components it uses in its cars are purchased from single source suppliers. Ferrari generally does not qualify alternative sources for most of the single-sourced components it uses in its cars and it does not maintain long-term agreements with a number of its suppliers. Furthermore, it has limited ability to monitor the financial stability of its suppliers.

While Ferrari believes that it may be able to establish alternate supply relationships and can obtain or engineer replacement components for its single-sourced components, it may be unable to do so in the short term, or at all, at prices or costs that it believes are reasonable. Qualifying alternate suppliers or developing its own replacements for certain highly customized components of its cars may be time consuming, costly and may force it to make costly modifications to the designs of its cars. For example, defective airbags manufactured by Takata Corporation ("Takata") Ferrari's former principal supplier of airbags, have led to widespread recalls by several automotive manufacturers starting in 2015, including Ferrari (see further "*Car recalls may be costly and may harm Ferrari's reputation*"). Following the acquisition of Takata by Key Safety Systems ("KSS") in April 2018, Joyson Safety Systems, which is the combined company of Takata and KSS following the acquisition, is Ferrari's principal supplier of the airbags installed in its cars. Failure by Joyson Safety Systems to continue the supply of airbags may cause significant disruption to Ferrari's operations.

In the past, Ferrari has replaced certain suppliers because they failed to provide components that met its quality control standards. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to delays in car deliveries to Ferrari's clients, which could adversely affect its relationships with its clients and also materially and adversely affect its operating results and financial condition. Supply of raw materials, parts and components may also be disrupted or interrupted by natural disasters, as was the case in 2012 following the earthquake in the Emilia Romagna region of Italy.

If any further major disasters occur, such as earthquakes, fires, floods, hurricanes, wars, terrorist attacks, pandemics or other events, Ferrari's supply chain may be disrupted, which may stop or delay production and shipment of its cars. See "*Global economic conditions and macro events may adversely affect Ferrari*" for a discussion of the recent Coronavirus outbreak, which may affect its supply chain directly or indirectly dependent on certain Chinese supplies. As a consequence, should the current disruption in Chinese industrial activity and logistics persist or deteriorate, this may disrupt and potentially halt Ferrari's production temporarily unless alternative supplies are secured.

Changes in Ferrari's supply chain have in the past resulted and may in the future result in increased costs and delays in car production. Ferrari has also experienced cost increases from certain suppliers in order to meet its quality targets and development timelines and because of design changes that it has made and it may experience similar cost increases in the future. Ferrari is negotiating with existing suppliers for cost reductions, seeking new and less expensive suppliers for certain parts, and attempting to redesign certain parts to make them less expensive to produce. If it is unsuccessful in its efforts to control and reduce supplier costs while maintaining a stable source of high quality supplies, its operating results will suffer. Additionally, cost reduction efforts may disrupt its normal production processes, thereby harming the quality or volume of its production.

Furthermore, if Ferrari's suppliers fail to provide components in a timely manner or at the level of quality necessary to manufacture its cars, its clients may face longer waiting periods which could result in negative publicity, harm its reputation and relationship with clients and have a material adverse effect on its business, operating results and financial condition.

Ferrari – Ferrari depends on its manufacturing facilities in Maranello and Modena

Ferrari assembles all of the cars that it sells and manufactures, and all of the engines it uses in its cars and sells to Maserati, at its production facility in Maranello, Italy, where it also has its corporate headquarters. It manufactures all of its car chassis in a nearby facility in Modena, Italy. The Maranello or Modena plants could become unavailable either permanently or temporarily for a number of reasons, including contamination, power shortage or labor unrest. Alternatively, changes in law and regulation, including export, tax and employment laws and regulations, or economic conditions, including wage inflation, could make it uneconomic for Ferrari to continue manufacturing its cars in Italy.
In the event that it were unable to continue production at either of these facilities or it became uneconomic for it to continue to do so, Ferrari would need to seek alternative manufacturing arrangements which would take time and reduce its ability to produce sufficient cars to meet demand. Moving manufacturing to other locations may also affect the perception of Ferrari's brand and car quality among its clients. Such a transfer would materially reduce its revenues and could require significant investment, which as a result could have a material adverse effect on its business, results of operations and financial condition.

Maranello and Modena are located in the Emilia-Romagna region of Italy which has the potential for seismic activity. For instance, in 2012 a major earthquake struck the region, causing production at Ferrari's facilities to be temporarily suspended for a day. If major disasters such as earthquakes, fires, floods, hurricanes, wars, terrorist attacks, pandemics or other events occur, its headquarters and production facilities may be seriously damaged, or it may stop or delay production and shipment of its cars. See "*Global economic conditions and macro events may adversely affect Ferrari*" for a discussion of the recent Coronavirus outbreak. As such, damage from disasters or unpredictable events could have a material adverse impact on Ferrari's business, results from operations and financial condition.

Ferrari - Ferrari relies on its licensing and franchising partners to preserve the value of its licenses and the failure to maintain such partners could harm its business

Ferrari currently has multi-year agreements with licensing partners for various Ferrari-branded products in the sports, lifestyle and luxury retail segments. It also has multi-year agreements with franchising partners for its Ferrari stores and theme park. In the future, it may enter into additional licensing or franchising arrangements. Many of the risks associated with its own products also apply to its licensed products and franchised stores. In addition, there are unique problems that Ferrari licensing or franchising partners may experience, including risks associated with each licensing partner's ability to obtain capital, manage its labor relations, maintain relationships with its suppliers, manage its credit and bankruptcy risks, and maintain client relationships.

While it maintains significant control over the products produced for it by its licensing partners and the franchisees running its Ferrari stores and theme parks, any of the foregoing risks, or the inability of any of its licensing or franchising partners to execute on the expected design and quality of the licensed products, Ferrari stores and theme park, or otherwise exercise operational and financial control over its business, may result in loss of revenue and competitive harm to Ferrari's operations in the product categories where it has entered into such licensing or franchising arrangements. While Ferrari selects its licensing and franchising partners with care, any negative publicity surrounding such partners could have a negative effect on licensed products, the Ferrari stores and theme parks or the Ferrari brand. Further, while Ferrari believes that it could replace its existing licensing or franchising partners if required, its inability to do so for any period of time could materially adversely affect its revenues and harm its business.
In connection with its new brand diversification strategy, Ferrari expects to streamline its existing arrangements with licensing partners and decrease the volume of licensing business. This may adversely affect its results from brand activities, particularly in the short to medium term while its broader brand diversification strategy is carried out.

Ferrari - Ferrari depends on the strength of its trademarks and other intellectual property rights
Ferrari believes that its trademarks and other intellectual property rights are fundamental to its success and market position. Therefore, its business depends on its ability to protect and promote its trademarks and other intellectual property rights. Accordingly, Ferrari devotes substantial efforts to the establishment and protection of its trademarks and other intellectual property rights such as registered designs and patents on a worldwide basis. Ferrari believes that its trademarks and other intellectual property rights are adequately supported by applications for registrations, existing registrations and other legal protections in its principal markets. However, it cannot exclude the possibility that its intellectual property rights may be challenged by others, or that it may be unable to register its trademarks or otherwise adequately protect them in some jurisdictions.
If a third party were to register Ferrari's trademarks, or similar trademarks, in a country where Ferrari has not successfully registered such trademarks, it could create a barrier to Ferrari's commencing trade under those marks in that country.

Ferrari – Ferrari may fail to adequately protect its intellectual property rights against infringement or misappropriation by third parties
Ferrari's success and competitive positioning depend on, among other factors, its registered intellectual property rights, as well as other industrial or intellectual property rights, including confidential know-how, trade secrets, database rights and copyrights. To protect its intellectual property, Ferrari relies on intellectual property laws, agreements for the protection of trade secrets, confidentiality and non-disclosure agreements, and other contractual means. Such measures, however, may be inadequate and its intellectual property rights may be infringed or challenged by third parties, and its confidential know-how or trade secrets could be misappropriated or disclosed to the public without its consent. Consultants, vendors and current and former employees, for example, could violate their confidentiality obligations and restrictions on the use of Ferrari's intellectual property. Ferrari may not be able to prevent such infringements, misappropriations or disclosures, with potential adverse effects on its brand, reputation and business. In particular, Ferrari's components may be subject to product piracy, where components are counterfeited, which may result in reputational risk for Ferrari. The risks described above arise particularly in Ferrari's Brand activities.

If Ferrari fails to adequately protect its intellectual property rights, this may adversely affect its results of operations and financial condition, as other manufacturers may be able to manufacture similar products at lower cost, with adverse effects on Ferrari's competitive position. In addition, counterfeited products, or products illegally branded as "Ferrari", may damage its brand. In addition, Ferrari may incur high costs in reacting to infringements or misappropriations of its intellectual property rights.

Ferrari - Third parties may claim that Ferrari infringes their intellectual property rights
Ferrari believes that it holds all the rights required for its business operations (including intellectual property rights and third-party licenses). However, it is exposed to potential claims from third parties alleging that Ferrari infringes their intellectual property rights, since many competitors and suppliers also submit patent applications for their inventions and secure patent protection or other intellectual property rights. If Ferrari is unsuccessful in defending against any such claim, it may be required to pay damages or comply with injunctions which may disrupt its operations. Ferrari may also as a result be forced to enter into royalty or licensing agreements on unfavorable terms or to redesign products to comply with third parties' intellectual property rights.

Ferrari - Revenues from Formula 1 activities may decline and related expenses may grow

Revenues from Ferrari's Formula 1 activities depend principally on the income from its sponsorship agreements and on its share of Formula 1 revenues from broadcasting and other sources. If Ferrari is unable to renew its existing sponsorship agreements or if it enters into new or renewed sponsorship agreements with less favorable terms, its revenues would decline. In addition, its share of profits related to Formula 1 activities may decline if either its team's performance worsens compared to other competing teams, or if the overall Formula 1 business suffers, including potentially as a result of increasing popularity of the FIA Formula E championship. Furthermore, in order to compete effectively on track Ferrari has been investing significant resources in research and development and to competitively compensate the best available drivers and other racing team members. These expenses also vary based on changes in Formula 1 regulations that require modification to Ferrari's racing engines and cars. These expenses are expected to continue, and may grow further, including as a result of any changes in Formula 1 regulations, which would negatively affect Ferrari's results of operations

On 31 October 2019, the World Council (Formula 1's legislative body) approved new technical, sporting and financial rules, following the extensive talks held in the past two years among the owners of the Formula 1 business and all teams with regards to the arrangements relating to the participation of Ferrari and the other teams competing in the championship in the period following the 2020 expiration of the current arrangements between racing teams and the operator of Formula 1. The new rules, which will come into effect in 2021, provide for, among other things, a new car design, a cap of $175 million per year for all costs and expenses covering on-track performance (excluding, among others, the activities to enable the supply of power units, marketing costs, drivers' salaries and the top three personnel at each team), limits on car upgrades over race weekends, restrictions on the number of times that certain components can be replaced during a race and the standardization of certain parts. While the new rules approved by the World Council may be subject to further changes during the course of 2020, the final set of rules that will become applicable as of 2021 will require significant changes to Ferrari's racing cars, processes and operations.

These changes may result in adverse effects on its revenues and results of operations. In particular, the new cap on expenses will affect the amount of resources that Ferrari is allowed to allocate to Formula 1 activities, with potential adverse effects on its team's performance if it is not able to optimize such resources.

Ferrari - Engine production revenues are dependent on Maserati's ability to sell its cars

Ferrari produces V8 and V6 engines for Maserati. It has a multi-year arrangement with Maserati to provide V6 engines through 2020, which may be followed by further production runs in future periods. While Maserati is required to compensate Ferrari for certain production costs, Ferrari may incur penalties from suppliers. In the event that the sales of Maserati cars decline, or do not increase at the expected rate, such an event would adversely affect Ferrari's revenues from the sale of engines.

Ferrari – Ferrari faces risks associated with its international operations, including unfavorable regulatory, political, tax and labor conditions and establishing itself in new markets, all of which could harm its business

Ferrari currently has international operations and subsidiaries in various countries and jurisdictions in Europe, North America and Asia that are subject to the legal, political, regulatory, tax and social requirements and economic conditions in these jurisdictions. Additionally, as part of its growth strategy, it will continue to expand its sales, maintenance, and repair services internationally. However, such expansion requires it to make significant expenditures, including the establishment of local operating entities, hiring of local employees and establishing facilities in advance of generating any revenue. Ferrari is subject to a number of risks associated with international business activities that may increase its costs, impact its ability to sell its cars and require significant management attention. These risks include:

- conforming its cars to various international regulatory and safety requirements where its cars are sold, or homologation;
- difficulty in establishing, staffing and managing foreign operations;
- difficulties attracting clients in new jurisdictions;
- foreign government taxes, regulations and permit requirements, including foreign taxes that it may not be able to offset against taxes imposed upon it in Italy;
- fluctuations in foreign currency exchange rates and interest rates, including risks related to any interest rate swap or other hedging activities it undertakes;

- its ability to enforce its contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as do the United States, Japan and European countries, which increases the risk of unauthorized, and uncompensated, use of its technology;
- European Union and foreign government trade restrictions, customs regulations, tariffs and price or exchange controls;
- foreign labor laws, regulations and restrictions;
- preferences of foreign nations for domestically produced cars;
- changes in diplomatic and trade relationships;
- political instability, natural disasters, war or events of terrorism; and
- the strength of international economies.

If Ferrari fails to successfully address these risks, many of which it cannot control, its business, operating results and financial condition could be materially harmed.

Ferrari - New laws, regulations, or policies of governmental organizations regarding increased fuel economy requirements, reduced greenhouse gas or pollutant emissions, or vehicle safety, or changes in existing laws, may have a significant effect on Ferrari's costs of operation and/or how it does business.
Ferrari is subject throughout the world to comprehensive and constantly evolving laws, regulations and policies. Ferrari expects the extent of the legal and regulatory requirements affecting its business and its costs of compliance to continue to increase significantly in the future. In Europe and the United States, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns. Evolving regulatory requirements could significantly affect product development plans and may limit the number and types of cars Ferrari sells and where it sells them, which may affect its revenue. Governmental regulations may increase the costs Ferrari incurs to design, develop and produce its cars and may affect its product portfolio.

Regulation may also result in a change in the character or performance characteristics of its cars which may render them less appealing to clients. Ferrari anticipates that the number and extent of these regulations, and their effect on its cost structure and product line-up, will increase significantly in the future.

Current European legislation limits fleet average greenhouse gas emissions for new passenger cars. Due to its small volume manufacturer ("SVM") status Ferrari benefits from a derogation from the existing emissions requirement and is instead required to meet, by 2021, alternative targets for its fleet of EU-registered vehicles. Despite global shipments exceeding 10,000 vehicles in 2019, Ferrari still qualifies as an SVM under EU regulations, since its total number of registered vehicles in the EU per year is less than 10,000 vehicles.

In the United States, the U.S. Environmental Protection Agency ("EPA") and the National Highway Traffic Safety Administration ("NHTSA") have set the federal standards for passenger cars and light trucks to meet certain combined average greenhouse gas ("GHG") and fuel economy ("CAFE") levels and more stringent standards have been prescribed for model years 2017 through 2025. Since it is considered to be an SVM under EPA GHG regulations (as it produces less than 5,000 vehicles per model year for the US market) Ferrari expects to benefit from a derogation from currently applicable standards. Ferrari has also petitioned the EPA for alternative standards for the model years 2017-2021 and 2022-2025, which are aligned to its technical and economic capabilities. In September 2016 Ferrari petitioned NHTSA for recognition as an independent manufacturer of less than 10,000 vehicles produced globally and proposed alternative CAFE standards for model years 2017, 2018 and 2019. Then, in December 2017, Ferrari amended the petition by proposing alternative CAFE standards for model years 2016, 2017 and 2018 instead, covering also the 2016 model year. NHTSA have not yet responded to Ferrari's petition. If the petitions are rejected, Ferrari will not be able to benefit from the more favorable CAFE standard which it has petitioned for and this may require it to purchase additional CAFÉ credits in order to comply with applicable CAFÉ standards. Starting from 2019, Ferrari is no longer considered to be and SVM by NHTSA, because its global production exceeds 10,000 vehicles, and therefore it may be required to purchase further CAFÉ credits.

In the United States, considerable uncertainty is associated with emissions regulations under the current administration. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. In August 2018 the NHTSA and the EPA issued a common proposal, the "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for model years 2021-2026 Passenger Cars and Light Trucks" (SAFE Vehicles Rule). The SAFE Vehicles Rule, if finalized, would amend certain existing Corporate Average Fuel Economy (CAFE) and tailpipe carbon dioxide emissions standards for passenger cars and light trucks and establish new standards, all covering model years 2021 through 2026. The authorities' stated preferred alternative is to retain the model year 2020 standards (specifically, the footprint target curves for passenger cars and light trucks) for both programs through model year 2026, but comment has been sought on a range of alternatives. The SAFE Vehicles Rule has not been adopted in final form as of the date of this filing.

In the state of California (which has been granted special authority under the Clean Air Act to set its own vehicle emission standards), the California Air Resources Board ("CARB") has enacted regulations under which manufacturers of vehicles for model years 2012 through 2025 which are in compliance with the EPA greenhouse gas emissions regulations are also deemed to be in compliance with California's greenhouse gas emission regulations (the so-called "deemed to comply" option). The SAFE Vehicles Rule mentioned above proposes to withdraw the waiver granted to California under the Clean Air Act to establish more stringent standards for vehicle emissions that are applicable to model years 2021 through 2025. In response to the proposed California waiver withdrawal, on 12 December 2018 the CARB amended its existing regulations to clarify that the "deemed-to-comply" provision shall not be available for model years 2021-2025 if the EPA standards for those years are altered via an amendment of federal regulations. On 19 September 2019, NHTSA and EPA established the "One National Program" for fuel economy regulation, taking the first step towards finalizing the agencies' August 2018 proposal by announcing the EPA's decision to withdraw California's waiver of preemption under the Clean Air Act, and by affirming the NHTSA's authority to set nationally applicable regulatory standards under the preemption provisions of the Energy Policy and Conservation Act (EPCA). The two agencies indicated that they anticipate issuing a final rule on standards in the near future. Ferrari currently avails itself of the "deemed-to-comply" provision to comply with CARB greenhouse gas emissions regulations. Therefore, depending on future developments, it may be necessary to also petition the CARB for SVM alternative standards and to increase the number of tests to be performed in order to follow the CARB specific procedures.

In addition, Ferrari is subject to legislation relating to the emission of other air pollutants such as, among others, the EU "Euro 6" standards and Real Driving Emissions (RDE) standards, the "Tier 3" Motor Vehicle Emission and Fuel Standards issued by the EPA, and the Zero Emission Vehicle regulation in California, which are subject to similar derogations for SVMs, as well as vehicle safety legislation.

In 2016, NHTSA published guidelines for driver distraction, for which rulemaking activities have not progressed since early 2017. The costs of compliance associated with these and similar rulemaking may be substantial.

Other governments around the world, such as those in Canada, South Korea, China and certain Middle Eastern countries are also creating new policies to address these issues which could be even more stringent than the U.S. or European requirements. As in the United States and Europe, these government policies if applied to Ferrari could significantly affect its product development plans. In China, for example, Stage IV fuel consumption regulation targets a national average fuel consumption of 5.0L/100km by 2020, and the Stage V regulation, issued on 31 December 2019, targets a national average fuel consumption of 4.0 l/100km by 2025.

In response to severe air quality issues in Beijing and other major Chinese cities, in 2016 the Chinese government published a more stringent emissions program (National 6), providing two different levels of stringency effective starting from 2020. Moreover, several autonomous Chinese regions and municipalities are implementing the requirements of the National 6 program even ahead of the mandated deadlines.

Ferrari has lost its status as an SVM for NHSTA in 2019, because its global production exceeded 10,000 vehicles, but it has not lost its SVM status for EU regulations or for EPA GHG regulations in the United States. Ferrari could lose its status as an SVM in the EU, the United States and other countries if it does not continue to meet all of the necessary eligibility criteria under applicable regulations as they evolve. In order to meet these criteria Ferrari may need to modify its growth plans or other operations. Furthermore, even if it continues to benefit from derogations as an SVM, Ferrari will be subject to alternative standards that the regulators deem appropriate for its technical and economic capabilities and such alternative standards may be significantly more stringent than those currently applicable to Ferrari.

Under these existing regulations, as well as new or stricter rules or policies, Ferrari could be subject to sizable civil penalties or have to restrict or modify product offerings drastically to remain in compliance. Ferrari may have to incur substantial capital expenditures and research and development expenditures to upgrade products and manufacturing facilities, which would have an impact on its cost of production and results of operation.

In the future, the advent of self-driving technology may result in regulatory changes that Ferrari cannot predict but may include limitations or bans on human driving in specific areas. Similarly, driving bans on combustion engine vehicles could be imposed, particularly in metropolitan areas, as a result of progress in electric and hybrid technology. Any such future developments may adversely affect the demand for Ferrari's cars and its business.

In September 2017 the Chinese government issued the Administrative Measures on CAFC (Corporate Average Fuel Consumption) and NEV (New Energy Vehicle) Credits. This regulation establishes mandatory CAFC requirements, while providing additional flexibilities for SVMs (defined as manufacturers with less than 2,000 units imported in China per year) that achieve a certain minimum CAFC yearly improvement rate. An update of the Administrative Measures on CAFC and NEV credits is awaited, following the adoption of the Stage V fuel consumption regulation. Because its CAFC is expected to exceed the regulatory ceiling, Ferrari will be required to purchase NEV credits. There is no assurance that an adequate market for NEV credits will develop in China and if Ferrari is not able to secure sufficient NEV credits this may adversely affect its business in China.

To comply with current and future environmental rules related to both fuel economy and pollutant emissions in all markets in which it sell its cars, Ferrari may have to incur substantial capital expenditure and research and development expenditure to upgrade products and manufacturing facilities, which would have an impact on its cost of production and results of operation.

Ferrari - The introduction of hybrid and electric technology in Ferrari's cars is costly and its long-term success is uncertain

Ferrari is gradually but rapidly introducing hybrid and electric technology in its cars. In accordance with its strategy, Ferrari believes hybrid and electric technology will be key to providing continuing performance upgrades to its sports car customers and will also help capture the preferences of the urban, affluent GT cars purchasers whom it is increasingly targeting while helping it to meet increasingly strict emissions requirements.

In 2019, it launched the SF90 Stradale (shipments of which are expected to begin in 2020), the first series production Ferrari to feature Plug-in Hybrid Electric Vehicle (PHEV) architecture, integrating the internal combustion engine with three electric motors. Some of Ferrari's past models, such as LaFerrari and LaFerrari Aperta, have also included hybrid technology. The integration of hybrid and electric technology more broadly into its car portfolio over time may present challenges and costs. Ferrari expects to increase R&D spending in the medium term particularly on hybrid and electric technology-related projects.

Although it expects to price its hybrid and electric cars appropriately to recoup the investments and expenditures it is making, Ferrari cannot be certain that these expenditures will be fully recovered. In addition, this transformation of its car technology creates risks and uncertainties such as the impact on driver experience, and the impact on the cars' residual value over time, both of which may be met with an unfavorable market reaction. Other manufacturers of luxury sports cars may be more successful in implementing hybrid and electric technology. In the long term, although Ferrari believes that combustion engines will continue to be fundamental to the Ferrari driver experience, hybrid and pure electric cars may become the prevalent technology for performance sports cars thereby displacing combustion engine models. See also "*If Ferrari is unable to keep up with advances in high performance car technology, its brand and competitive position may suffer*."

Because hybrid and electric technology is a core component of Ferrari's strategy, and it expects that a significant portion of its shipments will consist of vehicles that feature hybrid and electric technology, if the introduction of hybrid and electric cars proves too costly or is unsuccessful in the market, Ferrari's business and results of operations could be materially adversely affected.

Ferrari - If its cars do not perform as expected Ferrari's ability to develop, market and sell its cars could be harmed

Ferrari's cars may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. There can be no assurance that Ferrari will be able to detect and fix any defects in the cars prior to their sale to consumers. Its cars may not perform in line with its clients' evolving expectations or in a manner that equals or exceeds the performance characteristics of other cars currently available. For example, Ferrari's newer cars may not have the durability or longevity of current cars and may not be as easy to repair as other cars currently on the market. Any product defects or any other failure of its performance cars to perform as expected could harm its reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to its brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on its business, operating results and financial condition.

Ferrari - Car recalls may be costly and may harm Ferrari's reputation

Ferrari has in the past and may from time to time in the future be required to recall its products to address performance, compliance or safety-related issues. It may incur costs for these recalls, including replacement parts and labor to remove and replace the defective parts. For example, in the course of 2015 and 2016, it issued a series of recalls relating to defective air bags manufactured by Takata and installed on certain of its models. Also in light of uncertainties in Ferrari's ability to recover the recall costs from Takata (which filed for bankruptcy in June 2017), it recorded a provision regarding this matter in the second quarter of 2016 for an amount of €37 million. This provision amounted to €16 million as of 31 December 2019. In addition, regulatory oversight of recalls, particularly in vehicle safety, has increased recently. Any product recalls can harm Ferrari's reputation with clients, particularly if consumers call into question the safety, reliability or performance of its cars. Any such recalls could harm its reputation and result in adverse publicity, lost revenue, delivery delays, product liability claims and other expenses, and could have a material adverse impact on Ferrari's business, operating results and financial condition.

Ferrari - Ferrari may become subject to product liability claims, which could harm its financial condition and liquidity if it is not able to successfully defend or insure against such claims

Ferrari may become subject to product liability claims, which could harm its business, operating results and financial condition. The automobile industry experiences significant product liability claims and Ferrari has inherent risk of exposure to claims in the event its cars do not perform as expected or malfunction resulting in personal injury or death. A successful product liability claim against Ferrari could require it to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about Ferrari's cars and business, adversely affecting its reputation and inhibiting or preventing commercialization of future cars which could have a material adverse effect on its brand, business, operating results and financial condition. While Ferrari seeks to insure against product liability risks, insurance may be insufficient to protect against any monetary claims it may face and will not mitigate any reputational harm. Any lawsuit seeking significant monetary damages may have a material adverse effect on Ferrari's reputation, business and financial condition. Ferrari may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if it faces liability for its products and is forced to make a claim under such a policy.

Ferrari - Ferrari is exposed to risks in connection with product warranties as well as the provision of services

A number of Ferrari's contractual and legal requirements oblige it to provide extensive warranties to its clients, dealers and national distributors. There is a risk that, relative to the guarantees and warranties granted, the calculated product prices and the provisions for its guarantee and warranty risks have been set or will in the future be set too low. There is also a risk that Ferrari will be required to extend the guarantee or warranty originally granted in certain markets for legal reasons or provide services as a courtesy or for reasons of reputation where it is not legally obliged to do so, and for which it will generally not be able to recover from suppliers or insurers.

Ferrari – Ferrari's insurance coverage may not be adequate to protect it against all potential losses to which it may be subject, which could have a material adverse effect on its business

Ferrari maintains insurance coverage that it believes is adequate to cover normal risks associated with the operation of its business. However, there can be no assurance that any claim under its insurance policies will be honored fully or timely, its insurance coverage will be sufficient in any respect or its insurance premiums will not increase substantially. Accordingly, to the extent that it suffers loss or damage that is not covered by insurance or which exceeds its insurance coverage, or has to pay higher insurance premiums, its financial condition may be affected.

Ferrari - improper conduct of employees, agents, or other representatives could adversely affect Ferrari's reputation and its business, operating results, and financial condition

Ferrari's compliance controls, policies and procedures may not in every instance protect it from acts committed by its employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which it operates, including employment, foreign corrupt practices, environmental, competition, and other laws and regulations. Such improper actions could subject it to civil or criminal investigations, and monetary and injunctive penalties. In particular, its business activities may be subject to anti-corruption laws, regulations or rules of other countries in which it operates. Ferrari's failure to comply with any of these regulations could adversely impact its operating results and its financial condition. In addition, actual or alleged violations could damage its reputation and its ability to conduct business. Furthermore, detecting, investigating, and resolving any actual or alleged violation is expensive and can consume significant time and attention of Ferrari's executive management.

Ferrari - A disruption in Ferrari's information technology could compromise confidential and sensitive information

Ferrari depends on its information technology and data processing systems to operate its business, and a significant malfunction or disruption in the operation of its systems, or a security breach that compromises the confidential and sensitive information stored in those systems, could disrupt its business and adversely impact its ability to compete. Ferrari's ability to keep its business operating effectively depends on the functional and efficient operation by Ferrari and by its third-party service providers of its information, data processing and telecommunications systems, including its car design, manufacturing, inventory tracking and billing and payment systems. Ferrari relies on these systems to enable a number of business processes and help it make a variety of day-to-day business decisions as well as to track transactions, billings, payments and inventory. Such systems are susceptible to malfunctions and interruptions due to equipment damage, power outages, and a range of other hardware, software and network problems. Those systems are also susceptible to cybercrime, or threats of intentional disruption, which are increasing in terms of sophistication and frequency, with the consequence that such cyber incidents may remain undetected for long periods of time. For any of these reasons, Ferrari may experience system malfunctions or interruptions. Although its systems are diversified, including multiple server locations and a range of software applications for different regions and functions, and Ferrari periodically assesses and implements actions to ameliorate risks to its systems, a significant or large scale malfunction or interruption of its systems could adversely affect its ability to manage and keep its operations running efficiently, and damage its reputation if it is unable to track transactions and deliver products to its dealers and clients. A malfunction that results in a wider or sustained disruption to Ferrari's business could have a material adverse effect on its business, results of operations and financial condition. In addition to supporting its operations, Ferrari uses its systems to collect and store confidential and sensitive data, including information about its business, its clients and its employees.

As Ferrari's technology continues to evolve, it anticipates that it will collect and store even more data in the future, and that its systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of Ferrari's value is derived from its confidential business information, including car design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, it may lose its competitive advantage and its car sales may suffer. Ferrari also collects, retains and uses certain personal information, including data it gathers from clients for product development and marketing purposes, and data it obtains from employees.

Therefore, Ferrari is subject to a variety of ever-changing data protection and privacy laws on a global basis, including the EU General Data Protection Regulation, which came into force on 25 May 2018. To an increasing extent, the functionality and controls of Ferrari's cars depend on in-vehicle information technology. Furthermore, such technology is capable of storing an increasing amount of personal information belonging to its customers. Any unauthorized access to in-vehicle IT systems may compromise the car security or the privacy of customers' information and expose Ferrari to claims as well as reputational damage. Ultimately, any significant compromise in the integrity of Ferrari's data security could have a material adverse effect on its business.

Ferrari – Ferrari's indebtedness could adversely affect its operations and it may face difficulties in servicing or refinancing its debt

As of 31 December 2019, Ferrari's gross consolidated debt was approximately €2,090 million (which includes its financial services). Ferrari's current and long-term debt requires it to dedicate a portion of its cash flow to service interest and principal payments and, if interest rates rise, this amount may increase. In addition, Ferrari's existing debt may limit its ability to raise further capital to execute its growth strategy or otherwise may place it at a competitive disadvantage relative to competitors that have less debt.

To the extent Ferrari becomes more leveraged, the risks described above would increase. Ferrari may also have difficulty refinancing its existing debt or incurring new debt on terms that it would consider to be commercially reasonable, if at all.

Ferrari - Car sales depend in part on the availability of affordable financing

In certain regions, financing for new car sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. Recent pronouncements of governments and central banks point to a change in the policy environment that may lead to a gradual contraction of monetary policies in coming periods. To the extent that interest rates rise generally, market rates for new car financing are expected to rise as well, which may make Ferrari's cars less affordable to clients or cause consumers to purchase less expensive cars, adversely affecting Ferrari's results of operations and financial condition. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, Ferrari's clients may choose not to, or may not be able to, obtain financing to purchase its cars.

Ferrari - Ferrari may not be able to provide adequate access to financing for its dealers and clients, and its financial services operations may be disrupted

Ferrari's dealers enter into wholesale financing arrangements to purchase cars from it to hold in inventory or to use in showrooms and facilitate retail sales, and retail clients use a variety of finance and lease programs to acquire cars.

In most markets, Ferrari relies either on controlled or associated finance companies or on commercial relationships with third parties, including third party financial institutions, to provide financing to its dealers and retail clients. Finance companies are subject to various risks that could negatively affect their ability to provide financing services at competitive rates, including:

- the performance of loans and leases in their portfolio, which could be materially affected by delinquencies or defaults;
- higher than expected car return rates and the residual value performance of cars they lease; and
- fluctuations in interest rates and currency exchange rates.

Furthermore, to help fund its retail and wholesale financing business, Ferrari's financial services companies in the United States also access forms of funding available from the banking system in each market, including sales or securitization of receivables either in negotiated sales or through securitization programs. At 31 December 2019, an amount of $886 million was outstanding under revolving securitizations carried out by Ferrari Financial Services Inc. Should Ferrari lose the ability to access the securitization market at advantageous terms or at all, the funding of its wholesale financing business would become more difficult and expensive and its financial condition may be adversely affected.

Any financial services provider, including Ferrari's controlled finance companies, will face other demands on its capital, as well as liquidity issues relating to other investments or to developments in the credit markets. Furthermore, they may be subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to Ferrari's dealers and retail clients. To the extent that a financial services provider is unable or unwilling to provide sufficient financing at competitive rates to Ferrari's dealers and retail clients, such dealers and retail clients may not have sufficient access to financing to purchase or lease its cars. As a result, Ferrari's car sales and market share may suffer, which would adversely affect its results of operations and financial condition.

Ferrari's dealer and retail customer financing in Europe are mainly provided through its partnership with FCA Bank S.p.A. ("FCA Bank"), a joint venture between FCA Italy S.p.A. and Crédit Agricole Consumer Finance S.A. ("CACF"). If Ferrari fails to maintain its partnership with FCA Bank or in the event of a termination of the joint venture or change of control of one of its joint venture partners, it may not be able to find a suitable alternative partner with similar resources and experience and continue to offer financing services to support the sales of Ferrari cars in key European markets, which could adversely affect its results of operations and financial condition.

Ferrari - Labor laws and collective bargaining agreements with its labor unions could impact Ferrari's ability to operate efficiently

All of Ferrari's production employees are represented by trade unions, are covered by collective bargaining agreements and/or are protected by applicable labor relations regulations that may restrict Ferrari's ability to modify operations and reduce costs quickly in response to changes in market conditions. These regulations and the provisions in its collective bargaining agreements may impede Ferrari's ability to restructure its business successfully to compete more efficiently and effectively, especially with those automakers whose employees are not represented by trade unions or are subject to less stringent regulations, which could have a material adverse effect on its results of operations and financial condition.

Ferrari – Ferrari is subject to risks associated with exchange rate fluctuations, interest rate changes, credit risk and other market risks

Ferrari operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and interest rates. In particular, changes in exchange rates between the Euro and the main foreign currencies in which it operates affect its revenues and results of operations. The exposure to currency risk is mainly linked to the differences in geographic distribution of its sourcing and manufacturing activities from those in its commercial activities, as a result of which its cash flows from sales are denominated in currencies different from those connected to purchases or production activities. For example, Ferrari incurs a large portion of its capital and operating expenses in Euro while it receives the majority of its revenues in currencies other than Euro. In addition, foreign exchange movements might also negatively affect the relative purchasing power of its clients which could also have an adverse effect on its results of operations. For example, the U.S. Dollar remained relatively stable during the course of 2019, while the pound sterling remained subject to some volatility against the Euro, with an initial depreciation followed by a reversal of trend in the second half of the year. If the US Dollar were to depreciate against the Euro, Ferrari expects that it would adversely affect its revenues and results of operations. Foreign exchange volatility remained low in early 2020 and the Euro has not experienced appreciation versus the main currencies in which Ferrari is exposed. The extent of adverse impacts from exchange rate fluctuations could increase if the portion of Ferrari's business in countries outside the Eurozone increases.

Ferrari seeks to manage risks associated with fluctuations in currency through financial hedging instruments. Although it seeks to manage its foreign currency risk in order to minimize any negative effects caused by rate fluctuations, including through hedging activities, there can be no assurance that it will be able to do so successfully, and its business, results of operations and financial condition could nevertheless be adversely affected by fluctuations in market rates, particularly if these conditions persist.

Ferrari's financial services activities are also subject to the risk of insolvency of dealers and retail clients, as well as unfavorable economic conditions in markets where these activities are carried out. Despite its efforts to mitigate such risks through the credit approval policies applied to dealers and retail clients, there can be no assurances that Ferrari will be able to successfully mitigate such risks, particularly with respect to a general change in economic conditions.

Ferrari - changes in tax, tariff or fiscal policies could adversely affect demand for Ferrari's products

Imposition of any additional taxes and levies designed to limit the use of automobiles could adversely affect the demand for Ferrari's vehicles and its results of operations. Changes in corporate and other taxation policies as well as changes in export and other incentives given by various governments or import or tariff policies could also adversely affect its results of operations. In addition, in the last months of 2018, the United States administration declared that it is considering imposing new tariffs on imported cars; such decision was again postponed in May 2019, and a final decision has not been made by the United States administration to date. Considerable uncertainty surrounds the introduction and scope of tariffs by the United States or other countries, as well as the potential for additional trade actions by the United States or other countries. The impact of any such tariffs on Ferrari's operations and results is uncertain and could be significant, and Ferrari can provide no assurance that any strategies it implements to mitigate the impact of such tariffs or other trade actions will be successful.

While Ferrari is managing its product development and production operations on a global basis to reduce costs and lead times, unique national or regional standards can result in additional costs for product development, testing and manufacturing. Governments often require the implementation of new requirements during the middle of a product cycle, which can be substantially more expensive than accommodating these requirements during the design phase of a new product.

The imposition of any additional taxes and levies or change in government policy designed to limit the use of high performance sports cars or automobiles more generally, or any decision by policymakers to implement taxes on luxury automobiles, could also adversely affect the demand for Ferrari's cars. The occurrence of the above may have a material adverse effect on Ferrari's business, results of operations and financial condition.

Ferrari - If Ferrari were to lose its Authorized Economic Operator certificate, it may be required to modify its current business practices and to incur increased costs, as well as experience shipment delays

Because Ferrari ships and sells its cars in numerous countries, the customs regulations of various jurisdictions are important to its business and operations. To expedite customs procedure, Ferrari applied for, and currently holds, the European Union's Authorized Economic Operator (AEO) certificate. The AEO certificate is granted to operators that meet certain requirements regarding supply chain security and the safety and compliance with law of the operator's customs controls and procedures. Operators are audited periodically for continued compliance with the requirements. The AEO certificate allows Ferrari to benefit from special expedited customs treatment, which significantly facilitates the shipment of its cars in the various markets where it operates. The AEO certificate was subject to mandatory audit review in 2019 and renewal of the AEO certification was obtained. If it were to lose the AEO status, including for failure to meet one of the certification's requirements, Ferrari would be required to change its business practices and to adopt standard customs procedures for the shipment of its cars. This could result in increased costs and shipment delays, which, in turn, could negatively affect its results of operations.

Risks Related to the Common Shares

Ferrari - the market price and trading volume of Ferrari's common shares may be volatile, which could result in rapid and substantial losses for its shareholders

The market price of Ferrari's common shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of the common shares may fluctuate and cause significant price variations to occur. If the market price of the common shares declines significantly, a shareholder may be unable to sell their common shares at or above their purchase price, if at all. The market price of Ferrari's common shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of the common shares, or result in fluctuations in the price or trading volume of the common shares, include:

- variations in Ferrari's operating results, or failure to meet the market's earnings expectations;
  publication of research reports about Ferrari, the automotive industry or the luxury industry, or the failure of securities analysts to cover the common shares;
- departures of any members of Ferrari's management team or additions or departures of other key personnel;
- adverse market reaction to any indebtedness Ferrari may incur or securities it may issue in the future;
- actions by shareholders;
- changes in market valuations of similar companies;
  changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting Ferrari's business, or enforcement of these laws and regulations, or announcements relating to these matters;
- adverse publicity about the automotive industry or the luxury industry generally, or particularly scandals relating to those industries, specifically;
- litigation and governmental investigations; and
- general market and economic conditions.

Ferrari - The loyalty voting program may affect the liquidity of Ferrari's common shares and reduce the common share price

The implementation of Ferrari's loyalty voting program could reduce the trading liquidity and adversely affect the trading prices of its common shares. The loyalty voting program is intended to reward its shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding the common shares continuously for at least three years the option to elect to receive special voting shares. Special voting shares cannot be traded and, if common shares participating in the loyalty voting program are sold they must be deregistered from the loyalty register and any corresponding special voting shares transferred to Ferrari for no consideration (*om niet*). This loyalty voting program is designed to encourage a stable shareholder base and, conversely, it may deter trading by shareholders that may be interested in participating in the loyalty voting program. Therefore, the loyalty voting program may reduce liquidity in Ferrari's common shares and adversely affect their trading price.

Ferrari - The interests of Ferrari's largest shareholders may differ from the interests of other shareholders
EXOR N.V. ("Exor") is Ferrari's largest shareholder, holding approximately 24.0 percent of its outstanding common shares and approximately 35.8 percent of its voting power (as of 7 February 2020). Therefore, Exor has a significant influence over the matters submitted to a vote of Ferrari shareholders, including matters such as adoption of the annual financial statements, declarations of annual dividends, the election and removal of the members of the Ferrari board of directors (the "Board of Directors"), capital increases and amendments to the articles of association. In addition, as of 7 February 2020, Piero Ferrari, the Vice Chairman of Ferrari, holds approximately 10.2 percent of the outstanding Ferrari common shares and approximately 15.2 percent of voting interest in Ferrari (as of 7 February 2020). The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. As a result, he also has influence in matters submitted to a vote of Ferrari shareholders. Exor and Piero Ferrari informed Ferrari that they have entered into a shareholder agreement pursuant to which they have undertaken to consult for the purpose of forming, where possible, a common view on the items on the agenda of shareholders' meetings. The interests of Exor and Piero Ferrari may in certain cases differ from those of other shareholders. In addition, the sale of substantial amounts of Ferrari common shares in the public market by Piero Ferrari or the perception that such a sale could occur could adversely affect the prevailing market price of the common shares.

Ferrari – Ferrari may have potential conflicts of interest with FCA and Exor and its's related companies
Questions relating to conflicts of interest may arise between Ferrari and FCA, the former largest shareholder in Ferrari, in a number of areas relating to common shareholdings and management, as well as to past and ongoing relationships. There are certain overlaps among the directors and officers of Ferrari and FCA. For example, Mr. John Elkann, Ferrari's executive chairman, is the chairman and an executive director of FCA and chief executive officer of Exor. Certain of Ferrari's other directors and officers may also be directors or officers of FCA or Exor, the Company's and FCA's largest shareholder. These individuals owe duties both to Ferrari and to the other companies that they serve as officers and/or directors which may create conflicts as, for example, these individuals review opportunities that may be appropriate or suitable for both Ferrari and such other companies, or as Ferrari pursues business transactions in which both Ferrari and such other companies have an interest, such as its arrangement to supply engines for Maserati cars. Exor holds approximately 24 percent of Ferrari's outstanding common shares and approximately 35.8 percent of the voting power (as of 7 February 2020, while it holds approximately 29.0 percent of the outstanding common shares and approximately 42.1 percent of the voting power in FCA (based on SEC filings). The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. Exor also owns a controlling interest in CNH Industrial N.V., which was part of the FCA group before its spin-off several years ago. These ownership interests could create actual, perceived or potential conflicts of interest when these parties or the common directors and officers are faced with decisions that could have different implications for Ferrari and FCA or Exor, as applicable.

Ferrari - The loyalty voting program may make it more difficult for shareholders to acquire a controlling interest in Ferrari, change its management or strategy or otherwise exercise influence over it, which may affect the market price of its common shares
The provisions of Ferrari's articles of association which establish the loyalty voting program may make it more difficult for a third party to acquire, or attempt to acquire, control of the Company, even if a change of control were considered favorably by shareholders holding a majority of the common shares. As a result of the loyalty voting program, a relatively large proportion of the voting power of Ferrari could be concentrated in a relatively small number of shareholders who would have significant influence over the Company. As of 15 February 2019, Exor had approximately 24 percent of outstanding Ferrari common shares and a voting interest in Ferrari of approximately 35.8 percent. As of 7 February 2020, Piero Ferrari held approximately 10.2 percent of outstanding Ferrari common shares and, as a result of the loyalty voting mechanism, had approximately 15.2 percent of the voting power in its shares. The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. In addition, Exor and Piero Ferrari informed the Company that they have entered into a shareholder agreement. As a result, Exor and Piero Ferrari may exercise significant influence on matters involving Ferrari shareholders. Exor and Piero Ferrari and other shareholders participating in the loyalty voting program may have the power effectively to prevent or delay change of control or other transactions that may otherwise benefit Ferrari shareholders. The loyalty voting program may also prevent or discourage shareholder initiatives aimed at changing Ferrari's management or strategy or otherwise exerting influence over Ferrari.

Ferrari – Ferrari is a Dutch public company with limited liability, and its shareholders may have rights different to those of shareholders of companies organized in the United States

The rights of Ferrari's shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions. Ferrari is a Dutch public company with limited liability (*naamloze vennootschap*). Its corporate affairs are governed by its articles of association and by the laws governing companies incorporated in the Netherlands. The rights of shareholders and the responsibilities of members of the Ferrari board of directors may be different from the rights of shareholders and the responsibilities of members of the board of directors in companies governed by the laws of other jurisdictions including the United States. In the performance of its duties, the Ferrari board of directors is required by Dutch law to consider the company's interests and the interests of its shareholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of a Ferrari shareholder.

Ferrari - Ferrari expects to maintain its status as a "foreign private issuer" under the rules and regulations of the SEC and, thus, is exempt from a number of rules under the Exchange Act of 1934 and is permitted to file less information with the SEC than a company incorporated in the United States

As a "foreign private issuer," Ferrari is exempt from rules under the Securities Exchange Act of 1934, as amended ("the Exchange Act") that impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, Ferrari's officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Ferrari common shares. Moreover, Ferrari is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor is it required to comply with Regulation FD, which restricts the selective disclosure of material information. Accordingly, there may be less publicly available information concerning Ferrari than there is for U.S. public companies.

Ferrari – Ferrari's ability to pay dividends on its common shares may be limited and the level of future dividends is subject to change

Ferrari's payment of dividends on its common shares in the future will be subject to business conditions, financial conditions, earnings, cash balances, commitments, strategic plans and other factors that its Board of Directors may deem relevant at the time it recommends approval of the dividend. Ferrari's dividend policy is subject to change in the future based on changes in statutory requirements, market trends, strategic developments, capital requirements and a number of other factors. In addition, under its articles of association and Dutch law, dividends may be declared on Ferrari's common shares only if the amount of equity exceeds the paid up and called up capital plus the reserves that have to be maintained pursuant to Dutch law or the articles of association. Further, even if Ferrari is permitted under its articles of association and Dutch law to pay cash dividends on its common shares, it may not have sufficient cash to pay dividends in cash on its common shares. Ferrari is a holding company and its operations are conducted through its subsidiaries. As a result, Ferrari's ability to pay dividends primarily depends on the ability of its subsidiaries, particularly Ferrari S.p.A to generate earnings and to provide Ferrari with the necessary financial resources.

Ferrari - The maintenance of two exchange listings may adversely affect liquidity in the market for Ferrari's common shares and could result in pricing differentials of its common shares between the two exchanges

Ferrari's shares are listed on both the NYSE and the *Mercato Telematico Azionario* ("MTA"). The dual listing of its common shares may split trading between the NYSE and the MTA, adversely affect the liquidity of the shares and the development of an active trading market for the common shares in one or both markets and may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the two trading currencies, among other factors, may result in different trading prices for the common shares on the two exchanges.

Ferrari - It may be difficult to enforce U.S. judgments against the Company

Ferrari is organized under the laws of the Netherlands, and a substantial portion of its assets are outside of the United States. Most of its directors and senior management and its independent auditors are resident outside the United States, and all or a substantial portion of their respective assets may be located outside the United States. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon these persons. It may also be difficult for U.S. investors to enforce within the United States judgments against Ferrari predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

In addition, there is uncertainty as to whether the courts outside the United States would recognize or enforce judgments of U.S. courts obtained against Ferrari or its directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Therefore, it may be difficult to enforce U.S. judgments against Ferrari, its directors and officers and its independent auditors.

Ferrari - FCA creditors may seek to hold Ferrari liable for certain FCA obligations

One step of Ferrari's Separation from FCA included a demerger from FCA of the Ferrari common shares previously held by it. In connection with a demerger under Dutch law, the demerged company may continue to be liable for certain obligations of the demerging company that exist at the time of the demerger, but only to the extent that the demerging company fails to satisfy such liabilities. Based on other actions taken as part of the Separation, Ferrari does not believe it retains any liability for obligations of FCA existing at the time of the Separation. Nevertheless, in the event that FCA fails to satisfy obligations to its creditors existing at the time of the demerger, it is possible that those creditors may seek to recover from Ferrari, claiming that it remains liable to satisfy such obligations. While Ferrari believes it would prevail against any such claim, litigation is inherently costly and uncertain and could have an adverse effect.

Risks Related to Taxation

Ferrari - Changes to taxation or the interpretation or application of tax laws could have an adverse impact on Ferrari's results of operations and financial condition

Ferrari's business is subject to various taxes in different jurisdictions (mainly Italy), which include, among others, the Italian corporate income tax ("IRES"), regional trade tax ("IRAP"), value added tax ("VAT"), excise duty, registration tax and other indirect taxes. Ferrari is exposed to the risk that its overall tax burden may increase in the future.

Changes in tax laws or regulations or in the position of the relevant Italian and non-Italian authorities regarding the application, administration or interpretation of these laws or regulations, particularly if applied retrospectively, could have negative effects on Ferrari's current business model and have a material adverse effect on its business, operating results and financial condition.

In order to reduce future potential disputes with tax authorities, Ferrari seeks advance agreements with tax authorities on significant matters. In particular it filed a ruling application for advance pricing agreement (APA) on transfer pricing.

In addition, tax laws are complex and subject to subjective valuations and interpretive decisions, and Ferrari will periodically be subject to tax audits aimed at assessing its compliance with direct and indirect taxes. The tax authorities may not agree with Ferrari's interpretations of, or the positions it has taken or intends to take on, tax laws applicable to its ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to Ferrari's interpretations, the company could face long tax proceedings that could result in the payment of penalties and have a material adverse effect on its operating results, business and financial condition.

Ferrari - As a result of the demergers and the merger in connection with the Separation, Ferrari might be jointly and severally liable with FCA for certain tax liabilities arisen in the hands of FCA

Although the Italian tax authorities confirmed in a positive advance tax ruling issued on 9 October 2015 that the demergers and the merger that was carried out in connection with the Separation would be respected as tax-free, neutral transactions from an Italian income tax perspective, under Italian tax law Ferrari may still be held jointly and severally liable, as a result of the combined application of the rules governing the allocation of tax liabilities in case of demergers and mergers, with FCA for taxes, penalties, interest and any other tax liability arising in the actions of FCA because of violations of its tax obligations related to tax years prior to the two demergers.

Ferrari - There may be potential "Passive Foreign Investment Company" tax considerations for U.S. holders

Shares of Ferrari stock would be stock of a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes with respect to a U.S. holder if for any taxable year in which such U.S. holder held shares of Ferrari stock, after the application of applicable "look-through rules" (i) 75 percent or more of Ferrari's gross income for the taxable year consists of "passive income" (including dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury Regulations), or (ii) at least 50 percent of Ferrari's assets for the taxable year (averaged over the year and determined based upon value) produce or are held for the production of "passive income". U.S. persons who own shares of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the dividends they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

While Ferrari believes that shares of its stock are not stock of a PFIC for U.S. federal income tax purposes, this conclusion is based on a factual determination made annually and thus is subject to change. Moreover, its common shares may become stock of a PFIC in future taxable years if there were to be changes in its assets, income or operations.

Ferrari - The consequences of the loyalty voting program are uncertain

No statutory, judicial or administrative authority directly discusses how the receipt, ownership, or disposition of special voting shares should be treated for Italian or U.S. tax purposes and as a result, the tax consequences in those jurisdictions are uncertain.

The fair market value of the special voting shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Because, among other things, Ferrari's special voting shares are not transferable (other than, in very limited circumstances, together with the associated common shares) and a shareholder will receive amounts in respect of the special voting shares only if it is liquidated, Ferrari believes and intends to take the position that the fair market value of each special voting share is minimal. However, the relevant tax authorities could assert that the value of the special voting shares as determined by Ferrari is incorrect.

The tax treatment of the loyalty voting program is unclear and shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning and disposing of special voting shares.

Ferrari - Ferrari currently benefits or seeks to benefit from certain special tax regimes, which may not be available in the future

Ferrari currently calculates taxes due in Italy based, among other things, on certain tax breaks recognized by Italian tax regulations for R&D expenses and for the investments in manufacturing equipment (available until fiscal year 2019 according to current regulations) which result in a tax saving. Law no. 160/2019 or "Budget Law 2020" introduced new rules relating to tax breaks. In particular the hyper- and super-depreciation have been modified into a tax credit for the purchase of new capital assets. The Budget Law 2020 also introduced new tax credits for (i) technological innovation and ecological transition, and (ii) the design and creation of new products and samples.

These new measures continue to mitigate the amount of taxes due in Italy. Significant changes in regulations or interpretation might adversely affect the availability of such exemptions and result in higher tax charges.

Italian Law No. 190 of December 2014, as subsequently amended and supplemented (Finance Act 2015) introduced an optional patent box regime in the Italian tax system. The patent box regime is a tax exemption related to, *inter alia*, the use of intellectual property assets. Business income derived from the use of each qualified intangible asset is partially exempted from taxation for both IRES and IRAP purposes. In September 2018 Ferrari received the mandatory ruling from the Italian tax authorities according to which it is able to significantly reduce its tax expense. The ruling covers the period starting from 2015 and it remains in force until fiscal 2019. Ferrari is progressing with the required activities to apply the Patent Box tax regime for the period from 2020 to 2024, in line with currently applicable tax regulations in Italy. The amount of the related tax benefits (if any) that Ferrari may receive from the tax regime remains subject to uncertainty.

Exor

Consolidated Financial Statements at 31 December 2019

CONSOLIDATED INCOME STATEMENT

(€ million)	Note	Years ended 31 December 2019	2018
Net revenues	5	143,755	143,294
Cost of revenues	6	(121,017)	(121,283)
Selling, general and administrative expenses		(9,414)	(10,219)
Research and development costs	7	(5,287)	(4,637)
Other income (expenses), net	8	(14)	455
Result from investments	15	239	314
Net financial expenses	9	(1,442)	(1,570)
Profit before taxes		**6,820**	**6,354**
Tax expense	10	(1,835)	(1,240)
Profit from continuing operations		**4,985**	**5,114**
Profit from discontinued operations, net of tax	3	3,930	302
Profit for the year		**8,915**	**5,416**
Profit attributable to:			
Owners of the parent		*3,053*	*1,347*
Non-controlling interests		*5,862*	*4,069*
Profit from continuing operations attributable to:			
Owners of the parent		*1,927*	*1,264*
Non-controlling interests		*3,058*	*3,850*
Earnings per share (in €)	12		
Basic earnings per share		13.16	5.73
Diluted earnings per share		13.12	5.67
Earnings per share from continuing operations (in €)	12		
Basic earnings per share		8.31	5.38
Diluted earnings per share		8.27	5.31

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Note	Years ended 31 December 2019	2018
Profit for the year (A)	22	**8,915**	**5,416**
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains (losses) on remeasurement of defined benefit plans		(215)	499
Share of gains (losses) on remeasurement of defined benefit plans for equity method investees		(5)	-
Gains (losses) on financial assets at fair value through other comprehensive income		(9)	(12)
Related tax effect		18	(109)
Items relating to discontinued operations, net of tax		(9)	2
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods, net of tax (B1)		**(220)**	**380**
Items that may be reclassified to the Consolidated Income Statement in subsequent periods:			
Gains (losses) on cash flow hedging instruments		(235)	(43)
Foreign exchange gains (losses)		439	284
Share of other comprehensive income (loss) of equity method investees		(5)	(172)
Related tax effect		60	2
Items relating to discontinued operations, net of tax		9	(91)
Total items that may be reclassified to the Consolidated Income Statement in subsequent periods, net of tax (B2)		**268**	**(20)**
Total Other Comprehensive Income (Loss), net of tax (B)=(B1)+(B2)		**48**	**360**
Total Comprehensive Income (A)+(B)		**8,963**	**5,776**
Total Comprehensive Income (Loss) attributable to:			
Owners of the parent		3,202	1,593
Non-controlling interests		5,761	4,183
Total Comprehensive Income (Loss) attributable to owners of the parent:			
Continuing operations		2,076	1,534
Discontinued operations		1,126	59

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ million)	Note	At 31 December 2019	At 31 December 2018
Assets			
Intangible assets	13	35,067	33,768
Property, plant and equipment	14	36,710	34,079
Investments and other financial assets	15	5,400	4,869
Deferred tax assets	10	2,584	2,697
Inventories	16	18,057	18,652
Trade and other receivables	17	27,889	27,178
Investments of reinsurance companies	18	14,664	13,742
Other assets	19	8,923	7,351
Assets held for sale	3	381	4,803
Cash and cash equivalents	21	22,935	19,136
Total Assets		**172,611**	**166,275**
Equity and Liabilities			
Equity attributable to owners of the parent	22	15,025	12,210
Non-controlling interests	22	27,534	24,235
Total Equity		**42,559**	**36,445**
Liabilities			
Provisions for employee benefits	24	10,806	10,190
Other provisions	25	16,927	19,100
Technical reserves reinsurance companies	26	13,548	12,372
Deferred tax liabilities	10	2,062	1,290
Financial debt and other financial liabilities	27	43,499	43,576
Trade payables	29	27,611	25,088
Tax payables		604	232
Other liabilities	30	14,761	15,057
Liabilities held for sale	3	234	2,925
Total Liabilities		**130,053**	**129,830**
Total Equity and Liabilities		**172,611**	**166,275**

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ million)	Note	Years ended 31 December 2019	2018
Cash flows from operating activities:	34		
Profit from continuing operations		4,985	5,114
Amortisation and depreciation		7,119	7,003
Gains on disposal of non-current assets		(379)	151
Other non-cash items		(1,121)	115
Dividends received		181	132
Change in provisions		(1,962)	502
Change in deferred taxes		1,028	642
Change in inventories, trade and other receivables and payables		2,195	(1,221)
Cash flows from operating activities – discontinued operations		(308)	478
Total		**11,738**	**12,916**
Cash flows used in investing activities:			
Investments in property, plant and equipment and intangible assets		(10,290)	(7,165)
Investments in joint ventures, associates, unconsolidated subsidiaries and financial assets		(285)	(36)
Net change in Investments of Reinsurance companies (PartnerRe Group)		2,116	(1,036)
Proceeds from disposal of investments, tangible, intangible and financial assets		252	172
Net change in financial receivables		(222)	(1,252)
Net change in securities		(303)	(267)
Net cash proceeds from disposal of discontinued operations		5,348	0
Other changes		91	32
Cash flows used in investing activities – discontinued operations		(155)	(632)
Total		**(3,448)**	**(10,184)**
Cash flows used in financing activities:			
Issuance of notes		2,480	1,603
Repayment of notes		(3,491)	(3,522)
Proceeds of other long-term debt		1,762	2,702
Repayment of other long-term debt		(3,049)	(4,303)
Net change in short-term debt and other financial assets/liabilities		(316)	1,139
Capital increase of subsidiaries		104	11
Exercise of stock options		(419)	(225)
Buyback of treasury shares		(207)	(62)
Dividends paid		(2,615)	(281)
Other changes		(11)	(2)
Cash flows used in financing activities – discontinued operations		325	(90)
Total		**(5,435)**	**(3,030)**
Translation exchange differences		242	125
Total Change in Cash and Cash Equivalents		**3,096**	**(173)**
Cash and cash equivalents at beginning of the period		**19,136**	**20,028**
Cash and cash equivalents at the beginning of the period included in Assets held for sale		**719**	
Cash and cash equivalents at the end of the period included in Assets held for sale		**(17)**	**(719)**
Cash and cash equivalents at the end of the period		**22,935**	**19,136**

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ million)	Share Capital	Treasury Stock Reserve	Other reserves	Cash flow hedge reserve	Currency translation differences	Financial assets measure d at FVTOCI	Remeasure -ment of defined benefit plans	Cumulative share of OCI of equity method investments	Total Owners of the parent	Non-controlling interests	Total
At 31 December 2017	**2**	-	**11,417**	**71**	**(185)**	**71**	**(354)**	**(217)**	**10,805**	**20,381**	**31,186**
Impact from the adoption of IFRS 15 and IFRS 9	-	-	64	-	-	(97)	-	-	**(33)**	(91)	**(124)**
At 1 January 2018	**2**	-	**11,481**	**71**	**(185)**	**(26)**	**(354)**	**(217)**	**10,772**	**20,290**	**31,062**
Share-based compensation	-	-	54	-	-	-	-	-	**54**	99	**153**
Buyback of treasury shares	-	(62)	-	-	-	-	-	-	**(62)**	-	**(62)**
Capital increase by subsidiaries	-	-	-	-	-	-	-	-	**-**	10	**10**
Dividends declared	-	-	(82)	-	-	-		-	**(82)**	(257)	**(339)**
Total comprehensive income	-	-	1,347	(10)	211	(8)	126	(73)	**1,593**	4,183	**5,776**
Effect of the change in the percentage ownership of companies[1]	-	-	(29)	-	1	-	(2)	(2)	**(32)**	32	**-**
Other changes	-	-	(33)	-	-	-	-	-	**(33)**	(122)	**(155)**
At 31 December 2018	**2**	**(62)**	**12,738**	**61**	**27**	**(34)**	**(230)**	**(292)**	**12,210**	**24,235**	**36,445**

(1) Of which €11 million relates to the CNH Industrial Group and -€40 million relates to the FCA Group.

(€ million)	Share Capital	Treasury Stock Reserve	Other reserves	Cash flow hedge reserve	Currency translation differences	Financial assets measure d at FVTOCI	Remeasure -ment of defined benefit plans	Cumulative share of OCI of equity method investments	Total Owners of the parent	Non-controlling interests	Total
At 31 December 2018	**2**	**(62)**	**12,738**	**61**	**27**	**(34)**	**(230)**	**(292)**	**12,210**	**24,235**	**36,445**
Impact from the adoption of IFRS 16	-	-	-	-	-	-	-	-	**-**	-	**-**
At 1 January 2019	**2**	**(62)**	**12,738**	**61**	**27**	**(34)**	**(230)**	**(292)**	**12,210**	**24,235**	**36,445**
Share-based compensation	-	-	63	-	-	-	-	-	**63**	114	**177**
Buyback of treasury shares	-	(207)	-	-	-	-	-	-	**(207)**		**(207)**
Capital increase by subsidiaries	-	-	-		-		-		**0**	105	**105**
Dividends declared	-	-	(100)	-	-	-	-	-	**(100)**	(2,543)	**(2,643)**
Total comprehensive income	-	-	3,053	(52)	260	(9)	(61)	11	**3,202**	5,761	**8,963**
Sale of Magneti Marelli	-	-	(31)	(2)	28		31		**26**	18	**44**
Effect of the change in the percentage ownership of companies[2]	-	-	(170)	-	(2)	-	2	1	**(169)**	(249)	**(418)**
Other changes	-	-		-	-	-	-	-	**0**	93	**93**
At 31 December 2019	**2**	**(269)**	**15,553**	**7**	**313**	**(43)**	**(258)**	**(280)**	**15,025**	**27,534**	**42,559**

(2) Of which €5 million relates to the consolidation of Exor Seeds, -€8 million relates to the CNH Industrial Group, -€89 million relates to the Ferrari Group and -€77 million relates to the FCA Group.

(The accompanying notes are an integral part of these consolidated financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information on the activities of the Group

EXOR N.V. ("EXOR" or the "Company" and together with its subsidiaries the "EXOR Group" or the "Group"), was incorporated as a public limited company (*naamloze vennootschap*) under the laws of the Netherlands on 30 September 2015 and in 2016 became the holding company for the EXOR Group following the cross-border merger with EXOR S.p.A. (the "Merger").

EXOR is one of Europe's largest diversified holding companies and is controlled by Giovanni Agnelli B.V. which holds 52.99% of its share capital.

EXOR and its subsidiaries operate in the reinsurance sector, automotive industry, agricultural equipment, construction equipment and commercial vehicles and in professional football.

EXOR's principal investments are in Fiat Chrysler Automobiles N.V. and its subsidiaries ("FCA" or the "FCA Group"), CNH Industrial N.V. and its subsidiaries ("CNH Industrial" or the "CNH Industrial Group"), Ferrari N.V. and its subsidiaries ("Ferrari" or the "Ferrari Group"), PartnerRe Ltd and its subsidiaries ("PartnerRe" or the "PartnerRe Group") and Juventus Football Club S.p.A. ("Juventus").

EXOR has filed a list of subsidiaries and associated companies, prepared in accordance with Sections 379 and 414, Book 2, Dutch Civil Code, at the Dutch trade register of Amsterdam.

2. Basis of preparation and significant accounting policies

Authorization of consolidated financial statements and compliance with International Financial Reporting Standards

These consolidated financial statements, together with notes thereto, at and for the year ended 31 December 2019 (the "Consolidated Financial Statements") were authorised for issuance on 25 March 2020 and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as adopted by European Union ("EU-IFRS") and Part 9 of Book 2 of the Dutch Civil Code. The designation "IFRS" also includes International Accounting Standards ("IAS") as well as all interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of preparation

The Consolidated Financial Statements are prepared on the going concern assumption under the historical cost convention, except where the use of fair value is required for the measurement of certain financial assets and derivatives.

The Group's presentation currency is the Euro, which is also the functional currency of the Company and, unless otherwise stated, information is presented in millions of Euro.

The Group presents the income statement using a classification based on the function of expenses, rather than a presentation based on the nature of expenses, as it is more representative of the format used for internal reporting and management purposes and consistent with international practice.

The statement of financial position is presented in decreasing order of liquidity as permitted by IAS 1 paragraph 60. More specifically, the consolidated financial statements include both industrial companies and financial services companies. While a separate classification of current and non-current in the statement of financial position provides useful information for industrial business, for the entities that have diverse operations and for which financial services activities are significant, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and more relevant.

New standards and amendments effective from 1 January 2019 endorsed by the EU

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 – Leases, replacing IAS 17 – Leases. IFRS 16 requires lessees to recognize assets and liabilities under an on-balance sheet model that is similar to finance lease accounting under IAS 17. IFRS 16 is effective from 1 January 2019 (the date of adoption).

IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessees are required to recognize a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments, and to recognize depreciation of right-of-use assets separately from interest on lease liabilities in the income statement. Lessor accounting under IFRS 16 is largely unchanged from the previous accounting standard.

The cumulative effect of the changes made to the consolidated statement of financial position at 1 January 2019 for the adoption of IFRS 16 is as follows:

(€ million)	**At 31 December 2018 (as reported)**	**IFRS 16 Adoption Effect**	**At 1 January 2019 (as adjusted)**
Assets			
Intangible assets	33,768		33,768
Property, plant and equipment	34,079	1,610	35,689
Investments and other financial assets	4,869		4,869
Deferred tax assets	2,697	1	2,698
Inventories	18,652		18,652
Trade and other receivables	27,178		27,178
Investments of reinsurance companies	13,742		13,742
Other assets	7,351	(7)	7,344
Assets held for sale	4,803	261	5,064
Cash and cash equivalents	19,136		19,136
Total Assets	**166,275**	**1,865**	**168,140**
Equity and Liabilities			
Equity attributable to owners of the parent	12,210		12,210
Non-controlling interests	24,235		24,235
Total Equity	**36,445**	**0**	**36,445**
Liabilities			
Provisions for employee benefits	10,190		10,190
Other provisions	19,100		19,100
Technical reserves reinsurance companies	12,372		12,372
Deferred tax liabilities	1,290	1	1,291
Financial debt and other financial liabilities	43,576	1,615	45,191
Trade payables	25,088		25,088
Tax payables	232		232
Other liabilities	15,057	(12)	15,045
Liabilities held for sale	2,925	261	3,186
Total Liabilities	**129,830**	**1,865**	**131,695**
Total Equity and Liabilities	**166,275**	**1,865**	**168,140**

The Group adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment to the Group's opening equity balance on 1 January 2019, which was nil. The comparative period has not been restated and continues to be reported under the accounting standards in effect for periods prior to 1 January 2019.

The following practical expedients have been made upon transition to IFRS 16:

- Contracts that were previously identified as leases by applying IAS 17 and IFRIC 4 – Determining whether an Arrangement contains a Lease, have not been re-assessed under IFRS 16;
- For leases with a remaining lease term less than 12 months from the date of adoption, or leases of low-value assets, the right-of-use assets and lease liabilities have not been recognized;
- Lease liabilities were discounted by each consolidated subsidiary at their respective incremental borrowing rate as at 1 January 2019;
- In measuring the right-of-use assets at the date of adoption, the initial direct costs were excluded.

As a result of the adoption of IFRS 16, the Group will recognize deferred tax assets and liabilities arising on lease liabilities and right-of-use assets, respectively, which largely offset. The net impact to deferred tax assets on adoption as at 1 January 2019 was nil. The net deferred tax impact in future periods is expected to be immaterial.

For leases classified as finance leases under IAS 17, the carrying amounts of the right-of-use assets and lease liabilities at 1 January 2019 were determined as the carrying amounts of the lease assets and lease liabilities under IAS 17 immediately before that date.

There were no impacts arising on the application of IFRS 16 where the Group is a lessor.

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease obligations as at 31 December 2018 (excluding discontinued operations):

€ million	
Future lease obligations as at 31 December 2018[1]	**2,322**
Recognition exemption for:	
- Short term leases	(112)
- Leases of low-value assets	(36)
- Other	(36)
Gross lease liabilities at 1 January 2019	**2,138**
Effect of discounting using the incremental borrowing rate at 1 January 2019	(523)
Present value of lease liabilities at 1 January 2019	**1,615**
Present value of finance lease liabilities under IAS 17 at 31 December 2018	264
Lease liabilities as a result of the initial application of IFRS 16 as at 1 January 2019	**1,879**

(1) Includes future minimum lease payments under non-cancellable lease contracts of €1,707 million and extension and termination options reasonably certain to be exercised of €615 million.

Lease accounting policy

A lease is a contract that conveys the right to control the use of an identified asset (the leased asset) for a period of time in exchange for consideration.
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Except for real estate properties, the Group has elected not to separate non-lease components and will account for the lease and non-lease components as a single lease component.
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-to-use asset is determined based on the nature of the asset, taking into consideration the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain corresponding remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate, determined considering macro-economic factors, such as the risk free rate based on the relevant currency and term, as well as specific factors affecting each consolidated subsidiaries.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in long-term debt and short-term debt and current portion of long-term debt in the consolidated statement of financial position.

The Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases and low-value leases for all classes of leased assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If the risks and rewards are substantially transferred, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Other new standards and amendments

The following amendments and interpretations, which were effective from 1 January 2019, were adopted by the Group. The adoption of these amendments had no material effect on the Consolidated Financial Statements.

- On 7 June 2017, the IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments which clarifies application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. In September 2019, the IFRIC finalized its agenda decision regarding the presentation of liabilities or assets related to uncertain tax treatments which have been recognized through applying IFRIC Interpretation 23. The agenda decision concluded that uncertain tax liabilities should be presented as current tax liabilities, or deferred tax liabilities, and uncertain tax assets as current tax assets, or deferred tax assets. The Group applied IFRIC 23 from 1 January 2019 under the retrospective approach with no impact on equity at the date of initial application.
- In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9), allowing companies to measure particular pre-payable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.
- In October 2017, the IASB issued Long-term interests in associates and joint ventures (Amendments to IAS 28), which clarifies that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.
- In December 2017, the IASB issued Annual Improvements to IFRSs 2015-2017, a series of amendments to IFRSs in response to issues raised mainly on IFRS 3 – Business Combinations, which clarifies that a company re-measures its previously held interest in a joint operation when it obtains control of the business, on IFRS 11 – Joint Arrangements, a company does not re-measure its previously held interest in a joint operation when it obtains joint control of the business, on IAS 12, which clarifies that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises, and on IAS 23 – Borrowing Costs, which clarifies that a company treats as part of general borrowing any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

– In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS19 – Employee Benefits) which specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. IAS 19 specifies how a company accounts for a defined benefit plan. When a change to a plan (an amendment, curtailment or settlement) takes place, IAS 19 requires a company to re-measure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments are effective for plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

New standards, amendments and interpretations not yet effective and not early adopted

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") not yet endorsed by the EU that will have mandatory application in 2020 or subsequent years are listed below. Effective dates refer to those as issued by the IASB and may differ from those of the EU when the relevant standard is endorsed.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts, establishing principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 requires all insurance contracts to be accounted for in a consistent manner and insurance obligations to be accounted for using current values, instead of historical cost. The new standard requires current measurement of the future cash flows and the recognition of profit over the period that services are provided under the contract. IFRS 17 also requires entities to present insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses and requires an entity to make an accounting policy choice of whether to recognize all insurance finance income or expenses in profit or loss or to recognize some of those income or expenses in other comprehensive income. IFRS 17 is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted. The Group is analyzing the impact of the adoption of this standard that will largely depend on the announced disposal of PartnerRe.

Amendment to IFRS 3 – Business Combinations

In October 2018 the IASB issued narrow scope amendments to IFRS 3 – Business Combinations to improve the definition of a business. The amendments aim to help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the definition of a business, supplementary guidance is provided. These amendments are effective on or after 1 January 2020. The Group does not expect any material impact from the adoption of these amendments.

Amendments to IAS 1 and IAS 8 – Definition of Material

In October 2018 the IASB issued amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of 'material', as well as how materiality should be applied by including in the definition guidance that is included elsewhere in IFRS standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS standards. These amendments are effective on or after 1 January 2020. The Group does not expect any material impact from the adoption of these amendments.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), which modifies some specific hedge accounting requirements to provide relief from the potential effects of uncertainty caused by IBOR reform. In addition, the amendments require companies to provide additional information to investors about hedging relationships directly affected by these uncertainties. The amendment is effective for annual periods beginning on or after 1 January 2020, with earlier adoption permitted. The Group does not expect any material impact from the adoption of these amendments.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1), which affects the requirements in IAS 1 for the presentation of liabilities, including clarifying one of the criteria for classifying a liability as non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group is analyzing the impact of the adoption of these amendments.

Basis of consolidation

Subsidiaries
Subsidiaries are entities over which the Group has control. Control is achieved when the Group has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group considers all the facts and circumstances in determining whether it controls an entity when it owns less than the majority of the voting rights or similar rights of the entity.
The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control, as indicated in paragraph 7 of IFRS 10.

Subsidiaries are consolidated on a line-by-line basis from the date on which control is achieved by the Group until the date that control ceases.

Equity attributable to non-controlling interests and non-controlling interests in the profit (loss) of consolidated subsidiaries are presented separately from the interests of the owners of the parent in the statement of financial position and income statement respectively. Losses applicable to non-controlling interests that exceed the minority's interests in the subsidiary's equity are allocated against the non-controlling interests.

Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as an equity transaction. The carrying amounts of the equity attributable to owners of the parent and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received in the transaction is recognized directly in the equity attributable to the owners of the parent.
Subsidiaries are deconsolidated from the date that control ceases. When the Group ceases to have control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognizes the carrying amount of non-controlling interests in the former subsidiary and recognizes the fair value of any consideration received for the transaction. Any retained interest in the former subsidiary is recognized at fair value. Any gains or losses recognized in other comprehensive income in respect of the measurement of the assets of the subsidiary are accounted for as if the subsidiary had been sold (i.e. reclassified to the income statement or transferred directly to retained earnings as required by other IFRS).

Joint ventures and Associates
Joint ventures are entities in which the Group has contractually agreed sharing of control of an arrangement or where a contractual arrangement exists where two or more parties undertake an economic activity that is subject to joint control.

Associates are entities over which the Group has significant influence, as defined in IAS 28 – Investments in Associates and Joint Ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

Investments in joint ventures and associates are accounted for using the equity method from the date that joint control or significant influence commences until the date it ceases. When the Group's share of losses of a joint venture or associate exceeds the Group's interest in that joint venture or associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group discontinues the use of the equity method from the date that the investment ceases to be an associate or a joint venture, or when it is classified as available for sale.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, it recognizes its related interest in the joint operation including: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operation and (v) its expenses, including its share of any expenses incurred jointly.

Transactions eliminated in consolidation

All significant intragroup balances and transactions and any unrealized gains and losses arising from intragroup transactions are eliminated. Unrealized gains and losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Foreign currency transactions

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the statement of financial position. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded, are recognized in the income statement.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the closing exchange rates at the date of the statement of financial position. Income and expenses are translated into Euro at the average exchange rate for the year. Translation differences resulting from the application of this method are classified within Other comprehensive income/(loss) until the disposal of the subsidiary. Average exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the statement of cash flows.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

The principal exchange rates used to translate other currencies into Euro are as follows:

	2019		**2018**	
	Average	**At 31 December**	**Average**	**At 31 December**
U.S. dollar	1.119	1.123	1.181	1.145
Brazilian real	4.413	4.516	4.308	4.444
Chinese renminbi	7.735	7.821	7.808	7.875
Polish zloty	4.298	4.257	4.261	4.301
Argentinian peso	67.258	67.258	43.074	43.074
British pound	0.878	0.851	0.885	0.895
Swiss franc	1.112	1.085	1.155	1.127
Mexican peso	21.557	21.22	22.705	22.492
Canadian dollar	1.485	1.460	1.529	1.561

Date of reference

The investments are consolidated using the financial statements at 31 December, EXOR's year-end closing date, which cover a 12-month period, or accounting data prepared at the same date (whenever the closing date is different from EXOR's), adjusted, where necessary, to conform with the accounting principles of the Group.
The Economist Group, whose financial year closes on 31 March of each year, has been consolidated using the equity method on the basis of the most recent data available (30 September 2019). At 31 December 2019 there were no significant variations to The Economist Group data used for the purposes of these consolidated financial statements.

Assets Held for Sale and Discontinued Operations

Pursuant to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and the sale is highly probable, with the sale expected to be completed within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are presented separately in the consolidated statement of financial position. Non-current assets and disposal groups are not classified as held for sale within the consolidated statement of financial position for the comparative period.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and (i) represents either a separate major line of business or a geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resell and the disposal involves loss of control.

Classification as a discontinued operation occurs upon disposal or when the asset or disposal group meets the criteria to be classified as held for sale, if earlier. When the asset or disposal group is classified as a discontinued operation, the comparative information is reclassified within the consolidated income statement as if the asset or disposal group had been discontinued from the start of the earliest comparative period presented.

Business combinations

Business combinations are accounted for by applying the acquisition method of accounting in accordance with IFRS 3 – Business Combinations.
When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in the income statement under Result from investments. Changes in the equity interest in the acquiree that have been recognized in other comprehensive income in prior reporting periods are reclassified to the income statement as if the equity interest had been disposed of.

Intangible assets

Goodwill
Goodwill represents the excess of the fair value of consideration paid over the fair value of net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives consist principally of brands which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired.

Intangible assets with a finite useful life
Intangible assets with a finite useful life are recognized at purchase or production cost less amortization and cumulative impairment losses. Amortization is calculated on a systematic basis over the asset's useful life and begins when the asset is available for use.

The main intangible assets with a finite useful life are as follows:

Development costs
Development costs are recognized as an asset if both of the following conditions within IAS 38 – Intangible Assets are met: (i) that development expenditure can be measured reliably and (ii) that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development expenditures include all direct and indirect costs that may be directly attributed to the development process.
Capitalized development costs are amortized on a straight-line basis from the start of production over the expected life cycle of the product, and on average are as follows:

	Automobiles	**Trucks and buses**	**Agricultural and Construction Equipment**	**Powertrain**
Number of years	5-6	4-8	5	10-12

Research and all other development costs which do not meet the above criteria are expensed as incurred.

Players' registration rights
Players' registration rights are recognized at cost, including auxiliary expenses, and discounted to present value. They are amortized on a straight-line basis over the duration of the contracts the company has signed with the individual football players.

Other intangible assets
Other intangible assets with a finite useful life are recognized in accordance with IAS 38 – Intangible Assets when it is probable that the use of the asset will generate future economic benefits for the Group and the cost of the asset can be measured reliably. Other intangible assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives. Other intangible assets recognized subsequent to the acquisition of a company are recorded separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Cost
Property, plant and equipment is initially recognized at cost which comprises the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary to be capable of operating in the manner intended by management and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Self-constructed assets are initially recognized at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized in the income statement.

Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant or equipment or an intangible asset that is deemed to be a qualifying asset are capitalized. All other borrowing costs are expensed when incurred.

Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Buildings	Plant, machinery and equipment	Other assets
Depreciation rate	2.5% - 10%	3% - 33%	3% - 33%

Impairment of assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired. Assets with definitive useful life are tested for impairment only if impairment indicators are present. At the end of each reporting period the Group assesses whether there is any indication that its finite-lived intangible assets (including capitalized development expenditures) and its property, plant and equipment may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount, that is, the higher of fair value less costs of disposal and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In assessing the value in use of an asset, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the recoverable amount is lower than the carrying amount.

Where an impairment loss for assets, other than goodwill, subsequently no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. The reversal of an impairment loss is recognized in the income statement immediately.

Financial assets and liabilities

Financial assets primarily include trade receivables, receivables from financing activities, investments in other companies, derivative financial instruments, cash and cash equivalents, and debt securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents.
Financial liabilities primarily consist of debt, derivative financial instruments, trade payables and other liabilities. The classification of financial liabilities under IFRS 9 is unchanged compared with the previous accounting requirements under IAS 39.

Receivables from dealer financing activities are typically generated by sales of vehicles and are generally managed under dealer network financing programs. These receivables are interest-bearing with the exception of an initial, limited, non-interest-bearing period. The contractual terms governing the relationships with the dealer networks vary according to market and payment terms, which range from two to twelve months.

Classification and measurement
The classification of a financial asset is dependent on the Group's business model for managing such financial assets and their contractual cash flows. The Group considers 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 ("FVTPL").

Financial asset cash flow business model	Initial measurement[1]	Measurement category[3]
Solely to collect the contractual cash flows represented by principal and interest (Held to Collect)	Fair Value including transaction costs	Amortized Cost[2]
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 ("FVTOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	Fair value through profit and loss ("FVTPL")

(1) A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price.
(2) Receivables with maturities of over one year, which bear no interest or have an interest rate significantly lower than market rates are discounted using market rates.
(3) On initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortized cost or at FVTOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Factors considered by the Group in determining the business model for a group of financial assets include:

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations;
- how the asset's performance is evaluated and reported to key management personnel; and
- how risks are assessed and managed and how management is compensated.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its 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.

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, commercial paper and certificate of deposits that are readily convertible into cash, with original maturities of three months or less at the date of purchase. Cash and cash equivalents are subject to an insignificant risk of changes in value and consist of balances across various primary national and international money market instruments. Money market funds consist of investments in high quality, short-term, diversified financial instruments that can generally be liquidated on demand and are measured at FVTPL. Cash at banks and other cash equivalents are measured at amortized cost.

Investments in other companies are measured at fair value. Equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value, as permitted by IFRS 9. The Group may irrevocably elect to present subsequent changes in the investment's fair value in Other comprehensive income ("OCI") upon the initial recognition of an equity investment that is not held to sell. This election is made on an investment-by-investment basis. Generally, any dividends from these investments are recognized in Other income from investments within Result from investments when the Group's right to receive payment is established. Other net gains and losses are recognized in OCI and will not be reclassified to the consolidated income statement in subsequent periods. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value in OCI.

Impairment of financial assets

The IFRS 9 impairment requirements are based on a forward-looking expected credit loss ("ECL") model. ECL is a probability-weighted estimate of the present value of cash shortfalls.

These estimates were assessed on an individual basis, taking into account the aging of customers' balances, specific credit circumstances and historical experience, and on a collective basis, using loss forecast models that considered a variety of factors that include, but are not limited to, historical loss experience, collateral value, portfolio balance and delinquency.

In accordance with IFRS 9, the simplified approach, which requires expected lifetime losses, was applied to trade receivables. For receivables from financing activities the Group applied the general approach recording the credit losses either on a 12-month or lifetime basis.

The simplified approach for determining the lifetime ECL allowance is performed in two steps:

- All trade receivables that are in default, as defined below, are individually assessed for impairment; and
- A general reserve is recognized for all other trade receivables (including those not past due) based on historical loss rates.

The Group considers a financial asset to be in default when: (i) the borrower is unlikely to pay its obligations in full and without consideration of compensating guarantees or collateral (if any exist); or (ii) the financial asset is more than 90 days past due.

The Group applies the general approach as determined by IFRS 9 by assessing at each reporting date whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The Group considers receivables to have experienced a significant increase in credit risk when certain quantitative or qualitative indicators have been met or the borrower is more than 30 days past due on its contractual payments. The "three-stages" for determining and measuring the impairment based on changes in credit quality since initial recognition are summarized below:

Stage	Description	Time period for measurement of ECL
Stage 1	A financial instrument that is not credit impaired on initial recognition	12-month ECL
Stage 2	A financial instrument with a significant increase in credit risk since initial recognition	Lifetime ECL
Stage 3	A financial instrument that is credit-impaired or has defaulted	Lifetime ECL

Considering forward-looking economic information, ECL is determined by projecting the probability of default, exposure at default and loss given default for each future contractual period and for each individual exposure or collective portfolio. The discount rate used in the ECL calculation is the stated effective interest rate or an approximation thereof. Each reporting period, the assumptions underlying the ECL calculation are reviewed and updated as necessary. Since adoption, there have been no significant changes in estimation techniques or in significant assumptions that led to material changes in the ECL allowance.

The gross carrying amount of a financial asset is written-off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that a debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

Hedge accounting

Derivative financial instruments are used for economic hedging purposes, in order to reduce currency, interest rate and market price risks (primarily related to commodities and securities).

The fair value of other financial assets and liabilities, which mainly include derivative financial instruments, is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial environment.
In particular:

- the fair value of forward contracts and currency swaps is determined by taking the prevailing exchange rates and interest rates at the balance sheet date;
- the fair value of interest rate swaps and forward rate agreements is determined by taking the prevailing interest rates at the balance sheet date and using the discounted expected cash flow method;
- the fair value of combined interest rate and currency swaps is determined using the exchange rates and interest rates prevailing at the balance sheet date and the discounted expected cash flow method;
- the fair value of swaps and options hedging commodity price risk is determined by using suitable valuation techniques and taking market parameters at the balance sheet date (in particular, underlying prices, interest rates and volatility rates).

IFRS 9 aims to simplify hedge accounting and to reflect the effect of an entity's risk management activities in the financial statements, allowing more hedging instruments and hedged items to qualify for hedge accounting.

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 attributable to a particular risk that could affect the Consolidated Income Statement, the gain or loss from premeasuring the hedging instrument at fair value is recognized in the Consolidated Income Statement. 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 Consolidated Income Statement.

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 Consolidated Income Statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income/(loss). When the hedged forecasted transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in Other comprehensive income/(loss) are reclassified and included in the initial measurement of the cost of the non-financial asset. The effective portion of any gain or loss is recognized in the Consolidated Income Statement at the same time as the economic effect arising from the hedged item that affects the Consolidated Income Statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the Consolidated Income Statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains and is recognized in the Consolidated Income Statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in Other comprehensive income/(loss) is recognized in the Consolidated Income Statement immediately.

Hedges of a net investment
If a derivative financial instrument is designated as a hedging instrument for a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognized in Other comprehensive income/(loss). The cumulative gain or loss is reclassified from Other comprehensive income/(loss) to the Consolidated Income Statement upon disposal of the foreign operation.

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. The Group enters 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 perfectly with the critical terms of the hedging instrument, the Group uses 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. The Group's 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 in the Consolidated Income Statement.

Transfers of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows arising from the asset are no longer held or if it transfers substantially all the risks and rewards of ownership of the financial asset. On de-recognition of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in the Consolidated Income Statement.

The Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. Factoring transactions may be either with recourse or without recourse. Certain transfers include deferred payment clauses requiring first loss cover (for example, when the payment by the factor of a minor part of the purchase price is dependent on the total amount collected from the receivables), whereby the transferor has priority participation in the losses, or requires a significant exposure to the variability of cash flows arising from the transferred receivables to be retained. These types of transactions do not meet the requirements of IFRS 9 for the derecognition of the assets since the risks and rewards connected with ownership of the financial asset are not substantially transferred, and accordingly the Group continues to recognize these receivables within the Consolidated Statement of Financial Position and recognizes a financial liability for the same amount under Asset-backed financing, which is included within Financial Debt. These types of receivables are classified as held-to-collect, since the business model is consistent with the Group's continuing recognition of the receivables.

The fair value of financial instruments is measured in accordance with a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels. Transfers between the hierarchy levels are recognized at the beginning of the period.

Investments at fair value of Reinsurance companies

Investments at fair value of reinsurance companies represent investments held by PartnerRe and include fixed income securities, short term investments, equities, accrued interest, non-foreign exchange derivatives, other invested assets and funds held by reinsurance companies. PartnerRe classifies the majority of its reinsurance investments as financial assets at fair value through profit or loss (FVTPL). Upon initial recognition these investments are designated as FVTPL because they are managed and their performance is evaluated on a fair value basis. Derivative assets and liabilities are classified as held for trading.

Certain investments are classified as available-for-sale financial assets and are measured at fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date). Gains and losses on available-for-sale financial assets are recognized directly in other comprehensive income until the financial asset is disposed of or impaired; when the asset is disposed of, the cumulative gains or losses, including those previously recognized in other comprehensive income, are reclassified to the income statement for the period in financial income and expenses; when the asset is impaired, accumulated losses are recognized in the income statement. Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, any impairment loss is included in the income statement for the period. Certain other funds held by reinsurance companies are classified as loans and receivables and are measured at amortized cost.

Gains and losses arising from the changes in the fair value of reinsurance investments classified as FVTPL or held for trading are included in the income statement in the period in which they arise. Net investment income for the reinsurance investments includes interest and dividend income, amortization of premiums and discounts on fixed maturities and short-term investments and investment income on funds held by reinsurance companies, and is net of investment expenses and withholding taxes. Investment income is recognized when earned. Realized gains and losses on the disposal of investments are determined on a first-in, first-out basis. Investment purchases and sales are recorded on a trade-date basis.

Inventories

Inventories of raw materials, semi-finished products and finished goods (including assets sold with a buy-back commitment) are stated at the lower of cost and net realizable value, cost being determined on a first-in-first-out (FIFO) basis. The measurement of inventories includes the direct costs of materials, labor and indirect costs (variable and fixed). A provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

The measurement of production systems construction contracts is based on the stage of completion determined as the proportion of cost incurred at the balance sheet date to the estimated total contract cost. These items are presented net of progress billings received from customers. Any losses on such contracts are fully recorded in the income statement when they are known.

Employee benefits

Defined contribution plans
Costs arising from defined contribution plans are expensed as incurred.

Defined benefit plans
The Group's net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned in the current and prior periods, and deducting the fair value of any plan assets. The present value of the defined benefit obligation is measured using actuarial techniques and actuarial assumptions that are unbiased and mutually compatible and attribute benefits to periods in which the obligation to provide post-employment benefits arise by using the Projected Unit Credit Method. Plan assets are recognized and measured at fair value.

When the net obligation is a potential asset, the recognized amount is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan (asset ceiling).

The components of the defined benefit cost are recognized as follows:

- the service costs are recognized in the income statement by function and presented in the relevant line items (cost of sales, selling, general and administrative costs, research and development costs, etc.);
- the net interest on the defined benefit liability or asset is recognized in the income statement as financial income (expenses), and is determined by multiplying the net liability (asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year;
- the remeasurement components of the net obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest income recognized in the income statement) and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income. These remeasurement components are not reclassified in the income statement in a subsequent period.

Past service costs arising from plan amendments and curtailments are recognized immediately in the income statement.

Other long-term employee benefits
The Group's obligations represent the present value of future benefits that employees have earned in return for their service during the current and prior periods. Remeasurement components on other long-term employee benefits are recognized in the income statement in the period in which they arise.

Termination benefits
Termination benefits are expensed at the earlier of i) when the Group can no longer withdraw the offer of those benefits and ii) when the Group recognizes costs for a restructuring.

Post-employment plans other than pensions
The Group provides certain post-employment defined benefits, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Share-based compensation
Share-based compensation plans that are be settled by the delivery of shares are measured at fair value at the grant date. This fair value is expensed over the vesting period of the plan with a corresponding increase in equity.

Share-based compensation plans that are be settled in cash or by the delivery of other financial assets are recognized as a liability and measured at fair value at the end of each reporting period and when settled. Any subsequent changes in fair value are recognized in the income statement.

Provisions

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Changes in estimates of provisions are reflected in the income statement in the period in which the change occurs.

Technical reinsurance reserves

Non-life and health technical reinsurance reserves include amounts determined from loss reports on individual treaties (case reserves), additional case reserves when PartnerRe's loss estimate is higher than reported by the cedants (ACRs) and amounts for losses incurred but not yet reported to PartnerRe (IBNR). Such reserves are estimated by Management based upon reports received from ceding companies, supplemented by PartnerRe's own actuarial estimates of reserves for which ceding company reports have not been received, and based on PartnerRe's own historical experience. To the extent that PartnerRe's own historical experience is inadequate for estimating reserves, such estimates may be determined based upon industry experience and Management's judgment. The estimates are continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided. Any adjustments are reflected in the periods in which they are determined, which may affect PartnerRe's operating results in future periods.

Technical reinsurance reserves for life policies have been established based upon information reported by ceding companies, supplemented by PartnerRe's actuarial estimates of mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty.

PartnerRe purchases retrocessional contracts to reduce its exposure to risk of losses on reinsurance assumed. Reinsurance recoverable on paid and unpaid losses involves actuarial estimates consistent with those used to establish the associated technical reinsurance reserves.

Reinsurance Acquisition Costs

Reinsurance acquisition costs for non-life and health contracts comprised of incremental brokerage fees, commissions and excise taxes which vary directly with, and are related to, the acquisition of reinsurance contracts, are capitalized and charged to expense as the related premium is earned. All other acquisition related costs, including all indirect costs, are expensed as incurred.

Acquisition costs related to life contracts are deferred and amortized over the premium-paying periods in proportion to anticipated premium income, allowing for lapses, terminations and anticipated investment income.
Actual and anticipated losses and loss expenses, other costs and investment income related to underlying premiums are considered in determining the recoverability of deferred acquisition costs related to PartnerRe's Non-life business. Actual and anticipated loss experience, together with the present value of future gross premiums, the present value of future benefits, settlement and maintenance costs are considered in determining the recoverability of deferred acquisition costs related to PartnerRe's Life business.

Treasury stock

The cost of any treasury stock purchased and/or held, also through subsidiaries, as a result of specific shareholder resolutions, is recognized as a deduction from equity. The proceeds from any subsequent sale are recognized in equity.

Revenue recognition

Revenue is recognized when control of the vehicles, equipment, services or parts has been transferred and the Group's performance obligations to its customers have been satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The timing of when the Group transfers the goods or services to the customer may differ from the timing of the customer's payment. The Group recognizes a contract liability when it invoices an amount to a customer prior to the transfer of the goods or services provided. When the Group gives its customers the right to return eligible goods, the Group estimates the expected returns based on an analysis of historical experiences. Sales, value added and other taxes that the Group collects on behalf of others concurrently with revenue generating activities are excluded from revenue and are recognized within the Other liabilities and the Tax payables line items in the Consolidated Statement of Financial Position. Incidental items that are immaterial in the context of the contract are recognized as an expense.

The Group also enters into contracts with multiple performance obligations. For these contracts, the Group allocates revenue from the transaction price to the distinct goods and services in the contract on a relative standalone selling price basis. To the extent that the Group sells the good or service separately in the same market, the standalone selling price is the observable price at which the Group sells the good or service separately. For all other goods or services, the Group estimates the standalone selling price using a cost-plus-margin approach.

Sales of goods

The Group has determined that the customers from the sale of vehicles, equipment and service parts are generally dealers, distributors and retail or fleet customers. Transfer of control, and therefore revenue recognition, generally corresponds to the date when the vehicles or service parts are made available to the customer, or when the vehicles or service parts are released to the carrier responsible for transporting them to the customer. This is also the point at which invoices are issued, with payment for vehicles typically due immediately and payment for service parts typically due in the following month. For component part sales, revenue recognition is consistent with that of service parts. The Group also sells tooling, with control transferring at the point in time when the customer accepts the tooling.

The cost of incentives, if any, is estimated at the inception of a contract at the expected amount that will ultimately be paid and is recognized as a reduction to revenue at the time of the sale. If a vehicle or equipment contract transaction has multiple performance obligations, the cost of incentives is allocated entirely to the vehicle or equipment as the intent of the incentives is to encourage sales of vehicles or equipment. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognized as an adjustment to revenue in the period of the change.

New vehicle sales through the Guaranteed Depreciation Program ("GDP") are recognized as revenue when control of the vehicle transfers to the fleet customer, except in situations where the Group issues a put for which there is a significant economic incentive to exercise. Upon recognition of the vehicle revenue, the Group establishes a liability equal to the estimated amount of any residual value guarantee.
With reference to the sales to dealers accompanied by "floor plan" agreements under which the Group offers wholesale financing including "interest-free" financing for a specified period of time (which also varies by geographic market and product line), two separate performance obligations exist. The first performance obligation consists of the sale of the equipment/vehicle to the dealer. This represents a cash sale incentive recognized as a reduction of net sales.

The second performance obligation consists of a credit facility extended to the dealer. The remuneration of this performance obligation is represented by the interest charged to the dealer. This remuneration is recognized over the period of the outstanding exposure.

For parts sales, when the Group provides its customers with a right to return a transferred product, revenue and corresponding cost of sales are recognized for parts that are not expected to be returned. The expected returns are estimated based on an analysis of historical experience. The portion of revenue (and corresponding cost of sales) related to the parts that are expected to be returned is recognized at the end of the return period. The amount received or receivable that is expected to be returned is recognized as a refund liability, representing the obligation to return the customer's consideration. Furthermore, at the time of the initial sale, the Group recognizes a return asset for the right to recover the goods returned by the customer. This asset is initially measured at the former carrying amount of the inventory. At each reporting date, both the refund liability and the return asset are re-measured to record for any revisions to the expected level of returns, as well as any decreases in the value of the returned products.

The Group also sells vehicles to fleet customers where, in addition to guaranteeing the residual value, the contract includes a put option whereby the customer can require the Group to repurchase the vehicles. For these types of arrangements, the Group assesses whether a significant economic incentive exists for the customer to exercise its put option. If the Group determines that a significant economic incentive does not exist for the customer to exercise its put option, then revenue is recognized when control of the vehicle transfers to the fleet customer and a liability is recognized equal to the estimated amount of the residual value guarantee. If the Group determines that a significant economic incentive exists, then the arrangement is accounted for similarly to a repurchase obligation, as described in *Lease installments from assets sold with buy-back commitments* below.

Sales of industrial automation systems

Revenue from the sale of industrial automation systems, is recognized over the contract period in proportion to the costs expected to be incurred based on the Group's historical experience. A loss is recognized if the sum of the expected costs for services under the contract exceeds the transaction price.

Services provided

When control of a good transfers to the customer prior to the completion of shipping activities for which the Group is responsible, this represents a separate performance obligation for which the shipping revenue is recognized when the shipping service is completed. Revenues from services provided are primarily comprised of maintenance plans, extended warranties and repair services and are recognized over the contract period in proportion to the costs expected to be incurred based on the Group's historical experience. These services are either included in the selling price of the vehicle or separately priced. Revenue for services is allocated based on the estimated standalone selling price. Costs associated with the sale of contracts are deferred and are subsequently amortized to expense consistently with how the related revenue is recognized.

Lease installments from assets sold with buy-back commitments

Vehicle sales to fleet customers can include a repurchase obligation, whereby the Group is required to repurchase the vehicles at a given point in time. The Group accounts for such sales as an operating lease. Upon the transfer of vehicles to the fleet customer, the Group records a liability equal to the proceeds received within Other liabilities in the Consolidated Statement of Financial Position. The difference between the proceeds received and the guaranteed repurchase amount is recognized as revenue over the contractual term on a straight-line basis. The cost of the vehicle is recorded within assets sold with a buy-back commitment (Inventories) in the Consolidated Statement of Financial Position and the difference between the cost of the vehicle and the estimated residual value is recognized within Cost of revenues in the Consolidated Income Statement over the contractual term.

Interest income of financial services activities

Interest income, which is primarily generated from the Group's provision of dealer and retail financing, is recognized using the effective interest method.

Reinsurance Premiums

Non-life and health net premiums written and earned are based upon reports received from ceding companies, supplemented by PartnerRe's own estimates of premiums for which ceding company reports have not been received. The determination of premium estimates requires a review of PartnerRe's experience with cedants, familiarity with each market, an understanding of the characteristics of each line of business and Management's assessment of the impact of various other factors on the volume of business written and ceded to PartnerRe.

Premium estimates are updated as new information is received from cedants and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined. Net premiums written and earned are presented net of ceded premiums, which represent the cost of retrocessional protection purchased by PartnerRe.

Premiums are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which is generally one to two years. For U.S. and European wind and certain other risks, premiums are earned commensurate with the seasonality of the underlying exposure. Reinstatement premiums are recognized as written and earned at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on Management's estimate of losses and loss expenses associated with the loss event. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force.

Premiums related to life business are earned over the premium-paying period on the underlying policies.

Cost of revenues

Cost of revenues comprises expenses incurred in the manufacturing and distribution of the Group's products, expenses directly attributable to the financial services, sports activities and reinsurance acquisition costs as follows:

Manufacturing and Distribution - all directly attributable material and production costs, all overheads directly related to production and/or the performance of services, depreciation of property, plant and equipment and the amortization of intangible assets relating to production and write-downs of inventories, freight and insurance costs relating to deliveries to dealers and agency fees in the case of direct sales and provisions made to cover the estimated cost of product warranties.

Financial services - interest expenses related to financial services financing as a whole and provisions for risks and write-downs of assets.

Sports activities - includes costs for players' wages and technical staff, amortization and impairment losses on players' registration rights, operating and maintenance costs of sports facilities as well as all the costs incurred for sports events.

Reinsurance acquisition costs for non-life and health contracts comprised of incremental brokerage fees, commissions and excise taxes which vary directly with, and are related to, the acquisition of reinsurance contracts which are capitalized and charged to expense as the related premium is earned. All other acquisition related costs, including all indirect costs, are expensed as incurred. Acquisition costs related to life contracts are deferred and amortized over the premium-paying periods in proportion to anticipated premium income, allowing for lapses, terminations and anticipated investment income. Actual and anticipated losses and loss expenses, other costs and investment income related to underlying premiums are considered in determining the recoverability of deferred acquisition costs related to PartnerRe's Non-life business. Actual and anticipated loss experience, together with the present value of future gross premiums, the present value of future benefits, settlement and maintenance costs are considered in determining the recoverability of deferred acquisition costs related to PartnerRe's Life business.

Government grants

Government grants are recognized when there is reasonable assurance of the Group's compliance with the conditions for receiving such grants and that the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

The benefit of a government loan at a below-market rate of interest is treated for accounting purposes as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying amount of the loan (fair value plus transaction costs) and the proceeds received, and it is accounted for in accordance with the policies used for the recognition of government grants.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group. Income taxes are provided by each consolidated company on the basis of a reasonable estimate of the definition of taxable income for tax purposes, in accordance with existing laws in the individual countries in which the Group operates and takes into account tax credit entitlement.

Current and deferred taxes are recognized as income or expense and included in the income statement for the period, except tax arising from a business combination or a transaction or event which is recognized, in the same or a different period, either in other comprehensive income or directly in equity.

Deferred taxes are accounted for under the full liability method.

Deferred tax liabilities are recognized for all taxable temporary differences between the carrying amounts of assets or liabilities and their tax base, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit, or for differences related to investments in subsidiaries where reversal will not take place in the foreseeable future.

Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to the period when the asset is realized or liability is settled.

Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized.

The Group recognizes deferred tax assets associated with the deductible temporary differences on investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The Group recognizes deferred tax liabilities associated with the existence of a subsidiary's undistributed profits, except when it is able to control the timing of the reversal of the temporary difference and it is probable that this temporary difference will not reverse in the foreseeable future.

The Group reassesses unrecognized deferred tax assets at the end of each year and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income taxes and deferred taxes are offset when they relate to the same taxation authority and there is a legally enforceable right of offset.

Other taxes not based on income, such as property taxes and capital taxes, are included in other income (expenses).

Dividends

Dividends payable by the Group are reported as a movement in equity in the year in which they are approved by the shareholders' meeting.

Earnings per share

Basic earnings per share are calculated by dividing the profit (loss) attributable to owners of the parent entity by the weighted average number of shares outstanding during the year. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all shares having a potential dilutive effect.

Use of estimates

The Consolidated Financial Statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosures relating to contingent assets and liabilities and the amounts of income and expense reported for the period. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience of the Group and on any other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed periodically and if the items subject to estimates do not perform as assumed then the actual results could differ from the estimates, which would require adjustment accordingly.

The effects of any changes in estimate are recognized in the income statement in the period in which the adjustment is made, or also in future periods if the revision affects both current and future periods.

The following are the critical measurement processes and key assumptions and estimates which may have significant effects on the amounts recognized in the consolidated financial statements or for which there is a risk that a significant difference may arise in respect to the carrying amounts of assets and liabilities in the future.

Recoverability of Goodwill and Intangible assets with indefinite useful lives
In accordance with IAS 36 – *Impairment of Assets*, goodwill and intangible assets with indefinite lives are not amortized and are tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired.

Goodwill and intangible assets with indefinite useful lives are allocated to operating segments or cash generating units ("CGUs") within the operating segments. The impairment test is performed by comparing the carrying amount and the recoverable amount of each CGU to which goodwill has been allocated. The assumptions used in the impairment test represent management's best estimate for the period under consideration including in relation to expected cash flows, growth rates, discount rates and future developments in the market where the Group operates. There were no impairment tests resulting from the impairment tests for the years ended 31 December 2019 or 2018.

Recoverability of non-current assets with definite useful lives
Non-current assets with definite useful lives include property, plant and equipment, intangible assets and assets held for sale. Intangible assets with definite useful lives mainly consist of capitalized development expenditures of the FCA Group, CNH Industrial Group and Ferrari Group. The Group periodically reviews the carrying amount of non-current assets with definite useful lives when events or circumstances indicate that an asset may be impaired. The recoverability of non-current assets with definite useful lives is based on the estimated future cash flows, using the Group's current business plan, of the cash generating units to which the assets relate.
The estimation of future cash flows is based on assumptions which are inherently uncertain in nature and therefore require management judgement. The global automotive industry is experiencing significant change as a result of evolving regulatory requirements for fuel efficiency, greenhouse gas emissions and other tailpipe emissions and emerging technology changes, such as electrification and autonomous driving.

The business plans of the Group's subsidiaries could change in response to these evolving requirements and emerging technologies or in relation to any future business plans or strategies developed as part of partnership and collaborations, which may result in changes to estimated future cash flows and could affect the recoverability of non-current assets with definite useful lives. Any change in recoverability would be accounted for at the time such change to the business plan occurs.
For example, FCA's product development strategies may be affected by regulatory changes as well as changes in the expected costs of implementing electrification, including the cost of batteries. As relevant circumstances change, FCA expect to adjust their product plans which may result in changes to the expected use of certain of the FCA Group's vehicle platforms. In addition, recoverability of certain vehicle platforms, particularly in EMEA, depends on the development and launch of additional vehicles with forecasted volumes and margins largely in line with the Group's business plan. These uncertainties could result in either impairments of, or reductions to the expected useful lives of, these platforms, or both.

For the years ended 31 December 2019 and 2018, the impairment tests performed compared the carrying amount of the assets included in the respective CGUs to their value in use. The value in use of the CGUs was determined using a discounted cash flow methodology based primarily on unobservable inputs, including estimated pre-tax future cash flows attributable to the CGUs and a pre-tax discount rate reflecting a current market assessment of the time value of money and the risks specific to the CGU.

During the year ended 31 December 2019 impairment losses to intangible assets totaling €984 million and impairment losses to property, plant and equipment totaling €726 million were recognized. The most significant components of these impairment losses were in the FCA Group for a total of €1,586 million, of which €1,376 million was recognized in relation to the rationalization of product plans, primarly for Europe A-segment as well as for Alfa Romeo.

During the year ended 31 December 2018 impairment losses to intangible assets totaling €156 million and impairment losses to property, plant and equipment totaling €208 million were recognized. The most significant components of these impairment losses were in the FCA Group for a total of €297 million, mainly in EMEA, and primarily resulted from changes in product plans in connection with their 2018-2022 business plans.

Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. The recoverability of deferred tax assets depends on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse and tax losses carried forward can be utilized. In making this assessment the Group considers future taxable income based on the most recent budgets and plans prepared using the same criteria as those for the impairment of assets and goodwill. These estimates and assumptions are subject to a high degree of uncertainty, in particular with regard to the future performance in the Eurozone. Therefore, changes in current estimates due to unanticipated events could have a significant impact on the Group's consolidated financial statements.

Litigation

The Group's subsidiaries are subject to various proceedings, claims and governmental investigations on a wide range of topics. Some of these proceedings allege defects in specific products or general design defects. Such proceedings seek recovery for damage to property, personal injuries or wrongful death and in some cases include a claim for exemplary or punitive damages. Adverse decisions could require the relevant subsidiary to pay substantial damages or undertake service actions, recall campaigns or other costly actions.

Litigation is subject to many uncertainties and the outcome of the individual matters is not predictable. An accrual is recorded if it is probable that there will be an outflow of funds and when the amount can be reasonably estimated. Since such accruals represent estimates, the final resolution could require the Group to make payments in excess of the amounts accrued or in an amount or range that could not previously be estimated. The subsidiaries of the Group monitor the status of pending legal proceedings and consult with experts on legal and tax matters on a regular basis.

Share-based compensation
The Group accounts for its equity incentive plans in accordance with IFRS 2 – Share-based Payment, which requires the recognition of share-based compensation expense based on the fair value of the awards granted. Share-based compensation for equity-settled awards containing market performance conditions is measured at the grant date of the awards using the Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of the common stock, the dividend yield, interest rates and the correlation coefficient between the common stock and the relevant market index.

As a result, at the grant date management is required to make key assumptions and estimates regarding conditions that will occur in the future, which inherently involves uncertainty. Therefore, the amount of share-based compensation recognized has been affected by the significant assumptions and estimates used.

Technical Insurance Reserves and Net Insurance Premiums
Technical reinsurance reserves require estimates involving actuarial and statistical projections at a given time to reflect PartnerRe management's expectations of the costs of the ultimate settlement and administration of claims. Estimates of ultimate liabilities are contingent on many future events and the eventual outcome of these events may be different from the assumptions underlying the reserve estimates. In the event that the business environment and social trends diverge from historical trends, PartnerRe may have to adjust its loss reserves to amounts falling significantly outside its current estimate. The estimates are regularly reviewed and the ultimate liability may be in excess of, or less than, the amounts provided, for which any adjustments will be reflected in the period in which the need for an adjustment is determined. For reserves relating to the life reinsurance business, PartnerRe makes a number of critical accounting estimates regarding mortality, longevity, morbidity, lapses, surrenders and future investment income and expenses.

Net reinsurance premiums written and earned and acquisition costs involve significant estimation as in most cases cedants seek protection for business that they have not yet written at the time they enter into reinsurance agreements and have to estimate the volume of premiums they will cede to PartnerRe. Reporting delays are inherent in the reinsurance industry and vary in length by reinsurance market (country of cedant) and type of treaty. As reporting delays can vary from a few weeks to a year or sometimes longer, PartnerRe produces accounting estimates to report premiums and acquisition costs until it receives the cedants' actual results. Estimates for premiums and acquisition costs are updated continuously as new information is received from cedants. The recovery of deferred policy acquisition costs is dependent upon the future profitability of the related business. Deferred policy acquisition costs recoverability testing is performed periodically together with the reserve adequacy test, based on the latest best estimate assumptions by line of business.

Employee Benefits
The Group provides post-employment benefits for certain of its active employees and retirees, which vary according to legal, fiscal and economic conditions of each country in which the Group operates and may change periodically. The plans are classified by the Group on the basis of the type of benefit provided as follows: pension benefits, healthcare and life insurance plans and other post-employment benefits.

Group companies provide certain post-employment benefits, such as pension or healthcare benefits, to their employees under defined contribution plans, whereby the Group pays contributions to public or private plans on a legal mandatory, contractual or voluntary basis. The group recognizes the cost for defined contribution plans as incurred and classifies them by function in the Consolidated Income Statement.

Pension plans – The Group sponsors both non-contributory and contributory defined benefit pension plans, primarily in the U.S. and Canada, the majority of which are funded. The Group's defined benefit plans are accounted for on an actuarial basis, which requires the use of estimates and assumptions to determine the net liability or net asset. The Group estimates the present value of the projected future payments to all participants by taking into consideration parameters of a financial nature such as discount rates, the rate of salary increases and the likelihood of potential future events estimated by using demographic assumptions, which may have an effect on the amount and timing of future payments, such as mortality, dismissal and retirement rates, which are developed to reflect actual and projected plan experience.
The expected amount and timing of contributions is based on an assessment of minimum funding requirements. From time to time, contributions are made beyond those that are legally required.

Plan obligations are based on existing retirement plan provisions. Assumptions regarding any potential future changes to benefit provisions beyond those to which the Group is presently committed are not made.
Significant differences in actual experience or significant changes in the discount rate may affect the pension obligations and pension expense. For details of discount rates and other assumptions used, see Note 24 "Provisions for employee benefits". The effects of actual results differing from assumptions and of amended assumptions are included in Other comprehensive income/(loss).

Other post-employment benefits – The Group provides certain post-employment defined benefits, mainly healthcare plans. The method of accounting is similar to those used for defined benefit pension plans.

Warranties and Recall Campaigns
The Group establishes reserves for product warranties at the time the related sale is recognized. The Group issues various types of product warranties under which the performance of products delivered is generally guaranteed for a certain period or term.

The reserve for product warranties includes the expected costs of warranty obligations imposed by law or contract, as well as the expected costs for policy coverage, recall actions and buyback commitments. The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, as well as historical claims experience for the Group's vehicles. In addition, the number and magnitude of additional service actions expected to be approved and policies related to additional service actions are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in assumptions used could materially affect the results of operations.

In addition, the Group makes provisions for estimated product liability costs arising from property damage and personal injuries including wrongful death, and potential exemplary or punitive damages alleged to be the result of product defects. By nature, these costs can be infrequent, difficult to predict and have the potential to vary significantly in amount. The valuation of the reserve is actuarially determined on an annual basis, based on, among other factors, the number of vehicles sold and product liability claims incurred. Costs associated with these provisions are recorded in the Consolidated Income Statement and any subsequent adjustments are recorded in the period in which the adjustment is determined.

3. Scope of consolidation

The consolidated financial statements include the companies over which EXOR exercises control, and from which, directly or indirectly, EXOR is able to derive benefit by virtue of its power to govern their corporate financial and operating policies. The companies/groups included in the scope of consolidation at 31 December 2019 are the following:

Company/Group	Country	Ownership	
		Group	Non-controlling interest
Operating subsidiaries / Segment entities			
FCA	The Netherlands	28.67%	71.33%
CNH Industrial	The Netherlands	27.18%	72.82%
Ferrari	The Netherlands	23.98%	76.02%
PartnerRe	Bermuda	100%	-
Juventus	Italy	63.77%	36.23%
Other EXOR entities			
Exor Nederland N.V.	The Netherlands	100%	-
Exor S.A.	Luxembourg	100%	-
Exor Investments Limited	United Kingdom	100%	-
Exor Investments (UK) LLP	United Kingdom	99.67%	0.33%
Exor SN LLC	USA	100%	-
Exor Seeds	USA	73.11%	26.89%
Ancom USA Inc.	USA	100%	-

At 31 December 2019 the EXOR Group includes more than 450 subsidiaries consolidated line-by-line by the FCA, CNH Industrial, Ferrari and PartnerRe Groups.

Changes in the Scope of Consolidation

Magneti Marelli discontinued operations and disposal

On 22 October 2018, FCA announced that it had entered into a definitive agreement to sell its Magneti Marelli business to CK Holdings Co., Ltd. On 2 May 2019, FCA completed the sale of Magneti Marelli for consideration of €5,772 million (including €5,774 million cash consideration, contingent consideration receivable with a fair value of €70 million, contingent consideration payable by FCA of €16 million, costs relating to the transaction of €16 million and a preliminary purchase price adjustment of approximately €40 million) subject to customary final confirmation of purchase price adjustments by the buyer.

The following table shows the calculation of the gain on the Magneti Marelli sale transaction:

	At 2 May 2019
	(€ million)
Intangible assets	788
Property, plant and equipment	2,146
Financial receivables	10
Cash and cash equivalents	426
Other assets	2,055
Debt	(782)
Trade and other payables	(1,942)
Other liabilities	(791)
Net assets sold	**1,910**
Consideration	5,772
Reclassification of amounts in OCI relating to Magneti Marelli[(1)]	(91)
Gain on sale attributable to FCA	**3,771**

(1) Excluding amounts related to remeasurement of defined benefit plans.

The presentation of the Magneti Marelli business is as follows:

- The operating results of Magneti Marelli have been excluded from the Group's continuing operations and are presented net of taxes as a single line item within the Consolidated Income Statement up to the completion of the sale transaction on 2 May 2019 and for the year ended 31 December 2018. In order to present the financial effects of a discontinued operation, revenues and expenses arising from intercompany transactions were eliminated except for those revenues and expenses that are considered to continue after the disposal of the discontinued operation. However, no profit or loss is recognized for intercompany transactions within the Consolidated Income Statement;

- The assets and liabilities of Magneti Marelli have been classified as Assets held for sale and Liabilities held for sale within the Consolidated Statement of Financial Position at 31 December 2018;

- Cash flows arising from Magneti Marelli up to the completion of the sale transaction on 2 May 2019, have been presented separately as discontinued cash flows from operating, investing and financing activities within the Consolidated Statements of Cash Flows for the years ended 31 December 2019 and 2018. These cash flows represent those arising from transactions with third parties.

- In accordance with the IFRS 5, depreciation and amortization on the assets of Magneti Marelli ceased as at 30 September 2018. The impact of ceasing depreciation of the property, plant and equipment and amortization of the intangible assets of Magneti Marelli was €134 million for the period up to the completion of the sale transaction on 2 May 2019 (€96 million for the year ended 31 December 2018), net of tax of €27 million (€20 million for the year ended 31 December 2018).

- The operating results from discontinued operations includes €5 million of interest on lease liabilities for the year ended 31 December 2019.
- Total expenses recognized in the operating results from discontinued operations relating to short-term leases and low-value assets leases amounted to €6 million and €2 million, respectively, for the period up to the completion of the sale transaction on 2 May 2019.

The following table represents the assets and liabilities of the Magneti Marelli business which were classified as held for sale at 31 December 2018:

(€ million)	**At 31 December 2018[1]**
Assets classified as held for sale	
Intangible assets	717
Property, plant and equipment	1,793
Deferred tax assets	127
Inventories	766
Trade and other receivables	545
Cash and cash equivalents	719
Other assets	129
Total Assets held for sale[2]	**4,796**
Liabilities classified as held for sale	
Debt	177
Employee benefits liabilities	300
Provisions	210
Deferred tax liabilities	99
Trade and other payables	1,788
Other liabilities	357
Total Liabilities held for sale	**2,931**

(1) Amounts presented are not representative of the consolidated financial statements of Magneti Marelli on a stand-alone basis; amounts are net of transactions between Magneti Marelli and other companies of the Group.
(2) At 31 December 2018, assets held for sale in the statement of financial position also includes €7 million relating to the Magneti Marelli and CNH Industrial business.

The following table summarizes the operating results of Magneti Marelli that were excluded from the consolidated income statements for the years ended 31 December 2019 and 2018:

	Years ended 31 December[1]	
(€ million)	**2019**	**2018**
Net revenues	1,657	4,998
Expenses	1,447	(4,493)
Net financial expenses/(income)	5	(85)
Profit before taxes from discontinued operations	**205**	**420**
Tax expense	(44)	(118)
Profit after tax from discontinued operations	**161**	**302**
Add: Gain on sale attributable to FCA	3,771	-
Less: Tax expense on gain on sale	(2)	-
Profit from discontinued operations, net of tax	**3,930**	**302**

(1) Amounts presented are not representative of the consolidated financial statements of Magneti Marelli on a stand-alone basis; amounts are net of transactions between Magneti Marelli and other companies of the Group.

Plastic Components and Automotive Modules Business Held for Sale

During the year ended 31 December 2019, certain entities within FCA plastic components and automotive modules business met the criteria to be presented as held for sale. On 31 January 2020, FCA entered into agreements for the sale of several of the groups of assets within plastic components and automotive modules businesses for a total sale price of approximately €47.5 million.

Teksid Cast Iron Components Business Held for Sale

During December 2019, FCA announced that it had entered into an agreement with Tupy S.A. for the sale of FCA's global cast iron automotive components business, which is operated through FCA's subsidiary Teksid S.p.A.
The proposed sale includes Teksid's cast iron production facilities in Brazil, Mexico, Poland and Portugal, in addition to Teksid's interest in a joint venture in China and as a result the related assets of €325 million and liabilities of €212 million met the criteria to be presented as held for sale. The agreement values the business at €210 million enterprise value. Consideration, subject to customary purchase price adjustments, will be paid at closing expected in the second half of 2020. The proposed transaction is subject to customary closing conditions, including the receipt of antitrust approvals.
Teksid's aluminum business is not included in the transaction and will remain part of the Group.

4. Segment reporting

Reportable segments reflect the operating segments of the Group that are regularly reviewed by the Chief Executive Officer, who is the "chief operating decision maker", as defined under IFRS 8 – Operating Segments, for making strategic decisions and allocating resources and assessing performance, and that exceed the quantitative threshold provided in IFRS 8, or whose information is considered useful for the users of the financial statements.

The EXOR Group reportable segments coincide with the consolidated data of its principal investments, each of which represents an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe, and Juventus. The column "Minor, eliminations and adjustments" includes unallocated income and expenses, share of profit in equity investments of EXOR N.V., expenses related to corporate activities and finance income and expense of EXOR N.V. and other EXOR entities which are not included within the reportable segments as well as assets and liabilities of the Holdings System entities.

The following tables summarise selected financial information by reporting segment for the years ended 31 December 2019 and 2018. Data presented are prepared by each subsidiary for the EXOR consolidation process and may differ from data published by each subsidiary in its financial report.

(€ million)	FCA	CNH Industrial	Ferrari	PartnerRe	Juventus	Minor, eliminations and adjustments	Consolidated
2019							
Segment revenues	108,187	25,033	3,766	7,034	614	(879)	143,755
Revenues from transactions with other operating segments	(361)	(343)	(144)	-	(34)	882	-
Revenues from external customers	107,826	24,690	3,622	7,034	580	3	**143,755**
Profit (loss) for the year	6,630	809	699	831	(98)	44	**8,915**
Of which discontinued operations	*3,930*	-	-	-	-	-	***3,930***
Profit (loss) attributable to owners of the parent (EXOR share)	1,898	212	167	798	(62)	40	**3,053**
Total assets	98,677	43,780	5,446	22,980	1,129	599	**172,611**
Gross debt	13,219	22,729	2,105	1,476	464	3,506	**43,499**
Cash and cash equivalents	15,014	5,140	898	1,321	137	425	**22,935**
Total equity	28,675	6,999	1,487	7,142	276	(2,020)	**42,559**
Issued capital and reserves attributable to owners of the parent (EXOR share)	8,173	1,852	378	6,477	176	(2,031)	**15,025**

(€ million)	FCA	CNH Industrial	Ferrari	PartnerRe	Juventus	Minor, eliminations and adjustments	Consolidated
2018							
Segment revenues	110,412	25,179	3,420	4,694	544	(955)	143,294
Revenues from transactions with other operating segments	(379)	(338)	(222)	-	(22)	961	-
Revenues from external customers	110,033	24,841	3,198	4,694	522	6	143,294
Profit (loss) for the year	3,632	1,185	787	(75)	(55)	(58)	5,416
Of which discontinued operations	*302*	-	-	-	-	-	*302*
Profit (loss) attributable to owners of the parent (EXOR share)	1,046	314	186	(105)	(35)	(59)	1,347
Total assets	97,692	42,489	4,852	20,556	925	(239)	166,275
Gross debt	14,735	21,529	1,939	1,328	424	3,621	43,576
Cash and cash equivalents	12,450	5,068	794	766	36	22	19,136
Total equity	24,903	6,525	1,354	6,355	80	(2,772)	36,445
Issued capital and reserves attributable to owners of the parent (EXOR share)	7,154	1,722	342	5,719	51	(2,778)	12,210

Gross debt is defined as financial debt and other financial liabilities.

Information by geographical area

The following tables present an analysis of the net revenues of the Group by country, irrespective of the origin of the goods and services for the years ended 31 December 2019 and 2018:

	Years ended 31 December	
(€ million)	**2019**	**2018**
North America	83,014	81,187
Italy	10,488	11,987
Brazil	9,293	8,241
France	5,931	5,881
Germany	4,585	4,863
China	2,840	3,040
Other countries	27,603	28,095
Total net revenues	**143,755**	**143,294**

Other countries includes net revenues generated by The Netherlands for the year ended 31 December 2019 amounting to €511 million (€634 million for the year ended 31 December 2018).
The following table presents an analysis of non-current assets of the Group at 31 December 2019 and 2018 by country:

	At 31 December	
(€ million)	**2019**	**2018**
North America	43,825	38,238
Italy	16,532	16,899
Brazil	4,408	4,472
France	1,175	1,137
Bermuda	1,199	1,113
Poland	811	1,090
China	546	717
Other countries	8,144	8,029
Total non-current assets	**76,640**	**71,695**

Other countries includes non-current assets related to The Netherlands of €100 million at 31 December 2019 (€95 million at 31 December 2018).

5. Net revenues

Net revenues for the years ended 31 December 2019 and 2018 are as follows:

	Years ended 31 December	
(€ million)	**2019**	**2018**
Sales of goods	128,605	130,494
Net premium earned of insurance and reinsurance companies	5,828	4,669
Services provided	4,931	4,645
Lease installments from assets under operating leases and buy-backs	706	789
Contract revenues	675	949
Interest income of financial services activities	1,019	919
Investment income and net realised and unrealised investments gains of insurance and reinsurance companies	1,205	25
Other	786	804
Total net revenues	**143,755**	**143,294**

6. Cost of revenues

Cost of revenues for the years ended 31 December 2019 and 2018 are as follows:

	Years ended 31 December	
(€ million)	**2019**	**2018**
Cost of goods	114,776	116,229
Losses and loss expenses	4,398	3,551
Reinsurance acquisition costs	1,285	1,024
Interest cost and other financial expenses from financial services companies	558	479
Total cost of revenues	**121,017**	**121,283**

7. Research and development costs

Research and development costs for the years ended 31 December 2019 and 2018 are as follows:

	Years ended 31 December	
(€ million)	**2019**	**2018**
Research and development costs expensed	2,447	2,475
Amortisation of capitalised development costs	1,864	1,999
Impairment and write-off of costs previously capitalised	976	163
Total research and development costs	**5,287**	**4,637**

Impairment and write-offs of capitalised development costs mainly referred to the FCA Group. In 2019 this primarily was recognized in relation to the razionalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo. In 2018 impairment primarily related to changes in product plans in connection with their 2018-2022 business plan, mainly in EMEA.

8. Other income (expense), net

In 2019 the other expenses, net amount to €14 million. In 2018 other income, net amounted to €455 milion and mainly related to the modification of a healthcare plan at CNH Industrial (€446 million).
This item also included restructuring costs of €258 million in 2019 (€156 million in 2018), including (i) €104 million for CNH Industrial (€53 million in 2018) related to actions as part of the efficiency program and (ii) €154 million for FCA Group (€103 million in 2018).

9. Net financial expenses

Net financial expenses for the years ended 31 December 2019 and 2018 are as follows:

(€ million)	Years ended 31 December 2019	2018
Financial Income:		
Interest and other financial income	321	316
Financial services income	1,019	919
Gains on disposal of securities	21	4
Total financial income	**1,361**	**1,239**
Related to:		
Industrial companies (A)	*343*	*320*
Financial services companies (reported within net revenues)	*1,019*	*919*
Financial Expenses:		
Interest expenses on bonds	(933)	(952)
Interest expenses from banks	(292)	(358)
Interest on lease liabilities	(104)	-
Other interest and financial expenses	(422)	(481)
Write-downs and losses on financial assets and securities	(81)	(41)
Net interest expenses on employee benefits provisions	(320)	(303)
Total interest and other financial expenses	**(2,152)**	**(2,135)**
Net expenses from derivative financial instruments and exchange rate differences	**(191)**	**(234)**
Total financial expenses	**(2,343)**	**(2,369)**
Related to:		
Industrial companies (B)	*(1,785)*	*(1,890)*
Financial services companies (reported within cost of revenues)	*(558)*	*(479)*
Net financial expenses relating to industrial companies (A+B)	**(1,442)**	**(1,570)**

10. Tax expense

Tax expense for the years ended 31 December 2019 and 2018 is as follows:

(€ million)	Years ended 31 December 2019	2018
Current tax expense	893	1,038
Deferred tax expense	1,007	838
Tax (benefit) expense relating to prior periods	(65)	(636)
Total tax expense	**1,835**	**1,240**

The increase in tax expense compared to 2018 is mainly due to the net tax benefit relating to prior periods (€636 million) recognized in 2018. This item included €334 million relating to FCA, mainly related to recognition of benefit from finalization in 2018 of U.S. tax provisions, partially offset by net tax expense for the impact of other uncertain tax positions. This item also included €141 million relating to Ferrari due to the Patent Box tax benefit for the years 2015 – 2017.

The reconciliation between the income tax expenses recognized in the consolidated financial statements and the theoretical income tax expense, calculated on the basis of the theoretical tax rate in effect in The Netherlands, is as follows:

	Years ended 31 December	
(€ million)	**2019**	**2018**
Theoretical tax expense	**1,705**	**1,588**
Tax effect on:		
Recognition and utilisation of previously unrecognized deferred tax assets	(37)	(39)
Permanent differences	(483)	(758)
Deferred tax assets not recognized and write-downs	894	700
Differences between foreign tax rates and the theoretical tax rate and tax holidays	(244)	231
Taxes relating to prior years	(32)	(461)
Other differences	(24)	(92)
Total tax expense, excluding IRAP	**1,779**	**1,169**
Effective tax rate	*26.09%*	*18.4%*
IRAP (current and deferred)	**56**	**71**
Total tax expense	**1,835**	**1,240**

The applicable tax rate used to determine the theoretical income expense was 25% percent in 2019 and 2018, which is the tax rate applicable in The Netherlands.

The increase in the effective tax rate to 26 percent in 2019 from 18.0 percent in 2018 was primarily related to (i) non-recurring benefit recognized for U.S. prior years' tax positions finalized in 2018; and (ii) no corresponding tax benefit for primarily all of the impairment charges of €1,376 million recognized by the FCA Group in relation to the rationalization of product portfolio plans due to partial recognition of deferred tax assets in Italy.

Deferred tax assets and deferred tax liabilities recognized at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Deferred tax assets	2,584	2,697
Deferred tax liabilities	(2,062)	(1,290)
Total, net	**522**	**1,407**

The decrease in net deferred tax assets at 31 December 2019 from 31 December 2018 was mainly attributable to the FCA Group and in particular to a net decrease of €831 million consisting of an increase in deferred tax liabilities in North America related to provisions, acceleration of tax depreciation and amortization on capital expenditures, partially offset by utilization of U.S. tax credit carryforwards, and decrease of €179 million of the recognized deferred tax asset in Italy partially offset by the recognition of previously unrecognized deferred tax assets in the UK of €151 million.

Deferred tax assets and liabilities and their changes during the years ended 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December 2018	Recognized in income statement	Recognized in Other comprehensive income	Transferred to Assets / (Liabilities) held for sale	Translation differences and other changes	At 31 December 2019
Deferred tax assets arising from:						
Provisions	5,038	(494)	-	-	23	4,567
Provision for employee benefits	1,703	(50)	26	-	26	1,705
Intangible assets	119	(19)	-		(7)	93
Inventories	501	(52)	-	-	(13)	436
Allowances for doubtful accounts	246	12	-	-	(6)	252
Impairment of financial assets	232	(18)	-	-	18	232
Other	1,231	170	7	-	355	1,763
Total deferred tax assets	**9,070**	**(451)**	**33**	**0**	**396**	**9,048**
Deferred tax liabilities arising from:						
Accelerated depreciation	(2,728)	(180)	-	-	22	(2,885)
Capitalisation of development costs	(2,855)	(184)	-	-	(34)	(3,073)
Other intangible assets and intangible assets with indefinite useful lives	(988)	38	-	-	(73)	(1,023)
Provision for employee benefits	(115)	(3)	24	-	(1)	(95)
Other	(762)	51	39		(328)	(999)
Total deferred tax liabilities	**(7,448)**	**(278)**	**63**	**0**	**(413)**	**(8,075)**
Deferred tax assets arising on tax loss carry-forwards	5,807	281	-	-	(187)	5,901
Unrecognized deferred tax assets	(6,022)	(525)	(18)	-	213	(6,352)
Total Net deferred tax assets	**1,407**	**(973)**	**78**	**0**	**10**	**522**

(€ million)	At 31 December 2017	Recognized in income statement	Recognized in Other comprehensive income	Transferred to Assets / (Liabilities) held for sale	Translation differences and other changes	At 31 December 2018
Deferred tax assets arising from:						
Provisions	4,738	206	-	(55)	149	5,038
Provision for employee benefits	2,185	(390)	(110)	(31)	49	1,703
Intangible assets	185	(24)	-	(2)	(40)	119
Inventories	484	63	-	(13)	(33)	501
Allowances for doubtful accounts	281	(9)	-	(24)	(2)	246
Impairment of financial assets	232	(18)	-	(7)	25	232
Other	838	130	12	(77)	328	1,231
Total deferred tax assets	**8,943**	**(42)**	**(98)**	**(209)**	**476**	**9,070**

(€ million)	At 31 December 2017	Recognized in income statement	Recognized in Other comprehensive income	Transferred to Assets / (Liabilities) held for sale	Translation differences and other changes	At 31 December 2018
Deferred tax liabilities arising from:						
Accelerated depreciation	(2,248)	(441)	-	29	(68)	(2,728)
Capitalisation of development costs	(2,483)	(144)	-	81	(309)	(2,855)
Other intangible assets and intangible assets with indefinite useful lives	(925)	(17)	-	2	(48)	(988)
Provision for employee benefits	(77)	(2)	(1)	3	(38)	(115)
Other	(590)	(147)	3	86	(114)	(762)
Total deferred tax liabilities	**(6,323)**	**(751)**	**2**	**201**	**(577)**	**(7,448)**
Deferred tax assets arising on tax loss carry-forwards	5,531	741	-	(328)	(160)	5,807
Unrecognized deferred tax assets	(5,819)	(688)	(11)	308	211	(6,022)
Total Net deferred tax assets	**2,332**	**(740)**	**(107)**	**(28)**	**(50)**	**1,407**

At 31 December 2019 and 2018 the Group had the following recognized and unrecognized deferred tax assets:

	Deferred tax assets relating to			
(€ million)	Deductible temporary differences	of which not recognized	Tax loss carry forward	of which not recognized
At 31 December 2019	**9,048**	**1,595**	**5,901**	**4,754**
At 31 December 2018	9,070	1,353	5,807	4,669

At 31 December 2019 net deferred tax assets include the amount of €1,147 million (€1,138 million at 31 December 2018) in respect of benefits on unused tax loss carryforwards.

The major part of deferred tax assets related to tax loss carryforwards of the FCA Group. In particular, at 31 December 2019 and 2018 the FCA Group had tax loss carryforwards which can be carried forward indefinitely as follows:

	FCA Group Net Deferred Tax Assets					
(€ million)	Net Deferred Tax Assets Italy	of which recognized	of which not recognized	Net Deferred Tax Assets Brazil	of which recognized	of which not recognized
At 31 December 2019	3,263	705	2,558	1,888	131	1,757
At 31 December 2018	3,370	884	2,486	1,532	133	1,399

Deferred tax liabilities have not been recognized on the undistributed earnings of subsidiaries except where it is probable that distribution will occur in the foreseeable future.

Total deductible and taxable temporary differences and accumulated tax losses at 31 December 2019, together with the amounts for which deferred tax assets have not been recognized, analysed by year of expiration, are as follows:

		Year of expiration					
(€ million)	**At 31 December 2019**	**2020**	**2021**	**2022**	**2023**	**Beyond 2023**	**Unlimited / Indeterminable**
Deductible temporary differences	**47,174**	8,864	4,841	4,538	5,270	21,860	1,801
Taxable temporary differences	**(42,082)**	(4,863)	(4,682)	(4,654)	(4,756)	(19,599)	(3,528)
Tax losses	**27,624**	341	379	192	324	2,623	23,765
Temporary differences and tax losses for which deferred tax assets have not been recognized	**(29,592)**	(1,497)	(766)	(494)	(1,583)	(3,993)	(21,259)
Net temporary differences and tax losses	**3,123**	2,845	(229)	(418)	(745)	892	778

11. Other information by nature

In 2019 personnel costs for the Group's continuing operations amounted to €15,910 million (€15,718 million in 2018). These amounts include costs that were capitalised mainly in connection with product development activities.

In 2019 the Group's continuing operations had an average number of employees of 268,979 (272,170 in 2018).

12. Earnings per share

The following table summarises the composition of earnings per share:

		Years ended 31 December	
		2019	**2018**
Average number of ordinary shares outstanding		**231,960,899**	**235,166,050**
Profit attributable to owners of the parent	**€ million**	**3,053**	**1,347**
basic earnings per share	**€**	13.16	5.73
diluted earnings per share	**€**	13.12	5.67
Profit from continuing operations attributable to owners of the parent	**€ million**	**1,927**	**1,264**
basic earnings per share	**€**	8.31	5.38
diluted earnings per share	**€**	8.27	5.31
Profit from discontinued operations attributable to owners of the parent	**€ million**	**1,126**	**83**
basic earnings per share	**€**	4.85	0.35
diluted earnings per share	**€**	4.81	0.29

In order to calculate the diluted earnings per share, the profit attributable to owners of the parent was adjusted to take into account of the dilutive effects arising from the theoretical exercise of the stock option plans granted by the subsidiaries of the Group using their own equity instruments.

13. Intangible assets

Changes in 2019 are the following:

(€ million)	Goodwill	Intangible assets with an indefinite useful life	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses externally acquired	Other intangible assets externally acquired	Players' registration rights	Total
Balance at 31 December 2018								
Original cost	15,362	3,690	20,534	7,465	5,002	2,790	749	**55,592**
Accumulated amortisation and impairment	(985)	(119)	(10,752)	(4,765)	(3,280)	(1,650)	(273)	**(21,824)**
Net carrying amount	**14,377**	**3,571**	**9,782**	**2,700**	**1,722**	**1,140**	**476**	**33,768**
Changes during the year (original cost)								
Additions	0	1	3,113	488	624	180	241	**4,647**
Disposals	(57)	-	(261)	(11)	(130)	(103)	(110)	**(672)**
Transfer to assets held for sale	(11)	-	-	-	(3)	(16)	-	**(31)**
Translation differences and other changes	366	66	67	15	136	3	-	**651**
Total	**296**	**67**	**2,919**	**492**	**626**	**65**	**131**	**4,595**
Changes during the year (accumulated amortisation and impairment)								
Amortisation	-	(1)	(1,483)	(406)	(477)	(146)	(156)	**(2,669)**
Impairment losses	-	-	(813)	(160)	(1)	(5)	(5)	**(984)**
Disposals	56	-	260	6	4	26	48	**401**
Transfer to assets held for sale	-	-	-	-	3	14	-	**17**
Translation differences and other changes	6	(1)	88	(66)	(76)	(12)	-	**(61)**
Total	**62**	**(2)**	**(1,948)**	**(626)**	**(547)**	**(123)**	**(112)**	**(3,296)**
Balance at 31 December 2019								
Original cost	15,658	3,757	23,453	7,957	5,628	2,855	880	60,187
Accumulated amortisation and impairment	(923)	(121)	(12,700)	(5,391)	(3,827)	(1,773)	(385)	(25,120)
Net carrying amount	**14,735**	**3,636**	**10,753**	**2,566**	**1,801**	**1,082**	**494**	**35,067**

Changes in 2018 were the following:

(€ million)	Goodwill	Intangible assets with an indefinite useful life	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses externally acquired	Other intangible assets externally acquired	Players' registration rights	Total
Balance at 31 December 2017								
Original cost	14,794	3,525	14,256	12,751	4,540	2,797	566	**53,229**
Accumulated amortisation and impairment	(962)	(116)	(7,244)	(7,593)	(2,882)	(1,681)	(228)	**(20,706)**
Net carrying amount	**13,832**	**3,409**	**7,012**	**5,158**	**1,658**	**1,116**	**338**	**32,523**
Changes during the year (original cost)								
Additions	-	-	2,381	557	655	210	324	**4,127**
Disposals	-	-	(514)	(127)	(223)	(91)	(141)	**(1,096)**
Transfer to assets held for sale	(96)	-	(630)	(924)	(132)	(130)	-	**(1,912)**
Translation differences and other changes	664	165	5,041	(4,792)	162	4	-	**1,244**
Total	**568**	**165**	**6,278**	**(5,286)**	**462**	**(7)**	**183**	**2,363**
Changes during the year (accumulated amortisation and impairment)								
Amortisation	-	-	(1,588)	(482)	(427)	(154)	(132)	**(2,783)**
Impairment losses	-	-	(137)	(16)	(2)	-	(1)	**(156)**
Disposals	-	-	512	103	30	89	88	**822**
Transfer to assets held for sale	33	-	443	530	98	90	-	**1,194**
Translation differences and other changes	(56)	(3)	(2,738)	2,693	(97)	6	-	**(195)**
Total	**(23)**	**(3)**	**(3,508)**	**2,828**	**(398)**	**31**	**(45)**	**(1,118)**
Balance at 31 December 2018								
Original cost	15,362	3,690	20,534	7,465	5,002	2,790	749	**55,592**
Accumulated amortisation and impairment	(985)	(119)	(10,752)	(4,765)	(3,280)	(1,650)	(273)	**(21,824)**
Net carrying amount	**14,377**	**3,571**	**9,782**	**2,700**	**1,722**	**1,140**	**476**	**33,768**

Capitalised development costs mainly relate to the FCA Group and include both internal and external costs that are directly attributable to the internal product development process, primarily consisting of material costs and personnel related expenses relating to engineering, design and development, focused on content enhancement of existing vehicles, new models and powertrain programs.

Amortisation of internally and externally generated development costs is recognized within Research and development costs within the consolidated income statement, as described in Note 7, "Research and development costs". Amortisation of patents, concessions, licenses and credits and other intangibles are recognized within Cost of revenues and Selling, general and administrative expenses.

In 2019, €984 million of impairment losses and asset write-offs were recognized, including a total of €813 million of impairment losses and asset write-offs resulting from rationalization of product portfolio plans, primarily for Europe in the A-segment as well as for Alfa Romeo, which resulted in the recognition of asset impairment charges for certain platforms. In 2018, a total of €156 million impairment losses and asset write-offs were recognized. Refer to Note 2, "Basis of Preparation - Use of estimates - Recoverability of non-current assets with definite useful lives" for additional detail regarding the assumptions and judgments used when testing these assets for impairment.

At 31 December 2019 and 2018 the FCA Group had contractual commitments for the purchase of intangible assets amounting to €1,419 million and €215 million, respectively.

Goodwill

The analysis of goodwill by segment is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
North America[1]	*9,059*	*8,855*
APAC	*1,174*	*1,152*
LATAM	*563*	*552*
EMEA	*269*	*264*
Other activities	*-*	*11*
FCA Group	**11,065**	**10,834**
Agricultural Equipment	*1,581*	*1,478*
Construction Equipment	*515*	*504*
Commercial Vehicles	*53*	*54*
Powertrain	*4*	*4*
Financial Services	*110*	*112*
CNH Industrial Group	**2,263**	**2,152**
Ferrari Group	**786**	**786**
PartnerRe Group	**588**	**572**
Other	**33**	**33**
Total goodwill	**14,735**	**14,377**

(1) During 2019, FCA's previously reported "NAFTA" segment was renamed "North America" in response to the expected ratification of the United States-Mexico-Canada Agreement ("USMCA"). Other than the change of name, no other changes were made to the segment.

Impairment Testing

The impairment tests are performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill, brands and capitalised development expenditures) with the recoverable amount of each CGU or group of CGUs to which goodwill has been allocated. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The assumptions used in the impairment test represent management's best estimate for the period under consideration and reflect a number of underlying assumptions (for example volumes and sales mix, gross margins, operating costs, income tax rates, capital expenditures and changes in working capital requirements) that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends over the period considered. Expected cash flows used for the purposes of the impairment tests reflect the current expectations regarding economic conditions and market trends as well as the Group's initiatives for the specific business plan periods. Cash flows reflect the CGU's in their condition when preparing the financial statements and exclude the estimated cashflows that might arise from restructuring plans or other structural changes.

Expected future cash flows include a normalised terminal period to estimate the future result beyond the time period explicitly considered in the business plans of the respective Group companies. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity.

Post-tax cash flows are discounted using a post-tax discount rate (WACC) which reflects the current market assessment of the time value of money for the period being considered and the risks specific to the CGU under consideration.

As well as determining the recoverable amount using the income approach, as described above, certain of the Group companies perform additional analysis using a market approach based on multiples of comparable publicly traded companies, such as revenue and EBITDA multiples, and for financial services CGUs, book value, tangible book value and interest margin multiples, and by comparing to market capitalisation. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

FCA Impairment Testing
The balance of goodwill recognized by the FCA Group primarily relates to the acquisition of FCA US., which has been allocated between FCA's North America, EMEA, APAC and LATAM operating segments. The assumptions used in the impairment test represent management's best estimate for the period under consideration.

The estimate of the recoverable amount for purposes of performing the annual impairment test for each of FCA's operating segments was determined using fair value less costs of disposal for the year ended 31 December 2019 and was based on the following assumptions:

- The expected future cash flows covering the period from 2019 through 2022, reflecting the current expectations regarding economic conditions and market trends as well as the FCA Group's initiatives for the period 2019 to 2022. These cash flows relate to the respective reporting segments in their current condition when preparing the financial statements and exclude the estimated cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used for estimating the future cash flow are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends and segment, brand and model share for the respective operating segment over the period considered. With regards to:
  - The APAC operating segment, expected future cash flows are sensitive to certain assumptions, primarily the expected margins for the terminal period, such that a reduction of 0.7 percent in the margin for the terminal period would reduce the fair value down to its carrying value. While the assumptions used are considered reasonable and achievable and represent the best estimate of expected conditions in the operating segment, management is actively implementing measures to improve operating results by addressing commercial performance and cost structure to allow the achievement of the expected margins and cash flow in APAC. During 2019, the APAC region has become less sensitive to changes in the terminal period EBIT Margin as a result of ongoing actions FCA is taking to improve the competitiveness of its business in China. However, the recoverability of the assets within the APAC region are dependent upon achieving profitable results, which have not been achieved in recent periods.
  - The LATAM operating segment, expected future cash flows also include the extension of tax benefits though 2025 and other government grants, which were signed into law in Brazil during the fourth quarter of 2018.

- The expected future cash flows include a normalized terminal period to estimate the future result beyond the time period explicitly considered which incorporates a long-term growth rate assumption of 2 percent. The long-term EBIT margins have been set considering the margins incorporated into the five-years plan, as adjusted for the stage in the economic cycle of the regions and any specific circumstances (for example, in LATAM, the long-term EBIT margin has been adjusted to assume no extension of the Brazilian tax benefits beyond 2025).

- Post-tax cash flows have been discounted using a post-tax discount rate which reflects the current market assessment of the time value of money for the period being considered and the risks specific to the reporting segment and cash flows under consideration. The Weighted Average Cost of Capital ("WACC") ranged from approximately 9.8 percent to approximately 15.4 percent. The WACC was calculated using the Capital Asset Pricing Model technique.

The values estimated as described above were determined to be in excess of the book value.

CNH Industrial Impairment Testing
CNH Industrial determines the recoverable amount of the cash-generating units using multiple valuation methodologies, relying largely on an income approach but also incorporating value indicators from a market approach. Under the income approach, CNH Industrial calculates the recoverable amount of a cash-generating unit based on the present value of estimated future cash flows. The income approach is dependent on several critical management assumptions, including estimates of future sales, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures, changes in working capital requirements and the weighted average cost of capital (discount rate). Discount rate assumptions include an assessment of the risk inherent in the future cash flows of the respective cash generating units.

The following discount rates before taxes at 31 December 2019 and 2018 were selected:

	2019	2018
Agricultural Equipment	14.3%	12.3%
Construction Equipment	14.6%	13.7%
Financial Services	21.8%	19.6%

Expected cash flows used under the income approach are developed in conjunction with CNH Industrial budgeting and forecasting processes. CNH Industrial uses nine years of expected cash flows for the Agricultural Equipment, and eight years of expected cash flows for the Construction Equipment cash-generating units and four years of expected cash flows for the Financial Services cash-generating unit as management believes that these periods generally reflect the underlying market cycles for its businesses. Under the market approach, CNH Industrial estimates the recoverable amount of the Agricultural Equipment and Construction Equipment cash-generating units using revenue and EBITDA multiples and estimates the recoverable amount of the Financial Services cash-generating unit using book value, tangible book value and interest margin multiples. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics as the respective cash-generating units. The guideline company method makes use of market price data of corporations whose stock is actively traded in a public, free and open market, either on an exchange or over-the counter basis. Although it is clear no two companies are entirely alike, the corporations selected as guideline companies must be engaged in the same, or a similar, line of business or be subject to similar financial and business risks, including the opportunity for growth.

A terminal value is included at the end of the projection period used in the discounted cash flow analysis in order to reflect the remaining value that each cash-generating unit is expected to generate. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity. The terminal value growth rate for the Agricultural Equipment cash-generating unit was 1.0% in 2019 and 2018, and for Construction Equipment was 3.0% in 2019 and 2018. The terminal value growth rate for Financial Services was 1.5% in 2019 and 2018.

At 31 December 2019, the estimated recoverable amounts, calculated using the above method, of the Agriculture, Construction and Financial Services cash-generating units exceeded the carrying values by approximately 52%, 10% and 29%, respectively. Thus, CNH Industrial did not recognize an impairment for the respective cash-generating units. While there is positive margin between the recoverable amount and carrying value for the Construction cash-generating unit, the recoverable amount can be significantly impacted by changes in assumptions used in the recoverable amount valuation model including expected sales growth in the discrete future period, the weighted-average cost of capital (discount rate), and also less significant assumptions such as expected improvements in margin, long-term growth rates along with other judgments. Based on our assessment of these circumstances, CNH Industrial has determined that the goodwill at the Construction cash-generating unit is at risk for impairment going forward should there be a deterioration of projected cash flows of the cash-generating unit as a result of CNH Industrial's inability to successfully execute its plans to achieve further growth projections. The estimated recoverable amount of the Construction cash-generating unit was calculated starting from projections, which showed a net average sales compound annual growth rate (“CAGR”) of 7.3%, extended to eight years for impairment test purposes. Holding all other assumptions constant, a decrease of 1.1 p.p. in the net average sales CAGR (resulting in a CAGR of 6.2%) would cause the recoverable amount to fall to the level of the carrying value.

The results obtained for Commercial Vehicles confirmed the absence of an impairment loss.

The sum of the recoverable amounts of CNH Industrial’s cash generating units was in excess of CNH Industrial’s market capitalization. CNH Industrial believes that the difference between the recoverable amount and market capitalization is reasonable (in the context of assessing whether any asset impairment exists) when market-based control premiums are taken into consideration.

Finally, the estimates and budget data to which the parameters mentioned above have been applied are those determined by management based on past performance and expectations of developments in the markets in which the Group operates. Estimating the recoverable amount of cash generating units requires discretion and the use of estimates by management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events, which could potentially cause further impairment losses, are constantly monitored by the Group.

PartnerRe Impairment Testing

PartnerRe is treated as a single cash generating unit. The recoverable value is based on fair value, using the weighted average of industry accepted valuation methods including price to earnings and price to tangible book value multiples of comparable companies as well as discounted cash flow projections. In the discounted cash flow projection the premium growth was assumed to be 4% for the year ended 31 December 2019 (2018: 3%). The average discount rate applied was 8% in 2019 (2018: 6%). Cash flows are projected for an initial 5-years period plus a terminal valuation. The fair value calculation is categorised as a Level 3 valuation, as per the fair value hierarchy, as it utilises both observable and unobservable inputs. A reasonably possible change in one of the assumptions would not result in the fair value being less than the carrying value.

No impairment losses were identified by the Group for the years ended 31 December 2019 and 2018.

A brief summary of the impairment test assumptions is provided below.

(€ million)	**FCA**	**CNH Industrial**	**Ferrari**	**PartnerRe**
Business plan period	4 years	4 - 9 years	4 years	5 years
Growth rate	2%	1% - 3%	2%	4%
WACC	9.4%-15.4%	14.3%-21.8%	6.8%	8%

Other intangible assets with indefinite useful lives

Other intangible assets with indefinite useful lives amounting to €3,636 million at 31 December 2019 (€3,571 million at 31 December 2018) mainly includes brands of the FCA Group and in particular the Chrysler, Jeep, Dodge, Ram and Mopar brands relating to the acquisition of FCA US. These rights are protected legally through registration with government agencies and through the continuous use in commerce.

The indefinite-lived intangible assets have no legal, contractual, competitive or economic terms that limit their useful lives, and are therefore not amortised, but are instead tested annually for impairment.

14. Property, plant and equipment

Property, plant and equipment and their changes during the years ended 31 December 2019 are as follows:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Assets sold with a buy-back commitment	Other tangible assets	Advances and tangible assets in progress	Total
Balance at 31 December 2018							
Original cost	1,121	11,516	59,490	2,785	5,626	1,909	82,447
Accumulated depreciation and impairment	(35)	(5,122)	(39,508)	(785)	(2,905)	(13)	(48,368)
Net carrying amount	**1,086**	**6,394**	**19,982**	**2,000**	**2,721**	**1,896**	**34,079**
IFRS adoption effect							
Original cost	97	1,177	122	-	214	0	1,610
Balance at 1 January 2019							
Original cost	1,218	12,693	59,612	2,785	5,840	1,909	84,057
Accumulated depreciation and impairment	(35)	(5,122)	(39,508)	(785)	(2,905)	(13)	(48,368)
Net carrying amount	**1,183**	**7,571**	**20,104**	**2,000**	**2,935**	**1,896**	**35,689**
Changes during the year (original cost)							
Additions	35	343	2,099	473	1,076	3,521	**7,548**
Disposals	(43)	(56)	(1,206)	(653)	(801)	(11)	**(2,770)**
Transfer to assets held for sale	(16)	(149)	(502)	-	(17)	(23)	**(707)**
Scope of consolidation	-	(2)	64	-	-	1	**63**
Translation differences	11	99	249	54	39	19	**471**
Other changes	56	81	1,292	(268)	(28)	(1,146)	**(13)**
Total	**44**	**317**	**1,996**	**(394)**	**268**	**2,362**	**4,593**
Changes during the year (accumulated depreciation and impairment)							
Depreciation		(568)	(3,431)	(272)	(657)	-	**(4,928)**
Impairment losses	-	(8)	(616)	(76)	(16)	(1)	**(717)**
Disposals	-	40	1,170	211	36	-	**1,457**
Transfer to assets held for sale	3	107	384	-	17	1	**512**
Scope of consolidation	-	3	(11)	-	1	-	**(8)**
Translation differences	-	(32)	(312)	(2)	(35)	-	**(381)**
Other changes	1	0	15	117	360	0	**493**
Total	**4**	**(459)**	**(2,801)**	**(23)**	**(294)**	**0**	**(3,572)**
Balance at 31 December 2019							
Original cost	1,262	13,010	61,608	2,391	6,108	4,271	88,650
Accumulated depreciation and impairment	(31)	(5,581)	(42,309)	(808)	(3,199)	(13)	(51,940)
Net carrying amount	**1,135**	**7,429**	**19,299**	**1,583**	**3,004**	**4,261**	**36,710**

Changes in 2018 were the following:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Assets sold with a buy-back commitment	Other tangible assets	Advances and tangible assets in progress	Total
Balance at 31 December 2017							
Original cost	1,154	11,642	60,273	3,007	5,724	2,954	**84,754**
Accumulated depreciation and impairment	(40)	(4,970)	(39,098)	(675)	(2,824)	(17)	**(47,624)**
Net carrying amount	**1,114**	**6,672**	**21,175**	**2,332**	**2,900**	**2,937**	**37,130**
Changes during the year (original cost)							
Additions	8	226	2,218	513	758	1,159	**4,882**
Disposals	(11)	(27)	(922)	(573)	(57)	(6)	**(1,596)**
Transfer to assets held for sale	(21)	(401)	(3,871)	-	(294)	(299)	**(4,886)**
Scope of consolidation	2	-	(59)	-	(1)	(1)	**(59)**
Translation differences	(11)	(74)	83	(9)	101	47	**137**
Other changes	-	150	1,768	(153)	(605)	(1,945)	**(785)**
Total	**(33)**	**(126)**	**(783)**	**(222)**	**(98)**	**(1,045)**	**(2,307)**
Changes during the year (accumulated depreciation and impairment)							
Depreciation	-	(389)	(3,823)	(321)	(543)	-	**(5,076)**
Impairment losses	-	(1)	(140)	(63)	-	(4)	**(208)**
Disposals	5	8	898	195	50	-	**1,156**
Transfer to assets held for sale	-	204	2,663	-	222		**3,091**
Scope of consolidation	-	-	37	-	2	2	**39**
Translation differences	-	8	(77)	2	(35)	-	**(102)**
Other changes	-	18	32	77	223	6	**356**
Total	**5**	**(152)**	**(410)**	**(110)**	**(81)**	**4**	**(744)**
Balance at 31 December 2018							
Original cost	1,121	11,516	59,490	2,785	5,626	1,909	**82,447**
Accumulated depreciation and impairment	(35)	(5,122)	(39,508)	(785)	(2,905)	(13)	**(48,368)**
Net carrying amount	**1,086**	**6,394**	**19,982**	**2,000**	**2,721**	**1,896**	**34,079**
of which leased under finance leases	*5*	*216*	*125*	*-*	*1,555*	*-*	***1,901***

Property, plant and equipment at 31 December 2019 of €36,710 million presented above, comprises owned property, plant and equipment of €34,547 million and right–of-use assets of €2,163 million.

Change in right-of-use assets are as follows:

(€ million)	Land	Industrial buildings	Plant, machinery and equipment	Other assets	Total
Balance at 31 December 2018	**103**	**1,393**	**247**	**219**	**1,962**
IFRS 16 adoption effect	97	1,177	122	214	1,610
Balance at 1 January 2019	200	2,570	369	433	3,572
Depreciation	-	(207)	(126)	(160)	(493)
Additions	11	199	263	267	740
Change in scope of consolidation	-	17	26	-	43
Translation differences	2	32	1	(5)	30
Other changes	(123)	(1,193)	(142)	(270)	(1,728)
Balance at 31 December 2019	**91**	**1,418**	**391**	**265**	**2,163**

Additions total €7,548 million (€4,882 million in 2018) and mainly refer to the FCA Group for €5,403 million (€3,061 million in 2018) and the CNH Industrial Group for €1,035 million (€1,543 million in 2018).

Impairment losses in 2019 of €717 million included €563 million for the FCA Group resulting from the rationalization of product plans, primarily for Europe in the A-segment as well as for Alfa Romeo, which resulted in the recognition of asset impairment charges for certain platforms.

Impairment losses in 2018 of €208 million included €144 million for the FCA Group relating to the changes in product plans in connection with their 2018-2022 business plan, primarily in EMEA, as well as €64 million related to commercial vehicles, in particular assets sold with buy-back commitments of CNH Industrial Group. Other tangible assets include products leased to customers by CNH Industrial for €1,654 million at 31 December 2019 (€1,550 million at 31 December 2018). CNH Industrial Financial Services purchases leases and equipment from CNH Industrial dealers and other independent third parties that have leased equipment to retail customers under operating leases. The investment in these leases is based on the purchase price paid for the equipment. Income from the leases is recognized over the term of the lease. The equipment is depreciated on a straight-line basis over the term of the lease to the estimated residual value at lease termination.

The carrying amount of property, plant and equipment of FCA and CNH Industrial (excluding the right-of-use assets described above) reported as pledged for security for debt and other commitments, primarily relating to operations in Brazil, are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Land and industrial buildings pledged as security for debt	781	945
Plant and machinery pledged as security for debt and other commitments	855	1,241
Other assets pledged as security for debt and other commitments	5	81
Total	**1,641**	**2,267**

At 31 December 2019 and 2018, real estate mortgaged for a loan from the *Istituto per il Credito Sportivo* to Juventus for the construction of the new stadium and for the renovation of premises in the east section, amounts to a maximum amount of €140 million.

At 31 December 2019 the Group has contractual commitments for the acquisition of property, plant and equipment amounting €1,330 million (€792 million at 31 December 2018).

15. Investments and other financial assets

Investments and other financial assets at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Investments in joint ventures	2,189	2,194
Investments in associates	1,362	1,196
Other investments accounted for using the equity method	45	40
Equity method investments	**3,596**	**3,430**
Non-current financial receivables	278	294
Investments at FVTOCI	198	51
Investments at FVTPL	171	60
Other investments	15	4
Other securities	928	567
Other financial assets	214	463
Total other investments and other financial assets	1,804	1,439
Investments and other financial assets	**5,400**	**4,869**

Investments in joint ventures

Investments in joint ventures at 31 December 2019 and 2018 are as follows:

(€ million, except percentages)		At 31 December	
		2019	**2018**
Investments in joint ventures			
FCA Bank	50.00%	1,501	1,360
Tofas - Turk Otomobil Fabrikasi A.S. ("*Tofas*")	37.90%	240	233
GAC FIAT Chrysler Automobiles Co. ("*GAC FCA JV*")	50.00%	107	216
Naveco (Nanjing Iveco Motor Co.) Ltd. ("*Naveco*")	50.00%	115	144
Turk Traktor Ve Ziraat Makineleri A.S. (Turk Traktor")	37.50%	45	44
Other		181	197
Total Investments in joint ventures		**2,189**	**2,194**

FCA Bank is a joint venture with Crédit Agricole Consumer Finance S.A. ("CACF") which operates in Europe, primarily in Italy, France, Germany, UK and Spain. FCA Bank provides retail and dealer financing and long-term rental services in the automotive sector, directly or through its subsidiaries as a partner of the Group's mass-market vehicle brands and for Maserati vehicles. On 19 July 2019, FCA and Crédit Agricole Consumer Finance agreed to extend the term until 31 December 2024. The agreement will be automatically renewed unless notice of non-renewal is provided no later than three years before the end of the term. A notice of non-renewal would trigger certain put and call rights.

The financial statements of FCA Bank as at and for the year ended 31 December 2019 have not been authorized for issuance at the date of issuance of the FCA Consolidated Financial Statements. As such, the most recent publicly available financial information is included in the tables below. The most recently available information was used to estimate FCA's share of FCA Bank net income and net equity. Any difference between this data and actual results will be adjusted in the 2020 FCA Consolidated Financial Statements when available.

The following tables include summarised financial information relating to FCA Bank:

(€ million)	At 30 June 2019	At 31 December 2018
Financial assets	26,995	26,180
Of which Cash and cash equivalents	*767*	*363*
Other assets	4,889	4,356
Financial liabilities	27,133	26,265
Other liabilities	1,643	1,393
Equity (100%)	3,108	2,878
Net assets attributable to owners of the parent	3,058	2,829
Group's share of net assets	1,529	1,415
Elimination of unrealised profits and other adjustments	(28)	(55)
Carrying amount of interest in FCA Bank[(1)]	**1,501**	**1,360**

(1) Amounts at 31 December 2019 and 2018 respectively.

(€ million)	Six months ended 30 June 2019	Year ended 31 December 2018
Interest and similar income	466	903
Interest and similar expenses	(117)	(242)
Income tax expense	(75)	(159)
Profit from continuing operations	238	388
Net profit	238	388
Net profit attributable to owners of the parent (A)	236	383
Other comprehensive income (loss) attributable to owners of the parent (B)	(8)	(5)
Total Comprehensive income attributable to owners of the parent (A + B)	228	378
Group's share of net profit[(1)]	**229**	**192**

(1) Amounts for the years ended 31 December 2019 and 2018 respectively.

The following table sets forth information relating to the Group's joint ventures.

	JV Partner	Activity	Listing	Fair Value at 31 December (€ million)	
				2019	2018
Tofas	Koc Holding	Production of light and commercial vehicles in Turkey	Istanbul Stock Exchange	764	531
GAC FCA JV	Guangzhou Automobile Group Co.	Production of Jeep for the Chinese market	n.a.	n.a.	n.a.
Naveco	Nanjing Automotive Corporation	Production of light and commercial vehicles in China	n.a.	n.a.	n.a.
Turk Traktor	KOC Holding	Tractor production and import and distribution of agricultural equipment in Turkey	Istanbul Stock Exchange	188	100

Investments in associates

Investments in associates at 31 December 2019 and 2018 are as follows:

(€ million, except percentages)		At 31 December	
		2019	2018
Investments in associates			
Almacantar Group	35.80%	430	435
The Economist Group	43.40%	323	318
CNH Capital Europe S.a.s.	49.90%	169	153
Other		440	290
Total Investments in associates		**1,362**	**1,196**

Result from investments for the years ended 31 December 2019 and 2018 are as follows:

(€ million)	Years ended 31 December	
	2019	2018
Share of the profit of equity method investees	239	321
(Losses) Gains on disposal of investments	-	(2)
Dividends from investments	1	2
Impairment losses	(1)	(7)
Total result from investments	**239**	**314**

The following table summarises the share of profits of equity method investees for the years ended 31 December 2019 and 2018:

(€ million)	Years ended 31 December	
	2019	2018
Joint ventures	193	239
Associates	21	69
Others	25	13
Share of the profit of equity method investees	**239**	**321**

Non-current financial receivables

Non-current financial receivables mainly consist of amounts held on deposit or otherwise pledged to secure obligations under various commercial agreements, as well as letters of credit and other agreements.

Other securities

Other securities primarily relate to bonds which are issued by leading counterparties and listed on active markets as well as mutual funds and other non-current securities.

Other securities at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December 2019	2018
Debt securities at FVTPL	604	403
Debt securities at amortised cost	298	114
Debt securities at FVTOCI	26	50
Total other securities	**928**	**567**

Other financial assets

Other financial assets represent the fair value of derivative financial instruments analysed in Note 28, "Other financial assets and other financial liabilities".

16. Inventories

Inventories at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December 2019	2018
Raw materials, supplies and finished goods	15,997	16,625
Assets sold with a buy-back commitment and GDP vehicles	1,877	1,903
Gross amount due from customers for contract work	183	124
Total inventories	**18,057**	**18,652**

At 31 December 2019 net inventories of the CNH Industrial Group include assets which are no longer subject to operating lease arrangements or buy-back commitments for €407 million (€382 million at 31 December 2018).

In 2019 the amount of inventory write-downs recognized as an expense was €728 million (€771 million in 2018), while amounts recognized as income from the reversal of write-downs on items sold during the year are not significant. During the year ended 31 December 2018, impairments of inventory totaling €129 million were recognized by the FCA Group in connection with the accelerated adoption of new emission standards in China and slower than expected sales.

Construction contracts, net of advances, at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December 2019	2018
Aggregate amount of costs incurred and recognized profits (less recognized losses) to date	816	954
Less: Progress billings	(705)	(912)
Construction contracts, net of advances on contract work	**111**	**42**
Gross amount due from customers for contract work, as an asset	183	135
Less: Amount due to customers for contract work, as a liability	(72)	(93)
Construction contracts, net of advances on contract work	**111**	**42**

Changes in the Group's construction contracts, net of advances on contract work for the year ended 31 December 2019 were as follows:

(€ million)	At 31 December 2018	Advances received from customers	Amounts recognized within revenue	Transfers to Assets/(Liabilities) held for sale	Other Changes	At 31 December 2019
Construction contracts, net of advances on contract work	**42**	(603)	672	-	-	**111**

The entire amount of construction contracts, net of advances on contract work is expected to be recognized as revenue in the following 12 months.

17. Trade and other receivables

Trade and other receivables at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Trade receivables	2,597	2,525
Receivables from financing activities	21,418	21,236
Receivables from reinsurance activities	3,889	3,417
Total trade and other receivables	**27,889**	**27,178**

Trade receivables

The analysis of trade receivables by due date, at 31 December 2019 and 2018 is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Due within one year	2,590	2,517
Due between one and five years	7	8
Due beyond five years	-	-
Total trade receivables	**2,597**	**2,525**

The following table shows the expected credit loss (ECL) allowance for trade receivables measured at amortised cost at 31 December 2019 and 2018:

(€ million)	At 31 December 2019			At 31 December 2018		
	Current and less than 90 days past due	**90 days or more past due**	**Total**	**Current and less than 90 days past due**	**90 days or more past due**	**Total**
Gross amount	2,481	420	**2,901**	2,373	438	**2,811**
ECL allowance	(61)	(262)	**(323)**	(87)	(264)	**(351)**
Carrying amount	**2,420**	**158**	**2,578**	**2,286**	**174**	**2,460**

In addition to the amounts above, at 31 December 2019 a further €19 million (€65 million at 31 December 2018) of trade receivables was measured at fair value through profit or loss (refer to Note 32, "Fair value measurement by hierarchy").

The movement in the allowance for expected credit losses for trade receivables is as follows:

(€ million)	**2018**	**2019**
At 1 January	351	383
Provision for expected credit losses	38	73
Use and other changes	(66)	(74)
Transferred to Assets held for sale	-	(31)
At 31 December	**323**	**351**

Receivables from financing activities

Receivables from financing activities at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Dealer financing	11,298	11,191
Retail financing	9,321	9,165
Finance leases	458	462
Other	341	418
Total receivables from financing activities	**21,418**	**21,236**

The analysis of receivables from financing activities by due date, for the years ended 31 December 2019 and 2018 is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Due within one year	14,571	14,713
Due between one and five years	6,581	6,266
Due beyond five years	266	257
Total receivables from financing activities	**21,418**	**21,236**

The following table shows the expected credit loss (ECL) allowance for receivables from financing activities measured at amortised cost at 31 December 2018:

(€ million)	**At 31 December 2019**				At 31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Gross amount	20,191	380	459	**21,030**	19,850	358	517	20,725
ECL allowance	(109)	(8)	(316)	**(433)**	(223)	(45)	(189)	(457)
Carrying amount	**20,082**	**372**	**143**	**20,597**	19,627	313	328	20,268

In addition to the amounts above, at 31 December 2019 a further €817 million (€968 million at 31 December 2018) of receivables from financing activities was measured at fair value through profit or loss (refer to Note 32, "Fair value measurement by hierarchy").

The movement in the allowance for expected credit losses for receivables from financing activities is as follows:

(€ million)	**2019**	**2018**
At 1 January	457	539
Provision for expected credit losses	122	115
Use and other changes	(149)	(196)
Transferred to Assets held for sale	3	(1)
At 31 December	**433**	**457**

18. Investments of reinsurance companies

Investments of reinsurance companies at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Fixed maturities, at fair value	9,512	11,040
Funds held by reinsured companies	726	725
Equities, at fair value	1,153	606
Short-term investments, at fair value	893	431
Accrued investment income, at fair value	98	101
Other invested assets	2,282	839
Total investments of reinsurance companies	**14,664**	**13,742**

At 31 December 2019 approximately €261 million (€133 million at 31 December 2018) of cash and cash equivalents and approximately €3,584 million (€3,362 million at 31 December 2018), respectively, of securities were deposited, pledged or held in escrow accounts in favour of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws.

Net realised and unrealised gains of €804 million and losses of €345 million on investments designated as fair value through profit or loss, were recognized in the Consolidated Income Statement during 2019 and 2018, respectively.

19. Other assets

Other assets at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December 2019	At 31 December 2018
Current tax receivables	798	1,020
Defined benefit plan assets	774	579
Other non-current assets	969	717
Other current assets:		
Accrued income and prepaid expenses	1,282	835
Other current assets	5,100	4,200
Total other current assets	**6,382**	**5,035**
Total other assets	**8,923**	**7,351**

The analysis of current tax receivables by due date at 31 December 2019 and 2018 is as follows:

(€ million)	At 31 December 2019	At 31 December 2018
Due within one year	573	835
Due between one and five years	181	166
Due beyond five years	44	19
Total current tax receivables	**798**	**1,020**

The analysis of other current assets by due date at 31 December 2019 and 2018 is as follows:

(€ million)	At 31 December 2019	At 31 December 2018
Due within one year	2,720	2,440
Due between one and five years	987	1,646
Due beyond five years	1,393	144
Total other current assets	**5,100**	**4,200**

20. Transfers of financial assets

The FCA Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. The carrying amount of transferred financial assets not derecognized and the related liabilities at 31 December 2019 and 2018 are as follows:

(€ million)	Trade receivables	Receivables from financing activities	Total
At 31 December 2019			
Carrying amount of the assets transferred and not derecognized	11	140	**151**
Carrying amount of the related liabilities	(11)	(140)	**(151)**
At 31 December 2018			
Carrying amount of the assets transferred and not derecognized	30	427	**457**
Carrying amount of the related liabilities	(30)	(427)	**(457)**

The CNH Industrial Group transfers a number of its financial and trade receivables under securitisation programs or factoring transactions.

The carrying amount of such transferred financial assets, the related liabilities and the respective fair value at 31 December 2019 and 2018 are as follows:

(€ million)	Receivables from financing activities	Other financial assets	Total
At 31 December 2019			
Carrying amount of assets	12,116	930	**13,046**
Carrying amount of the related liabilities	(9,549)	(920)	**(10,469)**
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:			
Fair value of the assets	12,153	930	**13,083**
Fair value of the liabilities	(9,525)	(919)	**(10,444)**
Net position	**2,628**	**11**	**2,639**
At 31 December 2018			
Carrying amount of assets	11,723	639	**12,362**
Carrying amount of the related liabilities	(9,202)	(639)	**(9,841)**
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:			
Fair value of the assets	11,609	639	**12,248**
Fair value of the liabilities	(9,093)	(639)	**(9,732)**
Net position	**2,516**	**0**	**2,516**

Other financial assets also include cash with a pre-determined use restricted to the repayment of securitisation debt.

21. Cash and cash equivalents

Cash and cash equivalents at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Cash at banks	11,530	10,036
Money market securities	10,461	8,318
Restricted cash	944	782
Total cash and cash equivalents	**22,935**	**19,136**

Cash and cash equivalents held in certain foreign countries (primarily, China and Argentina) are subject to local exchange control regulations providing for restrictions on the amount of cash other than dividends that can leave the country.
Certain of the Group entities perform securitisation transactions to support the funding portfolio of the financial services activities. In connection with such securitisation, cash collected from the settlement of receivables or lines of credit pledged as collateral is subject to certain restrictions regarding its use and is principally applied to repay principal and interest of the funding.

22. Equity

Share capital
At 31 December 2019 the total issued capital of EXOR N.V. was equal to €2.4 million, divided into 241,000,000 shares with a nominal value of Euro 0.01.

EXOR N.V. adopted a loyalty voting structure designed to incentivise long-term share ownership, on the basis of which for each EXOR N.V. ordinary share held consecutively for a period of five years, shareholders will be entitled to five voting rights at the end of that period, and for each EXOR N.V. ordinary share held without interruption for a period of ten years, shareholders will be entitled to ten voting rights at the end of that period.

No special voting shares had been issued and none are outstanding at 31 December 2019.

Treasury stock

At 31 December 2019, 9,412,215 shares with a nominal value of €0.01 per share are held as treasury stock (6,709,893 at 31 December 2018).

The movements in treasury stock are mainly related to shares repurchased by EXOR under their share buyback program (3,646,822 shares in 2019), partially offset by shares utilized under the Company's stock option plans.

Other comprehensive income

Other comprehensive income for the years ended 31 December 2019 and 2018 is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Items that will not be reclassified to the Consolidated Income Statement in subsequent periods:		
Gains (losses) on remeasurement of defined benefit plans	(215)	499
Share of gains (losses) on remeasurement of defined benefit plans for equity method investees	(9)	-
Gains (losses) on financial assets at FVTOCI	(5)	(12)
Items relating to discontinued operations	(9)	1
Total items that will not be reclassified to the Consolidated Income Statement in subsequent periods, before tax effect (B1)	**(238)**	**488**
Items that may be reclassified to the Consolidated Income Statements in subsequent periods:		
Gains (losses) on cash flow hedging instruments arising during the year	(399)	98
Gains (losses) on cash flow hedging instruments reclassified to the income Statement	163	(141)
Gains (losses) on cash flow hedging instruments	**(236)**	**(43)**
Foreign exchange gains (losses) arising during the year	439	284
Foreign exchange gains (losses) reclassified to the income Statement		-
Foreign exchange gains (losses)	**439**	**284**
Share of other comprehensive income of equity method investees arising during the year	(6)	(180)
Share of other comprehensive income (loss) of equity method investees reclassified to the income statement	2	8
Share of other comprehensive income (loss) of equity method investees	**(4)**	**(172)**
Items relating to discontinued operations	9	(91)
Total Items that may be reclassified to the Consolidated Income Statement in subsequent periods, before tax effect (B2)	**208**	**(22)**
Total Other Comprehensive Income, before tax effect (B1)+(B2)=(B)	**(30)**	**466**
Tax effect	78	(107)
Tax effect - discontinued operations	-	1
Total Other Comprehensive Income (Loss), net of tax	**48**	**360**

With reference to the defined benefit plans of the Group, the gains and losses arising from the remeasurement mainly include actuarial gains and losses arising during the period, the return on plan assets (net of interest income recognized in the income statement) and any changes in the effect of the asset ceiling. These gains and losses are offset against the related net liabilities or assets for defined benefit plans (refer to Note 24, "Provisions for employee benefits").

The tax effect relating to other comprehensive income for the years ended 31 December 2019 and 2018 is as follows:

(€ million)	At 31 December					
	2019			2018		
	Pre-tax balance	Tax benefit (expense)	Net-of-tax balance	Pre-tax balance	Tax benefit (expense)	Net-of-tax balance
Gains (losses) on remeasurement of defined benefit plans	(215)	18	(197)	499	(108)	391
Gains (losses) on financial assets at FVTOCI	(5)	-	(5)	(12)	-	(12)
Gains (losses) on cash flow hedging instruments	(236)	60	(176)	(43)	1	(42)
Foreign exchange gains (losses)	439	-	439	284	-	284
Share of other comprehensive income (loss) of equity method investees	(13)	-	(13)	(172)	-	(172)
Items relating to discontinued operations	-	-	-	(90)	1	(89)
Total Other Comprehensive Income (Loss)	**(30)**	**78**	**48**	**466**	**(106)**	**360**

Non-controlling interests

Non-controlling interests at 31 December 2019 and 2018 is as follows:

(€ million)		Attributable to non-controlling interests	
	%	Net Result	Equity
At 31 December 2019			
FCA	71.33%	4,729	20,466
CNH Industrial	72.82%	603	5,167
Ferrari	76.02%	532	1,132
PartnerRe	-(1)	32	639
Juventus	36.23%	(35)	100
Exor Seeds	26.89%	2	30
Total		**5,862**	**27,534**
At 31 December 2018			
FCA	71.02%	2,586	17,854
CNH Industrial	72.90%	871	4,626
Ferrari	76.35%	602	1,090
PartnerRe	-(1)	30	636
Juventus	36.23%	(20)	29
Total		**4,069**	**24,235**

(1) Related to preferred shares.

The carrying value of the preferred shares of PartnerRe, recognized in non-controlling interests, at 31 December 2019 was €640 million or $719 million (at 31 December 2018 €636 million or $728 million).

23. Share-based compensation

The subsidiaries of the Group have various stock option plans which amongst others include the award of performance share units ("PSU") and restricted share units ("RSU"). The PSU and RSU represent the right to receive one common share of the relevant entity. PSU awards have financial performance targets whilst the RSU awards have a service condition only. The total number of shares that will be issued may therefore vary from the original award.

Further details of the stock options plans of each of the Group entities are described below.

EXOR

2012 Long-term incentive plans
The plan, denominated "Company Performance Stock Options", vested 1,019,200 options of which 450,000 to the Chairman and Chief Executive Officer of the company and 569,200 to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price per share of €16.59 and €16.62, respectively. The options are exercisable until 2021. At the end of 2019 the options outstanding, vested and not exercised, are 450,000 granted to the Chairman and Chief Executive Officer of the company and 276,000 to other beneficiaries. During 2019, 26,000 options were exercised by other beneficiaries.

Stock Option Plan EXOR 2016
The Stock Option Plan EXOR 2016 has a maximum of 3,500,000 options corresponding to the same number of shares. The number of stock options outstanding at 31 December 2019, but entirely not exercisable, is 2,937,135 (average exercise price of €32.38 per share).

Change during 2019 and 2018 were as follows:

	2019		2018	
	Number of options	**Weighted average exercise price (€)**	**Number of options**	**Weighted average exercise price (€)**
Outstanding at the beginning of the year	**2,937,135**	**32.38**	2,937,135	32.38
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at the end of the year	**2,937,135**	**32.38**	2,937,135	32.38
Exercisable at the end of the year	**0**		0	

The cost of the plan is as follows:

€ thousand	2019		2018	
	Options outstanding	**Cost**	**Options outstanding**	**Cost**
Chairman and Chief Executive Officer of EXOR N.V.	2,013,950	3,586	2,013,950	3,586
Key employees	485,312	967	485,312	887
Key employees of companies in the Holdings System	437,873	718	437,873	791
Total	**2,937,135**	**5,271**	**2,937,135**	**5,264**

The cost for the year recorded in the stock option reserve amounts to €5,333 thousand (€5,634 thousand in 2018) including €3,586 thousand (€3,696 thousand in 2018) classified as compensation to the Chairman and Chief Executive Officer.
All the share-based incentive plans will be serviced exclusively by treasury stock without any new share issues and therefore will not have any dilutive effect on issued capital.

FCA Group
At 31 December 2019 and at 31 December 2018 various share-based compensation plans relating to managers of the FCA Group and the Chief Executive Officer of FCA are in place.

FCA awarded PSUs and RSUs to certain key employees under the framework equity incentive plan. The PSU and RSU awards represent the right to receive FCA common shares. The PSU awards have financial performance goals that include, a net income target as well as total shareholder return ("TSR") target whilst the RSU awards are based on service conditions.

The following table sets forth certain information related to the PSU awards in 2015, 2017 and 2018.

	2015	2017	2018
PSU			
PSU awarded	14.71 million	2.26 million	2.40 million (PSU 2018)
Performance conditions	50% Net Income Target (PSU NI) 50% Total Shareholder Return Target (PSU TSR)		Total Shareholder Return Target (PSU TSR)
Performance Period	5 years 2014 to 2018	- PSU NI 3 years (2016 to 2018) - PSU TSR 2 years (Dec 16 to Dec 18)	5 years 2017 to 2021
Performance period start date	1 January 2014	1 January 2016	1 January 2017
Vesting Dates	- 1/3 Q1 2017 (performance goals 2014 to 2016) - cumulative 2/3 Q1 2018 (performance goals 2014 to 2017) - cumulative 100% Q1 2019 (performance goals 2014 to 2018)	Q1 2019	- 1/3 Q1 2020 (performance goals 2017 to 2019) - cumulative 2/3 Q1 2021 (performance goals 2017 to 2020) - cumulative 100% Q1 2022 (performance goals 2017 to 2021)

Furthermore in December 2018, FCA awarded an additional 0.1 million PSU awards (not included in the 2.4 million 2018 PSU awards above) to certain key employees, which were granted with the same terms as those granted in 2015, as described in the table above. These awards will vest in the first quarter of 2019.

The following table sets forth certain information related to the RSU awards in 2015, 2016, 2017 and 2018.

	2015	2016	2017	2018
RSU				
RSU awarded	5.20 million	0.09 million	2.29 million	0.58 million (RSU 2018) 0.05 million (RSU Dec. 2018)
Vesting Dates	Equal tranches Q1 2017, Q1 2018 and Q1 2019	Equal tranches Q1 2017 and Q1 2018	Equal tranches Q1 2018 and Q1 2019	Equal tranches 2017, 2018 and 2019 (RSU 2018) Q1 2019 (RSU Dec. 2018)

The vesting of the PSU NI awards is determined by comparing FCA's net profit excluding unusual items to the net income targets derived from FCA's business plan for the corresponding period. The fair values of the PSU NI awards were calculated using a Monte Carlo simulation model.
Changes during 2019 and 2018 for the PSU NI awards under the framework equity incentive plan were as follows:

	2019		2018	
	PSU NI	**Weighted average fair value at the grant date (€)**	**PSU NI**	**Weighted average fair value at the grant date (€)**
Outstanding shares unvested at 1 January	**4,568,830**	**6.14**	**8,803,826**	**5.89**
Anti-dilution adjustment	25,516	4.91	32,855	5.87
Granted	-	-	71,136	9.73
Vested	(4,295,593)	6.24	(3,857,502)	5.58
Cancelled	-	-	-	-
Forfeited	(36,369)	6.62	(481,485)	6.27
Outstanding shares unvested at 31 December	**262,384**	**4.91**	**4,568,830**	**6.14**

PSU Adjusted EBIT Awards

Changes during 2019 for the PSU Adjusted Ebit awards under the framework equity incentive plan were as follows:

	2019	
	PSU TSR	**Weighted average fair value at the grant date (€)**
Outstanding shares unvested at 1 January	**-**	**-**
Anti-dilution adjustment	524,308	10.18
Granted	5,182,071	11.26
Vested	-	-
Cancelled	-	-
Forfeited	(145,740)	11.28
Outstanding shares unvested at 31 December	**5,560,639**	**10.19**

Changes during 2019 and 2018 for the PSU TSR awards under the framework equity incentive plan were as follows:

	2019		2018	
	PSU TSR	**Weighted average fair value at the grant date (€)**	**PSU TSR**	**Weighted average fair value at the grant date (€)**
Outstanding shares unvested at 1 January	**6,926,413**	**11.42**	**8,803,827**	**10.58**
Anti-dilution adjustment	644,588	10.60	32,855	10.54
Granted	5,189,237	11.58	2,473,637	13.15
Vested	(4,295,594)	10.67	(3,857,502)	10.51
Cancelled	(1,385,046)	12.99	-	-
Forfeited	(282,107)	11.94	(526,404)	11.50
Outstanding shares unvested at 31 December	**6,797,491**	**10.61**	**6,926,413**	**11.42**

The key assumptions utilised to calculate the grant date fair values for the PSU NI and PSU TSR awards issued are summarised below:

	2019 Awards	2018 Awards	2017 Awards	2015 Awards		
	PSU TSR	**PSU TSR**	**PSU NI**	**PSU TSR**	**PSU NI**	**PSU TSR**
	Awards Range	**Awards Range**	**Awards Range**	**Awards Range**	**Awards Range**	**Awards Range**
Grant date stock price	€13.10	€18.79	€9.74 - €10.39	€9.74 - €10.39	€13.44 - €15.21	€13.44 - €15.21
Expected volatility	39%	41%	40%	44%	40%	37% - 39%
Dividend yield	5%	0%	0%	0%	0%	0%
Risk-free rate	(0.7)%	(0.3)%	(0.80)%	0.80%	0.70%	0.7% - 0.8%

The expected volatility was based on the observed historical volatility for common shares of FCA. The risk-free rate was based on the yields of government and treasury bonds with similar terms to the vesting date of each PSU NI and PSU TSR award. In addition, since the volatility of each member of the defined peer group are not wholly independent of one another, a correlation coefficient was developed based on historical share price changes for FCA and the defined peer group over a three-year period leading up to the grant date of the awards.

Changes during 2019 and 2018 for the RSU awards under the framework equity incentive plan were as follows:

	2019		2018	
	RSUs	Weighted average fair value at the grant date (€)	RSUs	Weighted average fair value at the grant date (€)
Outstanding shares unvested at 1 January	**4,290,986**	**10.47**	**7,600,313**	**9.17**
Anti-dilution adjustment	761,529	10.49	28,299	9.12
Granted	7,160,764	11.35	627,081	18.54
Vested	(3,347,345)	9.93	(3,690,050)	9.09
Cancelled	-	-	-	-
Forfeited	(712,895)	10.05	(274,657)	10.28
Outstanding shares unvested at 31 December	**8,153,039**	**10.51**	**4,290,986**	**10.47**

Anti-dilution adjustments - PSU awards and RSU awards

The documents governing FCA's long-term incentive plans contain anti-dilution provisions which provide for an adjustment to the number of awards granted under the plans in order to preserve, or alternatively, prevent the enlargement of the benefits intended to be made available to the recipients of the awards should an event occur that impacts FCA's capital structure.

	Anti-dilution adjustment	
	2019	2018
PSU Awards:		
Number of awards - as adjusted	**12,620,514**	**17,673,363**
Key assumption - as adjusted:		
Grant date stock price - for PSU NI and PSU TSR	€8.79 - €16.96	€5.71 - €10.35
RSU Awards:		
Number of awards - as adjusted	**8,153,039**	**7,628,612**

The following table sets forth information related to the income statement expense recognized and to be recognized in relation to the PSU and RSU awards:

	Years ended 31 December	
(€ million)	2019	2018
Total expense	92	54
Unrecognized expense	112	28
Weighted average remaining period over which expense will be recognized (years)	1.6	1.8

CNH Industrial

CNH Industrial's equity awards are governed by several plans: i) CNH Industrial N.V. Equity Incentive Plan ("CNH Industrial EIP"); ii) CNH Industrial N.V. Directors' Compensation Plan ("CNH Industrial DCP"); iii) CNH Global N.V. Equity Incentive Plan ("CNH EIP"); and, iv) CNH Global N.V. Directors' Compensation Plan ("CNH DCP").

The following table sets forth information related to the income statement expense recognized and to be recognized in relation to the CNH Industrial's equity awards:

	Years ended 31 December	
(€ million)	2019	2018
Total expense	29	30
Unrecognized expense	9	38
Weighted average remaining period over which expense will be recognized (years)	0.6	1.12

Performance Share Units

In 2014 CNH Industrial issued a one-time grant of PSU's to its Chief Executive Officer and selected key employees, with financial performance goals covering the five-year period from 1 January 2014 to 31 December 2018. This PSU grant totaled approximately 12 million units and further pro-rata amounts for were issued to new employees in 2016 and 2017. In December 2017 CNH Industrial cancelled all such PSU's awarded and issued a grant of PSU's to its Chief Executive Officer and selected key employees, with financial performance goals covering the three-year period from 1 January 2017 to 31 December 2019.

This PSU grant totaled approximately 7 million units. In 2018 and 2019, prorated share amounts covering performance through this same period were issued to new employees entering the plan. Furthermore, 0.6 million additional PSUs were granted in 2018 and 0.4 million in 2019. The performance goal is a market condition with a payout schedule ranging from 0% to 130%. In addition, there is a performance condition that if not met, reduces the payout by 30%. Accordingly, the total number of shares that will eventually be granted may vary from the original estimate of 7 million shares. The awards cliff vest on 28 February 2020 to the extent that the market condition is met upon completion of the performance period on 31 December 2019.

The fair values of the awards are calculated using the Monte Carlo Simulation model. The weighted average fair value of the awards that were issued in 2019 and 2018 is $5.19 and $8.69 per share, respectively. As a significant majority of the awards (approximately 79% of total awards at 31 December 2019) were issued on 22 December 2017, the key assumptions utilised to calculate the grant-date fair values for awards issued on this grant date are listed below:

	Key assumptions for awards issued on 22 December 2017
Grant date stock price (in $)	10.73
Expected volatility	31.1%
Dividend yield	0.87%
Risk-free rate	2.01%

The expected volatility is based on the daily stock price movements experienced by the common shares of CNH Industrial N.V. over a three-year period ending on the grant date. The expected dividend yield was based on CNH Industrial's historical dividend payout as management expected the dividend payout for future years to be consistent. The risk-free interest rate was based on the yields of three-year U.S. Treasury bonds.

Movements in Performance-based Share Units are as follows:

	2019		**2018**	
	Number of shares	**Weighted average fair value at grant date ($)**	**Number of shares**	**Weighted average fair value at grant date ($)**
Outstanding shares unvested at the beginning of the year	**5,308,740**	**7.92**	**6,632,100**	**9.14**
Granted	447,105	5.19	617,140	8.69
Forfeited/cancelled	(872,366)	9.54	(1,940,500)	6.82
Vested	-	-	-	-
Outstanding shares unvested at the end of the year	**4,883,479**	**7.82**	**5,308,740**	**7.92**

Restricted Share Units

In 2016, 2017 and 2018 CNH Industrial awarded RSU's to selected key employees and in 2014 to the Chairman of CNH Industrial N.V.

The following table sets forth certain information related to the RSU's awarded:

	Years ended 31 December		
	2017	**2018**	**2019**
RSU awards	4 million	1 million	0.8 million
Weighted average grant date fair value	$13.23	$11.63	$9.95
Vesting Dates	Three equal tranches over three years		

The fair value of the award is measured using the stock price on the grant date adjusted for the present value of future dividends that employees will not receive during the vesting period.

Movements in Restricted Share Units are as follows:

	2019		2018	
	Restricted shares	Weighted average grant-date fair value ($)	Restricted shares	Weighted average grant-date fair value ($)
Outstanding shares unvested at the beginning of the year	**3,364,447**	**11.88**	**6,092,234**	**11.38**
Granted	832,105	9.95	632,840	11.63
Forfeited	(320,993)	12.28	(913,290)	12.46
Vested	(2,032,892)	11.19	(2,447,337)	10.27
Outstanding shares unvested at the end of the year	**1,842,667**	**11.69**	**3,364,447**	**11.88**

Ferrari

In 2017 Ferrari issued the following PSU's and RSU's to the Group Executive Committee and key leaders and to the Chief Executive Officer.

	GEC and Key Leaders	CEO
	PSU	
PSU awarded	237 thousand	450 thousand
Performance conditions	Total shareholder return target (TSR) performance compared to an industry specific peer group	
Performance Period	2016 to 2020	
Performance period start date	1 Jan 2016	
Vesting Dates	- 1/3 March 2019 - cumulative 2/3 March 2020 - cumulative 100% March 2021	
	RSU	
RSU awarded	119 thousand	-
Vesting Dates	Equal tranches March 2019, 2020 and 2021	Equal tranches Q1 2018 and Q1 2019
Performance period start date	1 Jan 2016	

In 2018, Ferrari issued approximately 21 thousand additional PSUs and 10 thousand additional RSUs, including to its new Chief Executive Officer, under the same conditions as the awards in the table above.

The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The range of the fair value of the PSUs that were awarded in 2017 is €59.36 to €72.06 per share and the range of the fair value of the RSUs that were awarded in 2018 is €61.30 to €111.92. The key assumptions utilised to calculate the grant-date fair values for these awards are summarised below:

	PSU Awards granted in	
Key assumptions	**2018**	**2017**
Grant date share price	€113.70	€66.85
Expected volatility	16.7%	17.4%
Dividend yield	0.9%	1.2%
Risk-free rate	0%	0%

The expected volatility was based on the observed volatility of the peer group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

The RSU awards granted are conditional on a recipient's continued service to the Company, as described below. The fair value of the awards was measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.
The range of the fair value of the RSUs awarded in 2017 is €63.00 to €64.64 per share and the range of the fair value of the RSUs awarded in 2018 is €110.76 to €112.99.

At 31 December 2019, 230,282 of the PSUs and 40,087 of the RSUs were vested, and 33 thousand PSUs and 18 thousand RSUs were forfeited. Under the equity incentive plan, the total number of PSUs and RSUs outstanding at 31 December 2019 were 599 thousand and 171 thousand, respectively.

Equity incentive plan 2019-2021

Under a new equity incentive plan approved in 2019, approximately 174 thousand PSUs and 111 thousand RSUs, which each represent the right to receive one Ferrari common share, were awarded to the Executive Chairman, the Chief Executive Officer, all members of the SMT and other key employees of the Group (Equity Incentive Plan 2019-2021). These PSUs and RSUs cover a three-year performance period from 2019 to 2021.

The vesting of the PSUs is based on the achievement of defined key performance indicators relating to: i) TSR ranking, ii) an EBITDA target, and iii) innovation targets, which will each be settled independently of the other targets. The total number of shares that will be assigned upon vesting of the PSUs will depend on the level of achievement of the targets. The PSUs vest in 2022, except for the PSUs awarded to the Chief Executive Officer which will vest in three tranches of 12 percent, 12 percent and 76 percent in 2020, 2021 and 2022, respectively.

The performance period for the PSUs commenced on 1 January 2019. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The range of the fair value of the PSUs that were awarded is €110.57-€111.64 per share.

Key assumptions PSU Awards granted in 2019	
Grant date share price	€122.60
Expected volatility	26.50%
Dividend yield	0.83%
Risk-free rate	0%

The expected volatility was based on the observed volatility of the new peer group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

The vesting of the RSUs is conditional on the recipients continued employment with the Company at the time of vesting. The RSUs vest in 2022, except for the RSUs awarded to the Chief Executive Officer which vest in three equal tranches in 2020, 2021 and 2022. The range of the fair value of the RSUs awarded is €119.54 - €120.56 per share

The following table sets forth information related to the income statement expense recognized and to be recognized in relation to the PSU and RSU awards:

	Years ended 31 December	
(€ million)	**2019**	**2018**
Total expense	17	22
Unrecognized expense	19	6

PartnerRe

Long Term Incentive Plan

During 2017, the Company designated a new class of voting Class B shares. Class B shares can either be purchased by or granted to certain executives or non-executive directors of the Company at the discretion of the Company in line with the provisions set out in the Certificate of Designation, or any sub-plan or addendum thereto. The LTI Committee of the Board approved the related Certificate of Designation which stipulated that the granted shares are restricted from sale for a period of up to three years from the date of grant and grants can be made by the Company twice a year on 1 March or 1 September. In addition, unrestricted Class B shares can be transferred or sold back to the Company, subject to any applicable restrictions as per the Certificate of Designation, at the option of the shareholder. The notices of grant require that, once the restriction period has expired, the employee can only sell or transfer the Class B shares back to the Company provided the employee continues to hold shares in the amount of a minimum of four times their gross annual long-term incentive target value, unless otherwise agreed in writing.

The Class B shares are accounted for as liabilities, with the restricted shares granted recognized at fair value over the restriction period.

The compensation expense related to Class B awards for the years ended 31 December 2019 and 2018 was approximately $10 million and $4 million respectively.

24. Provisions for employee benefits

The Group's provisions and net assets for employee benefits are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Present value of defined benefit obligations:		
Pension plans	27,823	25,562
Healthcare and life insurance plans	2,656	2,594
Other post-employment benefits	1,110	1,128
Total present value of defined benefit obligations	**31,589**	**29,284**
Fair value of plan assets on pension plan	(22,734)	(20,922)
Fair value of plan assets of healthcare and life insurance plans	(135)	(124)
Asset ceiling	33	12
Total net defined benefits plan	**8,753**	**8,250**
of which:		
Net defined benefit liability (A)	*9,527*	*8,820*
(Defined benefit plan assets)	*(734)*	*(570)*
Other provisions for employees (B)	**1,279**	**1,370**
Total provisions for employee benefits (A) + (B)	**10,806**	**10,190**

The Group provides post-employment benefits for certain of its active employees and retirees, either directly or by contributing to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which the Group operates.

The Group provides post-employment benefits under defined contribution and defined benefit plans.
The plans are classified by the Group on the basis of the type of benefit provided as follows: pension benefits, healthcare plans, life insurance plans, and other post-employment benefits.
Moreover, the Group provides post-employment benefits, such as pension or healthcare benefits, to its employees under defined contribution plans. In this case, the Group pays contributions to the publicly or privately administered insurance plans on a legally mandatory, contractual, or voluntary basis. By paying these contributions the Group fulfills all of its obligations. The Group recognises the cost for defined contribution plans over the period in which the employee renders service. In 2019 this cost amounts to €2,034 million (€2,024 million in 2018).

Pension benefits

Group companies in the United States and Canada sponsor both non-contributory and contributory defined benefit pension plans. Liabilities arising from these plans are usually funded by contributions made by the Group and, at times by their employees, into legally separate trusts which independently manage the assets servicing the plan from which the employee benefits are paid.

The Group's funding policy for defined benefit pension plans is to contribute the minimum amounts required by applicable laws and regulations. Occasionally, additional discretionary contributions in excess of these legally required are made to achieve certain desired funding levels.

To the extent that a fund is overfunded, the Group is not required to make further contribution to the plan in respect of minimum performance requirements so long as the fund is in surplus. In the U.S. these excess amounts are tracked, and the resulting credit balance can be used to satisfy minimum funding requirements in future years

In November 2019, CNH Industrial signed a group annuity contract to transfer the outstanding pension benefit obligations related to certain retirees and beneficiaries within the U.S. plans. In connection with this transaction, €384 million of plan obligations were transferred along with €402 million of plan assets and CNH Industrial recognized in the fourth quarter of 2019 a €18 million pre-tax non-cash settlement charge.

The FCA Group contributions to funded pension plans for 2020 are expected to be €970 million, of which €940 million relates to the U.S. and Canada, with €895 million being discretionary contributions and €45 million which will be made to satisfy minimum funding requirements.

The expected benefit payments for pension plans are as follows:

(€ million)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025-2029**
Expected benefit payments	1,641	1,597	1,589	1,580	1,581	7,877

Changes in pension plans are the following:

(€ million)	**At 31 December**							
	2019				**2018**			
	Defined benefit obligation	**Fair value of plan assets**	**Asset ceiling**	**(Net asset) Net liability obligation**	**Defined benefit obligation**	**Fair value of plan assets**	**Asset ceiling**	**(Net asset) Net liability obligation**
Amounts at 1 January	**25,562**	**(20,922)**	**12**	**4,652**	**28,497**	**(23,420)**	**29**	**5,106**
Included in the income statement	430	28	**-**	**458**	82	487	-	**569**
Included in Other comprehensive income:								
Actuarial (gains) losses from:								
- demographic assumptions	(356)	-	-	**(356)**	(209)	-	-	**(209)**
- financial assumptions	3,086	-	-	**3,086**	(1,627)	-	-	**(1,627)**
- other	21	-	-	**21**	(17)	129	(16)	**96**
Return on assets	-	(2,693)	-	**(2,693)**	-	1,615	-	**1,615**
Change in the effect of limiting net assets	-	-	3	**3**	-	-	(1)	**(1)**
Exchange differences	713	(640)	2	**75**	834	(627)	-	**207**
Other changes:								
Contribution by employer	-	(102)	-	**(102)**	-	(807)	-	**(807)**
Contribution by plan participants	8	(8)	-	**0**	7	(7)	-	**0**
Benefits paid	(1,669)	1,632	-	**(37)**	(1,725)	1,560	-	**(165)**
Transfer to Liabilities held for sale	-	-	-	**0**	(268)	126	-	**(142)**
Other changes	27	(29)	17	**15**	(12)	22	-	**10**
Amounts at 31 December	**27,823**	**(22,734)**	**34**	**5,122**	**25,562**	**(20,922)**	**12**	**4,652**

Amounts recognized in the Consolidated Income Statement were as follows:

(€ million)	**At 31 December**	
	2019	**2018**
Current service cost	182	199
Interest expenses	1,037	987
Interest income	(851)	(810)
Other administrative costs	88	82
Past service costs (income) and (gains) losses arising from settlements	2	111
Total recognized in the Consolidated Income Statement	**458**	**569**

During the year ended 31 December 2019, the FCA Group entered into a buyout relating to its Canadian salaried defined benefit plan. A total of €325 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €6 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended 31 December 2019.

During the year ended 31 December 2019, FCA Group also amended its U.S. defined benefit plan for salaried employees to allow certain terminated vested participants to accept a lump-sum amount. A total of €69 million was paid in December 2019 to those participants that accepted the offer. The plan amendment resulted in a settlement gain of €20 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended 31 December 2019.

During the year ended 31 December 2018 the FCA Group settled a portion of the supplemental retirement plan in North America, resulting in a refund of excess assets of €22 million. The corresponding settlement charge of €78 million was recognized within Selling, general and administrative expenses in the Consolidated Income Statement for the year ended 31 December 2018.

During the year ended 31 December 2018 the FCA Group entered into an annuity buyout relating to two of its U.S. defined benefit plans. A total of €841 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €12 million that was recognized within Selling, general and administrative expenses in the Consolidated Income Statement for the year ended 31 December 2018.
The fair value of plan assets by class is as follows:

(€ million)	At 31 December			
	2019		**2018**	
	Amount	**of which have a quoted market price in an active market**	**Amount**	**of which have a quoted market price in an active market**
Cash and cash equivalents	**730**	**696**	**724**	**655**
US equity securities	1,407	1,405	1,488	1,284
Non-US equity securities	781	781	784	757
Commingled fund	1,596	422	1,833	606
Equity instruments	**3,784**	**2,608**	**4,105**	**2,647**
Government securities	3,320	1,281	3,047	1,207
Corporate bonds (including convertible and high-yield bonds)	5,553		5,347	-
Other fixed income securities	1,536	174	1,316	86
Fixed income securities	**10,409**	**1,455**	**9,710**	**1,293**
Private equity funds	2,297		2,066	-
Commingled funds	65	62	56	53
Mutual funds	1,542	-	864	-
Real estate funds	1,349	3	1,392	3
Hedge funds	2,072	38	1,676	26
Investment funds	**7,325**	**103**	**6,054**	**82**
Insurance contracts and other	**486**	**66**	**329**	**12**
Total fair value of plan assets	**22,734**	**4,928**	**20,922**	**4,689**

Non-U.S. equity securities are invested broadly in developed international and emerging markets. Debt instruments are fixed income securities which comprise primarily long-term U.S. Treasury and global government bonds, as well as U.S., developed international and emerging market companies' debt securities diversified by sector, geography and through a wide range of market capitalisation. Commingled funds include common collective trust funds, mutual funds and other investment entities. Private equity funds include those in limited partnerships that invest primarily in operating companies that are not publicly traded on a stock exchange. Real estate investments include those in limited partnerships that invest in various commercial and residential real estate projects both domestically and internationally. Hedge fund investments include those seeking to maximise absolute return using a broad range of strategies to enhance returns and provide additional diversification.

The investment strategies and objectives for pension assets reflect a balance of liability-hedging and return-seeking investment considerations. The investment objectives are to minimise the volatility of the value of the pension assets relative to the pension liabilities and to ensure assets are sufficient to pay plan obligations. The objective of minimising the volatility of assets relative to liabilities is addressed primarily through asset diversification, partial asset-liability matching and hedging. Assets are broadly diversified across many asset classes to achieve risk-adjusted returns that, in total, lower asset volatility relative to the liabilities. Additionally, in order to minimise pension asset volatility relative to the pension liabilities, a portion of the pension plan assets are allocated to fixed income securities. The Group policy for these plans ensures actual allocations are in line with target allocations as appropriate.
Assets are actively managed, primarily, by external investment managers. Investment managers are not permitted to invest outside of the asset class or strategy for which they have been appointed.
The Group uses investment guidelines to ensure investment managers invest solely within the mandated investment strategy. Certain investment managers use derivative financial instruments to mitigate the risk of changes in interest rates and foreign currencies impacting the fair values of certain investments. Derivative financial instruments may also be used in place of physical securities when it is more cost effective and/or efficient to do so.

Plan assets do not include shares of FCA, CNH Industrial, or properties occupied by Group companies.

The PartnerRe Group's plan assets are related to insured funds and cash. The insured funds comprise the accumulated pension plan contributions and investment returns thereon, which are held in an insurance arrangement that provides at least a guaranteed minimum investment return. The insured funds are held by a collective foundation of AXA Life Ltd. and are guaranteed under the insurance arrangement

Sources of potential risk in the pension plan assets measurements relate to market risk, interest rate risk and operating risk. Market risk is mitigated by diversification strategies and as a result, there are no significant concentrations of risk in terms of sector, industry, geography, market capitalisation, or counterparty. Interest rate risk is mitigated by partial asset-liability matching.

The fixed income target asset allocation partially matches the bond-like and long-dated nature of the pension liabilities. Interest rate increases generally will result in a decline in the fair value of the investments in fixed income securities and the present value of the obligations. Conversely, interest rate decreases generally will increase the fair value of the investments in fixed income securities and the present value of the obligations.

The weighted average assumptions used to determine the defined benefit obligations of the pension plans are as follows:

	At 31 December	
(in %)	**2019**	**2018**
FCA Group		
Discount rate	2.0-3.3	2.8 – 4.4
Future salary increase rate	2.7-3.5	3.0 – 3.5
Average duration (years)	11-17	11 - 20
CNH Industrial		
Discount rate	1.88	2.91
Future salary increase rate	2.99	3.00
Average duration (years)	14	12
Ferrari Group		
Discount rate	0	0.8
Average duration (years)	14	9
PartnerRe Group		
Discount rate	1	1
Future salary increase rate	2	2.25
Average duration (years)	19	19

The effect of an increase or decrease in the assumed discount rate, holding all other assumptions constant, would be as follows:

(€ million)	At 31 December			
	2019		2018	
	Increase	Decrease	Increase	Decrease
FCA Group[1]	(292)	298	(252)	257
CNH Industrial Group [2]	(360)	453	(291)	360
Ferrari Group[2]	(1.7)	1.9	(1.6)	1.9
PartnerRe Group[3]	(169)	186	(136)	147

(1) The effect of an increase or decrease of 0.1% in the assumed discount rate was considered.
(2) The effect of an increase or decrease of 1.0% in the assumed discount rate was considered.
(3) The effect of an increase or decrease of 0.25% in the assumed discount rate was considered.

Discount rates are used in measuring the obligation and the interest expense (income) of net period cost. Weighted-average discount rates are used in measurements of pension, healthcare and other post-retirement benefit obligations and net interest on the net defined benefit liability/asset. The weighted-average discount rates are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled at the measurement date. The benefit cash flow-matching approach involves analysing the Group's projected cash flows against a high quality bond yield curve, mainly calculated using a wide population of AA-yield corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria.

Healthcare and life insurance plans

Liabilities arising from these plans comprise obligations such as healthcare and life insurance granted to a number of employees and retirees in the U.S. and Canada.

These plans generally cover a number of employees retiring on or after reaching the age of 55 who have completed at least 10 years of employment. These benefits may be subject to deductibles, co-payment provisions and other limitations, and the Group has reserved the right to change or terminate these benefits, subject to the provisions of any collective bargaining agreement. These plans are not required to be funded. However, beginning in 2007, the Group began making contributions on a voluntary basis to a separate and independently managed fund established to finance the North American healthcare plans.

In August 2019, CNH Industrial announced changes to certain North American healthcare plans to offer medical coverage for salaried and non-union hourly post-65 retirees through Via Benefits Individual Marketplace beginning in 2020. This resulted in a reduction of €42 million in defined benefit obligations, recognized immediately in profit or loss as a pre-tax plan amendment gain of the same amount.

On 20 February 2018, CNH Industrial announced that the United States Supreme Court had ruled in its favour in Reese vs. CNH Industrial N.V. and CNH Industrial America LLC. The decision allowed CNH industrial to terminate or modify various retiree healthcare benefits previously provided to certain UAW Union represented CNH Industrial retirees. On 16 April 2018, CNH Industrial announced its determination to modify the Benefits provided to the applicable retirees ("Benefits Modification") to make them consistent with the Benefits provided to current eligible CNH Industrial retirees who have been represented by the UAW. The Benefits Modification resulted in a reduction of the plan liability by €446 million. This amount was recognized in its entirety as a pre-tax gain in Other income, net in the year ended 31 December 2018.

The expected benefits for healthcare and life insurance plans are the following:

	2020	2021	2022	2023	2024	2025-2029
Expected benefit payments	161	159	156	155	154	757

Changes in healthcare and life insurance plans are as follows:

(€ million)	At 31 December					
	2019			2018		
	Defined benefit obligation	Fair value of plan assets	(Net asset) Net liability obligation	Defined benefit obligation	Fair value of plan assets	(Net asset) Net liability obligation
Present value of obligations at 1 January	**2,594**	**(124)**	**2,470**	**3,212**	**(153)**	**3,059**
Included in income statement	**90**	**(4)**	**86**	**(311)**	**(4)**	**(315)**
Included in Other comprehensive income:						
Actuarial (gains) losses from:						
- demographic assumptions	(218)	-	**(218)**	38	-	**38**
- financial assumptions	298	-	**298**	(248)	-	**(248)**
- other	(3)	-	**(3)**	(24)	-	**(24)**
Return on assets	-	(20)	**(20)**	-	9	**9**
Exchange differences	65	(2)	**63**	105	(7)	**98**
Other:						
Contribution by employer	-	-	**0**	-	-	**-**
Contribution by plan participants	9		**9**	7	-	**7**
Benefits paid	(173)	15	**(158)**	(181)	31	**(150)**
Transfer to liabilities held for sale	-	-	**0**	(2)	-	**(2)**
Other changes	(6)	-	**(6)**	(2)	-	**(2)**
Present value of obligation at 31 December	**2,656**	**(135)**	**2,521**	**2,594**	**(124)**	**2,470**

Amounts recognized in the Consolidated Income Statement were as follows:

(€ million)	At 31 December	
	2019	2018
Current service cost	25	27
Interest expenses	109	108
Interest income	(4)	(4)
Past service costs (income) and (gains) losses arising from settlements/curtailments	(43)	(446)
Total recognized in the Consolidated Income Statement	**87**	**(315)**

Healthcare and life insurance plans are accounted for on an actuarial basis, which requires the selection of various assumptions. In particular, it requires the use of estimates of the present value of the projected future payments to all participants, taking into consideration the likelihood of potential future events such as healthcare cost increases and demographic experience.

The fair value of plan assets by class is as follows:

(€ million)	At 31 December			
	2019		2018	
	Amount	of which have a quoted market price in an active market	Amount	of which have a quoted market price in an active market
Cash and cash equivalents	**9**		**21**	**-**
US equity securities	64	18	51	14
Non-US equity securities	-	-	-	-
Equity instruments	**64**	**18**	**51**	**14**
Government securities	62	31	22	22
Corporate bonds (including convertible and high-yield bonds)	-	-	29	-
Other fixed income	-	-	1	-
Debt instruments	**62**	**31**	**52**	**22**
Insurance contracts and other	**-**	**-**	**-**	**-**
Total fair value of plan assets	**135**	**49**	**124**	**36**

The weighted average assumptions used to determine the defined benefit obligations are as follows:

(in %)	At 31 December 2019	At 31 December 2018
FCA Group		
Discount rate	3.1-3.4	3.8 – 4.4
Future salary increase rate	1.0-1.5	1.0 – 1.5
Weighted average ultimate healthcare cost trend rate	4.0-4.4	4.0 – 4.4
Average duration (years)	12-17	12 – 16
CNH Industrial		
Discount rate	2.99	4.12
Future salary increase rate	n/a	n/a
Weighted average initial healthcare cost trend rate	4.68	6.17
Weighted average ultimate healthcare cost trend rate	4.201	5.00
Average duration (years)	10	9

Assumed discount rates are used in measurements of pension, healthcare and other post-employment benefit obligations and net interest on the net defined benefit liability/asset. The Group selects its assumed discount rates based on the consideration of equivalent yields on high-quality fixed income investments at the measurement date. The assumed discount rate is used to discount future benefit obligations back to today's dollars. The discount rates for the U.S., European, U.K. and Canadian obligations are based on a benefit cash flow-matching approach and represent the rates at which the benefit obligations could effectively be settled on the measurement date, 31 December. The benefit cash flow-matching approach involves analysing the Group's projected cash flows against a high-quality bond yield curve, mainly calculated using a wide population of AA-grade corporate bonds subject to minimum amounts outstanding and meeting other defined selection criteria. The discount rates for Group's remaining obligations are based on benchmark yield data of high-quality fixed income investments for which the timing and amounts of payments approximate the timing and amounts of projected benefit payments.

The assumed healthcare trend rate represents the rate at which healthcare costs are assumed to increase. Rates are determined based the Group's specific experience, consultation with actuaries and outside consultants, and various trend factors including general and healthcare sector-specific inflation projections from the United States Department of Health and Human Services Healthcare Financing Administration. The initial trend is a short-term assumption based on recent experience and prevailing market conditions. The ultimate trend is a long-term assumption of healthcare cost inflation based on general inflation, incremental medical inflation, technology, new medicine, government cost-shifting, utilisation changes, an aging population, and a changing mix of medical services.
The Group uses the spot yield curve approach to estimate the service cost and net interest components by applying the specific spot rates along the yield curve used to determine the benefit obligations to relevant projected cash outflows. Historically, the service and net interest costs were determined using a single weighted-average discount rate based on hypothetical AA yield curves used to measure the benefit obligation at the beginning of the period.

For the CNH Industrial Group, the effect of an increase or decrease of one percentage point in the assumed healthcare cost trend rates would be an increase of €22 million and decrease of €19 million, respectively, in the defined healthcare benefit obligations at 31 December 2019.

For the FCA Group, the effect of an increase or decrease of ten percentage points in the assumed healthcare cost trend rates would be an increase of €46 million and decrease of €39 million, respectively, in the defined healthcare benefit obligations at 31 December 2019.

Other post-employment benefits

Other post-employment benefits include employee benefits granted to Group employees in Europe and comprise, among others, Italian employee leaving entitlements – TFR (obligation amounting to €764 million at 31 December 2019 and €826 million at 31 December 2018), consisting of the residual obligation for the benefit accrued to employees of Italian companies until 31 December 2007, having more than 50 employees, and accrued over the employee's working life for the others, and settled when an employee leaves the Group. The schemes included in this item are unfunded.

Changes in the obligations for other post-employment benefits are the following:

(€ million)	At 31 December 2019	2018
Present value of obligation at 1 January	**1,128**	**1,320**
Included in income statement:		
Current service cost	13	16
Interest (income) expenses	14	15
Past service costs (income) and (gains) losses arising from settlements	1	-
Included in Other comprehensive income:		
Actuarial (gains) losses from:		
- demographic assumptions	11	(14)
- financial assumptions	71	(6)
- other	(7)	8
Exchange differences	3	(3)
Other changes:		
Benefits paid	(114)	(73)
Transfers to liabilities held for sale		(98)
Other changes	(10)	(37)
Present value of obligation at 31 December	**1,110**	**1,128**

The main assumptions used in developing the required estimates for other post-employment benefits include the discount rate, the retirement or employee leaving rate and mortality rates.

The discount rates used for the measurement of the Italian leaving entitlement obligation are based on yields of high-quality (AA rated) fixed income securities for which the timing and amounts of payments match the timing and amounts of the projected benefit payments.

For this plan, the weighted average discount rates that reflect the estimated timing and amount of the scheme future benefit payments for 2019 range from 0.6% to 1.7% (range from 1.4% to 1.7% in 2018). The average duration of the Italian leaving entitlement is approximately 7 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and the legal requirements for retirement in Italy.

As for the FCA Group the effect of an increase or decrease of one percentage point in the discount rate, holding all other assumptions constant, would be a decrease of €40 million and increase of €46 million, respectively, in the benefit obligations at 31 December 2019.

Other provisions for employees

Other provisions for employees primarily include long-term disability benefits, supplemental unemployment benefits, variable and other deferred compensation, as well as bonuses granted for tenure at the Group.

25. Other provisions

Other provisions and their changes during the year ended 31 December 2019 are as follows:

(€ million)	At 31 December 2018	Charge	Utilisation	Transfer to liabilities held for sale	Translation differences	Release to income and other charges	At 31 December 2019
Warranty and recall campaigns	7,679	3,681	(4,356)	-	152	76	7,232
Restructuring provisions	230	194	(152)	-	-	(70)	202
Other charges and risks	11,191	18,728	(19,977)	-	194	(643)	9,493
Total other provisions	**19,100**	**22,603**	**(24,485)**	**0**	**346**	**(637)**	**16,927**

The warranty and recall campaigns represent the best estimate of commitments given by the Group for contractual, legal, or constructive obligations arising from product warranties given for a specified period of time beginning at the date of sale to the customer. This estimate is principally based on assumptions regarding the lifetime warranty costs of each vehicle and each model year of that vehicle line, as well as on historical claims experience for vehicles.

Warranty and recall campaigns also include management's best estimate of the costs that are expected to be incurred in connection with product defects that could result in a general recall of vehicles.

At 31 December 2019 the product warranty and recall campaigns provision was substantially in line with 2018. During the year ended 31 December 2018, an additional amount of €113 million was accrued in relation to costs for recall campaigns related to Takata airbag inflators, net of recovery.

The provision for other charges and risks represents the amounts provided by the individual companies of the Group in connection mainly with sales incentives and contractual, commercial and tax risks and disputes.

The detail is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Sales incentives	6,618	7,159
Legal proceedings and other disputes	714	1,636
Commercial risks	846	943
Other provisions for risks and charges	1,315	1,453
Total other risks	**9,493**	**11,191**

In particular, the provision refers to:

- sales incentives: relating to the estimated amount of sales consideration to be reversed to the Group's dealer networks if the dealers achieve a specific cumulative level of sales transactions during the calendar year;
- legal proceedings and other disputes: this provision including legal proceedings arising in the ordinary course of business with dealers, customers, suppliers or regulators (such as contractual or patent disputes), legal proceedings involving claims with active and former employees and legal proceedings involving different tax authorities;
- commercial risks: relating to sale of products and services such as onerous maintenance contracts and as a result of certain regulatory emission requirements;
- other provisions for risks and charges which includes environmental risks, indemnities, provisions for disputes with suppliers, provision for product liabilities, contract related disputes or other disputes not subject to legal proceedings.

26. Technical reserves reinsurance companies

Technical reserves of reinsurance companies at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Unpaid losses and Loss expenses	9,228	8,642
Life and health technical reinsurance reserves	2,152	1,920
Unearned premium reserves	2,167	1,810
Total Technical reinsurance reserves	**13,548**	**12,372**

Unpaid Losses and Loss Expenses

Unpaid losses and loss expenses are categorised into three types of reserves: Case reserve, ACRs and IBNR reserves. Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company. ACRs are established for particular circumstances where, on the basis of individual loss reports, the Company estimates that the particular loss or collection of losses covered by a treaty may be greater than those advised by the cedant. IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company, as well as future loss development on losses already reported, in excess of the case reserves and ACRs.

The reconciliation of the beginning and ending gross and net liability for unpaid losses and loss expenses for the years ended at 31 December 2019 and 2019 is as follows:

(€ million)	**2019**	**2018**
Gross liability at 1 January	8,642	8,423
Reinsurance recoverable at 1 January	(743)	(600)
Net reserves at 1 January	**7,899**	**7,823**
Net incurred losses	3,271	2,683
Change in Paris Re Reserve Agreement	-	(337)
Net paid losses	(2,762)	(2,474)
Retroactive reinsurance recoverable	(72)	-
Translation differences and other changes	221	204
Net liability at 31 December	**8,556**	**7,899**
Reinsurance recoverable at 31 December	672	743
Gross liability at 31 December	**9,228**	**8,642**

Life and health technical reinsurance reserves

The reconciliation of the beginning and ending gross and net liability for life and health technical reinsurance reserves for the years ended 31 December 2019 and 2018 is as follows:

(€ million)	**2019**	**2018**
Gross liability at 1 January	1,920	1,750
Reinsurance recoverable at 1 January	(10)	(7)
Net reserves at 1 January	**1,910**	**1,743**
Net incurred losses	1,129	868
Net paid losses	(958)	(693)
Translation differences	57	(8)
Net liability at 31 December	**2,138**	**1,910**
Reinsurance recoverable at 31 December	14	10
Gross liability at 31 December	**2,152**	**1,920**

Reserves for unearned premiums

The reconciliation of the beginning and ending reserves for unearned premiums for the years ended 31 December 2019 and 2018 is as follows:

(€ million)	**2019**	**2018**
Reserves at 1 January	1,810	1,517
Net premiums written	6,174	4,914
Net premiums earned	(5,831)	(4,669)
Translation differences	14	48
Unearned premium reserves at 31 December	**2,167**	**1,810**

27. Financial debt and other financial liabilities

Total financial debt and other financial liabilities at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Financial debt	43,031	43,240
Other financial liabilities	468	336
Total financial debt and other financial liabilities	**43,499**	**43,576**

Other financial liabilities relate to derivative financial liabilities and are discussed further in Note 28, *"Other financial assets and other financial liabilities"*.

The composition of financial debt is as follows:

(€ million)	At 31 December 2019	At 31 December 2018
Notes	19,031	20,470
Borrowings from banks	7,562	9,143
Asset-backed financing	11,405	10,981
Lease liabilities	2,180	262
Payables represented by securities	1,899	1,551
Other financial debt	954	833
Total financial debt	**43,031**	**43,240**

The composition of financial debt by entity is as follows:

(€ million)	At 31 December 2019	At 31 December 2018
EXOR	3,393	3,498
FCA	12,920	14,593
CNH Industrial	22,689	21,469
Ferrari	2,090	1,928
PartnerRe	1,475	1,328
Juventus	464	424
Total financial debt	**43,031**	**43,240**

Notes

The composition of notes at 31 December 2019 and 2018 is as follows:

	Currency	Face value outstanding (in millions)	Coupon	Maturity	At 31 December 2019 Outstanding amount (in € million)	At 31 December 2018 Outstanding amount (in € million)
EXOR N.V.						
EXOR N.V.	€	150	4.75%	Oct 2019	-	151
EXOR N.V.	€	200	3.375%	Nov 2020	201	200
EXOR N.V.	€	750	2.125%	Dec 2022	748	747
EXOR N.V.	€	650	2.50%	Oct 2024	653	653
EXOR N.V.	€	100	5.25%	Jan 2025	104	103
EXOR N.V.	€	450	2.875%	Dec 2025	451	452
EXOR N.V.	$	170	4.398% 6 months	May 2026	151	149
EXOR N.V.	€	500	1.75%	Jan 2028	501	500
EXOR N.V.	€	200	3.125'%	Feb 2028	201	201
EXOR N.V.	Yen	10,000	2.80% 6 months	May 2031	82	80
EXOR N.V.	€	300	1.75%	Oct 2034	298	-
Total EXOR Notes					**3,390**	**3,236**
Medium Term Note Programme (MTNP)						
FCA Group	€	4,857	3.75% - 4.75%	Mar 2021- Mar 2024	3,607	4,857
FCA Group	CHF	250	3.125%	Sep 2019	-	222
CNH Industrial Group	€	3,500	1.375% - 3.875%	Sep 2021 - Jul 2039	3,578	3,354
Total Medium Term Notes					**7,185**	**8,433**
Other Notes						
FCA Group	$	3,000	4.5% - 5.25%	Apr 2020 - Apr 2023	2,670	2,620
CNH Industrial Group	$	3.775	2.10% - 4.875%	Nov 2020 - Nov 2027	3,206	3,581
CNH Industrial Group	AUD	175	2.10%	Dec 2022	109	-
Ferrari Group	€	886	0.25% - 1.5%	Jan 2021 - Aug 2031	886	1,198
PartnerRe Group	$	563	3.7%-6.44%	July 2029 - Dec 2066	504	512
PartnerRe Group	€	750	1.25%	Sep 2026	741	741
Juventus	€	175	3.35%	Feb 2024	178	-
Total Other Notes					**8,294**	**8,639**
Hedging effect and amortised cost valuation					**162**	**162**
Total Notes					**19,031**	**20,470**

Notes issues and repayments during 2019 were as follows:

New Issues	Currency	Nominal Amount (in millions)	Coupon	Issue Date	Maturity
Company					
EXOR N.V.	€	300	1.75%	Oct-19	Oct-34
PartnerRe Group	$	500	3.70%	Jun-19	Jul-29
CNH Industrial Group – MTNP	€	600	1.75%	Mar-19	Mar-27
CNH Industrial Group – MTNP	€	500	1.625%	Jul-19	Jul-29
CNH Industrial Group – MTNP	€	50	2.20%	Jul-19	Jul-39
CNH Industrial Group – other	AUD	175	2.10%	Dec-19	Dec-22
Juventus Football Club	€	175	3.375%	Feb-19	Feb-24

Repayments	Name of Notes	Currency	Amount (in millions)	Repayment date
Company				
EXOR N.V.		€	150	Oct-19
FCA Group	MTNP	CHF	250	Sep-19
FCA Group	MTNP	€	1,250	Oct-19
CNH Industrial Group	MTNP	€	379	Dec-19
PartnerRe Group		$	500	Jul-19

Medium Term Note Programmes

The Medium Term Note Programmes of FCA and CNH Industrial are for a maximum of €20 billion and €10 billion respectively. At 31 December 2019 notes outstanding under this programme for FCA were €3.6 billion (€5.1 billion at 31 December 2018) and €3.4 billion for CNH Industrial (€4.0 billion at 31 December 2018). Notes for the FCA group have been issued in Euro and CHF and are guaranteed by FCA N.V.

The notes of CNH Industrial are in Euro and have been issued by CNH Industrial Finance S.A and are guaranteed by CNH Industrial N.V.

Notes issued under the Medium Note Programme are generally listed on either the Irish or Swiss stock exchanges.

Other Notes

Other notes include the following:

- Notes issued by FCA N.V. in 2015 in two tranches each of $1.5 billion due in April 2020 and April 2023 respectively. These notes rank pari passu in right of payment with respect to all of FCA NV's existing and future senior unsecured indebtedness and senior in right of payment to any of FCA NV's future subordinated indebtedness and existing indebtedness, which is by its terms subordinated in right of payment to these notes.
- Notes issued by CNH Capital LLC for a total nominal value of $2.5 billion, by CNH Industrial N.V. for a total nominal value of $1.1 billion and for $0.2 million by CNH Industrial Capital Australia Pty.
- Notes issued by Ferrari in 2016, 2017 and 2019 for a principal amount of €385 million and €500 million, respectively which mature in 2023 and 2021, respectively. These notes are listed on the Irish stock exchange.
- $500 million senior notes issued by PartnerRe Finance B LLC and €750 million of senior secured notes issued by PartnerRe Ireland Finance DAC maturing in July 2029 and September 2026, respectively. These notes are senior unsecured obligations of the respective issuer and are guaranteed by PartnerRe.
- $63 million junior subordinated capital efficient notes issued by PartnerRe Finance II Inc. These notes mature in 2066 and since 2016 are redeemable at the option of the issuer. The notes are ranked as junior subordinated unsecured obligations of PartnerRe Finance II Inc and are guaranteed by PartnerRe.

Borrowings from banks

Borrowings from banks at 31 December 2019 amount to €7,562 million (€9,143 million at 31 December 2018). The composition is as follows:

(€ million)	At 31 December 2019	2018
EXOR	-	30
FCA Group	3,714	5,246
CNH Industrial Group	3,703	3,644
Ferrari Group	33	37
Juventus	112	186
Total Borrowings from banks	**7,562**	**9,143**

FCA Group

Bank borrowings of the FCA Group at 31 December 2019 include the following:

- €1.8 billion (€2.3 billion at 31 December 2018) relating to various local bank facilities of FCA Brazilian subsidiaries. These facilities include subsidised loans of €1.1 billion (€1.4 billion at 31 December 2018) granted by public financing institutions such as Banco Nacional do Desenvolvimento to support industrial projects. An amount of €0.8 billion (€1.0 billion at 31 December 2018) under the subsidised loans is related to the construction of the plant in Pernambuco.
- Finance agreements with the European Investment Bank for a total amount outstanding of €0.4 billion (€0.7 billion at 31 December 2018) primarily related to investments for research and development activities in Italy and an investment program in Serbia.
- €0.2 billion (€0.3 billion at 31 December 2018) relating to a non-revolving loans agreement of FCA Mexico S.A. de C.V. maturing in March 2022. This loan requires the borrower to comply with certain covenants and to maintain certain fixed and other assets as collateral. FCA Mexico was in compliance with such covenants at 31 December 2019 and 2018.

CNH Industrial Group

Bank Borrowings of CNH Industrial Group consists primarily of borrowings from banks which are at various terms and rates.

Ferrari

Bank borrowings of Ferrari include loans secured by FFF Inc, to support financial services operations comprising €31 million drawn down under a US$ denominated credit facility (€31 million at 31 December 2018) and other short term and medium term credit facilities.

Juventus

Bank borrowings of Juventus at 31 December 2019 mainly relate to €112 million drawn down (€94 million at 31 December 2018) under revocable credit lines.

Undrawn Credit Facilities

The principal undrawn committed credit facilities of the Group at 31 December 2019 are as follows:

(€ billion)	At 31 December 2019	2018
EXOR	0.4	0.4
FCA Group	7.6	7.7
CNH Industrial Group	4.9	2.7
Ferrari Group	0.4	0.5
PartnerRe	0.6	0.5
Juventus	0.1	0.1

The main committed credit facilities are as follows:

- FCA €6.25 billion revolving credit facility with a final maturity in March 2024;
- CNH Industrial €4 billion revolving credit facility expiring in 2024 with two extension options of 1-year each, exercisable on the first and second anniversary of the signing date The Credit facility replaces the existing five-year €1.75 billion credit facility due to mature in 2021.The first 1-year option has been exercised and accepted by all lenders, the facility is now due to mature in March 2025. The facility is guaranteed by CNH Industrial N.V. with cross guarantees from each of the borrowers;

- Ferrari €350 million unsecured committed revolving credit facility with 5 year-tenure whith two further one-year extension options excercisable on the first and second year from the signing date, undrawn at 31 December 2019. These replaced the €500 million revolving credit facility expiring in November 2020 wich was cancelled in 2019;
- PartnerRe $400 million credit facility with the first $100 million being unsecured and the remainder secured. This facility matures each year on 14 November and unless cancelled by either party automatically renews. Other secured credit facilities for an amount of $200 million. PartnerRe maintains committed secured letter of credit facilities which must be fully secured with cash and or government bonds and or investment grade bonds.

Covenants

Financial liabilities and the revolving credit facility agreements may impose covenants on the borrower and in certain cases on the guarantor, which are typical of international practice for similar liabilities.
The covenants vary from facility to facility and may include among others: (i) negative pledge clauses which require that, in case any security interest in assets of the issuer is granted in connection with other notes or debt securities having the same ranking, such security should be equally and ratably extended to the outstanding notes, subject to certain permitted exceptions; (ii) *pari passu* clauses, under which the debt rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the debt under certain events of default on other financial instruments of the relevant issuer, (v) limitation of new real guarantees and asset sales on certain company's assets without the consent of the creditor (vi) limitation on incurrence of liens (vii) limitations on incurrence, repayment and prepayment of indebtedness and (iv) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the underlying indebtedness.

At 31 December 2019 and 2018 the Group was in compliance with all covenants under its debt agreements.

Asset-backed financing

Asset backed financing represents the amount of financing received through factoring transactions which do not meet the derecognition requirements and are recognized as assets for the same amount and amounts payable under securitisation programs. Asset backed financing is comprised as follows:

	At 31 December	
(€ million)	**2019**	**2018**
FCA Group	151	457
CNH Industrial Group	10,466	9,842
Ferrari Group	788	682
Total asset backed financing	**11,405**	**10,981**

Cash collected from the settlement of receivables or lines of credit pledged as collateral for asset backed financing is subject to certain restrictions regarding its use and is principally applied to repay principal and interest of the funding.

Lease liabilities

Lease liabilities included in the Statement of financial position:

	At 31 December	
(€ million)	**2019**	**2018**
EXOR	3	-
FCA Group	1,640	261
CNH Industrial Group	386	-
Ferrari Group	60	1
PartnerRe Group	76	-
Juventus	15	-
Total Lease Liabilities	**2,180**	**262**

Maturity analysis – contractual undiscounted cash flows:

(€ million)	At 31 December 2019			
	Due within one year	**Due between one and five years**	**Due beyond five years**	**Total**
Contractual undiscounted cash flows	471	985	724	**2,180**

In addition, the FCA Group has entered into commitments relating to leases not yet commenced of €399 million, of which the most significant related to the investments in manufacturing facilities in Michigan, USA. In addition to the above, the Group entered into non-cancellable short-term leases, which have not been classified as lease liabilities, of €28 million which are expected to be settled within the next 12 months.

Payables represented by securities

At 31 December 2019 payables represented by securities amount to €1,899 million (€1,551 million at 31 December 2018).

Debt secured by assets

Debt secured by assets is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
FCA Group	674	1,095
CNH Industrial Group	-	34
Total debt secured by assets	**674**	**1,129**

Debt secured by assets of the FCA Group at 31 December 2019 mainly relates to €674 million due to creditors for assets under financing agreements (€834 million at 31 December 2018) excluding the lease liabilities as described below, mainly related to subsidised financing in Latin America, Mexico and India.
In addition, at 31 December 2019 the Group's assets include current receivables to settle asset-backed financing for €11,405 million (€10,298 million at 31 December 2018). Refer to Note 20, "Transfer of financial assets".

Financial debt by due date

An analysis of financial debt by due date at 31 December 2019 and 2018 is as follows:

	At 31 December							
(€ million)	2019				2018			
	Due within one year	**Due between one and five years**	**Due beyond five years**	**Total**	**Due within one year**	**Due between one and five years**	**Due beyond five years**	**Total**
Notes	2,273	11,296	5,462	**19,031**	2,798	11,333	6,339	**20,470**
Borrowings from banks	4,390	2,980	192	**7,562**	4,450	4,324	369	**9,143**
Asset-backed financing	6,339	5,008	58	**11,405**	6,924	4,011	46	**10,981**
Payables represented by securities	1,112	489	298	**1,899**	1,358	193	-	**1,551**
Lease liabilities	471	985	724	**2,180**	57	131	74	**262**
Other financial debt	776	175	3	**954**	572	264	(3)	**833**
Total financial debt	**15,361**	**20,933**	**6,737**	**43,031**	**16,159**	**20,256**	**6,825**	**43,240**

28. Other financial assets and other financial liabilities

The fair value of the Group's derivative financial assets and liabilities at 31 December 2019 and 2018 is as follows:

(€ million)	At 31 December			
	2019		2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value hedges:				
Interest rate risk – Interest rate swaps	33	(2)	14	(14)
Currency risks	-	-	-	-
Total Fair value hedges	**33**	**(2)**	**14**	**(14)**
Cash flow hedges:				
Currency risks – Forward contracts, Currency swaps and Currency options	58	(158)	198	(122)
Interest rate risk – Interest rate swaps	6	(203)	29	(27)
Interest rate and currency risk – Combined interest rate and currency swap	-	(26)	17	(24)
Commodity price risk – Commodity swaps	21	(6)	41	(60)
Other	-	-	-	-
Total Cash flow hedges	**85**	**(393)**	**285**	**(233)**
Derivatives for trading	**54**	**(74)**	**102**	**(89)**
Collateral deposits	**42**	**-**	**62**	**-**
Total other financial assets and other financial liabilities	**214**	**(469)**	**463**	**(336)**

The analysis of outstanding notional amounts of derivative financial instruments by due date, at 31 December 2019 and 2018 is as follows:

(€ million)	Due within one year	Due between one and five years	Due beyond five years	Total
At 31 December 2019				
Currency risk management	15,053	316	-	**15,369**
Interest rate risk management	1,861	4,936	-	**6,797**
Interest rate and currency risk management	9	22	-	**31**
Commodity price risk management	539	41	83	**663**
	17,462	**5,315**	**83**	**22,860**
At 31 December 2018				
Currency risk management	16,058	370	-	**16,428**
Interest rate risk management	1,730	3,261	717	**5,708**
Interest rate and currency risk management	236	34	79	**349**
Commodity price risk management	943	42	-	**985**
Total notional amount	**18,967**	**3,707**	**796**	**23,470**

Fair value hedges

The gains and losses arising from the valuation of outstanding interest rate derivatives (for managing interest rate risk) and currency derivatives (for managing currency risk) are recognized in accordance with fair value hedge accounting.

Gains and losses arising from respective hedged items at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December 2019	At 31 December 2018
Currency risk		
Net gains (losses) on qualifying hedges	139	(93)
Fair value changes in hedged items	(139)	93
Interest rate risk		
Net gains (losses) on qualifying hedges	(17)	15
Fair value changes in hedged items	17	(15)
Net gains (losses) on fair value hedges recognized in the income statement	**0**	**0**

Cash flow hedges

The effects recognized in the Consolidated Income Statement mainly relate to currency risk management and, to a lesser extent, to hedges regarding commodity price risk management and cash flows that are exposed to interest rate risk and sales exposed to the fluctuations in the Euro/USD exchange rate.

With respect to cash flow hedges, the Group reclassified losses of €168 million in 2019 (gains of €121 million in 2018), net of the tax effect, from other comprehensive income to the consolidated income statement. These amounts are reported on the following lines of the income statement as follows:

(€ million)	At 31 December 2019	At 31 December 2018
Currency risk		
Increase (Decrease) in net revenues	(49)	98
Decrease (Increase) in cost of sales	(90)	(5)
Result from investments	(10)	27
Financial income (expenses)	(1)	19
Interest rate risk		
Decrease (Increase) in cost of sales	(7)	(4)
Financial income (expenses)	-	-
Commodity price risk		
Decrease (Increase) in cost of sales	6	30
Taxes - income (expenses)	16	(39)
Ineffectiveness – overhedges	(33)	(5)
Net gains (losses) on cash flow hedges recognized in the income statement	**(168)**	**121**

Net investment hedges

In order to manage the FCA Group's foreign currency risk related to its investments in foreign operations, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. For the year ended 31 December 2019 net losses of €50 million (gains of €17 million at 31 December 2018) related to the net investment hedges were recognized in Other comprehensive income within currency translation differences. At 31 December 2019, there were no outstanding net investment hedges. There was no ineffectiveness for the year ended 31 December 2019 and 2018.

Derivatives for trading

At 31 December 2019 and 2018 derivatives for trading primarily consisted of derivative contracts entered for hedging purposes not qualifying for hedge accounting and one embedded derivative in a bond issue in which the yield is determined as a function of trends in the inflation rate and related hedging derivative, which converts the exposure to floating rate (the total value of the embedded derivative is offset by the value of the hedging derivative).

29. Trade payables

The analysis of trade payables by due date at 31 December 2019 and 2018 is as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Due within one year	27,582	25,060
Due between one and five years	29	27
Due beyond five years	-	1
Total payables	**27,611**	**25,088**

30. Other liabilities

Other liabilities at 31 December 2019 and 2018 are as follows:

	At 31 December	
(€ million)	**2019**	**2018**
Payable for buy-back agreements	3,520	3,994
Indirect tax payables	1,099	1,235
Payables to personnel	1,329	1,260
Social security payables	415	422
Amounts due to customers for contract work	116	83
Accrued expenses and deferred income	5,576	5,596
Other	2,706	2,467
Total other liabilities	**14,761**	**15,057**

Payables for buy-back agreements refers to buy-back agreements entered into by the Group and includes the price received for the product recognized as an advance at the date of the sale, and subsequently, the repurchase price and the remaining lease installments yet to be recognized.
Accrued expenses and deferred income include the remaining portion of government grants that will be recognized as income in the Consolidated Income Statement over the same periods as the related costs which they are intended to offset.

On 15 March 2017, the Brazilian Supreme Court ruled that state value added tax should be excluded from the basis for calculating a federal tax on revenue. At 30 June 2017 the Group determined that the likelihood of economic outflow related to such indirect taxes was no longer probable and the total liability of €895 million that FCA had accrued but not paid for such taxes for the period from 2007 to 2014 was reversed. The Brazilian Supreme Court issued summary written minutes of its ruling on 29 September 2017 and Trial Minutes on 2 October 2017. On 19 October 2017, the Brazilian government filed its appeal against the PIS/COFINS over ICMS decision. At 31 December 2017, due to the uncertainty of scope of the application of the Supreme Court ruling taking into account the government's appeal and request for modulation, and due to Brazil's current heightened political and economic uncertainty, management believed a risk of economic outflow was still greater than remote. On 18 August 2018, the litigation concerning PIS over ICMS had its final and definitive favourable decision. At 30 September 2018, the FCA Group determined that the likelihood of economic outflow related to such indirect taxes was no longer probable and the total liability of €54 million accrued and paid will be recovered.

In March 2019, a final and definitive favorable decision was made in respect of the COFINS over ICMS element of the litigation, relating to amounts previously paid but not recovered for the period May 2004 - December 2014. During the year ended 31 December 2019, total credits and the related receivable of €164 million were recognized. On 17 December 2019, the Brazilian courts indicated that it would render a decision on the Brazilian government's appeal regarding the 2017 Supreme Court's decision with respect to the calculation of the state value added tax in the basis for federal tax on revenue on 1 April 2020. FCA continues to believe its position is supported by both the facts and the receipt of final and definitive rulings from the courts. However, due to the uncertainty of the Supreme Court's application of the government's appeal and request for modulation, and due to Brazil's current heightened political and economic uncertainty, FCA continues to believe that the risk of economic outflow is greater than remote.

The analysis of other liabilities (excluding accrued expenses and deferred income) by due date at 31 December 2019 and 2018 is as follows:

(€ million)	At 31 December							
	2019				2018			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
Other liabilities (excluding accrued expenses and deferred income)	7,678	1,408	104	**9,190**	7,989	2,032	99	**11,028**

31. Guarantees granted, commitments and contingent liabilities

Guarantees granted by the FCA Group

At 31 December 2019, the FCA Group had pledged guarantees on the debt or commitments of third parties totaling €8 million (€7 million at 31 December 2018), as well as guarantees of €3 million on related party debt (€3 million at 31 December 2018).

SCUSA Private-label financing agreement

In February 2013, FCA US entered into a private-label financing agreement (the "SCUSA Agreement") with Santander Consumer USA Inc. ("SCUSA"), an affiliate of Banco Santander, which launched on 1 May 2013. Under the SCUSA Agreement, SCUSA provides a wide range of wholesale and retail financing services to FCA US's dealers and consumers in accordance with its usual and customary lending standards, under the Chrysler Capital brand name.

The SCUSA Agreement has a ten-year term from February 2013, subject to early termination in certain circumstances, including the failure by a party to comply with certain of its ongoing obligations under the SCUSA Agreement. In accordance with the terms of the agreement, SCUSA provided an upfront, non-refundable payment of €109 million ($150 million) in May 2013, which was recognized as deferred revenue and is being amortized over ten years. At 31 December 2019, €45 million ($50 million) remained in deferred revenue.

On 28 June 2019, FCA US entered into an amendment (the "Amendment") to the SCUSA Agreement. The Amendment modified certain terms of the agreement, with the remaining term unchanged through to February 2023, and in connection with its execution, SCUSA made a one-time, nonrefundable, non-contingent, cash payment of $60 million (€53 million) to FCA US as part of a negotiated resolution of open matters. The amount was recognized within Selling, general and other costs in the Consolidated Income Statement for the year ended 31 December 2019.

From time to time, FCA US works with certain lenders to subsidize interest rates or cash payments at the inception of a financing arrangement to incentivize customers to purchase its vehicles, a practice known as "subvention". FCA US has provided SCUSA with limited exclusivity rights to participate in specified minimum percentages of certain of its retail financing rate subvention programs. SCUSA has committed to certain revenue sharing arrangements, as well as to consider future revenue sharing opportunities. SCUSA bears the risk of loss on loans contemplated by the SCUSA Agreement. The parties share in any residual gains and losses in respect of consumer leases, subject to specific provisions in the SCUSA Agreement, including limitations on FCA US participation in gains and losses.

Other repurchase obligations

In accordance with the terms of other wholesale financing arrangements in Mexico, FCA Mexico is required to repurchase dealer inventory financed under these arrangements, upon certain triggering events and with certain exceptions, including in the event of an actual or constructive termination of a dealer's franchise agreement. These obligations exclude certain vehicles including, but not limited to, vehicles that have been damaged or altered, that are missing equipment or that have excessive mileage or an original invoice date that is more than one year prior to the repurchase date.

In December 2015, FCA Mexico entered into a ten-year private label financing agreement with FC Financial, S.A De C.V., Sofom, E.R., Grupo Financiaro Inbursa ("FC Financial"), a wholly owned subsidiary of Banco Inbursa, under which FC Financial provides a wide range of financial wholesale and retail financial services to FCA Mexico's dealers and retail customers under the FCA Financial Mexico brand name. The wholesale repurchase obligation under the new agreement will be limited to wholesale purchases in case of actual or constructive termination of a dealer's franchise agreement.
At 31 December 2019, the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €188 million ($211 million) and was based on the aggregate repurchase value of eligible vehicles financed through such arrangements in the respective dealer's stock. If vehicles are required to be repurchased through such arrangements, the total exposure would be reduced to the extent the vehicles can be resold to another dealer. The fair value of the guarantee was nil at 31 December 2019.

Arrangements with key suppliers
From time to time and in the ordinary course of business, the FCA Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services with fixed and determinable price provisions. Future minimum purchase obligations under these arrangements at 31 December 2019 were as follows for the FCA Group's continuing operations:

	(*€ millions*)
2019	982
2020	594
2021	216
2022	27
2023	45
2024 and thereafter	-

Guarantees granted by the CNH Industrial Group
At 31 December 2019 the CNH Industrial Group provided guarantees on the debt or commitments of third parties and performances guarantees mainly in the interest of a joint venture related to commercial commitments of defense vehicles totaling €403 million (€411 million at 31 December 2018).

Guarantees granted by the PartnerRe Group
At 31 December 2019 approximately €3,846 million (€3,448 million at 31 December 2018) of cash and cash equivalents and securities of the PartnerRe Group were deposited, pledged or held in escrow accounts in favour of ceding companies and other counterparties of government authorities to comply with regulations on reinsurance contracts and insurance laws.

Commitments of EXOR

Commitment of EXOR concerning the Agreement for the merger between Groupe PSA and FCA
On 18 December 2019 Groupe PSA and FCA signed a binding Combination Agreement providing for a merger of their businesses (50% by Group PSA and a 50% by FCA) to create the 4th largest global automotive OEM by volume and 3rd largest by revenue.
EXOR, Bpifrance, the Peugeot family and Dongfeng have irrevocably committed to vote in favor of the transaction at the shareholders' meetings of FCA and Groupe PSA.
A standstill in respect of the shareholdings of EXOR, Bpifrance, Dongfeng Group and the Peugeot Family will apply for a period of 7 years following completion of the merger, except that the Peugeot Family will be permitted to increase its shareholding by up to a maximum of 2.5% in the merged entity (or 5% at the Groupe PSA level). EXOR, Bpifrance and the Peugeot Family will be subject to a 3-year lock-up in respect of their shareholdings except that Bpifrance will be permitted to reduce its shareholdings by 5% in Groupe PSA or 2.5% in the merged entity.

Acquisition of the controlling stake in GEDI Gruppo Editoriale S.p.A.
On 2 December 2019 CIR and EXOR N.V. signed a binding agreement for the transfer from CIR to EXOR of the controlling stake in GEDI Gruppo Editoriale S.p.A., equal to 43.78% of the total share capital. The sale price was set at €0.46 per share, for a total amount of €102.5 million. Following the closing, EXOR will launch a public tender offer (Mandatory Tender Offer) via a newly constituted vehicle, on all the outstanding GEDI shares not already owned at €0.46 per share. The transaction is expected to be completed by the end of the second quarter of 2020, subject to the approval of the competent authorities.

Commitments of the FCA Group arising from contractual arrangements

Regulatory emission credits
During the year ended 31 December 2019, FCA entered into multi-year non-cancellable agreements for purchases of regulatory emissions credits in various jurisdictions. At 31 December 2019, these agreements represent total commitments of €1.2 billion after fulfillment of commitments during the year ended 31 December 2019 and the reduction in the commitments due to the CAFE civil fine rate. The purchased credits are expected to be used for compliance years through 2022.

FCA Bank joint venture agreement
On 19 July 2019, FCA and Crédit Agricole Consumer Finance agreed to extend their 50:50 joint venture, FCA Bank, until 31 December 2024. The agreement will be automatically renewed unless notice of non-renewal is provided no later than three years before end of the term. A notice of non-renewal would trigger certain put and call rights.

UAW Labor Agreement
In December 2019, the UAW-represented workforce ratified a new four-year collective bargaining agreement that builds on the company's commitment to grow its U.S. manufacturing operations by providing for total investments of $9 billion and the creation of 7,900 new or secured jobs. The provisions of the agreement contained certain opportunities for success-based compensation upon meeting certain quality and financial performance metrics. The agreement, which covers about 49,200 employees, included a ratification bonus of $9,000 for "Traditional" and "In-progression" employees and $3,500 for temporary employees, as well as lump-sum payments, both of which are in lieu of further wage increases, totaling $499 million (€446 million) that were paid to UAW members on 27 December 2019. Lump sum payments made in lieu of future wage increases will be amortized over the contract period.

Italian labor agreement
In March 2019, FCA renewed its labor agreement with Italian trade unions for Italian employees, which had expired on 31 December 2018. The agreement is valid for the period 2019-2022 and applies to the Group's 66,000 employees in Italy, primarily providing for a 2 percent annual increase in contractual compensation and an enhancement of the annual performance-based bonus linked to the achievement of productivity and efficiency targets forming part of the World Class Manufacturing ("WCM") program.
In April 2015, the previous four-year compensation agreement was signed by FCA companies within the automobiles business in Italy. The compensation agreement was subsequently included into the labor agreement and was extended to all FCA companies in Italy on 7 July 2015. The compensation arrangement was effective retrospectively from 1 January 2015 through 31 December 2018 and incentivized all employees toward achievement of the productivity, quality and profitability targets established in the 2015-2018 period of the 2014-2018 business plan developed in May 2014 by adding two variable additional elements to base pay:
- an annual bonus, calculated on the basis of production efficiencies achieved and the plant's World Class Manufacturing audit status; and
- a component linked to achievement of the financial targets established in the 2015-2018 period of the 2014-2018 business plan for the EMEA region, including the activities of the premium brands Alfa Romeo and Maserati.

A total of €75 million and €72 million related to the additional variable elements above was recorded as an expense included within Net profit from continuing operations for the years ended 31 December 2019 and 2018, respectively.

Canada labor agreement
FCA entered into a four-year labor agreement with Unifor in Canada that was ratified on 16 October 2016. The terms of this agreement provide a two percent wage increase in the first and fourth years of the agreement for employees hired prior to 24 September 2012 and will continue to close the pay gap for employees hired on or after 24 September 2012 by revising a ten-year progressive pay scale plan. The agreement includes a lump sum payment in lieu of further wage increases of 6,000 Canadian dollars per employee totaling approximately Canadian dollars 55 million (approximately €38 million) that was paid to Unifor members on 4 November 2016. These payments will be amortized ratably over the four-year labor agreement period. The agreement expires September 2020.

Commitments of the Ferrari Group arising from contractual arrangements

Arrangements with key suppliers
From time to time, in the ordinary course of business, the Ferrari Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and /or services with fixed and determinable price provisions.

Arrangements with sponsors
Certain of the Ferrari Group's sponsorship contracts include terms whereby the Ferrari Group is obligated to purchase a minimum quantity of goods and/or services from its sponsors.
Future minimum purchase obligations under these arrangements at 31 December 2019 were as follows for the Ferrari Group's continuing operations:

	(€ millions)
Due within one year	72
Due between one and three years	16
Due between three and five years	5
Due beyond five years	-
Total	**93**

Commitments of the PartnerRe Group
PartnerRe has entered into service agreements and lease contracts that provide for business and information technology support and computer equipment. Future payments under these contracts amount to $28 million, with $20 million and $4 million to be paid during 2020 and 2021 respectively, and the remainder to be paid through 2024.
PartnerRe has entered into certain investments, including investments in variable interest investments ("VIEs"), with unfunded capital commitments. At 31 December 2019, PartnerRe expects to fund capital commitments totaling $855 million, with $378 million, $307 million, $122 million and $48 million to be paid during 2020, 2021, 2022 and 2023 respectively.
PartnerRe has committed to a 10-year structured letter of credit facility issued by a high credit quality international bank, which has a final maturity of 29 December 2024. At 31 December 2019 and 2018 PartnerRe's participation in the facility was $69 million and $67 million respectively.

At 31 December 2019 the letter of credit facility has not been drawn down and can only be drawn down in the event of certain specific scenarios, which PartnerRe considers remote. Unless canceled by the bank, the credit facility automatically extends for one year, each year until maturity.

Commitments of Juventus
The commitments of Juventus included guarantees received from leading credit institutions of €62 million (€14 million at 31 December 2018) issued to guarantee the payables arising from the acquisition of players' registration rights (€54 million), the infrastructure works under the Agreed Executive Plan of the Continassa Area (€5 million) and other commitments (€3 million).

Pending litigation and contingent liabilities

As a global group with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, environmental risks and tax matters, dealer and supplier relationships and intellectual property rights. The outcome of any proceedings cannot be predicted with certainty. These risks arise from pending legal proceedings or requests received by the Group seeking recovery for damage to property, personal injuries and in some cases include a claim for exemplary or punitive damage. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group's financial position and results. The Company's reinsurance subsidiaries, and the insurance and reinsurance industry in general, are subject to litigation and arbitration in the normal course of their business operations. In addition to claims litigation, the Company and its subsidiaries may be subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties. This category of business litigation typically involves, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. While the outcome of business litigation cannot be predicted with certainty, the Company will dispute all allegations against the Company and/or its subsidiaries that management believes are without merit.

Contingent liabilities of the FCA Group

Takata Airbag Inflators

Putative class action lawsuits were filed in March 2018 against FCA US in the U.S. District Courts for the Southern District of Florida and the Eastern District of Michigan, asserting claims under federal and state laws alleging economic loss due to Takata airbag inflators installed in certain of its vehicles. FCA is vigorously defending against this action and at this stage of the proceedings, it is not possible to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Emissions Matters

On 10 January 2019, FCA announced that FCA US had reached final settlements on civil environmental and consumer claims with the U.S. Environmental Protection Agency ("EPA"), U.S. Department of Justice ("DoJ"), the California Air Resources Board, the State of California, 49 other States and U.S. Customs and Border Protection, for which FCA accrued €748 million during the year ended 31 December 2018. Approximately €350 million of the accrual was related to civil penalties to resolve differences over diesel emissions requirements. A portion of the accrual was attributable to settlement of a putative class action on behalf of consumers in connection with which FCA US agreed to pay an average of $2,800 per vehicle to eligible customers affected by the recall. That settlement received final court approval on 3 May 2019. Nevertheless, FCA continues to defend individual claims from approximately 3,200 consumers that have exercised their right to opt out of the class action settlement and pursue their own individual claims against FCA (the "Opt-Out Litigation"). FCA has engaged in further discovery in the Opt-Out Litigation and participated in court-sponsored settlement conferences, but has reached settlement agreements with only a very small number of these remaining plaintiffs. At 31 December 2019, FCA's best estimate of a probable loss has been included within the provision previously recognized.

In the U.S., FCA remains subject to diesel emissions-related investigations by the U.S. Securities and Exchange Commission (the "SEC") and the DoJ, Criminal Division. In September 2019, the DoJ filed criminal charges against an employee of FCA US for, among other things, fraud, conspiracy, false statements and violations of the Clean Air Act primarily in connection with efforts to obtain regulatory approval of the vehicles that were the subject of the civil settlements described above. FCA continues to cooperate with these investigations and present FCA's positions on concerns raised by these governmental authorities. FCA may also engage in discussions in an effort to reach an appropriate resolution of these investigations. At this time, FCA cannot predict whether or when any settlement may be reached or the ultimate outcome of these investigations and it is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss. FCA also remains subject to a number of related private lawsuits (the "Non Opt-Out Litigation").

FCA has also received inquiries from other regulatory authorities in a number of jurisdictions as they examine the on-road tailpipe emissions of several automakers' vehicles and, when jurisdictionally appropriate, it continues to cooperate with these governmental agencies and authorities.

In Europe, FCA has been working with the Italian Ministry of Transport ("MIT") and the Dutch Vehicle Regulator ("RDW"), the authorities that certified FCA diesel vehicles for sale in the European Union, and the UK Driver and Vehicle Standards Agency in connection with their review of several of FCA's vehicles.

FCA also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for its vehicles, and FCA discussed the KBA reported test results, its emission control calibrations and the features of the vehicles in question. After these initial discussions, the MIT, which has sole authority for regulatory compliance of the vehicles it has certified, asserted its exclusive jurisdiction over the matters raised by the KBA, tested the vehicles, determined that the vehicles complied with applicable European regulations and informed the KBA of its determination. Thereafter, mediations have been held under European Commission ("EC") rules, between the MIT and the German Ministry of Transport and Digital Infrastructure, which oversees the KBA, in an effort to resolve their differences. The mediation was concluded with no action being taken with respect to FCA. In May 2017, the EC announced its intention to open an infringement procedure against Italy regarding Italy's alleged failure to respond to EC's concerns regarding certain FCA emission control calibrations. The MIT has responded to the EC's allegations by confirming that the vehicles' approval process was properly performed.
In December 2019, the MIT notified FCA that the Dutch Ministry of Infrastructure and Water Management ("I&W") had been communicating with the MIT regarding certain irregularities allegedly found by the RDW and the Dutch Center of Research TNO in the emission levels of certain Jeep Grand Cherokee Euro 5 models and a vehicle model of another OEM that contains a Euro 6 diesel engine supplied by FCA. In January 2020, the Dutch Parliament published a letter from the I&W summarizing the conclusions of the RDW regarding those vehicles and engines and indicating an intention to order a recall and report their findings to the Public Prosecutor, the EC and other Member States. FCA is in the process of providing a response to the MIT and engaging with the RDW to present its positions and cooperate to reach an appropriate resolution of this matter.
In addition, at the request of the French Consumer Protection Agency, the Juge d'Instruction du Tribunal de Grande Instance of Paris is investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

In December 2018, the Korean Ministry of Environment ("MOE") announced its determination that approximately 2,400 FCA vehicles imported into Korea during 2015, 2016 and 2017 were not emissions compliant and that the vehicles with a subsequent update of the emission control calibrations voluntarily performed by FCA, although compliant, would have required re-homologation of the vehicles concerned. In May 2019, the MOE revoked certification of the above-referenced vehicles and announced an administrative fine for an amount not material to the Group. FCA has appealed the MOE's decision. Its subsidiary in Seoul, Korea, is also cooperating with local criminal authorities in connection with their review of this matter and with the Korean Fair Trade Commission regarding a purported breach of the Act on Fair Labeling and Advertisement in connection with the subject vehicles.

The results of the unresolved governmental inquiries and private litigation cannot be predicted at this time and these inquiries and litigation may lead to further enforcement actions, penalties or damage awards, any of which may have a material adverse effect on FCA business, financial condition and results of operations. It is also possible that these matters and their ultimate resolution may adversely affect FCA's reputation with consumers, which may negatively impact demand for its vehicles and consequently could have a material adverse effect on its business, financial condition and results of operations. At this stage, FCA is unable to evaluate the likelihood that a loss will be incurred with regard to the unresolved inquiries and Non Opt-Out Litigation or estimate a range of possible loss.

U.S. Sales Reporting Investigations
On 18 July 2016, FCA confirmed that the SEC had commenced an investigation into its reporting of vehicle unit sales to end customers in the U.S. and that inquiries into similar issues have been received from the DoJ. These vehicle unit sales reports relate to unit sales volumes primarily by dealers to consumers while FCA generally recognizes revenues based on shipments to dealers and other customers and not on vehicle unit sales to consumers.
On 27 September 2019, the SEC announced the resolution of its investigation which included FCA's agreement to pay an amount that is not material to the Group. FCA has also cooperated with a DoJ investigation into the same issues, the outcome of which remains uncertain.

Any resolution of that matter may involve the payment of penalties and other sanctions. At this time, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss in connection with that investigation.

As previously reported, two putative securities class action lawsuits were filed against FCA in the U.S. District Court for the Eastern District of Michigan making allegations with regard to its reporting of vehicle unit sales to end consumers in the U.S. These lawsuits were consolidated into a single action and on 4 October 2018, FCA entered into an agreement in principle to settle the consolidated litigation, subject to court approval, for an amount that is not material to the Group. On 5 June 2019, the Court granted final approval to this settlement.

National Training Center
In connection with an on-going government investigation into matters at the UAW-Chrysler National Training Center, the DoJ has brought charges against a number of individuals including former FCA US employees and individuals associated with the UAW for, among other things, tax fraud and conspiring to provide money or other things of value to a UAW officer and UAW employees while acting in the interests of FCA US, in violation of the Labor Management Relations (Taft-Hartley) Act. Several of the individual defendants have entered guilty pleas and some have claimed in connection with those pleas that they conspired with FCA US in violation of the Taft-Hartley Act. FCA continues to cooperate with this investigation and is in discussions with the DOJ about a potential resolution of its investigation. The outcome of those discussions is uncertain; however, any resolution may involve the payment of penalties and other sanctions. At this time, FCA cannot predict whether or when any settlements may be reached or, if no settlement is reached, the ultimate outcome of any litigation. As such, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.
Several putative class action lawsuits have been filed against FCA US in U.S. federal court alleging harm to UAW workers as a result of these acts. The actions have been dismissed both at the trial court stage and on appeal. Three plaintiffs in these lawsuits also filed charges alleging unfair labor practices with the U.S. National Labor Relations Board (the “Board”). The Board issued a complaint regarding these allegations and is seeking a cease and desist order as well as the posting of a notification with respect to the alleged practices. At this stage, FCA are unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

General Motors Litigation
On 20 November 2019, General Motors LLC and General Motors Company (collectively, “GM”) filed a lawsuit in the U.S. District Court for the Eastern District of Michigan against FCA US, FCA N.V. and certain individuals, claiming violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act, unfair competition and civil conspiracy in connection with allegations that FCA US paid bribes to UAW officials that corrupted the bargaining process with the UAW and as a result FCA US enjoyed unfair labor costs and operational advantages that caused harm to GM. GM also claimed that FCA US had made concessions to the UAW in collective bargaining that the UAW was then able to extract from GM through pattern bargaining which increased costs to GM in an effort to force a merger between GM and FCA.
FCA is defending vigorously against this action and, on 24 January 2020, filed a motion to dismiss all claims. However, at this stage, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

U.S. Import Duties
Historically, FCA has paid a 2.5 percent duty on Ram ProMaster City light commercial vehicles imported into the U.S. as passenger vehicles and later converted into cargo vans rather than pay the 25 percent duty applicable to vehicles that are imported into the U.S. as cargo vans. In litigation between a competitor and U.S. Customs and Border Protection (“CBP”) involving similar vehicles, the U.S. Court of Appeals for the Federal Circuit (the “Federal Circuit”) ruled in June 2019 that vehicles previously imported by the competitor are subject to the 25 percent duty. In October 2019, the Federal Circuit declined to rehear the case and the competitor announced its intent to appeal the matter to the U.S. Supreme Court.
FCA believes there are facts that distinguish its case from that of the competitor. However, if CBP prevails against the competitor, it may seek to recover increased duties for its prior imports, plus interest, and may assert a claim for penalties. At this stage, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

Contingent liabilities of the CNH Industrial Group

Follow-up on Damages Claims: Iveco S.p.A., CNH Industrial's wholly owned subsidiary, and its competitors were subject to an investigation by the European Commission (the "Commission") into certain business practices in the European Union in relation to M&H trucks. On 19 July 2016, the Commission announced a settlement with Iveco. Following the settlement, CNH Industrial has been named as defendant in private litigation commenced in various European jurisdictions and Israel by customers and other third parties, either acting individually or as part of a wider group or class of claimants. These claims remain at an early stage. Further, on the basis of the letters issued by a significant number of customers indicating that they may commence proceedings in the future, CNH Industrial expects to face further claims based on the same legal grounds in the same and various other jurisdictions. The extent and outcome of these claims cannot be predicted at this time.

Contingent liabilities of the Ferrari Group

Takata airbag inflator recalls

On 4 May 2016, the United States National Highway Traffic Safety Administration ("NHTSA") published a Consent Order Amendment (the "Amended Consent Order") to the November 3, 2015 Takata Consent Order regarding a defect which may arise in the non-desiccated Takata passenger airbag inflators mounted on certain Ferrari cars. As a result of such Amended Consent Order, Ferrari filed a Part 573 Defect Information Report on 23 May 2016 with the NHTSA and has initiated a global recall relating to certain cars produced between 2008 and 2011.

In December 2016, the NHTSA issued a Third Amendment to the Coordinated Remedy Order ("ACRO") which included the list of Ferrari vehicles sold in the United States up to model year 2017 to be recalled. As a consequence of the ACRO, Ferrari decided to extend the Takata global recall campaign to all vehicles worldwide mounting non-desiccated Takata passenger airbag inflators. In January 2017 Ferrari, in accordance with the Amended Consent Order and the ACRO, filed with the NHTSA a Part 573 Defect Information Report to include model year 2012 Zone A vehicles. In January 2018, Ferrari, in accordance with the Amended Consent Order and the ACRO, also filed with the NHTSA a Part 573 Defect Information Report to include model year 2013 Zone A vehicles. In January 2019, Ferrari, in accordance with the Amended Consent Order and the ACRO, filed with the NHTSA a Part 573 Defect Information Report to include model year 2014 - 2018 vehicles. In January 2020, Ferrari, in accordance with the Amended Consent Order and the ACRO, filed with the NHTSA a Part 573 Defect Information Report to include vehicles that had received the so-called "like-for-like" repair. As a result of the ACRO and the decision to extend the worldwide Takata airbag inflator recall, Ferrari recognized provisions of €37 million in 2016 for the estimated charges for Takata airbag inflators recalls to cover the cost of the worldwide global Takata recall due to uncertainty of recoverability of the costs from Takata. At 31 December 2019 the provision amounted to €16 million.

Legal proceedings and disputes

The provision for legal proceedings and disputes represents management's best estimate of the expenditures expected to be required to settle or otherwise resolve legal proceedings and disputes. This class of claims relate to allegations by contractual counterparties that the Group has violated the terms of the arrangements, including by terminating the applicable relationships. Judgments in these proceedings may be issued in 2020 or beyond, although any such judgment may remain subject to judicial review. While the outcome of such proceedings is uncertain, any losses in excess of the provisions recorded are not expected to be material to the Ferrari Group's financial condition or results of operations.

The utilization of the provision for legal proceedings and disputes includes a release for a change in the estimate of the risk and related provision associated with a legal dispute based on developments in the first quarter of 2019. Accruals to the provision for legal proceedings and disputes are recognized within other expenses, net.

Contingent liabilities of the PartnerRe Group

At 31 December 2019, PartnerRe was not a party to any litigation or arbitration that it believes could have a material effect on the financial condition, results of operations or liquidity of PartnerRe.

32. Fair value measurement by hierarchy

Assets and liabilities measured at fair value on a recurring basis

IFRS 13 - *Fair Value Measurement* establishes a hierarchy that categorises into three levels the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement. Levels used in the hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the assets and liabilities.

The following table shows the fair value hierarchy, based on observable and unobservable input for financial assets and liabilities that are measured at fair value on a recurring basis at 31 December 2019:

(€ million)	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities and equity instruments measured at FVTOCI	60	38	126	**224**
Debt securities and equity instruments measured at FVTPL	309	-	-400	**709**
Derivative financial assets	-	173		**173**
Collateral deposits	42	-	-	**42**
Receivables from financing activities and other financial receivables			581	**581**
Trade receivables		19		**19**
Other receivables			69	**69**
Investments of reinsurance companies measured at FVTPL	74	10,239	3,464	**13,777**
Money market securities	2,698	-	-	**2,698**
Total Assets at 31 December 2019	**3,183**	**10,469**	**4,640**	**18,292**
Derivative financial liabilities	(26)	(442)	-	**(468)**
Total Liabilities at 31 December 2019	**(26)**	**(442)**	**0**	**(468)**
Debt securities and equity instruments measured at FVTOCI	13	35	53	**101**
Debt securities and equity instruments measured at FVTPL	298	-	165	**463**
Derivative financial assets	-	361	41	**402**
Collateral deposits	61	-	-	**61**
Receivables from financing activities[(1)]	-	-	968	**968**
Trade receivables	-	65	-	**65**
Investments of reinsurance companies measured at FVTPL	40	11,324	1,489	**12,853**
Money market securities[(1)]	4,726	-	-	**4,726**
Total Assets at 31 December 2018	**5,138**	**11,784**	**2,716**	**19,639**
Derivative financial liabilities	(24)	(309)	(3)	**(336)**
Total Liabilities at 31 December 2018	**(24)**	**(309)**	**(3)**	**(336)**

(1) Amount at 31 December 2018 excludes items measured at amortized cost.

Investments of reinsurance companies at fair value principally are classified as Level 2 and include among other: U.S. government issued bonds; U.S. government sponsored enterprises bonds, U.S. state, territory and municipal entities bonds; non-U.S. sovereign government, supranational and government related bonds.
Investments classified as Level 3 include among other: inactively traded fixed maturities including U.S. State, territory and municipal bonds, unlisted equities, fund investments, derivative instruments and other invested assets. Fair value is determined using valuation models widely accepted; the valuation technique generally used is discounted cash flow, considering counterparty credit risk.

The fair value of derivative financial assets and liabilities, is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment, as described below.
In particular:

- the fair value of forward contracts, swaps and options hedging currency risk is determined by using valuation techniques common in the financial markets and taking market parameters at the balance sheet date (in particular exchange rate, interest rates and volatility rate);
- the fair value of interest rate swaps and forward rate agreements is determined by taking the prevailing interest rates at the balance sheet date and using the discounted expected cash flow method;
- the fair value of combined interest rate and currency swaps is determined using the exchange rates and interest rates prevailing at the balance sheet date and the discounted expected cash flow and
- the fair value of swaps and options hedging commodity price risk is determined by using valuation techniques common in the financial markets and taking market parameters at the balance sheet date (in particular underlying prices, interest rates and volatility rates).

The fair value of money market securities is based on available market quotations. Where appropriate, the fair value of cash equivalents is determined with discounted expected cash flow techniques using observable market yields (categorized as Level 2).

The fair value of receivables from financing activities, which are classified in Level 3 of the fair value hierarchy, has been estimated using discounted cash flow models. The most significant inputs used in this measurement are market discount rates that reflect conditions applied in various reference markets on receivables with similar characteristics, adjusted in order to take into account the credit risk of counterparties.

The fair value of other receivables, which relates to the contingent consideration receivables from the sale of Magneti Marelli, is classified in Level 3 of the fair value hierarchy and has been estimated using discontinued cash flow models. The most significant inputs used in this measurement are market discount rates.

For assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each year. In 2019, €14 million of derivative financial assets and liabilities were transferred from Level 3 to Level 2 in the fair value hierarchy primarily as a result of a change in valuation input for certain precious metals to utilize observable inputs, and also €12 million of investment in reinsurance company were transferred out of Level 3 following significant change in the valuation technique.

The following table provides the reconciliation of the changes in items measured at fair value classified within Level 3 for the year ended at 31 December 2019:

(€ million)	At 1 January 2019	Gains (losses) recognized		Increase (decrease)	Net transfers into/(out of) Level 3	At 31 December 2019
		In the income statement	In other comprehensive income			
Debt securities and equity instruments measured at FVTOCI	53	-	(6)	79	-	126
Debt securities and equity instruments measured at FVTPL	165	125	-	110	-	400
Derivative financial assets	41	56	(15)	(68)	(14)	0
Receivables from financing activities	968	-	-	(387)	-	581
Other receivables	-	-	-	69	-	69
Investments of reinsurance companies measured at FVTPL	1,489	422	-	1,565	(12)	3,464
Total Assets	**2,716**	**603**	**(21)**	**1,368**	**(26)**	**4,640**
Derivative financial liabilities	(3)	-	-	3	-	0
Total Liabilities	**(3)**	**0**	**0**	**3**	**0**	**0**

The gains (losses) included in the income statement are recognized in financial income (expenses) and cost of revenues. The gains (losses) recognized in other comprehensive income (loss) are included in the fair value reserve, in the cash flow hedge reserve and in currency translation differences.

Assets and liabilities not measured at fair value on a recurring basis

The carrying value of debt securities measured at amortized cost, financial receivables, current receivables and payables is a reasonable approximation of the fair value as the present value of future cash flow does not differ significantly from the carrying amount.

The carrying value of cash at banks and other cash equivalents usually approximates fair value due to the short maturity of these instruments.

The following table presents the carrying amount and the fair value of financial assets and liabilities not measured at fair value on a recurring basis:

(€ million)	At 31 December 2019		At 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Dealer financing receivables	10,722	10718	10,224	10,224
Retail financing receivables	9,321	9,272	9,165	9,165
Finance lease receivables	458	456	462	462
Non-current debt securities	52	55	52	58
Other	337	337	417	417
Total assets	**20,890**	**20,838**	**20,320**	**20,326**
Financial liabilities				
Notes	(19,031)	(20,212)	(20,470)	(17,610)
Borrowing from banks, payables represented by securities and other financial debt	(10,415)	(10,703)	(11,789)	(11,892)
Asset-backed financing	(11,405)	(11,371)	(10,981)	(10,877)
Lease liabilities	(2,180)	(2,180)	-	-
Total liabilities	**(43,031)**	**(44,466)**	**(43,240)**	**(40,379)**

Non-current debt securities are represented by notes issued by leading counterparties, listed on active markets and therefore their fair value is categorized in Level 1.

The fair values of receivables from financing activities, which are classified in Level 3 of the fair value hierarchy, have been estimated with discounted cash flows models. The most significant inputs used for this measurement are market discount rates that reflect conditions applied in various reference markets on receivables with similar characteristics, adjusted to take into account the credit risk of the counterparties.

Notes that are traded in active markets for which a close or last trade pricing is available are classified in Level 1 of the fair value hierarchy. Notes for which such prices are not available are valued at the last available price or based on quotes received from independent pricing services or from dealers who trade in such securities and are classified in Level 2 of the fair value hierarchy.
The fair value of the senior notes of PartnerRe was calculated based on discounted cash flow models using observable market yields and contractual cash flows.
The fair value of notes is categorized principally in Level 1 and in Level 2.

The fair value of borrowing from banks, payables represented by securities and other financial debt, classified principally in Level 2, has been estimated using discounted cash flow models.
The main inputs used are year-end market interest rates, adjusted for market expectations of the Group's non-performance risk implied in quoted prices of traded securities issued by the Group and existing credit derivatives on Group liabilities. The fair value of the debt that requires significant adjustment using unobservable inputs is classified in Level 3.

The fair value of lease liabilities classified within Level 3 of the fair value hierarchy has been estimated using discounted cash flow models that require significant adjustments using unobservable inputs. At 31 December 2019, €75 million were classified within Level 2 and €2,120 million were classified within Level 3.

33. Related party transactions

The entities of each consolidated Group put in place transactions with subsidiaries, joint ventures, associates and other related parties, on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved.

Pursuant to IAS 24 the related parties of the EXOR Group are Giovanni Agnelli, the FCA Group, the CNH Industrial Group, the Ferrari Group, the PartnerRe Group and their respective unconsolidated subsidiaries, associates or joint ventures, Juventus, The Economist Group and their subsidiaries. In addition, members of the board of directors of EXOR and its parent Giovanni Agnelli and their families are also considered related parties.

Transactions carried out by the Group with unconsolidated subsidiaries, joint ventures, associates and other related parties are primarily those of a commercial nature, which have had an effect on revenues, cost of sales, and trade receivables and payables.

The most significant financial transactions with related parties generate, for the FCA Group, receivables from financing activities of the Group's financial services companies from joint ventures and asset-backed financing relating to amounts primarily due to FCA Bank for the sale of receivables which do not qualify for derecognition under IFRS 9.
In accordance with IAS 24, transactions with related parties also include compensation payable to directors, statutory auditors and executives with strategic responsibilities.

The effects of transactions with related parties recognized in the consolidated income statement of the Group for the years ended 31 December 2019 and 2018 are as follows:

(€ million)	Years ended 31 December							
	2019				2018			
	Net revenues	**Cost of sales**	**Selling, general and other (income) expenses**	**Financial income (expenses)**	**Net revenues**	**Cost of sales**	**Selling, general and other (income) expenses**	**Financial income (expenses)**
Total joint ventures	3,757	4,880	(8)	(54)	4,078	3,195	(79)	(40)
Total associates	164	196	-	1	168	60	(3)	3
Total other related parties	5	-	13	-	2	22	57	-
Total unconsolidated subsidiaries	-	7	5	-	7	8	14	(1)
Total related parties	**3,926**	**5,083**	**10**	**(53)**	**4,255**	**3,285**	**(11)**	**(38)**

Non-financial assets and liabilities originating from related party transactions at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December							
	2019				2018			
	Trade receivables	**Trade payables**	**Other assets**	**Other liabilities**	**Trade receivables**	**Trade payables**	**Other assets**	**Other liabilities**
Total joint ventures	304	365	2	238	257	541	14	309
Total associates	28	65	9	8	35	52	12	13
Total other related parties	4	-	-	1	2	-	-	1
Total unconsolidated subsidiaries	7	9	-	-	11	12	-	-
Total related parties	**343**	**439**	**11**	**247**	**305**	**605**	**26**	**323**

Financial assets and liabilities originating from related party transactions at 31 December 2019 and 2018 are as follows:

(€ million)	At 31 December			
	2019		2018	
	Receivables from financing activities	**Financial debt**	**Receivables from financing activities**	**Financial debt**
Total joint ventures	175	194	281	352
Total associates	33	5	12	3
Total other related parties	-	-	-	-
Total unconsolidated subsidiaries	1	24	11	28
Total related parties	**209**	**223**	**304**	**383**

Commitments and guarantees pledged in favour of related parties of the FCA Group
At 31 December 2019 FCA Group had a take or pay commitment with Tofas with future minimum expected obligations as follows:

(€ million)	**2020**	**2021**	**2022**
Future minimum purchase obligations	280	257	153

Commitments and guarantees pledged in favour of related parties of the CNH Industrial Group
At 31 December 2019 the CNH Industrial Group has pledged guarantees on commitments of its joint ventures, mainly related to Iveco - Oto Melara Società Consortile, for an amount of €129 million (€140 million at 31 December 2018).

Compensation to directors, statutory auditors and key executives of EXOR
In 2019 compensation to the directors and statutory auditors of EXOR, for carrying out their respective functions in the Parent and in other consolidated companies, is as follows:

(€ thousand)	**EXOR**	**Subsidiaries**	**Total**
Total compensation 2019	**5,685**	**6,829**	**12,514**
Total compensation 2018	5,805	34,764	40,569

This amount includes the notional compensation cost arising from long-term share-based compensation and stock grants awarded to the directors. There are no key executives in EXOR.

34. Explanatory notes to the consolidated statement of cash flows

Reconciliation of liabilities arising from financing activities for the years ended 31 December 2019 and 2018 is as follows:

(€ million)	Note	**2019**	**2018**
At 1 January			
Financial debt	27	**43,240**	**46,441**
IFR 16		**1,615**	
Total Financial debt		**44,855**	
Derivatives liabilities (assets) and collateral, net	28	**(132)**	**(156)**
Total Liabilities from financing activities		**44,723**	**46,285**
Cash flows		(2,528)	(2,533)
Foreign exchange effects		243	(189)
Fair value changes		449	(135)
Changes in scope of consolidation		43	1
Transfer to (Assets)/Liabilities held for sale		(82)	(177)
Other changes		436	(145)
Total change		**(1,439)**	**(3,177)**
At 31 December			
Total Liabilities from financing activities	27	**43,284**	**43,108**
Derivatives liabilities (assets) and collateral, net	28	**(253)**	**(132)**
Total financial debt		**43,031**	**43,240**

During the year ended 31 December 2019 the Group paid interest of €1,718 million and received interest of €702 million. During the year ended 31 December 2018 the Group paid interest of €1,803 million and received interest of €787 million. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

During the year ended 31 December 2019 the Group made income tax payments, net of refunds, totaling €604 million. During the year ended 31 December 2018 the Group made income tax payments, net of refunds totaling €1,208 million.

35. Qualitative and quantitative information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, principally arising from its normal commercial relations with final customers and dealers, and its financing activities;
- liquidity risk, with particular reference to the availability of funds and access to the credit market and to financial instruments in general;
- financial market risk (principally relating to exchange rates, interest rates and commodity prices), since the Group operates at an international level in different currencies and uses financial instruments which generate interest. The Group is also exposed to the risk of changes in the price of certain commodities and of certain listed shares.

These risks could significantly affect the Group's financial position and results and for this reason, the Group systematically identifies and monitors these risks in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with established risk management policies.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. 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 maximum credit risk to which the Group is potentially exposed at 31 December 2019 is represented by the carrying amounts of financial assets in the financial statements as discussed in Note 17, "Trade and other receivables" and the nominal value of the guarantees provided on liabilities and commitments to third parties as discussed in Note 31, "Guarantees granted, commitments and contingent liabilities".
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group monitors these exposures and establishes credit lines with single or homogeneous categories of counterparties.

Dealers and financial customers for which the Group provides financing are subject to specific assessments of their credit worthiness under a detailed scoring system. To mitigate this risk, the Group can obtain financial and non-financial guarantees. These guarantees are further strengthened where possible by reserve of title clauses on financed vehicle sales to the sales network made by the Group financial services companies and vehicles assigned under finance and operating lease agreements.

For further information regarding the exposure to credit risk and ECLs of trade receivables and receivables from financing activities at 31 December 2019, refer to Note 17, "Trade and other receivables".

The PartnerRe Group is exposed to additional credit risks due to the nature of its business. With respect to PartnerRe:

At 31 December 2019 and 2018 fixed maturity securities and short-term investments totaled $11.7 billion (€10.4 billion) and $13.1 billion (€11.4 billion) respectively. The Company controls this exposure by emphasizing investment grade credit quality in the fixed maturity securities it purchases. At 31 December 2019 and 2018, approximately 74% and 55%, respectively, of the Company's fixed maturity portfolio was rated AA (or equivalent rating) or better.
Approximately 89% (2018:74%) were rated A, or better and 3% (2018: 4%) were rated below investment grade or not rated. PartnerRe believes this high quality concentration reduces its exposure to credit risk on fixed maturity investments to an acceptable level. At 31 December 2019 PartnerRe was not exposed to any significant credit concentration risk on its investments, excluding securities issued by the U.S. government and the World Bank which are rated AA+ and AAA, respectively. At 31 December 2019, PartnerRe held fixed maturity investments in the World Bank of $1,110 million (€988 million). At 31 December 2019 and 2018, the single largest corporate issuer accounted for less than 4% and 4%, respectively, and the top 10 corporate issuers accounted for less than 32% and 21%, respectively, of the Company's total corporate fixed securities.

PartnerRe holds cash and cash equivalents with several banks and ensures that there are no significant concentrations of credit risk in any one bank. At 31 December 2019 and 2018 cash and cash equivalents totaled $1,484 million (€1,321 million) and $878 million (€782 million), respectively.

At 31 December 2019 and 2018 funds held by reinsurance companies totaled $815 million (€725 million) and $830 million (€739 million), respectively. PartnerRe is exposed to the credit risk of its cedants in the event of their insolvency or their failure to honor the value of the funds held balances for any other reason, although this risk is mitigated in some jurisdictions by a mandatory right of offset of amounts payable to a cedant against amounts due.

Reinsurance balances receivable from PartnerRe's cedants at 31 December 2019 and 2018 were $3,400 million (€3,027 million) and $2,977 million (€2,600 million), respectively, including balances both currently due and accrued. PartnerRe believes that credit risk related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process and monitoring of aged receivable balances as well as a right of set off against losses payable in the majority of cases. Provisions are made for amounts considered potentially uncollectible and the allowance for uncollectible premiums receivable at 31 December 2019 and 2018 amounted to $7 million (€6 million) and $5 million (€4 million), respectively.

At 31 December 2019 and 2018 the balance of reinsurance recoverable on technical reinsurance reserves was $830 million (€739 million) and $940 million (€821 million) respectively. At 31 December 2019, 36% (2018: 33%) of PartnerRe's reinsurance recoverable on technical reinsurance reserves were either due from reinsurers with an A- or better rating from Standard & Poor's and the remaining 64% and 67% respectively, was collateralized.

Liquidity risk

Liquidity risk is the risk the Group is unable to obtain the funds needed to carry out its operations and meet its obligations. Any actual or perceived limitations on the Group's liquidity may affect the ability of counterparties to do business with the Group or may require additional amounts of cash and cash equivalents to be allocated as collateral for outstanding obligations.

The continuation of challenging economic conditions in the markets in which the Group operates and the uncertainties that characterize the financial markets, necessitate special attention to the management of liquidity risk.

In that sense, measures taken to generate funds through operations and to maintain a conservative level of available liquidity are important factors for ensuring operational flexibility and addressing strategic challenges over the next few years.

The main factors that determine the Group's liquidity situation are the funds generated by or used in operating and investing activities, the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

The Group has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce liquidity risk as follows:

- centralizing the management of receipts and payments where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the Group is present;
- maintaining a conservative level of available liquidity;
- diversifying the means by which funds are obtained and maintaining a continuous and active presence in the capital markets;
- obtaining adequate credit lines; and
- monitoring future liquidity on the basis of business planning.

The Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds at its disposal. The operating cash management and liquidity investment of the Group are centrally coordinated in the Group's treasury companies, with the objective of ensuring effective and efficient management of the Group's funds. These companies obtain funds in the financial markets from various funding sources.

Details of the repayment structure of the Group's financial assets and liabilities are provided in Note 17, "Trade and other receivables", Note 19, "Other assets", Note 27, "Financial debt and other financial liabilities", Note 28, "Other financial assets and other financial liabilities", Note 29, "Trade payables", and Note 30, "Other liabilities".

The Group believes that the Group's total available liquidity, in addition to the funds that will be generated from operating and financing activities, will enable the Group to satisfy the requirements of its investing activities and working capital needs, fulfill its obligations to repay its debt at the natural due dates and ensure an appropriate level of operating and strategic flexibility.

PartnerRe is exposed to additional liquidity risk mainly through claims arising from its reinsurance contracts and payments for its debt obligations and preference shares. PartnerRe believes that its significant cash flows from operations and high quality liquid investment portfolio will provide sufficient liquidity for the foreseeable future.

PartnerRe aims to maintain sufficient liquidity at all times so that it can support its cedants by settling claims quickly. PartnerRe generates cash flows primarily from its underwriting and investment operations. PartnerRe believes that a profitable, well-run reinsurance organization will generate sufficient cash from premium receipts to pay claims, acquisition costs and operating expenses in most years. To the extent that underwriting cash flows are not sufficient to cover operating cash outflows in any year, PartnerRe may utilize cash flows generated from investments and ultimately liquidate assets from its investment portfolio. PartnerRe ensures that its liquidity requirements are supported by maintaining a high-quality, well-balanced and liquid investment portfolio, and by managing the duration of its investments with that of its net reinsurance liabilities. In the normal course of its business, the Company is a party to a variety of contractual obligations as summarized below. These contractual obligations are considered by the Company when assessing its liquidity requirements and the Company is confident in its ability to meet all of its obligations.

Contractual obligations for technical reinsurance reserves at 31 December 2019 were as follows:

(€ million)	**Total**	**< 1 year**	**1 – 3 years**	**3 – 5 years**	**>5 years**
Technical reinsurance reserves	**15,299**	3,859	3,942	1,758	5,740

Financial markets risk

Due to the nature of its business, the EXOR Group is exposed to a variety of market risks, including foreign currency exchange rate risk, interest rate risk and commodity price risk.

The Group's exposure to foreign currency exchange rate risk arises both in connection with the geographical distribution of the Group's industrial activities compared to the markets in which it sells its products, and in relation to the use of external borrowing denominated in foreign currencies.

The Group's exposure to interest rate risk arises from the need to fund industrial and financial operating activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's Net profit, thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's exposure to commodity price risk arises from the risk of changes in the price of certain raw materials and energy used in production. Changes in the price of raw materials could have a significant effect on the Group's results by indirectly affecting costs and product margins.

These risks could significantly affect the Group's financial position and results and for this reason, these risks are systematically identified and monitored, in order to detect potential negative effects in advance and take the necessary actions to mitigate them, primarily through its operating and financing activities and if required, through the use of derivative financial instruments in accordance with its established risk management policies.
The Group's policy permits derivatives to be used only for managing the exposure to fluctuations in foreign currency exchange rates and interest rates as well as commodities prices connected with future cash flows and assets and liabilities, and not for speculative purposes.

The Group utilizes derivative financial instruments designated as fair value hedges mainly to hedge:
- the foreign currency exchange rate risk on financial instruments denominated in foreign currency; and
- the interest rate risk on fixed rate loans and borrowings.

The instruments used for these hedges are mainly foreign currency forward contracts, interest rate swaps and combined interest rate and foreign currency financial instruments.

The Group uses derivative financial instruments as cash flow hedges for the purpose of pre-determining:
- the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for;
- the interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a targeted mix of floating versus fixed rate funding structured loans; and
- the price of certain commodities.

The foreign currency exchange rate exposure on forecasted commercial flows is hedged by foreign currency swaps and forward contracts. Interest rate exposures are usually hedged by interest rate swaps and, in limited cases, by forward rate agreements. Exposure to changes in the price of commodities is generally hedged by using commodity swaps and commodity options. In addition, in order to manage the Group's foreign currency risk related to its investments in foreign operations, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. Counterparties to these agreements are major financial institutions.

Information on the fair value of derivative financial instruments held at the balance sheet date is provided in Note 28, "Other financial assets and other financial liabilities".

Foreign currency exchange rate risk

The Group is exposed to risk resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:
- where a Group company incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating results of that company;
- the principal exchange rates to which the Group is exposed are EUR/USD, USD/CAD, CNY, GBP, AUD, MXN, CHF, ARS, PLN, TRY, JPY and USD/BRL and EUR/BRL.

The Group's policy is to use derivative financial instruments to hedge a percentage of certain exposures subject to foreign currency exchange rate risk for the upcoming 12 months (including such risk before or beyond that date where it is deemed appropriate in relation to the characteristics of the business) and to hedge the exposure resulting from firm commitments unless not deemed appropriate.

Group companies may have trade receivables or payables denominated in a currency different from their respective functional currency. In addition, in a limited number of cases, it may be convenient from an economic point of view, or it may be required under local market conditions, for Group companies to obtain financing or use funds in a currency different from their respective functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. The Group's policy is to hedge, whenever deemed appropriate, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the respective Group companies' functional currency.

Certain of the Group's companies are located in countries which are outside of the Eurozone, in particular the U.S., Brazil, Canada, Poland, Serbia, Turkey, Mexico, Argentina, the Czech Republic, India, China, Australia and South Africa. As the Group's reporting currency is the Euro, the income statements of those entities that have a reporting currency other than the Euro are translated into Euro using the average exchange rate for the period and the assets and liabilities of these consolidated companies are translated into Euro at the period-end foreign exchange rate. The effects of changes in foreign exchange rates are recognized directly in the Cumulative translation adjustments reserve included in Other comprehensive income.
Changes in exchange rates may lead to effects on the translated balances of revenues, costs and assets and liabilities reported in Euro, even when corresponding items are unchanged in the respective local currency of these companies.

The Group monitors its principal exposure to conversion exchange risk and, in certain circumstances, enters into derivatives for the purpose of hedging the specific risk.

There have been no substantial changes in 2019 in the nature or structure of exposure to foreign currency exchange rate risk or in the Group's hedging policies.

For the FCA Group, the potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards) at 31 December 2019 resulting from a 10 percent change in the exchange rates would have been approximately €991 million (€704 million at 31 December 2018).

For the CNH Industrial Group, the potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards, currency options, interest rate and currency swaps) at 31 December 2019 resulting from a 10 percent change in the exchange rates would have been approximately $392 million corresponding to €349 million ($374 million corresponding to €327 million at 31 December 2018).

For the Ferrari Group, the potential loss in fair value of derivative financial instruments held for foreign currency exchange rate risk management (currency swaps/forwards) at 31 December 2019 resulting from a 10 percent change in the exchange rates would have been approximately €75 million (€106 million at 31 December 2018).

These analyses assume that a hypothetical, unfavourable 10 percent change in exchange rates as at year-end is applied in the measurement of the fair value of derivative financial instruments. Receivables, payables and future trade flows whose hedging transactions have been analyzed were not included in this analysis. It is reasonable to assume that changes in market exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Interest rate risk

The manufacturing companies and treasuries of the Group make use of external borrowings and invest in monetary and financial market instruments. In addition, Group companies sell receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments and the employment of funds, thus negatively impacting the net financial expenses incurred by the Group.

In addition, the financial services companies provide loans (mainly to customers and dealers), financing themselves using various forms of direct debt or asset-backed financing (e.g. factoring of receivables). Where the characteristics of the variability of the interest rate applied to loans granted differ from those of the variability of the cost of the financing obtained, changes in the current level of interest rates can affect the operating result of those companies and the Group as a whole.

In order to manage these risks, the Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, when available in the market, with the objective of mitigating, under economically acceptable conditions, the potential variability of interest rates on the Group's Net profit.

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

The fixed rate financial instruments used by the Group consist principally of part of the portfolio of the financial services companies (principally customer financing and financial leases) and part of debt (including subsidized loans and notes).

For the FCA Group, the potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2019, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately €68 million (approximately €83 million at 31 December 2018).

For the CNH Industrial Group, the potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at 31 December 2019, resulting from a hypothetical 10 percent change in market interest rates, would have been approximately $21 million corresponding to €19 million (approximately $32 million corresponding to €29 million at 31 December 2018).

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, loans provided by the financial services companies to the sales network and part of debt. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments.

For the FCA Group, a hypothetical 10 percent change in short-term interest rates at 31 December 2019, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have resulted in increased net financial expenses before taxes, on an annual basis, of approximately €23 million (€25 million at 31 December 2018).

For the CNH Industrial Group, a hypothetical 10 percent change in short-term interest rates at 31 December 2019, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have resulted in increased net financial expenses before taxes, on an annual basis, of approximately $4 million corresponding to €4 million ($2 million corresponding to €2 million at 31 December 2018).

These analyses are based on the assumption that there is an unfavourable change of 10 percent proportionate to interest rate levels across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

In addition, the sensitivity analysis applied to floating rate financial instruments assumes that cash and cash equivalents and other short-term financial assets and liabilities which expire during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

For the PartnerRe Group, it is estimated that the hypothetical case of an immediate 100 basis points parallel shift in global bond curves would result in a change in the fair value of investments exposed to interest rate risk of $400 million (€356 million) at 31 December 2019 and $607 million (€530 million) at 31 December 2018.

Commodity price risk

The Group has entered into derivative contracts for certain commodities to hedge its exposure to commodity price risk associated with buying raw materials and energy used in its normal operations.

In connection with the commodity price derivative contracts outstanding at 31 December 2019, a hypothetical 10 percent change in the price of the commodities at that date would have caused a fair value loss of €55 million (€91 million at 31 December 2018). Future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in commodity prices will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

Equity price risk

PartnerRe invests a portion of its capital funds in equity securities with a fair market value at 31 December 2019 and 2018 of $1,223 million (€1,089 million) and $640 million (€574 million), respectively. These equity investments are primarily mutual funds and are exposed to equity price risk, defined as the potential for loss in market value due to a decline in equity prices. PartnerRe believes that the effects of diversification and the relatively small size of its investments in equities relative to total invested assets mitigate its exposure to equity price risk and estimates that a 10% movement in the S&P 500 Index would result in a movement in the fair value of its equity securities of $23 million (€20 million) at 31 December 2019, $47 million (€42 million) at 31 December 2018.

Credit spread risk

PartnerRe's fixed income portfolio including the fixed maturity portfolio is exposed to credit spread risk. Fluctuations in market credit spreads have a direct impact on the market valuation of these securities. PartnerRe manages credit spread risk by the selection of securities within its fixed maturity portfolio. Changes in credit spreads directly affect the market value of certain fixed maturity securities, but do not necessarily result in a change in the future expected cash flows associated with holding individual securities. Other factors, including liquidity, supply and demand, and changing risk preferences of investors, may affect market credit spreads without any change in the underlying credit quality of the security.

36. Audit Fees

The following table reports fees paid to the independent auditor Ernst & Young, or entities in their network for audit and other services to the Group, for the years ended 31 December 2019 and 2018:

		Years ended 31 December	
€ million		**2019**	**2018**
Audit	Parent - EXOR N.V.	180	177
	Subsidiaries	32,541	34,000
Other services	Parent - EXOR N.V.	45	5
	Subsidiaries	509	2,008
TOTAL		**33,275**	**36,190**

Audit fees of Ernst & Young Accountants LLP amounted to €626 thousand (€671 thousand in 2018). No other services were performed by Ernst & Young Accountants LLP.

37. Subsequent events

The Company has evaluated subsequent events through 25 March 2020, which is the date on which the financial statements at 31 December 2019 were authorised for issue. There are no other significant subsequent events which require disclosures than those already reported on pag. 43 of the Board Report.

25 March 2020

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

António Horta-Osório

Exor

Company Financial Statements at 31 December 2019

EXOR N.V. – INCOME STATEMENT

€ thousand	Note	Years ended 31 December 2019	2018
Investment income			
Dividends from investments	1	**999,578**	505,411
Net investment income		**999,578**	**505,411**
Impairment and gains (losses) on investments			
Impairment of investments	2	**(27,740)**	(366,272)
Realized losses on investments		**0**	(72)
Impairment and gains (losses) on investments		**(27,740)**	**(366,344)**
Financial income (expenses)			
Financial expenses from third parties	3	**(98,175)**	(101,097)
Financial income from third parties	4	**14,801**	5,277
Financial income from related parties	22	**6,070**	10,770
Financial income from fair value adjustment of financial assets		**654**	0
Gains (losses) on exchange	5	**6,949**	12,843
Net financial expenses		**(69,701)**	**(72,207)**
Net general expenses			
Personnel costs	6	**(4,612)**	(4,452)
Purchases of goods and services from third parties	7	**(4,951)**	(6,978)
Purchases of goods and services from related parties	22	**(13,551)**	(10,942)
Other operating expenses		**(25)**	(2,165)
		(23,139)	**(24,537)**
Revenues from related parties		**316**	356
		316	**356**
Net general expenses		**(22,823)**	**(24,181)**
Profit before income taxes		**879,314**	**42,679**
Income taxes	8	**0**	**0**
Profit for the year		**879,314**	**42,679**

EXOR N.V. – STATEMENT OF COMPREHENSIVE INCOME

		Years ended 31 December	
€ thousand	Note	**2019**	**2018**
Profit for the year		**879,314**	**42,679**
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods			
Gains (losses) on financial investments at fair value through other comprehensive income	10	**(6,233)**	(10,848)
Related tax effect		**0**	0
Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods, net of tax		**(6,233)**	**(10,848)**
Other comprehensive income (loss) that may be reclassified to the income statement in subsequent periods			
Gains (losses) on cash flow hedging instruments		**(4,094)**	4,126
Related tax effect		**0**	0
Total other comprehensive income (loss) that may be reclassified to the income statement, net of tax		**(4,094)**	**4,126**
Total other comprehensive income (loss), net of tax		**(10,327)**	**(6,722)**
Total comprehensive income		**868,987**	**35,957**

EXOR N.V. – STATEMENT OF FINANCIAL POSITION

€ thousand	Note	At 31 December 2019	2018
Non-current assets			
Investments accounted for at cost	9	**9,851,898**	9,684,823
Financial investments at fair value through other comprehensive income	10	**58,114**	13,909
Debt securities at amortized cost	11	**54,123**	55,750
Intangible assets		**403**	477
Property, plant and equipment		**612**	54
Other receivables		**164**	180
Total Non-current assets		**9,965,314**	**9,755,193**
Current assets			
Financial investments at fair value through profit and loss	12	**17,813**	15,642
Current loan at fair value through profit and loss		**4,353**	0
Cash and cash equivalents	13	**406,929**	8,424
Other financial assets		**1,512**	1,107
Tax receivables		**4,095**	3,804
Financial receivables from related parties	22	**335,375**	468,134
Financial receivables from third parties		**332**	321
Trade receivables from related parties	22	**20**	71
Trade receivables from third parties		**12**	0
Other receivables		**683**	731
Total Current assets		**771,124**	**498,234**
Total Assets		**10,736,438**	**10,253,427**
Equity			
Share capital	14	**2,410**	2,410
Capital reserves	14	**1,244,857**	1,244,857
Fair value reserve	14	**(8,933)**	(2,700)
Cash flow reserve	14	**(24,533)**	(20,439)
Retained earnings and other reserves	14	**5,486,477**	5,519,449
Treasury stock	14	**(268,992)**	(61,984)
Profit for the year		**879,314**	42,679
Total Equity		**7,310,600**	**6,724,272**
Non-current liabilities			
Non-convertible bonds	16	**3,163,326**	3,058,753
Other payables		**25**	77
Total Non-current liabilities		**3,163,351**	**3,058,830**
Current liabilities			
Non-convertible bonds	16	**227,333**	177,605
Bank debt and commercial paper	17	**97**	260,128
Other financial liabilities	18	**27,203**	25,932
Trade payables and other payables to related parties	22	**4,221**	3,034
Trade payables to third parties	19	**1,149**	1,421
Tax payables		**783**	737
Other payables		**1,701**	1,468
Total Current liabilities		**262,487**	**470,325**
Total Equity and Liabilities		**10,736,438**	**10,253,427**

EXOR N.V. – STATEMENT OF CASH FLOWS

€ thousand	Note	Years ended 31 December 2019	2018
Cash and cash equivalents, at beginning of year		**8,424**	**9,167**
Cash flows from (used in) operating activities			
Profit for the year		**879,314**	**42,679**
Adjustments for:			
Impairment and realized (gains)/losses on investments	2	**27,740**	366,344
Other non-cash movements		**(6,233)**	(355,473)
Notional cost of EXOR stock option plan	15	**4,472**	4,826
Total adjustments		**25,979**	**15,697**
Change in working capital:			
Other financial assets, current and non-current		**(405)**	(1,029)
Tax receivables		**(291)**	0
Trade receivables from related parties	22	**39**	(23)
Other receivables, current and non-current		**64**	(164)
Other financial receivables		**(11)**	(21)
Other payables, current and non-current		**181**	270
Other financial liabilities, current and non-current		**1,271**	(6,531)
Trade payables and other payables to related parties, excluding items adjusting profit	22	**1,187**	(767)
Trade payables to third parties		**(272)**	(760)
Tax payables		**46**	(668)
Others		**2,982**	594
Change in working capital		**4,792**	**(9,098)**
Cash flows from (used in) operating activities		**910,085**	**49,277**
Cash flows from (used in) investing activities			
Property, plant and equipment and intangibles assets		**0**	(114)
Investments in subsidiaries, associated and other companies	9	**(191,241)**	(4,877)
Redemption of minor investments	9	**0**	200
Current loan		**(4,353)**	0
Change in financial receivables from related parties	22	**132,759**	(400,732)
Net Investments in financial assets	10	**(48,811)**	(15,642)
Change in financial assets at FVTPL		**(2,171)**	0
Cash flows from (used in) investing activities		**(113,817)**	**(421,165)**
Cash flows from (used in) financing activities			
Issuance of bonds	16	**297,570**	686,337
Repayment of bonds	16	**(151,124)**	0
Proceeds of bank debt	17	**368,500**	230,000
Repayment of bank debt	17	**(598,500)**	(434,046)
Net change in short term debt and other financial assets and liabilities		**(22,044)**	22,043
Buyback program	14	**(207,018)**	(61,930)
Repayment of lease liabilities		**(132)**	0
Changes in fair value of cash flow hedge derivatives		**(4,094)**	4,126
Dividend paid		**(99,696)**	(82,374)
Exercise of stock options		**18,775**	6,989
Cash flows from (used in) financing activities		**(397,763)**	**371,145**
Total change in cash and cash equivalents		**398,505**	**(743)**
Cash and cash equivalents, at end of year		**406,929**	**8,424**

- Dividend received for the year ended 31 December 2019 for €999,578 thousand are included within profit before taxes.
- In 2019 EXOR paid interest for €95,484 thousand and received interest income for €1,365 thousand.

EXOR N.V. – STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Capital reserves	Treasury stock	Earnings Reserves	Profit for the year	Fair value reserve	Cash flow hedge reserve	Total Equity
Equity at 31 December 2017	**2,410**	**1,244,857**	**(60)**	**5,477,243**	**111,951**	**8,148**	**(24,565)**	**6,819,984**
Allocation of prior year result				111,951	(111,951)			0
Buyback of treasury shares			(61,930)					(61,930)
Net increase corresponding to notional cost of EXOR stock option plan				5,634				5,634
Exercise of stock options			6	6,983				6,989
Dividend paid				(82,374)				(82,374)
Total comprehensive income					42,679	(10,848)	4,126	35,957
Other movements				12				12
Net changes during the year	**0**	**0**	**(61,924)**	**42,206**	**(69,272)**	**(10,848)**	**4,126**	**(95,712)**
Equity at 31 December 2018	**2,410**	**1,244,857**	**(61,984)**	**5,519,449**	**42,679**	**(2,700)**	**(20,439)**	**6,724,272**

€ thousand	Share capital	Capital reserves	Treasury stock	Earnings Reserves	Profit for the year	Fair value reserve	Cash flow hedge reserve	Total Equity
Equity at 31 December 2018	**2,410**	**1,244,857**	**(61,984)**	**5,519,449**	**42,679**	**(2,700)**	**(20,439)**	**6,724,272**
Allocation of prior year result				42,679	(42,679)			0
Buyback of treasury shares			(207,018)					(207,018)
Net increase corresponding to notional cost of EXOR stock option plan				5,271				5,271
Exercise of stock options			10	18,765				18,775
Dividend paid				(99,696)				(99,696)
Total comprehensive income					879,314	(6,233)	(4,094)	868,987
Other movements				9				9
Net changes during the year	**0**	**0**	**(207,008)**	**(32,972)**	**836,635**	**(6,233)**	**(4,094)**	**586,328**
Equity at 31 December 2019	**2,410**	**1,244,857**	**(268,992)**	**5,486,477**	**879,314**	**(8,933)**	**(24,533)**	**7,310,600**

EXOR N.V. – NOTES TO THE COMPANY FINANCIAL STATEMENTS

GENERAL INFORMATION ON THE COMPANY'S BUSINESS

EXOR N.V. (EXOR), the "Company" and together with its subsidiaries the "EXOR Group" or the "Group", was incorporated as a public limited company (*naamloze vennootschap*) under the laws of the Netherlands on 30 September 2015, registered in the Dutch Commercial Register under number 64236277, and in 2016 was designated to act as a holding company for EXOR Group. The registered office is Gustav Mahlerplein 25, 1082 MS, Amsterdam, the Netherlands, telephone number +31 (0) 202402220.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Date of authorization of issue

The separate financial statements at 31 December 2019 (company financial statements) were approved by the board of directors on 25 March 2020 which also authorized their publication in accordance with Dutch law. At the next shareholders' meeting the board of directors will propose that the shareholders also approve the financial statements. It should be noted that the shareholders will have the possibility to request amendment if needed.

Basis of preparation

The company financial statements of EXOR have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU-IFRS") and Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements of EXOR are expressed in Euro, prepared on the going concern assumption under the historical cost convention, except where the use of fair value is required for the measurement of financial instruments accounted for at fair value through other comprehensive income and fair value through profit and loss.

The company financial statements were prepared using the same accounting policies as set out in the notes to the consolidated financial statements at 31 December 2019 (consolidated financial statements) except for the measurement of the investments in subsidiaries and associates that are accounted for at cost.

The accounting policies were consistently applied to all periods presented.

Format of the company financial statements

EXOR presents the income statement using a classification based on the nature of the revenues and expenses, with the presentation of the following items that are characteristic of the company's activities taking preference: investment income (expenses) and financial income (expenses). In the statement of financial position the current/non-current distinction has been adopted for the presentation of assets and liabilities.

The statement of comprehensive income presents the total profit or loss recognized in the income statement and increases or decreases in reserves.

The statement of cash flows is presented using the indirect method, which reconciles cash and cash equivalents at the beginning and the end of the year.

The year-end closing date is 31 December of each year and covers a period of 12 months.

The Euro is the company's functional currency since it mainly influences cash inflows and outflows and is the functional currency of EXOR's subsidiaries except for Exor Nederland N.V. The Euro is also the presentation currency. In the notes, unless otherwise indicated, the figures are expressed in thousands of Euro.

Standards, amendments and interpretations adopted from 1 January 2019

The following standards and amendments, which were effective from 1 January 2019, were adopted by the Company.

IFRS 16 – Leases

The company adopted IFRS 16 – Leases from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 – Leases. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration.

IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of lease assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently.
The Company applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use is measured at the amount of the lease liability on adoption, adjusted for any prepaid or accrued lease expenses.
The Company elected to use the exemptions permitted by the standard on lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value (for example mobile phones, printing and photocopying machines).
The adoption of this new standard did not lead to any material effect in the Company's financial statements (Right-of-use, included in the property, plant and equipment and financial liability of €699 thousand).

IFRIC 23 – Uncertainty over Income Tax Treatments
On 7 June 2017, the IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments which clarifies application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances.
In September 2019, the IFRIC finalized its agenda decision regarding the presentation of liabilities or assets related to uncertain tax treatments which have been recognized through applying IFRIC Interpretation 23. The agenda decision concluded that uncertain tax liabilities should be presented as current tax liabilities, or deferred tax liabilities, and uncertain tax assets as current tax assets, or deferred tax assets.
The Company applied IFRIC 23 from 1 January 2019 with no impact in the financial statements.

Other new standards and amendments
The following amendments and interpretations, which were effective from 1 January 2019, were adopted by the Company, with no material impact on the Company's financial statements.

- Amendments to IFRS 9 – Financial Instruments
- Amendments to IAS 28 – Long Term Interest in Associates and Joint ventures
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015–2017 Cycle

Further information on these standards is provided in Note 2 of the consolidated financial statements.

Standards, amendments and interpretations not yet effective and not early adopted
The following new standards, amendments and interpretations have been issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, but are not yet effective for the year ended 31 December 2019, or have been issued by the IASB and not yet adopted by the European Union.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors which clarify the definition of 'material', as well as how materiality should be applied by including in the definition guidance that is included elsewhere in IFRS standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS standards. These amendments are effective on or after 1 January 2020. The Company does not expect any material impact from the adoption of these amendments.

Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, collectively the "Interest Rate Benchmark Reform", which modify certain hedge accounting requirements in order to provide relief from potential effects of the uncertainty caused by the interbank offered rates (IBOR) reform, and require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. These amendments are effective on or after 1 January 2020. The Company does not expect any material impact from the adoption of these amendments.

Review of the Conceptual Framework for Financial Reporting which revised the Conceptual Framework for Financial Reporting effective for annual reporting periods on or after 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, with early application permitted. The Company does not expect a material impact from the adoption of the revised Conceptual Framework.

The following standards, amendments and interpretations have been issued by the IASB but not yet endorsed by the EU:

- *IFRS 17 – Insurance Contracts.*
- *Amendments to IFRS 3 – Business Combinations.*
- *Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.*

The Company will introduce any new standards, amendments and interpretations once they are endorsed by the European Union and as of their effective dates. Further information on these standards is provided in Note 2 of the Consolidated Financial Statements.

Investments accounted for at cost

Investments accounted for at cost include investments in subsidiaries and associates stated at cost.
Subsidiaries are entities over which the company has control. Control is achieved when the company has valid rights which give it the ability to use its power over the investee to affect the amount of the investor's returns.
Associates are enterprises over which the company has significant influence, as defined in IAS 28 – Investments in Associates and Joint Ventures, but not control or joint control over the financial and operating policies.
Under the cost method, investments are tested for impairment whenever there is an indication of impairment due to one or more events which occurred after initial recognition which have an impact on the future cash flows of the subsidiaries and associates and on the dividends which they could distribute.
If any such evidence exists, the carrying amount is reduced to its recoverable amount, usually determined on the basis of the higher of the value in use and fair value less costs to sell. Such impairment is recognized in the income statement.
For investments listed on open markets, evidence of impairment is a significant and prolonged decline in the market prices to below the cost of a subsidiary or associate, together with its continuing negative operating performance.
When the company's share of losses of a company exceeds the carrying amount of the investment, the carrying amount is reduced to nil and the share of further losses is recognized in a liability provision only to the extent that the entity has incurred legal or constructive obligations on behalf of the company.
At the end of each reporting period, the company assesses whether there is any objective evidence that an impairment loss on an investment recognized in prior years may no longer exist or may have decreased. When, subsequently, the impairment loss no longer exists or has decreased, a reversal is recognized in the income statement up to the cost of the investment.
A significant or prolonged rise in the market price of the subsidiary or associate, together with its continuing positive operating performance is considered as objective evidence.

Financial assets and liabilities

Financial assets primarily include investments in other companies, derivative financial instruments and debt securities that represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents.
Financial liabilities primarily consist of debt, derivative financial instruments, trade payables and other liabilities.

Classification and measurement

The classification of a financial asset is dependent on the company's business model for managing such financial assets and their contractual cash flows. The company considers 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 ("FVTPL").

Financial asset cash flow business model	Initial measurement[1]	Measurement category[3]
Solely to collect the contractual cash flows represented by principal and interest (Held to Collect)	Fair Value including transaction costs	Amortized Cost[2]
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 ("FVTOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair Value	Fair value through profit and loss ("FVTPL")

1) A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price.
2) Receivables with maturities of over one year, which bear no interest or have an interest rate significantly lower than market rates are discounted using market rates.
3) On initial recognition, the company may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortized cost or at FVTOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Factors considered by the company in determining the business model for a group of financial assets include:

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations;
- how the asset's performance is evaluated and reported to key management personnel;
- how risks are assessed and managed and how management is compensated.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its 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.

Cash and cash equivalents include cash at banks, units in money market funds and other money market securities, commercial paper and certificate of deposits that are readily convertible into cash, with original maturities of three months or less at the date of purchase. Cash and cash equivalents are subject to an insignificant risk of changes in value and consist of balances across various primary national and international money market instruments.
Money market funds consist of investments in high quality, short-term, diversified financial instruments that can generally be liquidated on demand and are measured at FVTPL. Cash at banks and other cash equivalents are measured at amortized cost.

Investments in other companies are measured at fair value. Equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value, as permitted by IFRS 9. The company may irrevocably elect to present subsequent changes in the investment's fair value in Other comprehensive income ("OCI") upon the initial recognition of an equity investment that is not held to sell. This election is made on an investment-by-investment basis. Generally, any dividends from these investments are recognized in financial income from investments when the company's right to receive payment is established. Other net gains and losses are recognized in OCI and will not be reclassified to the Income Statement in subsequent periods. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value in OCI.

Intangible assets with indefinite useful life

Intangible assets with an indefinite useful life consist principally of brands which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Intangible assets with a definite useful life

Intangible assets with a definite useful life are recognized at purchase cost and amortized on a systematic basis over the asset's useful life, estimated in 5 years. Whenever necessary, intangible assets with a definite useful life are tested for impairment.

Trade receivables and payables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method and measured at net realizable value, that is, less provision for impairment for amounts considered uncollectible. The original carrying amount of the receivables is reinstated in subsequent years if the reasons for impairment no longer exist.

Payables are initially recognized at fair value and subsequently measured at amortized cost.

Receivables and payables in foreign currency, originally recorded at the transaction date exchange rate, are adjusted to the year-end rate and the resulting gain or loss is recognized in the income statement.

Treasury stock

The cost of any treasury stock purchased and/or held, also through subsidiaries, as a result of specific shareholder resolutions, is recognized as a deduction from equity and, therefore, the reserve offsetting treasury stock in portfolio is not shown separately. The proceeds from any subsequent sale are recognized as changes in equity.

Share-based compensation

Share-based compensation plans that may be settled by the delivery of shares are measured at fair value at the grant date.

This fair value is recognized in the income statement in personnel costs on a straight-line basis over the period from the grant date to the vesting date with a corresponding entry directly in equity, based upon an estimate of the number of options that is expected to vest. Changes in fair value after the grant date have no effect on the initial measurement.

The compensation component arising from stock option plans linked to shares of EXOR N.V., whose beneficiaries are employees of other companies, is recorded as a capital contribution in favor of the subsidiaries in which the beneficiaries of the stock option plans are employees; consequently, the compensation component is recognized as an increase in the relative value of the investments, with a corresponding entry recorded directly in equity.

Share-based compensation plans that may be settled in cash or by the delivery of other financial assets are recognized as a liability and measured at fair value at the end of each reporting period and when settled. Any subsequent changes in fair value are recognized in the income statement.

Provisions

The company records provisions when it has an obligation, legal or constructive, to a third party, when it is probable that an outflow of company resources will be required to satisfy the obligation and when a reliable estimate of the amount can be made.

The provisions are reviewed at every reporting date and adjusted to reflect the best current estimate. Changes in estimates are reflected in the income statement in the period in which the change occurs.

Debt

Interest-bearing debt is initially recognized at cost which corresponds to the fair value of the amount received including directly attributable costs. Debt is subsequently measured at amortized cost. The difference between amortized cost and the amount to be repaid is recognized in the income statement on the basis of the effective interest rate over the period of the loan.

Debt is classified in current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. All derivative financial instruments are measured in accordance with IFRS 9 at fair value.

Derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge (hedge of the exposure to changes in fair value), in which the effects of the hedge are recognized in the income statement.

– Cash flow hedge (hedge of the exposure to variability in future cash flows), in which the effective portion of a gain or loss in fair value is recognized directly in other comprehensive income and the ineffective portion is recognized immediately in the income statement. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in other comprehensive income and is recognized in the income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in other comprehensive income is recognized in the income statement immediately.

If hedge accounting does not apply, the gains or losses from measuring the derivative financial instrument at fair value are immediately recognized in the income statement.

Financial income and expenses, other revenues and costs

Dividends are recognized in the income statement when the paying company approves distribution, that is, when the right to receive the dividends is established. Dividends in kind are measured at the fair value of the underlying securities at the payment date.
Financial income and expenses are recorded on a prorated basis according to the rate of the effective return.
Revenues from the performance of services are recognized over the period in which the services will be provided.
Costs are recorded on the accrual basis.

Income taxes

Current and deferred income taxes are calculated according to the tax laws in force.
Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to other comprehensive income, in which case the related income tax effect is recognized directly in other comprehensive income.

Foreign currency transactions

The financial statements are prepared in Euro, which is the company's functional and presentation currency.
Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign currency exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Segment reporting

As disclosed in the consolidated financial statements (Note 4), the Group has determined that its information by segment according to IFRS 8 – Operating Segments, coincides with the consolidated data of each of its principal investments, every one of which represents, an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe and Juventus. Such reportable segments are based on the information reviewed by its chief operating decision maker in making decisions regarding allocation of resources and to assess performance.

Use of estimates

The preparation of financial statements and related disclosures that conform to IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on elements known when the financial statements are prepared, on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of any changes are recognized immediately in the income statement in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical measurement processes and key assumptions used by the company in applying IFRS which may have significant effects on the amounts recognized in the financial statements or for which there is a risk that a significant difference may arise in respect to the carrying amounts of assets and liabilities in the future relate to the measurement of investments.

NOTES RELATING TO THE MOST SIGNIFICANT ITEMS IN THE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

1. Dividends from investments

€ thousand	2019	2018	Change
FCA N.V.	876,350	0	876,350
CNH Industrial N.V.	66,047	51,370	14,677
Ferrari N.V.	45,768	31,549	14,219
The Economist Group	11,413	14,534	(3,121)
Exor S.A.	0	355,556	(355,556)
Exor Nederland N.V.	0	52,402	(52,402)
Dividends from investments	**999,578**	**505,411**	494,167

In 2019 FCA N.V. distributed to EXOR a total amount of €876,350 thousand of which an ordinary dividend of €292,117 thousand and an extraordinary dividend of €584,233 thousand, following the disposal of the investment in Magneti Marelli.

In 2018 Exor S.A. distributed a dividend of €355,556 thousand through the distribution in kind of the entire stake in The Economist Group, based on its fair value.

2. Impairment and realized losses on investments

This amount is entirely related to the impairment recorded on The Economist Group. In 2019 this investment was tested for impairment, considering the recent performance and the slow-down of the media and publishing industry which might negatively affect the future performance of the business.
The impairment was based on an independent third party evaluation and considered the income approach (discounted cash flow) and market approach (price/earnings and Ebitda multiples).
An amount of €327,816 thousand was determined as the recoverable amount of the investment, in accordance with IAS 36 and therefore an impairment of €27,740 thousand has been accounted for on the investment in The Economist Group.
The recoverable amount is based on fair value, using the weighted average of industry accepted valuation methods including price to earnings and Ebitda multiples of comparable companies, as well as discounted cash flow projections for 3 and 5 year periods plus a terminal valuation. In the discounted cash flow projection the premium growth (g-rate) was assumed to be 2.5%. The average discount rate applied was 8.5% for projection at 5 years and 7.5% for projections at 3 years. A reasonably possible change in one of the assumptions would not result in a significant difference compared to the impairment recognized.

In 2018 Exor S.A. distributed a dividend in kind; as a consequence an impairment indicator was identified and an impairment amounting to €366,272 thousand was accounted for. In fact, following the dividend distribution, the net equity of Exor S.A. for consolidation purposes approximated its fair value and was considered by EXOR management as the recoverable amount of the investment, in accordance with IAS 36.

3. Financial expenses from third parties

€ thousand	2019	2018	Change
Interest on bonds	94,209	92,998	1,211
Losses on equity instruments at FVTPL	101	4,167	(4,066)
Bank fees and commission	2,108	2,490	(382)
Interest on bank debt	108	401	(293)
Losses on derivative instruments at FVTPL	0	284	(284)
Other expenses	1,649	757	892
Financial expenses from third parties	**98,175**	**101,097**	**(2,922)**

The increase in interest on bonds is related to the increase in the indebtedness due to the issuance of a new bond in October 2019.

4. Financial income from third parties

€ thousand	2019	2018	Change
Interest income on debt securities at amortized cost	2,375	2,375	0
Interest income on financial instruments at FVTPL	555	0	555
Realized gains on financial instruments at FVTPL	9,866	1,692	8,174
Bank interest	1,312	464	848
Other financial income	693	746	(53)
Financial income from third parties	**14,801**	**5,277**	**9,524**

5. Gains (losses) on exchange

Net gains amount to €6,949 thousand (net gains of €12,843 thousand in 2018). The decrease is mainly due to the reduction of the loan in USD granted to Exor Nederland N.V. (from $310 million at 31 December 2018 to $178.8 million at 31 December 2019).

6. Personnel costs

Personnel costs amount to €4,612 thousand (€4,452 thousand in 2018) of which €869 thousand related to the stock option plan (€1,032 thousand in 2018). At the end of 2019 the number of employees was 11 (11 at the end of 2018). All employees work in The Netherlands.

7. Purchases of goods and services from third parties

Amounts to €4,951 thousand (€6,978 thousand in 2018). The decrease is mainly due to cost saving efforts.

8. Income taxes

In 2019 and 2018 there are no income taxes.
The reconciliation between the income tax expense recognized in the income statement and the theoretical tax expense, calculated on the basis of the theoretical tax rate in effect in the Netherlands, is as follows:

€ thousand	2019
Pre-tax profit	879,314
Tax 25%	(219,829)
Tax effect on:	
Participation exemption on dividends received	249,895
Impairment loss on investment in The Economist Group	(6,935)
Fair value reserve	2,407
Non-deductible cost for stock option plan	(1,138)
Cash flow hedge reserve	1,024
Non-deductible interest	(20,771)
Other	(4)
	224,478
Unrecognized deferred tax assets on differences emerged in 2019	(4,649)
Total tax (expense) income	**0**
Effective tax rate	**0%**
Total tax (expense) income	**0**

Based on the final tax assessments issued for the financial years 2015 and 2016, the 2017 tax return filed, the 2018 tax return currently being prepared and the 2019 tax provision, EXOR losses available for future offset at 31 December 2019 amount to €223,691 thousand. Under current tax law, losses incurred in the period ending 31 December 2018 can be carried forward for a maximum period of nine financial years. Losses incurred in the period as from 1 January 2019 can be carried forward for six financial years.
Moreover, based on the 2019 tax computation, EXOR has an amount of €83,082 thousand of interest expenses available for future offset at 31 December 2019 under the newly introduced earnings stripping rule. Under current tax law, this amount can be carried forward indefinitely. For this credit no deferred tax asset has been recognized.

Taking the aforementioned into account, the following losses can in principle be offset against taxable profits up to and including the following dates (assuming the fiscal year continues to be from 1 January through 31 December):

Expiration date	€ thousand
31 December 2024	28
31 December 2025	24,153
31 December 2026	112,080
31 December 2027	87,430
Total	**223,691**

9. Investments accounted for at cost

€ thousand	31.12.2019		31.12.2018		Change
	% of class of shares	**Amount**	% of class of shares	Amount	
Fiat Chrysler Automobiles N.V. - common shares	28.67	1,349,725	28.98	1,349,725	0
Fiat Chrysler Automobiles N.V. - special voting shares	91.90	0	91.90	0	0
Fiat Chrysler Automobiles N.V.		**1,349,725**		**1,349,725**	0
CNH Industrial N.V. - common shares	26.89	1,694,530	26.89	1,694,530	0
CNH Industrial N.V. - special voting shares	92.55	0	92.55	0	0
CNH Industrial N.V.		**1,694,530**		**1,694,530**	0
Ferrari N.V. - common shares	22.91	677,443	22.91	677,443	0
Ferrari N.V. - special voting shares	70.14	0	66.52	0	0
Ferrari N.V.		**677,443**		**677,443**	0
Juventus Football Club S.p.A.	63.77	286,929	63.77	95,688	191,241
The Economist Group	43.40	327,816	43.40	355,556	(27,740)
Welltec	22.12	93,082	22.12	93,082	
Exor Nederland N.V.	100.00	5,321,966	100.00	5,319,111	2,855
Exor S.A.	100.00	91,300	100.00	91,300	
Exor Investments Limited	100.00	9,106	100.00	8,388	718
Other		1		0	1
Investments accounted for at cost		**9,851,898**		**9,684,823**	167,077

The changes during the year are as follows:

€ thousand	Balance at 31.12.2018	Changes in 2019 Increases	Decreases	Reclass.	Balance at 31.12.2019
Fiat Chrysler Automobiles N.V. - common shares	1,349,725				1,349,725
Fiat Chrysler Automobiles N.V. - special voting shares	0				0
Fiat Chrysler Automobiles N.V.	**1,349,725**	0	0	0	**1,349,725**
CNH Industrial N.V. - common shares	1,694,530				1,694,530
CNH Industrial N.V. - special voting shares	0				0
CNH Industrial N.V.	**1,694,530**	0	0	0	**1,694,530**
Ferrari N.V. - common shares	677,443				677,443
Ferrari N.V. - special voting shares	0				0
Ferrari N.V.	**677,443**	0	0	0	**677,443**
Juventus Football Club S.p.A.	95,688	191,241			286,929
The Economist Group	355,556		(27,740)		327,816
Welltec	93,082				93,082
Exor Nederland N.V.	5,319,111	2,855			5,321,966
Exor S.A.	91,300				91,300
Exor Investments Limited	8,388	718			9,106
Other	0	1			1
Investments accounted for at cost	**9,684,823**	**194,815**	**(27,740)**	**0**	**9,851,898**

On 12 December 2019 EXOR N.V. paid €191.3 million to subscribe for its portion of Juventus's share capital increase, based on the related ownership equal to 63.77%. The capital increase of Juventus for a total amount of €300 million, proposed by Juventus's board of directors on 30 September 2019 and approved by the Extraordinary Shareholders' Meeting of 24 October 2019 was completed at the beginning of 2020 with the full subscription for the shares proposed.

The decrease of The Economist Group is related to an impairment, as described in Note 2.

A comparison between the carrying amounts and trading prices of listed investments is as follows:

		Carrying amount		Market price at 30 December 2019	
	Number	Per share (€)	Total (€/000)	Per share (€)	Total (€/000)
Fiat Chrysler Automobiles N.V. - common shares	449,410,092	3.003	1,349,725	13.19	5,927,719
CNH Industrial N.V. - common shares	366,927,900	4.618	1,694,530	9.79	3,592,224
Ferrari N.V. - common shares	44,435,280	15.246	677,443	147.90	6,571,978
Juventus Football Club S.p.A.	848,246,906	0.338	286,929	1.25	1,057,764
Total			**4,008,627**		**17,149,685**

10. Financial investment at FVTOCI

€ thousand	31.12.2019 % of class of shares	31.12.2019 Amount	31.12.2018 % of class of shares	31.12.2018 Amount	Change
GEDI	5.99	13,930	5.99	10,537	3,393
Other	n/a	44,184	n/a	3,372	40,812
Financial investment at FVTOCI		**58,114**		**13,909**	44,205

Other financial investment at FVTOCI mainly refers to listed equity instruments. The changes during the year are as follows:

€ thousand	Financial investment at FVTOCI		
	GEDI	**Other**	**Total**
Balance at 1.01.2018	**21,385**	**3,372**	**24,757**
Fair value adjustments	(10,848)	0	(10,848)
Balance at 31.12.2018	**10,537**	**3,372**	**13,909**
Increase		50,438	50,438
Fair value adjustments	3,393	(9,626)	(6,233)
Balance at 31.12.2019	**13,930**	**40,812**	**58,114**

11. Debt securities at amortized cost

These amount to €54,123 thousand and are represented by bonds issued by leading counterparties, maturing after 12 months. The bonds are measured at amortized cost.

At 31 December 2018 they amounted to €55,750 thousand, and were represented by bonds issued by leading counterparties, maturing after 12 months, and were measured at amortized cost.

12. Financial investments at FVTPL

These amount to €17,813 thousand (€15,642 thousand at 31 December 2018) and represent investment in equity instruments and debt securities listed in active markets.

13. Cash and cash equivalents

These amount to €406,929 thousand (€8,424 thousand at 31 December 2018) and represent current account bank balances in Euro, USD and GBP repayable on demand and time deposits in USD and GBP matured in January 2020. The alignment to the year-end exchange rates generated a net gain of €1,339 thousand.
The associated credit risks should be considered limited since the counterparties are leading financial institutions.

14. Equity

Share capital

At 31 December 2019 the total issued capital of EXOR N.V. was equal to Euro 2,410,000, divided into no. 241,000,000 shares each with a nominal value of Euro 0.01.

EXOR N.V. adopted a loyalty voting structure designed to incentivize long-term share ownership, on the basis of which for each EXOR N.V. ordinary share held without interruption for a period of five years, shareholders will be entitled to five voting rights at the end of that period, and for each EXOR N.V. ordinary share held without interruption for a period of ten years, shareholders will be entitled to ten voting rights at the end of that period. No special voting shares had been issued and none are outstanding at 31 December 2019.

Reserves

At 31 December 2019 EXOR does not have any legal, statutory or non-distributable reserves, except for the fair value reserve and cash-flow reserve.

€ thousand	**31.12.2019**	**31.12.2018**	Change
Capital Reserves	**1,244,857**	**1,244,857**	0
Earnings reserves and other reserves:			
Retained earnings	5,450,394	5,488,637	(38,243)
Stock option reserve	36,083	30,812	5,271
	5,486,477	5,519,449	(32,972)
Fair value reserve	(8,933)	(2,700)	(6,233)
Cash-flow hedge reserve	(24,533)	(20,439)	(4,094)
Total earnings reserves and other reserves	**5,453,011**	**5,496,310**	(43,299)
Total reserves	**6,697,868**	**6,741,167**	(43,299)

Reconciliation of equity and net profit

The reconciliation of equity as per the consolidated financial statements to equity as per the company financial statements is provided below.

€ million	31.12.2019	31.12.2018
Equity attributable to owners of the parent in the consolidated financial statements	**15,025**	**12,210**
Difference between the carrying amounts of investments and the corresponding equity at year-end, net of consolidation adjustments	(5,485)	(3,985)
Change in other comprehensive income reserve in the consolidated financial statements	1,103	(71)
Share of the (profit) loss of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments	(3,330)	(1,458)
Other adjustments	(2)	28
Equity in the company financial statements	**7,311**	**6,724**

The reconciliation of net profit as per the consolidated financial statements to net profit/loss as per the company financial statements is provided below.

€ million	2019	2018
Net profit attributable to owners of the parent in the consolidated financial statements	**3,053**	**1,347**
Share of the profit (loss) of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments	(3,330)	(1,458)
Dividends received from consolidated companies and companies accounted for by the equity method	1,179	548
Adjustments of gains/losses on disposals and impairments and reversals of investments	(29)	(395)
Other adjustments	6	1
Net profit in the company financial statements	**879**	**43**

Treasury stock

At 31 December 2019 EXOR holds the following treasury stock:

	Amount			% of class
	No. of shares	Per share (€)	Total (€ thousand)	
Balance at 31 December 2017	**5,977,695**	**0.01**	**60**	**2.48**
Buyback of treasury shares	1,231,510	50.287	61,930	
Exercise of stock options	(379,522)		(4)	
Delivery of stock grants to beneficiaries	(119,790)		(2)	
Balance at 31 December 2018	**6,709,893**	**9.24**	**61,984**	**2.784**
Buyback of treasury shares	3,646,822	56.77	207,018	
Exercise of stock options	(944,500)		(10)	
Balance at 31 December 2019	**9,412,215**	**28.57**	**268,992**	**3,91**

Buyback program

On 14 November 2018 EXOR announced that its Board of Directors had approved a share buyback program ("the Program"). The Program involves the repurchase from time to time of up to €300 million of ordinary shares and is intended to optimize the company's capital structure.

The Program is conducted in the framework of the resolution adopted by the Annual General Meeting of Shareholders ("AGM") held on 29 May 2018, which authorized the repurchase of up to a maximum amount of €500 million of ordinary shares during the 18 month period following the date of the AGM and up to a maximum number of shares not to exceed the limits set by law. The repurchase price per share, excluding expenses, may not exceed by more than 10% the official reference price recorded on the Italian Stock Exchange (MTA) on the day before each transaction is made.

The repurchases were carried out in compliance with applicable rules and regulations, including the Market Abuse Regulation 596/2014 and the Commission Delegated Regulation (EU) 2016/1052.

Under the Program, in 2019 EXOR purchased 3,646,822 ordinary shares for a total amount of €207,018 thousand.

15. Long-term incentive plans

2012 Long-term incentive plans

The plan, denominated "Company Performance Stock Options", vested 1,019,200 options of which 450,000 to the Chairman and Chief Executive Officer of the Company and 569,200 to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price per share of €16.59 and €16.62, respectively. The options are exercisable until 2021. At the end of 2019 the options outstanding, vested and not exercised, are 450,000 granted to the Chairman and Chief Executive Officer of the Company and 276,000 to other beneficiaries. During 2019, 26,000 options were exercised by other beneficiaries.

Stock Option Plan EXOR 2016

The Stock Option Plan EXOR 2016 has a maximum of 3,500,000 options corresponding to the same number of shares. The number of stock options outstanding at 31 December 2019, but entirely not exercisable, is 2,937,135 (average exercise price of €32.38 per share).

Changes during 2019 and 2018 were as follows:

	2019		2018	
	Number of options	**Weighted average exercise price (€)**	**Number of options**	**Weighted average exercise price (€)**
Outstanding at the beginning of the year	**2,937,135**	**32.38**	2,937,135	32.38
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at the end of the year	**2,937,135**	**32.38**	2,937,135	32.38
Exercisable at the end of the year	**0**	**-**	0	-

The cost of the plan is as follows:

€ thousand	2019		2018	
	Options outstanding	**Cost**	**Options outstanding**	**Cost**
Chairman and Chief Executive Officer of EXOR N.V.	2,013,950	3,586	2,013,950	3,586
Key employees of EXOR N.V.	530,727	967	485,312	887
Key employees of companies in the Holdings System	393,458	718	437,873	791
Total	**2,937,135**	**5,271**	**2,937,135**	**5,264**

The cost referring to the year recorded in the stock option reserve amounts to €5,271 thousand (€5,264 thousand in 2018) including €3,586 thousand (€3,586 thousand in 2018) classified as compensation to the Chairman and Chief Executive Officer, €869 thousand (€789 thousand in 2018) as personnel costs and €98 thousand (€98 thousand in 2018) as service costs.
The cost relating to the key employees of companies in the Holdings System (€718 thousand) was recognized in 2019 as an increase in the carrying amount of the investment in Exor Investments Limited. The amount of €791 thousand was recognized in 2018 as an increase in the carrying amount of the investment in Exor Investments Limited and Exor S.A. for €710 thousand and €81 thousand respectively.

All the share-based incentive plans will be serviced exclusively by treasury stock without any new share issues and therefore will not have any dilutive effect on issued capital.

16. Non-convertible bonds

Issue date	Maturity date	Issue price	Coupon	Rate		Nominal value	Balance at (€/000)	
							31.12.2019	**31.12.2018**
16/10/2012	16/10/2019	98.136	Annually	Fixed 4.750%		€150,000	**0**	151,124
12/11/2013	12/11/2020	99.053	Annually	Fixed 3.375%		€200,000	**200,626**	200,313
3/12//2015	2/12/2022	99.499	Annually	Fixed 2.125%		€750,000	**748,379**	747,426
8/10/2014	8/10/2024	100.090	Annually	Fixed 2.500%		€650,000	**652,852**	652,682
7/12/2012	31/01/2025	97.844	Annually	Fixed 5.250%		€100,000	**103,658**	103,470
22/12/2015	22/12/2025	100.779	Annually	Fixed 2.875%		€450,000	**451,317**	451,593
20/05/2016	20/05/2026	99.650	Semiannually	Fixed 4.398%		$170,000	**151,563**	148,637
18/01/2018	18/01/2028	98.520	Annually	Fixed 1.750%		€500,000	**500,669**	499,807
09/05/2011	09/05/2031	100.000	Semiannually	Fixed 2.800%	(a)	¥10,000,000	**82,552**	79,989
14/10/2019	14/10/2034	100.000	Annually	Fixed 1.750%		€300,000	**297,570**	0
15/02/2018	15/02/2038	98.183	Annually	Fixed 3.125%		€200,000	**201,472**	201,316
Total							**3,390,659**	**3,236,358**
-	Current portion						**227,333**	**177,605**
-	Non-current portion						**3,163,326**	**3,058,753**

a) To protect against currency fluctuations, a hedging transaction was put in place using a cross currency swap. The cost in Euro is fixed at 6.012% per year.

On 14 October 2019 EXOR N.V. issued bonds for a nominal amount of €300 million, maturing in October 2034 with a fixed annual coupon of 1.75%. The bonds have been listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market.

EXOR intends to repay the bonds in cash at maturity using available liquid resources and undrawn credit lines. EXOR may from time to time buy back bonds on the market also for purposes of their cancellation. Such buybacks, if made, depend upon market conditions, EXOR's financial situation and other factors which could affect such decisions.

The bonds contain covenants that are common in international practice for bond issues of this type. In particular, they contain negative pledge clauses (which require that the bonds benefit from any existing or future pledges of assets of the issuer granted in connection with other bonds or debt securities having the same ranking) and provide for periodic disclosure.
The 2011-2031 bonds also establish other covenants such as respecting a ratio between financial debt and net asset value (0.5) calculated in accordance with the bond issuance prospectus and maintaining a rating by one of the major agencies. Non-compliance with these covenants allows the bondholders to ask for the immediate redemption of the bonds.
Standard events of default are envisaged in the case of serious non-fulfillment such as failure to pay interest. These covenants were complied with at 31 December 2019.
Finally, a change of control of EXOR would give the bondholders the right to ask for early redemption of the bonds.

The bonds were rated BBB+ by Standard & Poor's, in line with EXOR N.V.'s long-term debt rating.

The changes in non-convertible bonds may be analyzed as follows:

€ thousand	**2019**	**2018**
Total at 1 January	**3,236,358**	**2,521,287**
Cash flows	146,798	700,193
Foreign exchange effects	5,403	12,113
Other changes	2,100	2,765
Total at 31 December	**3,390,659**	**3,236,358**

The analysis of the non-convertible bonds by due date at 31 December 2019 and 2018 is as follows:

€ thousand	31.12.2019	31.12.2018	Change
Due within one year	227,333	177,605	49,728
Due between one and five years	1,396,138	945,504	450,634
Due beyond five years	1,767,189	2,113,249	(346,060)
Non-convertible bonds	**3,390,659**	**3,236,358**	154,301

17. Bank debt and commercial paper

On 15 May 2018 EXOR established its first Euro-Commercial Paper Program (ECP Program) allowing it to issue short-term notes with maturity of up to 364 days and a maximum amount outstanding of €500 million. The program enables EXOR to achieve greater diversification of its funding sources in the capital markets and enhance its liquidity management. At 31 December 2019 there is no outstanding amount compared to €230,053 thousand at 31 December 2018. The liability of €97 thousand is related to bank overdrafts.

At 31 December 2019 EXOR has irrevocable credit lines in Euro of €435 million, expiring after 31 December 2020, as well as revocable credit lines of €587 million. At the same date EXOR also has credit lines in foreign currency for a total of $50 million (€45 million) expiring before 31 December 2020.

At 31 December 2018 EXOR had irrevocable credit lines in Euro of €400 million, of which €250 million expiring after 31 December 2019, as well as revocable credit lines of €487 million. At the same date EXOR also had credit lines in foreign currency for a total of $90 million (€79 million) of which $50 million (€44 million) expiring after 31 December 2019.

The loan contracts relating to irrevocable credit lines provide for covenants to be observed that are typical of the practices in the sector for this type of debt. In particular, some of the main covenants on certain contracts refer to periodical disclosure obligations, prohibition of new real guarantees on the assets of the company without the consent of the creditor and non-subordination of the credit line. Finally, clauses provide for early repayment in the event of serious default such as failure to pay interest or events that are especially detrimental such as insolvency proceedings.

In the event of a change of control of EXOR, some lender banks would have the right to ask for the early repayment of the irrevocable credit lines for a total of €300 million, which however were unutilized at 31 December 2019.

EXOR's long-term and short-term debt ratings from Standard & Poor's are "BBB+" and "A-2", respectively, with a "positive outlook".

The changes in bank debt may be analyzed as follows:

€ thousand	2019	2018
Total at 1 January	**260,128**	**464,143**
Cash flows	(260,031)	(204,015)
Foreign exchange effects	0	0
Total at 31 December	**97**	**260,128**

18. Other financial liabilities

These amount to €27,203 thousand (€25,932 thousand at 31 December 2018), of which €25,952 thousand (€24,156 thousand at 31 December 2018) refer to the fair value of the cross currency swap related to the bond denominated in Japanese yen, €326 thousand (€214 thousand at 31 December 2018) to fees and commission on undrawn credit lines, €567 thousand refer to lease liability and €358 thousand to other financial liabilities.

19. Trade payables to third parties

These amount to €1,149 thousand (€1,421 thousand at 31 December 2018) and refer to trade payables to suppliers due within one year.

20. Fair value measurement

IFRS 13 establishes a hierarchy that categorizes into three levels the inputs of the valuation techniques used to measure fair value by giving the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

Levels used in the hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the company can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the assets and liabilities.

Assets and liabilities that are measured at fair value on a recurring basis

The following table shows the fair value hierarchy for financial assets and liabilities that are measured at fair value on a recurring basis at 31 December 2019:

€ thousand	Note	Level 1	Level 2	Level 3	**Total**
Assets at fair value					
Financial investments at FVTOCI	10	55,750		2,364	58,114
Financial investments at FVTPL	12	17,813			17,813
Total assets		**73,563**	**0**	**2,364**	**75,927**
Liabilities at fair value					
Other financial liabilities	18		27,203		27,203
Total liabilities		**0**	**27,203**	**0**	**27,203**

In 2019 there were no transfers between Levels in the fair value hierarchy.

When market quotations are not available for measuring the fair value of financial assets available-for-sale and held for trading, the market rates have been used, adjusted where necessary to take into account the credit quality of the counterparty, as well as the fund quotations (NAV) provided by the managers of the same funds, and widely accepted valuation models; the valuation technique which is generally accepted is discounted cash-flow, considering counterparty credit risk.

The fair value of other financial liabilities that are composed of derivative financial instruments is measured by taking into consideration market parameters at the balance sheet date and using valuation techniques widely accepted in the financial business environment. In particular, the fair value of cross currency swaps is determined using the discounted cash flow method, by taking the prevailing exchange rates and interest rates at the balance sheet date, adjusted, where necessary, to take into account EXOR's credit quality.

Assets and liabilities not measured at fair value on a recurring basis

The nominal value of cash and cash equivalents usually approximates fair value due to the short duration of these instruments which include mainly bank current accounts and time deposits.
For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not differ significantly from the carrying amount, it is assumed that the carrying amount is a reasonable approximation of the fair value. In particular, the carrying amount of trade receivables and payables and other current assets and liabilities approximates their fair value.

The following table represents the carrying amount and fair value for the most relevant categories of financial assets and liabilities not measured at fair value on a recurring basis:

		31.12.2019		31.12.2018	
€ thousand	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Debt securities at amortized cost	11	54,123	55,812	55,750	54,550
Other financial assets		1,512	1,512	1,107	1,107
Total assets		**55,635**	**57,324**	**56,857**	**55,657**
Financial liabilities					
Non-convertible bonds	16	3,390,659	3,652,775	3,236,358	3,344,127
Other financial liabilities	18	326	326	214	214
Total liabilities		**3,390,985**	**3,653,101**	**3,236,572**	**3,344,341**

Debt securities at amortized cost are represented by bonds issued by leading counterparties (maturing in 2022); these are quoted on active markets and therefore their fair value is categorized in Level 1.
Non-convertible bonds are listed in active markets and their fair value is measured with reference to year-end quoted prices and therefore they are classified within Level 1 of the fair value hierarchy, with the exception of the unlisted Japanese yen bond issue (nominal equivalent amount at 31 December 2019 equal to €82,008 thousand) maturing in 2031 classified in Level 2 of the fair value hierarchy, whose fair value was measured by using a discounted cash flow model.

21. Information on financial risks

Credit risk

The maximum nominal exposure to credit risk to which EXOR N.V. is exposed at 31 December 2019 is represented by the carrying amounts of financial assets in the financial statements. Nevertheless, the Company seeks to mitigate such risk by investing a part of its liquidity in securities issued by leading bank and corporate counterparties selected according to their credit quality. At 31 December 2019 there are no financial assets past due and not written down, as was the case at 31 December 2018.

Liquidity risk

Outgoing cash-flows from current operations are funded mostly by incoming flows from ordinary activities and cash availability.

Liquidity risk could thus arise only in the event of investment decisions in excess of cash availability which are not preceded by sufficient liquidation of assets or by the availability of suitable sources of funding that can be readily used. In this sense, EXOR N.V. operates so as to have irrevocable credit lines available with expiration dates and amounts consistent with its investment plans.

Market risk

EXOR N.V. is principally exposed to currency, interest rate and price risks.

Currency risk

At 31 December 2019 a portion of receivables from related parties (€159 million) is denominated in USD, a portion of cash and cash equivalents (€138 million) in USD and GBP and a portion of financial investment at FVTOCI (€42 million) in Japanese yen. Such assets are aligned to year-end exchange rates.
At 31 December 2018 a portions of receivables from related parties (€323 million) and of cash and cash equivalents (€0.1 million) were denominated in currencies other than Euro (principally USD) and were aligned to year-end exchange rates.
The currency risk related to the liabilities to which EXOR is exposed regards the note issued in 2011 for Japanese yen 10 billion (€ 82million at 31 December 2019, €79 million at 31 December 2018) which carries a fixed rate in yen of 2.80% and a term of 20 years and the note in US dollars issued in 2016 for $170 million (€151 million at 31 December 2019, €148 million at 31 December 2018) which carries a fixed rate of 4.398% and a term of 10 years.
In order to protect itself from the effects of fluctuations in the €/Yen exchange rate, EXOR put in place a cross currency swap with a leading credit institution as a result of which EXOR will pay a fixed rate of 6.012% on the Euro equivalent face amount of Japanese yen note for its entire term.

Sensitivity analysis for currency risk

Considering currency risk exposure at the reporting date, if the exchange rates had been 10% favorable or unfavorable, the financial receivables in USD would be €17,685 thousand higher or €14,469 thousand lower, the cash and cash equivalents would be €15,242 thousand higher or €12,537 thousand lower, the financial investment at FVTOCI in Japanese yen would be €4,647 thousand higher or €3,802 thousand lower and the note in US dollars would be €13,710 thousand lower or €16,756 thousand higher.

Interest rate risk

The analysis of debt by interest rate shows that the rates are between 0.1% and 6.012% for the current year. At 31 December 2019 there was no bank debt exposed to interest rate risk.

Price risk

EXOR is exposed to price risk originating from investments in equity classified in the following categories:

- investments accounted for at cost
- financial investments at FVTOCI

Sensitivity analysis for price risk

Considering price risk exposure at the reporting date, if the prices of financial investments at FVTOCI had been 5% higher or lower, the fair value reserve would be €2,787 thousand higher or lower.

22. Related party transactions

With regard to the year 2019, the transactions between EXOR N.V. and the related parties identified in accordance with IAS 24 have been carried out in compliance with applicable laws, on the basis of the principle of reciprocal economic gain.

At 31 December 2019 related party transactions include the following payables and receivables:

a) Financial receivables related to a loan granted to Exor S.A. for €176.2 million including interest at 0.20% (€0.3 million).
b) Financial receivables related to a loan granted to Exor Nederland N.V. for $178.8 million (€159.2 million) including interest at USD Libor 1 months + 0.2% (€5.8 million).
c) Trade and other payables (€4.2 million) related to accounting, IT and logistic services, consulting related to investments and the compensation of the board of directors.

The economic effects of related party transactions in 2019 are as follow:

a) Dividends received from FCA N.V. for €876.4 million, CNH Industrial N.V. for €66 million, Ferrari N.V. for €45.8 million and The Economist Group for €11.4 million.
b) Purchase of goods and services from related parties:
   i. Services received from subsidiaries amount to €2,821 thousand related to accounting, IT and logistic services, €4,018 thousand for consulting related to investments and €304 thousand for other services.
   ii. Board members and Chairman and Chief Executive Officer compensations for €510 thousand and €5,396 thousand respectively. Board membership fees for €177 thousand have been waived.
   iii. Charitable contribution to Fondazione Giovanni Agnelli for €500 thousand.
c) Interest income on the loan granted to Exor Nederland for €5.8 million and on the loan granted to Exor S.A. for €0.3 million.

At 31 December 2018 related party transactions included the following payables and receivables:

a) Financial receivables related to a loan granted to Exor S.A. for €144.7 million including interest at 0.25% (€0.3 million).
b) Financial receivables related to a loan granted to Exor Nederland N.V. for $310 million (€271 million) including interest at Euribor 1 months + 0.7% (€7.3 million) and to the dividend declared but not paid at 31 December 2018 (€52.4 million).
c) Trade receivables (€71 thousand) related to corporate services and compensation for members of corporate boards.
d) Trade and other payables (€3.0 million) related to accounting, IT and logistic services, consulting related to investments and the compensation of the board of directors.

The economic effects of related party transactions in 2018 were as follow:

a) Dividends received from Exor S.A. for €355.6 million, CNH Industrial N.V. for €51.4 million, Ferrari N.V. for €31.5 million, Exor Nederland N.V. for €52.4 million and The Economist Group for €14.5 million.
b) Purchase of goods and services from related parties:
   i. Services received from subsidiaries amount to €2,310 thousand related to accounting, IT and logistic services, €2,298 thousand for consulting related to investments and €239 thousand for other services.
   ii. Board members and Chairman and Chief Executive Officer compensation for €673 thousand and €5,421 thousand respectively. Board membership fees for €290 thousand have been waived.
c) Interest income on the loan granted to Almacantar for €3.1 million, on the loan granted to Exor Nederland N.V. for €7.3 million and on the loan granted to Exor S.A. for €0.3 million.

23. Earnings per share

Earnings per share information is provided in Note 12 to the consolidated financial statements.

24. Audit fees

Audit fee information is provided in Note 36 to the consolidated financial statements.

25. Remuneration

Information on the remuneration of the members of the board of directors is included in the Remuneration report sections of the Board Report.

26. Commitments and contingencies

At 31 December 2019 guarantees issued totalled €8 million.

27. Subsequent events

The Company has evaluated subsequent events through 25 March 2020, which is the date on which the financial statements at 31 December 2019 were authorized for issuance. There are no other significant subsequent events which require disclosures than those already reported on pag. 43 of the Board Report.

On 25 March 2020, the Board of Directors approved a distribution to the holders of common shares of €0.43 per common share, corresponding to a total distribution to shareholders of approximately €100 million, considering the shares outstanding and entitled to receive the dividend as of the present date. The distribution will be made from the profit of the year and from the retained earnings reserve, which are distributable under Dutch law. The distribution remains subject to the adoption of the Company's 2019 annual accounts at the annual general meeting of shareholders to be held in May 2020.

25 March 2020

The Board of Directors

John Elkann

Alessandro Nasi

Andrea Agnelli

Ginevra Elkann

Marc Bolland

Joseph Bae

Melissa Bethell

Laurence Debroux

António Horta-Osório

EXOR N.V. – OTHER INFORMATION

INDEPENDENT AUDITORS' REPORT

The report of the Company's independent auditors, Ernst & Young Accountants LLP, the Netherlands, is set forth at the end of this Annual Report.

APPROPRIATION OF PROFIT AND DIVIDENDS

Dividends will be determined in accordance with articles 28 and 29 of the Articles of Association of EXOR N.V. The relevant provisions of the Articles of Association read as follows:

1. The Board may decide that the profits realized during a financial year are fully or partially appropriated to increase and/or form reserves.
2. Out of the profits remaining after application of Article 28.1, with respect to the financial year concerned, primarily and insofar as possible, a dividend is paid in the amount of one per cent (1%) of the amount actually paid on the Special Voting Shares in accordance with Article 13.5. These dividend payments will be made only in respect of Special Voting Shares for which such actual payments have been made. Actual payments made during the financial year to which the dividend relates, will not be counted. No further distribution will be made on the Special Voting Shares. If, in a financial year, no profit is made or the profits are insufficient to allow the distribution provided for in the preceding sentences, the deficit will be not paid at the expense of the profits earned in following financial years.
3. The profits remaining after application of Articles 28.1 and 28.2 will be put at the disposal of the General Meeting for the benefit of the holders of Ordinary Shares. The Board will make a proposal for that purpose. A proposal to pay a dividend to holders of Ordinary Shares will be dealt with as a separate agenda item at the General Meeting of Shareholders.
4. Distributions from the company's distributable reserves are made pursuant to a resolution of the Board and will not require a resolution from the General Meeting.
5. Provided it appears from an unaudited interim statement of assets signed by the Board that the requirement mentioned in Article 28.10 concerning the position of the company's assets has been fulfilled, the Board may make one or more interim distributions to the holders of Shares.
6. The Board may decide that a distribution on Ordinary Shares will not take place as a cash payment but as a payment in Ordinary Shares, or decide that holders of Ordinary Shares will have the option to receive a distribution as a cash payment and/or as a payment in Ordinary Shares, out of the profit and/or at the expense of reserves, provided that the Board is designated by the General Meeting pursuant to Article 6.2. The Board shall determine the conditions applicable to the aforementioned choices.
7. The company's policy on reserves and dividends shall be determined and can be amended by the Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.
8. No payments will be made on treasury shares and treasury shares shall not be counted when calculating allocation and entitlements to distributions.
9. All distributions may be made in United States Dollars.
10. Distributions may be made only insofar as the company's equity exceeds the amount of the issued capital, increased by the reserves which must be kept by virtue of the law or these Articles of Association.
11. Dividends and other distributions will be made payable pursuant to a resolution of the Board within four weeks after adoption, unless the Board sets another date for payment. Different payment release dates may be set for the Ordinary Shares and the Special Voting Shares.
12. A claim of a Shareholder for payment of a distribution shall be barred after five years have elapsed after the day of payment.

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Independent auditor's report

To: the shareholders and audit committee of EXOR N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of EXOR N.V. (herein referred to as the "company" and together with its subsidiaries the "group"), based in Amsterdam, the Netherlands.

In our opinion the financial statements give a true and fair view of the financial position of EXOR N.V. as at December 31, 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and Company statement of financial position as at December 31, 2019
- The following statements for 2019: the consolidated and Company income statement, the consolidated and Company statements of comprehensive income, cash flows and changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of EXOR N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

Our audit approach

Our understanding of the business

EXOR N.V. is one of Europe's largest diversified holding companies like the production of (luxury) automotive vehicles that implements design, manufacturing, distribution, commercial and financial activities in international markets and worldwide reinsurance activities. The group is structured in various reportable segments and related group entities and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to 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.

Materiality

Materiality	€400 million (2018: €435 million)
Benchmark applied	Approximately 5% of EBIT (earnings before interest and income taxes)
Explanation	Materiality is based on EBIT, as we consider an earnings-based measure to be an appropriate basis for determining our overall materiality. The users of the financial statements of profit-oriented entities tend to focus on EBIT. We believe that EBIT is an important metric for the financial performance of the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of €20 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and directors of group entities) and the audit committee. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. In our risk assessment we considered the potential impact of performance based bonus schemes which the company has in place at certain components. Furthermore, as EXOR N.V. is a global company, operating in multiple jurisdictions, we considered the risk of bribery and corruption.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2 to the consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Building a better working world

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we considered 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 auditor's report 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit

EXOR N.V. is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of EXOR N.V. The Company is organized along six reportable segments, being Fiat Chrysler Automobiles (FCA), CNH Industrial (CNHi), Ferrari, PartnerRe, Juventus Football Club and the Holdings System (EXOR), along with certain other corporate functions which are not included within the reportable segments.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Group entities are considered significant because of their individual financial significance or because they are more likely to include significant risks of material misstatement due to their specific nature or circumstances.

All significant group entities were included in the scope of our group audit. Accordingly, we identified five reportable segments of EXOR N.V.'s group entities, which, in our view, required an audit of their complete financial information, either due to their overall size or their risk characteristics. Other procedures are performed on one reportable segment.

- The group consolidation, financial statements and disclosures as well as the group audits of Fiat Chrysler Automobiles (FCA), CNH Industrial (CNHi), Ferrari, Juventus Football Club and EXOR are audited directly by the EXOR group engagement team in addition to the other procedures the group team is responsible for;
- The group engagement team virtually met with the PartnerRe component audit team. We reviewed the audit files of the component auditor and determined the sufficiency and appropriateness of the work performed, with a specific focus on the key audit matters relevant to the Company.

All component audit teams included in the group scope received detailed instructions from the group engagement team including key risk areas and significant accounts and the group engagement team reviewed their deliverables By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the automotive and reinsurance industry. We included specialists in the areas of IT audit, treasury, share based payments and income tax and have made use of our own experts in the areas of valuations and actuaries.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our 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. We have communicated the key audit matters to the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter revenue recognition which was included in our last year's auditor's report, is not considered a key audit matter for this year as we considered it did not include a significant risk of a material misstatement due to error or fraud, there is no significant judgment or subjectivity involved, and there is a high degree of objectivity of audit evidence involved. We considered that the extent of efforts required was, by itself, not a key driving factor in the determination of a key audit matter. In addition to that the key audit matter US emissions investigations with regards to FCA which was included in our last year's auditor's report, is not considered a key audit matter for this year due to the settlement reached on civil environmental and consumer claims with the U.S. Environmental Protection Agency (EPA).

These matters were addressed in the context of our 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.

Valuation of goodwill and other non-current assets with indefinite useful lives Note 2, Note 4 and Note 13 in the annual report	
Risk	At December 31, 2019 the recorded amount of Goodwill and intangible assets with indefinite useful lives was €18,371 million, detailed as follows:

Goodwill and intangible assets with indefinite useful lives (€/million)	December 31, 2019	December 31, 2018
FCA	14,257	14,174
CNH Industrial	2,476	2,152
Ferrari	785	786
PartnerRe	587	770
Other minors	266	66
TOTAL	18,371	17,948

The majority of these assets relate to goodwill (€14,735 million) and brands, trademarks and other intangible assets with indefinite useful lives (€3,636 million). Goodwill and intangible assets with indefinite useful lives are allocated to operating segments and to the groups of Cash Generating Units (CGU) within the operating segments, which represent the lowest level within the Group at which goodwill is monitored for internal management purposes in accordance with IAS 36 – Impairment of Assets. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.
Estimating the recoverable amount of the assets requires critical management judgment including estimates of future sales, gross margins, operating costs, terminal value growth rates, capital expenditures and the discount rate and the assumptions inherent in those estimates. The annual impairment test is significant to our audit because the assessment process is complex and requires significant judgment.

Our audit approach	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's goodwill and intangible assets with indefinite useful lives impairment assessment process, including controls over management's review of the significant assumptions described above.

Valuation of goodwill and other non-current assets with indefinite useful lives Note 2, Note 4 and Note 13 in the annual report	
	To test the determination of the value in use (VIU) of the Group's CGUs, we performed audit procedures that included, among others, evaluating the CGUs identified in the current year and testing the allocation of assets and liabilities to the carrying value of each CGU. We assessed the impairment methodology applied by the Group and obtained an understanding of the analysis performed by management for the purposes of the impairment assessment. We assessed the cash flow forecasts for each CGU as compared to the Group's business plan, including comparisons to industry forecasts and sector data, and evaluated the historical accuracy of the Group's forecasts by comparison to actual results. We assessed the operational margins, discount rates and long-term growth rates applied within the model, with the support of valuation specialists, by performing independent calculations and sensitivity analyses for each CGU. We evaluated the adequacy of the disclosures made by the Group in this area, in particular those related to reasonably possible changes in key assumptions that could lead to an impairment of goodwill.
Key observations	Based on the results of our work, we agree with the Company's conclusion that no impairment of goodwill is required in the current year. The carrying amount of goodwill is sensitive to certain assumptions, primarily the expected margins for the terminal period, we agree with the disclosure in the consolidated financial statements.

Recoverability of non-current assets with definite useful lives with reference to EMEA Note 2, Note 13 and Note 14 in the annual report	
Risk	For FCA Group, at December 31, 2019 the non-current assets with definite useful lives amounted to €41,055 million. Non-current assets with definite useful lives include property, plant and equipment (€ 28,608 million) and intangible assets (€12,447 million). Intangible assets with definite useful lives mainly consist of capitalized development expenditures. The Company periodically reviews the carrying amount of non-current assets with definite useful lives when events or circumstances indicate that an asset may be impaired. The recoverability of non-current assets with definite useful lives is based on the estimated future cash flows, using the Company's current business plan, of the CGUs to which the assets relate. Auditing management's assessment of the recoverability of non-current assets with definite useful lives with reference to EMEA was complex and highly judgmental due to the size and the uncertainty and potential volatility of the forecast volumes, contribution margin and other factors, such as new laws and regulations, used in estimating future cash flows of the CGUs to which the assets relate. Any change in these assumptions used could materially affect the recoverability of EMEA non-current assets with definite useful lives.

Recoverability of non-current assets with definite useful lives with reference to EMEA Note 2, Note 13 and Note 14 in the annual report	
Our audit approach	The procedures designed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's non-current assets with definite useful lives impairment assessment process, including controls over management's review of the significant assumptions described above. To test the determination of the recoverable amount of the CGUs, we involved valuation specialists to assist in evaluating the methodology used by the Company, including the impairment test model developed and the discount rates (Weighted Average Cost of Capital) applied, by performing independent calculations and sensitivity analyses for each CGUs. We evaluated the key assumptions applied in determining the recoverable amount and evaluated the CGUs identified, tested the allocation of assets to the carrying value of each CGU and assessed the cash flow forecasts for each CGU, including comparisons to industry forecasts and sector data. We tested the reconciliation of these cash flow forecasts for each CGU to the EMEA regional business plan used in the impairment analysis of goodwill and other non-current assets with indefinite useful lives. We evaluated the historical accuracy of the Company's forecasts by comparison to actual results and assessed the adequacy of the disclosures made by the Company in this area.
Key observations	We concur with the Company's methodology used in performing the impairment test of EMEA segment as of December 31, 2019. As the recoverability of the carrying amount of non-current assets with definite lives in EMEA depends on the development and launch of additional vehicles, we agree with the disclosure made in Note 2 to the consolidated financial statements.

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Income taxes – recoverability of the Italian deferred tax assets (with particular reference on Italian DTA for FCA and CNHi)

Note 2 and Note 10 in the annual report

Risk

Net deferred tax assets and liabilities as at December 31, 2019 amounted to €522 million, detailed as follows:

Net deferred tax assets and liabilities (€/million)	December 31, 2019	December 31, 2018
Deferred tax assets on temporary differences	9,063	9,070
Deferred tax liabilities on temporary differences	(8,077)	(7,448)
Deferred tax assets on tax losses carried forward	5,901	5,784
Unrecognized deferred tax assets	(6,353)	(5,999)
TOTAL	522	1,407
Detailed as follows		
Deferred tax assets	2,584	2,697
Deferred tax liabilities	(2,062)	(1,290)

At December 31, 2019, the Group had deferred tax assets on deductible temporary differences of €9,063 million and on tax losses carried forward of €5,901 million, of which €6,353 million were not recognized. The majority of these assets relate to FCA Group and to CNH Industrial Group. At FCA and CNHi aggregated level, the recognized and unrecognized amounts related to Italy are €995 million and €2,632 million respectively.

Auditing the Group's recognition and recoverability of the deferred tax assets (in particular on Italian tax unit for FCA and CNHi) was complex because it involves material amounts, judgments and estimates in relation to future taxable profits and hence the capacity to utilize available tax assets in this tax jurisdiction.

Our audit approach

The procedures performed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Group's income taxes process, including controls over management's review of the significant assumptions described above.

Income taxes – recoverability of the Italian deferred tax assets (with particular reference on Italian DTA for FCA and CNHi) Note 2 and Note 10 in the annual report	
	We evaluated the forecast periods selected in determining the likelihood of the Group generating sufficient future taxable profits to support the recognition of the Italian deferred tax assets, including the Group's assumptions and sensitivity analysis in relation to the likelihood of generating sufficient future taxable income, taking into account local tax regulations. We evaluated the historical accuracy of management's forecasting of taxable profits for the Italian tax jurisdiction by comparison to actual results, the accuracy of the forecast models and consistency of the projections with the forecasts used for the purposes of the goodwill and other non-current assets with indefinite and definite useful lives impairment analysis by the Group and results from other areas of our audit. We involved tax professionals to assist in evaluating the key assumptions and methodologies developed by management in this area. We assessed the adequacy of the disclosures made by the Group in respect of recoverability of deferred taxes.
Key observations	Based on the procedures performed, we concluded that the deferred tax asset balance for the Italian tax jurisdiction, at December 31, 2019, is fairly stated and adequately disclosed.

Provisions for product warranties and recall campaigns (with particular reference on North America segment for FCA - Ferrari) Note 2 and Note 25 in the annual report	
Risk	Other provisions of the year 2019 amounted to €16,927 million, detailed as follows:

Other provisions (€/million)	December 31, 2019	December 31, 2018
Warranty and recall campaigns provision	7,232	7,679
Other risks	9,695	11,421
TOTAL	16,927	19,100

At December 31, 2019 the provision for product warranties amounted to €7,232 million, of which €6,306 million related to FCA Group and €108 million to Ferrari Group. The most significant amounts related to the FCA North America segment.

Provisions for product warranties and recall campaigns (with particular reference on North America segment for FCA - Ferrari) Note 2 and Note 25 in the annual report	
	The Company establishes provisions for product warranty obligations, including the estimated cost of service and recall actions in the North America region, at the time the vehicle is sold. The estimated future costs of these actions, which are recorded in cost of sales in the consolidated income statement, are principally based on assumptions regarding the lifetime warranty costs of each vehicle line and each model year of that vehicle line, as well as historical claims experience for the vehicles. Auditing management's provision for product warranty and recall campaign was complex due to numerous uncertainties, especially related to the North America region's warranty and campaign provisions, including the enactment of new laws and regulations, the number of vehicles affected by a service or recall action and the nature of the corrective action that may result in adjustments to the established reserves. Due to the size and the uncertainty and potential volatility of these estimated future costs and other factors, such as new laws and regulations, changes in assumptions used could materially affect the result of the Company's operations.
Our audit approach	The procedures designed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Company's warranty process. We involved actuarial specialists to assist us to evaluate and test the Company's methodology, the assumptions developed by management in determining the warranty provisions, and to perform sensitivity analyses and calculate an independent range of reasonably probable outcomes for the North America product warranty and recall campaigns provision, including evaluating current year development against expectations. We performed other audit procedures to evaluate the data applied in the model including, among others, (i) vouching of the warranty payments made in the year and (ii) obtaining external third-party confirmations in respect of the completeness and accuracy of current year claims. We assessed the adequacy of the disclosures made by the Company in this area.
Key observations	Based on the results of our procedures, including our assessment that the Company's provision was within the range of possible outcomes independently determined by EY actuaries, we are satisfied that the provision for North America product warranty and recall campaigns which is fairly stated and adequately disclosed at December 31, 2019.

Valuation of technical reinsurance reserves (PartnerRe) Note 2 and Note 26 in the annual report	
Risk	At December 31, 2019 the recorded amount of the technical reinsurance reserves was €13,548 million, entirely related to the PartnerRe Group. Non-life and health technical reinsurance reserves include amounts determined from loss reports on individual treaties (case reserves), additional case reserves when PartnerRe's loss estimate is higher than reported by the cedants (ACRs) and amounts for losses incurred but not yet reported to PartnerRe (IBNR). Such reserves are estimated by management based upon reports received from ceding companies, supplemented by PartnerRe's own actuarial estimates of reserves for which ceding Company reports have not been received, and based on PartnerRe's own historical experience. To the extent that PartnerRe's own historical experience is inadequate for estimating reserves, such estimates may be determined based upon industry experience and management's judgment. The estimates are continuously reviewed and the ultimate liability may be in excess of, or less than, the amounts provided. Any adjustments are reflected in the periods in which they are determined, which may affect PartnerRe's operating results in future periods.
Our audit approach	The procedures designed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Group's technical reserves estimation process. We performed substantive testing on claims, case reserve estimates and the inputs used to determine IBNR. We have substantively tested the Company's ceded recoverable amounts through verifying managements calculation of ultimate losses relating to significant retrocession contracts. We also reviewed key contracts with assistance from our actuarial team to verify the losses related to the catastrophes were covered and therefore recoverable. We involved actuarial specialists to assist us to evaluate and test the Group's methodology, including independently re-project the reserves. We reviewed the Company's third party actuarial review completed during the year on non-life reserves and considered how those results compared to our independent evaluation. We assessed the adequacy of the disclosures made by the Group in this area.
Key observations	Based on the results of our procedures, including our assessment that the Group's reserves were within the range of possible outcomes independently determined by EY actuaries, we are satisfied that the technical reinsurance reserves are appropriate and adequately disclosed at December 31, 2019.

Valuation of investments of reinsurance companies (PartnerRe) Note 2 and Note 18 in the annual report	
Risk	At December 31, 2019 the investments of reinsurance companies amounted to €14,664 million, entirely related to the PartnerRe Group. Reinsurance investments include fixed income securities, short-term investments, equities, accrued interest, non-foreign exchange derivatives, other invested assets and funds held by reinsurance companies. The Group elects the fair value option for all of its fixed maturities, short-term investments, equities and certain other invested assets (excluding those that are accounted for using the cost or equity methods of accounting). Other invested assets consist primarily of investments in non-publicly traded companies, private placement equity and fixed maturity investments, derivative financial instruments and other specialty asset classes. The remaining other invested assets are recorded based on valuation techniques depending on the nature of the individual assets. The valuation techniques used by the Company are generally commensurate with standard valuation techniques for each asset class. The valuation of internally modelled investments of reinsurance companies was significant to our audit because the process is complex and judgmental and based on assumptions that are affected by expected market or economic conditions. Due to the application of valuation techniques for the valuation of investments and the more complex assumptions applied, this imposes a higher risk to the company.
Our audit approach	The procedures designed to address the matter in our audit included, among others, obtaining an understanding, evaluating the design and testing the operating effectiveness of controls over the Group's valuation of investments in reinsurance companies. We involved our EY valuation specialists to audit the models and assumptions used to value a sample of securities that are internally modeled either by the Company or a third party specialist. We tested the data used in these models to determine it was reasonable and supportable. We obtained an understanding of management's valuation methodology for their various classes of fixed maturity and public equity securities. For a sample of securities that exhibited characteristics of having higher estimation uncertainty, we utilized our EY valuation specialists to assist in testing the valuation. For all other securities, we independently obtained corroborative pricing from alternative pricing sources to management. Additionally, we performed "back testing" which consists of comparing actual sales of securities to the recent fair values recorded by management. We utilized our EY valuation specialists to test the valuation of a sample of derivatives including foreign exchange forwards and options, mortality swaps and interest rate swaps. We assessed the adequacy of the disclosures made by the Group in this area.
Key observations	Based on the results of our procedures, including review by our valuation experts, we are satisfied that the valuations of investments of reinsurance companies are appropriate and adequately disclosed at December 31, 2019.

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report thereon are snapshots. The situation changes on a daily basis giving rise to inherent uncertainty. EXOR N.V. is confronted with this uncertainty as well, that is disclosed in the Board Report under subsequent events and 2020 outlook and risks related to business, strategy and operations, and the disclosure about events after the reporting period as disclosed in note 37. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Board Report, including the Remuneration Report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 and Section 2:135b of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the Remuneration Report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were initially engaged by the shareholder of EXOR N.V. on March 2, 2016 to perform the audit of its 2016 financial statements and have continued as its statutory auditor since then.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The "Our audit approach" section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee 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 the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, March 25, 2020

Ernst & Young Accountants LLP

signed by P.W.J. Laan