



**2017 Annual Report**



## **Report on Operations**

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The 2017 Annual Report is available on the corporate website at: [www.exor.com](http://www.exor.com)

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Dear Shareholders,

2017 has been our best performing year apart from 2009, the year EXOR was established. EXOR's Net Asset Value per share in Dollars, or NAV per share, grew by 56.9% in 2017, which outperformed by 36.8pp our benchmark of the MSCI World Index denominated in Dollars.

#### EXOR NAV PER SHARE PERFORMANCE vs. THE MSCI WORLD INDEX (in US\$)

YEAR	Annual percentage change		DELTA (1-2)
	1- EXOR NAV/Share (\$)	2- MSCI World Index (\$)	
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
Compounded annual rate	22.1	12.4	9.7

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

The single largest contributor to these results was FCA which almost doubled its market capitalization in 2017 from ~\$14 billion to ~\$28 billion. But before going through our businesses in more detail, I would like to spend some time on the discount that we have between our Market Value and our Net Asset Value, which increased during 2017.

As you know, we focus on our NAV per share which we control rather than our share price and we believe that if, over time, we outperform our benchmark, this will be reflected in our market value. Having said that, excluding technical reasons<sup>1</sup>, we have been trying to understand possible explanations for the discount to NAV that exists for many diversified holding companies<sup>2</sup>.

Two of these seem particularly plausible:

1. Holding companies are perceived to give disproportionate advantages to their controlling shareholders instead of delivering returns to all shareholders;

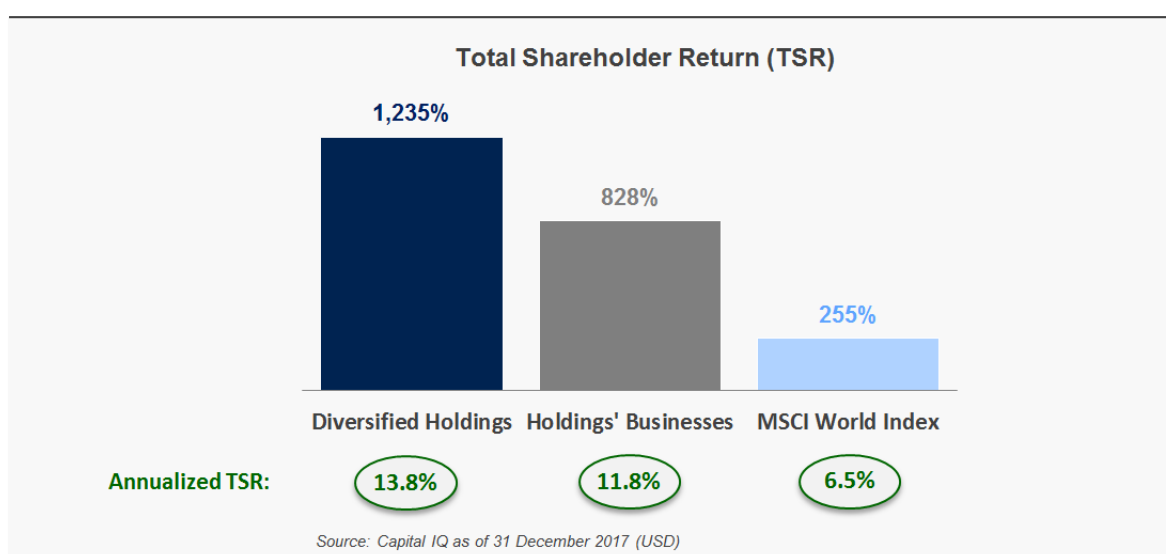
<sup>1</sup> One technical reason is that the market often applies a liquidity discount to shareholders who sell large blocks of shares (5 to 15% depending on liquidity) although this could often be counterbalanced by a control premium.

<sup>2</sup> We selected for this analysis 14 Diversified Holdings with a market cap in excess of \$10 billion and excluded conglomerates like the Korean Chaebols, Japanese Keiretsu, GE or Siemens and Berkshire Hathaway which is arguably in a different category. The companies we included are, split by geography: EMEA: Investor AB, GBL, Bolloré, HAL Holding, Koç Holding, Industrivarden; APAC: CK Hutchison, SM Investments, Jardines, Swire Pacific, Mahindra, JG Summit; and Americas: Loews Corporation, Power Corporation of Canada.

2. Buying shares in holding companies is seen as less attractive than buying shares in the listed businesses within their portfolios because of the reduced transparency and the additional holding cost.

However, in contrast to these arguments, what the data tells us is that our peers have been a good investment. In the last 20 years they produced ~5 times the return of the MSCI World Index denominated in Dollars. They outperformed the businesses they own<sup>3</sup> by 50% and on average their holding cost was less than 20bps of assets.

#### DIVERSIFIED HOLDINGS – 20YR PERFORMANCE



In a period characterized by the over-performance of passive indexes, it is interesting to note that these strong results come from companies which actively allocate capital and are proactive owners of their businesses.

Many of the holding companies that we have studied are family-controlled. This is of course of particular interest to my own family which is now in its 5<sup>th</sup> generation of actively managing our portfolio of businesses. We have therefore spent time trying to understand why family-owned businesses have on average consistently outperformed the market.

Past performance is of course not a good indicator of future results and we are very conscious of survival bias. However we do think there are a number of characteristics of family-owned businesses which give them enduring strength:

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<sup>3</sup> We analyzed the investment portfolios of these holdings to identify businesses they own which meet the following criteria: 1) a market cap in excess of \$0.5 billion; 2) the holding owns at least 5% of the business' economic capital ; 3) they have been in the holding's portfolio for at least the last 10 years. 67 businesses met these criteria.

1. They tend to be prudent in how they are run, particularly in relation to financial matters, which means they remain robust when they face downturns, crises and unexpected events;
2. They have the patience not to act when action is unnecessary and resist the pressure to do so. As Charlie Munger says, *“Success means being very patient, but aggressive when it’s time”*;
3. They are aware of changes in the world and are able to adapt when those changes require it;
4. They have strong cultures, clearly defined purposes and a sense of responsibility. Their cultures, rather than pay, help them to retain talent and to grow leaders internally.

Like many of our peers we continue to trade at a discount, which means you are effectively getting PartnerRe for free when you buy EXOR.

#### EXOR GROSS ASSET VALUE

US\$ million	31/12/2017	31/12/2016	Change	
			absolute	percentage
Investments	26,550	17,683	8,867	50.1%
Financial Investments	4	382	-378	-99.0%
Cash and cash equivalents	127	215	-88	-40.9%
Treasury stock	212	187	25	13.4%
<b>Gross Asset Value</b>	<b>26,893</b>	<b>18,467</b>	<b>8,426</b>	<b>45.6%</b>

#### INVESTMENTS (98.7% of GAV)

I would now like to turn to some of the businesses within our portfolio, starting with FCA which is both our most valuable company and this year’s best performer for EXOR.

In 2017 FCA sold 4.7 million cars, generating revenues of ~€111 billion. This was similar to its 2016 revenues, but in 2017 FCA’s net profit increased by 50% to €3.8 billion and its industrial debt decreased from €4.6 billion to €2.4 billion.

This improvement in profitability and cash generation is the result of deciding to exit the passenger car market in favor of pickups and SUVs in North America and to invest in Maserati, one of our premium brands. Maserati increased sales by ~20% and profitability by 65% which illustrates the impact of volume in a capital intensive business and the pricing power possible in the premium car market.

This extremely strong performance is a credit to FCA as a whole and is particularly due to Sergio’s leadership. Sergio has the ability, which I hugely admire, to acknowledge reality and be decisive in taking action which reflects that reality. It is this strength which has enabled him to guide FCA through a series of decisions which to others may not have seemed obvious.

Ayn Rand reminds us that *“We can ignore reality but we cannot ignore the consequences of ignoring reality”*, a sentiment which is very appropriate for FCA given the many changes the car industry is facing and the necessity to distinguish between sci-fi future scenarios and more realistic ones in making capital allocation decisions.

One example is electrification which is being developed to meet CO2 emission targets which, by 2022, will be significantly more stringent in all major car markets. This means that it is regulators rather than customer demand that will limit the use of the traditional combustion engine.

As we face this transition, it is worth reflecting on the reasons why leading entrepreneurs of the last century adopted combustion engines in favor of the alternatives then available (such as electric, steam, ...). It was Thomas Edison who supported Henry Ford in choosing the combustion engine, telling him:

*“Young man, that’s the thing; you have it. Keep at it. Electric cars must keep near to power stations. The storage battery is too heavy. Steam cars won’t do either, for they have to have a boiler and fire. Your car is self-contained - carries its own power plant - no fire, no boiler, no smoke and no steam. You have the thing. Keep at it.”*<sup>4</sup>

And it was John D. Rockefeller who then enabled the combustion engine to thrive by stabilizing the price and supply of oil. This allowed the mass market introduction of combustion engine cars starting with the Ford Model T.

The journey from the combustion engine to the non-combustion engine will be gradual, with hybrid solutions playing a major role in the near future. To give you an idea of the distance we have to travel, 97% of the 17.6 million cars currently sold in the US are entirely powered by combustion engines and only ~100,000 vehicles are fully electric (less than 0.7% ).

During this transition we need to make sure, just as we did last century, that we have the right technical solution at the right price for consumers while ensuring profitability and avoiding subsidies. The consequences of ignoring reality can be lethal if you lose competitiveness by not adapting to changes but are equally risky if you move too fast or venture too far ahead.

The outlook for FCA is very positive, with the Jeep Brand continuing to be particularly strong. Jeep now makes up ~90% of our sales in Asia and is the top selling SUV in Brazil. Since FIAT started its relationship with Chrysler in 2009, Jeep has experienced extraordinary growth thanks to product line extensions and its ability to enter new countries outside of NAFTA.

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<sup>4</sup> Ford, H., Crowther, S. (1930 first edition). *Edison As I Know Him*.



*All-new 2018 Jeep Wrangler Rubicon and Sahara with various historical Wrangler vehicles*

2017 has also been the year of Alfa Romeo's revival with the launch of Giulia and Stelvio proudly conceived and crafted in Italy. These were strongly welcomed by the media worldwide and, more importantly, by old and new "Alfisti" (Alfa customers). Their launch is another key step in growing our position in the premium car market.

The 2018 targets set by FCA in 2014 seemed unreachable then but, as we get closer, seem increasingly possible. If they are reached, in 2019, Sergio will be able to hand his successor a company which is €4 billion cash positive with €125 billion of revenue and €5 billion of adjusted net profit. This is an unthinkable transformation of the FIAT business he took charge of in 2004 and the Chrysler one he combined it with in 2014 to form FCA, a transformation for which we will always be grateful.

I would like next to spend time on PartnerRe, our second most valuable business and our most recent acquisition. I discussed PartnerRe at length in my last two letters but want to return to it again since 2017 was one of the costliest years for insured losses. These exceeded \$100 billion in value due to the high frequency and severity of events in the Americas (Harvey, Irma and Maria hurricanes alongside two wildfires in California).

This difficult year represented a robust test for PartnerRe in its second year of our ownership and we have stuck with our promise of giving full support to Emmanuel Clarke and his team to be there for their clients and open for business at the right price.

Despite the challenging environment, PartnerRe reported top quartile performance amongst its reinsurance peers in terms of profitability (\$250 million Adj. Net Income), return on common shareholders' equity (Adj. ROE of 4.2%) and book value growth (3.9% adjusted by dividends).

These positive results have been driven by three factors:

1. The reduction of Cat exposure, mainly by the use of retrocession. This decision was taken because of the unattractive pricing available for these very serious and real risks, as it became clear in 2017;
2. The company's ability to build a well-diversified underwriting portfolio in terms of geographies and product lines, with an edge in Specialty lines (generating a 85.7% combined ratio);
3. The actions undertaken to reduce the company's expenses which, excluding severance and transaction costs, decreased from \$426 million in 2015 to \$338 million (~20% reduction).

Savings are expected to continue to grow in 2018 as the full year impact of these changes comes through and additional efficiencies are made in consulting and facilities expenses (for instance, our new Stamford office inaugurated in September 2017 has state-of-the art workplace facilities, while reducing lease and other running costs by 70%).

Importantly, these savings are not limiting the company development and have already been partially reinvested in the Life&Health business and to provide better coverage and services to our clients.

In April 2017 PartnerRe completed the acquisition of Aurigen, a leading Canadian Life reinsurer, which will contribute to the profitable growth of our Life&Health business. The \$286 million price paid is in line with the company's book value and highlights our discipline in deploying capital in a market where M&A reinsurance transactions have recently reached high valuations.

Notwithstanding the positive Life reinsurance performance, which has been solid with 37% growth in underwriting profits, 2017 results have been disappointing in the Life&Health business overall due to a \$119 million underwriting loss in Health, mainly driven by Affordable Care Act related programs. The portfolio has been re-underwritten in 2018 with substantial increases in rates and is expected to be profitable. However this loss is a reminder of the need to continue to look for opportunities to improve our underwriting performance.

The renewals in January 2018 have been positive for PartnerRe with volumes and margins up for the business underwritten. However, price did not increase as anticipated due to the high level of excess capital within the traditional reinsurance industry and the ability of alternative capital vehicles to replace most of the capital they lost.

A big contributor to PartnerRe's profitability this year has been its investment results. After the changes to the organization in 2016, PartnerRe is now top quartile for its investment performance of ~4.2% and for its expenses (which at ~14bps are lower than those of most of its peers).

In 2017 PartnerRe increased its exposure to equities from close to nothing to 4%.

Most of this is being directly managed by Matteo Scolari who joined EXOR in 2015 after having spent most of his professional career at Goldman Sachs, McKinsey and Eton Park. Matteo brings business and investing experience to EXOR and combines this with intellectual curiosity and an eagerness to learn which makes him very well suited to leading EXOR and PartnerRe's financial investments. He has already started investing in a concentrated portfolio of high conviction stocks based on deep fundamental research.

His two largest positions are RWE, the largest conventional (nuclear, coal, and gas-based) electricity producer in Germany, and Ocado, a UK-based technology company focused on food e-commerce.

1. The investment in RWE is predicated on the view that the company's electricity generation business is significantly undervalued by the market and that there is potential for management to unlock further value by simplifying the corporate structure.

Over the last decade Germany's power market has undergone a transformation through the roll-out of significant renewable (wind and solar) generation capacity. This has reduced the load factor of existing conventional power plants, depressing their profitability. However, the planned closure of coal and nuclear plants in Germany over the next few years should tighten the supply / demand balance and drive a recovery in power prices and profits for the sector.

In March 2018 RWE entered into a transformational transaction with E.ON as a result of which RWE will receive a large renewables portfolio in exchange for its stake in listed subsidiary Innogy. This transaction simplifies and refocuses RWE's perimeter of activity, positioning the company for growth through a more diverse generation mix and should drive a re-rating of its shares;

2. Ocado has developed a highly advanced logistics and IT platform to deliver groceries online on a national scale. Currently the company monetizes its technology primarily by selling groceries directly to retail customers under the Ocado brand in the UK. To expand its addressable market, Ocado has also been offering to license its platform to other food retailers looking to enter the online channel.

Since Amazon's acquisition of Whole Foods in the summer of 2017, the pace of discussions with potential partners has significantly increased and in the last few months Ocado has announced deals to provide its solution to two large food retailers: Casino in France and Sobeys in Canada.

However, there is still significant opportunity for growth as food retailing equates to approximately 50% of all retail spend or \$2 trillion globally and channel shift to online is still in its early stages.

This year PartnerRe has also started investing in India through local investment managers who are building high conviction and concentrated equity portfolios.

We have prioritized India because of its future economic growth potential. India is a \$2.4 trillion economy growing at 6.5% and, although it is already a very large economy, it has just \$1,800 of income per capita. It is also in the early stages of a transformation to an open economy and has the youngest population in the planet (factors which altogether will drive growth across almost every industry). For example, to take a market very relevant to EXOR, only 2% of India's population owns a car today compared to 91% in the US.

The Indian public equity market offers a very broad and diverse opportunity set, representative of the various segments of the economy and the Bombay Stock Exchange (BSE) is the largest stock exchange in the world by number of companies with more than 5,500 listed entities of which 80% have a market cap below \$1 billion. The managers we have selected to steward our capital in this region have delivered more than 8pp of performance above the market indexes in any period of time over the past 10 years.

In 2017, PartnerRe also strengthened its relation with Tishman Speyer to make additional investments in real estate, including partnering with them in the development of a mixed-use building in Sao Paulo's Rua Oscar Freire, the city's most prestigious street. We are excited about further opportunities to invest in Brazil, a country of great relevance for many of our companies.

To complete our overview of PartnerRe's investments, it is worth highlighting the good returns it has achieved on its fixed income portfolio, the largest component of its investment portfolio (\$14 billion at year-end) which is directly managed in-house.

EXOR's ownership has allowed PartnerRe to improve its capital position by adopting a prudent dividend policy to shareholders. The \$145 million of dividends distributed by PartnerRe in 2017 represent a payout ratio of 67% of net profits, amongst the most conservative within the reinsurance industry.

Last but not least, I would like to turn to Juventus which has had its most significant year in its history after it won its 6<sup>th</sup> consecutive championship in a row, overtaking the greatest Juventus team of all time, which won five Italian championships in a row in the “quinquennio” in the 1930s.

Juventus has also won the last three Italian Cups and made it all the way through to the final of the Champions League, for the second time in three years, where it was defeated by Real Madrid, arguably the strongest football team in history and the winner of the last two Champions League Finals.



*Juventus team celebrating its 6<sup>th</sup> consecutive championship (2016/17 season)*

Juventus’ legendary achievement in 2017 is the result of a great “team” work by management, the coach, staff and every player. It is also due to its very strong culture, strengthened over the last decade by its Chairman Andrea Agnelli, who continuously exhorts all and every individual member to push “*Fino alla Fine...*”.

This mindset is very important for successful organizations that need to keep focused on the next challenges, which is the only way not to be distracted by current glories. Success only continue with continuing efforts which is true for Juventus but also for all our businesses.

Seneca warns us of this when he described what happened to the great warrior Hannibal, who, after many victories, went to Capua to “celebrate” with his soldiers: “*A single winter relaxed Hannibal's fibre; his pampering in Campania took the vigour out of that hero who had triumphed over Alpine snows.*”

Football is of course a business as well as a sport with European club revenues having more than tripled this century to close to €20 billion, with the top 30 clubs representing close to 50% of this total. The biggest beneficiaries of this growth are the players with the value of transfers in 2017 reaching €5.6 billion with agents capturing 12.6% of this total.

Juventus has been growing its own revenues at an average CAGR of ~15% over the last five years compared to ~10% for the market and now generates revenues in the region of €400 million, excluding players transfers. Like any other club, Juventus is investing much of this into players who are critical for the club's future but also represent its main cost. This is particularly true in the case of top players who are often represented by aggressive agents. In the current format of domestic and international competitions, the increasing cost of players makes it difficult for clubs to reach recurrent levels of profitability, particularly given the unpredictability of sports results.

It is hard to balance sporting and financial success but Juventus achieved this in 2017. The good news for the industry is that football reach and relevance continues to grow, as is already happening in China and the USA. Close to a quarter of the world's population now supports football and this number is growing. This growth is what drives the value of football clubs, which is even more pronounced for the most prominent clubs, like Juventus.

We remain confident that Juventus will continue to deliver both sporting and financial rewards and look forward to continuing our relationship with them, which at close to a century is the longest one between a family and a sport franchise in the world.

#### **FINANCIAL INVESTMENTS, CASH AND EQUIVALENTS AND TREASURY STOCK (1.3% of GAV)**

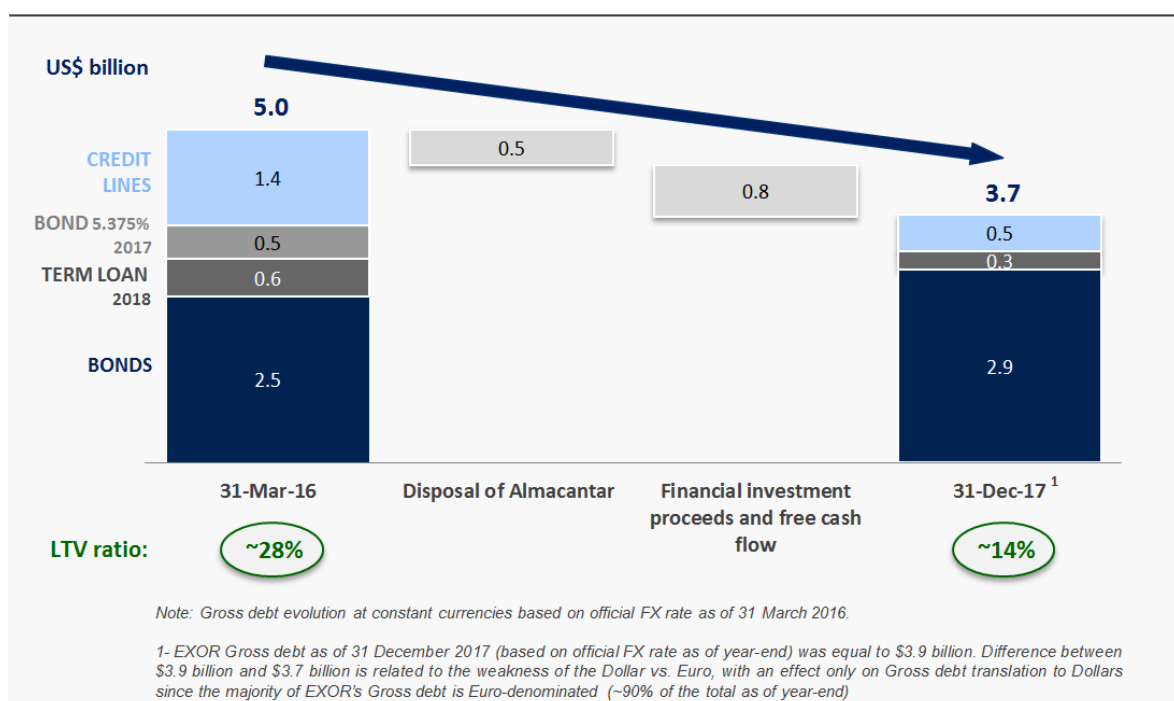
In 2017 we decreased EXOR's financial investments and cash & cash equivalents to reduce our gross debt, which we see as an imperative given our commitment to a conservative balance sheet. For convenience, we will in the future classify these three categories as "others" because they account for a small part of our GAV.

## GROSS DEBT

When we completed the PartnerRe acquisition back in March 2016, our overall gross debt increased to \$5.0 billion. Since then we have decreased our gross debt by \$1.3 billion to \$3.7 billion at constant currencies<sup>5</sup>, a reduction of around 25%.

This debt reduction has been achieved through disposal of assets and positive ordinary cash flow generation, as well as through the redemption of the Black Ant fund in June 2017, which we used to partially repay the 10-year outstanding bond which was maturing in the same period.

### GROSS DEBT EVOLUTION



Our progress in reducing our debt combined with the performance of our assets brought our Loan-to-Value ratio from 28% in March 2016 to 14% at the end of 2017, which is well below our 20% threshold. This contributed to S&P's decision in April to upgrade our ratings outlook to stable and affirm our long-term and short credit ratings ("BBB+" and "A-2" respectively).

<sup>5</sup> Based on official FX rate (EURUSD) as of 31 March 2016.

## 2018

This year most of our companies will be working on their future with business plans and leadership changes.

FCA is preparing its 2022 plan. This will be presented on June 1<sup>st</sup> by Sergio and the rest of the management team. Most of this team has been part of FCA's incredible adventure since 2004, and we are confident that one of them will become Sergio's successor.

We are working very closely with the board to make sure this transition is successful and that the hard work of the last 15 years continues with the same level of excellence.

CNHi's board will be appointing a new CEO who will take over from Rich Tobin who led the business effectively through the downturn in the agriculture market. Sergio is managing this process as the company's Chairman (a role he is committed to retain) and views this transition as an opportunity to strengthen the company's leadership to enable it to perform at the level he is used to at FCA and Ferrari.

The Economist has also announced the appointment of a new Chairman, Paul Deighton. Paul has had a long and distinguished career in banking before being CEO of the Organizing Committee for the London Olympics and Paralympics Games and working as a UK government minister. He brings business experience and the right set of values to help increase the global readership of The Economist, which provides a truly independent opinion of what is happening in our world.

We are grateful to Rupert Pennant-Rea, who is stepping down as Chair, particularly for his strong leadership during the ownership transition in 2016 and for presiding over one of the very few successful transitions in the "newspaper" industry, transforming The Economist from a business which was heavily dependent on print advertising revenues to one which can see a profitable future largely driven by paid circulation.

We were very pleased by the positive reaction to our Investor Day last October and plan to repeat it biannually, which means that we will have the opportunity to meet again in person in 2019, which is the year when we celebrate EXOR's first decade. We hope that you will be able to join us in the meantime for our investor call after our AGM in Amsterdam on 29 May 2018.





## Board of Directors

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*Chairman and Chief Executive Officer*  
*Vice Chairman*  
*Vice Chairman*  
*Non-independent Directors*

John Elkann  
Sergio Marchionne  
Alessandro Nasi  
Andrea Agnelli

Niccolò Camerana  
Ginevra Elkann  
Lupo Rattazzi

*Senior non-executive Director*  
*Independent Directors*

Marc Bolland  
Melissa Bethell  
Laurence Debroux  
Anne Marianne Fentener van Vlissingen  
António Mota de Sousa Horta-Osório  
Robert Speyer  
Michelangelo Volpi  
Ruth Wertheimer

## Audit Committee

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Marc Bolland (*Chairperson*), Anne Marianne Fentener van Vlissingen and Lupo Rattazzi

## Compensation and Nominating Committee

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Michelangelo Volpi (*Chairperson*), Alessandro Nasi and Robert Speyer

## Independent Auditors

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Ernst & Young Accountants LLP

## Expiry of term of office

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The Board of Directors was appointed on 30 May 2017. The Board's three year appointment will expire concurrently with the shareholders' meeting that will approve the 2019 annual financial statements.

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## KEY DATA

<b>EXOR Group – Consolidated Data</b>			
€ million	2017	2016	2015
Net Revenues	143,430	140,068	136,360
Profit before tax	7,763	4,268	1,054
Net profit	4,646	2,313	865
of which attributable to owners of the parent	1,392	589	744

<b>EXOR Group – Consolidated Data – Shortened (a)</b>			
€ million	2017	2016	2015
Profit attributable to owners of the parent	1,392	589	744
Share of earnings of investments and dividends	1,456	908	219
Investments and non-current other financial assets	13,927	14,569	8,937
Issued capital and reserves attributable to owners of the parent	10,805	10,982	10,346
Consolidated net financial position of EXOR's "Holdings System"	(3,164)	(3,424)	1,337

(a) The basis of preparation is presented in the section "Review of the Consolidated Results of the EXOR Group – Shortened. Note that this is an Alternative Performance Measure.

<b>Earnings per share (€) (a)</b>	2017	2016	2015
Profit attributable to owners of the parent – basic	5.93	2.51	3.33
Profit attributable to owners of the parent – diluted	5.87	2.47	3.32
Issued capital and reserves attributable to owners of the parent	45.97	46.83	44.15

(a) Additional details on the calculation of basic and diluted earnings per share are provided in Note 11 to the consolidated financial statements.

<b>Other information</b>	31/12/2017	31/12/2016	31/12/2015
€ million			
Net Asset Value (a)(b)	19,155	13,890	12,267
Market capitalization	12,301	9,870	10,411
Dividend paid	82.1	82.0	77.8

(a) Alternative Performance Measure, as defined on page 14.

(b) Equal to: \$22,972 million at 31 December 2017, \$14,642 million at 31 December 2016, \$13,355 million at 31 December 2015.

## **RISKS FACTORS**

The following risks and uncertainties are deemed material and that in the Board of Directors' judgment, these are 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 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, the Issuer'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. For the 2017 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.

#### **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 principal investment holdings 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;
- 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; and
- 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.

For instance, in June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The terms of a UK withdrawal, commonly referred to as "Brexit", are subject to a negotiation period that could last up to two years from March 2017 when the government of the United Kingdom formally initiates a withdrawal process, or longer if extended by mutual agreement. During this time the government of the United Kingdom may also revoke its notification to leave the European Union. The referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, which is also subject to negotiation, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate.

The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. 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.

In the United States, changes in policy positions by the new presidential administration may 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, which could cause financial and capital markets within and outside the U.S. and Europe to constrict, thereby negatively impacting EXOR's ability to finance its business.

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.

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, the earnings, business prospects and financial position of EXOR and its subsidiaries and affiliates.

#### **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. 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, from the time of the acquisition of PartnerRe and until 31 December 2020 neither the company resulting from the merger nor any of its subsidiary companies: (i) will approve or distribute or propose the approval or distribution of dividends nor proceed with other distributions pertaining to the PartnerRe common shares or other classes of PartnerRe shares in issue (the "Junior Shares"), over which the preferred shares issued by PartnerRe (as defined in the aforesaid merger agreement) have precedence or priority in the payment of dividends or in the distribution of assets in the event of liquidation or dissolution of PartnerRe; (ii) will redeem, purchase or otherwise become the owner of Junior Shares (exception being made for purchases relating to the servicing of incentive plans or of employee benefit plans of PartnerRe and its subsidiary companies), notwithstanding that the distributions may be made up to the limit of 67% of the net profit for the year of the company resulting from the merger for each quarter of the financial year and that for the quarter in respect of which distributions are not made the distributions may be carried forward, to the extent not made, to succeeding quarters without regard to the effective amount of the net profit earned by the company resulting from the merger in such quarters of the financial year. As explained in the paragraph of PartnerRe Risk's factors, the dividends distribution from PartnerRe depends also on the capital requirements including the regulatory requirements.

The financial results of the EXOR Group and of EXOR are no indicators of the future profitability of EXOR. For the 2017 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. At EXOR NV level, the NAV value at year-end was US \$23 billion positive.

There can be no assurance concerning the profitability of EXOR in future periods. 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**

EXOR's corporate credit rating from S&P is currently "BBB+" for long-term debt and "A-2" for short-term debt with a stable outlook.

Its 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 equities 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), the 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 creditworthiness or questioning 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 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 holding company and, consequently, the results of its major investments and the financial resources distributed by the subsidiaries and affiliates (as dividends or otherwise) have a significant influence on its results. The failure to achieve the objectives or the revision of the objectives by the subsidiaries and affiliates 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 and on the business activities, strategies and prospects of the EXOR Group and of EXOR N.V., as well as on the performance of the EXOR shares on the stock market. No assurance can be given with regard to the fact that EXOR N.V. 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.

EXOR holds a limited number of investments and, consequently, the economic and financial performance of EXOR and of the EXOR Group may be materially influenced by the negative performance or indeed the negative economic and financial results even of one of the investments made.

EXOR's investment portfolio is monitored and analyzed constantly 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.

EXOR does not have a specific policy on investment and disposal. Investment decisions taken by EXOR are formulated on the basis of in-depth assessments and of expertise developed in the 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 the capacity to generate future cash flows.

Recent disposals have been guided by the wish to reduce exposure to non-global businesses or the wish to take advantage of concrete opportunities to divest in the market which offer an adequate economic result. The maintenance of long term investments and the decisions to invest and divest entail business risks, such as a high exposure to specific industries or to a particular investment, changes in market conditions and the presence of obstacles which impede the disposal of its investments.

### **Risks associated with the loss of key management figures**

The success of EXOR and of the EXOR Group depends to a large extent on the abilities of its own senior executives and of the other components of the management team to manage efficiently EXOR and the EXOR Group and the individual business areas. If the EXOR Group should lose the contribution of key executives (including John Philip Elkann and Sergio Marchionne), 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 Capital DAC (Ireland); 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, The Economist Group, Welltec and Juventus Football Club) 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.

Among the significant developments in tax regulation there is also the recent EU Directive 2016/1164 adopted on 12 July 2016 and known as the "Rules against tax practices that directly affect the functioning of the internal market". This Directive introduces a number of provisions concerning the limitation of interest deduction and the introduction, on an obligatory basis, of regulations on Controlled Foreign Companies (CFC). As of the financial reporting date no regulation on Controlled Foreign Companies has been introduced in the Netherlands, however certain rules are in force under Dutch law concerning the taxation of business income (*Wet op de vennootschapsbelasting 1969*), which establish that the taxpayer, in some specific circumstances, is required to record an interest in an entity at fair market value. Pursuant to the aforesaid Directive, in any case, the Netherlands is obliged to introduce regulations on Controlled Foreign Companies - in conformity with the dispositions set out in the Directive - to come into effect at the latest on 1 January 2019. The manner in which the directive will be enacted and implemented by governments and tax authorities in the legal systems of the individual Member States is as yet unknown; similarly, there is still uncertainty about the effective practical scope of the Directive in general.

### **RISKS RELATED TO THE COMMON SHARES**

#### **Risks connected with share price performance in relation to the activities of EXOR**

EXOR's results will depend on the performance of the investments which it makes. These investments, considering the type of activity performed, are characterized by high levels of uncertainty, problems with forecasting and a priori assessments that are not always objective. There is no guarantee that EXOR will be able to transmit to the market the correct interpretation of the risk-opportunity relationship of the investments made and of their progressive performance, with resulting possible negative impact on the performance of the market price of EXOR 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 2017.

**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 share 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 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. In fact, as of the date of the merger becoming effective no special voting shares had been issued.

**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.

## EXOR GROUP PROFILE

EXOR is one of Europe's largest investment companies, with a Net Asset Value (NAV)<sup>(1)</sup> of almost \$23 billion (equal to over €19 billion) as at 31 December, 2017. It 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 of the Issuer is Gustav Mahlerplein 25, 1082 MS, Amsterdam, The Netherlands, telephone number +31 (0) 20 240 2 220. 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. EXOR aims at increasing its NAV per share to outperform the MSCI World Index in dollars in the long-term; generating free cash flows above its dividend outflows and preserving an investment grade rating.

EXOR invests with a long-term view, among others in significant (controlling or non-controlling) equity investments, with an objective to achieve an optimal return from investment income and capital appreciation. EXOR invests without a defined investment and divestment policy and is not bound by any specific target or criteria regarding geographical and industrial features of its investments, holding period and achievements of targets. EXOR generates returns which may be reversed, reinvested or distributed to shareholders at the absolute discretion of the company (subject only to shareholder vote on dividend distribution). EXOR is an active shareholder, combining its entrepreneurial approach with sound financial discipline. It brings in finance for the development of its companies, to improve their competitive position and profitability, and maintains a constant dialogue with the top management of the companies in which it invests, while fully respecting their operating autonomy.

(1) Alternative performance measure as defined on page14.

The principal EXOR Group's investments are the following:



Percentages updated on the basis of the latest available information.

- (a) EXOR holds 99.75% of voting right on issued common stock.
- (b) EXOR holds 42.34% of voting rights on issued capital.
- (c) EXOR holds 41.68% of voting rights on issued capital.
- (d) EXOR holds 32.75% of voting rights on issued capital.
- (e) Voting rights are limited to 20%.

**Fiat Chrysler Automobiles (FCA)** (29.18% stake) 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. FCA, the seventh-largest automaker in the world designs engineers, manufactures, distributes and sells passenger cars, light commercial vehicles, components and production systems worldwide. The Group's automotive brands are: Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia, Ram and Maserati in addition to the SRT performance vehicle designation. FCA's businesses also include Comau (production systems), Magneti Marelli (components), Teksid (iron and castings) and Mopar, the after-sales services and parts brand. FCA is engaged in industrial activities in the automotive sector through companies located in 40 countries and has commercial relationships with customers in more than 140 countries. At 31 December 2017 FCA had 159 manufacturing facilities and 235,915 employees throughout the world.

FCA's operations relating to mass market brands (passenger cars, light commercial vehicles and related parts and services) are run on a regional basis and attributed to four regions representing four geographical areas: NAFTA (U.S., Canada and Mexico), LATAM (South and Central America, excluding Mexico), APAC (Asia and Pacific countries) and EMEA (Europe, Russia, Middle East and Africa).

**PartnerRe** (100% of common stock) is a leading global reinsurer with headquarters in Pembroke (Bermuda). PartnerRe commenced operations in 1993 and provides Non-life (Property and Casualty and Specialty) and Life and Health reinsurance on a worldwide basis through its subsidiaries and branches serving more than 2,000 customers in its Non-life and Life and Health segments. PartnerRe has a global platform of 20 offices and is present in more than 150 countries. The company's principal offices are located in Hamilton (Bermuda), Dublin, Greenwich (Connecticut, USA), Paris, Singapore and Zurich. Risks reinsured include, but are not limited to, property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering, energy, marine, mortality, longevity and accident and health, and alternative risk products.

**CNH Industrial** (26.89% stake) 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. CNH Industrial's goal is the strategic development of its business. A large industrial base, a wide range of products and its worldwide geographical presence make CNH Industrial a global leader in the capital goods segment. Through its brands the company designs, produces and sells trucks, commercial vehicles, buses and specialty vehicles (Iveco), agricultural and construction equipment (the families of Case and New Holland brands), as well as engines and transmissions for those vehicles and engines for marine applications (FPT Industrial). Each of the Group's brands is a prominent international player in its respective industrial segment.

At 31 December 2017 CNH Industrial was present in approximately 180 countries giving it a unique competitive position across its 66 manufacturing plants, 53 research and development centers and had more than 63,000 employees.

**Ferrari** (22.91% stake) began operations on 3 January 2016 following the completion of a series of transactions to separate Ferrari from the FCA Group. Ferrari 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. The Ferrari brand is a symbol of excellence and exclusivity; the cars that carry this brand name are unique for performance, innovation, technologies, driving pleasure and design. A car that is the most authoritative example of "Made in Italy" the world over.

At 31 December 2017 Ferrari was present in over 60 markets worldwide through a network of 164 authorized dealers operating 185 points of sale with 8,398 cars sold in 2017.

**The Economist Group** (43.40%) is a company headquartered in London and head of the editorial group that publishes *The Economist*, a weekly newspaper that, with a global circulation of more than one million copies, represents one of the most important sources of analysis in the international business world.

**Juventus Football Club** (63.77% of share capital) is listed on the Mercato Telematico Azionario managed by Borsa Italiana (MTA). Founded in 1897, it is one of the most prominent professional football teams in the world.

## **SIGNIFICANT EVENTS IN 2017**

### **Increase in investment in Welltec**

During the year 2017 EXOR acquired a further 6.58% of Welltec for a total consideration of €32.5 million. At 31 December 2017 EXOR held 21.23% of the share capital of Welltec.

### **Redemption of the investment in The Black Ant Value Fund**

In the first half of 2017 EXOR received €353.5 million on the redemption of the entire investment in The Black Ant Value Fund; €17.8 million was received in January 2017 and the residual amount of €335.7 million in June 2017. The redemption resulted in a net total gain of €109.1 million arising from the reversal of the available for sale reserve. The fund, purchased in 2012, had a duration of five years.

### **Repayment of EXOR non-convertible 2007 - 2017 bonds**

On 12 June 2017 EXOR repaid an amount of €440 million related to the residual amount outstanding of EXOR non-convertible bonds 2007-2017 using a combination of available liquid resources and bank debt.

### **Investment in GEDI Gruppo Editoriale S.p.A.**

On 29 June 2017 FCA's transfer of ITEDI S.p.A to GEDI Gruppo Editoriale S.p.A. (hereafter GEDI) in exchange for new GEDI shares became effective. Subsequently, FCA demerged its GEDI shares into InterimCo BV and liquidated the latter company resulting in the distribution of its GEDI ordinary shares to all FCA shareholders. On 4 July 2017 EXOR received 4.28% of GEDI's share capital.

In 2017 EXOR also purchased on the market 1.71% of GEDI share capital for a total amount of €6.8 million. Currently EXOR holds 5.99% of the share capital of GEDI.

### **Agreement for divestment of the entire shareholding in Banca Leonardo**

On 7 November 2017 EXOR together with the other major shareholders of Banca Leonardo, a leading independent wealth manager in Italy, announced an agreement under which Banca Leonardo will be acquired by Indosuez Wealth Management, the global wealth management brand of Crédit Agricole group, resulting in the divestment of EXOR's entire 16.51% shareholding.

The transaction will be completed in the first half of 2018, subject to the approval of the competent authorities.

## REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP

### Significant economic data

<b>EXOR Group – Consolidated Data</b>			
€ million	2017	2016	2015
Net Revenues	<b>143,430</b>	140,068	136,360
Profit before tax	<b>7,763</b>	4,268	1,054
Net profit	<b>4,646</b>	2,313	865
of which attributable to owners of the parent	<b>1,392</b>	589	744

#### Net revenues

€ million	2017	2016	2015
FCA	<b>110,387</b>	110,445	112,635
CNH Industrial	<b>24,410</b>	22,459	23,346
PartnerRe (a)	<b>5,016</b>	3,827	-
Ferrari	<b>3,096</b>	2,859	-
Juventus	<b>521</b>	478	379
<b>Net Revenues</b>	<b>143,430</b>	140,068	136,360

(a) 2016 net revenues referred to the period 18 March – 31 December 2016.

#### Profit

2017 consolidated net income amounts to €4,646 million, an increase of €2,333 million on the 2016 result of €2,313 million. The increase is due principally to the higher net revenues for €3,362 million (mainly referred to CNH Industrial and PartnerRe respectively for €1,951 million and €1,189 million), the increase of other income (expenses) for €815 million (mainly related to the gain of the reversal of a liability for Brazilian indirect taxes) and the reduction of financial expenses of €551 million, partially offset by a higher cost of sales and charge for income taxes respectively for €1,791 million and €1,163 million.

2016 consolidated net income amounts to €2,313 million, an increase of €1,448 million on the 2015 result of €865 million. The increase is due principally to the higher net revenues for €3,708 million, up 2.7% (mainly due to the consolidation of PartnerRe for €3,827 million and Ferrari (in 2015 included in FCA's consolidated data), a higher charge for income taxes and research and development costs for respectively €1,243 million and €940 million and by the lower amount of profit from discontinued operations (€522 million in 2015 relating to the sale of the C&W Group).

### Significant financial data

€ million	31/12/2017	31/12/2016	31/12/2015
Cash and cash equivalent	<b>20,028</b>	25,161	30,587
Total assets	<b>163,775</b>	176,528	156,895
Gross debt	<b>46,696</b>	56,817	58,112
Issued capital and reserves attributable to owners of the parent	<b>10,805</b>	10,981	10,346
Non-controlling interests	<b>20,381</b>	19,239	16,481

## Gross debt

€ million	31/12/2017	31/12/2016	31/12/2015
Bonds	22,103	25,487	23,809
Borrowings from banks	11,239	14,509	18,385
Asset-backed financing	10,943	12,075	12,146
Payables represented by securities	826	1,619	1,212
Other financial debt and liabilities	1,585	3,127	2,560
<b>Gross debt</b>	<b>46,696</b>	56,817	58,112

Financial debt is constituted, to a large extent, of bond issues and bank borrowings. As is the usual practice, the major part of such debt involves a number of 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 transactions 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 provide for compliance with financial covenants.

## Cash flow

€ million	2017	2016	2015
<b>Cash and cash equivalents at the beginning of the year</b>	<b>25,161</b>	30,587	29,243
Cash and cash equivalents included in assets held for sale and discontinued operations	1	-	-
<b>Cash and cash equivalents at the beginning of the year</b>	<b>25,162</b>	30,587	29,243
Cash flow from (used in) operating activities	13,390	12,619	11,749
Cash flow from (used in ) investing activities	(10,771)	(12,740)	(8,608)
Cash flow from (used in) financing activities	(5,944)	(5,564)	(2,411)
Translation exchange differences	(1,809)	259	614
Net change in cash and cash equivalents	(5,134)	(5,426)	1,344
<b>Cash and cash equivalents at the end of the year</b>	<b>20,028</b>	25,161	30,587
Cash and cash equivalents included in assets held for sale and discontinued operations		1	-
<b>Cash and cash equivalents at the end of the year</b>	<b>20,028</b>	25,162	30,587

In 2017 the Group generated positive cash flows from the operating activities for €13,390 million while cash flows used in investing activities were €10,771 million and mainly related to the investments in property, plant and equipment and intangible assets (€10,092 million).

For the year ended 31 December 2017, net cash used in financing activities was €5,944 million, primarily related to the, repayment of notes for €5,296 million, net reduction in other long-term debt for €3,049 million, partially offset by the issuance of new notes for €2,834 million.

## ALTERNATIVE PERFORMANCE MEASURES (APM)

To facilitate understanding of the economic and financial performance of EXOR and of the Group, the Directors of EXOR have 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 reporting standards. The aforesaid APM should be read together with the consolidated financial information prepared applying the shortened consolidation criterion. APM used by EXOR, since they are not based on the reference financial reporting standards, may not be consistent with those used by other companies or groups and therefore may not be comparable with them. The APM used by EXOR have been computed consistently in terms of definition and presentation in all the reporting periods for which financial information is presented in this Report.

Further, it should be noted that the principal subsidiaries and affiliates make use for presentations to the market of "non-GAAP" financial measures to illustrate their performance. Such indicators are commonly used by analysts and investors in the sectors to which the subsidiaries belong to evaluate business performance. A description of the manner in which such indicators are computed is provided by the individual subsidiary companies and these are included in the Report on Operations section in the review of the performance of each subsidiary, 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 and Net Financial position.

### Net Asset Value (APM)

Net Asset Value (NAV) is 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 2017, listed equity investments and other securities are valued at trading prices, unlisted equity investments are valued at fair value, determined annually by independent experts, 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 is 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) and that assigned to the beneficiaries of the stock grant plans which is deducted from the total number of treasury shares held. The sum of the aforesaid values constitutes the total value of assets (Gross Asset Value). Gross debt is the total amount of the financial debt of the Holdings System.

The elements included in the Gross Asset Value and in the gross debt denominated in U.S. dollar and Pound sterling are converted into Euro at the official exchange rates at the date of the period indicated in this presentation.

At 31 December 2017 EXOR's NAV is \$22,972 million (€19,155 million), an increase of \$8,330 million (+56.9%) compared to \$14,642 million (€13,890 million) at 31 December 2016.

NAV per share amounts to \$95.32 equal to €79.48 at 31 December 2017 (\$60.75, equal to €57.63 at 31 December 2016).

The composition and change in NAV in US dollars are the following:

US\$ million	31/12/2017	31/12/2016	Change vs 31/12/2016	
			Amount	%
Investments	26,550	17,683	8,867	+50.1%
Financial investments	4	382	(378)	-99.0%
Cash and cash Equivalents	127	215	(88)	-40.9%
Treasury stock	212	187	25	+13.4%
<b>Gross Asset Value</b>	<b>26,893</b>	18,467	8,426	+45.6%
<b>Gross Debt</b>	<b>(3,921)</b>	(3,825)	(96)	+2.5%
<b>Net Asset Value (NAV)</b>	<b>22,972</b>	14,642	8,330	+56.9%

The decrease in financial investments is due to the redemption of The Black Ant Value Fund.

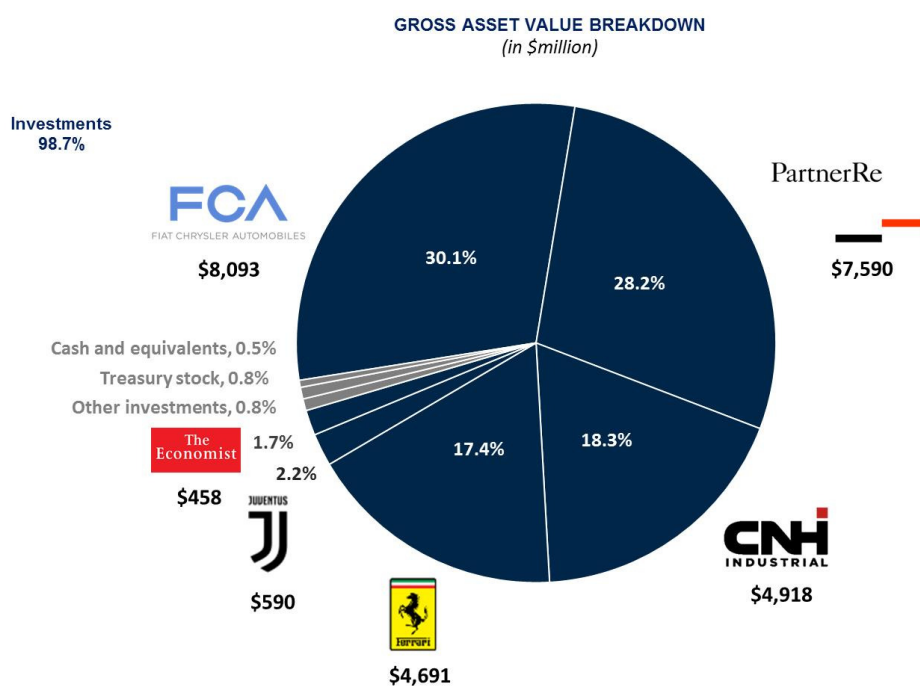
The value in Euro of the NAV presented in US dollars, converted at the exchange rates of the respective years is the following:

€ million	31/12/2017	31/12/2016
Investments	22,138	16,775
Financial investments	3	362
Cash and cash Equivalents	106	205
Treasury stock	177	177
<b>Gross Asset Value</b>	<b>22,424</b>	<b>17,519</b>
<b>Gross Debt</b>	<b>(3,269)</b>	<b>(3,629)</b>
<b>Net Asset Value (NAV)</b>	<b>19,155</b>	<b>13,890</b>

€ million	31/12/2017	31/12/2016	Change	
			Amount	%
<b>Issued capital and reserves attributable to owners of the parent</b>	<b>10,804.8</b>	10,981.8	-177.0	-1.61%

NAV is also presented with the aim of aiding financial analysts and investors in forming their own assessments.

The following pie chart shows the composition of Gross Asset Value at 31 December 2017 (\$26,893 million). "Other investments" include the investments in Welltec, Banca Leonardo and GEDI in addition to minor sundry investments.



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



The following table shows the official prices of EXOR's ordinary share listed on the MTA, for the year 2017 and the first months of 2018:

	1/1/2018 3/14/2018	1/1/2017 12/31/2017
<b>Stock Market Data</b>		
Ordinary share price (in Euro)		
- Period - end	60.146	51.041
- Maximum	64.001	56.375
- Minimum	50.822	40.892
Average daily volume exchanged during period:	559,626	414,297
Euro volume exchanges during period (in Euro): (a)	33,456,621	20,688,600

(a) Average daily value (official daily trading price by daily volume) handled by Borsa Italiana during period.

### Net financial position of the Holdings System (APM)

The net financial position of the Holdings System determined applying the shortened consolidation criterion provides the best presentation 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. (Luxemburg); Ancom USA Inc. (USA); Exor SN LLC (USA); Exor Capital DAC (Ireland); Exor Investments Limited (United Kingdom); Exor Investment (UK) LLP (United Kingdom) 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 by the operating subsidiaries and associates (FCA, PartnerRe, CNH Industrial, Ferrari, The Economist Group, Juventus Football Club and Welltec) are included in the financial statements of the parent company EXOR using the equity method. The financial community is familiar with this information which facilitates analysis of the financial position and results of EXOR. The total financial assets and total financial liabilities set out in the table correspond to the total financial assets and total financial liabilities of the Holdings System. The net balance of these items represents the consolidated net financial position of the Holdings System.

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

€ million	31/12/2017	31/12/2016	31/12/2015
Financial assets and other financial receivables	82	88	112
Cash and cash equivalents	24	117	3,923
<b>Cash, cash equivalents and financial assets</b>	<b>106</b>	205	4,035
EXOR Bonds	(2,521)	(2,999)	(2,625)
Financial payables	(715)	(602)	(40)
Other financial payables	(34)	(28)	(33)
<b>Gross debt</b>	<b>(3,270)</b>	(3,629)	(2,698)
<b>Consolidated net financial position of Holding System</b>	<b>(3,164)</b>	(3,424)	1,337

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 follow:

€ million	31/12/2017	31/12/2016	31/12/2015
Cash and cash equivalents of the Holdings System	24	117	3,923
Cash and cash equivalents of the operating subsidiaries accounted for using the equity method in the Holdings System	20,004	25,044	26,664
<b>Cash and cash equivalents (1)</b>	<b>20,028</b>	25,161	30,587

(1) GAAP measure, see page 14.

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

€ million	31/12/2017	31/12/2016	31/12/2015
Gross debt of the Holdings System	(3,270)	(3,629)	(2,698)
Gross debt of the operating subsidiaries accounted for using the equity method in the Holdings System	(43,426)	(53,188)	(55,414)
<b>Gross debt (1)</b>	<b>(46,696)</b>	(56,817)	(58,112)

(1) Resulting from the sum of the GAAP measures.

## REVIEW OF THE CONSOLIDATED RESULTS OF THE EXOR GROUP - SHORTENED

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.; EXOR S.A.; Ancom USA Inc.; Exor SN LLC; Exor Capital DAC; Exor Investments Limited, Exor Investment (UK) LLP) are included in the consolidated 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 (FCA, PartnerRe, CNH Industrial, Ferrari, The Economist Group, Juventus Football Club and Welltec) are consolidated using the equity method.

EXOR holds its investments and manages its financial resources directly or through certain subsidiaries. These companies, together with the holding company, EXOR, constitute the so-called “Holdings System”.

EXOR believes that these data and information facilitate the analysis of the financial position and the results of EXOR; in addition the shortened consolidation method is recognized by the financial community, by financial counterparties and by the ratings agencies.

Nevertheless, such data does 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.

### Welltec

As a result of the acquisition of an additional interest in the share capital of Welltec during the year 2017 EXOR increased its investment in Welltec achieving 21.23% of the issued capital.

Accordingly and consistently with the provisions of IAS 28, EXOR accounted for Welltec using the equity method starting from 31 December 2017.

The stake previously held, recorded in investments available-for-sale and measured at fair value with recognition in equity, following the change in the measurement method was aligned to the purchase price agreed for the acquisition of the additional interest in Welltec; accordingly, the accumulated negative fair value reserve in equity was reclassified from equity to a specific item of the 2017 income statement.

The application of the equity method was carried out on the basis of the accounting data at 31 December 2017 and therefore did not have any effect on the income statement.

The following table shows the consolidation and valuation methods used for the investment holdings:

	% of consolidation	
	31/12/2017	31/12/2016
<b>Holding Company - EXOR N.V. (The Netherlands)</b>	<b>100</b>	100
<b>Companies in the Holdings System consolidated line-by-line</b>		
- Exor Nederland N.V. (The Netherlands)	<b>100</b>	100
- EXOR S.A. (Luxembourg)	<b>100</b>	100
- Ancom USA Inc. (USA)	<b>100</b>	100
- Exor SN LLC (USA)	<b>100</b>	100
- Exor Capital DAC (Ireland)	<b>100</b>	100
- Exor Investments Limited (United Kingdom)	<b>100</b>	100
- Exor Investments (UK) LLP	<b>99.67</b>	-
<b>Investments in operating subsidiaries and associates, accounted for using the equity method</b>		
- FCA	<b>29.18</b>	29.41
- PartnerRe	<b>100.00</b>	100.00
- CNH Industrial	<b>26.91</b>	27.29
- Ferrari	<b>23.52</b>	23.52
- The Economist Group	<b>43.40</b>	43.40
- Juventus Football Club S.p.A.	<b>63.77</b>	63.77
- Welltec (a)	<b>21.24</b>	-

(a) Measured in accordance with IAS 39 up to June 30, 2017.

EXOR Group closed the year 2017 with a consolidated profit of €1,392 million; the year 2016 ended with a consolidated profit of €588.6 million. The increase of €803.4 million is attributable to the improvement in the share of the profit of investments of €562.7 million, the increase in net financial income of €90.3 million (principally driven by the reduction of financial expenses and the gain on the redemption of The Black Ant Value Fund), the decrease of income taxes and other taxes duties (€198.9 million, relating to the Italian Exit tax) and of non-recurring expenses (€63.1 million), partially offset by the negative reversal of fair value reserve (€66.1 million), lower gains on disposal (€28.5 million), lower dividends from investments (€14.7 million) and other negative changes of €2.3 million.

At 31 December 2017 the consolidated equity attributable to owners of the parent amounts to €10,804.8 million with a net decrease of €177 million compared to €10,981.8 million at year-end 2016. Additional details are provided in Note 12.

The consolidated net financial position of the Holdings System at 31 December 2017 is a negative €3,163.7 million and reflects a positive change of €260.6 million compared to the negative position of €3,424.3 million at year-end 2016. Additional details are provided in Note 13.

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

## EXOR GROUP – Consolidated Income Statement – Shortened

€ million	Note	2017	2016	Change
Share of the profit (loss) of investments accounted for using the equity method	1	1,448.4	885.7	562.7
Dividends from investments	2	7.4	22.1	(14.7)
Gains (losses) on disposals and impairment (losses) reversals on investments	3	(66.1)	28.5	(94.6)
Net financial income (expenses)	4	14.2	(76.1)	90.3
Net general expenses	5	(27.9)	(25.6)	(2.3)
Non-recurring other (expenses) income and general expenses	6	(6.3)	(69.4)	63.1
Income taxes and other taxes and duties	7	22.3	(176.6)	198.9
<b>Profit (loss) attributable to owners of the parent</b>		<b>1,392.0</b>	<b>588.6</b>	<b>803.4</b>

## EXOR GROUP – Consolidated Statement of Financial Position – Shortened

€ million	Note	31/12/2017	31/12/2016	Change
Investments accounted for using the equity method	8	13,879.5	14,085.8	(206.3)
Investments measured at fair value	9	44.1	117.3	(73.2)
Other investments	10	3.7	365.8	(362.1)
Property, plant and equipment, intangible assets and other assets		15.4	18.3	(2.9)
Financial assets, financial receivables and cash and cash equivalents	13	105.7	204.5	(98.8)
Tax receivables and other receivables		6.6	57.1 (a)	(50.5)
Assets held for sale	11	28.2	0.0	28.2
<b>Total Assets</b>		<b>14,083.2</b>	<b>14,848.8</b>	<b>(765.6)</b>
Issued capital and reserves attributable to owners of the parent	12	10,804.8	10,981.8	(177.0)
Bonds	13	2,521.3	2,999.0	(477.7)
Bank debt	13	714.9	602.2	112.7
Provision for tax and other liabilities		9.0	238.2 (a)	(229.2)
Other financial liabilities	13	33.2	27.6	5.6
<b>Total Equity and Liabilities</b>		<b>14,083.2</b>	<b>14,848.8</b>	<b>(765.6)</b>

(a) In June 2017 EXOR paid €145.7 million related to the Italian Exit tax, net of tax receivables for €51.8 million and updated the related tax provision, recognizing in the income statement a credit of €21.3 million (Note 7).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - SHORTENED

### 1. 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 2017 amounts to €1,448.4 million, with an increase of €562.7 million compared to the prior year (€885.7 million). The positive change reflects in particular the strong performance of FCA, which realized an increase in its result of €1.688 million (EXOR share of profit up €485.9 million).

	Profit (Loss) (million)			EXOR's share (€ million)		
	2017	2016	Change	2017	2016	Change
FCA (a)	€ 3,491	€ 1,803	1,688.0	1,017.0	531.1	485.9
PartnerRe	\$ 189	\$ 186	3.0	167.4	167.7 (b)	(0.3)
CNH Industrial (a)	\$ 460	\$ (373) (c)	833.0	110.2	31.5 (c)	78.7
Ferrari	€ 535	€ 399	n.a.	125.9	93.8	32.1
The Economist Group (d)	£ 39	£ 145	n.a.	19.1	32.6	(13.5)
Juventus Football Club (e)	€ 14	€ 46	(32.0)	8.8	29.2	(20.4)
Almacantar Group	£ -	£ (0.6) (f)	0.6	-	(0.2) (f)	0.2
<b>Total</b>				<b>1,448.4</b>	<b>885.7</b>	<b>562.7</b>

(a) Includes consolidation adjustments.

(b) The profit refers to the period 18 March to 31 December 2016.

(c) The loss of CNH Industrial included the charge of approximately \$502 million (€450 million) in relation to an investigation conducted by the European Commission. EXOR had already recognized its share of the charge, for €122.8 million, in the financial statements at 31 December 2015, since these developments occurred before the approval of its financial statements. Therefore, in the first half 2016, EXOR's share of CNH Industrial's loss was adjusted by eliminating such charge recognized by the subsidiary. CNH Industrial's loss for 2016 also included a further charge of \$49 million as a result of closing the settlement with the European Commission (EXOR's share is approximately €12 million).

(d) The profit refers to the period 1 October - 30 September, including consolidation adjustments only related to the prior year result.

(e) The profit relates to the accounting data prepared for the Company's consolidation in EXOR and refers to the period 1 January - 31 December.

(f) The loss referred to the period 1 January 2016 - 31 March 2016, before the disposal to PartnerRe.

For comments on the performance of the principal operating subsidiaries and associates, please refer to the following sections.

### 2. Dividends from investments

€ million	2017	2016	Change
Dividends received from investments accounted for using the equity method:			
- PartnerRe	128.1	225.9	(97.8)
- CNH Industrial	40.4	47.7	(7.3)
- Ferrari	28.2	20.4	7.8
- The Economist Group	17.9	20.1	(2.2)
- Other	-	0.4	(0.4)
Dividends received from other investment holdings:			
- PartnerRe	-	16.1 (a)	(16.1)
- Other	7.4	6.0	1.4
<b>Dividends included in the net financial position</b>	<b>222.0</b>	<b>336.6</b>	<b>(114.6)</b>
less: Dividends received from investments accounted for using the equity method	(214.6)	(314.5)	99.9
<b>Dividends included in the income statement</b>	<b>7.4</b>	<b>22.1</b>	<b>(14.7)</b>

(a) Dividends received from PartnerRe on the 4,725,726 shares held before acquisition of control on 18 March 2016.

### 3. Gains (losses) on disposals and impairment (losses) reversals on investments

€ million	2017	2016	Change
Reversal of the fair value reserve on the available for sale assets:			
- Welltec	(47.3)	-	-47.3
- Banca Leonardo	(18.8)	-	-18.8
Disposals:			
- Banijay Holding	-	24.8	(24.8)
- Other	-	3.7	(3.7)
<b>Total</b>	<b>(66.1)</b>	<b>28.5</b>	<b>(94.6)</b>

### 4. Net financial income (expenses)

In 2017 net financial income amounted to €14.2 million (net financial expenses of €76.1 million in 2016).

€ million	2017	2016	Change
Interest income on:			
- bank current accounts and deposits	0.4	3.6	(3.2)
- bonds	4.5	4.8	(0.3)
Income (expenses) and fair value adjustments to financial assets held for trading	(0.1)	(1.3)	1.2
Other financial income	0.0	0.1	(0.1)
Interest income and other financial income, net	4.8	7.2	(2.4)
Interest expenses and other financial expenses:			
- Interest expenses and other expenses on EXOR bonds	(87.6) <sup>(a)</sup>	(98.3) <sup>(a)</sup>	10.7
- Interest expenses and other expenses on bank borrowings	(11.7)	(22.7) <sup>(b)</sup>	11.0
Interest expenses and other financial expenses	(99.3)	(121.0)	21.7
Exchange (losses) gains, net	(0.5)	8.3	(8.8)
<b>Financial (expenses) income generated by the financial position</b>	<b>(95.0)</b>	<b>(105.5)</b>	<b>10.5</b>
Income (expenses) on other investments and other net financial income <sup>(c)</sup>	109.2 <sup>(d)</sup>	29.4 <sup>(d)</sup>	79.8
<b>Financial income (expenses) recorded in the income statement</b>	<b>14.2</b>	<b>(76.1)</b>	<b>90.3</b>

(a) 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, which is a positive €0.6 million (negative €0.8 million in 2016).

(b) Included expenses relating to the secured credit line for €14.4 million, principally for the acquisition of PartnerRe (€13.2 million).

(c) Included in investments measured at fair value and other investments.

(d) In 2017 income refers to the net gain realized on the total redemption of The Black Ant Value Fund (€5.8 million in 2016). In 2016 it also included the income of € 22.9 million arising from the fair value revaluation of the previously held 9.9% interest in PartnerRe following the change in the method of valuation.

### 5. Net general expenses

Net general expenses in 2017 amount to €27.9 million with an increase of €2.3 million compared to the prior year (€25.6 million). The balance includes the cost of EXOR's stock option plans of approximately €6.4 million (€5.2 million in 2016).

Details of the main items of net general expenses are as follows:

€ million	2017	2016	Change
Personnel costs	(7.4)	(7.0)	(0.4)
Compensation and other costs relating to directors	(2.9)	(3.8)	0.9
Service costs net	(11.2)	(9.6)	(1.6)
<b>Net general expenses generated by financial position</b>	<b>(21.5)</b>	<b>(20.4)</b>	<b>(1.1)</b>
Share based compensation plan costs	(6.4)	(5.2)	(1.2)
<b>Net general expenses recorded in the income statement</b>	<b>(27.9)</b>	<b>(25.6)</b>	<b>(2.3)</b>

## 6. Non-recurring other income (expenses) and general expenses

In 2017 non-recurring other expenses amount to €6.3 million and mainly referred to contributions to cultural and charitable associations (€4.1 million) and to consulting fees for analysis of potential new investments (€1.7 million).

In 2016 non-recurring other income and expenses and general expenses amounted to €69.4 million and were mainly related to the acquisition of PartnerRe and to the cross-border merger of Exor S.p.A. with into EXOR N.V. respectively for €34.5 million and €26.6 million.

## 7. Income taxes and other taxes and duties

The positive amount of €22.3 million relates for €21.3 million to the updating of the estimate of the Italian Exit tax settled on June 2017.

## 8. Investments accounted for using the equity method

€ million	31/12/2017	31/12/2016	Change
FCA	6,071.3	5,638.8	432.5
PartnerRe	5,639.4	6,357.1	(717.7)
CNH Industrial	1,492.9	1,630.5	(137.6)
Ferrari	206.1	99.4	106.7
The Economist Group	294.4	280.1	14.3
Juventus Football Club	87.4	79.9	7.5
Welltec (a)	88.0	-	88.0
<b>Total</b>	<b>13,879.5</b>	<b>14,085.8</b>	<b>(206.3)</b>

(a) The interest previously held was classified in investment measured at fair value.

The positive change in EXOR's investment in FCA is mainly attributable to EXOR's share of the profit for the period (€1,017 million), partially offset by the negative translation exchange differences (€594.2 million).

The negative change in EXOR's investment in PartnerRe is mainly due to the negative translation exchange differences (€785.5 million) and the payment of dividends (€128.1 million), partially offset by EXOR's share of the profit for the period (€167.3 million) and the increase of the fair value reserve (€28.7 million).

The negative change in EXOR's investment in CNH Industrial can be ascribed primarily to the negative translation exchange differences (€247 million) and the payment of dividends (€38.3 million), partially offset by the EXOR's share of the result of €110.2 million.

The positive change in EXOR's investment in Ferrari is due to primarily to the EXOR's positive share of the result of €125.9 million and the increase of the cash flow hedge reserve of €12.8 million, partially offset by the payment of dividends (€28.2 million).

The positive change in EXOR's investment in The Economist Group is mainly due to EXOR's share of the profit for the period (€19.1 million), the increase in other comprehensive income (€21.5 million), partially offset by the payment of the dividends (€18.2 million).

During the year 2017 EXOR purchased an additional interest in the share capital of Welltec increasing its investment in Welltec to 21.23% of the issued capital. Accordingly and consistently with the provisions of IAS 28, EXOR accounted Welltec for using the equity method starting from 31 December 2017.

The stake previously held, recorded in investments available-for-sale and measured at fair value with recognition in equity, following the change in the measurement method was aligned to the purchase price agreed for the acquisition of the additional interest in Welltec; the accumulated negative fair value reserve of €47.3 million was subsequently reclassified to a specific item of the income statement.

The application of the equity method was carried out on the basis of the accounting data at 31 December 2017 and therefore did not have any effect on the income statement.

#### 9. Investments measured at fair value

The investments available-for-sale amount to €44.1 million (€117.3 million at 31 December 2016) and include principally investments in GEDI and Noco A. The negative change (€73.2 million) is mainly due to the reclassification of Welltec to “Investments accounted for using the equity method” as well as of Banca Leonardo to “Assets for sale” previously aligned with the estimated proceeds of sale.

#### 10. Other investments

Other investments which include some funds available-for-sale measured at fair value amount to €3.7 million (€365.8 million at 31 December 2016). The decrease is mainly attributable to the redemption of the entire investment in The Black Ant Value Fund; €17.8 million was refunded on January 2017 and the residual amount of €335.7 million on June 2017. The redemption resulted in a net total gain of €109.1 million arising from the reversal of the available for sale reserve.

#### 11. Assets held for sale

This line item includes the investment in Banca Leonardo, reclassified in Assets held for sale following the signed agreement on 7 November 2017 together with the other major shareholders of Banca Leonardo - a leading independent wealth manager in Italy – under which it will be acquired by Indosuez Wealth Management - the global wealth management brand of Crédit Agricole Group – resulting in the divestment of EXOR's entire 16.51% shareholding.

The investment was recognized at the estimated sale proceeds (€28.2 million). The transaction will be completed in the first half of 2018, subject to the approval of the competent authorities.

#### 12. Issued capital and reserves attributable to owners of the parent

€ million	31/12/2017	31/12/2016	Change
Share capital	2.4	2.4	0.0
Reserves	10,802.5	10,979.5	(177.0)
Treasury stock	(0.1)	(0.1)	0.0
<b>Total</b>	<b>10,804.8</b>	10,981.8	(177.0)

Details of changes during the year are as follows:

€ million	
<b>Balance at December 31, 2016</b>	<b>10,981.8</b>
Fair value adjustments to investments and other financial assets	
- The Black Ant Value Fund	(1.7)
- Banca Leonardo	(5.8)
- GEDI	9.1
- Other financial assets	(0.2)
Reversals of the fair value reserve to the income statement	
- The Black Ant Value Fund	(109.1)
- Welltec	47.3
- Banca Leonardo	18.8
- Other financial asset	
Measurement of EXOR derivative financial instruments	0.8
Dividend paid by EXOR	(82.1)
Attributable other net changes recorded in equity, shown by EXOR, its subsidiaries and the investments consolidated and accounted for using the equity method:	
- Exchange differences on translation	(1,612.0)
- Share based payments	58.0
- Cash flow hedge	53.7
- Other	54.2
Consolidated profit attributable to owners of the parent	1,392.0
<b>Net change during the year</b>	<b>(177.0)</b>
<b>Balance at 31 December 2017</b>	<b>10,804.8</b>

### 13. Net financial position of the Holdings System

The net financial position of the Holdings System at 31 December 2017 is a negative €3,163.7 million and shows a positive change of €260.6 million compared to the balance at year-end 2016 (negative €3,424.3 million).

€ million	31/12/2017	31/12/2016	Change
Financial assets	56.6	87.9	(31.3)
Financial receivables from related parties	25.7	0.1	25.6
Cash and cash equivalents	23.4	116.5	(93.1)
<b>Cash, cash equivalents and financial assets</b>	<b>105.7</b>	<b>204.5</b>	<b>(98.8)</b>
EXOR bonds	(2,521.3)	(2,999.0)	477.7
Financial payables	(714.9)	(602.2)	(112.7)
Other financial liabilities	(33.2)	(27.6)	(5.6)
<b>Gross debt</b>	<b>(3,269.4)</b>	<b>(3,628.8)</b>	<b>359.4</b>
<b>Net financial position of the Holdings System</b>	<b>(3,163.7)</b>	<b>(3,424.3)</b>	<b>260.6</b>

Financial assets include bonds issued by leading issuers, listed on active and open markets, and mutual funds. Such financial assets:

- if held for trading are measured at fair value on the basis of the trading price at year end or using the value determined by an independent third party in the case of mutual funds, translated, where appropriate, at year-end exchange rates, with recognition of the fair value in the income statement;
- if held to maturity as an investment for a part of the Group's available cash such that it can receive a constant attractive flow of financial income are measured at amortized cost. Such designation was made in accordance with IAS 39, paragraph 9.

These financial instruments are free of whatsoever restriction and, therefore, can be monetized whenever the Group should so decide. There are no trading restrictions and their degree of liquidity or the degree to which they can be converted into cash is considered high.

Cash and cash equivalents include demand deposits or short-term deposits, and readily negotiable money market instruments and bonds. 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.

At 31 December 2017 bonds issued by EXOR can be analyzed as follows:

Issue date	Maturity date	Issue price	Coupon	Rate (%)	Currency	Nominal amount (million)	Balance at	
							31/12/2017	31/12/2016
							(€ million)	
12-Jun-07	12-Jun-17	99.554	Annual	fixed 5.375	€	440.0	0.0	(453.0)
16-Oct-12	16-Oct-19	98.136	Annual	fixed 4.750	€	150.0	(150.7)	(150.2)
12-Nov-13	12-Nov-20	99.053	Annual	fixed 3.375	€	200.0	(200.0)	(199.7)
3-Dec-15	2-Dec-22	99.499	Annual	fixed 2.125	€	750.0	(746.5)	(745.6)
8-Oct-14	8-Oct-24	100.090	Annual	fixed 2.500	€	650.0	(652.5)	(652.4)
7-Dec-12	31-Jan-25	97.844	Annual	fixed 5.250	€	100.0	(103.3)	(103.1)
22-Dec-15	22-Dec-25	100.779 (a)	Annual	fixed 2.875	€	450.0 (a)	(451.9)	(452.1)
20-May-16	20-May-26	99.650	Annual	fixed 4.398	\$	170.0	(141.8)	(161.4)
9-May-11	9-May-31	100.000	Semiannual	fixed 2.800 (b)	¥	10,000.0	(74.6)	(81.5)
							(2,521.3)	(2,999.0)
Current portion							(14.1)	(467.4)
Non-current portion							(2,507.2)	(2,531.6)

(a) Originally €250 million; the amount was increased by another €200 million in 10 May 2016. The issue price corresponds to the weighted average of the prices calculated on the entire amount of €450 million.

(b) 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.

Financial payables of €714.9 million include the financing drawn down on the remaining credit line secured under the 11 May 2015 Financing Agreement between by EXOR, EXOR Nederland, Citigroup Global Markets Limited and Morgan Stanley Bank for the acquisition of PartnerRe, for a total of \$300 million (€ 250.1 million). There are also included short-term loans secured by EXOR from leading credit institutions for €464 million.

Other financial liabilities (€33.2 million) consist of the measurement of cash flow hedge derivative instruments.

The net change in 2017 is a positive €260.6 million.

€ million		2017	2016	Change
<b>Net financial position of the Holdings System - Initial amount</b>				
Dividends received from investment holdings	1	222.0	336.6	(114.6)
Reimbursement of reserves		8.1	8.4	(0.3)
Sales/Redemptions	2	356.9	794.8	(437.9)
Investments	3	(44.5)	(5,519.4)	5,474.9
Financial income on Fiat Chrysler Automobiles N.V. mandatory convertible securities maturing 15 December 2016			63.2	(63.2)
Dividends paid by EXOR		(82.1)	(82.0)	(0.1)
Other changes	4	(199.8)	(362.7)	162.9
<b>Net change during the year</b>		<b>260.6</b>	<b>(4,761.1)</b>	<b>5,021.7</b>
<b>Net financial position of the Holdings System - Final amount</b>				
		<b>(3,163.7)</b>	<b>(3,424.3)</b>	<b>260.6</b>

€ million	1/1-31/12/2017	1/1-31/12/2016
<b>1. Dividends received from investment holdings</b>	<b>222.0</b>	<b>336.6</b>
PartnerRe	128.1	242.0 (a)
CNH Industrial	40.4	47.7
Ferrari	28.2	20.4
The Economist Group	17.9	20.1
Other	7.4	6.4
<b>2. Sales/Redemptions</b>	<b>356.9</b>	<b>794.8</b>
The Black Ant Value Fund	353.5	18.7
Investment Funds	3.4	174.2
Almacantar Group	-	474.7
Banijay Holding	-	60.1
Arenella Immobiliare	-	22.0
RCS MediaGroup	-	18.1
Other Assets	-	27.0 (b)
<b>3. Investments</b>	<b>(44.5)</b>	<b>(5,519.4)</b>
Welltec	(32.5)	(103.3)
GEDI	(6.8)	-
PartnerRe	-	(5,415.5) (c)
Other	(5.2)	(0.6)
<b>4. Other changes</b>	<b>(199.8)</b>	<b>(362.7)</b>
Net general expenses	(21.5)	(20.4)
Non recurring other general expenses	(6.3)	(69.4)
Net financial expenses	(95.0)	(105.4)
Exit tax payment	(145.7)	-
Translation exchange differences	48.5	(156.7)
Other net changes	20.2	(10.8)

(a) Of which €16.1 million received on 4,725,726 PartnerRe shares held before the acquisition of control on 18 March 2016.

(b) Included sale of Rothschild shares for €20.1 million and other non-current assets for €6.9 million.

(c) Of which \$6,065 million (€5,377.7 million) paid to common shareholders and \$43 million (€37.7 million) to preferred shareholders of PartnerRe.

#### Credit Lines and rating

At 31 December 2017 EXOR has irrevocable credit lines in Euro of €350 million due after 31 December 2018, as well as revocable credit lines of €571.8 million.

At the same date EXOR also has credit lines in foreign currency for a total of \$390 million (€325.2 million) of which \$90 million (€75 million) due after 31 December 2018.

On 28 April 2017 Standard & Poor's affirmed the rating for EXOR's long-term and short-term debt at "BBB+" and "A-2" and improved the outlook to "stable" from "negative".

***REVIEW OF PERFORMANCE  
OF THE OPERATING SUBSIDIARIES AND ASSOCIATES***

(The percentages indicated for the stakes, voting rights and share capital  
are calculated on the basis of data as at 31 December 2017)

(29.18% stake, 42.34% of voting rights on issued capital)

The key consolidated data of FCA for 2017 are presented below.

€ million	Year		Change
	2017	2016	
Net revenues	<b>110,934</b>	<b>111,018</b>	(84)
Adjusted EBIT <sup>(1)</sup>	<b>7,054</b>	<b>6,056</b>	998
Net profit/(loss)	<b>3,510</b>	<b>1,814</b>	1,696
Net industrial debt	<b>2,930</b> <sup>(2)</sup>	<b>4,585</b> <sup>(2)</sup>	(1,655)

- (1) Adjusted EBIT is a non-GAAP financial measure used to measure performance. Adjusted EBIT excludes certain adjustments from Net profit 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 expenses/(benefit).
- (2) At December 31, 2017 and 2016. Net industrial debt is computed as: Debt plus derivative financial liabilities related to industrial activities less (i) cash and cash equivalents, (ii) current available-for-sale and held-for-trading securities, (iii) current financial receivables from Group or jointly controlled financial services entities and (iv) derivative financial assets and collateral deposits; therefore, debt, cash and other financial assets/liabilities pertaining to financial services entities are excluded from the computation of Net industrial debt.

## Net revenues

€ million	Year		Change		
	2017	2016	amount	% actual	% CER <sup>(1)</sup>
NAFTA	<b>66,094</b>	<b>69,094</b>	(3,000)	-4	-3
LATAM	<b>8,004</b>	<b>6,197</b>	1,807	29	24
APAC	<b>3,250</b>	<b>3,662</b>	(412)	-11	
EMEA	<b>22,700</b>	<b>21,860</b>	840	4	4
Maserati	<b>4,058</b>	<b>3,479</b>	579	17	19
Components (Magneti Marelli, Teksid, Comau)	<b>10,115</b>	<b>9,659</b>	456	5	5
Other activities, unallocated items and adjustments	<b>(3,287)</b>	<b>(2,933)</b>	(354)		
<b>Net revenues</b>	<b>110,934</b>	<b>111,018</b>	<b>(84)</b>		

(1) Constant exchange rates.

The decrease in NAFTA is mainly due to lower shipments and negative foreign exchange translation effect, partially offset by favorable vehicle and channel mix.

The increase in LATAM is due to higher shipments, favorable vehicle mix, higher net pricing, as well as positive foreign exchange translation.

The decrease in APAC is primarily due to lower consolidated shipments and negative foreign exchange effects.

The increase in EMEA is mainly attributable to higher volumes and positive vehicle mix, partially offset by negative net pricing.

The increase in Maserati is primarily due to higher volumes, partially offset by negative foreign exchange effects.

The increase in Components primarily reflects higher volumes across all three businesses.

## Adjusted EBIT

The analysis of Adjusted EBIT by segment is as follows:

€ million	Year		Change
	2017	2016	
NAFTA	5,227	5,133	94
LATAM	151	5	146
APAC	172	105	67
EMEA	735	540	195
Maserati	560	339	221
Components (Magneti Marelli, Teksid, Comau)	536	445	91
Other activities, unallocated items and adjustments	(327)	(511)	184
<b>Adjusted EBIT</b>	<b>7,054</b>	<b>6,056</b>	<b>998</b>

The increase in NAFTA is primarily due to favorable mix, purchasing efficiencies, lower warranty and advertising costs, partially offset by lower volumes, higher product costs for content enhancements, higher industrial costs due to capacity realignment plan and negative foreign exchange effects.

The increase in LATAM is mainly a result of higher net revenues and lower Brazil indirect taxes, partially offset by increased product costs primarily due to input cost inflation and depreciation and amortization related to new vehicles. In the fourth quarter of 2017 the Group deconsolidated the Venezuelan operations and the impact has been excluded from Adjusted EBIT.

The increase in APAC is primarily due to insurance recoveries related to the Tianjin (China) port explosions and favorable mix, partially offset by launch costs for Alfa Romeo and negative foreign exchange transaction effects. Tianjin insurance recoveries are included in Adjusted EBIT to the extent they relate to losses that were recognized in Adjusted EBIT.

The increase in EMEA is primarily due to higher volumes, positive vehicle mix, manufacturing and purchasing efficiencies, partially offset by negative net pricing, including GBP weakness, and higher depreciation and amortization costs related to new vehicles.

The increase of Maserati Adjusted EBIT is primarily due to the higher volumes and industrial cost efficiencies, partially offset by negative foreign exchange effects.

The increase in Components Adjusted EBIT is mainly due to higher volumes and industrial efficiencies resulting from World Class Manufacturing initiatives at Magneti Marelli, partially offset by unfavorable mix and net pricing. Strong Adjusted EBIT and margin growth for Magneti Marelli, led by increases in lighting and chassis business lines

## Net profit (loss)

Net profit in 2017 is €3,510 million, up €1,696 million compared to 2016 (€1,814 million) mainly due to the improved operating performance in 2017, lower financial expenses, as well as the €895 million gain for reversal of a Brazilian indirect tax liability, which were partially offset by higher income taxes for the year.

## Net industrial debt

Net industrial debt decreased €2.2 billion from December 31, 2016 to €2.3 billion at December 31, 2017 primarily due to operating cash flow from industrial activities of €1.6 billion, net of capital expenditures of €8.7 billion.

€ million	31/12/2017	31/12/2016	Change
<b>Gross Debt</b>	<b>(17,971)</b>	(24,048)	6,077
Current financial receivables from jointly-controlled financial services companies	285	80	205
Current securities	176	241	(65)
Cash and cash equivalents	12,638	17,318	(4,680)
Other financial assets /(liabilities), net	206	(150)	356
Debt classified as held for sale		(9)	9
<b>Net debt</b>	<b>(4,666)</b>	(6,568)	1,902
<b>Industrial activities</b>	<b>(2,390)</b>	(4,585)	2,195
<b>Financial services</b>	<b>(2,276)</b>	(1,983)	(293)

### Significant events in the second-half of 2017 and subsequent events

On October 28, 2017 the sale by intermediaries of ordinary shares in GEDI Gruppo Editoriale S.p.A. ("GEDI") on behalf of FCA shareholders that were unable to take delivery of the shares to which they were otherwise entitled in the distribution was completed.

FCA shareholders that were ineligible to receive GEDI ordinary shares to which they were otherwise entitled or that did not make timely arrangements to have such shares credited to the account of a Monte Titoli participant were to have such shares aggregated and sold on the open market. The net proceeds after completing all such sales are to be paid pro rata in cash to the FCA shareholders otherwise entitled thereto after conversion of any amount received in any other currency to US dollars.

Following the completion of these sales, FCA anticipates that these shareholders will receive, in lieu of the distribution of GEDI ordinary shares, a cash payment of USD 0.041340 equivalent to € 0.035653 per FCA common share.

This payment, less any applicable withholding tax, is expected to be credited to the applicable DTC participant's account on November 1, 2017. Individual shareholders' accounts will be credited thereafter depending on a shareholder's individual custodial or brokerage arrangements.

In January 2018, as a result of the distribution of the Company's entire interest in GEDI to holders of FCA common shares on July 2, 2017, the Compensation Committee of FCA approved a conversion factor of 1.003733 that was applied to outstanding awards under the LTI Plan to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

On January 11, 2018, a special bonus payment was announced of \$2,000 (approximately €1,670) to approximately 60,000 FCA hourly and salaried employees in the United States, excluding senior leadership, during the second quarter of 2018 for an estimated total cost including applicable social taxes, of approximately \$130 million (€109 million).

On February 5, 2018 S&P Global Ratings has raised its long term corporate credit rating on FCA N.V. from "BB" to "BB+", while maintaining the Positive Outlook. The short-term credit rating is confirmed at "B".

On February 28, 2018 FCA announced that the Company is continuing its review of the potential separation of FCA's subsidiary Magneti Marelli S.p.A. ("Magneti Marelli"). The Board of Directors of the Company plans to review in detail options relating to this transaction in the second quarter of 2018, concurrent with the Board's review of the Group's 2018-2022 business plan. In the meantime management will continue its evaluation of potential transaction structures to maximize value to FCA stockholders.

There is no assurance that the review of the potential separation of Magneti Marelli will result in a final determination to enter into any such transaction or that such transaction, if commenced, will be completed.

On March 6, 2018 Moody's Investors Service raised from "Ba3" to "Ba2" the Corporate Family Rating of FCA N.V., and from "B1" to "Ba3" the rating on the bonds issued or guaranteed by FCA N.V. The outlook is stable.

#### Target 2017

Guidance for 2018, listed below, confirm the Business Plan key targets:

- Net revenues ~€125 billion;
- Adjusted EBIT  $\geq$  €8.7 billion;
- Adjusted net profit ~€5.0 billion;
- Net industrial cash ~€4.0 billion.

# PartnerRe



(100.0% of common share capital through EXOR Nederland N.V.)

The data presented and commented below are derived from PartnerRe's consolidated financial information for the year ended December 31, 2017 and December 31, 2016 prepared in accordance with US GAAP.

\$ million	Year		Change
	2017	2016	Amount
Net premiums written	5,120	4,954	166
Non-life combined ratio (a)	99.3%	93.6%	n/a
Life and Health allocated underwriting result (b)	(52)	61	(113)
Net investment return	4.2%	2.4%	n/a
Other expenses	348	472	(124)
Net income attributable to PartnerRe common shareholders (c)	218	387	(169)
Adjusted Net income attributable to PartnerRe common shareholders (d)	250	517	(267)
Net Income ROE (e)	3.6%	6.4%	n/a
Adjusted Net income ROE (d)	4.2%	8.6%	n/a

- (a) The Company 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) The Company 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) Adjusted figures presented in the table above exclude non-recurring costs, net of tax, and loss on redemption of debt of \$27 million for 2017 and \$125million for 2016. The non-recurring costs for 2017 and 2016 included reorganization related costs and transaction costs. The non-recurring costs for 2016 also include acceleration of stock-based compensation expense on acquisition by Exor. In addition, adjusted net income ROE for 2017 excludes \$5 million of income tax expense related to a recent U.S. tax law change
- (e) Net income ROE is calculated as net income return on average common shareholders' equity.

Net premiums written of \$5.1 billion were up 3% in 2017 compared to \$5.0 billion in 2016 primarily due to an increase in Life and Health premium written, primarily driven by the inclusion of the Aurigen life premiums and growth in Health business. This was partially offset by a decrease in Non-Life premium written, primarily driven by cancellations in the P&C segment.

The Non-life combined ratio of 99.3% for 2017 was driven primarily by losses related to hurricanes Harvey, Irma and Maria (HIM) and California wildfires of \$569 million, net of retrocession and reinstatement premiums, or 15.4 points on the combined ratio. The Non-life combined ratio for 2016 was 93.6% and included losses from Canadian wildfires, hurricane Matthew and an energy loss of \$156 million, net of retrocession and reinstatement premiums, or 4.0 points on the combined ratio. The Non-life combined ratio continued to benefit from net favorable prior year development for 2017 of \$448 million (12.2 points) compared to \$677 million (17.6 points) for 2016, with both the P&C and Specialty segments experiencing net favorable development.

The Life and Health allocated underwriting result was a loss of \$52 million in 2017, driven by a loss of \$119 million in the health line of business, partially offset by a gain of \$67 million from the Life business. The loss in the Health business resulted from an increase in frequency of large claims activity in underwriting years 2015 to 2017 primarily in Affordable Care Act related programs. This compares to a gain of \$61 million in 2016, with the Life business contributing \$49 million and the Health business contributing \$12 million.

Net investment return for 2017 was \$720 million, or 4.2%, and included net realized and unrealized investment gains of \$232 million, net investment income of \$402 million and interest in earnings of equity method investments of \$86 million. This compares to \$414 million, or 2.4%, for 2016, which included net realized and unrealized investment gains of \$26 million, net investment income of \$411 million and interest in losses of equity method investments of \$23 million.

Other expenses of \$348 million in 2017 were down \$124 million, or 26.2%, compared to \$472 million in 2016 primarily due to the efficiency actions undertaken following the closing of the Exor acquisition and lower severance and transaction costs, partially offset by the inclusion of Aurigen expenses.

Interest expense of \$42 million and preferred dividends of \$46 million in 2017 were down compared to \$49 million and \$55 million, respectively, in 2016. These decreases were due to the optimization of the Company's capital

structure through the issuance of a 750 million Euro-denominated bond in September 2016 and the redemption of certain high coupon senior notes and preferred shares during the fourth quarter of 2016.

Income tax expense was \$10 million on pre-tax earnings of \$274 million in 2017 compared to \$26 million on pre-tax earnings of \$473 million in 2016. The 2017 amounts were primarily driven by the geographical distribution of pre-tax profits and losses with profits recorded in taxable jurisdictions with low or nil tax rates and losses recorded in tax jurisdictions with higher income tax rates. The recent enactment of the Tax Cuts and Jobs Act in the U.S. resulted in a charge of \$5 million in the fourth quarter of 2017.

Some details related to the balance sheet are as follows:

\$ million	12/31/2017	12/31/2016	Change
Debt	1,448	1,337	111
Preferred shares, aggregate liquidation value	704	704	0
Common shareholders' equity	6,041	5,984	57
<b>Total capital</b>	<b>8,193</b>	<b>8,025</b>	<b>168</b>

Total capital of \$8.2 billion at December 31, 2017 increased by 2.1% compared to December 31, 2016, primarily due to net income for the year, and included foreign exchange movements on the Euro denominated debt.

Debt increased by \$111 million, or 8%, primarily due to the foreign exchange impact of remeasuring the Company's Euro denominated debt into U.S. dollars at the balance sheet date.

Common shareholder's equity (or book value) was \$6.0 billion at December 31, 2017, up 1.0% compared to December 31, 2016, primarily due to net income for 2017, partially offset by dividends on common shares held by EXOR.

Total investments, funds held—directly managed and cash and cash equivalents were \$17.0 billion at December 31, 2017, up 0.7% compared to December 31, 2016.

Cash and cash equivalents and fixed maturities, which are government issued or investment grade fixed income securities, were \$14.1 billion at December 31, 2017, representing 85% of the cash and cash equivalents and total investments.

The average credit rating and expected average duration of the fixed income portfolio at December 31, 2017 was A and 4.7 years, respectively, while the average duration of the Company's liabilities was 4.8 years.

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

The difference between the US GAAP net income (\$218 million) and the IFRS net income (\$189 million) only reflects the economic effects of the application of the acquisition method by EXOR to account for the acquisition.

#### **Significant events in 2017 and subsequent events**

On April 3, 2017, PartnerRe completed the acquisition of 100% of the outstanding ordinary shares of Aurigen Capital Limited, a North American life reinsurance company. The consideration paid was CAD \$370 million or US\$278 million and the fair value of net assets acquired was \$277 million, including intangible assets of \$78 million. The results of Aurigen Capital Limited were included in the results of PartnerRe from the acquisition date of April 3, 2017.

During 2017, the Company declared and paid to EXOR Nederland N.V. common share dividends of approximately \$145 million.

#### **Outlook**

Excluding the impacts of any significant catastrophe and other large losses and/or increases in interest rates or credit spreads, PartnerRe expects to continue to generate positive underwriting and investing returns.

PartnerRe, and its peers within the reinsurance industry, do not provide earnings guidance given its reinsurance results are largely exposed to low frequency and high severity risk events. Some of these risk events are seasonal, such that results for certain periods may include unusually low loss experience, while results for other periods may include modest or significant catastrophe losses. In addition, PartnerRe's investment results are exposed to changes in interest rates, credit spreads, and capital markets in general, which result from fluctuations in general economic and financial market conditions. As a result, PartnerRe's profitability in any one period or year is not necessarily predictive or indicative of future profitability or performance.



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

Key consolidated data of CNH Industrial for the year 2017 are as follows:

\$ million	Year		Change
	2017	2016	
Revenues	<b>27,947</b>	25,328	2,619
Trading profit <sup>(1)</sup>	<b>1,437</b>	1,248	189
Net income (loss)	<b>477</b>	(371)	848
Net Industrial Debt <sup>(2)</sup>	<b>(976)</b>	(1,822)	846

(1) Trading profit is a non-GAAP financial measure used to measure performance. Trading profit is defined as net revenues less cost of sales, selling, general and administrative costs, research and development costs and other operating income and expenses.

(2) Net Industrial debt is defined as net debt excluding the funded portion of the sell-liquidating financial receivables portfolio.

## Revenues

Revenues for the year 2017 of the CNH industrial Group were \$27,947 million, an increase of 10.3% (up 8.4% on a constant currency basis) compared to 2016. This increase is primarily due to an improvement in net revenues of Industrial Activities which were \$26.423 million in 2017, a 10.7% increase (up 8.8% on a constant currency basis) compared to 2016.

Net revenues for Agricultural Equipment were \$11,130 million in 2017, an increase of 10% (up 8.0% on a constant currency basis) compared to 2016. In LATAM the increase was mainly due to higher industry volume, market share gains, a favorable mix of higher horsepower products and net price realization. Net revenues increased in APAC mainly driven by favorable volume in Australia, Russia, India, China and South East Asia. In EMEA, net revenues increased due to higher industry volume, a favorable product mix and net price realization. In NAFTA, net revenues decreased as a result of de-stocking actions in our dealer network, primarily in the high horsepower tractors and the hay and forage product lines. NAFTA industry volumes were flat overall, with the row crop sector higher, offset by lower livestock sector volumes.

Net revenues of Construction Equipment were \$2,626 million, an increase of 14% (up 12.8% on a constant currency basis), due to higher industry volume in all regions except EMEA, and net price realization, primarily in NAFTA and LATAM.

Commercial Vehicles' net revenues were \$10,668 million, an increase of 9.4% (up 7.4% on a constant currency basis) as a result of higher truck and bus sales in EMEA, higher volume and better product mix in APAC, and recovering truck sales in LATAM, mainly Argentina.

Powertrain net revenues were \$4,374 million in 2017, an increase of 17.8% (up 15.7% on a constant currency basis), the increase was primarily attributable to higher volumes. Sales to external customers accounted for 48% of total net revenues (47% in 2016).

Financial Services revenues totaled \$2,035 million and reported an increase of 5.8% (up 3.9% on a constant currency basis) due to higher activity in all regions except NAFTA and increased sales of equipment formerly on operating leases.

\$ million	Year		Change	
	2017	2016	amount	%
Agricultural Equipment	<b>11,130</b>	10,120	1,010	10.0
Construction Equipment	<b>2,626</b>	2,304	322	14.0
Commercial Vehicles	<b>10,668</b>	9,748	920	9.4
Powertrain	<b>4,374</b>	3,713	661	17.8
Eliminations and other	<b>(2,375)</b>	(2,015)	(360)	17.9
<b>Total Industrial Activities</b>	<b>26,423</b>	23,870	2,553	10.7
Financial Services	<b>2,035</b>	1,924	111	5.8
Eliminations and other	<b>(511)</b>	(466)	(45)	9.7
<b>Revenues</b>	<b>27,947</b>	25,328	2,619	10.3

### Trading profit

Trading profit for the year 2017 was \$1,437 million with an increase of \$137 million compared to \$1,248 million in 2016.

Trading profit of Industrial Activities was \$967 in 2017, an increase of \$191 million compared to 2016, with a trading margin for the year of 3.7%, up 0.4% from the prior year.

Trading profit of Agricultural Equipment's was \$621 million, a 18.7% increase compared to \$523 million in 2016, mainly due to the favorable volume and product mix in all regions except NAFTA. Trading margin increased 0.4% to 5.6%

Trading profit of Commercial Vehicles was \$134 million compared to \$214 million in 2016, with a trading margin of 1.3% (down 0.9% compared to 2016). Trading profit increased in LATAM and APAC, mainly due to higher volume and favorable pricing.

Construction Equipment reported a trading loss of \$50 million in 2017 compared to \$86 million trading loss in 2016. The improvement was due to higher volume, with a positive overhead absorption and net price realization, partially offset by increases in raw material cost, unfavorable foreign exchange impacts on product components, and increased production costs driven by the increased volume.

Trading profit of Powertrain was \$355 million compared to \$219 million in 2016, with a trading margin of 8.1% (5.9% in 2016). The improvement was due to higher volumes and manufacturing efficiencies.

In the fourth quarter of 2017 the Group deconsolidated the Venezuelan operations and the impact has been excluded from Trading profit.

\$ million	Year		Change	%
	2017	2016	amount	
Agricultural Equipment	621	523	98	18.7
Construction Equipment	(50)	(86)	36	-41.9
Commercial Vehicles	134	214	(80)	-37.4
Powertrain	355	219	136	62.1
Eliminations and other	(93)	(94)	1	-1.1
<b>Total Industrial Activities</b>	<b>967</b>	<b>776</b>	<b>191</b>	<b>24.6</b>
Financial Services	470	472	(2)	-0.4
Eliminations and other	-	-	-	-
<b>Trading profit</b>	<b>1,437</b>	<b>1,248</b>	<b>189</b>	<b>15.1</b>

### Net industrial debt

Net industrial debt at 31 December, 2017 was \$976 million compared to \$1,822 million at 31 December 2016. The decrease in net debt was primarily due to a significant cash generation from operating activities of \$1.4 million, partially offset by negative foreign exchange translation impacts on euro denominated debt and dividend payments.

\$ million	31/12/2017	31/12/2016	Change
Third party debt <sup>(1)</sup>	(26,014)	(25,434)	(580)
Derivative hedging debt			0
Cash and cash equivalents	6,200	5,854	346
Other/financial assets/(liabilities) <sup>(2)</sup>	(21)	(154)	133
<b>(Net debt)/Cash <sup>(3)</sup></b>	<b>(19,835)</b>	<b>(19,734)</b>	<b>(101)</b>
<b>Industrial Activities</b>	<b>(976)</b>	<b>(1,822)</b>	<b>846</b>
<b>Financial Services</b>	<b>(18,859)</b>	<b>(17,912)</b>	<b>(947)</b>

(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 Financial Services.

(2) Including fair value of derivative financial instruments.

(3) The net intersegment receivable/payable balance owed by Financial Services to Industrial Activities was \$689 million and \$483 million as of 31 December 2017 and 31 December 2016, respectively.

## Significant events in the second-half of 2017 and subsequent events

On 24 October 2017, Fitch Ratings assigned CNH Industrial N.V. and CNH Industrial Capital LLC new long-term issuer default ratings of “BBB

This rating action follows the upgrade by Standard and Poor's, on 15 June 2017, of the long - term corporate rating of CNH Industrial N.V. and CNH Industrial Capital LLC to “BBB-”. These two actions will make CNH Industrial's securities eligible for the main investment grade indices in the U.S. market.

On 31 October 2017, CNH Industrial announced the early redemption of all of the outstanding \$600 million in principal amount of CNH Industrial Capital LLC 3¾% Notes due July 2018.

On 20 February 2018, the United States Supreme Court (the “Supreme Court”) ruled in favor of CNH Industrial and reversed the decision of the U.S. Court of Appeals for the Sixth Circuit (the “Sixth Circuit”), in *Reese v. CNH Industrial N.V. and CNH Industrial America LLC* (“Reese”), ruling that retirees are not necessarily entitled to lifetime health care benefits under the terms of an expired collective bargaining agreement that included a general termination clause that applied to all benefits. CNH expects the case to be remanded to the trial court for entry of judgment for CNH Industrial and dismissal of the plaintiffs' complaint. Once the district court enters judgment in this case, which is expected to occur during the first half of 2018, CNH Industrial intends to review the retiree health care benefits applicable to the retirees in the Reese case (the “Reese Retirees”). Modifications to, or elimination of, the existing retiree health care benefits for the Reese Retirees may result in a reduction or elimination of the related CNH Industrial's post-employment benefit obligations. At this stage, however, CNH Industrial has not taken a decision on how to implement the US Supreme Court decision and therefore is currently unable to estimate its financial impact.

On 19 March 2018 CNH Industrial N.V. announced the next resignation of Richard Tobin as Chief Executive Officer and as a Director of CNH Industrial to pursue another executive opportunity. Mr. Tobin's departure will be effective April 27, 2018. The Board of Directors of CNH Industrial has appointed Derek Neilson as interim CEO, which has nearly two decades of experience with CNH Industrial and most recently served as Chief Operating Officer EMEA and President of the Company's Commercial Vehicles Products Segment. From 2012 to 2015 he served as the Group's Chief Manufacturing Officer.

## 2018 Outlook (US GAAP)

Worldwide demand for agricultural equipment is expected to improve with all regions flat to up 5% on average. Farm incomes are expected to remain stable, leading to no significant changes in planted acreage. Construction equipment demand is forecasted to be up 5-10% in LATAM and APAC while remaining relatively flat to up slightly in EMEA and NAFTA. Commercial vehicle demand is expected to be up about 15% in LATAM and flat to slightly down in EMEA and APAC.

As a result of the forecasted improvement in product demand conditions, and the positive impact of changes in the Company's capital structure, CNH Industrial is setting its full year 2018 guidance as follows:

- net sales of Industrial Activities of \$27 billion to \$28 billion;
- adjusted diluted EPS of \$0.63 to \$0.67;
- net industrial debt at the end of 2018 at \$0.8 billion to \$1.0 billion.



(22.91% stake and 32.75% of voting rights on issued capital)

Key consolidated data of Ferrari reported in the year 2017 are as follows:

€ million	Year		
	2017	2016	Change
Shipments (in units)	<b>8,398</b>	8,014	384
Net revenues	<b>3,417</b>	3,105	312
EBIT	<b>775</b>	595	180
Adjusted EBIT <sup>(1)</sup>	<b>775</b>	632	143
Net profit	<b>537</b>	400	137
Net Industrial debt <sup>(2)</sup>	<b>473</b>	653	(180)

(1) Adjusted EBIT is a non-GAAP financial measure used to measure performance. Adjusted EBIT is defined as EBIT less income and costs which are significant in nature but expected to occur infrequently.

(2) Refer to specific note on Non-GAAP financial measures.

### Shipments

Shipments totaled 8,398 units in the year 2017 with an increase of 384 units (or 4.8%) compared to the prior year. This achievement was driven by a 25.1% increase in sales of the 12-cylinder models (V12), while the 8 cylinder models (V8) were in line with the prior year. The V12 strong performance was led by the GTC4Lusso and 812 Superfast, that is approaching global reach, as well as LaFerrari Aperta yet to finish its limited series run, fully contributing.

Units	Year		Change	
	2017	2016	number	
EMEA	<b>3,737</b>	3,610	127	4
Americas	<b>2,811</b>	2,687	124	5
China, Hong Kong and Taiwan, on a combined basis	<b>617</b>	619	(2)	0
Rest of APAC	<b>1,233</b>	1,098	135	12
<b>Shipments</b>	<b>8,398</b>	8,014	384	5

### Net revenues

Net revenues for 2017 were €3,417 million, an increase of €312 million or +10%; (+11.2% at constant currencies), compared to the year 2016.

Revenues in cars and spare parts were up 12.7% versus prior year, supported by higher volumes and positive mix led by the V12 range models as well as LaFerrari Aperta, along with a greater contribution from personalization programs and pricing increases. This was partially offset by the end of LaFerrari lifecycle in 2016 as well as the non-registered racing car FXX K and the strictly limited edition F60 America completing its limited series run in 2016.

Engines revenues posted an increase thanks to strong sales to Maserati, more than offsetting the termination of the rental agreement with a Formula 1 racing team.

Sponsorship, commercial and brand revenues (€494 million, 1.1%) were up €6 million thanks to higher sponsorship and brand revenues, partially offset by lower 2016 championship ranking compared to 2015.

€ million	Year		Change amount
	2017	2016	
Car and spare parts	2,456	2,180	276
Engines	373	338	35
Sponsorship, commercial and brand	494	488	6
Other	94	99	(5)
<b>Net revenues</b>	<b>3,417</b>	<b>3,105</b>	<b>312</b>

## EBIT

EBIT for 2017 was €775 million, an increase of €180 million, (+30.3%), from €595 million for 2016; the increase was primarily attributable to a positive volume impact (€67 million), a favorable mix impact of €80 million, a positive net foreign currency exchange impact of €53 million and a decrease of €57 million in other supporting costs, including the effect of charges in 2016 for Takata airbag inflator recalls of €37 million, partially offset by an increase in research and development costs of €43 million and an increase in selling, general and administrative costs of €34 million. The positive volume impact was attributable to an increase in shipments of approximately 360 cars (excluding the La Ferrari and La Ferrari Aperta), driven by the GTC4Lusso and the 488 families, as well as the first shipments of the newly launched 812 Superfast, together with positive contribution from its personalization programs. These positive effects on volume were partially offset by the phase-outs of the California T and the F12berlinetta, as well as the F12tdf, which finished its limited series run in 2017. The favorable mix impact of €80 million was primarily attributable to an increase in shipments of the LaFerrari Aperta, as well as an increase in shipments of its V12 range and special series models and pricing increases. These positive effects on mix were partially offset by the end of the LaFerrari lifecycle in 2016, as well as the non-registered racing car FXX K and the strictly limited edition F60 America completing their limited series runs in 2016.

## Net industrial debt

Net industrial debt at 31 December 2017 decreased to €473 million from €653 million at 31 December 2016 due to the strong industrial free cash flow generation.

€ million	31/12/2017	30/06/2017	12/31/2016
<b>Net industrial debt (1)</b>	<b>(473)</b>	<b>(627)</b>	<b>(653)</b>
Funded portion of the self-liquidating financial receivables portfolio	685	705	737
Net debt (1)	(1,158)	(1,332)	(1,390)
Cash and cash equivalents	648	423	458
<b>Gross debt</b>	<b>(1,806)</b>	<b>(1,755)</b>	<b>(1,848)</b>

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

## Significant events in the second-half of 2017 and subsequent events

On 24 July 2017 Ferrari and UPS renewed the sponsorship agreement, based on which the UPS brand will continue to appear on the Scuderia Ferrari's single-seaters and the official drivers' racing suits. The multi-year agreement continues the collaboration started in 2013.

On 28 July 2017 Scuderia Ferrari reached a multi-year agreement with Sauber F1 Team, by virtue of which the Swiss team will be fitted with the power units built at the Maranello factory.

On 9 and 10 September, 2017, Ferrari hosted at the Fiorano track the pinnacle of the 70<sup>th</sup> anniversary celebrations. Among the several activities, which involved over 4,000 clients and almost 1,000 cars, an auction organized with RM Sotheby's saw the sale of one-of-a-kind LaFerrari Aperta to benefit the charity Save the Children for €8.3 million, a new record for a 21<sup>st</sup> century car.

On 7 and 8 September, 2017 Ferrari hosted the exclusive World Premiere in Portofino to unveil the new V8 GT Ferrari Portofino. Subsequently, on September 12, 2017 the Ferrari Portofino was presented at the Frankfurt Motor Show. Capable of unleashing 600cv, the Ferrari Portofino is the most powerful convertible to combine the advantages of a retractable hard top, a roomy boot and generous cockpit space. Shipments of the new Ferrari Portofino will commence in 2018.

On 29 October 2017, Ferrari unveiled the FXX K Evo during the Finali Mondiali event at the Mugello Racetrack. Available as an extremely limited-run model and as an upgrade package for the existing XX cars, the FXX K Evo features an evolved aero package developed by Ferrari's engineers in synergy with the Ferrari Style Centre's designers, to push to the very limit the performance of a model that already represents the state-of-the-art in terms of Ferrari track-only supercars.

On 20 February 2018, Ferrari announced that Scuderia Ferrari has extended its partnership agreement with Philip Morris International, continuing a collaboration of nearly five decades. The agreement renewed on 4 September 2017.

On 21 February 2018, Ferrari announced that it has selected the 88th edition of the Geneva International Motor Show for the world premiere of the Ferrari 488 Pista, the Group's successor to Ferrari's V8-engined special series. The Ferrari 488 Pista marks a significant step forward from the previous special series in terms of both sporty dynamics and for the level of technological carryover from racing.

On 22 February 2018, Ferrari presented the new car for the 2018 Formula 1 World Championship.

## 2018 Outlook

Ferrari Group is expecting the following performance in 2018:

- Shipments: more than 9,000 including supercars;
- Net revenues: more than €3.4 billion;
- Adjusted EBITDA: more than/equal € 1.1 billion;
- Net industrial debt: less than €400 million, including a dividend distribution to the holders of common shares and excluding potential share repurchases;
- Capital Expenditures: approximately €550million.



(63.77% of share capital)

The results for the first half of the financial year 2017/2018 of Juventus Football Club S.p.A. are as follows:

€ million	I Half		
	2017/2018	2016/2017	Change
Revenues	<b>290.6</b>	315.1	(24.5)
Operating costs	<b>178.7</b>	182.2	(3.5)
Operating income	<b>51.0</b>	85.0	(34.0)
Profit for the period	<b>43.3</b>	72.0	(28.7)

€ million	31/12/2017	31/12/2016	Change
Shareholders' equity	<b>137.1</b>	125.4	11.7
Net financial debt	<b>279.7</b>	174.1	105.6

Interim data cannot be construed as representing the basis for a full-year projection.

For a correct interpretation of the figures 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 2017/2018.

The economic trend is characterized by a strong seasonal nature, typical of the sector, basically determined by participation in European competitions, in particular the UEFA Champions' League, by the calendar of sports events and by the two phases of the football player Transfer Campaign.

The financial position and cash flows of the company 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 first half of the 2017/2018 financial year closed with a profit of €43.3 million, posting a negative change of €28.7 million compared to the profit of € 72 million registered in the same period of the prior year.

This change was mainly due to lower revenues from players' registration rights, totaling €45 million, higher costs for external services and other expenses for €12.4 million and for players' wages and technical staff costs for €7.7 million, as well as amortization on players' registration rights for €13.5 million. These increases were partly offset by decreases in expenses from players' registration rights for €26.5 million and higher revenues from core operations for €20.7 million. Other changes involved lower provisions for €1.9 million, purchases of products held for sale for €1.9 million, lower current and deferred taxes for €4.4 million, as well as other net negative changes for €1.7 million.

#### Significant events in the first half of 2017 and subsequent events

In July 2017 Juventus transferred its offices to the new headquarters of Via Druento 175 in Turin and took possession of the Juventus Training & Media Center which will be home to the First Team training starting from next season, once the tests on the playing field and facilities are completed.

These sites, along with the international school, which began operation in September 2017, are part of the larger upgrading and enhancement project for the Continassa Area, adjacent to the Allianz Stadium, handled by the J Village fund. The work to complete the last project lots (Hotel and Concept Store) are scheduled to be completed by the fund by the end of summer 2018.

#### 2018 Outlook

The 2017/2018 financial year of Juventus, currently forecast to end in a loss, will be as usual strongly influenced by the performance of sports results and in particular the UEFA Champions League.

## SUBSEQUENT EVENTS AND 2018 OUTLOOK

### Subsequent events of the Holdings System

#### Issue of EXOR non-convertible 2018-2028 bonds

On 18 January 2018 EXOR finalized the issue of bond for a nominal amount of €500 million, maturing in January 2028, with a fixed annual coupon of 1.750% and an effective yield to maturity of 1.914%.

The purpose of the issue is to raise new funds for EXOR's general corporate purposes, including the repayment of certain loan facilities of the company. The bond is listed on the Luxembourg Stock Exchange and assigned a credit rating of BBB+ by the Standard and Poor's rating agency.

#### Issue of EXOR non-convertible 2018-2038 bonds

On 15 February 2018 EXOR finalized the issue of a bond for a nominal amount of €200 million, maturing on 15 February 2038, with a fixed annual coupon of 3.125% with the purpose of refinancing short-term debt. The bond, with a credit rating of BBB+ by Standard and Poor's rating agency, is listed on the Luxembourg Stock Exchange MTF Market.

#### Dividends and distribution of reserves received in the year 2018

The dividends and distributions of reserves already approved by or collected from some investment holdings are as follow:

Investee company	Share class	Number of shares	Dividends	
			Per share (€)	Total (€/ml)
CNH Industrial N.V.	ordinary	366,927,900	0.14	51.4
Ferrari N.V.	ordinary	44,435,280	0.71	31.5
<b>EXOR N.V.'s share of dividends</b>				<b>82.9</b>
PartnerRe	ordinary	100,000,000	0.39 <sup>(a)</sup>	39.0 <sup>(a)</sup>
<b>EXOR Nederland's share of dividends</b>				<b>39.0</b>

(a) \$0.48 per share, converted at exchange rate of €/\$1.2378 at 13 March, 2018, equal a total amount of \$48 million.

#### 2018 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, CNH Industrial and Ferrari) 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 and associates" in the Report on Operations.

The forecast data and information of the aforementioned 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 associate 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 and associates, which operate in a completely independent manner.

EXOR N.V. deems that the forecast data and information of the subsidiaries and associates 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 and that 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 and affiliates.

26 March 2018

The Board of Directors

John Elkann

Sergio Marchionne

Alessandro Nasi

Andrea Agnelli

Niccolò Camerana

Ginevra Elkann

Lupo Rattazzi

Marc Bolland

Melissa Bethell

Laurence Debroux

Anne Marianne Fentener van Vlissingen

António Mota de Sousa Horta-Osório

Robert Speyer

Michelangelo Volpi

Ruth Wertheimer

## 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 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 The Netherlands since the completion of the cross-border merger of EXOR S.p.A., a public limited liability company incorporated under the laws of Italy, with and into EXOR HOLDING N.V., a Dutch wholly-owned subsidiary of EXOR S.p.A. (the “Merger”) on 12 December 2016. The surviving company and holding company of the EXOR Group was then renamed “EXOR N.V.”

The Merger was executed pursuant to the provisions of EU Directive 2005/56/EC of the European Parliament and Council of 26 October 2005 on cross-border mergers of limited liability companies, implemented for Dutch law purposes under Title 2.7 of the Dutch Civil Code and for Italian law purposes by Italian Legislative Decree 30 May 2008, no. 108.

As a result of the Merger, EXOR acquired all assets and assumed all liabilities and other legal relationships of EXOR S.p.A. under universal title of succession: as such, all business activities, shareholdings and other assets as well as liabilities pertaining to the business of EXOR S.p.A. were consolidated into (or controlled by) the Company.

In connection with the Merger, each shareholder of EXOR S.p.A. received 1 (one) EXOR ordinary share for each EXOR S.p.A. ordinary share held.

Further, EXOR adopted a Special Voting Structure (as described below) to foster the development and continued involvement of a stable shareholder base and to reward long-term investment in the Company with the aim to reinforce the group's stability.

For more details on the Special Voting Structure, please refer to Section “Special Voting Structure” below.

### Capital Structure

#### Structure of share capital

#### STRUCTURE OF SHARE CAPITAL

Share class	Number of shares	Listing market	Rights and obligations
Ordinary shares <sup>6</sup>	241,000,000	MTA/Borsa Italiana	

Treasury shares per 31 December 2017 held by the Company: 5,977,695.

#### Economic and administrative rights

Each EXOR ordinary share entitles its holder to one vote at all general meetings of shareholders – ordinary and extraordinary – as well as to all 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. 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”).

<sup>6</sup> 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.

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. 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 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. 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.

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. 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 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 and to promote stability of the EXOR shareholders-base 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. For further description and details on the Special Voting Structure reference should be made to the Terms and Conditions for Special Voting Shares and the Articles of Association as published on the Company's website at [www.exor.com](http://www.exor.com).

### Repurchase of shares

The Board of Directors has been authorized, by the annual general meeting of shareholders held on May 30, 2017, to repurchase for a term of 18 months 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 and the Company's Articles of Association, through a purchase on the stock exchange or otherwise. For shares held by the Company no voting rights may be exercised.

### **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 should be made to the Terms and Conditions for Special Voting Shares and the Articles of Association as published on the Company's website at [www.exor.com](http://www.exor.com).

### **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 2017, 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	7.36 %
Southeastern Asset Management, Inc.	4.11%

Giovanni Agnelli B.V. is the largest shareholder of EXOR through its 52.99% shareholding interest in EXOR's issued capital.

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 combinations.

#### **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 Section "Remuneration of Directors" – are not subject to any form of restriction and are directly exercisable by the beneficiaries.

### **Restrictions on voting rights**

There are no restrictions on voting rights.

### **Shareholders agreements**

Based on the information available to EXOR, there are no shareholder agreements concerning either the exercise of the rights attaching 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<sup>7</sup> would entitle subscribers of the following bonds outstanding at 31 December 2017 to demand early repayment.

- Non-convertible bond issue 2012/2019 of Euro 150 million;
- Non-convertible bond issue 2013/2020 of Euro 200 million;
- Non-convertible bond issue 2015/2022 of Euro 750 million;
- Non-convertible bond issue 2014/2024 of Euro 650 million;
- Non-convertible bond issue 2012/2025 of Euro 100 million;
- Non-convertible bond issue 2015/2025 of Euro 250 million;
- Non-convertible bond issue 2011/2031 of Yen 10 billion (approx. Euro 69 million).

<sup>7</sup> The articles of association of the parent company 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.

In addition, three lending banks would have the right to demand the cancellation of four irrevocable lines of credit totaling Euro 250 million, which, however, were unutilized as of 31 December 2017.

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.

## **RISK MANAGEMENT, RISKS AND CONTROL SYSTEM**

EXOR is committed to promoting and maintaining an internal control and risk management system (hereafter also "System") being the body of rules, procedures and organizational structures whose purpose 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 in the general 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 reference model for the System adopted by EXOR is, in fact, based on the standards set out in the Internal Control – Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report). Within the broader model of the System adopted by the Company the more specific activities of identifying and managing risks are defined by the standards set by the Enterprise Risk Management – Integrated Framework (COSO E.R.M.), as detailed in the dedicated paragraphs.

The responsibility for the institution and maintenance of an effective internal control and risk management system which is coherent with the business and process objectives and for the correspondence of the risk management method employed with the pre-established containment plan is entrusted to the Director in Charge and to the managers of the functions.

In particular EXOR's internal control and risk management system operates at three levels of internal control:

- First Level: identification, evaluation and monitoring of applicable risks in the single processes. 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: monitoring of the principal risks to ensure the effectiveness and efficiency of their management and treatment and of the functioning of the controls placed over the principal risks, support to the first level in the definition and implementation of adequate systems for the management of the principal risks and the related controls. The control instruments for coordination and operation of the main control systems operate at this level.
- Third Level: provides an independent and objective assurance of the adequacy and effective operation of the first and second levels of control and in general of the overall mode of managing risks. This activity is carried out by Internal Audit whose activities are directed and guided by internal Guidelines.

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

The system of internal control over financial reporting put in place by the Company is developed consistently with the 2013 COSO. Framework for internal controls and 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, in fact, at ensuring the adequacy and effective application of the administrative and accounting procedures designed to guarantee a true and fair representation of the business activities in the financial reports (annual consolidated financial statements, company financial statements, shortened half yearly consolidated financial statements) prepared by the Company.

The principal characteristics of the system of internal 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 internal control over financial reporting has been developed taking into consideration existing law, the reference regulations as well as the guidelines provided by the competent bodies and is composed of the following:

- *Code of Ethics* – which illustrates the ethical principles and values of the Company.
- *System of delegated powers and proxies* – which identifies the powers of company representation conferred to individual managers.
- *Risk Management process* – which identifies roles, responsibilities and methodologies in performing the risk management activity.
- *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.

In particular, the aforesaid administrative and accounting procedures include:

- the code of conduct that must be observed by company personnel involved, for any reasons, in the implementation of the system of internal control over financial reporting;
- the roles and responsibilities given to the corporate functions involved in the preparation, diffusion and checking of financial reports issued to the market;
- 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.

## **Risk Management**

As required by regulatory guidelines and in response to market demands for enhanced transparency and disclosure on the risks associated with company activities, EXOR has adopted its own Enterprise Risk Management (“ERM”) system.

The EXOR risk management system is based on the above mentioned COSO ERM, 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 Framework is integrated within the company 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 risk management 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 business objectives and company characteristics, and for performing an assessment of the possible risk scenarios, considering the effectiveness of the process controls currently in place.

The EXOR risk management 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.

## 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 business. 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 defending the Group reputation, of compliance with the rules and regulations and of adequacy 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	
<b>Strategic Risks</b>	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.
<b>Operational Risks</b>	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.
<b>Compliance Risks</b>	Compliance risks cover unanticipated failures to comply with applicable laws, regulations, policies and procedures.	Low	EXOR strives to comply with applicable laws and regulations at all times. EXOR focusses on good governance of its activity as holding company.
<b>Financial reporting risks</b>	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.
<b>Financial Risks</b>	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 actions, if needed.

### Key Risks and Key trends

As a part of the 2017 risk assessment process, management identified certain risks as significant based on their potential business impact and likelihood of occurrence, as well as existing and/or planned countermeasures (mitigating actions). 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 30 August 2017.

EXOR expects that the implemented 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 or importance, likelihood or materiality. For further information regarding the risks EXOR faces, refer to the section Risk Factors above.

Risk Event	Risk Description	Mitigation Activities
Dividend risk /Cash Flow  (Financial risks)	Risk of holding shares in companies that do not generate a cash flow of dividends sufficient to manage structure costs and net financial costs.	Careful management of cash in / cash out and investment portfolio diversification. EXOR maintains an adequate cash flow performing cash flow analysis, adjusting and monitoring 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 dividend collection 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 ensures 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 consists of different kinds of investments, consequently characterized by an overall lower risk level.  The diversification mitigates unsystematic risk events in the portfolio, so the positive performance of some investments neutralizes the negative performance of others.

## CORPORATE GOVERNANCE

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 and 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 section provides for the relevant information on the overall corporate governance structure of the Company. EXOR hereinafter discloses any departure from the best practice provisions of the Dutch Corporate Governance Code.

### Compliance with the Dutch Corporate Governance Code

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

- a) *Best practice provision 2.3.1 of the Dutch Corporate Governance Code: The division of duties within the supervisory board and the procedure of the supervisory board shall be laid down in terms of reference. The supervisory board's terms of reference shall include a paragraph dealing with its relations with the management board, the general meeting and the employee participation body (if any) and the executive committee (if any). The terms of reference shall be posted on the company's website.*

The Board Regulations do not contain any provisions dealing with the relations of the Board of Directors with the general meeting, the employee participation body and the executive committee. The reason the Board Regulations does not contain a paragraph in respect of the employee participation body and the executive committee is that the Company has no employee participation body and no executive committee. As regards the relations with the general meeting, EXOR feels this is sufficiently addressed in the Articles of Association.

- b) *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, Niccolò Camerana, Ginevra Elkann and Lupo Rattazzi 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, Niccolò Camerana, Ginevra Elkann and Lupo Rattazzi belong to the Agnelli family, which controls Giovanni Agnelli B.V. In light of the major shareholding of Giovanni Agnelli B.V. and the Company history the Company feels it is appropriate that more than one member of the Agnelli family has a seat in the Board of Directors as non-executive director.

- c) *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 deselection 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 the size and, organizational wise, simple structure of the Company, in splitting the Compensation and Nominating Committee as prescribed under the Dutch Corporate Governance Code.

- d) *Best practice provision 2.3.4 of the Dutch Corporate Governance Code: The audit committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company.*

The chairman of the Audit Committee is the Company's Senior Non-Executive Director, Mr. Marc Bolland. The Senior Non-Executive Director is the chairman of the Board of Directors as referred to by Dutch law. The Board of Directors' view is that – taking into account the composition of the non-executive directors - Mr. Marc Bolland is the most appropriate person at this moment to chair the Audit Committee.

- e) Best practice provision 3.3.2 of the Dutch Corporate Governance Code: A supervisory board member may not be awarded remuneration in the form of shares and/or rights to shares.

According to the previous remuneration policy in place the non-executive directors had the opportunity to elect whether their annual fee will be paid in shares or cash. Some of the non-executive directors received their annual fee in 2017 for the last time in shares as the annual general meeting of shareholders held on May 30, 2017 adopted an amended and restated remuneration policy which is in compliance with best practice provision 3.3.2. Consequently the annual fee for non-executive directors will be paid only in cash.

- f) 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.

## 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 May 30, 2017 fifteen Directors were (re)appointed until the close of the annual general meeting of shareholders to be convened in 2020 for the approval of the 2019 annual accounts. Pursuant to the Articles of Association, 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. The Board of Directors is composed of one Executive Director (*i.e.*, the Chief Executive Officer and Chairman) and fourteen Non-Executive Directors. The duty of Non-Executive Directors is to supervise the performance of duties by the Executive Director; they are also charged with the duties assigned to them pursuant to the law and the Articles of Association. 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.

As indicated below, eight of the fourteen Non-Executive Directors are qualified as independent for the purposes of the Dutch Corporate Governance Code.

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

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

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

## Independence

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

- Marc Bolland;
- Melissa Bethell;
- Laurence Debroux
- Anne Marianne Fentener Van Vlissingen;
- Antonio Mota de Sousa Horta Osorio;
- Robert Speyer;
- Michelangelo Volpi;
- Ruth Wertheimer.

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 four Board of Directors meetings were held in 2017 and the table below shows the attendance of the Board members for these meetings.

Name	Board of directors	Audit Committee	Compensation and Nominating Committee
John Elkann	4/4		
Sergio Marchionne	4/4		
Alessandro Nasi	4/4		1/1
Andrea Agnelli	4/4		
Melissa Bethell (a)	2/2		
Mark Jan Bolland	4/4	4/4	
Niccolo Camerana	4/4		
Laurence Debroux (a)	2/2		
Ginevra Elkann	4/4		
Annemiek Fentener Van Vlissingen	2/4	2/4	
Antonio Mota De Sousa Horta-Osorio	2/4		
Lupo Rattazzi	4/4	4/4	
Robert Speyer	3/4		1/1
Michelangelo Volpi	4/4		1/1
Ruthi Wertheimer	4/4		
Jae Yong Lee Lee (b)	0/1		

(a) Joined the Company as of the appointment by the Shareholders meeting of 30 May 2017

(b) Resigned per the date of the Shareholders meeting of 30 May 2017

## Evaluation

The Board of Directors has evaluated and discussed its own functioning, the functioning of its committees and its individual members, based on a survey. The main topics of the survey related to composition, competence, performance, information, meetings, oversight and involvement of the Board and the functioning of the internal committees. The outcome of the survey's (the response rate was 100%) was assessed and discussed in the Compensation and Nominating Committee and the committee gave its feedback in the Board of Directors meeting where the evaluation was further discussed. The overall conclusion 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 duration of the meetings to ensure sufficient time for in depth discussions a relative improvement is needed, which will be taken into account for the scheduling and timing of the future meetings.

The current composition of the Board of Directors is the following:

**John Philip Elkann** - Chairman and Chief Executive Officer (executive director) - John Elkann is Chairman of FCA N.V. He was appointed Chairman of Fiat S.p.A. on April 21, 2010 where he previously served as Vice Chairman and started as a board member in December 1997. Mr. Elkann is 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 (Italy). 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 U.S. and Europe. Mr. Elkann is also Chairman of Giovanni Agnelli B.V. and of PartnerRe, Vice Chairman of Ferrari N.V. and Ferrari S.p.A., a director of The Economist Group, a member of the board of trustee and nominating committee of Museum of Modern Art (MoMA). He is also director at GEDI – Gruppo Editoriale S.p.A., Vice Chairman of Fondazione Giovanni Agnelli, and a Board member of Pinacoteca Giovanni e Marella Agnelli.

**Sergio Marchionne** - Vice Chairman (non-executive director) - Sergio Marchionne currently serves as Chief Executive Officer of Fiat Chrysler Automobiles N.V., Chairman of CNH Industrial N.V. and Chairman and Chief Executive Officer of Ferrari N.V. Born in Chieti (Italy) in 1952, he has dual Canadian and Italian citizenship. He holds a Bachelor of Arts with a major in Philosophy from the University of Toronto and a Bachelor of Laws from Osgoode Hall Law School at York University in Toronto, as well as a Master of Business Administration and a Bachelor of Commerce from the University of Windsor (Canada). Mr. Marchionne is a barrister, solicitor and chartered accountant. He began his professional career in Canada. From 1983 to 1985, he worked for Deloitte & Touche. From 1985 to 1988, he was with the Lawson Mardon Group of Toronto. From 1989 to 1990, he served as Executive Vice President of Glenex Industries. From 1990 to 1992, he was Chief Financial Officer at Acklands Ltd. From 1992 to 1994, also in Toronto, he held the position of Vice President of Legal and Corporate Development and Chief Financial Officer of the Lawson Mardon Group. From 1994 to 2000, he covered various positions of increasing responsibility at Algroup, headquartered in Zurich (Switzerland), until becoming its Chief Executive Officer. He then went on to head the Lonza Group Ltd, first as Chief Executive Officer (2000-2001) and then as Chairman (2002). In 2002 he became Chief Executive Officer of the SGS Group of Geneva and in 2006 was appointed Chairman of the company, a position which he continues to hold.

From 2008 to 2010, he also served as non-executive Vice Chairman and Senior Independent Director of UBS. Mr. Marchionne joined the Board of Directors of Fiat S.p.A. (now Fiat Chrysler Automobiles N.V.) in May 2003 and was appointed Chief Executive Officer on 1 June 2004.

In 2010, Mr. Marchionne joined the Board of Directors of Exor S.p.A. (now Exor N.V.). He is currently a Board member of Philip Morris International Inc. and the Peterson Institute for International Economics, as well as Chairman of the Council for the United States and Italy and member of the J.P. Morgan International Council.

Mr. Marchionne is recipient of ad honorem degrees in Industrial Engineering and Management from Polytechnic University in Turin (Italy), in Economics from the University of Cassino (Italy) and in Mechatronics Engineering from the University of Trento (Italy), a Masters honoris causa in Business Administration from the CUOA Foundation (Italy), an honorary Doctor of Laws from the University of Windsor (Canada) and Walsh College in Troy (Michigan), and honorary doctorates in Business Administration from the University of Toledo (Ohio), in Science from Oakland University in Rochester (Michigan) and in Humane Letters from Indiana University Kokomo (Indiana).

Mr. Marchionne also holds the honor of Cavaliere del Lavoro.

**Alessandro Nasi** - Vice Chairman (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 Unicredit Bank in Dublin – PricewaterhouseCoopers 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 manager of Corporate and Business Development, heading the APAC division. In such role, he was involved in supporting the activities of the Fiat Group sectors in developing their businesses in the Asia Pacific area. 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 over a new responsibility at Case New Holland, the Fiat Group company which manufactures agricultural machinery and construction equipment of which he was Senior Vice President of Business Development. From October 2009 to January 2011 he has also been responsible for Network Development serving as Senior Vice President.

From January 2011 he has been appointed Member of the Industrial Executive Council of Fiat Industrial, as Secretary and Responsible for Business Development. From November 2012 he has been appointed Chief Business Development Officer and Executive Coordinator of the Group Executive Council (GEC) of Fiat Industrial. From September 2013 he has been appointed President Specialty Vehicles of CNH Industrial retaining his position of Executive Coordinator of the Group Executive Council (GEC). 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 as 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 Blackstone Group International Partners LLP as Operating Partner and Head of European Portfolio Operations. He is currently a Non-Executive Director of The Coca-Cola Company and IAG (Parent company of British Airways). He is Vice President at Unicef UK. (He is a Trustee on the Board of the Royal Academy of Arts. 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 has been Chairman of Juventus Football Club S.p.A. since May 2010 and is also Chairman of Lamse S.p.A., a holding company of 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. Mr. Agnelli began his career in 1999 at Ferrari Idea in 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 specialized in managed investment products. Mr. Agnelli worked at Philip Morris International in Lausanne from 2001 to 2004, where he initially had responsibility for marketing and sponsorships and, subsequently, corporate communication. In 2005, Mr. Agnelli returned to Turin to work in strategic development for IFIL Investments S.p.A. (now Exor N.V.) and he joined the Board of Directors of IFI S.p.A. (now Exor N.V.) in May 2006. Mr. Agnelli is a Director of Giovanni Agnelli B.V. and a member of the advisory board of BlueGem Capital Partners LLP. Since March 2017 he is President of "Fondazione del Piemonte per l'Oncologia". He is a member of the European Club Association's executive board since 2012 and as of September 2017, he is Chairman of the board.

Since July 2014, he has served as a board member of the Serie A National League of Professionals and as board member of the Foundation for the General Mutuality in Professional Team Sports. In September 2015, he was appointed to the UEFA Executive Committee as an ECA representative. Mr. Agnelli was appointed to the Board of Directors of Fiat S.p.A. on May 30, 2004 and became a member of the Board of Directors of FCA N.V. on October 12, 2014.

**Melissa Bethell** - (non-executive director) - Melissa Bethell is currently a Senior Advisor to Bain Capital, as well as Atairos Group, Inc., an investment fund backed by Comcast NBCUniversal. Ms Bethell joined Bain Capital LLC in 1999 and was a Managing Director from 2009-2017. Ms Bethell relocated to London in 2000 to help establish Bain Capital Europe - Bain Capital's first international office - and led the firm's TMT (telecom, media and technology) investments in Europe. She was a 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.

Ms Bethell has a MBA, with distinction from Harvard Business School and received a BA with honors in Political Science and Economics, from Stanford University.

Melissa was born in Taiwan, brought up with Mandarin and educated in America and is now a British resident. She is on the Executive Appeals Team at the Scar Free Foundation and Supporter of the Impetus - Private Equity Foundation.

**Niccolò Camerana** - (non-executive director) - Niccolò Camerana was born in Florence (Italy) in 1979 and grew up in the UK where he obtained a degree in International Business Studies at European Business School of London. Between 2003 until 2006 Niccolò worked for PricewaterhouseCoopers in Italy for the Transaction Services and Audit department. He then worked in London for 3 years (2006-2009) for UBS Investment Bank for the Mergers and Acquisitions division, advising different transactions in various sectors. He joined Fiat Chrysler Automobiles in 2010 in the EMEA Business Development department providing support with project assessment and negotiation of related agreements with FCA external partners. Since May 2016 Niccolò works for FCA Bank S.p.A, the 50/50 joint venture between Fiat Chrysler Automobiles and Crédit Agricole, specialized in car finance and lease companies operating in Europe, first as Head of Debt Capital Markets and Investor Relations and then as a Head of Business development.

**Laurence Debroux** - (non-executive director) - Laurence Debroux was born in France in 1969 and graduated at HEC (Ecole des Hautes Etudes Commerciales) Paris. Ms. Debroux joined Heineken N.V. in 2015 as member of the Executive Board where she is 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, Ms. Debroux spent 14 years with the global healthcare company SANOFI where she held various executive positions including CFO and Chief Strategic Officer. Ms. Debroux began her career in 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, Information Systems and Integrated Portfolio Management. Ms. Debroux is presently also a non-executive director of HEC (Ecole des Hautes Etudes Commerciales) Paris Board.

**Ginevra Elkann** - (non-executive director) - Ginevra Elkann was born in London in 1979 and she has lived in the UK, France and Brazil. She graduated in Visual Communication at the American University of Paris and completed a Master in Film Making at the London Film School. She is Chief Executive officer of Asmara Films, founded in 2010, and President and CEO of Good Films, a production/distribution film company, co-founded in 2011. She is a member of Christie's Advisory Board and she is a member of the Acquisition Committee and Executive Committee for the Cartier Foundation of Paris. Since 2013 she has been a member of the Advisory Board of UCCA, Beijing and of the American Academy of Rome. She is since 2006 President of the Pinacoteca Giovanni e Marella Agnelli.

**Anne Marianne Fentener van Vlissingen** - (non-executive director) - Anne Marianne Fentener van Vlissingen is Chairwoman and member of the Supervisory Board of SHV Holdings, a Dutch international family-owned company. SHV is active in exploration and production of oil and gas (Dyas), industrial services (ERIKS), cash and carry wholesale (Makro), heavy lifting and transport solutions (Mammoet), provision of private equity (NPM Capital), trade in and distribution of LPG (SHV Energy) and animal nutrition and fish feed (Nutra). Born in 1961, after graduating as an MBA, Mrs. Fentener van Vlissingen worked as a financial analyst and strategic consultant. Mrs. Fentener van Vlissingen is presently on the Supervisory Board of Heineken N.V., Flint holding N.V., Group Lhoist, a Belgian company, on the Global Advisory Council of Bank of America and Vice Chairwoman and member of the Supervisory board of Foundation National Park 'De Hoge Veluwe'.

**António Mota de Sousa Horta Osorio** - (non-executive director) - António joined the board of Lloyds Banking Group on 17 January 2011 as an Executive Director and became Group Chief Executive on 1 March 2011. Born in 1964, Mr. Horta-Osório is a graduate of management and business administration at Universidade Católica Portuguesa. He has a 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, and the University of Warwick. 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 then worked for Goldman Sachs in New York and London. In 1993, he joined Grupo Santander as Chief Executive of Banco Santander de Negócios Portugal. He was CEO of Banco Santander Brazil 1997-1999 and in 2000 he became CEO of Banco Santander Totta in Portugal and an Executive Vice President of Group Santander, moving to the UK in 2006 to become CEO of Abbey and its successor Santander UK. In 2014 the Government of Portugal awarded António with the Order of Merit Grã-Cruz, which is the highest Order of Civil Merit. Previously a non-executive Director to the Court of the Bank of England, António is currently a non-executive director of Fundação Champalimaud in Portugal, of Sociedade Francisco Manuel dos Santos and of Stichting INPAR. In 2015 António was appointed Chairman of the Wallace Collection by the Prime Minister. The Wallace Collection is one of Europe's foremost art collections.

**Lupo Rattazzi** - (non-executive director) - Lupo Rattazzi graduated in 1975 with a B.A. in Economics and Political Sciences at Columbia University of New York. In 1977, he obtained a Master in Public Administration at the Harvard Kennedy School, in Cambridge, Massachusetts and in 2002 a Master for Non-Executive Directors at Borsa Italiana S.p.A. From 1977 to 1978, he was Assistant to Chairman Guido Carli for International Monetary Affairs at Centro Studi Confindustria in Rome. In 1978 he joined the Corporate Finance department of Salomon Brothers, and in 1979 he became senior Member of the International Advisory Service of Kuhn Loeb Lehman Brothers in New York. He was a Shareholder-founder as well as Head of M&A and trade finance, from 1981 to 1985, of Pragma Investimenti e Finanza S.p.A. From 1985 to 1989, he was in charge of M&A at C.F.I. S.p.A. From 1988 and 2000, he was a Shareholder-founder and Chairman of Air Europe S.p.A. At present, he is Chairman of the Italian Hospital Group and of Neos S.p.A.; he is a director of Banca Finnat Euramerica, Coe & Clerici, Vianini S.p.A., and Co-Chief Executive Officer GL Investimenti.

**Robert Speyer** - (non-executive director) - Rob Speyer is the President and Chief Executive Officer of Tishman Speyer. He served as President and Co-CEO from 2007 to 2015. Over the past decade, Rob Speyer has grown Tishman Speyer into a leading global real estate investment management firm with assets under management in excess of \$47 billion. Under his leadership, Tishman Speyer has delivered more than 44 million square feet of development and redevelopment across 30 international markets, serving the needs of 2,100 industry-leading tenants around the world. Rob Speyer is the Chairman of the Advisory Board of the Mayor's Fund to Advance New York City, appointed by Mayor Bloomberg in 2006 and reappointed by Mayor de Blasio in 2014. He is also a member of the Executive Committee of the Partnership for New York City. In 2013, Rob Speyer became the youngest ever Chairman of the Real Estate Board of New York (REBNY), the city's premier industry association, and served as Chairman for 5 years. Rob Speyer serves on the Board of Trustees of New York-Presbyterian Hospital and St. Patrick's Cathedral in New York City, where he was Co-Chairman of the Construction Committee overseeing its restoration and renovation. He is also a member of the Shanghai Mayor's International Business Leaders Advisory Council. An emeritus member of the Board of Visitors at Columbia College, Rob Speyer graduated magna cum laude from Columbia in 1992 and was elected to the Phi Beta Kappa Society.

**Michelangelo Volpi** - (non-executive director) - Mike Volpi has been a partner at Index Ventures since 2009. He is focused on investments software infrastructures for enterprises and Internet applications for consumers. Mike led the investment by Index Ventures in Arista Networks (NYSE: ANET), Cloud.com (now part of Citrix) and is currently a director of Sonos, Kong, Elastic, Pure Storage (NYSE: PSTG), Big Switch Networks, Zuora, Hortonworks (NASDAQ: HDP), Confluent, Wealthfront, Cockroach Labs, Xapo and Lookout. Mike began his career at Hewlett Packard's optoelectronics division. From 1994, Mike performed in various executive roles for 13 years at Cisco Systems. He served as the company's Chief Strategy Officer, where he was responsible for Cisco's corporate strategy as well as business development, strategic alliances, advanced Internet projects, legal services, and government affairs. During this tenure, Mike was instrumental in the creation of the company's acquisition and investment strategies, as Cisco acquired more than 70 companies. He then became Senior Vice President & General Manager of the Routing and Service Provider Technology Group, where he led Cisco's business for the Service Provider market, and was also responsible for all of Cisco's routing products. In 2007, this was an \$11 billion business for Cisco. Prior to Index, Mike was the CEO of Joost – an innovator in the field of premium video services delivered over the Internet. He has master's and bachelor's degrees in mechanical engineering from Stanford University and an M.B.A. from the Stanford Graduate School of Business. Mike services on the board of FCA and is a trustee of the Castilleja School in Palo Alto, CA.

**Ruth Wertheimer** - (non-executive director) - Ruth Wertheimer is the Founder, Owner and Chairwoman of 7-Main, a family office focused on long-term minority partnerships in leading technology-industrial, technologically-led companies with families and private people as long-term anchor shareholders. Its areas of interest include among others: automation, robotics, sensors, photonics and special diagnostics. Mrs. Wertheimer, born in Israel, is a board member and one of the major shareholders of the Wertheimer Company Ltd., a family holding company and the former anchor shareholder of IMC Metalworking Companies BV (sold to Berkshire Hathaway in two stages during 2006 and 2013), and the Blade Technologies International Group (sold to their partner Pratt & Whitney in 2014). IMC Metalworking Companies, in which Mrs. Wertheimer served as a board member until 2013, is a global leading manufacturer of precision metal working tools. The Blade Technologies International Group is a global leading manufacture of air foils for jet engines. Mrs. Wertheimer, is also a board member of Old I Ltd.

### ***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 the diversity of experience, expertise and backgrounds, and also the appropriate independence and judgment to allow the Board of Directors to fulfill its responsibilities and execute its duties appropriately. 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 to diversity in education, gender (at least 30% male and female representatives), background, knowledge, expertise and work experience, has been adopted on 13 November 2017 by the Board of Directors 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, as from the financial year 2017 the Company should strive to achieve that its Board of Directors contain at least 30% male and at least 30% female board members, and it should disclose in its annual report if this requirement is not met. Five of the current fifteen Board members are female, and therefore the Board of Directors complies with the above mentioned gender diversity.

### ***Board Regulations***

By means of the resolution approved on 12 December 2016, the Board of Directors adopted its regulations, pursuant to Article 20.8 of the Articles of Association. Such regulations deal with matters that concern the Board of Directors and its committees internally.

The regulations 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 communicate with each other simultaneously.

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 be represented at a meeting of the Board of Directors only 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 shall have 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 the relevant manner of adopting resolutions.

The regulations are available on the Company's website at [www.exor.com](http://www.exor.com).

### ***Indemnification of Directors***

To the extent permissible by law, as prescribed under Article 24 of the Articles of Association, the Company will indemnify and hold harmless each Director, both former members and members currently in office (each of them an "Indemnified Person"), against any and all liabilities, 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***

A Director may not participate in deliberating 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.

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

### ***Amount and Composition of the remuneration of the Board of Directors***

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

## **THE AUDIT COMMITTEE**

The Audit Committee is responsible for assisting and advising the Board of Directors and for acting under authority delegated by the Board of Directors, with respect to (i) the integrity of the Company's financial statements, including any published interim reports; (ii) the Company's policy on tax planning adopted by management; (iii) the Company's financing; (iv) the application by the Company of information and communication technology; (v) the systems of internal controls that management and/or the Board of Directors have established; (vi) the Company's compliance with legal and regulatory requirements; (vii) the Company's compliance with recommendations and observations of internal and independent auditors; (viii) the Company's policies and procedures for addressing certain actual or perceived conflicts of interest; (ix) the qualifications, independence and remuneration of the Company's independent auditors and any non-audit services provided to the Company by the independent auditors; (x) the functioning of the Company's internal auditors and independent auditors; (xi) risk management guidelines and policies; and (xii) the implementation and effectiveness of the Company's ethics and compliance program.

The Audit Committee currently consists of Mr. Bolland (Chairman), Ms. Fentener Van Vlissingen and Mr. Rattazzi. As contemplated by the Dutch Corporate Governance Code and Article 2.1 of the Audit Committee Charter, one of the abovementioned members is not independent. The Audit Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors. Each member of the Audit Committee shall, further 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.

At least one member of the Audit Committee shall be a "financially literate" 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. The independent auditors and the internal auditor will, unless the Audit Committee determines otherwise, attend the meetings of the Audit Committee. The Company's Chief Executive Officer and Chief Financial Officer will be free to attend the meetings of the Audit Committee unless the Audit Committee determines otherwise.

The Audit Committee met five times during 2017, of which one informative session. The attendance rate is shown in the table on page 54 of this report. The CFO, the General Counsel and the Chief Audit Executive (head of the Internal audit function) and the external auditor (Ernst & Young Accountants LLP) attended the meetings. Furthermore, after two meetings, the Committee met separately with each of the CFO and the General Counsel, the Chief Audit Executive and the external auditor.

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 Risk Management & Control systems in place; the Internal and External audit plan; Company code of conduct; Compliance with legal requirements; Governance alignment; review of the policies and procedures in place; review of the internal Audit assessment on the Separate/Consolidated financial reporting, Treasury, IT systems and Press Release procedures; 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 auditor.

## **INTERNAL AUDIT FUNCTION**

The Corporate Governance Code emphasizes on an internal audit function and as the Company underlines the importance of an internal audit function, 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 and contributes to the protection of corporate assets, as well as to ensuring the efficiency and effectiveness of business processes, reliability of financial information and compliance with laws, regulations, the Articles of Association and internal procedures.

The effectiveness of the internal control risk management and internal control systems were tested by the Internal Audit Function and no material weaknesses were identified.

## **THE COMPENSATION AND NOMINATING COMMITTEE**

The function of the Compensation and Nominating Committee is to assist and advise the Board of Directors and act under authority delegated by the Board of Directors with respect to (i) executive compensation; (ii) the Company's remuneration policy; (iii) compensation of Non-Executive Directors; (iv) remuneration reports; (v) drawing up 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 a profile of composition of the Board of Directors; (vii) periodic assessment of the performance of individual Directors and reporting on this to the Board of Directors; (viii) proposals to the Non-Executive Directors for the nomination and re-nomination of Directors to be elected by the shareholders; (ix) supervision of the policy on the selection and appointment criteria for senior management and on succession planning; and (x) monitoring, evaluating and reporting on the sustainable policies and practices, management standards, strategy, performance and governance globally of the Company and its subsidiaries.

The Compensation and Nominating Committee currently consists of Mr. Volpi (Chairman), Mr. Nasi and Mr. Speyer. As contemplated by the Dutch Corporate Governance Code and Article 2.1 of the Compensation and Nominating Committee Charter, one of the abovementioned members is not independent. The Compensation and Nominating Committee is elected by the Board of Directors and is comprised of at least three Non-Executive Directors. In 2017 the Compensation and Nominating Committee met once during 2017 and the attendance of its members at that meeting was 100%.

The main items discussed and/or reviewed during that meeting were: review of the 2016 Remuneration Report; review of the amended and restated Remuneration Policy; review, assess and discuss the results of the self-assessment of the Board of Directors; establish the independency of the Board Members; to establish the profile for the composition of the Board of Directors and assess the composition of the Board and proposing new candidates to be nominated as director and assessment of the directors to be reappointed.

## DISCLOSURES PURSUANT TO DECREE 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 capital 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 of 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 section " Significant Shareholders" 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-third 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 been authorized as well by the general meeting of shareholders with effect from 11 December 2016 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 at a repurchase price per share, excluding expenses, not higher than 10% above the reference price recorded for the ordinary shares on the MTA on the day before each transaction is made or, in the event of purchases carried out through public purchase or exchange offerings, at price levels not lower than 10% below the reference price recorded by the ordinary shares on the stock exchange on the day before the disclosure to the public and not higher than 10% above the reference price recorded by the ordinary shares on the stock exchange 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 of the company 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.

## **CORPORATE OFFICES**

The Company is incorporated under the laws of the Netherlands. It 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, lett. 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.

## **CODE OF ETHICS-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, 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 which EXOR follows in the conduct of its activities and the rigorous observance of which it requires of all persons in the Company and more generally of all those who work with and are collaborators of the Company in the pursuit of its corporate mission; 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 on Company’s assets and relationships with 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.

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 at [www.exor.com](http://www.exor.com).

## **INSIDER TRADING POLICY**

The EXOR Insider Trading Policy is intended to make all employees of EXOR aware of the legal and regulatory duties regarding, and the sanctions applicable to, insider dealing 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 and persons closely associated with them when dealing in securities of EXOR.

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 5 April 5 2017.

## **REPORT OF THE NON-EXECUTIVE DIRECTORS**

### ***Introduction***

This is the report of the non-executive Directors of the Company over the financial year 2017 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 enterprise, including the implementation of the strategy of the Company regarding long-term value creation. In so doing, 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 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, the implementation of such plans and the risks associated.

Due to the revised Dutch Corporate Governance Code becoming applicable with regard to the financial year 2017, the non-executive Directors and especially the members of Audit Committee spent significant time during the past year to assess the required amendments and arrange for revised updates of the various corporate governance documents of the Company to align those to the current Dutch Corporate Governance Code. The non-executive Directors also determine the remuneration of the executive directors and nominate candidates, via the Compensation and Nominating Committee, Directors 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 and 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. The Board of Directors has furthermore proposed amendments to the Remuneration Policy, which were adopted by the general meeting on 30 May 2017.

## **IN CONTROL STATEMENT**

### **Internal Control System**

Based on the assessment performed, the Board of Directors believes that, as of December 31, 2017, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Report on Operations 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 in page 60, (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 in page 47, (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 154 and in the Company Financial Statement from page 273, and (iv) the Report on Operations 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 Report on Operations. You may refer to the Risk Factors section in page 3.

26 March 2018

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 Report on Operations, 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 Report on Operations 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.

26 March 2018

The Board of Director

John Elkann

Sergio Marchionne

Alessandro Nasi

Andrea Agnelli

Niccolò Camerana

Ginevra Elkann

Lupo Rattazzi

Marc Bolland

Melissa Bethell

Laurence Debroux

Anne Marianne Fentener van Vlissingen

António Mota de Sousa Horta-Osório

Robert Speyer

Michelangelo Volpi

Ruth Wertheimer

## NON FINANCIAL STATEMENT

### 1. METHODOLOGY AND SCOPE

This Non-Financial Statement 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 Non-Financial Statement relies on the GRI Sustainability Reporting Guidelines and includes non-financial information of the Holdings System (EXOR N.V., Ancom USA Inc., Exor Capital DAC, Exor Investments Limited, Exor Investments Limited Partnership, Exor Nederland N.V., EXOR S.A., Exor SN LLC) and a focus on the relevant operating subsidiaries (CNH Industrial, Ferrari NV, Fiat Chrysler Automobiles, Juventus Football Club, and PartnerRe), which illustrates their business model, main risks, main policies and outcomes (see paragraph "Socio-environmental performance of the operating subsidiaries").

The most significant outcomes of EXOR Group's activities are related to its employees. To describe these outcomes, specific KPIs non-financial key performance indicators have been identified and are reported in the paragraph "6.1 Human Resources").

With regard to environmental matters, EXOR Group commits to the respect and protection of the environment, however due to the nature of its activities, the impacts of its Holdings System are considered negligible for the understanding of the undertaking's development, performance, position and impact of its activity. The topic is therefore covered through the most important operating groups: CNH Industrial, Ferrari NV, Fiat Chrysler Automobiles.

This Statement illustrates the non-financial impacts for the period from 1 January 2017 to 31 December 2017. Due to the nature of its business, Juventus Football Club prepares its reporting documents covering the period from July 1st, 2016 to June 30th, 2017 ("Season 2016/2017").

### 2. HOW EXOR CREATES VALUE

#### 2.1. Business Model

The EXOR Group, through its subsidiaries, is present in a diversified range of sectors, particularly Automotive (FCA), Agricultural Equipment, Construction Equipment and Commercial Vehicles (CNH Industrial), Ferrari brand, an icon of luxury, style and speed, reinsurance services (PartnerRe) and professional football (Juventus Football Club).

EXOR invests with a long-term view, among others in significant (controlling or non-controlling) equity investments, with an objective to achieve an optimal return from investment income and capital appreciation. EXOR invests without a defined investment and divestment policy and is not bound by any specific target or criteria regarding geographical and industrial features of its investments, holding period and achievements of targets. EXOR generates returns, which may be reversed, reinvested or distributed to shareholders at the absolute discretion of the company (subject only to shareholder vote on dividend distribution). EXOR is an active shareholder, combining its entrepreneurial approach with sound financial discipline. It brings in finance for the development of its companies, to improve their competitive position and profitability, and maintains a constant dialogue with the top management of the companies in which it invests, while fully respecting their operating autonomy.

#### 2.2. Strategy

EXOR is an investment holding company, with a very lean structure, which makes long-term investments focused on global companies in diversified sectors.

EXOR is a responsible investor, uniting its entrepreneurial approach with sound financial discipline. It concentrates on the development of its companies, improving their competitive position and profitability. EXOR invests in global companies in diversified sectors, mainly in Europe and the United States, focusing its resources on a few global companies, with a long-term time horizon.

The values on which the Company bases its actions are, in particular:

- Excellence: EXOR aims to achieve excellence, encouraging and aspiring to continuous improvement in all its activities.
- Respect: respect for persons is at the center of all action undertaken by the Company which undertakes to make the most of the characteristics, dignity and uniqueness of each individual.
- Trust: EXOR aims to establish a relationship of trust with its counterparties and to meet expectations by keeping faith with commitments undertaken.

### 2.3. Risks

EXOR is committed to promoting and maintaining an internal control and risk management system being the body of rules, procedures and organizational structures whose purpose 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.

EXOR's activities are subject to a number of laws and regulations, the Company is subject to risks inherent to operating globally, including those related to compliance with applicable anti-corruption laws.

The success of EXOR and of the EXOR Group depends to a large extent on the abilities of its own senior executives and of the other components of the management team to manage efficiently EXOR and the EXOR Group and the individual business areas. If one or more managers should resign from service with EXOR and should it not be possible to adequately replace them in a timely manner with persons of equal skill and experience, its competitive capacity could diminish with potentially negative effects on the business and on the ability to replicate the results achieved in the past.

The nature of EXOR's activities limits the risks associated to environmental matters, thus, the identification and the management of these risks are addressed by its operating subsidiaries.

EXOR is exposed to the risks typical of the sectors and markets in which its operating subsidiaries and affiliates operate.

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

### 2.4. Investment and analysis organization

EXOR ensures the achievement of its objectives as a responsible shareholder by adopting the following principles in the selection and management of its investments:

- Personnel: highly professional managers with successful experience who contribute to the creation of value and who "think and act as entrepreneurs".
- Economic and financial results: companies which have shown a significant capacity to generate cash and profits, with a balanced financial structure.
- Competitive position: companies with a competitive advantage which is sustainable in the long term and which are or are capable of becoming best in class.
- Governance: presence on the Boards of Directors in order to oversee performance and to contribute to the development of the company.

EXOR applies the investment principles stated above in this document by taking into account in the decision-making process the following objectives:

- Observance of applicable laws and regulations.
- Support of the principles in the universal declarations of human rights (hereafter the "Declaration of Human Rights").

- Careful evaluation of environmental and social issues.
- The promotion of policies supporting sustainable development plans which are coherent with corporate Social Responsibility best practices.

### 3. STAKEHOLDER RELATIONSHIP

Recognizing the importance of all stakeholders, both internal and external, the Company aims to extend its commitment beyond the economic results of its activities, to consider also the social and environmental impacts. Corporate Social Responsibility is expressed in substance in the assessment of the impact of all decisions of the future, health and wellbeing of the entire community.

The Company believes that it is of fundamental importance that by means of its instruments of corporate governance the conduct of individuals is directed towards compliance with its ethical principles; it is therefore committed to:

- Maintaining a culture open to dialogue based on a relationship of trust with its stakeholders.
- Ensuring that its activities are transparent and that potential conflicts of interests are identified promptly.
- Contributing to the fight against corruption, exposing any form of collusive behavior.
- Sustaining the protection and the safeguarding of human rights in accordance with the principles affirmed in the 1948 Universal Declaration.
- Recognizing and defending the principles established in the International Labor Organization's Fundamental Conventions and in particular the elimination of discrimination by gender in employment and career opportunities, freedom of association and the right to collective bargaining, the elimination of forced labor and the abolition of child labor.

### 4. CORPORATE GOVERNANCE

The Board of Directors, has adopted the Code of Conduct, that sets out the principles and the ethical values which EXOR follows in the conduct of its activities and the rigorous observance of which it requires of all persons in the Company and more generally of all those who work with and are collaborators of the Company in the pursuit of its corporate mission. In addition, the Board of Directors is responsible for overseeing the sustainability performances of the firm and its operating companies.

#### 4.1. Composition of the Board of Directors

The Company believes that its Board of Directors has the diversity of experience, expertise and backgrounds, and the appropriate independence and judgment so as to allow the Board of Directors to fulfill its responsibilities and execute its duties appropriately. The Board of Directors has considered the steps to take in order to maintain the appropriate balance of experience, knowledge and background among the Directors.

Directors by gender and age groups	30-50	>50	Total
Male	5	5	10
Female	3	2	5
Total	8	7	15

## 5. INTEGRITY OF BUSINESS CONDUCT

EXOR's ethical values foundation and ambitions as an employer are set out in the EXOR NV's Code of Conduct, that 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.

The Company conforms to the following Ethical Principles:

- Observance of the law: the behavior of Addressees, 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: in the management of the various activities of the Company and in all related decisions, Addressees 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: in the performance of the Company activities the conduct of Addressees 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: In the management of Company activities and of relationships with stakeholders Addressees are required to adopt diligent conduct founded on the principles of fairness, correctness, collaboration, loyalty and mutual respect. In the conduct of the activities situations where the persons involved in transactions are or could be in conflict of interests must be avoided; these situations are those in which the Addressee pursues an interest which differs from that of the Company or in which he or she engages in activities which can, anyhow, interfere with his or her capacity to make decisions in the exclusive interest of the Company, or takes personal advantage of business opportunities of the Company. The Directors undertake to inform the Board of Directors of any interest or advantage of a financial nature which their or family members may derive from transactions submitted to the Board's review, with a view to ensuring that the interest of the Company in the transaction is adequately justified, paying particular attention to the duty of ensuring the correct and balanced management of the Company. In the presence of a potential conflict of interest Addressees are required to inform their supervisor or the person in the Company to whom they refer.
- 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. In cases of disclosure of information to third parties, which is permitted solely for business or professional purposes, the confidential nature of the information is expressly notified to the third party who is requested to observe the confidentiality obligation. No employee or collaborator may derive advantage of any kind, directly or indirectly, personal or financial, from the use of confidential information, nor may disclose such information to others or recommend or induce others to make use of such information. Disclosure of the information to third parties must be made only by authorized persons.
- Social Commitment: EXOR attaches great importance to its links with its community and contributes actively to its wellbeing sustaining activities in the field of social research, education, assistance and the promotion of culture.

EXOR's governance model is firmly based on its Code of Conduct and commits to the respect of human rights in all of its activities by endorsing the principles of the United Nations "Declaration on Human Rights".

### 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”).

The Code sets out the principles and the ethical values which EXOR follows in the conduct of its activities and the rigorous observance of which it requires of all persons in the Company and more generally of all those who work with and are collaborators of the Company in the pursuit of its corporate mission; 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 on Company’s assets and relationships with public institutions.

The following are required to be familiar with the dispositions of the Code: shareholders; executives, managers, supervisors and staff; all those who have a function of representation, administration and direction, or of management and control in the Company (also de facto); all employees, without any exception; collaborators (including, as mere example, consultants, professional advisers, etc.); and whoever enters into a business relationship with the Company.

The Company is committed to assuring the maximum diffusion of this Code of Conduct also by means of appropriate communication methods, also through 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](http://www.exor.com)).

The Code of Conduct is distributed to all employees after their hiring.

### 5.2. Anti-corruption

Corruption in all its forms is prohibited and the Company requires the full observance of the principles of integrity, correctness, impartiality and legality.

In particular, the Company asks all addressees 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 the offer, promise, give, pay or authorize the giving or payment, directly or indirectly, of an economic advantage of 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.

Informative material about specific procedures against corruption implemented by the firm is made available to all the employees.

### 5.3. Insider Trading Policy

The EXOR Insider Trading Policy is intended to make all employees of EXOR aware of the legal and regulatory duties regarding, and the sanctions applicable to, insider dealing 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 and persons closely associated with them when dealing in securities of EXOR and its group companies.

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 5 April 2017.

## 6. SOCIAL RESPONSIBILITY

### 6.1. Human Resources

The Company recognizes the central importance of human resources believing that the main factor of success of any enterprise is the professional contribution of its staff working in an environment of loyalty and mutual trust. Major emphasis is therefore put on recruiting processes, competence development, and building a good company culture.

Due to its global presence and its international activities, EXOR values and promotes a multicultural environment within its offices. EXOR's employees come from a diverse range of European countries, such as Italy, the Netherlands, and Spain as well as from extra-European countries, such as the United States.

EXOR is committed to providing its employees with compensation that is competitive and in line with the going rate in the market. Variable salary components are to be coupled to set targets and shall be distinctively value-creating.

All employees have full-time contracts.

#### NUMBER OF EMPLOYEES

Employees	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
<b>Total</b>	<b>21</b>	<b>16</b>
<i>of which women</i>	<i>66.7%</i>	<i>43.8%</i>

#### TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY GENDER

Type of employment contract	31 <sup>st</sup> December 2017			31 <sup>st</sup> December 2016		
	Male	Female	Total	Male	Female	Total
<b>Permanent</b>	7	13	<b>20</b>	9	7	<b>16</b>
<b>Temporary</b>	-	1	<b>1</b>	-	-	<b>-</b>
<b>Total</b>	<b>7</b>	<b>14</b>	<b>21</b>	<b>9</b>	<b>7</b>	<b>16</b>

#### NUMBER OF EMPLOYEES BY GEOGRAPHICAL AREA

Geographical Area	31 <sup>st</sup> December 2017			31 <sup>st</sup> December 2016		
	Male	Female	Total	Male	Female	Total
<b>The Netherlands</b>	1	8	<b>9</b>	2	4	<b>6</b>
<b>Luxembourg</b>	1	2	<b>3</b>	1	2	<b>3</b>
<b>United Kingdom</b>	5	4	<b>9</b>	6	1	<b>7</b>
<b>Total</b>	<b>7</b>	<b>14</b>	<b>21</b>	<b>9</b>	<b>7</b>	<b>16</b>

**PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY GENDER**

Employment category	31 <sup>st</sup> December 2017			31 <sup>st</sup> December 2016		
	Male	Female	Total	Male	Female	Total
Executive	3	2	5	3	1	4
Managers	3	5	8	3	4	7
Professionals	1	7	8	3	2	5
Total	7	14	21	9	7	16

**PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY AGE GROUP**

Employment category	31 <sup>st</sup> December 2017				31 <sup>st</sup> December 2016			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Executive	-	3	2	5	-	2	2	4
Managers	2	6	-	8	2	5	-	7
Professionals	3	3	2	8	1	3	1	5
Total	5	12	4	21	3	10	3	16

**NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER**

EMPLOYEE HIRED		
	2017	2016
Number of employees	8	7
Turnover %	38.1%	43.8%
EMPLOYEE TURNOVER		
	2017	2016
Number of employees	3	28
Turnover %	14.2%	175%

**6.2. Workplace health and safety**

The Company provides for working conditions which are respectful of the dignity of the individual and assures a healthy and safe workplace, in compliance with the applicable occupational accident prevention and health regulations.

EXOR promotes the diffusion of a culture of safety and awareness of the risks connected with work activities, requiring of every employee, collaborator and whoever for any reason works in the Company's offices, behavior which is responsible and which is respectful of the Company's safety systems and of all the company procedures which are an integral part of that system, contributing thereby to the maintenance of the safety of the workplace and the quality of the environment.

### 6.3. Discrimination and harassment

The Company protects and promotes the supreme value of the human being who must not be subjected to discrimination by reference 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 form of abuse of power. Authority must never be exercised in a manner which harms the dignity and autonomy of employees or collaborators in the broad sense. The Company's organizational decisions concerning work must safeguard the value of employees and collaborators.

The Company provides for the physical and moral safety of its employees and 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.

### 6.4. Supported Institutions and Foundations

It is important to emphasize that, in general, EXOR considers that it is fundamental to conduct its affairs responsibly from the social, human and environmental point of view and attaches great importance to the ties it has with its community. Being aware of the needs of "living together", EXOR supports various activities in the field of social research, education, cultural promotion and assistance. In fact, it financially supports and sustains numerous activities in the spheres of social research, education, care and the promotion of culture.

In the field of education, there are many projects and initiatives that are promoted by the Giovanni Agnelli Foundation, which is an independent institute of culture and research in the field of human and social sciences. 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 has its offices in Turin. Since 2008, the Foundation has chosen to concentrate its research activities on the themes of education (schools, universities and lifelong learning), convinced that education is amongst the main factors for economic richness, for social cohesion and for human fulfillment. The Foundation constantly launches new initiatives and projects, for example the "Combo, il laboratorio didattico", an educational experimentation project 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.

Moreover, in the field of education EXOR supports the Faro Foundation, which was founded in Rome in 1997 to help young people coming from all over the world in overcoming difficult living conditions. The Foundation organizes free training courses and promotes professional integration by giving people the basic instruments. Il Faro also gives hospitality to people in state of need.

As for EXOR's commitment to healthcare research, the Company financially supports the mission of the Piedmontese Foundation for Cancer Research, ONLUS formed to set up an oncological institute in Piedmont that, through scientific research and clinical practice, would offer an important contribution to conquering cancer, thus becoming a center of reference for oncology. Since the year of its constitution in 1986, the Foundation has raised and invested over 100 million euros in the fight against cancer. It has undertaken to complete the construction and the technological equipment of the Candiolo Institute and promotes study projects relative to oncological research.

EXOR sustains many cultural initiatives, for example The Giovanni and Marella Agnelli Gallery of Art, an institution of a museum through which the Foundation of the same name operates, which was set up in 2002 to carry out activities of public interest in the area of culture, especially in the artistic field and the study of art.

## 7. ENVIRONMENTAL RESPONSIBILITY

EXOR commits to the respect and protection of the environment, however due to the nature of its activities, the impacts of its operation on the surrounding environment are considered negligible. EXOR fully supports its operating companies in the effort that sees them involved in producing regular, carefully compiled sustainability reports, according to international best practices.

The companies controlled by EXOR (and thus consolidated, in accordance with IFRS) are committed to sustainability, in particular the most important operating groups such as FCA, CNH Industrial and Ferrari.

For several years, these companies have decided to make specific, measurable commitments with regard to the environment and, more generally, with regard to sustainability. As a result, they have adopted pervading management processes at the level of the various corporate functions (and hierarchical levels) and regularly publish sustainability reports. Business strategies and aims with regard to sustainable development are pursued and implemented autonomously by these companies, each of which follows its own model of corporate governance. Further details are provided below.

## **8. SOCIO-ENVIRONMENTAL PERFORMANCE OF THE SUBSIDIARIES**

EXOR's investment portfolio is monitored and analyzed constantly 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

For EXOR it is essential to maintain a responsible behaviour from the social, human and environmental point of view.

This is why EXOR supports policies aiming at promoting sustainable development in line with a Corporate Social Responsibility perspective. This section focuses on the sustainable and social responsibilities of the main EXOR subsidiaries.

### **8.1. 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 the aspiration to grow the business but also its commitment to positively affect the world.

The Board of Directors' Governance and Sustainability Committee evaluates proposals related to strategic sustainability initiatives, advises the full Board as necessary, and reviews the annual Sustainability Report.

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. FCA endorses the United Nations ("UN") Declaration of Human Rights, the International Labour Organization ("ILO") Conventions and the Organization for Economic Co-Operation and Development ("OECD") Guidelines for Multinational Companies. Included in FCA's Code of Conduct are, among others, rules related to anti-bribery, anti-corruption, anti-competitive behavior and conflicts of interest.

Employees are provided training about ethics and compliance, with particular focus on the Code of Conduct, anti-corruption, corporate governance and human rights, including non-discrimination. The Group's policy against anti-corruption and anti-bribery is communicated to all employees and executive members.

The FCA Human Rights Guidelines, publicly available, are consistent with the spirit and intent of the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights ("Ruggie Framework"), the United Nations Sustainable Development Goals, the OECD Guidelines for Multinational Companies, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization, and the Modern Slavery Act 2015.

Each year, FCA conducts an analysis of sustainability-related topics which may be considered material to the Company. 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.

The Company 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. A Diversity Policy and related targets are adopted to ensure adequate diversity representation within members of the Board of Directors.

## NUMBER OF EMPLOYEES

Employees	Season 2016/2017	Season 2015/2016
<b>Total</b>	<b>235,915</b>	<b>231,019</b>
<b>of which women</b>	<b>21.5%</b>	<b>21.2%</b>

FCA aims to provide all employees with a safe, healthy and productive work environment at every site worldwide and in every area of activity. At year-end 2017, the vast majority of FCA's plants had an Occupational Health & Safety Management System in place that was OHSAS 18001 certified.

Strong supplier relationships built on cooperation and mutual understanding are vital to the effective sourcing of goods and services. 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. If a supplier fails to meet these standards, a corrective action plan, jointly developed with FCA, is required. FCA may exercise the right to terminate the business relationship.

FCA's Environmental Guidelines specify the Group's commitment to address environmental and climate change issues. The Group has implemented an Environmental Management System ("EMS") worldwide, aligned with ISO 14001 standards.

The Group seeks solutions that enable further reductions in greenhouse gas emissions and the use of fossil fuels. Over time, these solutions have generated significant savings in energy-related costs.

Total CO<sub>2</sub> emissions from manufacturing processes decreased more than two percent to 3.8 million tons compared with 2016. Estimated emissions of other substances based on direct fuel consumption for energy production slightly increased in 2017.

FCA aims to responsibly manage the entire water cycle, adopting technologies and procedures to increase recycling and reuse of water and decrease the level of pollutants in discharged water.

	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
<b>Total energy consumption</b> (million GJ)	<b>48.2</b>	<b>47.4</b>
<b>Total CO<sub>2</sub> emissions</b> (million tons of CO <sub>2</sub> )	<b>3.8</b>	<b>3.9</b>
<b>NO<sub>x</sub></b> (tons)	<b>1,350</b>	<b>1,319</b>
<b>SO<sub>x</sub></b> (tons)	<b>105</b>	<b>83</b>
<b>Dust</b> (tons)	<b>59</b>	<b>53</b>
<b>Total water withdrawal</b> (million m <sup>3</sup> )	<b>24.1</b>	<b>24.4</b>

For more information, please refer to the FCA 2017 Annual Report and corporate website.

## 8.2. CNH Industrial

CNH Industrial believes that growth only has value if it is also sustainable and, therefore, considers the management of the environmental and social impacts of its activities to be fundamental.

Within the Board of Directors, the Governance and Sustainability Committee is responsible for strategic oversight of sustainability-related issues and for reviewing the annual Sustainability Report. The Sustainability Steering Committee, established in 2016, was assigned responsibility to identify sustainability strategies, to integrate sustainability into operating processes, and to provide a forum for communication and benchmarking among the regions.

The CNH Industrial sustainability management system consists of the following tools:

- the Code of Conduct, approved by the Board of Directors, and related Company policies which set out the Company's approach to key issues;
- a set of policies to manage specific issues, as well as the Human Capital Management Guidelines, Green Logistics Principles, and the Supplier Code of Conduct;
- the materiality analysis, which defines social and environmental priorities;
- stakeholder engagement on material topics (there is a dedicated email address for stakeholders to make requests, ask questions and provide feedback);
- 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 Sustainability Plan, including long-term targets, that identifies action priorities and tracks commitments undertaken; and
- the annual Sustainability Report, which discloses the Company's performance on sustainability aspects

CNH Industrial's business is, by its nature, labor intensive and this is reflected in the high number of hourly employees the Group employs. CNH Industrial is committed to supporting its employees with development opportunities and recognizing and rewarding their achievements and contribution to business results.

### NUMBER OF EMPLOYEES

Employees	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
<b>Total</b>	<b>63,356</b>	<b>62,828</b>

As stated in CNH Industrial's Code of Conduct, occupational health and safety is an employee's fundamental right and a key part of CNH Industrial's sustainability model. As demonstration of its commitment in this area, 60 plants around the world are OHSAS 18001 certified.

CNH Industrial is committed to continuously improving the environmental performance of its manufacturing processes. As of December 31, 2017, 56 plants were ISO 14001 certified, while energy management system according to ISO 50001 was rolled out to 47 plants, representing about 97% of energy consumption. Environmental performance relates to 54 fully consolidated plants.

	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
<b>Total energy consumption</b> (GJ per hour of production)	<b>0.1125</b>	<b>0.1196</b>
<b>CO<sub>2eq</sub> emissions</b> (tons per hour of production)	<b>0.0069</b>	<b>0.0078</b>
<b>VOC emissions</b> (g/m <sup>2</sup> )	<b>36.5</b>	<b>38.4</b>
<b>Total water withdrawal</b> (m <sup>3</sup> per hour of production)	<b>0.084</b>	<b>0.100</b>

*Energy performance relates to 52 fully consolidated plants.*

For more information, please refer to the CNH 2017 Annual Report and corporate website.

### 8.3. Ferrari

Ferrari is among the world's leading luxury brands focused on the design, engineering, production and sale of the world's most recognizable luxury performance sports cars.

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 and practices, management standards, strategy, performance and governance globally, and reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the annual Sustainability Report.

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. Ferrari endorses the United Nations ("UN") Declaration on Human Rights, the International Labor Organization ("ILO") Conventions and the Organization for Economic Co-Operation and Development ("OECD") Guidelines for Multinational Companies. The company's policies includes policies for respecting Human Rights which prohibits child and forced labor and pays attention to safe working environments for our employees.

Ferrari is committed to the highest standards of integrity, honesty and fairness in all internal and external affairs and does not tolerate any kind of bribery. Ferrari circulates among all the employees a policy against bribery and corruption. In addition, Ferrari places particular emphasis on a safe and eco-friendly working environment including proper working conditions and respect for human rights by endorsing the international conventions of Human Rights and labor conditions.

In 2017, Ferrari has updated the analysis of the most relevant sustainability topics (materiality analysis) for the Company and its stakeholders in order to identify strategic priorities with defined actions. The Company is committed to create a culture of sustainability, which requires effective risk management, responsible and proactive decision-making and innovation. In particular, the most material topics identified by Ferrari are strongly connected with the key risks linked to brand reputation, innovation and customer satisfaction.

The high attention and care for Ferrari's products is the foundation upon which its success is built and this is feasible thanks to the efforts of the people working in Ferrari.

#### NUMBER OF EMPLOYEES

Employees	Season 2016/2017	Season 2015/2016
<b>Total</b>	<b>3,380</b>	<b>3,248</b>
<b><i>of which women</i></b>	<b><i>12.3%</i></b>	<b><i>11.5%</i></b>

Ferrari is particularly focused on the safety of its people. The Maranello and Modena plants, and also the Mugello racing circuit, have obtained the OHSAS 18001 certification.

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. All suppliers must respect the Ferrari Code of Conduct, which includes the set of values recognized, adhered to and promoted by the Company.

Ferrari has invested heavily to minimize its environmental impact since 2001. In 2016, Ferrari obtained the renewal of the certification of its environmental management system according to the new standard ISO 14001:2015.

The monitoring and management of the environmental performance of the productive plants is aimed at minimizing the impact of the activities on the environment, particularly in relation to the energy consumption and CO2 emissions of production facilities.

Since 2014, Ferrari Group has been purchasing Guarantee of Origin certificates in order to increase the percentage of energy consumed derived from renewable sources, thus reducing the corresponding CO<sub>2</sub> emissions. Other significant air emissions are related mainly to volatile organic compounds (VOCs) released during vehicle manufacturing.

All the water sourced by Ferrari comes from municipal water supplies or other utilities and wells: as of today, no water bodies are directly affected by the withdrawal of water.

	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
<b>Total energy consumption</b> (thousands GJ)	1,632	1,639
<b>Total CO<sub>2eq</sub> emissions</b> (tons of CO <sub>2eq</sub> )	93,328	93,243
<b>NO<sub>x</sub></b> (tons)	69.6	74.3
<b>SO<sub>x</sub></b> (tons)	0.9	1.5
<b>Volatile Organic Compounds (VOCs)</b> (tons)	55.9	52.5
<b>Dust</b> (tons)	2.4	5.5
<b>Total water withdrawal</b> (thousands of m <sup>3</sup> )	751.6	588.4

For more information, please refer to the Ferrari 2017 Annual Report and corporate website.

#### 8.4. PartnerRe

PartnerRe is a leading global reinsurer that helps insurance companies reduce their earnings volatility, strengthen their capital and grow their businesses through reinsurance solutions.

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 and responsibility; therefore, the highest level of ethical conduct should be reflected in all of business activities.

The Board of PartnerRe has adopted the Code of Business Conduct and Ethics, which applies to all directors, officers and employees. Any specific waiver of its provisions requires the approval of the Audit Committee. Any waiver required to be publicly disclosed will be posted on our website at [www.partnerre.com](http://www.partnerre.com) within four business days of such waiver being granted. This Code of Conduct is designed to provide a high-level overview of these core values in practice. It is supplemented by additional policies and guidelines that fully explain the application of these values. Employees are required to read, understand, accept and apply the values contained in the Code of Conduct and in all other policies and guidelines applicable to them, in their everyday work and behavior.

PartnerRe is committed to an environment free from conflicts of interest and to fighting corruption, in compliance with applicable laws and regulations. PartnerRe strives to provide each employee with a healthy and safe work environment. It is the responsibility of each employee to maintain this healthy and safe workplace by following environmental, health and safety rules and practices.

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.

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.

#### NUMBER OF EMPLOYEES

Employees	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
<b>Total</b>	<b>978</b>	<b>957</b>

For more information, please refer to the PartnerRe 2017 Annual Report and corporate website.

#### 8.5. Juventus

Sport and above all football, because of its visibility and media presence, is a unique opportunity to promote values such as integration, non-discrimination, mutual respect and education in general: these are key issues in Juventus's approach to sustainability.

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 responsibilities concerning management, monitoring and review of the internal auditing and risk management system, risk governance system being in line with the best practices, system of remuneration and incentives for managers based on the industry's specificities, the employees.

Juventus values are outlined in the Code of Ethics, which the social bodies and Juventus employees, just like everyone who works to achieve Company objectives, with his own functions and responsibilities, must respect.

Corruption is a very topical subject in the football panorama. Juventus carried out specific training activities on key subjects such as the principles listed in the Code of Ethics and the Organization, Management and Control Model in accordance with Legislative Decree 231/2001.

In a climate of change and motivation focused on a more modern, innovative approach the Juventus human resources management model – aligned with its business strategy – defines objectives analysis and appraisal criteria, and establishes solid foundations for the management and development of human capital.

#### NUMBER OF EMPLOYEES

Employees	Season 2016/2017	Season 2015/2016
<b>Total</b>	<b>230</b>	<b>210</b>
<b><i>of which women</i></b>	<b><i>44.3%</i></b>	<b><i>44.3%</i></b>

For more information, refer to the Juventus 2016/2017 Sustainability Report and corporate website.

## REMUNERATION OF DIRECTORS

### Foreword

This paragraph 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 remuneration policy (the “Remuneration Policy”) – as approved and adopted by the general meeting of shareholders on 30 May 2017 – applicable to Executive and Non-Executive directors of EXOR N.V. (“EXOR” or the “Company”). The Remuneration Policy is available on the Company’s website at [www.exor.com](http://www.exor.com).

The compensation policy may be subject to amendments or updates by the board of directors of the Company (the “Board of Directors”, and each member thereof a “Director”) in the light of the periodical assessments made by the Compensation and Nominating Committee of the adequacy, overall coherence and effective application of the policy. Amendments to the Remuneration Policy will be submitted for approval to the general meeting of shareholders.

Section II of the Report provides information on the compensation paid (i) to the Directors with reference to the period from 1 January 2017 until the end of the financial year (*i.e.* 31 December 2017).

## 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 of the interests of management 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.

#### Scenario analysis

The Compensation and Nominating Committee has not conducted a scenario analysis as the annual variable compensation depends only on one scenario at the moment, being the Net Asset Value (“NAV”) per EXOR share exceeding the average change in the MSCI World Index. The Compensation and Nominating Committee has assessed the Remuneration Policy and established it well functioning in terms of a relationship between the Company’s objectives, the chosen performance criteria and the long term interest/value creation.

#### 2017 Internal pay ratios

The Company is not disclosing pay ratios for the 2017 compensation, as the Dutch Corporate Governance Code does not describe the methodology to determine and disclose such ratios. The Company will continue to monitor the new and still evolving guidance under the Dutch Corporate Governance Code.

## Remuneration for Executive Directors

The Board of Directors determines the compensation for Executive Directors 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 short and long term components of Executive Directors' variable remuneration are linked to predetermined, assessable targets.

### Fixed component

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. The Company's policy is to periodically benchmark comparable salaries paid to executives with similar experience by comparable companies.

### Variable components

Executive Directors are also eligible to receive variable compensation subject to the achievement of pre-established financial and other identified performance targets. 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 in the three preceding years.

### Short-Term Incentives

The primary objective of performance based on 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 short-term (*i.e.* annual) financial and other identified objectives proposed by the Compensation and Nominating Committee and approved by the Non-Executive Directors each year.

To determine Executive Directors' annual performance bonus, the Compensation and Nominating Committee and the Non-Executive Directors:

- approve Executive Directors' targets and maximum allowable bonuses;
- select the appropriate metrics and their weighting;
- set the stretch objectives;
- consider any unusual items in a performance year to determine the appropriate measurement of achievement; and
- approve the final bonus determination.

In addition, upon proposal of the Compensation and Nominating Committee, 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.

### Long Term Incentives

The primary objective of performance based on long-term variable incentives is to reward and retain qualified Executive Directors over the longer term while aligning their interests with those of shareholders.

The Company's long-term variable incentives consist of a share-based incentive plan that links a portion of the variable component to the achievement of pre-established performance targets consistent with the Company's long-term business planning. 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 personal use of aircraft, company car and driver, personal/home security, medical insurance, accident insurance, tax preparation and financial counseling. The Compensation and Nominating Committee may grant other benefits to the Executive Directors in particular circumstances.

### **Compensation of the Chief Executive Officer**

The Chief Executive Officer's annual compensation is of US\$1,000,000 plus a compensation of \$1,000,000, the so-called "cash performance", which will however 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 in the three preceding years. According to the 2016 Long Term Stock Option Plan (as defined below), the Chief Executive Officer of the Company has been granted an amount of options corresponding to a value of \$ 4.000.000 per year for the duration of the aforesaid plan. The stock options granted to the Chief Executive Officer according to the previous incentive plans are still in force and will not be affected by the above.

### **Remuneration for Non-Executive Directors**

Remuneration of Non-Executive Directors is approved by the general meeting of shareholders on May 30, 2017 and will be periodically reviewed by the Compensation and Nominating Committee.

The current annual remuneration for the Non-Executive directors is:

- 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.

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.

### **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 and to reward such persons for their loyalty and commitment (the "Stock Option Plans") Stock Options Plans are described as follows.

### **The EXOR 2008-2019 Stock Option Plan**

The compensation of the Chief Executive Officer is in part tied to the overall economic performance of the Company, as expressed in the performance of its share price, insofar as he is a beneficiary of the 2008-2019 Stock Option Plan. The beneficiaries of the 2008-2019 Stock option Plan besides the Chief Executive Officer are employees of EXOR or former employees as long as they remain employed by companies EXOR controls and who occupy positions of importance in the enterprise and which the Company seeks to retain and also to involve in the development of the results of EXOR and of its group, correlating the economic incentives with the Company's medium-to-long-term shareholder value. No performance criteria need to be met. The option rights granted vest and thereby became exercisable progressively over a period running from 14 May 2014 to 14 May 2016. The vesting period ended per 14 May 2016.

### **The 2012 Incentive Plan**

The general meeting of shareholders approved a further incentive plan in 2012 (the "2012 Incentive Plan"). The objective of the 2012 Incentive Plan, one of the recipients of which is the Chief Executive Officer, is to increase the Company's capacity to incentivize and retain staff occupying key positions in the Company and in the in the companies controlled by EXOR by including in the compensation packages of the Plan's recipients incentive and retention components based on long term objectives aligned to strategic objectives and to the Company's new organizational structure.

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. In 2012, 795.000 stock options were granted.

Under the stock grant part of the plan, which is denominated as the "Long Term Stock Grant", recipients are granted a maximum of 400,000 shares, conditional on the professional relationship with the Company and with companies in the so called "Holdings System" as described on page 17 continuing until the vesting date which has been established as being in 2018.

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, established by the Board of Directors on the basis of a Compensation and Nominating Committee proposal, will be deemed to have been achieved if 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.

The Chief Executive Officer is a recipient only of the “Company Performance Stock Option” and as a result of the approval of the 2012 Incentive Plan by the general meeting of shareholders the Chief Executive Officer has been granted automatically 750,000 options giving the right, if the vesting conditions are satisfied, to purchase a corresponding number of the Company's ordinary shares at an exercise price based on the arithmetic average of the official Borsa Italiana list prices of the EXOR ordinary shares in the month preceding the general meeting of shareholders held on 29 May 2012.

The plan is serviced exclusively from own 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.

The granted options vest and become effectively exercisable over the vesting period, the years 2014 to 2018, in equal annual tranches from when they vest until the end of 2021. For the financial years 2015, 2016 and 2017 the target has been achieved.

#### **The 2016 Long Term Stock Option Plan**

The general meeting of shareholders held on 25 May 2016 approved a new stock option plan (the “2016 Long Term Stock Option Plan”).

This plan is in line with the most evolved international practice, 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 by the Chief Executive Officer as beneficiary) and vest in the following equal annual instalments.

The options will vest on 30 May each year as follows:

- in five equal annual quotas, from 2017, for options granted prior to 31 December 2016;
- in four equal annual quotas, from 2018, for options granted between 1 January and 31 December 2017;
- in three equal annual quotas, from 2019, for options granted between 1 January and 31 December 2018;
- in two equal annual quotas, from 2020, for options granted between 1 January and 31 December 2019; and
- in a single equal 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. Each option may be exercised since 3 years after 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.

### **Director and Officer Overlaps**

There are overlaps among the directors of Giovanni Agnelli B.V. and directors of the Company. In particular, John Philip Elkann, Alessandro Nasi and Andrea Agnelli are directors of Giovanni Agnelli B.V. John Philip Elkann has, further, the title of Chairman.

### **Treatment on cessation of office and non-competition agreements**

There are no agreements 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.

## **SECTION II**

### ***Board of directors***

Hereafter is an illustration – on an individual basis – of the compensation paid in whatever form to the Directors in the financial year 2017.

The data in the tables relate to assignments in the Company and to the operating subsidiaries and associates, listed and unlisted.

In addition the table Share Ownership sets out the number of common shares of EXOR and its subsidiaries owned by EXOR directors as the end of December 2017, except for FCA.

## Directors' Compensation

The following table summarizes the remuneration paid to the members of the Board of Directors for the year ended 31 December 2017.

	Office held	In office from/to	EXOR NV			Other Subsidiaries and associated	TOTAL
			Annual fee	Committee	Total	Total Compensation	
			(€)	(€)	(€)	(€)	(€)
Directors of EXOR N.V.							
ELKANN John Philipp	Chairman and CEO	1/1/2017 - 12/31/2017	1,686,594	(1)	1,686,594	2,294,862	3,981,456
MARCHIONNE Sergio	Vice Chairman	1/1/2017 - 12/31/2017		(1)	0	13,491,736	13,491,736
NASI Alessandro	Vice Chairman	1/1/2017 - 12/31/2017		(1)	7,500	467,396	474,896
AGNELLI Andrea	Director	1/1/2017 - 12/31/2017		(1)	0	676,229	676,229
CAMERANA Niccolò	Director	1/1/2017 - 12/31/2017		(1)	0		0
ELKANN Ginevra	Director	1/1/2017 - 12/31/2017		(1)	0		0
RATTAZZI Lupo	Director	1/1/2017 - 12/31/2017		(1)	15,000		15,000
BOLLAND Marc	Director	1/1/2017 - 12/31/2017	50,000		20,000	70,000	70,000
FENTENER VAN VISSLINGEN Annemiek	Director	1/1/2017 - 12/31/2017	50,000		15,000	65,000	65,000
MOTA DE SOUSA HORTA-OSORIO Antonio	Director	1/1/2017 - 12/31/2017	50,000		50,000		50,000
SPEYER Robert	Director	1/1/2017 - 12/31/2017	50,000	7,500	57,500		57,500
VOLPI Michelangelo	Director	1/1/2017 - 12/31/2017	50,000	10,000	60,000	90,733	150,733
WERTHEIMER RUTH	Director	1/1/2017 - 12/31/2017	50,000		50,000		50,000
BETHELL Melissa	Director	5/30/2017 - 12/31/2017	50,000		50,000		50,000
DEBROUX Laurence	Director	5/30/2017 - 12/31/2017	50,000		50,000		50,000
Total			2,086,594	75,000	2,161,594	17,020,956	19,182,550

(1) Directors have waived their right to the emolument of €50,000 resolved by the EXOR Shareholders' Meeting.

With regards to the remuneration received by the subsidiaries and associated FCA, CNH Industrial, Ferrari, PartnerRe, Juventus and The Economist, reference should be made to what published by each company in their Financial Statement.

## Stok options Granted to Directors

The following table summarizes outstanding stock options held by EXOR N.V. Directors as of 31 December 2017:

Name/Plan	Grant Date	Exercise price	at January 1, 2017	Granted	Vested	Expired	at December 31, 2017
<b>Directors of EXOR N.V.</b>							
Elkann J / EXOR 2008/2019 Plan	3/28/2011	€19.97	3,000,000 (a)				3,000,000
Elkann J / EXOR Company Performance	5/29/2012	€16.59	450,000				450,000
Elkann J / EXOR 2016 Plan	7/1/2016	€32.38	2,013,950				2,013,950
Nasi / CNHI EIP 2011	4/29/2011	\$10.15	67,541			67,541	-
Nasi / CNHI EIP 2012	9/7/2012	\$8.78	70,929				70,929

(a) Corresponding to 795,000 common shares exercisable.

The following table gives an overview of the share plans held by EXOR N.V. Directors as of 31 December 2017:

Name/Plan	Grant Date	Vesting Date	Number of shares under award at January 1, 2017	FV on Grant Date	Shares Granted	Shares Vested	Shares Forfeited	Number of shares under award at December 31, 2017
<b>Directors of EXOR N.V.</b>								
Marchionne / FCA LTI awards (1) (2) (3)	4/16/2015	2017/2018/2019	6,709,200	\$14.84		2,795,500		4,472,800
Marchionne / 2014/2018 CNH RSU	6/9/2014	12/31/2016, 12/31/2017, 12/31/2018	900,000	\$10.41		450,000		450,000
Marchionne / 2017/2021 Ferrari PSU (4)	4/14/2017	2019/2020/2021	-	€68.18-€72.06	450,000			450,000
Agnelli / 2016 FCA Share Grants	1/2017-4/2017	1/2017-4/2017	-	\$10.34	4,970	4,970		-
Nasi / 2014 CNH PSU	6/25/2014	6/25/2014-2/1/2019	182,100	\$8.72			182,100	-
Nasi / 2014/2018 CNH RSU	6/25/2014	6/25/2014-6/9/2017	4,034	\$9.37		4,034		-
Nasi / 2015 CNH RSU	6/9/2015	6/9/2015-6/9/2018	10,134	\$8.35		5,067		5,067
Nasi / 2016 CNH RSU	6/9/2015	6/9/2016-6/9/2019	18,800	\$7.43		6,266		12,534
Nasi / 2017 CNH PSU	12/22/2017	12/22/2017-2/28/2020		\$6.84	184,000			184,000
Nasi / 2017 CNH RSU	12/22/2017	12/22/2017-6/30/2020		\$12.69	92,000			92,000

- 1) During 2016, the Compensation Committee, in accordance with the terms of the LTI plan, adjusted the equity awards to make holders of the Company's LTI awards whole for the diminution in value of an FCA share resulting from the Ferrari spin-off. In January 2017, the Compensation Committee, in accordance with the terms of the LTI plan, adjusted the equity awards to make holders of the Company's LTI awards whole for the diminution in value of an FCA share resulting from the distribution of the Company's 16.7 percent ownership interest in RCS Media Group S.p.A. For LTI awards, the actual value of units received will depend on the Company's performance, as described above. Fair value is calculated by multiplying the per unit value of the award by the number of units corresponding to the most probable outcome of the performance conditions as of the grant date. The per unit value is based on the closing price of the Company's stock on the grant date, adjusted to reflect the relative TSR modifiers using a Monte Carlo simulation that includes multiple inputs such as stock price, performance period, volatility and dividend yield.

Event	Number of shares under award	Conversion Factor	Fair value on award date	Dilution Adjustment	Number of adjusted shares
Ferrari Spin-Off	4,320,000	1.544	\$9.61	2,350,080	6,670,080
RCS Media Group S.p.A.	6,670,080	1.005865	\$9.56	39,120	6,709,200

- 2) In January, 2018, the Compensation Committee in accordance with the terms of the LTI plan, adjusted the equity awards to make holders of the Company's LTI awards whole for the diminution in value of an FCA share resulting from the distribution of the ordinary shares in GEDI Gruppo Editoriale S.p.A. (GEDI). For LTI awards, the actual value of units received will depend on the Company's performance as described above. Fair value is calculated by multiplying the per unit value of the award by the number of units corresponding in the most probable outcome of the performance conditions as of the grant date. The per unit is based on the Company's stock on the grant date, adjusted to reflect the relative TSR modifiers using a Monte Carlo simulation that includes multiple inputs such as stock price, performance period, volatility and dividend yield.

Event	Number of shares under award	Conversion Factor	Fair value on award date	Dilution Adjustment	Number of adjusted shares
GEDI	4,472,800	1.003733	\$9.52	17	4,489,496

- 3) This number represents the maximum opportunity for the first vesting of the CEO's equity award.
- 4) The above awards relate to 450 thousand PSUs awarded to the CEO under the equity incentive plan, which covers a five-year performance period from 2016 to 2020, consistent with Company's strategic horizon. The PSU award vest in three equal tranches in March 2019, 2020 and 2021, subject to the achievement of a market performance condition related to Total Shareholder Return. At December 31, 2017 none of the PSU awards had vested.

The total cost recognized in 2017 by the Company in connection with the stock options plans and the share plans referenced above was approximately €36.2 million, of which €3.9 million related to the Chairman and CEO and €32.3 million to the other board members, in particular related to the plans granted from FCA and Ferrari.

## Share Ownership

The following table summarizes the number of common shares of EXOR N.V. and its subsidiaries owned by our directors owned as of at the end of February 2018:

	EXOR N.V. common shares	FCA N.V. common shares	CNH Industrial common shares	Ferrari N.V. common shares	JUVENTUS S.p.A. ordinary shares
<b>Directors EXOR N.V.</b>					
ELKANN John Philipp		133,000 (a)		15,375	
MARCHIONNE Sergio		16,415,500 (a)	11,859,586	1,462,000	
NASI Alessandro		3,750	281,074	375	
AGNELLI Andrea		36,102 (a)		1,727	38,565
RATTAZZI Lupo		50		5	
MOTA DE SOUSA HORTA-OSORIO Antonio	3,818				
FENTENER VAN VISSLINGEN Annemiek	2,100				
SPEYER Robert	2,100				
WERTHEIMER RUTH	2,100				
VOLPI Michelangelo	2,100				

(a) At the end of February 2018.

## **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 and, therefore, changes in vehicle shipment volumes can have a disproportionately large effect on profitability.

Further, profitability in the U.S., Canada, Mexico and Caribbean islands ("NAFTA"), 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. For example, the Group's pickup trucks and larger SUVs have historically been more profitable than other vehicles and accounted for approximately 62 percent of total U.S. retail vehicle shipments in 2017. A shift in consumer demand away from these vehicles within the NAFTA 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 NAFTA region on pickup trucks and larger SUVs remained high in 2017 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.

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, if the Group's vehicle shipments decline materially it may suffer a significant negative impact on cash flow and liquidity as it continues to pay suppliers 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 are affected by global financial markets and general economic and other conditions 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 general, the automotive sector has historically been subject to highly cyclical demand and tends to reflect the overall performance of the economy, often amplifying the effects of economic trends. Given the difficulty in predicting the magnitude and duration of economic cycles, there can be no assurances as to future trends in the demand for the Group's products in any of the markets in which it operates.

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 industry in which the Group operates and, together with the other factors referred to previously, could have a material adverse effect on its business, financial condition and results of operations.

The Group is also subject to risks inherent to operating globally, including those related to:

- exposure to local 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;
- compliance with applicable anti-corruption laws;

- foreign investment and/or trade restrictions or requirements, foreign exchange controls and restrictions on the repatriation of funds; and
- the introduction of more stringent laws and regulations.

The Group is particularly susceptible to these risks in the emerging markets where it operates, including Turkey, China, Brazil, India and Russia. 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.

For instance, in June 2016, a majority of voters in the United Kingdom voted in favor of withdrawing from the European Union in a national referendum. The terms of a UK withdrawal, commonly referred to as "Brexit", are subject to a negotiation period that could last up to two years from March 2017 when the government of the United Kingdom formally initiated the withdrawal process, or longer if extended by mutual agreement. During this time, the government of the United Kingdom may also revoke its notification to leave the European Union. The referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, which is also subject to negotiation, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. 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 the Company's global business, could be immediate and significant.

In the United States, changes in policy positions by the current presidential administration may impact the Group's business, in particular with respect to its production of vehicles outside the U.S. for import into the U.S., particularly from Canada, Mexico and Italy. For example, although the Group recently announced its intent to move production to the U.S. in 2020, its heavy-duty pickup trucks are currently assembled in Mexico and imported into the U.S. Any new policies and any steps the Group may take to address such new policies could have a material adverse effect on its business, financial condition and results of operations.

These developments have also introduced an elevated level of economic and policy uncertainty, which could cause financial and capital markets within and outside the U.S. and Europe to constrict, thereby negatively impacting the Group's ability to finance its business. It also could cause a substantial dip in consumer and business confidence and spending that could negatively impact sales of vehicles. Any one of these impacts could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, in July 2017 the Brazilian tax authorities issued an instruction that could affect the Group's ability to apply federal tax credits generated in certain operations to offset federal taxes arising from other operations. In December 2017, the Group obtained a preliminary court ruling allowing it to immediately resume application of the impacted federal tax credits. While the Group believes that it is more likely than not that there will be no significant impact from the Brazilian tax authorities' instruction, given the current economic conditions in Brazil, new tax laws may be introduced or changes to the application of existing tax laws may occur that could have a material adverse effect on its business, financial condition and results of operations.

#### **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**

The growth strategies reflected in the 2014-2018 Business Plan announced in May 2014 and updated in January 2016 (the Group's "Business Plan") include expanding global sales of the Jeep brand through localized production in Asia, Europe and Latin America, the launch of new large utility vehicle models in North America, the reintroduction in North America and expansion in Europe and Asia of the Alfa Romeo brand including the development of an all-new platform and new powertrains, as well as the further expansion of the Maserati brand portfolio.

These strategies, particularly with respect to the Alfa Romeo brand, have required and will continue to require significant investments in products, powertrains, production facilities and distribution networks. If the Group is unable to introduce vehicles that appeal to consumers in these markets and achieve its brand expansion strategies, 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.

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 its vehicles and in those of its competitors could also negatively impact the residual value of the Group's vehicles. While the Group may not be impacted as significantly by declines in the residual value of its vehicles as compared to competitors that own and operate controlled finance companies, 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 that compare favorably to those of its principal competitors could have a material adverse effect on the Group's business, financial condition and results of operations. The Group's high proportion of fixed costs, both due to its significant investment in property, plant and equipment as well as the requirements of its collective bargaining agreements and other applicable labor relations regulations, which limit its flexibility to adjust personnel costs to changes in demand for Group products, may further exacerbate this risk.

### **FCA - 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**

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.

In addition, fuel efficiency regulations have increased in several markets. For example, in September 2017, China's Ministry of Industry and Information Technology released administrative rules regarding corporate average fuel consumption ("CAFC") and new energy vehicle ("NEV") credits that will become effective on April 1, 2018. Non-compliance with the CAFC target in these administrative rules can be offset through carry-forward CAFC credits, transfer of CAFC credits within affiliates, the OEMs use of its own NEV credits, or the purchase of NEV credits. Non-compliance with the NEV target can only be offset by the purchase of NEV credits. However, the market availability and pricing of CAFC and NEV credits is unclear at this time. If the Group is unable to comply with the applicable targets and fails to offset a negative balance of credits, its sales or production of new passenger vehicles that fail to meet CAFC targets could be suspended. Although the Group continues to evaluate their specific impact, these regulations could materially adversely affect its business, financial condition and results of operations.

### **FCA - The Group is currently cooperating with diesel emissions investigations by several government agencies and is subject to a number of related private lawsuits**

The Group has received inquiries from several regulatory authorities as they examine the on-road tailpipe emissions of several automakers' vehicles and is, when jurisdictionally appropriate, cooperating with a number of governmental agencies and authorities.

In particular, in Europe, the Group 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 ("DVSA"). The Group also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for Group vehicles reported by KBA, and discussed the KBA reported test results, 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 ("BMVI"), 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 correctly performed, which was borne out in material Italy provided during the mediation process.

In addition, at the request of the French Consumer Protection Agency, the French public prosecutor has been investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

The results of these inquiries cannot be predicted at this time; however, the intervention by a number of governmental agencies and authorities has required significant management time, which may divert attention from other key aspects of the Group's business plan, or may lead to further enforcement actions as well as penalties or obligations to modify or recall vehicles, any of which may have a material adverse effect on the Group's business, results of operations and reputation.

On January 12, 2017, the U.S. Environmental Protection Agency ("EPA") and the California Air Resource Board issued Notices of Violation related to certain software-based features in the emissions control systems in approximately 100,000 2014-2016 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles. On May 23, 2017, the Environmental and Natural Resources Division of the U.S. Department of Justice ("DOJ-ENRD") filed a civil lawsuit against FCA in connection with the concerns raised by the EPA. The complaint alleges that software-based features were not disclosed to the EPA as required during the vehicle emissions certification process, resulting in violations of the Clean Air Act. The complaint also alleges that certain of the software features bypass, defeat or render inoperative the vehicles' emission control systems, causing the vehicles to emit higher levels of oxides of nitrogen (NOx) during certain normal real world driving conditions than during federal emissions tests. A number of private lawsuits relating to the vehicles have been filed in U.S. state and federal courts principally on behalf of consumers asserting fraud, violation of consumer protection laws, and other civil claims, including a putative class action that is proceeding in U.S. federal court in the Northern District of California, and a number of other governmental agencies and authorities including the U.S. Department of Justice, the U.S. Securities and Exchange Commission and various states Attorneys General have commenced related investigations.

The Group is unable to predict the outcome of these investigations and litigation at this stage and due to the range of possible outcomes, is unable to reliably estimate a range of probable losses. It is possible that the resolution of these matters may adversely affect the Group's reputation with consumers, which may negatively impact demand for its vehicles and could have a material adverse effect on its 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. In particular, the Chief Executive Officer, Sergio Marchionne, is critical to the execution of the Group's strategic direction and implementation of the Business Plan.

Although Mr. Marchionne has indicated his intention to remain as Chief Executive Officer through the period of the Business Plan, he has communicated that he plans to retire in the first half of 2019.

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 - The Group may be subject to more intensive competition if other manufacturers pursue consolidations**

The Group has for some time advocated consolidation in the automotive industry due to its view that the industry is characterized by significant duplication in product development costs, much of which does not drive consumer-perceived value. The Group believes that sharing product development costs among manufacturers, preferably through consolidation, would enable automakers to improve their return on capital employed for product development and manufacturing and enhance utilization of tooling, machinery and equipment. While the Group continues to implement its Business Plan, and believes that its business will continue to grow and its operating margins will continue to improve, if competitors are able to successfully integrate with one another and the Group was not to enhance its own collaborations or adapt effectively to increased competition, competitors' integration could have a material adverse effect on its business, financial condition and results of operations.

#### **FCA - Product recalls and warranty obligations may result in direct costs, and any resulting loss of vehicle sales could have material adverse effects on the Group'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. The Group's 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 Group 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.

Compliance with U.S. regulatory requirements for product recalls has also received heightened scrutiny. In connection with the failure in three specified campaigns to provide an adequate remedy, and noncompliance with various reporting requirements under the National Traffic and Motor Vehicle Safety Act of 1966 and the Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act, FCA US entered into a consent order with NHTSA in 2015 (the "Consent Order") to pay substantial civil penalties and to engage an independent monitor to review and assess FCA US's compliance with its obligations under the Consent Order. FCA US is obligated to remedy the defects in the vehicles subject to the recalls cited in the Consent Order, and in certain instances, FCA US has been required to buy back vehicles as an additional alternative to a repair remedy. Failure to comply with the terms of the Consent Order may result in additional fines and penalties much of which have been deferred pending the independent monitor's and NHTSA's ongoing assessment of FCA US's compliance with terms of the Consent Order. Further, the monitor's term will continue for the duration of the Consent Order. There can be no assurance that the Group will not be subject to additional regulatory inquiries and consequences in the future.

#### **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, pricing, fuel economy, reliability, safety, consumer service and financial services offered, and many of the Group's competitors are better capitalized with larger market shares.

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. The automotive industry is also subject to the constant renewal of product offerings through frequent launches of new models. A negative trend in the automotive industry or inability on the part of the Group 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 - 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. 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.

In other markets, the Group relies on controlled finance companies, joint ventures and commercial relationships with third parties, including third party financial institutions, to provide financing to its dealers and retail consumers. The ability of a finance company to provide financing services at competitive rates is subject to various factors, including:

- the performance of loans and leases in their portfolio, which could be materially affected by delinquencies, defaults or prepayments;
- wholesale auction values of used vehicles;
- higher than expected vehicle return rates and the residual value performance of vehicles they lease; and
- fluctuations in interest rates and currency exchange rates.

Any financial services provider, including the Group's joint ventures and controlled finance companies, will also face other demands on its capital, including the need or desire to satisfy funding requirements for dealers or consumers of its 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 - Vehicle retail sales depend heavily on affordable interest rates for vehicle financing**

In certain regions, including NAFTA, 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 its 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.

#### **FCA - The Group's business operations and reputation may be impacted by various types of claims, lawsuits, and other contingent obligations**

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, environment, securities law, 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, 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 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 additional risks regarding certain proceedings, see *"The Group is currently cooperating with diesel emissions investigations by several government agencies and is subject to a number of related private lawsuits"*

#### **FCA - A significant security breach compromising the electronic control systems contained in the Group's vehicles could damage the Group's 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 interconnected and increasingly complex systems that control various vehicle processes including engine, transmission, safety, steering, brakes, window and door lock functions. These systems are susceptible to cybercrime, including threats of intentional disruption and theft of personal information, which are increasing in terms of sophistication and frequency. 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 vehicle design, manufacturing, inventory tracking and billing and payment 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), which will go into effect in the European Union in May 2018, allows for the assessment of fines of up to 4% of annual worldwide revenue in the event of certain types of data breaches.

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 in the event it chooses to separate a portion of its Components segment from the Group**

In 2017, the Group announced that it is considering the separation of a portion of its Components segment from the Group, with a final decision likely to be announced in the first half of 2018. Any such separation may not result in an improvement in the Group's financial condition and could have a material adverse effect on its 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. Despite its efforts, the 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 - The Group's reliance on joint arrangements in certain emerging markets may adversely affect the development of the Group's 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, GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV"), its joint venture with Guangzhou Automobile Group Co., Ltd., has commenced local production of the Jeep Cherokee, Jeep Renegade and the all-new Jeep Compass 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 it 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.

#### **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. The prices for these raw materials fluctuate, and market conditions can affect the Group's ability to manage its Cost of revenues over the short term. 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 changes in vehicle prices or countered by productivity gains. In particular, certain raw materials are sourced from a limited number of suppliers and from a limited number of countries. The Group cannot guarantee that it will be able to maintain arrangements with these suppliers that assure 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. For instance, natural or man-made disasters or civil unrest may have severe and unpredictable effects on the price of certain raw materials in the future.

As with raw materials, the Group is also at risk for 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, natural or man-made disasters, or production difficulties. 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.

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.

#### **FCA - Labor laws and collective bargaining agreements with the Group's labor unions could impact its ability to increase the efficiency of operations**

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 costs quickly in response to changes in market conditions. 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.

#### **FCA - The Group is subject to risks associated with exchange rate fluctuations, interest rate changes, credit risk 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. 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, 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 consumers, there can be no assurances that the Group will be able to successfully mitigate such risks, particularly with respect to a general change in economic conditions.

**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 - 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 the Group 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 a UK exit from the European Union resulting from the referendum held in June 2016 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.

#### **FCA - The U.K.'s controlled foreign company taxation rules may reduce net returns to shareholders**

On the assumption that FCA continues to be resident for tax purposes in the UK, it will be subject to the UK controlled foreign company (“CFC”) rules. The CFC rules can subject UK-tax-resident companies (in this case, FCA) to UK tax on the profits of certain companies not resident for tax purposes in the UK in which they have at least a 25 percent direct or indirect interest. Interests of connected or associated persons may be aggregated with those of the UK-tax-resident company when applying this 25 percent threshold. For a company to be a CFC, it must be treated as directly or indirectly controlled by persons resident for tax purposes in the UK. The definition of control is broad (it includes economic rights) and captures some joint ventures.

FCA expects, however, that its principal operating activities should fall within one or more exemptions from the CFC rules.

Although FCA does not expect the UK's CFC rules to have an adverse impact on its financial position, the effect of the CFC rules on FCA is not yet certain. FCA will continue to monitor developments in this regard and seek to mitigate any adverse UK tax implications which may arise. However, the possibility cannot be excluded that the CFC rules could have a material adverse effect on the Group's business, financial condition and results of operations.

#### **FCA - If FCA is deemed to not maintain a permanent establishment in Italy, it could experience a material increase in its tax liability**

Whether FCA has maintained a permanent establishment in Italy following the Merger (an “Italian P.E.”) is largely a question of fact based on all the circumstances. FCA believes that, on the understanding that it should be a UK-resident company under the Italy-UK tax treaty, it is likely to be treated as maintaining an Italian P.E. because it has maintained and intends to continue to maintain sufficient employees, facilities and activities in Italy to qualify as maintaining an Italian P.E. Should this be the case (i) the embedded gains on its assets connected with the Italian P.E. cannot be taxed as a result of the Merger; (ii) its tax-deferred equity reserves cannot be taxed, inasmuch as they have been recorded in the Italian P.E.'s financial accounts; and (iii) the Italian fiscal unit that was headed by Fiat before the Merger (the “Fiscal Unit”), continues with respect to FCA's Italian subsidiaries whose shareholdings are part of the Italian P.E.'s net worth.

FCA filed a ruling request with the Italian tax authorities in respect of the continuation of the Fiscal Unit via the Italian P.E. on April 16, 2014. The Italian tax authorities issued the ruling on December 10, 2014 (the “2014 Ruling”), confirming that the Fiscal Unit may continue via the Italian P.E. Moreover, in another ruling issued on October 9, 2015 (the “2015 Ruling”), the Italian tax authorities confirmed that the separation of Ferrari from the Group (including the first demerger of certain assets held through the Italian P.E.) would qualify as a tax-free, neutral transaction from an Italian income tax perspective. Lastly, in a ruling released on October 28, 2016, the Italian tax authorities confirmed that the Italian P.E. could determine its computation base for the purposes of the Italian regime on notional interest deduction (*Aiuto alla Crescita Economica*) without taking into account certain anti-avoidance provisions (the “2016 Ruling”, and together with the 2014 Ruling and the 2015 Ruling, the “Rulings”). However, the Rulings are not assessments of certain sets of facts and circumstances. Therefore, even though the 2014 Ruling confirms that the Fiscal Unit may continue via the Italian P.E. and the 2015 Ruling and the 2016 Ruling assume such a P.E. to exist, this does not rule out that the Italian tax authorities may in the future verify whether FCA actually has a P.E. in Italy and potentially challenge the existence of such a P.E. Because the analysis is highly factual, there can be no assurance regarding FCA's maintenance of an Italian P.E. following the Merger.

### **Risks related to the Group's liquidity and existing indebtedness**

#### **FCA - Limitations on the Group's liquidity and access to funding may limit its ability to execute its business strategies 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. Although the Group has measures in place that are designed to ensure that adequate levels of working capital and liquidity are maintained, declines in sales volumes could have a negative impact on the cash-generating capacity of its operating activities. In addition, FCA's current credit rating is below investment grade and any deterioration may significantly affect the Group's funding and prospects.

The Group 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 the Group's 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 the Group, which could have a material adverse effect on its business, financial condition and results of operations.

#### **FCA - The Group has significant outstanding indebtedness, which may limit its ability to obtain additional funding on competitive terms and limit its financial and operating flexibility**

Although it has reduced its net indebtedness significantly over the past several years, the extent of the Group's 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 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.

These risks may be exacerbated by volatility in the financial markets, particularly that resulting from perceived strains on the finances and creditworthiness of several governments and financial institutions.

#### **FCA - Restrictive covenants in the debt agreements could limit the Group's financial and operating flexibility**

The indentures governing certain of the Group's outstanding public indebtedness, and other credit agreements to which companies in the Group are a party, contain covenants that restrict the ability of certain companies in the Group to, among other things:

- incur additional debt;
- make certain investments;
- sell certain assets or merge with or into other companies;
- use assets as security in other transactions; and
- enter into sale and leaseback transactions.

#### **FCA - Restrictions arising out of FCA US's Tranche B Term Loans may hinder the Group's ability to manage its operations on a consolidated, global basis**

FCA US is party to a tranche B term loan maturing on December 31, 2018 (the "Tranche B Term Loan"). The credit agreement that governs the Tranche B Term Loan includes covenants that restrict FCA US's ability to enter into sale and leaseback transactions, purchase or redeem capital stock, prepay other debt, incur or guarantee additional indebtedness, incur liens, transfer and sell assets or engage in certain business combinations or undertake various other business activities.

These restrictive covenants could have an adverse effect on the Group's business by limiting its ability to take advantage of mergers and acquisitions, joint ventures or other corporate opportunities. Additionally, the credit agreement requires FCA US to maintain borrowing base collateral coverage and a minimum liquidity threshold.

Future indebtedness may also contain other and more restrictive covenants. A breach of any of the covenants or restrictions in the credit agreement that governs the Tranche B Term Loan could represent an event of default on the indebtedness of FCA US, which could result in foreclosure on pledged properties and trigger a cross-default under certain of the Group's indebtedness.

**FCA - Substantially all of the assets of FCA US and its U.S. subsidiary guarantors are unconditionally pledged as security under the credit agreement that governs its Tranche B Term Loans and could become subject to lenders' contractual rights if an event of default were to occur**

FCA US is an obligor and several of its U.S. subsidiaries are guarantors of FCA US's Tranche B Term Loan. The obligations under the credit agreement governing the Tranche B Term Loan are secured by senior priority security interests in substantially all of the assets of FCA US and its U.S. subsidiary guarantors. The collateral includes 100 percent of the equity interests in FCA US's U.S. subsidiaries and 65 percent of the equity interests in certain of its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors. An event of default under the credit agreement that governs FCA US's Tranche B Term Loan could trigger its lenders' contractual rights to enforce their security interest in these assets.

**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 December 31, 2017, 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 the Group's common shares**

**FCA - The Group's maintenance of two exchange listings may adversely affect liquidity in the market for its common shares and could result in pricing differentials of its common shares between the two 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.

#### **FCA - The loyalty voting structure may affect the liquidity of the Group'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 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 Group, 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 its voting power could be concentrated in a relatively small number of shareholders who would have significant influence over the Group. As of February 15, 2018, EXOR N.V., which controls FCA, owns 29.18 percent of the FCA common shares, had a voting interest in FCA of 42.34 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, the Group 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 the Group 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 the Group'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.

## PARTNERRE

### Risks Related to the Business, Strategy and Operations

#### **PartnerRe - The volatility of the reinsurance business that PartnerRe underwrites will result in volatility of its earnings**

PartnerRe knowingly exposes itself to significant volatility in its net income. The Group creates shareholder value by assuming risk from the insurance and capital markets. This exposes it to volatile earnings as untoward events happen to its clients and in the capital markets. Examples of potential large loss events include, without limitation:

- Natural catastrophes including but not limited to hurricanes, windstorms, floods, tornadoes and earthquakes;
- Man-made disasters such as terrorism and acts of war;
- Declines in the equity, real estate and credit markets;
- Systemic increases in the frequency or severity of casualty or mortality losses; and
- New mass tort actions or reemergence of old mass torts such as cases related to asbestos.

PartnerRe exposes itself to several very significant risks that are of a size that can impact its financial strength or regulatory capital. PartnerRe believes that the following can be categorized as very significant risks:

- Natural catastrophe risk;
- Long tail reinsurance risk;
- Market risk;
- Interest rate risk;
- Default and credit spread risk;
- Trade credit underwriting risk;
- Longevity risk;
- Pandemic risk;
- Agriculture risk; and
- Mortgage reinsurance 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.

#### **The catastrophe business that we underwrite will result in volatility of our earnings and could impair our financial**

Catastrophe 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. Because catastrophe reinsurance accumulates large aggregate exposures to man-made and natural disasters, PartnerRe's loss experience in this line of business could be characterized as low frequency and high severity.

PartnerRe may have 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. Although PartnerRe may attempt to exclude losses from terrorism and certain other similar risks from some coverage it writes, PartnerRe may continue to have exposure to such unforeseen or unpredictable events. This may be because, 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 PartnerRe.

This is likely to result in substantial volatility in PartnerRe's financial results significant net losses to shareholders, and may also result in a material decline of its book value or common shareholder's equity that may limit its ability to make dividend payments and payments of interest and principal on its debt securities and 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 PartnerRe is unable to replenish its capital.

PartnerRe believes, and recent scientific studies have indicated, that the frequency of Atlantic basin hurricanes has increased and may change further in the future relative to the historical experience over the past 100 years. As a result of changing climate conditions, such as global warming, there may be increases in the frequency and severity of natural catastrophes and the losses that result from them. PartnerRe monitors and adjusts, as the Company believes appropriate, its risk management models to reflect its judgment of how to interpret current developments and information, such as these studies.

The Company believes that factors including increases in the value and geographic concentration of insured property, particularly along coastal regions, the increasing risk of extreme weather events reflecting changes in climate and ocean temperatures, and the effects of inflation may continue to increase the severity of claims from catastrophic events in the future.

It is also difficult to predict the timing of such events with statistical certainty, or estimate the amount of loss any given occurrence will generate. Reserves for potential losses associated with man-made or other 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 its profitability or impair its financial condition.

**PartnerRe - Given the inherent uncertainty of models, the usefulness of such 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 PartnerRe's estimates including probable maximum losses (PMLs), and its financial results may be adversely impacted, perhaps significantly**

In addition to its own proprietary catastrophe models, PartnerRe uses third party vendor analytic and modeling capabilities to provide an objective risk assessment relating to other risks in its reinsurance portfolio. PartnerRe uses these models to help it control risk accumulation, inform management and other stakeholders of capital requirements and to improve the risk/return profile or minimize the amount of capital required to cover the risks in each reinsurance contract in its overall portfolio of reinsurance contracts. 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 which might be deemed to 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 (re)insurance contracts that cover losses arising from an event. PartnerRe 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.
- PartnerRe's PMLs are selected after assessment of multiple third party vendor model output, 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 may be adversely impacted, perhaps significantly.

**PartnerRe - If actual losses exceed its estimated loss reserves, PartnerRe's 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. PartnerRe 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 contracts written. Loss reserves are estimates involving actuarial and statistical projections at a given time to reflect the Group's expectation of the costs of the ultimate settlement and administration of claims. Although PartnerRe uses actuarial models as well as historical reinsurance and insurance industry loss statistics, it 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 PartnerRe'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 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.

Although PartnerRe did not operate prior to 1993, it assumed certain asbestos and environmental exposures through its acquisitions. 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 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 PartnerRe. 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. In addition, the reserves that PartnerRe has established may be inadequate. If ultimate losses and loss expenses exceed the reserves currently established, PartnerRe 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 PartnerRe'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 - Since PartnerRe relies on a few reinsurance brokers for a large percentage of its business, loss of business provided by these brokers could reduce the Group'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 December 31, 2017, more than 70% of its gross premiums written were produced through brokers. In 2017, PartnerRe had two brokers that accounted for 47% of its gross premiums written. 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 its 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, PartnerRe 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 PartnerRe. In certain jurisdictions, these premiums are considered to have been paid to PartnerRe at the time that payment is made to the broker, and the ceding insurer will no longer be liable to PartnerRe for those amounts, whether or not PartnerRe has actually received the premiums. PartnerRe may not be able to collect all premiums receivable due from any particular broker at any given time. PartnerRe 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**

Third party 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 PartnerRe's competitive position in the market. Insured, insurers, ceding insurers and intermediaries use these ratings as one measure by which to assess the financial strength and quality of insurers and reinsurers. They are not an evaluation directed to investors in PartnerRe's common shares, preferred shares or debt securities, and are not a recommendation to buy, sell or hold PartnerRe's common shares, preferred shares or debt securities.

PartnerRe's financial strength ratings are subject to periodic review as rating agencies evaluate it 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. PartnerRe can offer no assurances that its ratings will remain at their current levels.

If PartnerRe ratings were downgraded, its competitive position in the reinsurance industry may suffer, and this 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 PartnerRe's ratings are downgraded .

PartnerRe's current financial strength ratings are as follows:

Standard & Poor's	A+	Stable
Moody's	A1	Stable
A.M. Best	A	Stable

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 - 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 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 reduce its assets. Any debt financing, if available at all, may be on terms that are not favorable to PartnerRe. Disruption in the 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.

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, its business, operating results and financial condition could be adversely affected.

**PartnerRe - The exposure of its investments to interest rate, credit, equity and real estate related risks may limit PartnerRe's 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 the PartnerRe's 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.

While the PartnerRe Board of Directors has implemented what it believes to be prudent risk management and investment asset allocation practices, the Group 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. 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 its income in any period or year and cause a reduction in its capital. As global equity markets are at historically high levels, there can be no assurance that its 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. In addition to investments in real estate investment trusts, real estate limited partnerships and an investment in a privately held real estate investment and development group, Group Almacantar Group S.A. (Almacantar), the Company during 2017 also invested directly in residential real estate. 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 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, and Swiss Franc. Assets and liabilities denominated in foreign currencies are 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 results and financial position. PartnerRe employs various strategies (including hedging) to manage its exposure to foreign currency exchange risk. To the extent that these exposures are not fully hedged or the hedges are ineffective, its results or equity may be reduced by fluctuations in foreign currency exchange rates. The sovereign debt crisis in Europe and the related financial restructuring efforts, which may cause the value of the euro to deteriorate, may magnify these risks.

**PartnerRe - PartnerRe may suffer losses due to defaults by others, including issuers of investment securities and reinsurance and derivative counterparties**

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 PartnerRe 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. PartnerRe's investment portfolio may include investment securities in the financial services sector that have recently experienced defaults. All or any of these types of default could have a material adverse effect on PartnerRe'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 ability to conduct its business**

PartnerRe has incurred indebtedness, and may incur additional indebtedness in the future. Additionally, it has entered into credit facilities and ISDA agreements with various institutions. Under these credit facilities, the institutions provide revolving lines of credit to the Company and its major operating subsidiaries and issue letters of credit to clients in the ordinary course of business.

The agreements relating to PartnerRe's debt, credit facilities and ISDA agreements contain various covenants that may limit its 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 and financial ratios, including a minimum net worth covenant. If it fails to comply with these covenants or meet required financial ratios, 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, then it would 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 it uses in its operations, including those that participate in its credit facilities, fails or is otherwise unable to meet its commitments, PartnerRe 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. There have also been recent consolidations in the banking industry which could lead to increased reliance on and exposure to a limited number of institutions. 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 - 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 believes its modeling, underwriting and information technology and application systems are critical to its business and reputation. Moreover, its technology and applications have been an important part of its underwriting process and its ability to compete successfully. Such technology is and will continue to be a very important part of its underwriting process. PartnerRe 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, PartnerRe 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 its 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, its proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including data storage, 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), malware or other malicious code or cyber-attack, destructive attack, system failures and disruptions and other events that could have security consequences (each, Cybersecurity Incident). 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 a Cybersecurity Incident, it cannot reasonably anticipate or prevent all Cybersecurity Incidents. A Cybersecurity Incident could expose the Group 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.

### **PartnerRe - The loss of key management personnel could have an adverse effect**

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 Group could be adversely affected.

PartnerRe believes there are only a limited number of available qualified executives in the business lines in which it competes. Its ability to execute its business strategy is dependent on PartnerRe's 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 PartnerRe's management team constitute important competitive strengths. If some or all of these managers leave their positions, and even if PartnerRe were able to find persons with suitable skills to replace them, its operations could be adversely affected.

### **PartnerRe - PartnerRe may be adversely impacted by inflation**

Deficit spending by governments in PartnerRe's major markets exposes PartnerRe to 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 its 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 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. The global sovereign debt crisis and the related financial restructuring efforts have, among other factors, made it more difficult to predict the inflationary environment.

### **Risks Related to the 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. If any of these factors were to result in a decline in the demand for reinsurance or an overall increase in reinsurance capacity, PartnerRe's profitability could be impacted. In recent years, 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 PartnerRe's ability to write business.

Currently, the Company is experiencing improving market conditions with increased pricing in most Non-life classes, primarily in those markets that have been exposed to the catastrophe losses in 2017. 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.

#### **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), RenaissanceRe Holdings Ltd. (RenRe) and Validus Holdings, Ltd. (Validus).

The lack of strong barriers to entry into the reinsurance business means that PartnerRe also competes with new companies that continue to be formed to enter the reinsurance market. In addition, PartnerRe 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 relationship to negotiate price reductions for PartnerRe 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 PartnerRe's prices, it would 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 by other parties, 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 PartnerRe's industry. New competition from these developments could cause the demand for reinsurance and/or prices to fall or the expense of customer acquisition and retention to increase, either of which could have a material adverse effect on our growth and profitability.

The level of competition is determined by supply of and demand for capacity. Demand is determined by client buying behavior, which varies based on the client's perception of the amount and volatility of risk, its financial capacity to bear it and the cost of risk transfer. Supply is determined by the existing reinsurance companies' level of financial strength and the introduction of capacity from new start-ups or capital markets. Significant new capacity or significant reduction in demand will depress industry profitability until the supply/demand balance is redressed. Extended periods of imbalance could depress industry profitability to a point where PartnerRe would fail to meet its targets.

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 the 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 its 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 to satisfy increased capital requirements, any of which, in turn, could affect its results of operations, financial condition and liquidity. For example, the regulated reinsurance subsidiaries of PartnerRe across the European Union (EU) are subject to the Directive 2009/138/EC (EU directive) of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). Bermuda's commercial reinsurance regime that the Company regulated Bermuda reinsurance subsidiaries operates within has achieved Solvency II equivalence with the EU directive. Solvency II covers capital adequacy, risk management and regulatory reporting for insurers, and came into effect on January 1, 2016. PartnerRe may not be able to comply fully with, or obtain appropriate exemptions from, such requirements or similar regulations, in their current form or as they may be amended in the future, which may have a material adverse effect on its business. PartnerRe is also currently, and may in the future be, subject to regulatory investigation. If its compliance with Solvency II or any other regulatory regime is challenged, the Company 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 its 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 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 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 our results of operations; or
- Disproportionately benefiting the companies domiciled in one country over those domiciled in another.

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 reinsurance products and services provided by PartnerRe, which could adversely affect its business.

#### **PartnerRe - Legal and enforcement activities relating to the insurance industry could affect PartnerRe's business and its 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 practices include the accounting treatment for finite reinsurance or other non-traditional or loss mitigation insurance and reinsurance products.

These investigations have resulted in changes in the insurance and reinsurance markets and industry business practices. While at this time, none of these changes has had an adverse effect on PartnerRe's business, it is unable to predict the potential effects, if any, that future investigations may have upon the industry. As noted above, because PartnerRe 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 PartnerRe'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. 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. As a result, the full extent of PartnerRe's liability under its coverages, 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 provided by PartnerRe, which could adversely affect its business.

### **PartnerRe - PartnerRe's international business is subject to applicable laws and regulations relating to sanctions and foreign corrupt practices, the violation of which could adversely affect the Group's operations**

PartnerRe must comply with all applicable economic sanctions and anti-bribery laws and regulations of the U.S., the European community and other foreign jurisdictions where it operates. U.S. laws and regulations applicable to PartnerRe include the economic trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control as well as certain laws administered by the United States Department of State. In addition, PartnerRe is subject to the Foreign Corrupt Practices Act and other anti-bribery laws such as the U.K. Bribery Act that generally bar corrupt payments or unreasonable gifts to foreign governments or officials. Although PartnerRe has policies and controls in place that are designed to ensure compliance with these laws and regulations, it is possible that an employee or intermediary could fail to comply with applicable laws and regulations. In such event, PartnerRe could be exposed to civil penalties, criminal penalties and other sanctions, including fines or other punitive actions. In addition, such violations could damage PartnerRe's business and/or reputation. Such criminal or civil sanctions, penalties, other sanctions, and 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 international 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. Existing cybersecurity regulations vary by region or country in which PartnerRe operates and cover different aspects of business operations. U.S. regulation provide a basis for operations while the EU has created a more tailored regulation for businesses operating specifically within the EU.

The General Data Protection Regulation, which regulates data protection for all individuals within the EU, including foreign companies processing data of EU residents, becomes effective in May 2018. The regulation enhances individuals' rights, introduces complex and far-reaching company obligations and increases penalties significantly in case of violation. 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 the Company to incur substantial costs and 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 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, or could cause it to lose clients which could potentially have an adverse effect on its business.

### **PartnerRe – PartnerRe is subject to cybersecurity risks and may incur increasing costs in an effort to manage those risks**

The cybersecurity regulatory environment is evolving, and the related costs and resources required for complying with new or developing regulatory requirements will increase. For example, in February 2017, the NYDFS issued final Cybersecurity Requirements for Financial Service Companies that will require regulated entities to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York's financial services industry. Among the requirements are the maintenance of a cybersecurity program with governance controls, risk-based minimum data security standards for technology systems, cyber breach preparedness and response requirements, including reporting obligations, vendor oversight, training, and program record keeping and certification obligations. The regulation became effective on March 1, 2017, subject to certain phase-in periods. Depending on the regulation's implementation and the NYDFS enforcement efforts with respect to it, Partner Reinsurance Company of the U.S. (PartnerRe U.S) may be required to incur significant expense in order to meet its requirements. PartnerRe also operates in a number of jurisdictions with strict data privacy and other related laws, which could be violated in the event of a significant cybersecurity incident, or by its personnel. Failure to comply with these obligations can give rise to monetary fines and other penalties, which could be significant.

### **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 it 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 the Company 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 PartnerRe'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 - The U.S. Tax Cuts and Jobs Act could materially and negatively impact PartnerRe's business, financial condition and results of operations**

The U.S. Tax Cuts and Jobs Act (the "TCJA") was signed into law on December 22, 2017. In addition to reducing the U.S. corporate income tax rate from 35 percent to 21 percent, the TCJA fundamentally changed many elements of U.S. tax law and introduced several new concepts to tax multinational corporations such as PartnerRe. Among the most notable new rules are the Base Erosion and Anti-Abuse Tax (commonly called BEAT), which for insurance groups potentially expands U.S. taxation on the earnings of foreign subsidiaries. It is possible that future interpretation, enforcement actions or regulatory changes by the Internal Revenue Service could increase the impact of the TCJA beyond current assessments.

#### **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 and its non-U.S. subsidiaries (other than certain business sourced by PartnerRe Reinsurance Europe SE (PartnerRe Europe) and PartnerRe Ireland DAC (PartnerRe Ireland) through the U.S., 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, it does not expect that either the Company or its non-U.S. subsidiaries 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 the Company 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 the Company or its non-U.S. subsidiaries are subject to U.S. income tax, our net income and shareholder's equity will be reduced by the amount of such taxes, which might be material.

## **CNH INDUSTRIAL**

### **Risks related to the business, strategy and operations**

#### **CNH Industrial – Global economic conditions impact the business**

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 or 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 increase 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 slower economic times, 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, macroeconomic conditions remain volatile. Moreover, some governments may implement measures designed to slow the economic growth rate in those countries (e.g., higher interest rates, reduced bank lending and other anti-inflation measures). 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.

In addition, the continuation of adverse market conditions in certain businesses in which the Group participates could cause many companies, including CNH Industrial, to carefully evaluate whether certain of its intangible assets have become impaired. The factors that the Group would evaluate to determine whether an impairment charge is necessary require management judgment and estimates. The estimates are impacted by a number of factors, including, but not limited to, worldwide economic factors and technological changes. Any of these factors, or other unexpected factors, may require the Group to consider whether it needs to record an impairment charge. In the event the Group is required to record an impairment charge with respect to certain of its intangible assets, it would have an adverse impact on the Group's financial position and results of operations.

#### **CNH Industrial - The Group is exposed to political, economic 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 and to whom 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); and

- 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;
- 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;
- changes in trade agreements or trade terms, including any unilateral withdrawal from, or material modification of, the North American Free Trade Agreement; 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 and other unanticipated changes to the previous geopolitical order may have negative effects on the global economy.

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 performance of the agricultural equipment market is influenced, in particular, by factors such as:

- the price of agricultural commodities and the relative level of inventories;
- 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 as well as alternative fuel mandates.

In addition, 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 performance of the construction equipment market is influenced, in particular, 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 performance of the commercial vehicles market is influenced, in particular, by factors such as:

- changes in global market conditions, including the level of interest rates;
- changes in levels of 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 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 or natural disaster 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 prices of these raw materials fluctuate, 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, 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 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 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 trucks 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 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 or its products, they could result in higher capital expenditures and negatively impact its business, results of operations, financial position and competitive position.

**CNH Industrial - A decrease in government incentives may adversely affect the Group's results**

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 the Group's 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 success of the Group's businesses 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 particular, the failure to develop and offer innovative products that compare favorably to those of the Group's principal competitors in terms of price, quality, functionality and features, or delays in bringing strategic new products to market, or the inability to adequately protect the Group's intellectual property rights or supply products that meet regulatory requirements, including engine exhaust 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 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 opposed to 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 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 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 a number of 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 government officials or other persons to obtain or retain business or gain a business advantage. These laws tend to apply whether or not those practices are legal or culturally acceptable in a particular jurisdiction. Over the past several years there has been a substantial 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 July 19, 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 June 23, 2016 referendum, the United Kingdom (“U.K.”) voted to terminate the U.K.’s membership in the European Union (“Brexit”). Negotiations will determine the terms of the U.K.’s future relationship with the European Union and its member states, including the terms of trade. The terms of trade between the U.K. and non-EU member states may also be affected. The timing of Brexit negotiations is currently unclear. Any effect of Brexit is expected to depend on the agreements negotiated between the U.K. and the EU with respect to reciprocal market access and other matters, either during a transitional period or more permanently.

Brexit could adversely affect U.K., European or worldwide economic and market conditions more broadly and could contribute to instability in global financial markets. The Group has operations in the U.K., 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 U.K. for U.K. tax purposes. This determination is based on the U.K. 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 U.K. for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere”). The Group does not expect Brexit to affect tax residency in the U.K.; however, it is unable to predict with certainty whether the discussions to implement Brexit will ultimately have any impact on this matter.

#### **CNH Industrial - Dealer equipment sourcing and inventory management decisions could adversely affect the Group’s sales**

The Group sells its products primarily through independent dealer networks 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 inventory levels of dealers 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 business operations may be impacted by various types of claims, lawsuits and other contingent obligations**

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, emissions and/or fuel economy regulatory and contract issues, and environmental claims that arise in the ordinary course of its business. 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 in connection with a variety of business activities, some of which are managed by third parties, to operate its business. 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. 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 suppliers and dealers, as well as personally identifiable information of its dealers, customers of its financial services business and its 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 and data.

A failure or breach in security 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 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. The amount of 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 regulatory framework for privacy and cybersecurity issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. In May 2016, the European Union adopted the General Data Protection Regulation (“GDPR”) that will impose more stringent data protection requirements and will provide for greater penalties for noncompliance beginning in May 2018.

The Group may be required to incur significant costs to comply with privacy and data security laws, rules and regulations, including the GDPR. 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 its 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 loss of members of senior management could have an adverse effect on the Group's business**

The Group's success largely depends on the ability of its senior executives and other members of management to effectively manage the organization and individual areas of its businesses. The Group has developed succession plans that it believes are appropriate in the circumstances, although it is difficult to predict with any certainty that the Group will be able to replace these individuals with persons of equivalent experience and capabilities quickly. The loss of any senior executive, manager or other key employee without an adequate replacement, or the inability to attract and retain new, qualified personnel could therefore have an adverse effect on the Group's business, results of operations and financial condition.

#### **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 and droughts 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 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 future 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 – Potential impact of the Dodd-Frank Act and other regulations**

The various requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), including its many implementing regulations, may substantially affect Financial Services’ origination, servicing, and securitization programs. For example, the Dodd-Frank Act 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 the Group’s 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. Moreover, Financial Services and treasury activities may also be impacted by EU and other non-U.S. regulatory reforms being implemented to further regulate relevant financial institutions and markets.

**CNH Industrial – The Group may be exposed to shortfalls in its pension plans**

At December 31, 2017, the funded status for the Group’s defined benefit pension, and other post-employment benefits was an underfunded status of \$2,153 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. In recent years, these fluctuations have been significant and adverse and there is no assurance that they will not be significant and adverse in the future.

**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 December 31, 2017, the Group had an aggregate of \$26,014 million (including \$20,152 million relating to Financial Services' activities) of consolidated gross indebtedness, and its equity was \$6,846 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 Eurozone and Latin America, and from continued concerns about global economic growth, particularly in emerging markets.

**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 U.K. for tax purposes; other tax authorities may treat CNH Industrial as being tax resident elsewhere**

CNH Industrial is not incorporated in the U.K.; therefore, in order to be resident in the U.K. for tax purposes, CNH Industrial's central management and control must be located (in whole or in part) in the U.K. The test of central management and control is largely a question of fact based on all the circumstances. The decisions of the U.K. courts and the published practice of Her Majesty's Revenue & Customs, or HMRC, suggest that CNH Industrial should be regarded as being U.K.-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 U.K., it would not be treated as U.K.-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 U.K.; and (b) that tax treaty allocates exclusive residence to that other jurisdiction.

Although CNH Industrial's central management and control is in the U.K., 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 U.K. and Dutch competent authorities have agreed, following a mutual agreement procedure (as contemplated by the Netherlands-U.K. tax treaty), that CNH Industrial will be regarded as solely resident in the U.K. for purposes of the application of the Netherlands-U.K. tax treaty provided that CNH Industrial operates as planned and provides appropriate required evidence to the U.K. 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 U.K.; 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 U.K. from the date of its incorporation for purposes of the Italy-U.K. 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 U.K. and Dutch competent authorities have ruled that CNH Industrial should be treated as solely resident in the U.K. for the purposes of the Netherlands-U.K. 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 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 – CNH Industrial, as successor to FIAT Industrial, is jointly liable with FCA for certain obligations**

CNH Industrial is successor to Fiat Industrial S.p.A. ("Fiat Industrial"), a company formed as a result of the demerger of Fiat S.p.A. ("Fiat", which, effective October 12, 2014, was merged into Fiat Chrysler Automobiles N.V. ("FCA")) in favor of Fiat Industrial. As such, CNH Industrial continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the "Liabilities"). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full.

Furthermore, CNH Industrial may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2017, the outstanding Liabilities amounted to approximately \$0.2 billion. CNH Industrial believes the risk of FCA's insolvency is extremely remote, and therefore, no specific provision has been accrued in respect of the above-mentioned potential joint liability.

**CNH Industrial – The Company's maintenance of two exchange listings may adversely affect liquidity in the market for its 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 structure may affect the liquidity of the Company's common shares and reduce the share price**

CNH Industrial's loyalty voting structure 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 the option to elect to 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 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 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 structure 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 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 is considered favorably by shareholders holding a majority of the common shares. As a result of the loyalty voting structure, 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 December 31, 2017, EXOR N.V. had a voting interest in CNH Industrial of approximately 41.9%. Such shareholders participating in the loyalty voting structure could effectively prevent change of control transactions that may otherwise benefit shareholders.

The loyalty voting structure may also prevent or discourage shareholders' initiatives aimed at changes in the Company's management.

## **FERRARI**

### **Risks Related to 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, renovates and expands its models range. For example, the gradual expansion of hybrid engine technology will also 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.

#### **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 and GT 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 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, luxury performance cars will in the next few years begin to transition to hybrid technology, albeit at a slower pace compared to mass market vehicles. See *“The introduction of hybrid 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 museum 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.

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 - 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 markets in which Ferrari sells its cars have been subject to volatility in demand in recent periods. 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 automobile prices or 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 further downward price pressure and adversely affect Ferrari’s business, operating results and financial condition. 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 - 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.

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 - 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 Formula 1 results may decline if either its team's performance worsens compared to other competing teams, or if the overall Formula 1 business suffers. 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 its 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.

In addition the company that owns the Formula 1 business was recently acquired by new owners and it is uncertain whether and how the arrangements relating to the participation of Ferrari and the other teams competing in the championship may change in the future particularly in the period following the 2020 expiration of the current arrangements between racing teams and the operator of Formula 1. Ferrari is currently evaluating the terms and conditions under which it may continue to participate in the Formula 1 championship after the 2020 season and it cannot be certain that Ferrari or other racing teams will be successful in negotiating acceptable terms and conditions for continued participation. If it were to withdraw from Formula 1 this would affect Ferrari's marketing and brand strategies and it is currently unable to predict the consequences on its business, financial condition and results of operations.

#### **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 its range and special series models and its limited edition supercar to generate its revenues. Ferrari's current product range consists of six range models (including three sports cars and three GT cars), one special series car and one limited edition supercar. While it anticipates expanding its car offerings, Ferrari expects that a limited number of models will continue to account for a large portion of its revenues at any given time in the foreseeable future. Therefore, its future operating results depend upon the continued market acceptance of each model in its line-up. There can be no assurance that Ferrari's cars will continue to be successful in the market. 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 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 - Engine production revenues are dependent on Maserati's ability to sell its cars**

Ferrari produces V8 and V6 engines for Maserati. In particular, 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. In 2017 Ferrari recorded net revenues of €302 million from the sales of engines to Maserati. While Maserati is required to compensate Ferrari for certain costs it may incur, such as penalties from its 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's business is subject to changes in client preferences and trends in the automotive and luxury industry**

Ferrari's continued success depends in part on its ability to originate and define product and trends in the automotive and luxury industry, 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 electric and hybrid 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 cars is costly and its long term success is uncertain"*. If it misjudges the market for its products, Ferrari and its dealers may be faced with excess inventories for some cars and missed opportunities with others. In addition, there can be no assurance that it 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, if it decides to expand its range to include one or more luxury high performance utility vehicles. 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 its business, results of operations and financial condition.

#### **Ferrari - Global economic conditions 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 their 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 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 have 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 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 and any steps Ferrari may take to address such new policies may have an adverse effect on its business, financial condition and results of operations. In addition, a further economic slowdown or changes in the economic and political situation in the Middle East region may impact the demand for its products in that market, which may adversely impact its revenues in the relevant periods. 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 emerging markets may adversely affect Ferrari's business"*.

#### **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. It 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 Ferrari's product development plans and may limit the number and types of cars it sells and where it sells them, which may affect Ferrari's revenue.

Governmental regulations may increase the costs it 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 Ferrari's cars which may render them less appealing to its 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, and new targets have been set in 2014 with more stringent emission targets applicable to the 2017-2021 period. Due to Ferrari's small volume manufacturer ("SVM") status it 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. 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. As a SVM that is able to demonstrate its operational independence from FCA, Ferrari expects to benefit from a derogation from currently applicable standards. Ferrari has also petitioned the EPA for alternative standards for the 2017-2021 model years, 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, it 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. It will need in the future to file with NHTSA a petition for 2019-2020 and 2021 model years. If Ferrari's petitions are rejected, it will not be able to benefit from the more favorable CAFE standards levels which it has petitioned for and this may require it to purchase additional CAFE credits in order to comply with applicable CAFE standards.

In addition, Ferrari is subject to legislation relating to the emission of other air pollutants such as, among others, 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. NHTSA also recently published guidelines for driver distraction, and the associated compliance costs 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 Ferrari's product development plans. In China, for example, Stage IV fuel consumption regulation targets a national average fuel consumption of 5.0L/100km by 2020.

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 autonomous Chinese regions and municipalities are allowed to implement these more stringent requirements in advance of 2020. If local Chinese regions and municipalities implement such requirements before 2020 this could lead Ferrari to revise its product development and production plans in China, incur significant costs and change marketing strategies in China, which may affect its profits.

Ferrari could lose its status as a 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 it may need to modify its growth plans or other operations. Furthermore, even if it continues to benefit from derogations as a 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 it.

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. It 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 (less than 2,000 units/year imported in China) that achieve a certain minimum CAFC yearly improvement rate.

Because Ferrari's CAFC is expected to exceed the regulatory ceiling, it 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.

#### **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 and dealer operations 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 design and 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 could hinder the growth of Ferrari's business. Also, any delay in the development or launch of a new product could result in others bringing new products and technology to market first, which could compromise Ferrari's competitive position. 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. For example, it is currently evaluating the development and launch of a luxury high performance utility vehicle. In addition, Ferrari will gradually expand the use of hybrid technology in its road cars, consistent with customer preferences and broader industry trends. While Ferrari will seek to ensure that these changes remain fully consistent with the Ferrari car identity, it 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 plans to redesign 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 introduction of hybrid cars is costly and its long term success is uncertain**

Ferrari intends to gradually introduce hybrid technology in both its sports and GT cars ranges. In accordance with its strategy, Ferrari believes hybrid 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 Ferrari has introduced hybrid technology in some models, such as LaFerrari and LaFerrari Aperta, the integration of such technology more broadly into its car portfolio over time may present challenges and costs. It expects to increase R&D spending in 2018 particularly on hybrid technology-related projects. Although Ferrari expects to price its future hybrid cars appropriately to recoup the investments and expenditures it is making, it 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 technology.

Longer term, although Ferrari believes that combustion engines will continue to be fundamental to the Ferrari driver experience, pure electric cars may become the prevalent technology for performance sports cars thereby displacing hybrid models. See also “If Ferrari is unable to keep up with advances in high performance car technology, its competitive position may suffer.”

Because hybrid technology is a core component of Ferrari’s strategy, if the introduction of hybrid cars proves too costly or is unsuccessful in the market, its business and results of operations could be materially adversely affected.

#### **Ferrari – Ferrari’s indebtedness could adversely affect its operations and it may face difficulties in servicing or refinancing its debt**

As of December 31, 2017, Ferrari’s total consolidated debt was approximately €1,806 million (which includes its financial services), including €500 million aggregate principal amount of 1.500% notes due 2023, and €700 million aggregate principal amount of 0.250% notes due 2021. 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. The agreements governing its indebtedness do not prohibit the incurrence of additional indebtedness. 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 - 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. 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 - Developments in emerging markets may adversely affect Ferrari’s business**

Ferrari operates in a number of emerging markets, both directly and through its dealers and it has experienced increasing demand in China and other regions in Asia.

Ferrari’s strategy contemplates expanding its sales 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.

Ferrari’s exposure to 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 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 may adversely affect Ferrari*”.

### **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 management team particularly benefits from the leadership of its CEO and Chairman, Sergio Marchionne, who engineered the operating and financial turnaround of Fiat and Chrysler and the global expansion of FCA into the eighth largest automaker in the world (based on 2017 vehicle sales worldwide). 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 batteries and other components of hybrid engines as it introduces hybrid technology in its range model offering, and it expects producers of batteries will be called 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, Takata Corporation (“Takata”) is currently the principal supplier of the airbags installed in Ferrari’s cars. Defective airbags manufactured by Takata 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*”). Takata filed for bankruptcy protection in Japan and the United States in June 2017. Failure by Takata 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.

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. It may experience similar cost increases in the future. Additionally, 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. 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 - 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 its 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 on controlled finance companies and 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 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. For example, in 2016, Ferrari Financial Services Inc. carried out revolving securitizations raising an aggregate of \$481 million of initial proceeds. At December 31, 2017, an amount of \$667 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 it 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, Ferrari 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 - 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 its 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.

### **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 - 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 - 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 has recorded a provision regarding this matter which amounted to €35 million as of December 31, 2017. 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 its 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 its 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. It 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 it 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 - 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 is subject to mandatory audit review by May 1, 2019 according to the new European Customs Legislation and therefore Ferrari will need to implement all necessary organization changes in order to comply with the new requirements. If it were to lose the AEO status, including for failure to meet one of the certification's requirements, it 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.

**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. 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, in the second half of 2016, the foreign exchange markets had been subject to a high degree of volatility and the U.S. dollar appreciated significantly against the Euro while the pound sterling depreciated significantly against both the U.S. dollar and the Euro. The U.S. dollar trend was partially reversed in 2017, and in the initial months of 2018 the U.S. dollar has continued to depreciate considerably against the Euro. If this U.S. dollar weakness persists or increases, it is expected that it will adversely impact Ferrari's revenues and results of operations in 2018. Changes in exchange rates between the Euro on the one hand and, on the other hand, the other main foreign currencies in which it operates, also affect Ferrari's revenues and results of operations.

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. For example, the Chinese and Indian governments have recently imposed various measures intended to curb consumption of luxury goods, including, among other things, a tax specifically applicable to the purchase of luxury cars. 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 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 could also adversely affect the demand for Ferrari's cars. The occurrence of the above may have a material adverse effect on its business, results of operations and financial condition.

#### **Ferrari - Ferrari may be adversely affected by the UK determination to leave the European Union (Brexit)**

In a June 23, 2016, referendum, the United Kingdom voted to terminate the UK's membership in the European Union ("Brexit"). As a result, negotiations are expected to take place to determine 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. 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 any transitional period and more permanently. Failure to reach appropriate agreements could adversely affect European or worldwide economic or market conditions. Approximately 9% percent of Ferrari's cars and spare parts net revenues in 2017 were generated in the UK and it does not have any other significant operations in the UK, therefore, it does not believe that its global operations would be affected materially by Brexit. However, any adverse effect of Brexit on Ferrari 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 on its products.

#### **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 - 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 – 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 - A disruption in 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 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 it is currently undergoing an effort to assess and ameliorate risks to its systems, a significant or large scale malfunction or interruption of any one of Ferrari's computer or data processing 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 its 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. In the event of a breach in security that allows third parties access to this personal information, Ferrari 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 subjects it to lawsuits, fines and other means of regulatory enforcement. To an increasing extent, the functionality and controls of its 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 its customers' information and expose it 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.

### **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 it, 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 23.5 percent of its outstanding common shares and approximately 33.4 percent of its voting power. 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 Board of Directors, capital increases and amendments to the articles of association.

In addition, Piero Ferrari, the Vice Chairman of Ferrari, holds approximately 10 percent of the outstanding Ferrari common shares and approximately a 15.4 percent voting interest in Ferrari. 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's related companies**

Questions relating to conflicts of interest may arise between Ferrari and FCA, the former largest shareholder in Ferrari prior to the Separation, in a number of areas relating to common shareholdings and management, as well as to past and ongoing relationships. Even after the Separation, overlaps remain among the directors and officers of Ferrari and FCA. For example, Mr. Sergio Marchionne, Ferrari's Chairman and Chief Executive Officer, is the Chief Executive Officer of FCA. Mr. Marchionne and 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, including Mr. John Elkann, who is one of Ferrari's Vice-Chairmen, the Chairman of FCA and the Chairman and Chief Executive Officer of Exor. These individuals owe duties both to Ferrari and to the other companies that they serve as officers and/or directors. This may raise conflicts as, for example, these individuals review opportunities that may be appropriate or suitable for both Ferrari and such other companies, or it 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 23.5 percent of Ferrari's outstanding common shares and approximately 33.4 percent of the voting power, while it holds approximately 29.2 percent of the outstanding common shares and approximately 43.1 percent of the voting power in FCA. 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. Exor has approximately 23.5 percent of outstanding Ferrari common shares and a voting interest in Ferrari of approximately 33.4 percent. Piero Ferrari holds approximately 10 percent of outstanding Ferrari common shares and, as a result of the loyalty voting mechanism, has approximately 15.4 percent of the voting power in its 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 its 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 - 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 its 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 and a so called "interpello nuovi investimenti" (tax ruling on new investments) regarding tax credit on R&D expenses to confirm its interpretation and application of the law.

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, it 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 October 9, 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 (available until fiscal year 2021 according to current regulations) and for the investments in manufacturing equipment (available until fiscal year 2018 according to current regulations), which result in a significant tax saving. A change 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. The application of such patent box regime may reduce Ferrari's tax expenses and the Company is currently seeking to avail itself of such regime. However, this exemption is subject to a mandatory ruling by the Italian tax authorities and the outcome of the ruling procedure is not certain. Ferrari has filed a ruling application, but is currently awaiting a response from the Italian tax authorities. In the event of a negative response from the Italian tax authorities, Ferrari will not be able to benefit from such exemption.

#### **Risks Related to Taxation**

##### **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 October 9, 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% or more of its 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% 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.

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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, the Ferrari 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 deductions recognized by Italian Tax regulations for R&D expenses and for the investments in manufacturing equipment, which result in a significant tax saving. A change in regulations or interpretation might adversely affect the availability of such exemptions and result in higher tax charges.

The 2015 Italian Finance Bill introduced a new optional patent box regime in the Italian tax system. The Patent Box is a tax exemption related to the use of intellectual property assets. Business income derived from the use of each qualified intangible assets is partially exempted from taxation for both Italian corporate income tax (IRES) and Italian regional tax (IRAP) purposes. The application of such patent box regime may reduce Ferrari's tax expenses and it is currently seeking to avail itself of such regime. However, this exemption is subject to a mandatory ruling by the Italian Tax Authorities and the outcome of the ruling procedure is not certain. In the event of a negative response from the Italian Tax Authorities, Ferrari will not be able to benefit from this exemption



The Exor logo consists of a dark blue square with the word "Exor" in white, serif, capital letters.

**Consolidated Financial Statements  
at December 31, 2017**

## CONSOLIDATED INCOME STATEMENT

		Year ended December 31	
€ million	Note	2017	2016
Net revenues	1	143,430	140,068
Cost of revenues	2	(119,562)	(117,771)
Selling, general and administrative expenses	3	(10,394)	(10,851)
Research and development costs	4	(4,862)	(4,809)
Other income (expenses)	5	910	95
Result from investments:			
- Share of the profit (loss) of equity method investees	6	567	360
- Other income (expenses) from investments	6	(58)	14
Result from investments		509	374
Gains (losses) on disposal of investments		76	48
Restructuring costs	7	(176)	(167)
Financial income (expenses)	8	(2,168)	(2,719)
<b>Profit before taxes</b>		<b>7,763</b>	<b>4,268</b>
Tax expense	9	(3,117)	(1,954)
<b>Profit from continuing operations</b>		<b>4,646</b>	<b>2,314</b>
<b>Profit from discontinued operations, net of tax</b>		<b>0</b>	<b>(1)</b>
<b>Profit for the year</b>		<b>4,646</b>	<b>2,313</b>
<b>Profit attributable to non-controlling interests</b>		<b>3,254</b>	<b>1,724</b>
<b>Profit attributable to owners of the parent</b>		<b>1,392</b>	<b>589</b>
<b>Profit attributable to owners of the parent per ordinary share</b>	11		
Basic earnings per share from continuing operations (€)		5.932	2.515
Basic earnings per share from discontinued operations (€)		n.a.	(0.003)
Diluted earnings per share from continuing operations (€)		5.867	2.495
Diluted earnings per share from discontinued operations (€)		n.a.	(0.023)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31	
€ million	Note	2017	2016
<b>PROFIT FOR THE YEAR (A)</b>	<b>24</b>	<b>4,646</b>	<b>2,313</b>
<b>Items that will not be reclassified to the income statement in subsequent periods:</b>			
Gains (losses) on remeasurement of defined benefit plans		(16)	467
Share of gains (losses) on remeasurement of defined benefit plans for investments accounted for using the equity method		2	(5)
Related tax effect		(81)	(255)
<b>Total Other comprehensive income that will not be reclassified to the income statement in subsequent periods, net of tax (B1)</b>		<b>(95)</b>	<b>207</b>
<b>Items that may be reclassified to the income statement in subsequent periods</b>			
Gains (losses) on cash flow hedging instruments		257	(284)
Gains (losses) on available-for-sale financial assets		41	(201)
Exchange differences on translating foreign operations		(3,767)	1,285
Share of other comprehensive income (loss) of investments accounted for using the equity method		(37)	(338)
Related tax effect		(30)	72
<b>Total Other comprehensive income that may be reclassified to the income statement in subsequent periods, net of tax (B2)</b>		<b>(3,536)</b>	<b>534</b>
<b>Total Other comprehensive income, net of tax (B) = (B1) + (B2)</b>		<b>(3,631)</b>	<b>741</b>
<b>TOTAL COMPREHENSIVE INCOME (A)+(B)</b>		<b>1,015</b>	<b>3,054</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent		(115)	779
Non-controlling interests		1,130	2,275

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At December 31	
€ million	Note	2017	2016
<b>Assets</b>			
Goodwill, brand, trademark and intangible assets with indefinite useful lives	12	17,241	19,463
Other intangible assets	12	15,282	15,408
Property, plant and equipment	13	35,591	37,224
Leased assets	14	1,539	1,810
Investments accounted for using the equity method	15	3,391	3,021
Other investments and other financial assets	16	1,198	2,026
Deferred tax assets	9	2,928	4,792
Inventories	17	20,438	19,410
Trade receivables	18	3,015	3,198
Investments of reinsurance companies	19	12,971	14,623
Receivables from financing activities	20	20,434	21,047
Receivables from reinsurance activities		2,963	2,679
Other assets	21	6,717	6,518
Assets held for sale		39	148
Cash and cash equivalents	23	20,028	25,161
<b>Total Assets</b>		<b>163,775</b>	<b>176,528</b>
<b>Equity</b>			
Equity attributable to owners of the parent	24	10,805	10,982
Non-controlling interests	24	20,381	19,238
<b>Total Equity</b>		<b>31,186</b>	<b>30,220</b>
<b>Liabilities</b>			
Provisions for employee benefits	26	11,653	12,509
Other provisions	27	18,132	19,265
Technical reserves insurance companies	28	11,690	11,947
Deferred tax liabilities	9	596	527
Financial debt	29	46,441	55,817
Other financial liabilities	30	255	1,000
Trade payables	31	27,612	28,214
Tax payables		532	470
Other liabilities	32	15,678	16,455
Liabilities held for sale		0	104
<b>Total Liabilities</b>		<b>132,589</b>	<b>146,308</b>
<b>Total Equity and Liabilities</b>		<b>163,775</b>	<b>176,528</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
€ million	Note 38	
	2017	2016
<b>A) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>25,162</b>	<b>30,587</b>
<b>B) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES DURING THE PERIOD</b>		
Profit for the period	4,646	2,313
Amortization and depreciation	7,500	7,826
(Gains) losses on disposal of non-current assets	(178)	9
Other non-cash items	74	177
Dividends received	227	180
Change in provisions	731	1,203
Change in deferred taxes	1,056	692
Change in items due to buy-back commitments	31	(13)
Change in operating lease items	94	(114)
Change in working capital	(791)	346
<b>TOTAL</b>	<b>13,390</b>	<b>12,619</b>
<b>C) CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Investments in property, plant and equipment and intangible assets	(10,092)	(10,082)
Acquisitions of investments made by consolidated operating subsidiaries	(24)	(2)
Investments in financial assets made by EXOR and by subsidiaries in Holdings System	(47)	(106)
Cash and cash equivalents from the consolidation of PartnerRe, net of the consideration paid to acquire the 100%	0	(3,950)
Net change in Investments of Reinsurance companies (PartnerRe Group)	141	453
Proceeds from sale of non-current assets by consolidated operating subsidiaries	224	183
Proceeds from disposal of financial assets by EXOR and by subsidiaries in Holdings System	357	150
Net change in financial receivables	(1,316)	358
Net change in securities	221	381
Other changes	(235)	(125)
<b>TOTAL</b>	<b>(10,771)</b>	<b>(12,740)</b>
<b>D) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
Issuance of notes	2,834	4,749
Repayment of notes	(5,296)	(4,121)
Proceeds of other long-term debt	2,834	2,435
Repayment of other long-term debt	(5,883)	(7,351)
Net change in short-term debt and other financial assets/liabilities	(128)	(888)
Increases in share capital of subsidiaries	15	2
Exercise of stock options	10	0
Redemption of Serie D and E preferred shares PartnerRe	0	(135)
Dividends paid by EXOR	(82)	(82)
Dividends paid by subsidiaries	(209)	(215)
Other changes	(39)	(4)
<b>TOTAL</b>	<b>(5,944)</b>	<b>(5,564)</b>
Translation exchange differences	(1,809)	259
<b>E) TOTAL CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,134)</b>	<b>(5,426)</b>
<b>F) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>20,028</b>	<b>25,161</b>
Cash and cash equivalents included in Assets held for sale and discontinued operations		1
<b>G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>20,028</b>	<b>25,162</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Treasury stock	Capital reserves	Earnings reserves	Cash flow hedge reserve	Cumulative translation adjustment reserve	Available-for-sale financial assets reserve	Defined benefit plans remeasurement reserve	Cumulative share of OCI of investments accounted for using the equity method	Total Owners of the parent	Non-controlling interests	Total
<b>Equity at December 31, 2015</b>	<b>246</b>	<b>(171)</b>	<b>125</b>	<b>9,400</b>	<b>48</b>	<b>823</b>	<b>268</b>	<b>(395)</b>	<b>2</b>	<b>10,346</b>	<b>16,481</b>	<b>26,827</b>
<b>Change in equity for 2016:</b>												
Share-based payments				33						33	64	97
Cancellation of treasury shares		75		(75)						0		0
Merger of EXOR S.p.A. into EXOR N.V.	(244)	96	148							0		0
Capital increase by subsidiaries										0	24	24
Dividends paid				(82)						(82)	(207)	(289)
Total comprehensive income for the year				589	(39)	596	(187)	65	(245)	779	2,275	3,054
Acquisition of PartnerRe										0	818	818
Effect of the spin-off of RCS/Ferrari				0						0	(32)	(32)
Effect of the change in the percentage ownership of companies valued under equity method (a)				(136)						(136)		(136)
Redemption of Series D and E preferred shares PartnerRe										0	(135)	(135)
Other changes				42						42	(50)	(8)
<b>Total changes</b>	<b>(244)</b>	<b>171</b>	<b>148</b>	<b>371</b>	<b>(39)</b>	<b>596</b>	<b>(187)</b>	<b>65</b>	<b>(245)</b>	<b>636</b>	<b>2,757</b>	<b>3,393</b>
<b>Equity at December 31, 2016</b>	<b>2</b>	<b>0</b>	<b>273</b>	<b>9,771</b>	<b>9</b>	<b>1,419</b>	<b>81</b>	<b>(330)</b>	<b>(243)</b>	<b>10,982</b>	<b>19,238</b>	<b>30,220</b>

(a) Of which -€33 million relates to Almacantar and -€103 million relates to The Economist.

€ million	Share capital	Treasury stock	Capital reserves	Earnings reserves	Cash flow hedge reserve	Cumulative translation adjustment reserve	Available-for-sale financial assets reserve	Defined benefit plans remeasurement reserve	Cumulative share of OCI of investments accounted for using the equity method	Total Owners of the parent	Non-controlling interests	Total
<b>Equity at December 31, 2016</b>	<b>2</b>	<b>0</b>	<b>273</b>	<b>9,771</b>	<b>9</b>	<b>1,419</b>	<b>81</b>	<b>(330)</b>	<b>(243)</b>	<b>10,982</b>	<b>19,238</b>	<b>30,220</b>
<b>Change in equity for 2017:</b>												
Share-based payments				58						58	135	193
Exercise of stock options				10						10		10
Capital increase by subsidiaries										0	12	12
Dividends paid				(82)						(82)	(205)	(287)
Total comprehensive income for the year				1,392	62	(1,600)	33	(28)	26	(115)	1,130	1,015
Reimbursement of The Black Ant value fund							(109)			(109)		(109)
Fair value of Welltec and Banca Leonardo							66			66		66
Effect of the change in the percentage ownership of companies (a)				(85)		(4)				(85)	86	1
Other changes				80				4		80	(15)	65
<b>Total changes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,373</b>	<b>62</b>	<b>(1,604)</b>	<b>(10)</b>	<b>(24)</b>	<b>26</b>	<b>(177)</b>	<b>1,143</b>	<b>966</b>
<b>Equity at December 31, 2017</b>	<b>2</b>	<b>0</b>	<b>273</b>	<b>11,144</b>	<b>71</b>	<b>(185)</b>	<b>71</b>	<b>(354)</b>	<b>(217)</b>	<b>10,805</b>	<b>20,381</b>	<b>31,186</b>

(a) Of which -€29 million relates to CNH Industrial Group and -€56 million relates to FCA Group.

# EXOR GROUP - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## GENERAL INFORMATION ON THE ACTIVITIES OF THE GROUP

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 September 30, 2015 and in 2016 was designated to act as a holding company for EXOR Group following the cross-border merger with EXOR S.p.A. (the “Merger”).

For further details on the Merger, reference should be made to the 2016 Company’s financial statements.

From an accounting point of view, in accordance with IFRS, the Merger is recognized in EXOR’s consolidated financial statements from January 1, 2016, while in the company financial statements it is recognized from December 11, 2016. As the Merger is a transaction in which all of the combining entities are controlled ultimately by the same party both before and after the transaction, and based on the fact that the control is not transitory, the Merger was deemed to be a transaction of entities under common control and therefore outside the scope of IFRS 3 - *Business combination*.

EXOR is one of Europe’s leading investment 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 and construction equipment, commercial vehicles and professional football.

## BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Authorization of Consolidated Financial Statements and Compliance with International Financial Reporting Standards

The consolidated financial statements, together with notes thereto of EXOR, at December 31, 2017 were authorized for issuance on March 26, 2018 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. In this respect, 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.

The Group’s presentation currency is Euro, which is also the functional currency of the Company, and unless otherwise stated information is presented in millions of Euro.

The EXOR Group presents the income statement using a classification based on the function of expenses (otherwise known as the “cost of sales” method), 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 by the principal subsidiaries, the FCA, CNH Industrial and Ferrari Groups, and is consistent with international practice in the automotive and capital goods sectors.

The statement of financial position is presented in decreasing order of liquidity. While a separate classification 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 the financial activities are significant, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and more relevant.

The statement of cash flows is presented using the indirect method.

The other subsidiaries have prepared their data for purposes of the EXOR Group’s consolidated financial statements consistently with the classification and presentation indicated above.

### New standards and amendments effective from January 1, 2017

The following new standards and amendments applicable from January 1, 2017 were adopted by the Group.

- Amendments to IAS 12 - *Income Taxes* that clarify how to account for deferred tax assets related to debt instruments measured at fair value. There was no effect on the Consolidated Financial Statements from the adoption of these amendments.
- Amendments to IAS 7 - *Statement of Cash Flows* introducing additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosures have been included in note 39, *Explanatory notes to the Consolidated Statement of Cash Flows*.
- Amendments to IFRS 12 - *Disclosure of Interests in Other Entities*, included within the Annual Improvements to IFRS Standards 2014–2016 Cycle. There was no effect on the Consolidated Financial Statements from the adoption of these amendments.

### New standards, amendments and interpretations not yet effective

The following new standards and amendments were issued by IASB. The Group will comply with the relevant guidance no later than their respective effective dates.

- IFRS 15 – *Revenue from contracts with customers* (“IFRS 15”), which was issued by the IASB in May 2014 and amended in September 2015 and has an effective date from January 1, 2018, the Group will adopt the provisions of IFRS 15 and all its amendments using the modified retrospective method with a cumulative adjustment to equity as of January 1, 2018. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive using a five-step process. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The majority of revenue will continue to be recognized in a manner consistent with accounting guidance in prior years with the exception of certain FCA sales (GDP vehicles as well as shipping and handling activities that occur after control of the vehicle passes to the customer) and CNH Industrial services (mainly maintenance and repair contracts, as well as extended warranty contracts). In particular, under the new standard, a GDP vehicle sale that contains no option to repurchase or includes a put option for which the customer does not have a significant economic incentive to exercise the put will be recognized as revenue when control transfers upon shipment of the vehicles, rather than treated as an operating lease in accordance with prior guidance. Shipping and handling activities, when arranged by FCA after control of the vehicle passes to the customer, will be a separate performance obligation in the vehicle sale arrangement for which control passes when the shipping activities are complete. Under current guidance, these activities are not considered a separately identifiable component from the vehicle. The total impact of the cumulative adjustment to equity as of January 1, 2018 is expected to be not material and the impact to the Group's net profit is expected to be immaterial on an ongoing basis.
- In July 2014 the IASB issued IFRS 9 - *Financial Instruments* (“IFRS 9”). The standard is effective for financial years beginning on January 1, 2018. IFRS 9 introduces improvements in the accounting requirements for classification and measurement of financial assets, for impairment of financial assets and for hedge accounting. The Group will apply practical expedients permitted by the standard and not restate prior periods. For hedge accounting, the Group will apply the standard prospectively.
  - Financial assets will be classified and measured on the basis of the Group's business model and characteristics of the financial asset's cash flows. A financial asset is initially measured either at “amortized cost”, at “fair value through other comprehensive income” or at “fair value through profit or loss”. At the date of initial application of IFRS 9, except for certain receivables managed solely with the intent to be transferred to third parties before maturity that are measured at fair value through profit or loss and certain investments in other companies designated as measured at fair value through other comprehensive income, the measurement of the Group's financial assets under IFRS 9 has not changed compared to IAS 39. The classification of financial liabilities under IFRS 9 is unchanged compared with the current accounting requirements of IAS 39.
  - The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred losses as is the case under IAS 39. The expected credit losses will be recorded either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on trade and other receivables. For receivables from financing activities the Group will apply the general approach recording the credit losses either on a 12-month or lifetime basis.

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

Overall, the total impact of the cumulative adjustment to equity as of January 1, 2018 and the impact to the Group's net profit is expected to be immaterial.

- In January 2016 the IASB issued IFRS 16 - *Leases* ("IFRS 16") which 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. IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15 is also applied. The Group is currently evaluating the method of implementation and impact of adoption.
- In June 2016 the IASB issued amendments to IFRS 2 - *Share-based Payments*, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through IFRIC, provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (ii) share-based payment transactions with a net settlement feature for withholding tax obligations and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company will adopt these amendments prospectively from January 1, 2018. The Group does not expect a material impact from the adoption of the amendments.
- In September 2016 the IASB issued "Applying IFRS 9 - *Financial Instruments* with IFRS 4 - *Insurance Contracts*" (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: (i) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and (ii) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The Group does not expect a material impact from the adoption of the amendments.
- In December 2016 the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle which included amendments to IAS 28 - *Investments in Associates and Joint Ventures* (effective January 1, 2018). The amendments clarify, correct or remove redundant wording in the related standard and are not expected to have a material impact to Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In December 2016 the IASB issued IFRIC Interpretation 22 - *Foreign Currency Transactions and Advance Consideration* which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective January 1, 2018. The Group does not expect a material impact from the adoption of the amendments.
- In May 2017 the IASB issued IFRS 17 - *Insurance Contracts* ("IFRS 17"), which replaces IFRS 4 *Insurance Contracts*. 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. The standard is effective for annual periods beginning on or after January 1, 2021 with earlier adoption permitted. The Group is currently evaluating the impact of adoption.

- In June 2017 the IASB issued *IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment*, (the "Interpretation"), 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. The Interpretation does not add any new disclosure requirements, however it highlights the existing requirements in IAS 1 - *Presentation of Financial Statements*, related to disclosure of judgments, information about the assumptions made and other estimates and disclosures of tax-related contingencies within IAS 12 - *Income Taxes*. The Interpretation is applicable for annual reporting periods beginning on or after January 1, 2019 and it provides a choice of two transition approaches: (i) retrospective application using IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, only if the application is possible without the use of hindsight, or (ii) retrospective application with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application and without restatement of the comparative information. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation. The Group is currently evaluating the method of implementation and impact of adoption of the interpretation.
- In October 2017 the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*, allowing companies to measure particular prepayable 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, effective January 1, 2019. The Group is currently evaluating the impact of adoption.
- 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, effective January 1, 2019. The Group is currently evaluating the impact of adoption.
- In December 2017 the IASB issued the *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 remeasures its previously held interest in a joint operation when it obtains control of the business, on IFRS 11 - *Joint Arrangements*, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business, on IAS 12 - *Income Taxes*, 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. The effective date of the amendments is January 1, 2019. The Group is currently evaluating the impact of adoption.
- In February 2018 the IASB issued *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* which specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. IAS 19 - *Employee Benefits* 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 remeasure 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 on or after January 1 2019. The Group is currently evaluating the impact of adoption.

## 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 December 31, 2017 are the following:

		31-Dec-17	
		Percentage of consolidation	
Company/Group	Country	Group's ownership interest	Non-controlling interest's ownership interest
Operating subsidiaries:			
FCA Group	The Netherlands	29.18%	70.82%
CNH Industrial Group	The Netherlands	26.91%	73.09%
Ferrari Group	The Netherlands	23.52%	76.48%
PartnerRe Group	Bermuda	100.00%	-
Juventus Football Club S.p.A.	Italy	63.77%	36.23%
Companies in the Holdings System:			
EXOR S.A.	Luxembourg	100%	-
EXOR Capital Dac	Ireland	100%	-
EXOR SN LLC	USA	100%	-
EXOR Nederland N.V.	The Netherlands	100%	-
EXOR Investments Limited	United Kingdom	100%	-
EXOR Investments (UK) LLP	United Kingdom	99.67%	0.33%
Ancom USA Inc.	USA	100%	-

At December 31, 2017 the EXOR Group includes more than 500 subsidiaries consolidated line-by-line by the FCA, CNH Industrial, Ferrari and PartnerRe Groups.

Certain minor subsidiaries are excluded from consolidation on a line-by-line basis and are accounted for using the equity method or at cost. Their aggregate assets and revenues represent less than 1% of the Group's total assets and revenues in these consolidated financial statements.

On August 1, 2016 FCA Group announced the signing of a framework agreement which set out terms of the proposed integration through a merger between FCA's consolidated media and publishing subsidiary, Italiana Editrice S.p.A. ("Itedi"), in which FCA had a 77 percent ownership interest, and the Italian media group, GEDI Gruppo Editoriale S.p.A. ("GEDI"), previously known as Gruppo Editoriale L'Espresso S.p.A., (the "Merger"). All the conditions precedent for the Merger were met and all regulatory approvals from Italian state authorities that regulate the publishing and media sectors were received in June 2017. All the necessary steps for the Merger were completed and on June 27, 2017 FCA and Itedi's non-controlling shareholder, Ital Press Holding S.p.A. ("Ital Press"), transferred 100 percent of the shares of Itedi to GEDI in exchange for newly issued GEDI shares, resulting in CIR S.p.A., the controlling shareholder of GEDI, holding a 43.4 percent ownership interest in GEDI, FCA holding 14.63 percent and Ital Press holding 4.37 percent.

Following the completion of the merger on June 27, 2017 FCA distributed its entire interest in GEDI to holders of FCA common shares on July 2, 2017 in the ratio of 0.0484 GEDI ordinary shares for each FCA common share.

As a result, FCA recorded a gain of €49 million in the income statement for the year ended December 31, 2017.

In February 2017 CNH Industrial completed the acquisition of the grass and soil implement business of Kongskilde Industries, the impact of which was not material to the financial statements.

On April 3, 2017 PartnerRe completed the acquisition of 100% of the outstanding ordinary shares of Aurigen Capital Limited, a North American life reinsurance company. The consideration paid was CAD \$370 million or US\$278 million and the fair value of net assets acquired was \$277 million, including intangible assets of \$78 million. The results of Aurigen Capital Limited were included in the results of PartnerRe from the acquisition date of April 3, 2017.

## Deconsolidation of Venezuela subsidiaries

Throughout 2017 macroeconomic conditions in Venezuela continued to deteriorate with an impact on FCA and CNH Industrial activities. In particular, the restrictive monetary policy in Venezuela coupled with the inability to pay dividends and the U.S. Dollar obligations, as well as the deteriorating economic conditions, has constrained the ability to maintain normal production in Venezuela, FCA concluded it is no longer able to exert control over its Venezuelan operations in order to affect its returns. As such, in accordance with IFRS 10 - *Consolidated Financial Statements*, as of December 31, 2017 FCA deconsolidated the subsidiary FCA Venezuela LLC ("FCA Venezuela"), which resulted in a pre-tax, non-cash charge of €42 million recorded within Selling, general and other expenses in the Consolidated Income Statement for the year ended December 31, 2017. Upon deconsolidation, FCA's investment in FCA Venezuela was recognized at fair value, which was nil at December 31, 2017 and will be accounted for at cost in subsequent periods.

The economic and socio-political environment in Venezuela further deteriorated, significantly impacting also CNH Industrial's ability to make key operating decisions. In the fourth quarter of 2017 the further deterioration of conditions in the country and the persisting restrictive exchange control regulations, which prevent any payments out of the country, resulted in an other-than-temporary lack of exchangeability. Therefore, effective December 31 2017 CNH Industrial determined that it no longer had the ability to control its Venezuelan operations. As a result, CNH Industrial recorded a non-cash pretax charge of €44 million (\$50 million) to impair and deconsolidate its operations in Venezuela and will begin reporting operating results under the cost method. The pretax charge includes the write-off of CNH Industrial's investment in Venezuela, including properties and all inter-company balances. The charge also includes the reversal through income statement of foreign currency translation losses previously included in Accumulated other comprehensive income. CNH Industrial will no longer include the results of its Venezuelan operations in its Consolidated Financial Statements. If cash were to be received from the Venezuelan operations in future periods, income will be recognized. CNH Industrial expects the current economic conditions in Venezuela to continue and does not anticipate any payments to be made in the foreseeable future. CNH Industrial's results of operations in Venezuela for the year ended December 31, 2017 and 2016 were immaterial as a percentage of both CNH Industrial's net revenues and trading profit.

Due to the lack of ability to settle U.S. dollar obligations, CNH Industrial does not intend to sell into, nor purchase inventory from, the Venezuelan operations at this time. Additionally, CNH Industrial has no remaining financial commitments to the Venezuelan operations and therefore believes the exposure to future losses is not material.

## Non-controlling interests

Non-controlling interests at December 31, 2017 amount to €20,381 million (€19,238 million at December 31, 2016) and are detailed in note 24.

## 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.

If the Group loses control of a subsidiary, a gain or loss is recognized in the income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. 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).

The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with IAS 39 – *Financial instruments: recognition and measurement* or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

#### *Joint ventures*

Joint ventures are entities in which the Group has contractually agreed sharing of control of an arrangement or whereby a contractual arrangement exists whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method from the date that joint control commences until the date that joint control ceases.

#### *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.

#### *Associates*

Associates are entities over which the Group 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. Investments in associates are accounted for using the equity method from the date that significant influence commences until the date it ceases. When the Group's share of losses of an associate, if any, exceeds the carrying amount of the associate in the Group's statement of financial position, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

#### *Investments in other companies*

Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or losses arising from changes in fair value are recognized directly in other comprehensive income until the assets are sold or impaired; at that time the cumulative other comprehensive income is recognized in the income statement.

Investments in other companies for which fair value is not available are stated at cost less any impairment losses. Dividends received from other companies are included in other income (expenses) from investments.

#### *Transactions eliminated in consolidation*

All significant intragroup balances and transactions and any unrealized gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. 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.

#### *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 at the balance sheet date are translated at the 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.

### 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 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 as equity until the disposal of the investment. Average exchange rates for the year are used to translate the cash flows of foreign subsidiaries in preparing the statement of cash flows.

Goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the Euro are recognized in the consolidated financial statements in the functional currency and translated at the exchange rate at the acquisition date. These amounts are translated at subsequent balance sheet dates at the exchange rate at the end of the period.

The principal exchange rates used in 2017 and 2016 to translate the foreign currency financial statements of foreign entities into Euro are the following:

	At December 31, 2017		At December 31, 2016	
	Average	At 12/31/2017	Average	At 12/31/2016
U.S. dollar	1.130	1.199	1.107	1.054
Brazilian real	3.605	3.973	3.857	3.431
Chinese renminbi	7.629	7.804	7.352	7.320
Polish zloty	4.257	4.177	4.363	4.410
Argentinine peso	18.683	22.595	16.327	16.707
British pound	0.877	0.888	0.819	0.856
Swiss franc	1.112	1.170	1.090	1.074
Mexican peso	21.329	23.661	20.664	21.772
Canadian dollar	1.417	1.504	1.466	1.419

### Date of reference

The investments are consolidated using the financial statements as of December 31, EXOR's year-end closing date, which covers a 12-month period, or accounting data prepared as of 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 March 31 of each year, has been consolidated using the equity method on the basis of the most recent data available (September 30, 2017). At December 31, 2017 there were no significant variations compared to the data used for the purposes of these consolidated financial statements.

### 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 gains (losses) on the disposal of 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

Purchased and internally-generated intangible assets are recognized as assets where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.

Intangible assets are initially recognized at purchase or manufacturing cost. Purchase cost is represented by the fair value of consideration given to acquire the asset and any direct cost incurred to make the asset available for use.

### 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. Goodwill arising on business combinations is initially measured at cost as established at the acquisition date. 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.

On the loss of control of a previously acquired entity, any outstanding goodwill balance is included in the determination of the gain or loss on disposal.

Brands with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired by comparing the carrying amount with the recoverable amount.

#### *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.

- Development costs are recognized as an asset when the development costs can be measured reliably and the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development costs 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 as follows:

	Automobiles	Trucks and buses	Agricultural and Construction Equipment	Powertrain
Number of years	5-6	4-8	5	8-12

Research and all other development costs which do not meet the above criteria are expensed as incurred.

- 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 with a finite useful life 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.

Whenever necessary, intangible assets with a finite useful life are tested for impairment.

### **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.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of position within financial debt. The assets are depreciated by the method and at the rates indicated below depending on the nature of the leased assets.

Leases under which the lessor retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

#### *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%

Land is not depreciated.

## 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. The Group assesses at the end of each reporting period whether there is any indication that its intangible assets (including development costs) 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.

Impairment of property plant and equipment and intangible assets arising from transactions that are only incidentally related to the ordinary activities of the Group and that are not expected to occur frequently, are recognized under other income (expenses).

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 instruments

### *Presentation*

Financial instruments held by the Group are presented in the consolidated financial statements as described in the following paragraphs.

Investments and other non-current financial assets comprise investments in unconsolidated companies and other non-current financial assets (held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets).

Current financial assets, as defined in IAS 39 include trade receivables, receivables from financing activities (retail financing, dealer financing, lease financing and other current loans to third parties), current securities and other financial assets (which include derivative financial instruments stated at fair value), as well as cash and cash equivalents.

In particular, cash and cash equivalents include cash at banks, units in money market funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value.

Current securities include short-term or marketable securities which represent temporary investments of available funds and do not satisfy the requirements for being classified as cash equivalents. Current securities include both available-for-sale and held-for-trading securities.

Financial liabilities refer to debt, which includes asset-backed financing, and other financial liabilities (which include derivative financial instruments stated at fair value), trade payables and other payables.

### *Measurement*

#### *Trade receivables and trade payables*

Receivables are recognized at amortized cost using the effective interest method and measured at net realizable value, that is, less the provision for impairment of 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 recognized 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.

#### *Financial assets and financial liabilities*

Financial assets other than investments, as well as financial liabilities, are accounted for in accordance with IAS 39. The classification of financial assets in the following categories determines the subsequent measurement which is the following:

- financial assets held for trading - HFT;
- held-to-maturity investments - HTM;
- loans and receivables - L&R;
- available-for-sale financial assets - AFS.

*Financial assets held for trading* are measured at fair value. Gains and losses arising from changes in the fair value of held-for-trading financial instruments are included in the income statement for the period.

*Held-to-maturity investments* are assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. They are recognized on the basis of the settlement date and, on initial recognition, are measured at acquisition cost, including transaction costs. They are subsequently measured at amortized cost, using the effective interest method, the rate that exactly discounts future cash flows for estimated collections (including transaction costs paid) over the expected life of the financial instrument or, if appropriate, over a shorter period.

Financial assets cannot be classified as held-to-maturity if, during the course of the current year or during the two preceding years, other than an insignificant amount of such investments has been sold or reclassified before their maturity, except sales or reclassifications that:

- are so close to maturity or to the call option date of the financial asset that changes in the market rate of interest would not have a significant effect on the fair value of the financial asset;
- occur after the Group has received substantially all of the financial asset's original principal through ordinary scheduled payments or prepayments;
- are attributable to an isolated event that is beyond the Group's control, is non-recurring and could not have been reasonably anticipated by the Group.

*Loans and receivables* which are not held by the Group for trading (loans and receivables originating in the ordinary course of business), held-to-maturity securities and equity investments whose fair value cannot be determined reliably, are measured, to the extent that they have a fixed term, at amortized cost, using the effective interest method. When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

*Available-for-sale financial assets* 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.

Except for derivative instruments, loans and other financial payables are recognized initially at cost, represented by fair value net of incidental charges.

Loans and financial payables are subsequently measured at amortized cost using the effective interest method, taking into account the costs of issue and every discount or premium, if any, on settlement of the instrument.

Financial assets and liabilities hedged against changes in fair value (fair value hedges) are measured in accordance with hedge accounting principles (see next paragraph): gains and losses arising from remeasurement at fair value, due to changes in the respective hedged risk, are recognized in the income statement and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

#### *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.

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.

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.

#### *Derivative financial instruments*

Derivative financial instruments are used for economic hedging purposes, in order to reduce currency, interest rate and market price risks (primarily related to commodities and securities). In accordance with IAS 39, all derivative financial instruments are measured at fair value.

Derivative financial instruments qualify for hedge accounting only when there is formal designation and documentation of the hedging relationship at the inception of the hedge, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

- *Fair value 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;
- *Hedge of a net investment* (hedges of a net investment in a foreign operation) in which the effective portion of the gain or loss on the derivative financial instrument is recognized in other comprehensive income and the ineffective portion is recorded in the income statement.

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.

#### **Transfer of financial assets**

The Group derecognizes financial assets when, and only when, the contractual rights to the cash flows arising from the asset are no longer held or if it transfers the financial asset. In case of a transfer of financial asset:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer;

- if the Group retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset;
- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:
  - if it has not maintained control, it derecognizes the financial asset and recognizes separately as assets and liabilities any rights and obligations created or retained in the transfer;
  - if it has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

On derecognition 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 income statement.

### **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 to 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. Periodically, the Group reviews its estimate of the benefits expected to vest through the plan and recognizes any difference in estimate in the income statement, with a corresponding increase or decrease in equity.

Share-based compensation plans that are to 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. Therefore, the reserve offsetting treasury stock in portfolio is not shown separately. The proceeds from any subsequent sale are recognized in equity.

### Revenue recognition

Revenue is recognized if it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured.

Revenue from sale of vehicles and service parts is recognized when the risks and rewards of ownership are transferred to the customer, the sales price is agreed or determinable and collectability is reasonably assured. For vehicles, this generally corresponds to the date when the vehicles are made available to dealers not belonging to the Group, or when the vehicle is released to the carrier responsible for transporting vehicles to dealers.

Revenues are recognized net of discounts, allowances and returns, as well as costs for sales incentive programs and customer bonuses, determined on the basis of historical costs, country by country, and charged against profit for the period in which the corresponding sales are recognized. The Group's sales incentive programs include incentives offered to dealers and retail customers, and granting of retail financing at a significant discount to market interest rates. These costs are recognized at the time of sale of the vehicle.

New vehicle sales with a buy-back commitment, or through the Guarantee Depreciation Program ("GDP") under which the Group guarantees the residual value or otherwise assumes responsibility for the minimum resale value of the vehicle, are not recognized at the time of delivery but are accounted for similar to an operating lease when it is probable that the vehicle will be bought back. Vehicles sold with a buy-back commitment are accounted for as inventories if the agreements usually have a short-term buy-back commitment; they are accounted for as property, plant and equipment if agreements usually have a long-term buy-back commitment.

The difference between the carrying value (corresponding to the manufacturing cost) and the estimated resale value (net of refurbishing costs) at the end of the buy-back period is depreciated on a straight-line basis over the same agreement period. The initial sale price received is recognized in liabilities as a down payment.

The difference between the initial sale price and the buy-back price is recognized as rental revenue on a straight-line basis over the term of the operating lease.

Assets sold under a buy-back commitment that are initially recognized in property, plant and equipment are reclassified to inventories at the end of the agreement term if they are held for sale. The proceeds from the sale of such assets are recognized as revenues.

Revenues from services and from construction contracts are recognized by reference to the stage of completion.

Revenues also include lease rentals recognized over the contractual term of the lease on a straight-line basis as well as interest income from financial services companies.

Revenues from services (contracts for extended warranties, maintenance, sponsorships) are recognized over the period during which the service is provided. In particular, revenues for real estate services are recognized when persuasive evidence of an arrangement exists, services have been rendered, the amount is fixed or determinable and collectability is reasonably assured unless there are contingencies that impact revenue recognition. The existence of any significant future contingencies results in the delay of revenue recognition for the contingent amounts until such contingencies are satisfied. Certain reimbursements (primarily employment costs and other charges) in connection with facilities and property management operations are recognized as revenues when the underlying reimbursable costs are incurred.

Revenues from matches, radio and television rights, media revenues and season ticket sales are recognized on an accrual basis, that is, when the relative match is played.

### 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

The costs are recognized on the accruals basis.

Cost of sales comprises:

- the cost of manufacturing products and the acquisition cost of purchased merchandise which has been sold. It includes all directly attributable material and production costs and all overheads directly related to production and/or the performance of services. These include the 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;
- expenses which are directly attributable to the financial services businesses, including the interest expenses related to their financing as a whole and provisions for risks and write-downs of assets;
- expenses that are directly attributable to the generation of revenue for real estate services including employment costs for employees who perform the underlying services that ultimately generate revenues and reimbursed costs relating to managed properties, in addition to 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, 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 in the financial statements when there is reasonable assurance of the Company'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.

Provisions for income taxes that could arise on the distribution of a subsidiary's undistributed profits are only made where there is a current intention to distribute such profits.

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.

### **Segment reporting**

The EXOR Group, through its subsidiaries, is present in a diversified range of sectors, particularly Automotive (FCA), Agricultural Equipment, Construction Equipment and Commercial Vehicles (CNH Industrial), Ferrari brand, an icon of luxury, style and speed, reinsurance services (PartnerRe) and professional football (Juventus Football Club). EXOR and the subsidiaries of the Holdings System primarily carry out activities regarding equity investments and financial market investments.

For this reason the EXOR Group has chosen to disclose its information by segment, according to IFRS 8 – *Operating Segments*, which coincides with the consolidated data of each subsidiary holding company, every one of which represents an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe, Juventus Football Club and the Holdings System.

These companies, in turn, in preparing their financial statements in accordance with IAS/IFRS, present, if applicable, operating segment disclosure which best reflects their respective characteristics. Details on segment reporting are reported in note 34.

### Use of estimates

The consolidated financial statements and the relative notes 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:

- measurement of identifiable assets and liabilities acquired in a business combination;
- recoverable amount of non-current assets: specifically, non-current assets include property, plant and equipment, goodwill and other intangible assets with indefinite useful lives, other intangible assets, equity investments and other financial assets. The Group periodically reviews the carrying amount of non-current assets held and used and that of assets held for sale when events and circumstances warrant such a review. For goodwill and intangible assets with indefinite useful lives such analysis is carried out at least annually and when events and circumstances warrant such a review. The analysis of the recoverable amount of non-current assets is usually performed using estimates of future expected cash flows from the use or disposal of the asset and a suitable discount rate in order to calculate present value. When the carrying amount of a non-current asset is impaired, the Group records an impairment loss for the amount by which the carrying amount of the asset exceeds its estimated recoverable amount from use or disposal determined by reference to the cash flows included in its most recent business forecasts. The estimates and assumptions described reflect the Group's current available knowledge as to the expected future development of the businesses and are based on an assessment of the future development of the market;
- the recoverability of deferred tax assets which takes into consideration future taxable income arising on the most recent budgets and plans, prepared by using the same criteria described for testing the impairment of assets and goodwill. Moreover, the Group estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these assets could be recovered. 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;
- pension plans and other post-retirement benefits are measured on an actuarial basis which takes into consideration parameters of a financial nature such as the discount rate and the return on plan assets, the rates of salary increases and the rates of healthcare cost increases and the likelihood of potential future events estimated by using demographic assumptions such as mortality rates, dismissal and retirement rates. The discount rates used refer to high-quality corporate bonds in the respective market of reference. The return on plan assets is given by interest, dividends and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself (other than those included in the actuarial assumptions used to measure the defined benefit obligation). Rates of salary increases reflect the Group's long-term actual expectation in the reference market and inflation trends. Trends in healthcare costs are developed on the basis of historical experience, the near-term outlook for costs and likely long-term trends;
- allowance accounts adjusting assets (receivables and inventories);
- dealer and customers incentives offered for the purchase of vehicles;

- estimated costs for product warranties;
- measurement of share-based compensation;
- residual values of assets leased out under operating lease arrangements or sold with a buy-back commitment;
- contingent liabilities particularly referring to disputes and legal proceedings;
- measurement of investments and certain financial assets whose fair value is determined on the basis of appraisals by independent experts;
- technical reinsurance reserves which are 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;
- Italian exit tax, estimated in 2016 and paid in 2017.

## 1 Net revenues

Net revenues amount to €143,430 million in 2017 (€140,068 million in 2016). The composition is as follows:

€ million	2017		2016		Change
		%		%	
Sales of goods	131,417	91.6%	129,483	92.4%	1,934
Contract revenues	930	0.6%	753	0.5%	177
Other services	3,014	2.1%	3,063	2.2%	(49)
Net premium earned of insurance and reinsurance companies	4,449	3.1%	3,606	2.6%	843
Interest income of financial services activities	875	0.6%	885	0.6%	(10)
Investment income and net realized and unrealized investments gains of insurance and reinsurance companies	567	0.4%	221	0.2%	346
Lease installments from assets under operating leases and buy-backs	1,017	0.7%	999	0.7%	18
Television and radio rights and media revenues	213	0.1%	206	0.1%	7
Sponsorships and advertising	82	0.1%	52	0.0%	30
Season tickets and ticket office sales	61	0.0%	51	0.0%	10
Other	805	0.6%	749	0.5%	56
<b>Total net revenues</b>	<b>143,430</b>	<b>100.0%</b>	<b>140,068</b>	<b>100.0%</b>	<b>3,362</b>

In 2017 net revenues include €110,934 million referring to the FCA Group (€111.018 million in 2016), €24,739 million to the CNH Industrial Group (€22,882 million in 2016), €3,417 million to the Ferrari Group (€3,105 million in 2016), €5,016 million to the PartnerRe Group (€3,827 million in 2016) and €540 million to Juventus Football Club (€498 million in 2016).

The contribution by segment is presented in note 34.

The analysis by geographical area is presented in note 35.

## 2 Cost of revenues

In 2017 the cost of revenues amounts to €119,562 million (€117,771 million in 2016) and includes the following:

€ million	2017	2016	Change
Cost of sales	114,781	114,312	469
Interest cost and other financial expenses from financial services companies	513	564	(51)
Losses and loss expenses and life policy benefits	3,401	2,395	1,006
Acquisition costs	867	500	367
<b>Total cost of sales</b>	<b>119,562</b>	<b>117,771</b>	<b>1,791</b>

## 3 Selling, general and administrative expenses

Selling, general and administrative expenses amount to €10,394 million in 2017 (€10,851 in 2016).

Selling expenses mainly consist of marketing, advertising, and sales personnel expenses.

General and administrative expenses mainly consist of administration expenses which are not attributable to the sales, manufacturing or research and development functions.

## 4 Research and development costs

The composition of research and development costs is as follows:

€ million	2017	2016	Change
Research and development costs expensed during the year	2,771	2,643	128
Amortization of capitalized development costs	1,965	2,045	(80)
Impairment and write-off of costs previously capitalized	126	121	5
<b>Total research and development costs</b>	<b>4,862</b>	<b>4,809</b>	<b>48</b>

In 2017 the impairment and write-offs of capitalized development expenditure mainly referred to the FCA Group's global product portfolio changes in EMEA and changes in the LATAM product portfolio.

In 2016 the impairment and write-offs of capitalized development expenditure mainly referred to the FCA Group's capacity realignment to SUV production in China, which resulted in an impairment charge of €90 million for the locally produced Fiat Viaggio and Ottimo vehicles.

## 5 Other income (expenses)

In 2017 Other income (expense) represent a net profit of €910 million (net profit of €95 million in 2016) and mainly related to the gain on the reversal of a liability for Brazilian indirect taxes.

## 6 Result from investments

The composition is as follows:

€ million	2017	2016	Change
<b>Share of the profit (loss) of equity method investees</b>	<b>567</b>	360	207
<b>Other income (expenses) from investments</b>			
Dividends from investments	12	28	(16)
Impairment reversals (losses)	(68)	(8)	(60)
Other income and (accruals) to provisions on investments	(2)	(6)	4
<b>Total other income (expenses) from investments</b>	<b>(58)</b>	14	(72)
<b>Total result from investments</b>	<b>509</b>	<b>374</b>	135

## 7 Restructuring costs

Restructuring costs amount to €176 million in 2017 (€167 million in 2016) and mainly include restructuring costs recorded by the CNH Industrial Group of €80 million (€39 million in 2016) and by the FCA Group of €95 million (€88 million in 2016).

In 2017 and 2016 restructuring cost of CNH Industrial, referred to the actions to reduce selling, general and administrative expenses, business support costs, costs related to the completion of manufacturing product specialization programs and footprint rationalization actions included in the Efficiency Program of the Group.

In 2016 PartnerRe Group recognized €40 million of restructuring costs related to the severance expenses associated with the restructuring of PartnerRe's business units, certain changes to PartnerRe's investment operations and executive changes part of the formation of a new organizational structure in which PartnerRe's business units were restructured into three worldwide business units comprised of P&C, Specialty and Life and Health.

## 8 Financial income (expenses)

The analysis of financial income (expenses) presented below includes amounts reported in specific lines of the consolidated income statement under financial income (expenses), as well as interest income from financial services activities recognized under net revenues of €875 million in 2017 (€885 million in 2016), and interest and other financial expenses from financial services companies recognized in costs of sales €513 million in 2017 (€564 million in 2016).

Details are as follows:

€ million	2017	2016	Change
Interest income from banks	135	155	(20)
Interest income from securities	11	15	(4)
Other interest income and financial income	109	154	(45)
<i>Total Interest and other financial income</i>	255	324	(69)
Interest income from customers and other financial income of financial services companies	875	885	(10)
Gains on disposal of securities	121	13	108
<b>Total financial income</b>	<b>1,251</b>	<b>1,222</b>	<b>29</b>
<b>Less: Interest income from customers and other financial income of financial services companies</b>	<b>(875)</b>	<b>(885)</b>	<b>10</b>
<b>Financial income, excluding financial services companies</b>	<b>376</b>	<b>337</b>	<b>39</b>
Interest expenses on bonds	1,233	1,398	(165)
Interest expenses from banks	458	693	(235)
Commission expenses	2	7	(5)
Other interest expenses and other financial expenses	472	540	(68)
<i>Total Interest and other financial expenses</i>	2,165	2,638	(473)
Writedowns of financial assets	120	211	(91)
Losses on disposal of securities	6	6	0
Net interest expenses on employee benefits provisions	353	399	(46)
<b>Total interest and other financial expenses</b>	<b>2,644</b>	<b>3,254</b>	<b>(610)</b>
<b>Net (income) expenses from derivative financial instruments and exchange rate differences</b>	<b>413</b>	<b>366</b>	<b>47</b>
<b>Total financial expenses</b>	<b>3,057</b>	<b>3,620</b>	<b>(563)</b>
<b>Less: interest expenses and other financial expenses of financial services companies</b>	<b>(513)</b>	<b>(564)</b>	<b>51</b>
<b>Financial expenses, excluding financial services companies</b>	<b>2,544</b>	<b>3,056</b>	<b>(512)</b>
<b>Net financial income (expenses), excluding financial services companies</b>	<b>(2,168)</b>	<b>(2,719)</b>	<b>551</b>

Other interest expenses and other financial expenses for the year ended December 31, 2017 included a loss of €3 million in relation to the prepayment by FCA US in February 2017 of the outstanding principal and accrued interest for its tranche B term loan, a loss of €35 million (\$39 million) related to the repurchase by CNH Industrial of €347 million of CNH Industrial Finance Europe S.A.'s outstanding €1.2 billion 6.25% Notes due 2018 and €401 million (\$453 million) of its outstanding €1.0 billion 2.750% Notes due 2019. In 2017 net financial expenses also include a charge of €15 million (\$17 million) related to the early redemption of all the outstanding \$636 million aggregate principal amount of Case New Holland Industrial Inc. 7.875% Senior Notes due 2017. Other interest cost and financial expenses for the year ended December 31, 2017 included a gain on extinguishment of debt of €9 million related to the prepayment by FCA of all scheduled payments due on the Canada Health Care Trust ("HCT") Tranche B Note.

Other interest expenses and other financial expenses for the year ended December 31, 2016 included a loss on extinguishment of debt totaling €10 million related to the U.S.\$2.0 billion (€1.8 billion) voluntary prepayment of principal at par, of FCA US's tranche B term loan maturing on May 24, 2017 and FCA US's tranche B term loan maturing on December 31, 2018. This item also included a loss on extinguishment of debt for €8 million related to the prepayment by FCA of all scheduled payments due on the Canada Health Care Trust ("HCT") Tranche C Note and the charge of €54 million (\$60 million) related to the repurchase of portions of the Case New Holland Industrial Inc. 7.875% Notes due 2017, as well as the non-recurring charge of €31 million (\$34 million) due to the re-measurement and impairment of certain assets in the Venezuelan subsidiary.

## 9 Tax expense

Tax expense recognized in the consolidated income statement consist of the following:

€ million	2017	2016	Change
Italian Exit tax	(22)	170	(192)
Current tax expense	1,480	1,328	152
Deferred tax expense (benefit)	1,666	446	1,220
Tax expense (benefit) relating to prior periods	(7)	10	(17)
<b>Total tax expense</b>	<b>3,117</b>	<b>1,954</b>	<b>1,163</b>

The positive amount of €22 million is related to the settlement in June 2017 of the liability for Italian exit tax.

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:

€ million	2017	2016
<b>Theoretical tax expense</b>	1,941	1,066
<b>Tax effect on:</b>		
Recognition and utilization of previously unrecognized deferred tax assets	(405)	(3)
Permanent differences	(793)	(507)
Deferred tax assets not recognized and writedowns	1,467	635
Differences between foreign tax rates and the theoretical tax rate and tax holidays	850	1,340
Taxes relating to prior years	(7)	10
Italian Exit tax	(22)	170
Other differences	32	(852)
<b>Total tax expense, excluding IRAP</b>	<b>3,063</b>	1,859
	<b>Effective tax rate</b>	<b>39.7%</b>
IRAP (current and deferred)	54	95
<b>Total tax expense</b>	<b>3,117</b>	<b>1,954</b>

The applicable tax rate used to determine the theoretical income taxes was 25 percent in 2017 and 2016, which is the tax rate applicable in The Netherlands.

The change in the effective tax rate to 39.7 percent in 2017 from 43.6 percent in 2016 was mainly due to (i) the inability to book a tax benefit on certain restructuring costs, on certain charges related to the repurchase/early redemption of notes, and on the charge for the Venezuelan operations deconsolidation (ii) reduced generation and utilization of tax credits in NAFTA and (iii) a decrease in Brazilian deferred tax assets; partially offset by (iv) tax benefits recorded on changes to prior years' tax positions and (v) improved performance in EMEA and LATAM.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted into law in the U.S. on December 22, 2017. The Tax Act includes various changes to U.S. tax law, including a permanent reduction in the U.S. federal corporate income tax rate. The Tax Act also imposes a one-time tax, at a special reduced tax rate, on the deemed repatriation of the post-1986 unremitted earnings from their non-U.S. subsidiaries to the Company's U.S. subsidiaries.

FCA and CNH Industrial have been affected by this change in law; in particular FCA Group estimated net tax expense of €88 million in 2017 for the effects of the changes in the tax rate, which includes an expense of €117 million, primarily related to the deemed repatriation resulting from the Tax Act. The expense may be adjusted, potentially materially, as a result of regulations or regulatory guidance that may be issued, changes in interpretations affecting assumptions underlying the estimate, refinement of calculations, and actions that may be taken, including actions in response to the Tax Act.

CNH Industrial booked a \$73 million net tax benefit related to the US mandatory repatriation tax and the write-down of deferred tax liabilities in the relevant jurisdictions.

Following new tax legislation enacted in the United Kingdom, CNH Industrial also recorded a €45 million (\$51 million) tax charge to establish a valuation allowance against deferred tax assets in its U.K. operations.

The 2016 effective tax rate was impacted by the estimate of the Italian Exit tax of €170 million incurred as consequence of the merger of EXOR S.p.A. into EXOR N.V. 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 which have implemented E.U. Council Directive 1990/434 dated July 23, 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 October 19, 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 its 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 December 10, 2016 merger date.

During December 2016 CNH Industrial completed a corporate reorganization of its Latin American operations, resulting in a \$74 million charge to tax expense, comprised of \$56 million related to changes in valuation allowances booked against deferred tax assets in Brazil and Argentina and \$18 million related to certain other basis adjustments.

At December 31, 2017 the deferred tax asset balance consists of deferred tax assets less deferred tax liabilities of the individual consolidated companies, where these may be offset.

The amounts recognized are as follows:

€ million	12/31/2017	12/31/2016	Change
Deferred tax assets	2,928	4,792	(1,864)
Deferred tax liabilities	(596)	(527)	(69)
<b>Total</b>	<b>2,332</b>	<b>4,265</b>	<b>(1,933)</b>

The decrease in Net deferred tax assets at December 31, 2017 from December 31, 2016 was mainly due to FCA Group and in particular (i) a €1,268 million decrease related to the utilization of U.S. tax credit carryforwards, revaluation of U.S. deferred tax assets and liabilities due to the Tax Act and reductions to other NAFTA deferred tax assets, and (ii) a €734 million decrease to Brazil deferred tax assets; partially offset by (iii) a €178 million increase to EMEA deferred tax assets.

The decrease in deferred tax assets in Brazil was primarily composed of €281 million related to the reversal of the Brazilian indirect tax liability and €453 million that was written off as the Group revised its outlook on Brazil to reflect the slower pace of recovery and outlook for the subsequent years, largely resulting from increased political uncertainty, and concluded that a portion of the deferred tax assets in Brazil was no longer recoverable.

The Tax Act reduces the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. FCA estimated the related changes in deferred tax assets and deferred tax liabilities, which resulted in a €137 million decrease in Net deferred tax liability (€29 million to the Consolidated Income Statement and €108 million to Equity), and a €71 million decrease in Net deferred tax assets recorded to Other Comprehensive Income. The net tax benefit may be revised in future quarters as the related temporary differences are further evaluated.

The components of deferred tax assets and liabilities in 2017 are as follows:

€ million	12/31/2016	Recognized in income statement	Recognized in Other comprehensive income	Translation differences and other changes	12/31/2017
Deferred tax assets arising from:					
- Provisions	7,207	(1,745)		(724)	4,738
- Provision for employee benefits	3,395	(460)	(262)	(488)	2,185
- Intangible assets	251	(48)		(18)	185
- Inventories	481	21		(18)	484
- Allowances for doubtful accounts	308	(6)		(21)	281
- Impairment of financial assets	232	(18)		18	232
- Other	891	74	155	(282)	838
<b>Total deferred tax assets</b>	<b>12,765</b>	<b>(2,182)</b>	<b>(107)</b>	<b>(1,533)</b>	<b>8,943</b>
Deferred tax liabilities arising from:					
- Accelerated depreciation	(3,378)	622		508	(2,248)
- Capitalization of development costs	(3,216)	485		248	(2,483)
- Other intangible assets and intangible assets with indefinite useful lives	(1,624)	287		412	(925)
- Provision for employee benefits	(45)	(29)	(1)	(2)	(77)
- Other	(818)	99	(10)	139	(590)
<b>Total deferred tax liabilities</b>	<b>(9,081)</b>	<b>1,464</b>	<b>(11)</b>	<b>1,305</b>	<b>(6,323)</b>
<b>Deferred tax assets arising on tax loss carry-forwards</b>	<b>5,366</b>	<b>374</b>		<b>(209)</b>	<b>5,531</b>
<b>Unrecognized deferred tax assets</b>	<b>(4,785)</b>	<b>(1,322)</b>	<b>10</b>	<b>278</b>	<b>(5,819)</b>
<b>Total Net deferred tax assets</b>	<b>4,265</b>	<b>(1,666)</b>	<b>(108)</b>	<b>(159)</b>	<b>2,332</b>

The components of deferred tax assets and liabilities in 2016 are as follows:

€ million	12/31/2015	Recognized in income statement	Recognized in Other comprehensive income	Changes due to acquisition of PartnerRe Group	Translation differences and other changes	12/31/2016
Deferred tax assets arising from:						
- Provisions	6,899	(39)		175	172	7,207
- Provision for employee benefits	3,399	(26)	(262)	14	271	3,395
- Intangible assets	273	(17)		11	(17)	251
- Inventories	483	(10)			8	481
- Allowances for doubtful accounts	260	26			21	308
- Impairment of financial assets	232	(18)			18	232
- Other	1,018	(254)	47	197	(117)	891
<b>Total deferred tax assets</b>	<b>12,564</b>	<b>(337)</b>	<b>(215)</b>	<b>396</b>	<b>357</b>	<b>12,765</b>
Deferred tax liabilities arising from:						
- Accelerated depreciation	(3,312)	(75)			10	(3,378)
- Capitalization of development costs	(2,881)	(273)			(63)	(3,216)
- Other intangible assets and intangible assets with indefinite useful lives	(1,432)	82		(168)	(105)	(1,624)
- Provision for employee benefits	(50)	1	3	(1)	2	(45)
- Other	(733)	138	24	(232)	(15)	(818)
<b>Total deferred tax liabilities</b>	<b>(8,408)</b>	<b>(127)</b>	<b>27</b>	<b>(401)</b>	<b>(172)</b>	<b>(9,081)</b>
<b>Deferred tax assets arising on tax loss carry-forwards</b>	<b>4,651</b>	<b>586</b>		<b>26</b>	<b>103</b>	<b>5,366</b>
<b>Unrecognized deferred tax assets</b>	<b>(4,026)</b>	<b>(561)</b>	<b>(1)</b>	<b>(99)</b>	<b>(100)</b>	<b>(4,785)</b>
<b>Total Net deferred tax assets</b>	<b>4,781</b>	<b>(439)</b>	<b>(189)</b>	<b>(78)</b>	<b>190</b>	<b>4,265</b>

The decision to recognize deferred tax assets is made for each company by critically assessing whether conditions exist for the future recoverability of such assets by taking into account recent forecasts from budgets and plans.

At December 31, 2017 the Group has deferred tax assets on deductible temporary differences of €8,943 million (€12,765 million at December 31, 2016) of which €1,436 million is not recognized (€894 million at December 31, 2016). At December 31, 2017 the Group also has deferred tax assets on tax loss carryforwards of €5,501 million (€5,366 million at December 31, 2016) of which €4,353 million is unrecognized (€3,891 million at December 31, 2016). At December 31, 2017 net deferred tax assets include the amount of €1,148 million in respect of benefits on unused tax loss carryforwards (€1,475 million at December 31, 2016).

As of December 31, 2017 the FCA Group had total Net deferred tax assets of €3,256 million (€2,902 million at December 31, 2016) in Italy primarily attributable to Italian tax loss carry-forwards that can be carried forward indefinitely. FCA has determined that it is probable that sufficient Italian taxable income will be generated in future periods that will allow us to realize €898 million of Italian Net deferred tax assets (€750 million at December 31, 2016). As a result, €2,358 million of Net deferred tax assets in Italy were not recognized as of December 31, 2017 (€2,152 million at December 31, 2016).

As of December 31, 2017 the FCA Group had total Net deferred tax assets of €1,287 million in Brazil (€1,276 million at December 31, 2016) primarily attributable to Brazilian tax loss carry-forwards which can be carried forward indefinitely. The FCA Group continues to recognize Brazilian Net deferred tax assets of €148 million (€976 million at December 31, 2016) as the Group considers it probable that we will have sufficient taxable income in the future that will allow us to realize these net deferred tax assets. As a result, €1,139 million of Net deferred tax assets in Brazil, which include Brazil tax losses, were not recognized as of December 31, 2017 (€300 million at December 31, 2016).

As of December 31, 2016 the FCA Group had total deferred tax assets of €1,276 million in Brazil (€571 million at December 31, 2015) primarily attributable to Brazilian tax loss carry-forwards which can be carried forward indefinitely. As a result of the continued macroeconomic weakness and uncertainty in Brazil in 2016, a portion of the deferred tax assets in Brazil totaling approximately €300 million, which include Brazil tax losses, was not recognized as the Group concluded that there was no longer sufficient evidence to indicate that full utilization was probable. These unrecognized deferred tax assets will be monitored and assessed at each reporting date. The FCA Group continues to recognize Brazilian deferred tax assets of €976 million (€571 million at December 31, 2015) as the Group considers it probable that we will have sufficient taxable income in the future that will allow us to realize these deferred tax assets.

Deferred taxes have not been provided on the undistributed earnings of subsidiaries since the Group is able to control the timing of the distribution of these reserves and where it is probable that they will not be distributed in the foreseeable future.

Total deductible and taxable temporary differences and accumulated tax losses at December 31, 2017, together with the amounts for which deferred tax assets have not been recognized, analyzed by year of expiration, are as follows:

€ million	Total at 12/31/2017	Year of expiration					
		2018	2019	2020	2021	Beyond 2021	Unlimited / Indeterminable
<b>Temporary differences and tax losses</b>							
Deductible temporary differences	48,157	8,171	5,131	4,599	5,637	22,896	1,723
Taxable temporary differences	(36,578)	(3,942)	(4,065)	(3,949)	(3,943)	(17,000)	(3,679)
Tax losses	26,046	356	388	237	389	7,918	16,788
Temporary differences and tax losses for which deferred tax assets have not been recognized	(26,926)	(1,687)	(921)	(568)	(1,663)	(6,445)	(15,672)
<b>Temporary differences and tax losses</b>	<b>10,699</b>	<b>2,898</b>	<b>533</b>	<b>319</b>	<b>420</b>	<b>7,369</b>	<b>(840)</b>

## 10 Other information by nature

In 2017 personnel costs for the Group amounted to €17,479 million (€17,007 million in 2016) which includes costs that were capitalized mainly in connection with product development activities.

The Group has an average number of employees of 307,637 in 2017 (302,562 employees in 2016).

## 11 Earnings per share

		2017	2016
<b>Average number of ordinary shares outstanding</b>		<b>234,669,772</b>	<b>234,367,763</b>
<b>Profit attributable to owners of the parent</b>	€ million	<b>1,392</b>	<b>589</b>
- basic earnings per share	€	5.932	2.512
- diluted earnings per share	€	5.867	2.472
<b>Profit from continuing operations attributable to owners of the parent</b>	€ million	<b>1,392</b>	<b>590</b>
- basic earnings per share	€	5.932	2.515
- diluted earnings per share	€	5.867	2.495
<b>Profit from discontinued operations attributable to owners of the parent</b>	€ million	<b>n.a.</b>	<b>(1)</b>
- basic earnings per share	€	n.a.	(0.003)
- diluted earnings per share	€	n.a.	(0.023)

In order to calculate the diluted earnings per share, the profit attributable to owners of the parent was adjusted to take into account 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.

## 12 Intangible assets

The composition is as follows:

€ million	12/31/2017	12/31/2016	Change
Goodwill, brands, trademarks and other intangible assets with an indefinite useful life	17,241	19,463	(2,222)
Other intangible assets	15,282	15,408	(126)
<b>Total intangible assets</b>	<b>32,523</b>	<b>34,871</b>	<b>(2,348)</b>

### *Goodwill, brands, trademarks and other intangible assets with an indefinite useful life*

Changes during 2017 are the following:

€ million	12/31/2016	Change in the scope of consolidation	Disposals	Translation differences and other changes	12/31/2017
<b>Goodwill</b>					
Original cost	16,676	(4)	(23)	(1,855)	14,794
Accumulated impairment losses	(1,085)	1	22	100	(962)
Net carrying amount	15,591	(3)	(1)	(1,755)	<b>13,832</b>
<b>Brands, trademarks and other intangible assets with an indefinite useful life</b>					
Original cost	3,995	0	207	(677)	3,525
Accumulated impairment losses	(123)	0		7	(116)
Net carrying amount	3,872	0	207	(670)	<b>3,409</b>
<b>Goodwill, brands, trademarks and other intangible assets with an indefinite useful life</b>	<b>19,463</b>	<b>(3)</b>	<b>206</b>	<b>(2,425)</b>	<b>17,241</b>

In 2017 translation differences total €2,225 million and refer mainly to changes in the U.S. dollar/Euro rate.

Changes during 2016 were the following:

€ million	12/31/2015	Change in the scope of consolidation	Acquisition of PartnerRe	Translation differences and other changes	12/31/2016
<b>Goodwill</b>					
Original cost	15,634	(6)	586	462	16,676
Accumulated impairment losses	(1,063)	0		(22)	(1,085)
Net carrying amount	14,571	(6)	586	440	<b>15,591</b>
<b>Brands, trademarks and other intangible assets with an indefinite useful life</b>					
Original cost	3,595	0	207	193	3,995
Accumulated impairment losses	(56)	0		(67)	(123)
Net carrying amount	3,539	0	207	126	<b>3,872</b>
<b>Goodwill, brands, trademarks and other intangible assets with an indefinite useful life</b>	<b>18,110</b>	<b>(6)</b>	<b>793</b>	<b>566</b>	<b>19,463</b>

In 2016 translation differences totaled €602 million and referred mainly to changes in the U.S. dollar/Euro rate.

#### Goodwill

Goodwill and other assets are allocated to individual cash-generating units by the subsidiaries and associates on the basis of their procedures, methods and assumptions in accordance with IAS 36. This allocation, presented in the following table, is considered representative also for the consolidated financial statements.

€ million	12/31/2017	12/31/2016	Change
NAFTA	8,453	9,618	(1,165)
APAC	1,099	1,250	(151)
LATAM	529	602	(73)
EMEA	253	285	(32)
Components	62	62	0
<b>FCA Group</b>	<b>10,396</b>	<b>11,817</b>	<b>(1,421)</b>
Agricultural Equipment	1,418	1,603	(185)
Construction Equipment	485	550	(65)
Commercial Vehicles	53	52	1
Powertrain	2	2	0
Financial Services	109	121	(12)
<b>CNH Industrial Group</b>	<b>2,067</b>	<b>2,329</b>	<b>(262)</b>
<b>Ferrari Group</b>	<b>786</b>	<b>786</b>	<b>0</b>
<b>PartnerRe Group</b>	<b>550</b>	<b>626</b>	<b>(76)</b>
FCA N.V.	14	14	0
CNH Industrial N.V.	19	19	0
<b>Holdings System</b>	<b>33</b>	<b>33</b>	<b>0</b>
<b>Total goodwill</b>	<b>13,832</b>	<b>15,591</b>	<b>(1,759)</b>

#### FCA Group

Goodwill mainly includes the goodwill on the acquisition of FCA US of €10,311 million (€11,731 million at December 31, 2016). At December 31, 2016 €54 million of goodwill was classified within Assets held for sale as a result of Itedi meeting the held for sale criteria.

Goodwill is allocated to reporting segments or to CGUs within the reporting segments as appropriate.

In accordance with IAS 36 - *Impairment of Assets*, goodwill and intangible assets with indefinite useful 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 to CGUs within the operating segments.

The impairment test is performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill, brands and capitalized development expenditures) and 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 balance of goodwill and intangible assets with indefinite useful lives recognized by the Group primarily relates to the acquisition of FCA US. Goodwill has been allocated to the NAFTA, 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 the operating segments, was determined using fair value less cost to sell for the year ended December 31, 2017 and was based on the following assumptions:

- The expected future cash flows covering the period from 2018 through 2022. These expected cash flows reflect the current expectations regarding economic conditions and market trends as well as the Group's initiatives for the period 2018 to 2022. These cash flows relate to the respective CGUs in their 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 LATAM operating segment, expected future cash flows also include the extension of tax benefits and other government grants to the extent such events are considered probable.
- 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.
- 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 operating segment and cash flows under consideration. The Weighted Average Cost of Capital ("WACC") ranged from approximately 12.3 percent to approximately 18.6 percent. The WACC was calculated using the Capital Asset Pricing Model technique.

The value estimated as described above was determined to be in excess of the book value of the net capital employed for each operating segment to which goodwill has been allocated. As such, no impairment charges were recognized for goodwill and Intangible assets with indefinite useful lives for the year ended December 31, 2017.

#### *CNH Industrial Group*

The vast majority of goodwill, representing approximately 97% of the total, as of December 31, 2017 related to Agricultural Equipment (69%) to Construction Equipment (23%) and to Financial Services (5%), where the cash-generating units considered for the testing of the recoverability of the goodwill are the segments.

CNH Industrial determines the recoverable amount of these 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.

Discount rates ranged from 11.0 percent to 9.6 percent for Construction and Agricultural Equipment (from 13.3 percent to 14.1 percent in 2016). Discount rate for Financial services was 18.4 percent in 2017 (21.6 percent in 2016).

Expected cash flows used under the income approach are developed in conjunction with the CNH Industrial budgeting and forecasting processes. CNH Industrial uses nine years of expected cash flows for the Agricultural Equipment and 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 that 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 analyses 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 2017 and 2016, and for Construction Equipment was 3.0% in 2017 and 2016. The terminal value growth rate for Financial Services was 1.5% in 2017 and 2016.

As of December 31, 2017 the estimated recoverable amount of each cash-generating unit with goodwill exceeded the carrying value by more than 30%.

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 above mentioned parameters 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.

#### *Ferrari Group*

At December 31, 2017 and 2016 goodwill amounted to €786 million. In accordance with IAS 36, goodwill is not amortized and is tested for impairment annually, or more frequently if facts or circumstances indicate that the asset may be impaired. Impairment testing is performed by comparing the carrying amount and the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of its fair value less costs to sell and its value in use.

The assumptions used in this process represent management's best estimate for the period under consideration. The estimate of the value in use of the CGU for purposes of performing the annual impairment test was based on the following assumptions:

- The expected future cash flows covering the period from 2017 through 2020 have been derived from the Ferrari business plan. In particular the estimate considers expected EBITDA adjusted to reflect the expected capital expenditure. These cash flows relate to the CGU in its 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 flows are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends for the CGU over the period considered.
- The expected future cash flows include a normalized terminal period used to estimate the future results beyond the time period explicitly considered, which were calculated by using the specific medium/long-term growth rate for the sector equal to 2.0 percent (2.0 percent in 2016).
- The expected future cash flows have been estimated in Euro, and discounted using a post-tax discount rate appropriate for that currency, determined by using a base WACC of 7.0 percent (7.0 percent in 2016). The WACC used 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.

The recoverable amount of the CGU was significantly higher than its carrying amount. Furthermore, the exclusivity of the business, its historical profitability and its future earnings prospects indicate that the carrying amount of the goodwill will continue to be recoverable, even in the event of difficult economic and market conditions.

#### *PartnerRe Group*

For goodwill and indefinite life intangible assets impairment testing PartnerRe is treated as a single cash generating unit. PartnerRe tests goodwill and indefinite life intangible assets for impairment on at least an annual basis at December 31. The recoverable amount of the cash generating unit is based on its fair value. The fair value is based on a weighted average of industry accepted valuation methods, including: price-to-earnings multiples of comparable companies, price-to-tangible book value multiples of comparable companies and a discounted cash flow projection.

In the discounted cash flow projection the premium growth was assumed to be 3% for the year ended December 31, 2017 (2016: 1%). The average discount rate applied was 10% in 2017 (2016: 10%). Cash flows are projected for an initial 5 year 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.

#### **Brands, trademarks and other intangible assets with indefinite useful lives**

The composition by reporting segment is as follows:

€ million	12/31/2017	12/31/2016	Change
FCA Group	2,994	3,405	(411)
CNH Group	194	221	(27)
PartnerRe Group	189	215	(26)
Juventus F.C.	32	31	1
<b>Intangible assets with indefinite useful lives</b>	<b>3,409</b>	<b>3,872</b>	<b>(463)</b>

Brands of the FCA Group are composed of the Chrysler, Jeep, Dodge, Ram and Mopar brands which resulted from the acquisition of FCA US. These rights are protected legally through registration with government agencies and through the continuous use in commerce. As these rights have no legal, contractual, competitive or economic term that limits their useful lives, they are classified as intangible assets with indefinite useful lives, and are therefore not amortized but are instead tested annually for impairment.

For the purpose of impairment testing, the carrying value of Brands, which is allocated to the NAFTA segment, is tested jointly with the goodwill allocated to the NAFTA segment.

With regard to the CNH Industrial Group, Trademarks and Other intangible assets with indefinite useful lives are mainly attributable to Agricultural Equipment and Construction Equipment and consist of acquired trademarks and similar rights which have no legal, contractual, competitive or economic factors that limit their useful lives. For the purposes of impairment testing, these assets were attributed to the respective cash-generating units. No impairment loss was recognized.

The indefinite-lived intangible assets of PartnerRe Group have no legal, contractual, competitive or economic terms that limit their useful lives, and are therefore not amortized. For indefinite life intangible assets impairment testing PartnerRe is treated as a single cash generating unit using the same assumptions as the impairment test on goodwill.

### Other intangible assets

Changes in 2017 are the following:

€ million	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses externally acquired	Other intangible assets externally acquired	Players' registration rights	Total
<b>Balance at December 31, 2016</b>						
Original cost	13,277	12,341	4,544	2,891	470	33,523
Accumulated amortization and impairment	(6,775)	(6,908)	(2,679)	(1,553)	(200)	(18,115)
<b>Net carrying amount</b>	<b>6,502</b>	<b>5,433</b>	<b>1,865</b>	<b>1,338</b>	<b>270</b>	<b>15,408</b>
<b>Changes during the year (original cost)</b>						
Additions	2,264	865	373	149	197	3,848
Disposals	(289)	(111)	(48)	(17)	(47)	(512)
Change in the scope of consolidation			2	65	0	67
Translation differences and other changes	(996)	(344)	(331)	(291)	(54)	(2,016)
<b>Total</b>	<b>979</b>	<b>410</b>	<b>(4)</b>	<b>(94)</b>	<b>96</b>	<b>1,387</b>
<b>Changes during the year (accumulated amortization and impairment)</b>						
Amortization	(1,022)	(943)	(419)	(288)	(42)	(2,714)
Impairment losses	(52)	(74)	0	(1)	(1)	(128)
Disposals	290	99	42	12	15	458
Change in the scope of consolidation				2	0	2
Translation differences and other changes	315	233	174	147	0	869
<b>Total</b>	<b>(469)</b>	<b>(685)</b>	<b>(203)</b>	<b>(128)</b>	<b>(28)</b>	<b>(1,513)</b>
<b>Balance at December 31, 2017</b>						
Original cost	14,256	12,751	4,540	2,797	566	34,910
Accumulated amortization and impairment	(7,244)	(7,593)	(2,882)	(1,681)	(228)	(19,628)
<b>Net carrying amount</b>	<b>7,012</b>	<b>5,158</b>	<b>1,658</b>	<b>1,116</b>	<b>338</b>	<b>15,282</b>

In 2017 new development costs were capitalized for €3,036 million, of which €2,586 million (€2,558 million in 2016) by FCA Group consisting primarily 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.

The negative translation differences of €1,100 million primarily related to foreign currency translation of the U.S. Dollar to the Euro.

At December 31, 2017 and 2016 the FCA Group had contractual commitments for the purchase of intangible assets amounting to €601 million and €417 million, respectively.

Changes in 2016 were the following:

€ million	Development costs externally acquired	Development costs internally generated	Patents, concessions and licenses externally acquired	Other intangible assets externally acquired	Players' registration rights	Total
<b>Balance at December 31, 2015</b>						
Original cost	11,577	10,483	4,055	1,559	385	28,059
Accumulated amortization and impairment	(5,734)	(5,584)	(2,401)	(972)	(184)	(14,875)
<b>Net carrying amount</b>	<b>5,843</b>	<b>4,899</b>	<b>1,654</b>	<b>587</b>	<b>201</b>	<b>13,184</b>
<b>Changes during the year (original cost)</b>						
Additions	1,771	1,265	516	134	180	3,866
Disposals	(1)	(49)	(80)	(7)	(95)	(232)
Acquisition of PartnerRe			7	1,125		1,132
Change in the scope of consolidation	0	(5)	(5)	3	0	(7)
Translation differences and other changes	(70)	647	51	77	0	705
<b>Total</b>	<b>1,700</b>	<b>1,858</b>	<b>489</b>	<b>1,332</b>	<b>85</b>	<b>5,464</b>
<b>Changes during the year (accumulated amortization and impairment)</b>						
Amortization	(1,159)	(887)	(258)	(566)	(72)	(2,942)
Impairment losses	(29)	(92)	0	(1)	(1)	(123)
Disposals	(1)	37	21	6	57	120
Change in the scope of consolidation	0	4	3	(1)	0	6
Translation differences and other changes	148	(386)	(44)	(19)	0	(301)
<b>Total</b>	<b>(1,041)</b>	<b>(1,324)</b>	<b>(278)</b>	<b>(581)</b>	<b>(16)</b>	<b>(3,240)</b>
<b>Balance at December 31, 2016</b>						
Original cost	13,277	12,341	4,544	2,891	470	33,523
Accumulated amortization and impairment	(6,775)	(6,908)	(2,679)	(1,553)	(200)	(18,115)
<b>Net carrying amount</b>	<b>6,502</b>	<b>5,433</b>	<b>1,865</b>	<b>1,338</b>	<b>270</b>	<b>15,408</b>

In 2016 new development costs were capitalized for €3,036 million, of which €2,558 million (€2,659 million in 2015) by FCA Group consisting primarily 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.

Impairment losses include €90 million of write-offs related to the locally produced Fiat Viaggio and Ottimo vehicles.

The positive translation differences of €377 million primarily related to foreign currency translation of the U.S. Dollar to the Euro.

### 13 Property, plant and equipment

Changes in property, plant and equipment in 2017 are 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
<b>Balance at December 31, 2016</b>							
Original cost	1,229	12,085	59,757	2,689	4,114	3,866	83,740
Accumulated depreciation and impairment	(44)	(4,824)	(38,613)	(564)	(2,454)	(17)	(46,516)
<b>Net carrying amount</b>	<b>1,185</b>	<b>7,261</b>	<b>21,144</b>	<b>2,125</b>	<b>1,660</b>	<b>3,849</b>	<b>37,224</b>
<b>Changes during the year (original cost)</b>							
Additions	21	293	4,079	934	230	1,594	7,151
Disposals	(12)	(78)	(1,443)	(179)	(109)	(5)	(1,826)
Change in the scope of consolidation	(3)	(100)	(630)	0	(56)	(6)	(795)
Translation differences	(81)	(771)	(3,412)	(2)	(333)	(330)	(4,929)
Other changes		213	1,922	(435)	10	(2,165)	(455)
<b>Total</b>	<b>(75)</b>	<b>(443)</b>	<b>516</b>	<b>318</b>	<b>(258)</b>	<b>(912)</b>	<b>(854)</b>
<b>Changes during the year (accumulated depreciation and impairment)</b>							
Depreciation		(420)	(3,966)	(282)	(329)	0	(4,997)
Impairment losses	(1)	(29)	(90)	(59)	(6)	(6)	(191)
Disposals	2	37	1,348	99	98	(1)	1,583
Change in the scope of consolidation	1	83	305	0	27	0	416
Translation differences	1	225	1,846	1	173	1	2,247
Other changes	1	(42)	72	130	(4)	6	163
<b>Total</b>	<b>4</b>	<b>(146)</b>	<b>(485)</b>	<b>(111)</b>	<b>(41)</b>	<b>0</b>	<b>(779)</b>
<b>Balance at December 31, 2017</b>							
Original cost	1,154	11,642	60,273	3,007	3,856	2,954	82,886
Accumulated depreciation and impairment	(40)	(4,970)	(39,098)	(675)	(2,495)	(17)	(47,295)
<b>Net carrying amount</b>	<b>1,114</b>	<b>6,672</b>	<b>21,175</b>	<b>2,332</b>	<b>1,361</b>	<b>2,937</b>	<b>35,591</b>
<i>of which leased under finance leases</i>	<i>5</i>	<i>414</i>	<i>689</i>		<i>6</i>		<i>1,114</i>

The net carrying amount of assets leased under finance lease agreements includes assets that are legally owned by suppliers but are recognized in the Consolidated Financial Statements in accordance with IFRIC 4 - Determining Whether an Arrangement Contains a Lease, with the corresponding recognition of a financial lease payable.

Additions total €7,151 million in 2017 and mainly refer to the FCA Group for €5,659 million and the CNH Industrial Group for €1,215 million.

For the year ended December 31, 2017 the Group recognized a total of €191 million of impairment losses and asset write-offs, of which €21 million related to certain of FCA Venezuela's assets due to the continued deterioration of the economic conditions in Venezuela prior to the deconsolidation, €59 million related to the commercial vehicles and €23 million related to the assets sold with a buy-back commitments. The remaining impairment loss relates to change in the global product portfolio in EMEA and product portfolio changes in LATAM.

In 2017 negative translation differences of €2,682 million primarily reflected the weakening of the US Dollar, Mexican Peso and the Brazilian Real against the Euro.

Changes in property, plant and equipment in 2016 are 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
<b>Balance at December 31, 2015</b>							
Original cost	1,187	11,148	52,864	2,389	3,619	4,310	75,517
Accumulated depreciation and impairment	(47)	(4,252)	(34,453)	(484)	(2,134)	(14)	(41,384)
<b>Net carrying amount</b>	<b>1,140</b>	<b>6,896</b>	<b>18,411</b>	<b>1,905</b>	<b>1,485</b>	<b>4,296</b>	<b>34,133</b>
<b>Changes during the year (original cost)</b>							
Additions	6	335	3,630	787	485	1,801	7,044
Disposals	(11)	(23)	(741)		(78)	(18)	(871)
Change in the scope of consolidation	(6)	(22)	17		3	7	(1)
Translation differences	59	490	1,887	(35)	137	226	2,764
Other changes	(6)	157	2,100	(452)	(52)	(2,460)	(713)
<b>Total</b>	<b>42</b>	<b>937</b>	<b>6,893</b>	<b>300</b>	<b>495</b>	<b>(444)</b>	<b>8,223</b>
<b>Changes during the year (accumulated depreciation and impairment)</b>							
Depreciation	0	(425)	(4,097)	(252)	(359)	0	(5,133)
Impairment losses	(1)	(61)	(25)	(24)	(1)	(4)	(116)
Disposals	5	13	710	0	69	1	798
Change in the scope of consolidation	0	2	6	0	2	0	10
Translation differences	(1)	(117)	(959)	10	(75)	(1)	(1,143)
Other changes	0	16	205	186	44	1	452
<b>Total</b>	<b>3</b>	<b>(572)</b>	<b>(4,160)</b>	<b>(80)</b>	<b>(320)</b>	<b>(3)</b>	<b>(5,132)</b>
<b>Balance at December 31, 2016</b>							
Original cost	1,229	12,085	59,757	2,689	4,114	3,866	83,740
Accumulated depreciation and impairment	(44)	(4,824)	(38,613)	(564)	(2,454)	(17)	(46,516)
<b>Net carrying amount</b>	<b>1,185</b>	<b>7,261</b>	<b>21,144</b>	<b>2,125</b>	<b>1,660</b>	<b>3,849</b>	<b>37,224</b>
<i>of which leased under finance leases</i>	<i>5</i>	<i>326</i>	<i>653</i>		<i>2</i>		<i>986</i>

The net carrying amount of assets leased under finance lease agreements includes assets that are legally owned by suppliers but are recognized in the Consolidated Financial Statements in accordance with IFRIC 4-Determining Whether an Arrangement Contains a Lease, with the corresponding recognition of a financial lease payable.

Additions total €7,044 million in 2016 and mainly refer to the FCA Group for €5,709 million and the CNH Industrial Group for €1,223 million.

For the year ended December 31, 2016 the Group recognized a total of €116 million of impairment losses and asset write-offs, of which €43 million related to certain of FCA Venezuela's assets due to the continued deterioration of the economic conditions in Venezuela. This impairment charge was recognized within Selling, administrative and other expenses.

In 2016 positive translation differences of €1,621 million primarily reflected the strengthening of the Brazilian Real and the U.S. Dollar against the Euro.

At December 31, 2017 property, plant and equipment of the FCA Group, excluding FCA US, pledged as security for debt and other commitments, mainly refer to assets that are legally owned by suppliers but are recognized in the consolidated financial statements in accordance with IFRIC 4 with the simultaneous recognition of a finance lease payable. The composition is as follows:

€ million	12/31/2017	12/31/2016	Change
Land and industrial buildings pledged as security for debt	1,031	1,239	(208)
Plant and machinery pledged as security for debt and other commitments	1,324	698	626
Other assets pledged as security for debt and other commitments	17	3	14
<b>Property plant and equipment pledged as security for debt</b>	<b>2,372</b>	<b>1,940</b>	<b>432</b>

At December 31, 2017 land and industrial buildings of the CNH Industrial Group pledged as security for debt amounted to €86 million (€97 million at December 31, 2016); plant, machinery and equipment pledged as security for debt and other commitments amounted to €1 million (€51 million at December 31, 2016); these relate to suppliers' assets recognized in the Consolidated Financial Statements in accordance with IFRIC 4-Determining whether an arrangement contains a lease, with the simultaneous recognition of a financial lease payable.

Moreover, at December 31, 2017 real estate mortgaged for a loan from the Istituto per il Credito Sportivo to Juventus FC 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 December 31, 2017 the Group has contractual commitments for the acquisition of property, plant and equipment amounting €624 million (€1,063 million at December 31, 2016).

#### *Recoverability of non-current assets of the FCA Group*

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 primarily related to the NAFTA and EMEA segments. 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 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 autonomous driving. Our business plan could change in response to these evolving requirements and emerging technologies, which may result in changes to our estimated future cash flows and could affect the recoverability of our 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 the years ended December 31, 2017 and 2016 the impairment tests performed compared the carrying amount of the assets included in the respective CGUs to their value in use and was determined using a discounted cash flow methodology. The value in use of the CGUs, which was based primarily on unobservable inputs, was determined using pre-tax estimated future cash flows attributable to the CGUs that were discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs.

During the year ended December 31, 2017 impairment losses totaling €229 million were recognized. The most significant components of this impairment loss were in EMEA, related to changes in the global product portfolio, and in LATAM, related to product portfolio changes. It was determined that the carrying amount of the CGUs exceeded their value in use and accordingly an impairment charge of €142 million was recognized in EMEA and €56 million in LATAM. In addition, during the second quarter of 2017, due to the continued deterioration of the economic conditions in Venezuela, an impairment test, which compared the carrying amount of certain of FCA Venezuela's assets to their fair value using a market approach, resulted in impairment losses of €21 million.

During the year ended December 31, 2016 impairment losses totaling €195 million were recognized. The most significant component of this impairment loss related to the impairment of capitalized development expenditures for the locally produced Fiat Viaggio and Ottimo vehicles as a result of the Group's capacity realignment to SUV production in China. The impairment test compared the carrying amount of the assets included in the respective cash generating units (comprising property, plant and equipment and capitalized development expenditures) to the assets' value in use, which was determined not to be materially different from their fair value, and was determined using a discounted cash flow methodology. The value in use of the cash generating units ("CGUs"), which was based primarily on unobservable inputs, was determined using pre-tax estimated future cash flows attributable to the CGUs that were discounted using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs. As a result of completing the impairment test, it was determined that the carrying amount of the CGUs exceeded the capitalized development expenditures' value in use which resulted in an impairment charge of €90 million. In addition, due to the continued deterioration of the economic conditions in Venezuela, an impairment test which compared the carrying amount of certain of FCA Venezuela's assets to their fair value using a market approach, resulted in an impairment charge of €43 million.

## 14 Leased assets

Changes in leased assets in 2017 and 2016 are the following:

€ million	12/31/2016	Additions	Depreciation	Translation differences	Disposals and other changes	12/31/2017
Gross carrying amount	2,138	609		(221)	(658)	1,868
Depreciation and impairment	(328)	0	(271)	34	236	(329)
<b>Net carrying amount of assets leased under operating leases</b>	<b>1,810</b>	<b>609</b>	<b>(271)</b>	<b>(187)</b>	<b>(422)</b>	<b>1,539</b>
€ million	12/31/2015	Additions	Depreciation	Translation differences	Disposals and other changes	12/31/2016
Gross carrying amount	1,955	686	0	75	(578)	2,138
Depreciation and impairment	(269)	0	(242)	(11)	194	(328)
<b>Net carrying amount of assets leased under operating leases</b>	<b>1,686</b>	<b>686</b>	<b>(242)</b>	<b>64</b>	<b>(384)</b>	<b>1,810</b>

## 15 Investments accounted for using the equity method

Details are as follows:

€ million	12/31/2017	12/31/2016	Change
Investments in joint ventures	2,211	2,027	184
Investments in associates	1,132	943	189
Investments in unconsolidated subsidiaries	48	51	(3)
<b>Equity method investments</b>	<b>3,391</b>	<b>3,021</b>	<b>370</b>

### Investments in joint ventures

The composition of investments in joint ventures is as follows:

€ million		12/31/2017	12/31/2016	Change
<b>Investments in joint ventures</b>				
FCA Bank	50.00%	1,178	1,044	134
Tofas - Turk Otomobil Fabrikasi A.S.	37.90%	298	302	(4)
GAC FIAT Chrysler Automobiles Co.	50.00%	287	237	50
Naveco (Nanjing Iveco Motor Co.) Ltd.	50.00%	163	170	(7)
Turk Traktor Ve Ziraat Makineleri A.S.	37.50%	62	69	(7)
Other		224	205	19
<b>Total Investments in joint ventures</b>		<b>2,211</b>	<b>2,027</b>	<b>184</b>

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. In July 2013, the Group reached an agreement with Crédit Agricole to extend the term of the joint venture through to December 31, 2021. 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.

The financial statements of FCA Bank as at and for the year ended December 31, 2017 have not been authorized for issuance as of 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 2018 FCA Consolidated Financial Statements when available.

The following tables include summarized financial information relating to FCA Bank:

€ million	6/30/2017	12.31.2016
Financial assets	21,867	20,201
Of which: Cash and cash equivalents	-	-
Other assets	3,378	3,083
Financial liabilities	21,557	19,887
Other liabilities	1,265	1,159
Equity (100%)	2,423	22,238
Net assets attributable to owners of the parent	2,382	2,199
Group's share of net assets	1,191	1,100
Elimination of unrealized profits and other adjustments	(13)	(56)
<b>Carrying amount of interest in FCA Bank <sup>(1)</sup></b>	<b>1,178</b>	<b>1,044</b>

(1) Amounts as at December 31, 2017 and 2016 respectively.

€ million	H1 2017	FY 2016	FY 2015
Interest and similar income	437	764	729
Interest and similar expenses	(147)	(263)	-285
Income tax expense	(70)	(105)	-110
Profit from continuing operations	190	312	249
Net profit	190	312	249
Net profit attributable to owners of the parent (A)	188	309	248
Other comprehensive income (loss) attributable to owners of the parent (B)	(7)	(64)	29
Total Comprehensive income attributable to owners of the parent (A + B)	181	245	277
<b>Group's share of net profit <sup>(1)</sup></b>	<b>190</b>	<b>154</b>	<b>124</b>

(1) Amounts for the years ended December 31, 2017, 2016 and 2015 respectively.

Tofas-Turk Otomobil Fabrikasi A.S. ("Tofas"), is a joint venture with Koç Holding which is registered with the Turkish Capital Market Board and listed on the İstanbul Stock Exchange. At December 31, 2017 the fair value of the Group's interest in Tofas was €1,375 million (€1,258 million at December 31, 2016).

GAC Fiat Chrysler Automobiles Co. ("GAC FCA JV") is a joint venture with Guangzhou Automobile Group Co., Ltd., which locally produces Jeep vehicles for the Chinese market.

Naveco (Nanjing Iveco Motor Co.) Ltd is a 50/50 joint venture between Iveco S.p.A. and Nanjing Automotive Corporation, a subsidiary of the SAIC Group which produces light and other commercial vehicles in China.

Turk Traktor Ve Ziraat Makineleri A.S. is a listed company (37.5% by CNH Industrial and 37.5% by Koc Holding) for the production of tractors under the Case IH Agriculture and New Holland Agriculture brands, and import and distribution of agricultural equipment in Turkey. At December 31, 2017 the fair value of CNH Industrial's interest in Turk Traktor is \$401 million, or €334 million (\$427 million or €405 million at December 31, 2016).

#### *Investments in associates*

The composition is as follows:

€ million		12/31/2017	12/31/2016	Change
<b>Investments in associates</b>				
Almacantar Group	35.80%	449	35.70% 394	55
The Economist Group	43.40%	294	43.40% 280	14
CNH Capital Europe S.a.s.	49.90%	144	49.90% 123	21
Other		245	146	11
<b>Total Investments in associates</b>		<b>1,132</b>	<b>943</b>	<b>189</b>

## 16 Other investments and other financial assets

Details are as follows:

€ million	12/31/2017	12/31/2016	Change
Investments at fair value with changes directly in other comprehensive income	113	501	(388)
Investments at cost	44	82	(38)
Non-current financial receivables	306	359	(53)
Other securities	324	438	(114)
Other financial assets	411	646	(235)
<b>Total other investments and other financial assets</b>	<b>1,198</b>	<b>2,026</b>	<b>(828)</b>

### *Investments accounted for at fair value with changes in other comprehensive income*

The decrease is mainly attributable to the redemption of the entire investment in The Black Ant Value Fund for a total of €353.5 million.

### *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*

Details are as follows:

€ million	12/31/2017	12/31/2016	Change
Bonds held to maturity	51	78	(27)
Bonds available for sale	4	38	(34)
Bonds and mutual funds held for trading	177	212	(35)
Other non current securities	92	110	(18)
<b>Total other securities</b>	<b>324</b>	<b>438</b>	<b>(114)</b>

Bonds are issued by leading counterparties, listed on active and open markets, and also include the current portion of bonds due within 12 months held-to-maturity. The decrease reflects the Group's strategy as regard the management of the securities portfolio and the investment of cash resources.

### *Other financial assets*

Other financial assets represent the fair value of derivative financial instruments analyzed in the note 30.

## 17 Inventories

The composition of inventories is as follows:

€ million	12/31/2017	12/31/2016	Change
Raw materials, supplies and finished goods	18,372	17,704	668
Assets sold with a buy-back commitment and GDP vehicles	1,891	1,650	241
Gross amount due from customers for contract work	175	56	119
<b>Total inventories</b>	<b>20,438</b>	<b>19,410</b>	<b>1,028</b>

Inventories refer to the FCA Group for €14,670 million (€13,654 million at December 31, 2016), the CNH Industrial Group for €5,381 million (€5,438 million at December 31, 2016), the Ferrari Group for €394 million (€324 million in 2016) net of intercompany eliminations of €7 million (€1 million at December 31, 2016).

At December 31, 2017 net inventories of the CNH Industrial Group include assets which are no longer subject to operating lease arrangements or buy-back commitments for €323 million (€312 million at December 31, 2016).

In 2017 the amount of inventory writedowns recognized as an expense is €659 million (€637 million in 2016), while amounts recognized as income from the reversal of write-downs on items sold during the year are not significant.

Construction contracts, net of advances, are as follows:

€ million	12/31/2017	12/31/2016	Change
Gross amount due from customers for contract work, as an asset	175	56	119
Less: Amount due to customers for contract work, as a liability	(180)	(227)	47
<b>Construction contracts, net of advances on contract work</b>	<b>(5)</b>	<b>(171)</b>	<b>166</b>

## 18 Trade receivables

The analysis of trade receivables by due date is as follows:

€ million	12/31/2017	12/31/2016	Change
Due within one year	3,010	3,196	(186)
Due between one and five years	5	2	3
Due beyond five years	0	0	0
<b>Total trade receivables</b>	<b>3,015</b>	<b>3,198</b>	<b>(183)</b>

Trade receivables at December 31, 2017 are shown net of allowances for doubtful accounts of €383 million (€394 million at December 31, 2016).

Changes in these allowances, which are calculated on the basis of historical losses on receivables, are as follows in 2017 and 2016:

€ million	12/31/2016	Provision	Use and other changes	12/31/2017
<b>Allowances for doubtful accounts</b>	<b>394</b>	<b>98</b>	<b>(109)</b>	<b>383</b>

€ million	12/31/2015	Provision	Use and other changes	12/31/2016
<b>Allowances for doubtful accounts</b>	<b>464</b>	<b>83</b>	<b>(153)</b>	<b>394</b>

## 19 Investments of reinsurance companies

Details are as follows:

€ million	12/31/2017	12/31/2016	Change
Fixed maturities, at fair value	10,552	12,743	(2,191)
Equities, at fair value	532	37	495
Short-term investments, at fair value	4	21	(17)
Funds held directly managed (a)	354	485	(131)
Funds held by reinsured companies	668	650	18
Other invested assets (b)	760	581	179
Accrued investment income, at fair value	101	107	(6)
<b>Total investments of reinsurance companies</b>	<b>12,971</b>	<b>14,624</b>	<b>(1,653)</b>

(a) Includes €316 million of assets measured at fair value through profit or loss and €62 million at amortized cost.

(b) Include €476 million designated as fair value through profit or loss and €214 million designated as available for sale.

At December 31, 2017 approximately €228 million (€149 million at December 31, 2016) of cash and cash equivalents and approximately €2,853 million (€2,126 million at December 31, 2016), respectively, of securities were deposited, pledged or held in escrow accounts in favor of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws.

Net realized and unrealized gains of €243 million and losses of €31 million on investments designated as fair value through profit or loss, were recognized in the Consolidated Income Statement during 2017 and 2016 respectively. Unrealized gains of €25 million and €9 million on investments designated as available-for-sale were recognized directly in other comprehensive income during 2017 and 2016 respectively.

## 20 Receivables from financing activities

Receivables from financing activities amount to €20,409 million at December 31, 2017 (€21,047 million at December 31, 2016) and include the following:

€ million	12/31/2017	12/31/2016	Change
Dealer financing	10,690	10,262	428
Retail financing	8,739	9,863	(1,124)
Finance leases	498	623	(125)
Other	482	299	183
<b>Total receivables from financing activities</b>	<b>20,409</b>	<b>21,047</b>	<b>(638)</b>

Receivables from financing activities are shown net of allowances for doubtful accounts determined on the basis of specific insolvency risks. At December 31, 2017 the allowance accounts total €539 million (€617 million at December 31, 2016).

Changes in the allowance accounts in 2017 and 2016 are the following:

€ million	12/31/2016	Provision	Use and other changes	12/31/2017
<b>Allowances for receivables from financing activities</b>	<b>617</b>	143	(221)	<b>539</b>

€ million	12/31/2015	Provision	Use and other changes	12/31/2016
<b>Allowances for receivables from financing activities</b>	<b>566</b>	174	(123)	<b>617</b>

Receivables from financing activities may be analyzed by due date as follows:

€ million	12/31/2017	12/31/2016	Change
Due within one year	14,032	13,194	838
Due between one and five years	6,135	7,625	(1,490)
Due beyond five years	241	228	13
<b>Total receivables from financing activities</b>	<b>20,408</b>	<b>21,047</b>	<b>(639)</b>

Receivables for dealer financing are typically generated by sales of vehicles, and are generally managed under dealer network financing programs as a component of the portfolio of the financial services companies. 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 from segment to segment and country to country, although payment terms range from two to six months.

Receivables for retail financing by the CNH Industrial Group amount to €8,108 million (€9,075 million at December 31, 2016), by the Ferrari Group to €491 million (€502 million at December 31, 2016) and by the FCA Group to €420 million (€286 million at December 31, 2016).

Finance lease receivables, gross of an allowance of €150 million at December 31, 2017 (€156 million at December 31, 2016), may be analyzed as follows:

€ million	Due within one year	Due between one and five years	Due beyond five years	<b>Total</b>
Receivables for future minimum lease payments	257	396	36	689
Less: unrealized interest income	(10)	(33)	0	(43)
<b>Present value of future minimum lease payments at December 31, 2017</b>	<b>247</b>	<b>363</b>	<b>36</b>	<b>646</b>
Receivables for future minimum lease payments	319	469	2	790
Less: unrealized interest income	(6)	(7)	(13)	(26)
<b>Present value of future minimum lease payments at December 31, 2016</b>	<b>313</b>	<b>462</b>	<b>(11)</b>	<b>764</b>

No contingent rents were recognized as finance lease income during 2017 or 2016 and unguaranteed residual values at December 31, 2017 and 2016 are not significant.

## 21 Other assets

Details are as follows:

	<b>12/31/2017</b>	<b>12/31/2016</b>	Change
Defined benefit plan assets	532	363	169
Other non-current assets	578	454	124
Current tax receivables	638	860	(222)
<b>Other current assets:</b>			
Accrued income and prepaid expenses	827	899	(72)
Other current assets	4,142	3,942	200
<b>Total other current assets</b>	<b>4,969</b>	<b>4,841</b>	<b>128</b>
<b>Total other assets</b>	<b>6,717</b>	<b>6,518</b>	<b>199</b>

At 31 December 2016 current tax receivable included €47 million related to the substitute tax paid in past years by EXOR S.p.A. that had been recognized in the context of Italian exit tax. During 2017 the receivable has been partially used for the payment of the Italian exit tax and for the residual portion repayment has been requested.

The analysis by due date of the current tax receivables is the following:

€ million	<b>12/31/2017</b>	<b>12/31/2016</b>	Change
Due within one year	533	736	(203)
Due between one and five years	84	95	(11)
Due beyond five years	21	29	(8)
<b>Total current tax receivables</b>	<b>638</b>	<b>860</b>	<b>(222)</b>

The analysis by due date of the other current assets is the following:

€ million	<b>12/31/2017</b>	<b>12/31/2016</b>	Change
Due within one year	3,291	3,470	(179)
Due between one and five years	778	328	450
Due beyond five years	72	144	(72)
<b>Total other current assets</b>	<b>4,141</b>	<b>3,942</b>	<b>199</b>

## 22 Transfers of financial assets

The FCA Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions.

At December 31, 2017 the carrying amount of transferred financial assets not derecognized and the related liabilities are as follows:

€ million	Trade receivables	Receivables from financing activities	Total
<b>At December 31, 2017</b>			
Carrying amount of the assets transferred and not derecognized	22	335	<b>357</b>
Carrying amount of the related liabilities	(22)	(335)	<b>(357)</b>
<b>At December 31, 2016</b>			
Carrying amount of the assets transferred and not derecognized	34	376	<b>410</b>
Carrying amount of the related liabilities	(34)	(376)	<b>(410)</b>

At December 31, 2017 the FCA Group had receivables due after that date which had been transferred without recourse and which were derecognized in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, amounting to €7,866 million (€6,573 million at December 31, 2016). The transfers related to trade receivables and other receivables for €6,752 million (€5,467 million at December 31, 2016) and receivables from financing activities for €1,114 million (€1,106 million at December 31, 2016). These amounts included receivables of €4,933 million (€4,077 million at December 31, 2016), mainly due from the sales network, transferred to jointly controlled financial services companies (FCA Bank).

The CNH Industrial Group transfers a number of its financial and trade receivables under securitization programs or factoring transactions. At December 31, 2017 the carrying amount of such transferred financial assets and the related liability and the respective fair values are as follows:

€ million	Trade receivables	Receivables from financing activities	Other financial assets	Total
<b>At December 31, 2017</b>				
Carrying amount of assets	3	11,692	657	12,351
Carrying amount of the related liabilities	(3)	(9,370)	(657)	(10,029)
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:				
Fair value of the assets	3	11,642	657	12,301
Fair value of the liabilities	(3)	(9,196)	(657)	(9,856)
<b>Net position</b>	<b>(0)</b>	<b>2,446</b>	<b>0</b>	<b>2,445</b>
<b>At December 31, 2016</b>				
Carrying amount of assets	8	12,888	837	13,732
Carrying amount of the related liabilities	(8)	(10,322)	(850)	(11,180)
Liabilities for which the counterparty has the right to obtain relief on the transferred assets:				
Fair value of the assets	8	12,874	837	13,718
Fair value of the liabilities	(8)	(10,322)	(834)	(11,163)
<b>Net position</b>	<b>0</b>	<b>2,552</b>	<b>3</b>	<b>2,555</b>

Other financial assets also include cash with a pre-determined use restricted to the repayment of securitization debt.

The CNH Industrial Group discounted receivables without recourse having due dates after December 31, 2017 amounting to €472 million (€537 million at December 31, 2016), of which €469 million (€523 million at December 31, 2016) relates to trade receivables and other receivables and €3 million (€14 million at December 31, 2016) refers to receivables from financing activities.

## 23 Cash and cash equivalents

The composition is the following:

€ million	12/31/2017	12/31/2016	Change
Cash in hand and at banks and post offices	11,376	12,805	(1,429)
Restricted cash	740	845	(105)
Money market securities	7,912	11,511	(3,599)
<b>Total cash and cash equivalents</b>	<b>20,028</b>	<b>25,161</b>	<b>(5,133)</b>

Cash and cash equivalents include cash at banks, units in money-market funds and other money-market securities that are readily convertible into cash. Cash and cash equivalents are subject to an insignificant risk of changes in value, and consist of balances spread across various primary national and international banking institutions, liquid funds and other money-market instruments.

In addition, 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.

At December 31, 2017 the CNH Industrial Group has approximately €642 million (€794 million at December 31, 2016) of restricted cash which may be used exclusively for the repayment of the debt relating to securitizations.

## 24. Equity

### Share capital

At December 31, 2017 the total issued capital of EXOR N.V. was equal to Euro 2,410,000, divided into no. 241,000,000 shares 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 at the Merger date and none are outstanding at December 31, 2017.

### Treasury stock

At December 31, 2017 EXOR holds the following treasury stock:

	Amount		% of class
	No. of shares	Per share (€)	Total (€ thousand)
<b>Ordinary shares</b>			
Balance in connection with the Merger	6,631,896		66.3
Payment to supplier	(158,859)		(1.6)
<b>Balance at December 31, 2016</b>	<b>6,473,037</b>	<b>0.01</b>	<b>64.7</b>
<b>Ordinary shares</b>			
Exercise stock option plans	(483,180)		(4.8)
Delivery stock grant to Board members	(12,162)		(0.1)
<b>Balance at December 31, 2017</b>	<b>5,977,695</b>	<b>0.01</b>	<b>59.8</b>

### Other comprehensive income

The composition of other comprehensive income in the statement of comprehensive income is as follows:

€ million	12/31/2017	12/31/2016
<i>Other comprehensive income that will not be reclassified to the income statement:</i>		
Gains (losses) on remeasurement of defined benefit plans	(16)	467
Share of gains (losses) on remeasurement of defined benefit plans relating to investments accounted for using the equity method	2	(5)
<b>Total Other comprehensive income that will not be reclassified to the income statement, before tax effect (B1)</b>	<b>(14)</b>	<b>462</b>
<i>Other comprehensive income that may be reclassified to the income statement:</i>		
Effective portion of gains (losses) on cash flow hedges arising during the year	168	(89)
statement	89	(195)
<b>Gains (losses) on cash flow hedges</b>	<b>257</b>	<b>(284)</b>
Gains (losses) on remeasurement of available-for-sale financial assets arising during the year	33	(107)
Gains (losses) on fair value of available-for-sale financial assets reclassified to the income statement	8	(94)
<b>Gains (losses) on fair value of available-for-sale financial assets</b>	<b>41</b>	<b>(201)</b>
Exchange differences on translating foreign operations arising during the year	(3,722)	1,285
Exchange differences on translating foreign operations reclassified to the income statement	(45)	
<b>Exchange differences on translating foreign operations</b>	<b>(3,767)</b>	<b>1,285</b>
Share of other comprehensive income of investments accounted for using the equity method arising during the year	(4)	(333)
Share of other comprehensive income of investments accounted for using the equity method reclassified to the income statement	(33)	(5)
<b>Share of other comprehensive income of investments accounted for using the equity method</b>	<b>(37)</b>	<b>(338)</b>
<b>Total other comprehensive income that may be reclassified to the income statement, before tax effect (B2)</b>	<b>(3,506)</b>	<b>462</b>
<b>Total other comprehensive income, before tax effect (B1) + (B2) = (B)</b>	<b>(3,520)</b>	<b>924</b>
<b>Tax effect</b>	<b>(111)</b>	<b>(183)</b>
<b>Total other comprehensive income, net of tax</b>	<b>(3,631)</b>	<b>741</b>

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 (see note 26).

The tax effect relating to other comprehensive income is as follows:

€ million	12/31/2017			12/31/2016		
	Tax					
	Pre-tax balance	benefit (expense)	Net -of-tax balance	Pre-tax balance	Tax benefit (expense)	Net-of-tax balance
Gains (losses) on remeasurement of defined benefit plans	(14)	(81)	(95)	462	(255)	207
Effective portion of gains (losses) on cash flow hedges	257	(30)	227	(284)	74	(210)
Gains (losses) on remeasurement of available-for-sale financial assets	41		41	(201)	(2)	(203)
Exchange gains (losses) on translating foreign operations	(3,767)		(3,767)	1,285		1,285
Share of other comprehensive income of investments accounted for using the equity method	(37)		(37)	(338)		(338)
<b>Total Other comprehensive income</b>	<b>(3,520)</b>	<b>(111)</b>	<b>(3,631)</b>	<b>924</b>	<b>(183)</b>	<b>741</b>

### Non-controlling interests

Details are as follows:

€ million	%	Capital and reserves	Profit (loss)	Total
<b>At Decemebr 31, 2017</b>				
FCA Group	70.82%	12,330	2,491	14,821
CNH Industrial Group	73.09%	3,925	315	4,240
Ferrari Group	76.48%	244	411	655
PartnerRe Group	- (a)	584	32	616
Juventus Football Club S.p.A.	36.23%	44	5	49
<b>Total</b>		<b>17,127</b>	<b>3,254</b>	<b>20,381</b>
<b>At December 31, 2016</b>				
FCA Group	70.59%	12,367	1,287	13,654
CNH Industrial Group	72.71%	4,489	86	4,575
Ferrari Group	76.48%	(53)	306	253
PartnerRe Group	- (a)	681	30	711
Juventus Football Club S.p.A.	36.23%	28	17	45
<b>Total</b>		<b>17,512</b>	<b>1,726</b>	<b>19,238</b>

(a) Related to preferred shares.

At December 31, 2017 the non-controlling interests of PartnerRe related to the following outstanding preferred shares:

	Number	Date of issuance	Aggregated liquidation value at \$25 per share	
			\$ million	€ million
Series F 5.875% non cumulative	2,679,426	February 2013	67	56
Series G 6.5% cumulative	6,415,264	May 2016	160	133
Series H 7.25% cumulative	11,753,798	May 2016	294	245
Series I 5.875% cumulative	7,320,574	May 2016	183	152
<b>Total Outstanding redeemable preferred shares</b>	<b>28,169,062</b>		<b>704</b>	<b>586</b>

The carrying value of the preferred shares, recognized in non-controlling interests, at December 31, 2017 was €616 million (\$739 million).

On November 1, 2016 PartnerRe redeemed the Series D and E preferred shares at \$25 per share for an aggregate liquidation value of \$150 million (€136 million). In addition unpaid preferred dividends accrued to the redemption date totaling \$2 million (€2 million) were paid.

In connection with the redemption, PartnerRe recognized a gain directly in equity of \$14 million (€13 million) which represented the difference between the carrying value of the preferred shares and the consideration paid.

## 25 Share-based compensation

### EXOR

#### Stock Option Plan EXOR 2008-2019

The Stock Option Plan EXOR 2008-2019 has 4,154,717 options granted and exercisable corresponding to 1,101,000 EXOR ordinary shares at a price of €19.97 per share. No cost has been recorded in the stock option reserve and in the income statement of the year, since the vesting period ended on May 2016. The cost recognized in 2016 amounted to €0.7 million.

#### Long Term Incentive Plan

The EXOR S.p.A. shareholders' meeting held on May 29, 2012 approved an incentive plan intended as an instrument for long-term incentive and composed in two parts:

- the first part of the plan, denominated "Long Term Stock Grant", provides for a total of 400,000 rights to be granted to originally 31 beneficiaries; this allows them to receive a corresponding number of EXOR ordinary shares at the vesting date set for 2018, subject to continuation of a professional relationship with the company and with the companies in the Holdings System. At December 31, 2017 the beneficiaries are 14 for a total of 119,790 options granted (of which 8,000 options for employees of the Holdings System). The cost recognized in 2017 in the stock option reserve amounts to €414 thousand, including €387 thousand classified as personnel costs and €27 thousand relating to employees of companies in the Holdings System recognized as an increase in the carrying amount of the investment in EXOR S.A.;
- the second part of the plan, denominated "Company Performance Stock Options", provides for a total of 3 million options to be granted to the Chairman and Chief Executive Officer of the company and to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price of €16.59 per share and €16.62 respectively. The vesting period of the options is from 2014 to 2018 in annual lots of the same number that are exercisable from the time they vest until 2021, subject to reaching performance targets and continuing a professional relationship with the company and with the companies in the Holdings System. The performance targets will be considered to have been reached when the annual variation in EXOR's NAV is higher than the change in the MSCI World Index in Euro, in the year preceding that of vesting.

The composition of the "Company Performance Stock Option" Plan is as follows:

	Number of options granted	Total cost of Plan	Cost referring to the year
Chairman and Chief Executive Officer EXOR	450,000	1,625	271
Employees of companies in the Holdings System	517,200	1,990	336
<b>Total</b>	<b>967,200</b>	<b>3,615</b>	<b>607</b>

#### Stock Grant Plan for independent directors

The plan 2015 was directed to independent directors as an alternative to the cash remuneration established by the shareholders' meeting. The plan provided for the free grant of a maximum of 70,000 EXOR shares to all directors that joined the plan subject to continuing the appointment as director at the vesting date set in 2018, concurrently with the date of the shareholders' meeting that will approve the 2017 financial statements.

At December 31, 2016 the options granted were 21,024. The cost of the plan, recognized in the stock option reserve and in the income statements, amounted to €238 thousand and was classified as compensation to the directors. The plan expired on May 30, 2017 date of the 2017 shareholder's meeting that appointed a new board remunerated in cash. The cost since the expiration date amounted to €123 thousand.

### 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 granted at 31 December 2017 is 2,934,197 exercisable at a price of €32.38 per share.

The composition of the plan is as follows:

	Number of options granted	Total cost of Plan	Cost referring to the year
Chairman and Chief Executive Officer of EXOR N.V.	2,013,950	17,959	3,586
Key employees	430,362	3,551	789
Key employees of companies in the Holdings System	434,935	3,878	774
Employees of supplier companies	54,950	490	98
<b>Total</b>	<b>2,934,197</b>	<b>25,878</b>	<b>5,247</b>

### FCA Group

At December 31, 2017 and at December 31, 2016 the FCA Group has in place various share-based compensation plans relating to managers of the Group companies and the Chief Executive Officer of FCA.

### Performance Share Units

In March 2017 FCA awarded a total of 2,264,000 Performance Share Units ("PSU") to certain key employees under the framework equity incentive plan. The PSU awards, which represent the right to receive FCA common shares, have financial performance goals that include a net income target as well as total shareholder return ("TSR") target, with each weighted at 50 percent and settled independently of the other. Half of the award will vest based on achievement of the targets for net income ("PSU NI awards") covering a three-year period from 2016 to 2018 and will have a payout scale ranging from 0 percent to 100 percent. The remaining half of the PSU awards ("PSU TSR awards") are based on market conditions and have a payout scale ranging from 0 percent to 150 percent. The PSU TSR awards performance period covers a two-year period starting in December 2016 through 2018. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 2.26 million units. The PSU awards will vest in the first quarter of 2019 if the respective performance goals for the years 2016 to 2018 are achieved. The PSU awards granted in June 2017 follow the same vesting conditions.

During the year ended December 31, 2015 FCA awarded a total of 14,713,100 Performance Share Units ("PSU awards") to certain key employees under the equity incentive plan. The PSU awards, which represent the right to receive FCA common shares, have financial performance goals covering a five-year period from 2014 to 2018. The performance goals include a net income target as well as total shareholder return ("TSR") target, with each weighted at 50 percent and settled independently of the other. Half of the award will vest based on achievement of the targets for net income ("PSU NI awards") and will have a payout scale ranging from 0 percent to 100 percent. The remaining 50 percent of the PSU awards ("PSU TSR awards") are based on market conditions and have a payout scale ranging from 0 percent to 150 percent. Accordingly, the total number of shares that will eventually be issued may vary from the original award of 14.7 million shares. One third of total PSU awards will vest in the first quarter of 2017, a cumulative two-thirds in the first quarter of 2018 and a cumulative 100 percent in the first quarter of 2019 if the respective performance goals for the years 2014 to 2016, 2014 to 2017 and 2014 to 2018 are achieved.

The vesting of the 2017 PSU NI awards and the 2015 PSU NI awards will be determined by comparing the FCA's net profit excluding unusual items to the net income targets derived from the FCA's business plan for the corresponding period. The performance period for the 2017 PSU NI awards commenced on January 1, 2016 and on January 1, 2014 for the 2015 PSU NI awards. As the performance period commenced substantially prior to the commencement of the service period, which coincides with the grant date, the Company determined that the net income target did not meet the definition of a performance condition under IFRS 2 - Share-based Payment, and therefore is required to be accounted for as a non-vesting condition. As such, the fair values of the PSU NI awards were calculated using a Monte Carlo simulation model.

Changes during 2017 and 2016 for the PSU NI awards under the framework equity incentive plan were as follows:

	PSU NI	Weighted average fair value at the grant date (€)	PSU NI	Weighted average fair value at the grant date (€)
<b>Outstanding shares unvested at January 1</b>	11,379,445	5.65	7,356,550	8.78
Anti-dilution adjustment	65,751	5.62	4,001,962	5.68
Granted	1,136,250	7.91	168,593	3.61
Vested	(3,758,870)	5.65		
Canceled			(147,660)	5.83
Forfeited	(18,750)	7.91		
<b>Outstanding shares unvested at December 31</b>	<b>8,803,826</b>	<b>5.89</b>	<b>11,379,445</b>	<b>5.65</b>

The key assumptions utilized to calculate the grant date fair values for the PSU NI awards issued are summarized below:

	2017 PSU NI Awards Range	2015 PSU NI Awards Range
Grant date stock price	€9.74 - €10.39	€13.44 - €15.21
Expected volatility	40%	40%
Risk-free rate	-0.8%	0.7%

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 the U.S. Treasury bonds with similar terms to the vesting date of each PSU NI award.

Changes during 2017 and 2016 for the PSU TSR awards under the framework equity incentive plan were as follows:

	2017		2016	
	PSU TSR	Weighted average fair value at the grant date (€)	PSU TSR	Weighted average fair value at the grant date (€)
<b>Outstanding shares unvested at January 1</b>	11,379,446	10.64	7,356,550	16.52
Anti-dilution adjustment	65,750	10.58	4,001,962	10.70
Granted	1,136,250	10.84	168,593	6.71
Vested	(3,758,869)	10.63		
Canceled			(147,659)	10.84
Forfeited	(18,750)	10.84		
<b>Outstanding shares unvested at December 31</b>	<b>8,803,827</b>	<b>10.58</b>	<b>11,379,446</b>	<b>10.64</b>

The weighted average fair value of the PSU TSR awards granted during the year ended December 31, 2017 was calculated using a Monte Carlo simulation model.

The key assumptions utilized to calculate the grant date fair values for the PSU TSR awards issued are summarized below:

	2017 PSU TSR Awards Range	2015 PSU TSR Awards Range
Grant date stock price	€9.74 - €10.39	€13.44 - € 15.21
Expected volatility	44%	37%-39%
Dividend yield	0%	0%
Risk-free rate	0.8%	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 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.

### Restricted Share Units

In March 2017 FCA awarded 2,264,000 Restricted Share Units ("RSUs") to certain key employees which represent the right to receive FCA common shares. These shares will vest in two equal tranches in the first quarter of 2018 and 2019. The fair values of the awards were measured using the FCA stock price on the grant date. The RSU awards granted in June and September 2017 follow the same vesting conditions.

During the year ended December 31, 2015, FCA awarded 5,196,550 RSUs to certain key employees which represent the right to receive FCA common shares. One third of the awards vested in February of 2017 with the remaining two tranches to vest equally in February of 2018 and 2019.

Changes during 2017 and 2016 for the RSU awards under the framework equity incentive plan were as follows:

	2017		2016	
	RSUs	Weighted average fair value at the grant date (€)	RSUs	Weighted average fair value at the grant date (€)
<b>Outstanding shares unvested at January 1</b>	7,969,623	8.69	5,196,550	13.49
Anti-dilution adjustment	46,189	8.64	2,826,922	8.74
Granted	2,293,940	10.43	94,222	5.73
Vested	(2,671,939)	8.64		
Canceled			(148,071)	9.25
Forfeited	(37,500)	10.39		
<b>Outstanding shares unvested at December 31</b>	<b>7,600,313</b>	<b>9.17</b>	<b>7,969,623</b>	<b>8.69</b>

### 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 our capital structure. In January 2017, as a result of the distribution of the Company's 16.7 percent ownership interest in RCS Media Group S.p.A. to holders of its common shares on May 1, 2016, the Compensation Committee of FCA approved a conversion factor of 1.005865 that was applied to outstanding PSU awards and RSU awards issued prior to December 31, 2016 to make equity award holders whole for the resulting diminution in the value of an FCA common share. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

Similarly, in January 2016, as a result of the spin-off of Ferrari N.V., a conversion factor of 1.5440 was approved by FCA's Compensation Committee and applied to outstanding PSU awards and RSU awards as an equitable adjustment to make equity award holders whole for the resulting diminution in the value of an FCA share. For the PSU NI awards, FCA's Compensation Committee also approved an adjustment to the net income targets for the years 2016-2018 to account for the net income of Ferrari in order to preserve the economic benefit intended to be provided to each participant. There was no change to the total cost of these awards to be amortized over the remaining vesting period as a result of these adjustments.

The following table reflects the changes resulting from the anti-dilution adjustment:

	Anti-dilution adjustment	
	2017	2016
<b>PSU Awards:</b>		
<b>Number of awards - as adjusted</b>	<b>22,890,392</b>	<b>22,717,024</b>
Key assumption - as adjusted:		
Grant Date stock price - for PSU NI and PSU TSR	€8.66 - €9.79	€8.71 - €9.85
<b>RSU Awards:</b>		
<b>Number of awards - as adjusted</b>	<b>8,015,812</b>	<b>8,023,472</b>

Total expense for the PSU awards and RSU awards of approximately €85 million, €96 million and €54 million was recorded for the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017 the Group had unrecognized compensation expense related to the non-vested PSU awards and RSU awards of approximately €47 million based on current forfeiture assumptions, which will be recognized over a weighted-average period of 1.0 years.

### *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").

For the year ended December 31, 2017 CNH Industrial recognized total share-based compensation expense of \$19 million. For the year ended December 31, 2016 CNH Industrial recognized total share-based compensation expense of \$3 million which included a \$37 million reversal of previously recognized expense for performance share units linked to non-market conditions for which the Company does not believe it is probable that the performance conditions will be achieved. For the year ended December 31, 2017 and 2016 CNH Industrial recognized a total tax benefit relating to share-based compensation expense of \$1 million and zero, respectively. As of December 31, 2017 CNH Industrial had unrecognized share-based compensation expense related to nonvested awards of approximately \$104 million based on current assumptions related to achievement of specified performance objectives, when applicable. Unrecognized share-based compensation costs will be recognized over a weighted-average period of 1.79 years.

### CNH Industrial N.V. Equity Incentive Plan ("CNH Industrial EIP")

In the Annual General Meeting held on April 16, 2014 shareholders approved the adoption of the CNH Industrial Equity Incentive Plan ("EIP"), an umbrella program defining the terms and conditions for any subsequent long-term incentive program. The plan grants equity awards to any current or prospective executive director, officer or employee of, or service provider to, CNH Industrial, subject to the terms and conditions established by the Compensation Committee. The EIP authorizes 25 million common shares over a five-year period, of which a maximum of 7 million would be authorized for awards to executive directors. These shares may be newly issued shares or treasury shares. The EIP will terminate at, and no more awards will be permitted to be granted thereunder ten years after its adoption by the board of directors of CNH Industrial N.V. The termination of the EIP will not affect previously granted awards.

### Performance Share Units

In 2014 CNH Industrial issued a one-time grant of Performance Share Units (PSU's) to its Chief Executive Officer and selected key employees, with financial performance goals covering the five-year period from January 1, 2014 to December 31, 2018. This PSU grant totaled approximately 12 million units.

In 2016 and 2017 prorated share amounts covering performance through this same period were issued to new employees entering the plan. PSU's granted in these years were 0.5 million and zero respectively. The performance goals include a performance condition as well as a market condition, with each weighted at 50% and paying out independently of the other. Half of the award will vest if the performance condition is met; whereas the other half, which is based on the market condition, has a payout scale ranging from 0% to 150%. Accordingly, the total number of shares that will eventually be granted may vary from the original estimate of 12 million shares. One third of the total grant was expected to vest in February 2017, but such grants did not vest as both the performance and market conditions for the performance period 2014 through 2016 were not met.

In December 2017 CNH Industrial cancelled all PSU's issued in 2014, 2015 and 2016 and issued a grant of Performance Share Units ("PSU's") to its Chief Executive Officer and selected key employees, with financial performance goals covering the three-year period from January 1, 2017 to December 31, 2019. This PSU grant totaled approximately 7 million units. 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 February 28, 2020 to the extent that the market condition is met upon completion of the performance period on December 31, 2019.

The awards were granted on December 12 and December 22, 2017 with a weighted average fair value of \$9.14 per share. The fair values of the awards are based on the market condition and are calculated using the Monte Carlo Simulation model.

The key assumptions utilized to calculate the grant-date fair values for awards issued on these two grant dates are listed below:

	Key assumptions for awards issued on	
	December 12, 2017	December 22, 2017
Grant date stock price (in \$)	10.04	10.73
Expected Volatility (%)	31.2	31.1
Dividend yield (%)	0.91	0.87
Risk-free rate (%)	1.95	1.68

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:

	2017		2016	
	Number of shares	Weighted average fair value at grant date (\$)	Number of shares	Weighted average fair value at grant date (\$)
<b>Outstanding shares unvested at the beginning of the year</b>	<b>11,725,260</b>	<b>8.51</b>	<b>11,591,260</b>	<b>8.64</b>
Granted	6,632,100	9.14	471,200	5.13
Forfeited	(11,725,260)	9.23	(337,200)	8.23
Vested	0		0	
<b>Outstanding shares unvested at the end of the year</b>	<b>6,632,100</b>	<b>9.14</b>	<b>11,725,260</b>	<b>8.51</b>

#### Restricted Share Units

In 2016 and 2017 CNH Industrial issued to selected employees approximately 2 million, and 4 million Restricted Share Units ("RSUs") with a weighted average fair value of \$7.30 and \$13.23 per share, respectively. These shares will vest in three equal tranches over a three-year period. 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.

Additionally, CNH Industrial issued 3 million restricted share units to the Chairman of CNH Industrial N.V. in June 2014. The weighted average fair value of these shares is \$10.41 per share, measured using the stock price on the grant date adjusted for the present value of future dividends that the Chairman will not receive during the vesting period.

These shares are service based and will vest in five tranches at the end of each year. The first, second, third and fourth tranches of 750 thousand, 750 thousand, 600 thousand and 450 thousand shares vested on December 31, 2014, 2015, 2016 and 2017, respectively, and were exercised on February 23, 2015, February 8, 2016, February 8, 2017 and February 20, 2018, respectively.

Movements in Restricted Share Units are as follows:

	2017		2016	
	Restricted shares	Weighted average grant-date fair value (\$)	Restricted shares	Weighted average grant-date fair value (\$)
<b>Outstanding shares unvested at the beginning of the year</b>	<b>4,232,708</b>	<b>8.14</b>	<b>3,745,520</b>	<b>9.07</b>
Granted	3,939,100	13.23	2,046,280	7.30
Forfeited	(172,706)	7.77	(110,420)	8.16
Vested	(1,906,868)	8.67	(1,448,672)	9.35
<b>Outstanding shares unvested at the end of the year</b>	<b>6,092,234</b>	<b>11.38</b>	<b>4,232,708</b>	<b>8.14</b>

#### CNH Industrial N.V. Directors' Compensation Plan ("CNH Industrial DCP")

On September 9, 2013, the CNH Industrial DCP was approved by the shareholders and adopted by the Board of Directors of CNH Industrial N.V. On April 14, 2017 shareholders approved a proposed amendment to the CNH Industrial DCP pursuant to which non-executive directors would only be paid cash compensation for their service as a director. The CNH Industrial DCP provides for the payment of the following to eligible members of the CNH Industrial N.V. Board in the form of cash, provided that such members do not receive salary or other employment compensation from CNH Industrial N.V. or FCA, and their subsidiaries and affiliates:

- \$125,000 annual retainer fee for each Non-Executive Director.
- An additional \$25,000 for each member of the Audit Committee and \$35,000 for the Audit Committee Chairman.
- An additional \$20,000 for each member of every other Board committee and \$25,000 for the committee chairman (collectively, the "fees").

Prior to the amendment of the CNH Industrial DCP, each quarter of the CNH Industrial DCP year, the eligible directors elected the form of payment of their fees. If the elected form was common shares, the eligible director would receive as many common shares as equal to the amount of fees the director elected to be paid in common shares, divided by the fair market value of a CNH Industrial N.V. common share on the date that the quarterly payment was made. Common shares issued to the eligible director vested immediately upon grant. If an eligible director elected to receive all or a portion of fees in the form of a stock option, the number of common shares underlying the stock option was determined by dividing (i) by (ii) where (i) equals the dollar amount of the quarterly payment that the eligible director elected to receive in the form of stock options multiplied by four and (ii) the fair market value of the common shares on the date that the quarterly payment was made. The CNH Industrial DCP defined fair market value, as applied to each ordinary share, to be equal to the average of the highest and lowest sale price of a CNH Industrial N.V. common share during normal trading hours on the last trading day of each plan quarter in which sales of common shares on the New York Stock Exchange are recorded. Stock options granted as a result of such an election vested immediately, but shares purchased under options cannot be sold for six months following the date of exercise. Stock options terminate upon the earlier of: (1) ten years after the grant date; or (2) six months after the date an individual ceases to be a director.

There were 0.2 million common shares authorized for issuance under the CNH Industrial DCP. As of December 31, 2017, 0.05 million stock options were issued under the CNH Industrial DCP (prior to the amendment described above) at a weighted average exercise price of \$9.42 per share. The weighted average fair value for the stock options that were issued in 2015 was \$1.65. No stock options were issued under this plan in 2017 or 2016. As of December 31, 2017, 0.02 million restricted share units were issued under the CNH Industrial DCP. The weighted average grant-date fair value of the RSUs that were issued in 2015, 2016 and 2017 were \$8.16, \$6.78, and \$9.28, respectively.

#### CNH Global Directors' Compensation Plan ("CNH DCP")

CNH Global Directors' Compensation Plan stipulates the right for directors of former CNH Global to be compensated in the form of cash, and/or common shares of CNH Global N.V., and/or options to purchase common shares of CNH Global N.V. On September 29, 2013, CNH Industrial N.V. assumed the sponsorship of the CNH DCP in connection with the merger. Stock options issued under the CNH DCP were converted using the CNH Global exchange ratio of 3.828 CNH Industrial N.V. shares for each CNH Global N.V. common share and exercisable for common shares of CNH Industrial N.V. upon September 29, 2013. As of December 31, 2017 approximately 0.01 million stock options from the CNH DCP were still outstanding. The CNH DCP was terminated effective as of the merger and no new equity awards will be issued under the CNH DCP.

#### CNH Global Equity Incentive Plan (the "CNH EIP")

The CNH Global Equity Incentive Plan provides for grants of stock options, restricted share units and performance share units to former officers and employees of CNH Global. On September 29, 2013, CNH Industrial N.V. assumed the sponsorship of the CNH EIP in connection with the merger. CNH Industrial can not issue any new equity awards under the CNH EIP; however, CNH Industrial is required to issue shares under the CNH EIP to settle the exercise or vesting of the existing equity awards.

On September 29, 2013, outstanding stock options, unvested restricted share units and performance share units under the CNH EIP became exercisable or convertible for common shares of CNH Industrial N.V.

The number of shares of outstanding equity awards was increased and exercise price of stock options reduced to take into account the CNH Global exchange ratio of 3.828 CNH Industrial N.V. shares for each CNH Global N.V. common share. The conversion did not change the aggregate fair value of the outstanding equity awards and, therefore, resulted in no additional share-based compensation expense in 2013.

#### Stock Option Plan

In September 2012, approximately 2.7 million performance-based stock options (at target award levels) were issued under the CNH EIP (the “2012 Grant”). Upon the achievement of CNH Global’s 2012 target performance objective, approximately 4 million of options were granted. These options vested in three equal tranches in February 2012, 2013 and 2014. Options granted under the CNH EIP have a contractual life of five years from the initial vesting date.

No stock options were issued in 2016 or 2017 under the CNH EIP.

Outstanding stock options under the CNH EIP are as follows:

Exercise Price (in \$)	At December 31, 2017			At December 31, 2016		
	Number of options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (\$)	Number of options outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price (\$)
5.01 – 10.00	214,574	0.15	8.78	3,378,704	1.15	8.78
10.01 – 15.00	0			3,832,177	0.16	10.15
<b>Total</b>	<b>214,574</b>			<b>7,210,881</b>		

The Black-Scholes pricing model was used to calculate the fair value of stock options for options granted in 2012 under the CNH EIP. The assumptions used under the Black-Scholes pricing model were as follows:

	2012 Equity incentive plan
Risk-free interest rate	0.40%
Expected dividend yield	0.00%
Expected volatility of CNH Global N.V. shares	51.70%
Option life (years)	3.39

The risk-free interest rate was based on the U.S. Treasury rate for a bond of approximately the expected life of the options. The expected volatility was based on the historical activity of common shares of CNH Global N.V. over a period at least equal to the expected life of the options. The expected life for the CNH EIP grant was based on the average of the vesting period of each tranche and the original contract term of 65 to 70 months.

The expected dividend yield was determined to be zero as management did not expect CNH Global N.V. to pay ordinary dividends. Based on this model, the fair value of stock options awarded under the CNH EIP was \$3.60.

Changes during the year in stock option plans are as follows:

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Outstanding at the beginning of the year</b>	<b>7,210,881</b>	<b>9.51</b>	<b>8,642,903</b>	<b>9.21</b>
Exercised	(3,164,130)	8.78	0	-
Expired	(3,832,177)	10.15	(1,432,022)	7.96
<b>Outstanding at the end of the year</b>	<b>214,574</b>	<b>8.78</b>	<b>7,210,881</b>	<b>9.51</b>
<b>Exercisable at the end of the year</b>	<b>214,574</b>	<b>8.78</b>	<b>7,210,881</b>	<b>9.51</b>

## *Ferrari*

### Non-Executive Directors' compensation

Following the approval of the equity incentive plan by the Board of Directors on March 1, 2017, on April 14, 2017 the Shareholders approved an award to the Chief Executive Officer under the Company's equity incentive plan, which is applicable to all Group Executive Council ("GEC") members and key leaders of the Company. Under the Company's equity incentive plan, an aggregate of approximately 687 thousand performance share units ("PSUs") and an aggregate of approximately 119 thousand restricted share units ("RSUs") have been awarded. The grants of the PSUs and the RSUs, each representing the right to receive one common share of the Company, cover a five-year performance period from 2016 to 2020, consistent with the Company's strategic horizon.

The cumulative cost recognized amount to €28 million, which was accounted for as an increase to other reserves in equity for the PSU awards and RSU awards; unrecognized compensation expense amounted to approximately €26 million, which will be recognized over the remaining vesting period until 2020.

### Performance Share Units

The Company awarded members of the GEC and key leaders a total target of approximately 237 thousand PSUs and 450 thousand PSUs to its Chief Executive Officer. The PSUs vest in three equal tranches in March 2019, 2020 and 2021, subject to the achievement of a market performance condition related to Total Shareholder Return ("TSR"). The interim partial vesting periods are independent of one another and any under-achievement in one period can be offset by over-achievement in subsequent periods. The target amount of PSUs vests as follows based on the Company's TSR ranking compared to an industry specific peer group of eight, including the Company, ("Peer Group"):

Ferrari TSR Ranking	% of Target Awards that Vest	
	CEO	GEC and Key Leaders
1	150%	150%
2	120%	120%
3	100%	100%
4	75%	—
5	50%	—

The defined Peer Group is as follows:

Hermes	Burberry	Brunello Cucinelli	Ferragamo
LVMH	Moncler	Richemont	

The total number of shares that will eventually be issued upon vesting of the PSUs may vary from the original award of 687 thousand, depending on the level of TSR performance achieved compared to the Peer Group. None of the PSU awards were forfeited and none of the outstanding PSUs had vested at December 31, 2017.

The performance period for the PSUs commenced on January 1, 2016. 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 €59.36-€72.06 per share. The key assumptions utilized to calculate the grant-date fair values for these awards are summarized below:

Key assumptions	
Grant date share price	€66.85
Expected volatility	17.4%
Dividend yield	1.2%
Risk-free rate	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.

### Retention Restricted Share Units

The Company awarded members of the GEC and key leaders a total of approximately 119 thousand RSUs. The Chief Executive Officer has not received any RSUs. The RSU awards granted to GEC members and key leaders are conditional on a recipient's continued service to the Company, as described below. The RSUs, each of which represents the right to receive one common share of the Company, will vest in three equal tranches in March 2019, 2020 and 2021, subject to continued employment with the Company at the time of vesting. None of the RSU awards were forfeited and none of the RSU awards had vested at December 31, 2017.

The performance period for the RSUs commenced on January 1, 2016. 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 is €63.00-€64.64 per share.

### PartnerRe

#### Long Term Incentive Plan

During 2017 PartnerRe designated a new class of common shares (Class B shares) that can be granted to or purchased by certain executives of the Company at the discretion of the Company. The LTI Committee of the Board approved the related Certificate of Designation which stipulated that the granted shares are restricted from sale for three years from date of grant and grants can be made by the Company twice a year as of March 1 or September 1. In addition, the Class B shares can be redeemed, subject to certain restrictions, at the option of the employee with respect to Class B purchased shares, and after the three-year restriction period for granted shares. However, per the notice of grant provided to the employee, once the restriction period has expired, the employee can only sell or transfer the restricted shares back to the Company provided the employee, continues to hold an agreed minimum of four times (4X) their gross LTI target value, unless otherwise agreed in writing.

As a result, the Class B shares are accounted for as liabilities, with the restricted shares granted recognized at fair value over the three years restriction period.

During 2017 certain PartnerRe's executive officers were awarded an aggregate \$6.3 million in Class B shares. The compensation expense and related liability related to granted awards for the year ended December 31, 2017 is less than \$2 million.

## **26 Provisions for employee benefits**

The Group's provisions and net assets for employee benefits are as follows:

€ million	12/31/2017	12/31/2016	Change
<b>Present value of defined benefit obligations:</b>			
Pension plans	28,497	31,260	(2,763)
Healthcare and life insurance plans	3,212	3,514	(302)
Other post-employment benefits	1,320	1,331	(11)
<b>Total present value of defined benefit obligations</b>	<b>33,029</b>	<b>36,105</b>	<b>(3,076)</b>
Fair value of plan assets on pension plan	(23,420)	(25,723)	2,303
Fair value of plan assets of healthcare and life insurance plans	(153)	(105)	(48)
Asset ceiling	29	12	17
<b>Total net defined benefits plan assets</b>	<b>9,485</b>	<b>10,289</b>	<b>(804)</b>
of which:			
Net defined benefit liability	10,008	10,642	(634)
(Defined benefit plan assets)	(523)	(353)	(170)
Other provisions for employees	1,645	1,867	(222)
<b>Total provisions for employee benefits</b>	<b>11,653</b>	<b>12,509</b>	<b>(856)</b>

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 and may change periodically.

The Group provides post-employment benefits under defined contribution and defined benefit plans.

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions made by an entity, and sometimes by its employees, into an entity, or fund, that is legally separate from the employer from which the employee benefits are paid. 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, Group companies provide post-employment benefits, such as pension or health care benefits, to their employees under defined contribution plans. In this case, the Group pays contributions to 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 recognizes the cost for defined contribution plans over the period in which the employee renders service and classifies this by function in cost of sales, selling, general and administrative costs and research and development costs. In 2017 this cost amounts to €1,978 million (€2,016 million in 2016).

#### *Pension benefits*

Group companies in the United States and Canada sponsor both non-contributory and contributory defined benefit pension plans. The non-contributory pension plans cover certain hourly and salaried employees. Benefits are based on a fixed rate for each year of service.

Additionally, contributory benefits are provided to certain salaried employees based on the employee's cumulative contributions, years of service during which the employee contributions were made and the employee's average salary during certain periods of time preceding retirement.

Liabilities arising from these plans are usually funded by contributions made by Group subsidiaries 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. As of December 31, 2017 the combined credit balances for the U.S. and Canadian qualified pension plans was approximately €2.0 billion, the usage of the credit balances to satisfy minimum funding requirements is subject to the plans maintaining certain funding levels.

The FCA Group contributions to funded pension plans for 2018 are expected to be €92 million, of which €56 million relates to the pension plans of FCA US, with €2 million being discretionary contributions and €54 million to be made to satisfy minimum funding requirements. The expected benefit payments for pension plans are as follow:

€ million	2017	2018	2019	2020	2021	2022-2026
Expected benefit payments	1,743	1,708	1,698	1,683	1,672	8,274

Changes in pension plans are the following:

	12/31/2017				12/31/2016			
	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
€ million								
<b>Amounts at January 1</b>	<b>31,260</b>	<b>(25,723)</b>	<b>12</b>	<b>5,549</b>	<b>30,564</b>	<b>(24,695)</b>	<b>11</b>	<b>5,880</b>
Acquisition of PartnerRe					150	(93)	-	57
Included in the income statement	1,362	(870)		492	1,394	(879)		515
Included in Other comprehensive income								
Actuarial (gains) losses from:								
- demographic assumptions	(80)	0	0	(80)	(67)	0	0	(67)
- financial assumptions	1,670	0	0	1,670	615	0	0	615
- other	(27)	0	16	(11)	7	(6)	0	1
Return on assets	0	(1,710)	0	(1,710)	0	(975)	0	(975)
Change in the effect of limiting net assets	0	0	3	3	0	0	0	0
Exchange differences	(3,212)	2,632	(2)	(582)	768	(718)	1	51
Other								
Contribution by employer	0	(176)	0	(176)	0	(491)	0	(491)
Contribution by plan participants	5	(8)	0	(3)	8	(9)	0	(1)
Benefits paid	(1,916)	1,874	0	(42)	(2,185)	2,145	0	(40)
Other changes	(565)	561	0	(4)	6	(2)	0	4
<b>Amounts at December 31</b>	<b>28,497</b>	<b>(23,420)</b>	<b>29</b>	<b>5,106</b>	<b>31,260</b>	<b>(25,723)</b>	<b>12</b>	<b>5,549</b>

Amounts recognized in the Consolidated Income Statement were as follows:

€ million	2017	2016	Change
Current service cost	200	204	(4)
Interest expense	1,157	1,236	(79)
Interest income	(964)	(1,008)	44
Other administration costs	99	99	-
Past service costs/(credits) and gains/(losses) arising from settlements/curtailments	-	(16)	16
<b>Total recognized in the Consolidated Income Statement</b>	<b>492</b>	<b>515</b>	<b>(23)</b>

During the year ended December 31, 2017 the Group entered into an annuity buyout relating to two of its U.S. defined benefit plans. A total of €563 million was paid to a third-party insurance company in settlement of FCA's obligations, resulting in a settlement loss of €1 million that was recognized within Cost of revenues and Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2017.

During the year ended December 31, 2016 the Group 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 €214 million was paid to those participants who accepted the offer in December 2016.

The plan amendment resulted in a settlement gain of €29 million that was recognized within Selling, general and other in the Consolidated Income Statement for the year ended December 31, 2016.

The fair value of plan assets by class is as follows:

	12/31/2017		12/31/2016	
	of which have a quoted market price in an active market		of which have a quoted market price in an active market	
€ million	Amount	Amount	Amount	Amount
<b>Cash and cash equivalents</b>	<b>644</b>	<b>613</b>	862	816
US equity securities	1,674	1,426	1,923	1,633
Non-US equity securities	1,097	1,098	1,170	1,170
Commingled fund	2,684	1,138	3,149	216
<b>Equity instruments</b>	<b>5,455</b>	<b>3,662</b>	6,242	3,019
Government securities	2,935	1,094	3,223	1,146
Corporate bonds (including convertible and high-yield bonds)	6,327	0	6,853	58
Other fixed income securities	1,077	114	914	10
<b>Fixed income securities</b>	<b>10,339</b>	<b>1,208</b>	10,990	1,214
Private equity funds	1,963	0	1,980	0
Commingled funds	165	162	147	118
Mutual funds	908	0	649	3
Real estate funds	1,374	13	1,460	0
Hedge funds	1,893	49	2,466	0
<b>Investment funds</b>	<b>6,303</b>	<b>224</b>	6,702	121
<b>Insurance contracts and other</b>	<b>679</b>	<b>50</b>	927	157
<b>Total fair value of plan assets</b>	<b>23,420</b>	<b>5,757</b>	<b>25,723</b>	<b>5,327</b>

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 capitalization. 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 includes 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 maximize 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 minimize 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 minimizing 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 minimize 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.

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 capitalization, 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:

#### FCA Group

(in %)	12/31/2017			12/31/2016		
	USA	Canada	UK	USA	Canada	UK
Discount rate	3.8	3.5	2.7	4.4	3.9	2.7
Future salary increase rate	n.a.	3.5	3.2	n.a.	3.5	3.1
Average duration (years)	11	13	20	11	13	21

Discount rates are used in measuring the obligation and the interest expense (income) of net period cost. The Group selects these rates on the basis of the rate of return on high-quality (AA rated) fixed income investments for which the timing and amounts of payments match the timing and amounts of the projected pension and other post-employment plan.

The effect of an increase or decrease of 0.1% in the assumed discount rate, holding all other assumptions constant, would be a decrease of €306 million and an increase of €299 million, respectively, in the defined benefit obligations.

#### CNH Industrial Group

(in %)	12/31/2017	12/31/2016
Discount rate	2.57	2.82
Future salary increase rate	2.68	2.95
Average duration (years)	12	13

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 as of the measurement date. The benefit cash flow-matching approach involves analyzing 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.

The effect of an increase or decrease of one percentage point in the assumed discount rate, holding all other assumptions constant, would be a decrease of €263 million and increase of €327 million, respectively, in the defined benefit obligations.

#### Ferrari Group

The discount rates are used in measuring the pension plan obligation and the interest expenses (income) of net period cost. The Group selects these rates on the basis of the rate on return on high-quality (AA rated) fixed income investments for which the timing and amounts of payments match the timing and amounts of the projected pension defined benefit plan which for 2017 was equal to approximately 0.7% (1.3% in 2016). The average duration of the obligation is approximately 13 years.

The effect of an increase or decrease of one percentage point in the assumed discount rate, holding all other assumptions constant, would be a decrease of €1.8 million and increase of €2 million, respectively, in the defined benefit obligations.

#### PartnerRe Group

For employee retirement benefits, PartnerRe maintains certain defined contribution plans and other active and frozen defined benefit plans. The majority of defined benefit obligations at December 31, 2016 related to the active defined benefit plan for PartnerRe Zurich office employees (the Zurich Plan).

The investment strategy of the Zurich Plan's Pension Committee is to achieve a consistent long-term return, which will provide sufficient funding for future pension obligations while limiting risk. The expected long-term rate of return on plan assets is based on the expected asset allocation and assumptions concerning long-term interest rates, inflation rates and risk premiums for equities above the risk-free rates of return. These assumptions take into consideration historical long-term rates of return for the relevant asset categories. The investment strategy is reviewed regularly.

The fair value of the Zurich Plan's assets at December 31, 2016 were insured funds and cash of €103 million. 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

The assumptions used to determine the Zurich Plan's pension obligation and net periodic benefit cost for the year ended December 31, 2016 were as follows:

(in %)	12/31/2016	
	Pension obligation	Net periodic benefit cost
Discount rate	0.8	1
Expected return on plan assets	n.a.	1.00
Rate of compensation increase	2.00	2.25

#### Healthcare and life insurance plans

Liabilities arising from these plans comprise obligations such as healthcare and life insurance granted to employees and retirees in the U.S. and Canada by FCA US companies and those of the Agricultural Equipment and Construction Equipment sectors of CNH Industrial.

CNH Industrial Healthcare plan obligations comprise obligations for healthcare and insurance plans granted to CNH Industrial employees working in the United States and Canada. These plans generally cover employees retiring on or after reaching the age of 55 who have completed at least 10 years of employment. CNH Industrial U.S. salaried and non-represented hourly employees and Canadian employees hired after January 1, 2001 and January 1, 2002, respectively, are not eligible for postretirement healthcare and life insurance benefits under the CNH Industrial plans. These benefits may be subject to deductibles, co-payment provisions and other limitations, and CNH Industrial 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, CNH Industrial began making contributions on a voluntary basis to a separate and independently managed fund established to finance the North American healthcare plans.

The expected benefits for healthcare and life insurance plans are the following:

€ million	2017	2018	2019	2020	2021	2022-2026
Expected benefit payments	180	178	177	177	179	915

Changes in healthcare and life insurance plans are as follows:

€ million	12/31/2017			12/31/2016		
	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
<b>Present value of obligations at January 1</b>	<b>3,514</b>	<b>(105)</b>	<b>3,409</b>	<b>3,522</b>	<b>(97)</b>	<b>3,425</b>
<b>Included in income statement</b>	157	(3)	154	171	(3)	168
<b>Included in Other comprehensive income</b>						
Actuarial (gains) losses from:						
- demographic assumptions	(59)	0	(59)	(56)	0	(56)
- financial assumptions	197	0	197	(18)	0	(18)
- other	(4)	0	(4)	(27)	0	(27)
Return on assets	0	(14)	(14)	0	(4)	(4)
Exchange differences	(403)	17	(386)	116	(3)	113
<b>Other changes</b>			0			0
Contribution by employer	0	(50)	(50)	0	0	0
Contribution by plan participants	7	0	7	8	0	8
Benefits paid	(197)	2	(195)	(202)	2	(200)
Other changes	0	0	0	0	0	0
<b>Present value of obligation at December 31</b>	<b>3,212</b>	<b>(153)</b>	<b>3,059</b>	<b>3,514</b>	<b>(105)</b>	<b>3,409</b>

Amounts recognized in the Consolidated Income Statement were as follows:

€ million	2017	2016	Change
Current service cost	27	32	(5)
Interest expense	130	143	(13)
Interest income	(3)	(3)	-
Past service costs/(credits) and gains/(losses) arising from settlements/curtailments	-	(4)	4
<b>Total recognized in the Consolidated Income Statement</b>	<b>154</b>	<b>168</b>	<b>(14)</b>

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	12/31/2017		12/31/2016	
	Amount	of which have a quoted market price in an active market	Amount	of which have a quoted market price in an active market
<b>Cash and cash equivalents</b>	<b>49</b>	<b>12</b>		
US equity securities	53	16	51	13
Non-US equity securities				
<b>Equity instruments</b>	<b>53</b>	<b>16</b>	<b>51</b>	<b>13</b>
Government securities	17	16	15	
Corporate bonds (including convertible and high-yield bonds)	32		33	
Other fixed income	2		2	
<b>Debt instruments</b>	<b>51</b>	<b>16</b>	<b>50</b>	<b>0</b>
<b>Insurance contracts and other</b>			<b>4</b>	
<b>Total fair value of plan assets</b>	<b>153</b>	<b>44</b>	<b>105</b>	<b>13</b>

The weighted average assumptions used to determine the defined benefit obligations are as follows:

#### FCA Group

(in %)	12/31/2017		12/31/2016	
	USA	Canada	USA	Canada
Discount rate	3.9	3.6	4.5	4
Future salary increase rate	1.5	1.0	1.5	1.0
Weighted average ultimate health care cost trend rate	4.5	4.5	4.5	4.4
Average duration (years)	13	16	12	16

The annual rate of increase in the per capita cost of covered U.S. health care benefits assumed for next year and used in the 2017 plan valuation was 6.8 percent (7.0 percent in 2016). The annual rate was assumed to decrease gradually to 4.5 percent after 2029 and remain at that level thereafter. The annual rate of increase in the per capita cost of covered Canadian health care benefits assumed for next year and used in the 2017 plan valuation was 4.8 percent (4.7 percent in 2016). The annual rate was assumed to decrease gradually to 4.5 percent in 2029 and remain at that level thereafter.

#### CNH Industrial Group

(in %)	12/31/2017	12/31/2016
Average discount rate	3.53	3.97
Future salary increase rate	2.50	2.50
Weighted average initial health care cost trend rate	6.46	6.72
Weighted average ultimate health care cost trend rate	5.00	5.00
Average duration (years)	12	11

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. CNH Industrial 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 as of the measurement date, December 31. The benefit cash flow-matching approach involves analyzing CNH Industrial'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 CNH Industrial'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 on CNH Industrial'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, utilization changes, an aging population, and a changing mix of medical services.

In October 2014, the Society of Actuaries ("SOA") in the United States issued updated mortality tables ("RP-2014") and mortality improvement scale ("MP-2014"). Accordingly, CNH Industrial reviewed the historical mortality experience and demographic characteristics of its U.S. pension and Healthcare plan participants and decided to adopt the variants of Blue Collar tables of RP-2014 as the base mortality tables. The Retirement Plans Experience Committee ("RPEC") publishes annual updates to the RP-2014 model and corresponding mortality improvement scales. The latest update resulted in the 2017 version of the mortality improvement scale ("MP-2017"). In 2017 CNH Industrial adopted the MP-2017 mortality improvement scale, which better reflects the actual recent experience over the previous mortality improvement scales.

Management believes the new mortality assumptions most appropriately represent its plans' experience and characteristics. The adoption of the new mortality assumptions resulted in a total decrease of \$17 million to the Group's benefit obligations at December 31, 2017, of which \$8 million was related to Pension plans and \$9 million to Healthcare plans.

Beginning in 2016 CNH Industrial changed the method used to estimate the service cost and net interest components of the net benefit cost in order to provide a more precise measure of net interest and service costs by improving the correlation between the projected benefit cash flows and the discrete spot yield curve rates. The new method 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. The change has been accounted for as a change in estimate prospectively, and resulted in a \$14 million reduction in net benefit cost in 2016, mainly due to lower current service cost and net interest expense. This change does not affect the measurement of the total benefit obligations. Assumed discount rates and healthcare cost trend rates had a significant effect on the amount recognized in the 2016 financial statements.

The effect of an increase or decrease of one percentage point in the assumed healthcare cost trend rates would be an increase of €110 million and decrease of €90 million, respectively, in the defined healthcare benefit obligations at December 31, 2017.

#### *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 €946 million at December 31, 2017 and €981 million at December 31, 2016), consisting of the residual obligation for the benefit due to employees of Italian companies until December 31, 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	12/31/2017	12/31/2016
<b>Present value of obligation at January 1</b>	<b>1,331</b>	<b>1,308</b>
<b>Included in income statement</b>		
Current service cost	18	15
Interest (income) expenses	14	20
Past service costs (income) and (gains) losses arising from settlements	(1)	1
<b>Included in Other comprehensive income</b>		
Actuarial (gains) losses from:		
- demographic assumptions	21	2
- financial assumptions	(5)	41
- other	7	37
Exchange differences	(5)	1
<b>Other changes</b>		
Benefits paid	(74)	(81)
Change in the scope of consolidation	0	1
Other changes	14	(14)
<b>Present value of obligation at December 31</b>	<b>1,320</b>	<b>1,331</b>

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 the 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 single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2017 is equal to 1,6 % (1.6% in 2016). 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 law 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 €54 million and increase of €47 million, respectively, in the benefit obligations at December 31, 2017.

#### *Other provisions for employees*

At December 31, 2017 other provisions for employees include other long-term benefits obligations of €1,480 million (€1,650 million at December 31, 2016) representing the expected obligation for benefits such as jubilee and long-term disability granted to certain employees by the Group.

## 27 Other provisions

Changes in other provisions are as follows:

€ million	Beginning balance	Charge	Utilization	Release to income	Change in scope of consolidation	Translation differences	Other changes	Closing balance
<b>At December 31, 2017</b>								
Warranty and recall campaigns	8,556	3,737	(3,870)	121	1	(781)	(14)	7,750
Restructuring provisions	104	141	(86)	(3)	0	(4)	(29)	123
Investment provisions	14	0	0	0	0	(1)	2	15
Other risks	10,591	17,956	(17,295)	(227)	37	(875)	57	10,244
<b>Total other provisions</b>	<b>19,265</b>	<b>21,834</b>	<b>(21,251)</b>	<b>(109)</b>	<b>38</b>	<b>(1,661)</b>	<b>16</b>	<b>18,132</b>
<b>At December 31, 2016</b>								
Warranty and recall campaigns	7,385	3,945	(4,003)	945	(1)	252	33	8,556
Restructuring provisions	151	88	(100)	(12)	0	2	(25)	104
Investment provisions	18	0	0	0	0	1	(5)	14
Other risks	9,677	17,489	(16,146)	(293)	0	279	(415)	10,591
<b>Total other provisions</b>	<b>17,231</b>	<b>21,522</b>	<b>(20,249)</b>	<b>640</b>	<b>(1)</b>	<b>534</b>	<b>(412)</b>	<b>19,265</b>

The warranty and recall campaign represents 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 end 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 historical claims experience for vehicles. Warranty and recall campaign 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, which are estimated by making an assessment of the historical occurrence of defects on a case-by-case basis and are accrued when a reliable estimate of the amount of the obligation can be made.

At December 31, 2017 the warranty and recall campaigns provision included €137 million of charges recognized within Cost of revenues in the Consolidated Income Statement for the year ended December 31, 2017 for the estimated costs associated with an extension of the recall campaigns related to an industry-wide recall of airbag inflators resulting from parts manufactured by Takata, of which €29 million related to the previously announced recall in NAFTA and €73 million related to the preventative safety campaigns in LATAM. Refer to note 33 for additional information.

At December 31, 2016 the warranty and recall campaigns provision included €451 million of charges recognized within Cost of revenues for the year ended December 31, 2016 for the additional estimated costs associated with the recall campaigns related to an industry wide recall of airbag inflators resulting from parts manufactured by Takata.

In addition, the warranty and recall campaigns provision included €132 million of estimated net costs recognized within cost of revenues for the year ended December 31, 2016 associated with a recall for which costs are being contested with a supplier.

Although FCA believes the supplier has responsibility for the recall, only a partial recovery of the estimated costs has been recognized pursuant to a cost sharing agreement. The cash outflow for the non-current portion of the warranty and recall campaigns provision is primarily expected within a period through 2021.

The provision for other risks represents the amounts provided by the individual companies of the Group in connection mainly with contractual, commercial and tax risks and disputes.  
The composition is as follows:

€ million	12/31/2017	12/31/2016	Change
Sales incentives	6,490	6,870	(380)
Legal proceedings and other disputes	1,046	1,171	(125)
Commercial risks	1,304	1,046	258
Environmental risks	105	90	15
Indemnities	52	52	0
Other provisions for risks and charges	1,248	1,362	(114)
<b>Total other risks</b>	<b>10,245</b>	<b>10,591</b>	<b>(346)</b>

In particular, the provision refers to:

- sales incentives: this provision offers sales incentives on a contractual basis to the Group's dealer networks, primarily given if the dealers achieve a specific cumulative level of sales transactions during the calendar year;
- legal proceedings and other disputes: this provision represents management's best estimate of the liability to be recognized with regard to:
  - 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;
  - legal proceedings involving different tax authorities;
- Italian exit tax.

The provision for Italian exit tax amounted to €217 million at December 31, 2016 and represented the best estimate, made on the basis of the information available. The amount was estimated by EXOR S.p.A. based on the income taxes of the last period for EXOR S.p.A. as an Italian tax resident company (1 January 2016 – 10 December 2016) and on the other net gain resulting from the net assets deemed to be realized at the fair market value under Italian tax law.

In June 2017 EXOR paid €146 million, net of tax receivables for €52 million. In the context of the preparation of the tax return EXOR updated the estimate and recognized in the income statement a profit of €22 million.

## 28 Technical reserves reinsurance companies

At December 31, 2017 the composition of technical reinsurance reserves related to the PartnerRe Group was as follows:

€ million	12/31/2017	12/31/2016	Change
Unpaid losses and Loss expenses	8,097	8,525	(428)
Life and health technical reinsurance reserves	2,076	1,882	194
Unearned premium reserves	1,517	1,540	(23)
<b>Total Technical reinsurance reserves</b>	<b>11,690</b>	<b>11,947</b>	<b>(257)</b>

### *Unpaid Losses and Loss Expenses*

Unpaid losses and loss expenses are categorized 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 report, 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 period ended at December 31, 2017 was as follows:

€ million	
Gross liability at 1/1/2017	8,525
Reinsurance recoverable at 1/1/2017	(253)
Net reserves at 1/1/2017	<b>8,272</b>
Net incurred losses	2,280
Change in Paris Re Reserve Agreement	(3)
Net paid losses	(2,369)
Translation differences and other changes	(657)
Net liability at 12/31/2017	7,523
Reinsurance recoverable at 12/31/2017	574
<b>Gross liability at 12/31/2017</b>	<b>8,097</b>

#### *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 period ended at December 31, 2017 was as follows:

€ million	
Gross liability at 1/1/2017	1,882
Reinsurance recoverable at 1/1/2017	(30)
Net reserves at 1/1/2017	<b>1,852</b>
Liabilities acquired related to the acquisition of Aurigen	60
Net incurred losses	1,121
Net paid losses	(901)
Translation differences	(90)
Net liability at 12/31/2017	2,042
Reinsurance recoverable at 12/31/2017	34
<b>Gross liability at 12/31/2017</b>	<b>2,076</b>

#### *Reserves for unearned premiums*

The reconciliation of the beginning and ending reserves for unearned premiums for the period ended at December 31, 2017 was as follows:

€ million	
<b>Reserves at 1/1/2017</b>	<b>1,540</b>
Net premiums written	4,533
Net premiums earned	(4,449)
Translation differences	(107)
<b>Unearned premium reserve at 12/31/2017</b>	<b>1,517</b>

## 29 Financial debt

The composition of financial debt is as follows:

€ million	12/31/2017	12/31/2016	Change
Notes	22,103	25,487	(3,384)
Borrowings from banks	11,239	14,509	(3,270)
Asset-backed financing	10,943	12,075	(1,132)
Payables represented by securities	826	1,619	(793)
Other financial debt	1,330	2,127	(797)
<b>Total financial debt</b>	<b>46,441</b>	<b>55,817</b>	<b>(9,376)</b>

## Notes

Notes at December 31, 2017 amount to €22,103 million (€25,487 million at December 31, 2016).

The composition is as follows:

€ million	12/31/2017	12/31/2016	Change
Notes issued by EXOR	2,521	2,999	(478)
Notes issued by FCA Group	9,626	12,351	(2,725)
Notes issued by CNH Industrial Group	7,526	8,327	(801)
Notes issued by Ferrari Group	1,194	498	696
Notes issued by PartnerRe Group	1,236	1,313	(77)
<b>Total Notes</b>	<b>22,103</b>	<b>25,487</b>	<b>(3,385)</b>

The individual company issuers intend to repay the issued notes in cash at the due date by utilizing available liquid resources. In addition, the companies in the Group may from time to time buy back their issued notes, also for purposes of their cancellation. Such buybacks, if made, depend upon market conditions, the financial situation of the individual companies and other factors which could affect such decisions.

## EXOR

	Currency	Face value outstanding (in millions)	Coupon	Maturity	Outstanding amount (in €million)	
					12/31/2017	12/31/2016
EXOR N.V.	€	440	5.375%	June 12, 2017	0	453
EXOR N.V.	€	150	4.75%	October 16, 2019	151	150
EXOR N.V.	€	200	3.375%	November 12, 2020	200	200
EXOR N.V.	€	750	2.125%	December 2, 2022	746	745
EXOR N.V.	€	650	2.50%	October 8, 2024	652	652
EXOR N.V.	€	100	5.25%	January 31, 2025	103	103
EXOR N.V.	€	450	2.875%	December 22, 2025	452	452
EXOR N.V.	\$	170	4.398% 6 months	May 20, 2026	142	162
EXOR N.V.	Yen	10,000	2.80% 6 months	May 9, 2031	75	82
<b>Total Notes</b>					<b>2,521</b>	<b>2,999</b>

On June 12, 2017 EXOR repaid an amount of €440 million related to the residual amount outstanding of EXOR non-convertible bonds 2007-2017, using the available liquid resources.

## FCA Group

	Currency	Face value outstanding (in millions)	Coupon	Maturity	Outstanding amount (in €million)	
					12/31/2017	12/31/2016
Global Medium Term Note Programme:						
Fiat Chrysler Finance Europe S.A.	€	850	7.000%	March 23, 2017	0	850
Fiat Chrysler Finance North America Inc.	€	1,000	5.625%	June 12, 2017	0	1,000
Fiat Chrysler Finance Europe S.A.	CHF	450	4.000%	November 22, 2017	0	419
Fiat Chrysler Finance Europe S.A.	€	1,250	6.625%	March 15, 2018	1,250	1,250
Fiat Chrysler Finance Europe S.A.	€	600	7.375%	July 9, 2018	600	600
Fiat Chrysler Finance Europe S.A.	CHF	250	3.125%	September 30, 2019	213	233
Fiat Chrysler Finance Europe S.A.	€	1,250	6.750%	October 14, 2019	1,250	1,250
Fiat Chrysler Finance Europe S.A.	€	1,000	4.750%	March 22, 2021	1,000	1,000
Fiat Chrysler Finance Europe S.A.	€	1,350	4.750%	July 15, 2022	1,350	1,350
Fiat Chrysler Finance Europe S.A.	€	1,250	3.750%	March 29, 2024	1,250	1,250
Other					7	7
Total Global Medium Term Notes					6,920	9,209
Other Notes:						
FCA Notes	\$	1,500	4.500%	April 15, 2020	1,251	1,423
FCA Notes	\$	1,500	5.250%	April 15, 2023	1,251	1,423
Total Other Notes					2,502	2,846
Hedging effect and amortized cost valuation					204	296
Total Notes					9,626	12,351

#### Notes issued through MTN Programme

Certain notes issued by the Group are governed by the terms and conditions of the Medium Term Note ("MTN") Programme (previously known as the Global Medium Term Note Programme, or "GMTN" Programme). A maximum of €20 billion may be used under this programme, of which notes of €6.9 billion were outstanding at December 31, 2017 (€9.2 billion at December 31, 2016). The MTN Programme is guaranteed by FCA NV. The FCA Group may from time to time buy back notes in the market that have been issued. Such buybacks, if made, depend upon market conditions, the Group's financial situation and other factors which could affect such decisions.

Changes in notes issued under the MTN Programme during the year ended December 31, 2017 were due to the:

- repayment at maturity of a note in March 2017 with a principal amount of €850 million;
- repayment at maturity of a note in June 2017 with a principal amount of €1,000 million; and
- repayment at maturity of a note in November 2017 with a principal amount of CHF 450 million (€385 million).

Changes in notes issued under the MTN Programme during the year ended December 31, 2016 were due to the:

- issuance of a 3.75 percent note at par in March 2016 with a principal amount of €1,250 million, due in March 2024;
- repayment at maturity of a note in April 2016 with a principal amount of €1,000 million;
- repayment at maturity of a note in October 2016 with a principal amount of €1,000 million; and
- repayment at maturity of a note in November 2016 with a principal amount of CHF 400 million (€373 million).

The notes issued under the MTN Programme impose covenants on the issuer and, in certain cases, on FCA NV as guarantor, which include: (i) negative pledge clauses which require that, in case any security interest upon assets of the issuer and/or FCA NV 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; (ii) *pari passu* clauses, under which the notes rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the issuer and/or FCA NV; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the notes under certain events of default on other financial instruments issued by FCA's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the notes. As of December 31, 2017 FCA was in compliance with the covenants under the MTN Programme.

#### Other Notes

In 2015, FCA NV issued U.S.\$1.5 billion (€1.4 billion) principal amount of 4.5 percent unsecured senior debt securities due April 15, 2020 (the "2020 Notes") and U.S.\$1.5 billion (€1.4 billion) principal amount of 5.25% unsecured senior debt securities due April 15, 2023 (the "2023 Notes") at an issue price of 100% of their principal amount. The 2020 Notes and the 2023 Notes, collectively referred to as the "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 the Notes. Interest on the 2020 Notes and the 2023 Notes is payable semi-annually in April and October.

The Notes impose covenants on FCA NV including: (i) negative pledge clauses which require that, in case any security interest upon assets of FCA NV 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; (ii) *pari passu* clauses, under which the Notes rank and will rank *pari passu* with all other present and future unsubordinated and unsecured obligations of FCA NV; (iii) periodic disclosure obligations; (iv) cross-default clauses which require immediate repayment of the Notes under certain events of default on other financial instruments issued by FCA's main entities; and (v) other clauses that are generally applicable to securities of a similar type. A breach of these covenants may require the early repayment of the Notes. As of December 31, 2017 FCA was in compliance with the covenants of the Notes.

### Fiat Chrysler Finance US Inc.

On March 6, 2017 Fiat Chrysler Finance US Inc. ("FCF US") was incorporated under the laws of Delaware and became an indirect, 100 percent owned subsidiary of the Company. If FCF US issues debt securities, they will be fully and unconditionally guaranteed by the Company. No other subsidiary of the Company will guarantee such indebtedness.

### CNH Industrial Group

	Currency	Face value outstanding (in millions)	Coupon	Maturity	Outstanding amount (in €million)	
					12/31/2017	12/31/2016
<b>Global Medium Term Notes:</b>						
CNH Industrial Finance Europe S.A.	€	853	6.250%	March 9, 2018	853	1,200
CNH Industrial Finance Europe S.A.	€	547	2.750%	March 18, 2019	547	1,000
CNH Industrial Finance Europe S.A.	€	700	2.875%	September 27, 2021	700	700
CNH Industrial Finance Europe S.A.	€	75	1.625%	March 29, 2022	75	
CNH Industrial Finance Europe S.A.	€	500	1.375%	May 23, 2022	500	
CNH Industrial Finance Europe S.A.	€	500	2.875%	May 17, 2023	500	500
CNH Industrial Finance Europe S.A.	€	650	2.875%	May 17, 2023	650	
CNH Industrial Finance Europe S.A.	€	100	1.750%	September 12, 2025	100	
CNH Industrial Finance Europe S.A.	€	50	3.875%	April 21, 2028	50	50
<b>Total Global Medium Term Notes</b>					<b>3,975</b>	<b>3,450</b>
<b>Other Notes</b>						
CNH Capital LLC	\$	500	3.250%	February 1, 2017		474
Case New Holland Industrial Inc.	\$	1,500	7.875%	December 1, 2017		603
CNH Capital LLC	\$	600	3.875%	July 16, 2018		569
CNH Capital LLC	\$	600	3.625%	April 15, 2018	500	569
CNH Capital LLC	\$	500	3.375%	July 15, 2019	417	474
CNH Capital LLC	\$	600	4.375%	November 6, 2020	500	569
CNH Capital LLC	\$	500	4.875%	April 1, 2021	417	474
CNH Capital LLC	\$	400	3.875%	October 15, 2021	334	379
CNH Capital LLC	\$	500	4.375%	April 5, 2022	417	
CNH Capital LLC	\$	600	4.500%	August 15, 2023	500	569
CNH Capital LLC	\$	500	3.850%	November 15, 2027	417	
<b>Total other Notes</b>					<b>3,502</b>	<b>4,683</b>
<b>Hedging effect and amortized cost valuation</b>					<b>49</b>	<b>94</b>
<b>Total Notes</b>					<b>7,526</b>	<b>8,227</b>

In March 2017 CNH Industrial Finance Europe S.A. issued as a private placement €75 million of notes at an annual fixed rate of 1.625% due in 2022 (the "1.625% CIFE Notes") at an issue price of 99.407 percent of their principal amount. The 1.625% CIFE Notes were issued under the €10 billion Global Medium Term Note Programme (subsequently converted into the "Euro Medium Term Note Programme") unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In April 2017 CNH Industrial Capital LLC issued at par \$500 million of notes at an annual fixed rate of 4.375% due in 2022.

In May 2017 CNH Industrial Finance Europe S.A. issued €500 million of notes at an annual fixed rate of 1.375% due in 2022 (the "1.375% CIFE Notes") at an issue price of 99.335 percent of their principal amount. The 1.375% CIFE Notes were issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In June 2017 Case New Holland Industrial Inc. redeemed all of the outstanding \$636 million aggregate principal amount of its 7.875% Senior Notes due 2017.

On June 15, 2017 Standard and Poor's ("S&P") upgraded the long-term corporate rating of CNH Industrial N.V. and CNH Industrial Capital LLC to investment grade at "BBB-". Following the upgrade by S&P, the notes issued under the Euro Medium Term Notes Programme (and the notes issued under its predecessor, the Global Medium Term Notes Programme) benefited from Eurosystem eligibility, the financial covenant contained in the €1.75 billion Revolving Credit Facility, which required Industrial Activities to maintain EBITDA/Net interest ratio, was no longer applicable, and the financial covenants contained in two revolving credit facilities of CNH Industrial Capital LLC, which required maintenance of an EBITDA coverage ratio, were no longer applicable.

In September 2017 CNH Industrial Finance Europe S.A. issued €650 million of notes at an annual fixed rate of 1.750% due in 2025 (the “1.750% CIFE Notes”) at an issue price of 99.248 percent of their principal amount. The 1.750% CIFE Notes were issued under the €10 billion Euro Medium Term Note Programme unconditionally and irrevocably guaranteed by CNH Industrial N.V.

In September 2017 CNH Industrial Finance Europe S.A. repurchased a total of €800 million in principal amount of its 6.250% Notes due 2018 and its 2.750% Notes due 2019.

On October 24, 2017 Fitch Ratings assigned to CNH Industrial N.V. and CNH Industrial Capital LLC new investment grade long-term issuer default ratings of “BBB-”. This rating action and the S&P upgrade on June 15, 2017 made CNH Industrial’s securities eligible for the main investment grade indices in the U.S. market, which CNH Industrial believes has improved its access to funding at better rates.

In November 2017 CNH Industrial N.V. issued \$500 million of notes at an annual fixed rate of 3.850% due 2027 with an issue price of 99.384%.

In December 2017 CNH Industrial Capital LLC redeemed all of the outstanding \$600 million in principal amount of 3.875% Notes due 2018.

In December 2017 CNH Industrial Capital LLC established a new commercial paper program to issue short-term, unsecured, unsubordinated commercial paper notes on a private placement basis. As of December 31, 2017 the aggregate principal amount of the notes outstanding was \$115 million.

The bonds issued by the CNH Industrial Group may contain commitments of the issuer and in certain cases commitments of CNH Industrial N.V. in its capacity as guarantor, which are typical of international practice for bond issues of this type such as, in particular, negative pledge (in relation to quoted indebtedness), a status (or pari passu) covenant and cross default clauses. A breach of these commitments can lead to the early repayment of the issued notes. The bonds guaranteed by CNH Industrial N.V. under the Global Medium Term Note Programme, as well as the notes issued by CNH Industrial N.V. in August 2016, contain clauses which could lead to early repayment if there is a change of control of CNH Industrial N.V. leading to a rating downgrading of CNH Industrial N.V.

The Group intends to repay the issued bonds in cash at the due date by utilizing available liquid resources. In addition, the companies in the Group may from time to time buy back their issued bonds. Such buy backs, if made, depend upon market conditions, the financial situation of the Group and other factors which could affect such decisions.

#### Ferrari Group

	Currency	Face value outstanding (in millions)	Coupon	Maturity	Outstanding amount (in €million) 12/31/2017
Ferrari Notes	€	500	1.500%	15-Jul-05	491
Ferrari Notes	€	700	0.250%	1-Jan-21	695
Hedging effect and amortized cost valuation					8
<b>Total Notes</b>					<b>1,194</b>

On November 16, 2017 Ferrari Group issued 0.25 percent coupon notes due January 2021, having a principal of €700 million. The bond was issued at a discount for an issue price of 99.557 percent, resulting in net proceeds of €694 million after the debt discount and issuance costs. The net proceeds were primarily used to repay the Term Loan. The bond is unrated and was admitted to trading on the regulated market of the Irish Stock Exchange. The amount outstanding at December 31, 2017 of €695 million includes accrued interest.

On March 16, 2016 Ferrari Group concluded the placement of 7-year 1.5% fixed-rate notes with a principal amount of €500 million at an issue price of €98.977, unrated. The net proceeds of €491 million together with the Group’s cash were used to repay the €500 million Bridge Loan under the Facility secured on November 30, 2015. The notes are listed on the Irish Stock Exchange.

The notes impose covenants on Ferrari including: (i) negative pledge clauses which require that, in case any security interest upon assets of Ferrari is granted in connection with other notes or debt securities with the consent of Ferrari are, or are intended to be, listed, such security should be equally and ratably extended to the outstanding notes, subject to certain permitted exceptions; (ii) pari passu clauses, under which the notes rank and will rank pari passu with all other present and future unsubordinated and unsecured obligations of Ferrari; (iii) events of default for failure to pay principal or interest or comply with other obligations under the notes with specified cure periods or in the event of a payment default or acceleration of indebtedness or in the case of certain bankruptcy events; and (iv) other clauses that are customarily applicable to debt securities of issuers with a similar credit standing. A breach of these covenants may require the early repayment of the notes. As of December 31, 2017 and 2016 Ferrari was in compliance with the covenants of the notes.

#### PartnerRe Group

	Currency	Face value outstanding (in millions)	Coupon	Maturity	Outstanding amount (in €million)	
					12/31/2017	12/31/2016
PartnerRe Finance B LLC - 2010 Senior Notes	\$	500	5.500%	June 1, 2020	439	511
PartnerRe Finance B LLC - 2016 Senior Notes	€	750	1.250%	September 15, 2026	738	734
PartnerRe Finance II Inc. - Capital Efficient Notes	\$	63		December 1, 2066	59	67
<b>Total Notes</b>					<b>1,236</b>	<b>1,313</b>

At December 31, 2017 notes comprise the following senior notes issued by PartnerRe:

- 5.5% 2010 Senior Notes, \$500 million aggregate principal, which may be redeemed at the option of the issuer in whole or in part at any time. The 2010 Senior Notes are ranked as senior unsecured obligations of PartnerRe Finance B LLC. PartnerRe has fully and unconditionally guaranteed all obligations of PartnerRe Finance B LLC related to the 2010 Senior Notes. PartnerRe's obligations under this guarantee are senior and unsecured and rank equally with all other senior unsecured indebtedness;
- 1.250% Senior Notes issued in September 2016 by PartnerRe Ireland Finance DAC with an aggregate principal amount of €750 million (2016 Senior Notes). The 2016 Senior Notes may be redeemed at the option of the issuer, in whole or in part, at any time five years after the issuance date. Prior to September 2021, any redemption of the 2016 Senior Notes is subject to regulatory approval. Interest on the 2016 Senior Notes is payable annually commencing on September 15, 2017. The 2016 Senior Notes are ranked as senior unsecured obligations of PartnerRe Ireland Finance DAC. PartnerRe Ltd has fully and unconditionally guaranteed all obligations of PartnerRe Ireland Finance DAC under the 2016 Senior Notes. PartnerRe's obligations under this guarantee are senior and unsecured and rank equally with all other senior unsecured indebtedness. The proceeds from the 2016 Senior Notes were used to redeem Series D 6.5% and Series E 7.25% preferred shares to redeem the 2008 Senior Notes referred to above, and for general corporate purposes;
- 6.440% Junior Subordinated CENts issued in November 2006 by PartnerRe Finance II Inc. with a principal amount of \$250 million and on March 13, 2009, under the terms of a tender offer, purchased and retired \$187 million of this principal amount. As a result, the remaining aggregate principal amount of the CENts, which is not reflected as a liability in the Consolidated Statement of Financial Position, is \$63 million. The CENts have been redeemable at the option of the issuer, in whole or in part, since December 1, 2016 and are ranked as junior subordinated unsecured obligations of PartnerRe Finance II Inc. PartnerRe has fully and unconditionally guaranteed on a subordinated basis all obligations of PartnerRe Finance II Inc. under the CENts. PartnerRe's obligations under this guarantee are unsecured and rank junior in priority of payments to PartnerRe's Senior Notes. Interest on both the CENts and the promissory note was payable semi-annually through to December 1, 2016 at an annual fixed rate of 6.440% and payable quarterly thereafter until maturity at an annual rate of 3-month LIBOR plus a margin equal to 2.325%, reset quarterly. PartnerRe Finance II Inc. may elect to defer one or more interest payments for up to ten years from December 1, 2016.

In May 2008, PartnerRe Finance A LLC issued 6.875% Senior Notes with an aggregate principal of \$250 million (2008 Senior Notes) due on June 1, 2018, which were redeemed early on November 1, 2016. PartnerRe paid a redemption price of \$272 million and, as a result, PartnerRe recorded a loss of \$2 million on redemption of these notes which represented the difference between the carrying value of the notes and the consideration paid.

### *Borrowings from banks*

Borrowings from banks at December 31, 2017 amount to €11,239 million (€14,509 million at December 31, 2016). The composition is as follows:

€ million	12/31/2017	12/31/2016	Change
EXOR	464	80	384
FCA Group	6,948	9,506	(2,558)
CNH Industrial Group	3,575	4,049	(474)
Ferrari Group	38	837	(799)
PartnerRe Group	0	37	(37)
Juventus Football Club	214	0	214
<b>Total Bank Debt</b>	<b>11,239</b>	<b>14,509</b>	<b>(3,270)</b>

### EXOR

At December 31, 2017 EXOR has irrevocable credit lines in Euro of €350 million, due after December 31, 2018, as well as revocable credit lines of €572 million. EXOR also had credit lines in foreign currency for a total of \$390 million (€325 million) of which \$90 million due after December 31, 2018.

At December 31, 2016 EXOR had unused irrevocable credit lines for €390 million (of which €350 million due after December 31, 2017), in addition to unused revocable credit lines of €558 million. EXOR also had credit lines in foreign currency for a total of \$640 million (€607 million) due after December 31, 2017 draw down, for \$600 million (€569 million), of which \$550 million (€522 million) was granted for the acquisition of PartnerRe.

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 €250 million.

### FCA Group

On February 24, 2017 FCA US prepaid the U.S.\$1,826 million (€1,721 million) outstanding principal and accrued interest for its tranche B term loan maturing May 24, 2017 (the "Tranche B Term Loan due 2017"). The prepayment was made with cash on hand and did not result in a material loss on extinguishment.

At December 31, 2017 €836 million (€948 million at December 31, 2016), which included accrued interest, was outstanding under FCA US's Tranche B Term Loan maturing December 31, 2018 (the "Tranche B Term Loan due 2018"). On April 12, 2017 FCA US amended the credit agreement that governs the Tranche B Term Loan due 2018. The amendment reduced the applicable interest rate spreads by 0.50 percent per annum and reduced the LIBOR floor by 0.75 percent per annum, to 0.00 percent. In addition, the base rate floor was eliminated. As a result, the Tranche B Term Loan due 2018 bears interest, at FCA US's option, either at a base rate plus 1.0 percent per annum or at LIBOR plus 2.0 percent per annum. FCA US may prepay, refinance or re-price the Tranche B Term Loan due 2018 without premium or penalty. For the years ended December 31, 2017 and 2016 interest was accrued based on LIBOR.

On March 15, 2016 FCA US entered into amendments to the credit agreements that govern the Tranche B Term Loans to, among other items, eliminate covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group, to enable a unified financing platform and to provide free flow of capital within the Group. In conjunction with these amendments, FCA US made a U.S.\$2.0 billion (€1.8 billion) voluntary prepayment of principal at par with cash on hand, of which U.S.\$1,288 million (€1,159 million) was applied to the Tranche B Term Loan due 2017 and U.S.\$712 million (€641 million) was applied to the Tranche B Term Loan due 2018. Accrued interest related to the portion of principal prepaid of the Tranche B Term Loans and related transaction fees were also paid.

The prepayments of principal were accounted for as debt extinguishments and, as a result, a non-cash charge of €10 million was recorded within net financial expenses for the year ended December 31, 2016 which consisted of the write-off of the remaining unamortized debt issuance costs.

The amendments to the remaining principal balance were analyzed on a lender-by-lender basis and accounted for as debt modifications in accordance with IAS 39 - Financial Instruments: Recognition and Measurement. As such, the debt issuance costs for each of the amendments were capitalized and are amortized over the respective remaining terms of the Tranche B Term Loans. For each of the Tranche B Term Loans, FCA US prepaid the scheduled quarterly principal payments, with the remaining balance applied to the principal balance due at maturity. Accordingly, FCA US is now scheduled to pay the remaining outstanding principal balances at the respective maturity dates. Periodic interest payments, however, continue to be required.

The Tranche B Term Loan due 2018 is secured by a senior priority security interest in substantially all of FCA US's assets and the assets of its U.S. subsidiary guarantors, subject to certain exceptions. The collateral includes 100 percent of the equity interests in FCA US's U.S. subsidiaries and 65 percent of the equity interests in certain of its non-U.S. subsidiaries held directly by FCA US and its U.S. subsidiary guarantors.

The credit agreement that governs the Tranche B Term Loan due 2018 includes a number of affirmative covenants, many of which are customary, including, but not limited to, the reporting of financial results and other developments, compliance with laws, payment of taxes, maintenance of insurance and similar requirements. The credit agreement also includes negative covenants, including but not limited to: (i) limitations on incurrence, repayment and prepayment of indebtedness, (ii) limitations on incurrence of liens, (iii) limitations on swap agreements and sale and leaseback transactions, (iv) limitations on fundamental changes, including certain asset sales and (v) restrictions on certain subsidiary distributions. In addition, the credit agreement requires FCA US to maintain a minimum ratio of "borrowing base" to "covered debt" (as defined), as well as a minimum liquidity of U.S.\$3.0 billion (€2.5 billion). Furthermore, the credit agreement also contains a number of events of default related to: (i) failure to make payments when due; (ii) failure to comply with covenants, (iii) breaches of representations and warranties, (iv) certain changes of control, (v) cross-default with certain other debt and hedging agreements and (vi) the failure to pay or post bond for certain material judgments. As of December 31, 2017 FCA US was in compliance with the covenants of the credit agreement that governs the Tranche B Term Loan due 2018.

FCA has financing agreements with the European Investment Bank ("EIB") for a total of €1.1 billion outstanding at December 31, 2017 (€1.3 billion outstanding at December 31, 2016), which included the residual debt due under the following facilities:

- the facility for €250 million (maturing in December 2019) entered into in December 2016 to support the Group's investment plan (2017-2019) in research and development centers in Italy, which includes a number of key objectives such as greater fuel efficiency, a reduction in CO<sub>2</sub> emissions by petrol and alternative fuel engines and the study of new hybrid architectures, as well as certain capital expenditures for facilities located in southern Italy;
- the facility for €600 million (maturing in July 2018), entered into in June 2015 (50 percent guaranteed by SACE) to support the Group's investment plan (2015-2017) for production and research and development sites in both northern and southern Italy, to develop efficient vehicle technologies for vehicle safety and new vehicle architectures;
- the facility for €400 million (maturing in November 2018), entered into in November 2013 (50 percent guaranteed by SACE) to support certain investments and research and development programs in Italy; and
- the facility for €500 million (maturing in June 2021), entered into in May 2011 (guaranteed by SACE and the Serbian Authorities) for an investment program relating to the modernization and expansion of production capacity of an automotive plant in Serbia.

The FCA Brazilian subsidiaries have access to various local bank facilities in order to fund investments and operations. Total debt outstanding under these facilities amounted to a principal amount of €3.2 billion at December 31, 2017 (€4.0 billion at December 31, 2016). The loans primarily include subsidized loans granted by public financing institutions such as Banco Nacional do Desenvolvimento ("BNDES"), with the aim to support industrial projects in certain areas. This provided the Group the opportunity to fund large investments in Brazil with loans of sizeable amounts at attractive rates. At December 31, 2017 outstanding subsidized loans amounted to €2.1 billion (€2.6 billion at December 31, 2016), of which €1.3 billion (€1.6 billion at December 31, 2016) related to the construction of the plant in Pernambuco (Brazil), which has been supported by subsidized credit lines totaling Brazilian Real ("BRL") 6.5 billion (€1.6 billion).

Approximately €0.1 billion (€0.3 billion at December 31, 2016) of committed credit lines contracted to fund scheduled investments in the area were undrawn at December 31, 2017.

FCA Mexico, S.A. de C.V. ("FCA Mexico"), our principal operating subsidiary in Mexico, has a non-revolving loan agreement ("Mexico Bank Loan") maturing on March 20, 2022 and bears interest at one-month LIBOR plus 3.35 percent per annum. At December 31, 2017 the Mexico Bank Loan had an outstanding balance of €0.4 billion (€0.5 billion at December 31, 2016). As of December 31, 2017 FCA Mexico may prepay all or any portion of the loan without premium or penalty. The Mexico Bank Loan requires FCA Mexico to maintain certain fixed and other assets as collateral, and comply with certain covenants, including, but not limited to, financial maintenance covenants, limitations on liens, incurrence of debt and asset sales. As of December 31, 2017 FCA Mexico was in compliance with the covenants under the Mexico Bank Loan.

In March 2017 the Group amended its syndicated revolving credit facility originally signed in June 2015 (as amended, the "RCF"). The amendment increased the RCF from €5.0 billion to €6.25 billion and extended the RCF's final maturity to March 2022. The RCF, which is available for general corporate purposes and for working capital needs of the Group, is structured in two tranches: €3.125 billion, with a 37-month tenor and two extension options of 1-year and of 11-months exercisable on the first and second anniversary of the amendment signing date, respectively, and €3.125 billion, with a 60-month tenor. The amendment was accounted for as a debt modification and, as a result, the remaining unamortized debt issuance costs related to the original €5.0 billion RCF and the new costs associated with the amendment will be amortized over the life of the amended RCF. At December 31, 2017, the €6.25 billion RCF was undrawn.

The covenants of the RCF include financial covenants as well as negative pledge, *pari passu*, cross-default and change of control clauses. The failure to comply with these covenants and, in certain cases if not suitably remedied, can lead to the requirement of early repayment of any outstanding amounts. As of December 31, 2017 FCA was in compliance with the covenants of the RCF.

At December 31, 2017 undrawn committed credit lines totaling €7.6 billion included the €6.25 billion RCF and approximately €1.3 billion of other revolving credit facilities. At December 31, 2016 undrawn committed credit lines totaling €6.2 billion included the original €5.0 billion RCF and approximately €1.2 billion of other revolving credit facilities.

#### CNH Industrial Group

In 2016 CNH Industrial Group signed a renewal of a five-year committed revolving credit facility for €1.75 billion. The renewal extends the maturity of the previous €1.75 billion committed revolving credit facility from 2019 until 2021. The €1.75 billion (\$2.1 billion at the year-end 2017 exchange rate) facility is guaranteed by the parent company with cross-guarantees from each of the borrowers (i.e., CNH Industrial Finance S.p.A., CNH Industrial Finance Europe S.A. and CNH Industrial Finance North America Inc.), envisages typical provisions for contracts of this type and size, such as: financial covenants (Net debt/EBITDA and EBITDA/Net interest ratios relating to Industrial Activities), other covenants mainly relating to Industrial Activities including negative pledge, a status (or *pari passu*) covenant, restrictions on the incurrence of indebtedness by certain subsidiaries, customary events of default (some of which are subject to minimum thresholds and customary mitigants) including cross-default, failure to pay amounts due or to comply with certain provisions under the loan agreement, the occurrence of certain bankruptcy-related events and mandatory prepayment obligations upon a change in control of CNH Industrial or the borrowers. The failure to comply with these provisions, in certain cases if not suitably remedied, can lead to the requirement to make early repayment of the outstanding advances. At December 31, 2017 there were no breaches of such commitments.

At December 31, 2017 Financial Services' committed asset-backed facilities expiring after twelve months amounted to \$3.5 billion (\$3.2 billion at December 31, 2016), of which at December 31, 2016 \$2.3 billion (\$2.5 billion at December 31, 2015) were utilized.

Lenders of committed credit facilities have the obligation to make advances up to the facility amount. Lenders of uncommitted facilities have the right to terminate the agreement with prior notice to CNH Industrial. At December 31, 2017 available committed unsecured facilities expiring after twelve months amounted to \$3.2 billion (\$2.9 billion at December 31, 2016).

### Ferrari Group

At December 31, 2017 borrowings from banks of the Ferrari Group include several loans secured by FFF Inc. to support financial services operations, in particular €29 million (€24 million at December 31, 2016) relating to a U.S. Dollar denominated credit facility for up to \$50 million (drawn down for \$35 million at December 31, 2017) and bearing interest at LIBOR plus a range of between 65 and 75 basis points and other short-term and medium-term credit facilities for minor amounts for a total of €9 million (€13 million at December 31, 2016).

At December 31, 2016 borrowing from banks included €800 million related to the Term Loan which was fully repaid in 2017, primarily with proceeds from the 2021 Notes issued in November 2017.

### PartnerRe

In the normal course of its operations, PartnerRe enters into agreements with financial institutions to obtain unsecured and secured letter of credit facilities. At December 31, 2017 and 2016 the total amount of such credit facilities available to PartnerRe was approximately \$689 million and \$664 million, respectively, with each of the significant facilities described below. Under the terms of certain reinsurance agreements, irrevocable letters of credit were issued on an unsecured and secured basis in the amount of \$114 million and \$474 million, respectively at December 31, 2017 in respect of reported loss and unearned premium reserves.

PartnerRe maintains a \$300 million combined credit facility, with the first \$100 million being unsecured and any utilization above the initial \$100 million being secured. This credit facility matures each year on November 14 and, unless canceled by either counterparty, automatically extends for a further year.

In addition, PartnerRe maintains committed secured letter of credit facilities. These facilities are used for the issuance of letters of credit, which must be fully secured with cash and/or government bonds and/or investment grade bonds. The agreements include default covenants, which could require PartnerRe to fully secure the outstanding letters of credit to the extent that the facility is not already fully secured, and disallow the issuance of any new letters of credit. Included in PartnerRe's secured credit facilities at December 31, 2017 is a \$225 million secured credit facility, which matures on December 31, 2018, and a \$80 million secured credit facility, which matures on December 31, 2018. At December 31, 2017 no conditions of default existed under these facilities.

### Juventus

At December 31, 2017 Juventus Football Club has revocable credit lines of €312 million (€347 million at December 31, 2016, of which €179 million (€218 million in 2016) is drawn down.

### Asset-backed financing

Asset-backed financing totaled €10,943 million (€12,075 million at December 31, 2016) and included assets of FCA Group that represent the amount of financing received through factoring transactions which do not meet IAS 39 derecognition requirements and are recognized as assets of the same amount of €357 million (€410 million at December 31, 2016), assets of CNH Industrial Group, mainly current receivables and cash with a pre-determined use to settle asset-backed financing of €10,029 million (\$12,028 million) at December 31, 2017 (€11,179 million, \$11,784 million at December 31, 2016) and assets of Ferrari Group for €556 million (€486 million at December 31, 2016).

In 2016 and 2017 FFS Inc, a Ferrari's subsidiary, has pursued a strategy of self-financing, further reducing dependency on intercompany funding and increasing the portion of self-liquidating debt with various securitization transactions.

On January 19, 2016 FFS Inc entered into a revolving securitization program for funding of up to \$250 million by pledging retail financial receivables in the United States as collateral. In 2016 proceeds from the first sale of financial receivables were \$242 million and were primarily used to repay intercompany loans. The funding limit of the program has been progressively increased over time, including to \$275 million on December 16, 2016, to \$325 million on July 14, 2017 and to \$350 million on December 15, 2017. The notes bear interest at a rate per annum equal to the aggregate of LIBOR plus a margin of 65 basis points. As of December 31, 2017 total proceeds from the sales of financial receivables under the program were \$325 million. The securitization agreement requires the maintenance of an interest rate cap.

On October 20, 2016 FFS Inc entered into a revolving securitization program for funding of up to \$200 million by pledging leasing financial receivables in the United States as collateral. In 2016 proceeds from the first sale of financial receivables were \$175 million and were primarily used to repay U.S. Dollar denominated bank borrowings.

On April 21, 2017 the funding limit of the program was increased to \$225 million and this amount remained unchanged in the renewal of the program in September 2017. The notes bear interest at a rate per annum equal to the aggregate of LIBOR plus a margin of 65 basis points. As of December 31, 2017 total proceeds from the sales of financial receivables under the program were \$222 million. The securitization agreement requires the maintenance of an interest rate cap.

On December 28, 2016 FFS Inc entered into a revolving securitization program for funding of up to \$120 million by pledging credit lines to Ferrari customers secured by personal vehicle collections and personal guarantees in the United States as collateral. In 2016 proceeds from the first sale of financial receivables were \$64 million and were primarily used to repay U.S. Dollar denominated bank borrowings. On December 20, 2017 the funding limit of the program was increased to \$135 million. The notes bear interest at a rate per annum equal to the aggregate of LIBOR plus a margin of 120 basis points. As of December 31, 2017 total proceeds from the sales of financial receivables under the program were \$120 million. The securitization agreement does not require an interest rate cap.

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. Such cash amounted to €28 million at December 31, 2017 (€19 million at December 31, 2016).

#### *Payables represented by securities*

At December 31, 2017 payables represented by securities amount to €826 million (€1,619 million at December 31, 2016).

#### *Other financial debt*

At December 31, 2017 other financial debt amount to €1,330 million (€2,127 million at December 31, 2016) and includes finance lease payables for €283 million (€691 million at December 31, 2016) as detailed:

€ million	12/31/2017	12/31/2016	Change
Due within one year	76	122	(46)
Due between one and five years	136	360	(224)
Due beyond five years	71	209	(138)
<b>Present value of minimum lease payments</b>	<b>283</b>	<b>691</b>	<b>(408)</b>

During the year ended December 31, 2017 FCA US's Canadian subsidiary made payments on the Canada Health Care Trust ("HCT") Tranche B Note totaling €272 million, which included a scheduled payment of principal and accrued interest and the prepayment of the remaining scheduled payments due on the Canada HCT Tranche B Note. The prepayment, of €226 million, was accounted for as a debt extinguishment, and as a result, a gain on extinguishment of €9 million was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2017. This Canada HCT Note represented FCA US's principal Canadian subsidiary's remaining financial liability to the Canadian Health Care Trust arising from the settlement of its obligations for postretirement health care benefits for National Automobile, Aerospace, Transportation and General Workers Union of Canada "CAW" (now part of Unifor), which represented employees, retirees and dependents.

At December 31, 2016 other debt included the unsecured Canada HCT Tranche B Note totaling €278 million, including accrued interest. During the year ended December 31, 2016 FCA US's Canadian subsidiary made payments on the Canada HCT Notes totaling €148 million, which included accrued interest and the prepayment of all scheduled payments due on the Canada HCT Tranche C Note. The prepayment on the Canada HCT Tranche C Note made on July 15, 2016 resulted in a loss on extinguishment of debt of €8 million that was recorded within Net financial expenses in the Consolidated Income Statement for the year ended December 31, 2016.

#### *Debt secured by assets*

At December 31, 2017 debt secured by assets of the FCA Group excluding FCA US amount to €743 million (€914 million at December 31, 2016), of which €140 million (€433 million at December 31, 2016) is due to creditors for assets acquired under finance leases and the remaining amount mainly relates to subsidized financing in Latin America.

The total carrying amount of assets acting as security for loans for the Group (excluding FCA US) amounts to €2,372 million at December 31, 2017 (€1,940 million at December 31, 2016).

At December 31, 2017 debt secured by assets of FCA US amounts to €1,441 million and includes €836 million relating to the Tranche B Term Loans, €141 million due to creditors for assets acquired under finance leases and other debt and financial commitments for €464 million.

At December 31, 2016 debt secured by assets of FCA US amounted to €3,466 million and included €2,678 million relating to the Tranche B Term Loans, €207 million due to creditors for assets acquired under finance leases and other debt and financial commitments for €561 million.

Debt secured with mortgages and other liens on assets of the CNH Industrial Group amounts to €35 million at December 31, 2017 (€91 million at December 31, 2016); this amount includes €3 million (€51 million at December 31, 2016) due to creditors for assets acquired under finance leases. The total carrying amount of assets acting as security for loans amounts to €87 million at December 31, 2017 (€148 million at December 31, 2016).

In addition, at December 31, 2017 the Group's assets include current receivables to settle asset-backed financing for €10,386 million (€11,590 million at December 31, 2016) (note 22).

#### *Financial debt by due date*

An analysis of financial debt by due at December 31, 2017 and 2016 is as follows:

	12/31/2017				12/31/2016			
	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	3,477	11,205	7,421	22,103	4,212	13,153	8,122	25,487
Borrowings from banks	6,057	4,553	629	11,239	5,984	7,611	914	14,509
Asset-backed financing	7,290	3,603	50	10,943	7,291	4,252	46	11,589
Payables represented by securities	544	282		826	1,093	401	125	1,619
Other financial debt	959	317	54	1,330	950	1,469	194	2,613
<b>Total financial debt</b>	<b>18,327</b>	<b>19,960</b>	<b>8,154</b>	<b>46,441</b>	<b>19,530</b>	<b>26,886</b>	<b>9,401</b>	<b>55,817</b>

### 30 Other financial assets and other financial liabilities

The following table summarizes the fair value of the Group's derivative financial assets and liabilities:

	12/31/2017		12/31/2016	
€ million	Positive fair value	Negative fair value	Positive fair value	Negative fair value
<b>Fair value hedges</b>				
Interest rate risk - Interest rate swaps	4	(7)	42	(16)
Currency risks	10	(1)	10	(40)
Interest rate and currency risk - Combined interest rate and currency swap				(114)
<b>Total Fair value hedges</b>	<b>14</b>	<b>(8)</b>	<b>52</b>	<b>(170)</b>
<b>Cash flow hedges</b>				
Currency risks - Forward contracts, Currency swaps and Currency options	107	(101)	172	(451)
Interest rate risk - Interest rate swaps	8	(8)	2	(2)
Rischio di interesse - Interest rate cap				
Interest rate and currency risk - Combined interest rate and currency swaps	9	(34)	87	(27)
Commodity price risk - Commodity swaps	30		21	(2)
Other	5			
<b>Total Cash flow hedges</b>	<b>159</b>	<b>(143)</b>	<b>282</b>	<b>(482)</b>
<b>Derivatives for trading</b>	<b>177</b>	<b>(104)</b>	<b>244</b>	<b>(348)</b>
<b>Collateral deposits</b>	<b>61</b>		<b>68</b>	
<b>Total other financial assets and other financial liabilities</b>	<b>411</b>	<b>(255)</b>	<b>646</b>	<b>(1,000)</b>

The outstanding notional amounts of derivative financial instruments by due date is summarized in the following table:

€ million	Due within one year	Due between one and five years	Due beyond five years	Total
<b>12/31/2017</b>				
Currency risk management	14,606	154	0	14,760
Interest rate risk management	1,581	1,753	101	3,435
Interest rate and currency risk management	0	291	71	362
Commodity price risk management	455	6	0	461
Other derivative financial instruments				0
<b>Total notional amount</b>	<b>16,642</b>	<b>2,204</b>	<b>172</b>	<b>19,018</b>
<b>12/31/2016</b>				
Currency risk management	19,797	311	0	20,108
Interest rate risk management	855	795	0	1,650
Interest rate and currency risk management	928	305	165	1,398
Commodity price risk management	450	44	0	494
Other derivative financial instruments				0
<b>Total notional amount</b>	<b>22,030</b>	<b>1,455</b>	<b>165</b>	<b>23,650</b>

#### *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.

The following table summarizes the gains and losses arising from respective hedged items:

€ million	2017	2016	Change
Currency risk:			
Net gains (losses) on qualifying hedges	104	(13)	117
Fair value changes in hedged items	(104)	13	(117)
Interest rate risk:			
Net gains (losses) on qualifying hedges	(20)	(56)	36
Fair value changes in hedged items	21	56	(35)
<b>Net gains (losses) on fair value hedges recognized in the income statement</b>	<b>1</b>	<b>0</b>	<b>1</b>

#### *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/\$ exchange rate.

The Group's policy for managing currency risk normally requires hedging of projected future flows from trading activities which will occur within the following twelve months and from orders acquired (or contracts in progress) regardless of their due dates. The hedging effect arising from this is recorded in Other comprehensive income within Cash flow hedge reserve and will be recognized in the Consolidated Income Statement, primarily during the following year.

Derivatives relating to interest rate and currency risk management are treated as cash flow hedges and are entered into for the purpose of hedging notes issued in foreign currencies. The amount recorded in Other comprehensive income and within Cash flow hedge reserve is recognized in the Consolidated Income Statement according to the timing of the flows of the underlying notes.

With respect to cash flow hedges, the Group reclassified income of €61 million in 2017 (loss of €189 million in 2016), 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:

€ million	2017	2016	Change
<b>Currency risk</b>			
Increase (Decrease) in net revenues	41	217	(176)
Decrease (Increase) in cost of sales	(145)	(47)	(98)
Financial income (expenses)	(13)	29	(42)
Result from investments	27	25	2
<b>Interest rate risk</b>			
Decrease (Increase) in cost of sales	(3)	(3)	
Result from investments			0
Financial income (expenses)	(3)	(5)	2
<b>Commodity price risk</b>			
Decrease (Increase) in cost of sales	31	(40)	71
<b>Taxes - income (expenses)</b>			
<b>Ineffectiveness - overhedges</b>	4	13	(9)
<b>Net gains (losses) on cash flow hedges recognized in the income statement</b>	<b>(61)</b>	<b>189</b>	<b>(250)</b>

#### *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 December 31, 2017 gains of €15 million (€75 million at December 31, 2016) related to the net investment hedges were recognized in Other comprehensive income and were reflected within Currency translation differences. There was no ineffectiveness for the year ended December 31, 2017.

#### *Derivatives for trading*

At December 31, 2017 and 2016 derivatives for trading primarily consisted of derivative contracts entered for hedging purposes which do not qualify 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).

### **31 Trade payables**

Trade payables amount to €27,612 million at December 31, 2017 (€28,214 million at December 31, 2016). An analysis of trade payables by due date is as follows:

€ million	12/31/2017	12/31/2016	Change
Due within one year	27,592	28,187	(595)
Due between one and five years	20	26	(6)
Due beyond five years	0	1	(1)
<b>Trade payables</b>	<b>27,612</b>	<b>28,214</b>	<b>(602)</b>

## 32 Other liabilities

The composition is as follows:

€ million	12/31/2017	12/31/2016	Change
Payable for buy-back agreements	4,820	4,385	435
Indirect tax payables	1,396	2,111	(715)
Accrued expenses and deferred income	4,650	4,574	76
Payables to personnel	1,306	1,306	0
Social security payables	491	517	(26)
Amounts due to customers for contract work	180	227	(47)
Other	2,835	3,335	(500)
<b>Total other liabilities</b>	<b>15,678</b>	<b>16,455</b>	<b>(777)</b>

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.

Indirect tax payables include federal taxes on commercial transactions accrued by the Group's Brazilian subsidiaries for which, at December 31, 2016 the Group (as well as a number of important industrial groups that operate in Brazil) was awaiting a decision by the Brazilian Supreme Court regarding its claim alleging double taxation.

On March 15, 2017 the Brazilian Supreme Court ruled that state value added tax should be excluded from the base for calculating a federal tax on revenue. At June 30, 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 in the income statement. The Brazilian Supreme Court issued summary written minutes of its ruling on September 29, 2017 and Trial Minutes on October 2, 2017. On October 19, 2017 the Brazilian government filed its appeal against the PIS/COFINS over ICMS decision. 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 believes a risk of economic outflow is still greater than remote.

Deferred income includes the revenues not yet recognized in relation to separately-priced extended warranties and service contracts offered by FCA US. These revenues will be recognized in the income statement over the contract period in proportion to the costs expected to be incurred based on historical information. Deferred income also includes the remaining portion of government grants that will be recognized as income in the income statement over the periods necessary to match them with the related costs which they are intended to offset.

On January 20, 2017 the last installment of U.S.\$175 million (€166 million) was paid on the obligation arising from the 2014 memorandum of understanding between FCA US and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, which was included within Other current liabilities at December 31, 2016.

An analysis of other liabilities (excluding accrued expenses and deferred income) by due date is as follows:

€ million	12/31/2017			Total	12/31/2016			Total
	Due within one year	Due between one and five years	Due beyond five years		Due within one year	Due between one and five years	Due beyond five years	
<b>Other liabilities (excluding accrued expenses and deferred income)</b>	8,897	2,032	99	<b>11,028</b>	9,028	2,750	103	<b>11,881</b>

### 33 Guarantees granted, commitments and contingent liabilities

#### *Guarantees granted by the FCA Group*

At December 31, 2017 the FCA Group has pledged guarantees on the debt or commitments of third parties totaling €5 million (€8 million at December 31, 2016), as well as guarantees of €4 million (€2 million at December 31, 2016) on related party debt.

#### 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 May 1, 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, 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, nonrefundable payment of €109 million (\$150 million) in May 2013, which was recognized as deferred revenue and is amortized over ten years. At December 31, 2017 €67 million (\$80 million) remained in deferred revenue.

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 Financiero 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 December 31, 2017 the maximum potential amount of future payments required to be made in accordance with these wholesale financing arrangements was approximately €285 million (U.S.\$319 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 less than €0.1 million at December 31, 2017, which considers both the likelihood that the triggering events will occur and the estimated payment that would be made net of the estimated value of inventory that would be reacquired upon the occurrence of such events. These estimates are based on historical experience.

#### Arrangements with key suppliers

From time to time, in the ordinary course of its business, FCA 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 December 31, 2017 are as follows:

€ million	2018	2019	2020	2021	2022	2023 and beyond
Future minimum purchase obligations	817	583	515	325	198	53

#### *Guarantees granted by the CNH Industrial Group*

At December 31, 2017 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 €307 million (€276 million at December 31, 2016).

#### *Guarantees granted by the PartnerRe Group*

At December 31, 2017 approximately €3,082 million (\$3,696 million) of cash and cash equivalents and securities of the PartnerRe Group were deposited, pledged or held in escrow accounts in favor of ceding companies and other counterparties of government authorities to comply with regulations on reinsurance contracts and insurance laws.

#### *Commitments of the FCA Group arising from contractual agreements*

##### Sevel

As part of the Sevel cooperation agreement with Peugeot-Citroen SA ("PSA"), the Group was party to a call agreement with PSA whereby, from July 1, 2017 to September 30, 2017, the Group would have the right to acquire the residual interest in the joint operation Sevel with effect from December 31, 2017. During the period specified in the agreement the Group did not exercise its right to acquire the residual interest in the joint operation Sevel and such right expired.

##### Italian labor agreement

In April 2015, a new four-year compensation agreement was signed by FCA companies in Italy within the automobiles business. The new compensation agreement was subsequently included in the new labor agreement and was extended to all FCA companies in Italy on July 7, 2015.

The compensation arrangement was effective retrospectively from January 1, 2015 through to December 31, 2018 and incentivizes 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 ("Business Plan Bonus") for the EMEA region, including the activities of the premium brands Alfa Romeo and Maserati. A portion of the Business Plan Bonus is a guaranteed amount based on employees' base salaries and is paid over four years in quarterly installments, while the remaining portion is to be paid in March 2019 to active employees as of December 31, 2018, with at least two years of service during the period 2015 through 2018.

A total of €124 million and €117 million was recorded as an expense for the compensation agreement for the years ended December 31, 2017 and 2016, respectively.

##### UAW labor agreement

In October 2015, FCA US and the UAW agreed to a new four-year national collective bargaining agreement, which will expire in September 2019. The provisions of the new agreement continue certain opportunities for success-based compensation upon meeting certain quality and financial performance metrics. The agreement closes the pay gap between "Traditional" and "In-progression" employees over an eight-year period and will continue to provide UAW-represented employees with a simplified adjusted profit sharing plan. The adjusted profit sharing plan will be effective for the 2016 plan year and is directly aligned with NAFTA profitability. The agreement includes lump-sum payments in lieu of further wage increases of primarily U.S.\$4,000 for "Traditional" employees and U.S.\$3,000 for "In-progression" employees totaling approximately U.S.\$141 million (€127 million) that was paid to UAW members on November 6, 2015. These payments are being amortized ratably over the four-year labor agreement period.

#### Canada labor agreement

FCA entered into a new four-year labor agreement with Unifor in Canada that was ratified on October 16, 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 September 24, 2012 and will continue to close the pay gap for employees hired on or after September 24, 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 ("CAD\$") per employee totaling approximately CAD\$55 million (approximately €38 million) that was paid to Unifor members on November 4, 2016. These payments will be amortized ratably over the four-year labor agreement period. The new agreement expires in September 2020.

#### Commitments of the Ferrari Group arising from contractual agreements

##### Arrangements with Key Suppliers

From time to time, in the ordinary course of business, the 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 Group's sponsorship contracts include terms whereby the Group is obligated to purchase a minimum quantity of goods and/or services from its sponsors.

Future minimum purchase obligations under these arrangements at December 31, 2017 were as follows:

€ million	12/31/2017	12/31/2016	Change
Due within one year	137	93	44
Due between one and three years	102	98	4
Due between three and five years	6	29	(23)
Due beyond five years	4	7	(3)
<b>Minimum purchase obligations</b>	<b>249</b>	<b>227</b>	<b>22</b>

#### Commitments of the PartnerRe Group

The PartnerRe Group 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 \$13 million (€11 million) through 2019.

The PartnerRe Group has entered into strategic investments with unfunded capital commitments. In the next five years, the Company expects to fund capital commitments totaling \$215 million, with \$85 million, \$68 million, \$38 million and \$24 million to be paid during 2017, 2018, 2019 and 2020, respectively, with no further commitments for 2021 as of December 31, 2016.

The PartnerRe Group 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 December 29, 2020. At December 31, 2016 PartnerRe's participation in the facility was \$62 million. At December 31, 2017 the letter of credit facility has not been drawn down and can only be drawn down in the event of certain specific scenarios, which the Company considers remote. Unless canceled by the bank, the credit facility automatically extends for one year, each year until maturity.

#### Commitments of Juventus Football Club S.p.A.

The commitments of Juventus included guarantees received from leading credit institutions of €97 million (€169 million at December 31, 2016) issued to guarantee the payables arising from the acquisition of players' registration rights (€89 million), the infrastructure works under the Agreed Executive Plan of the Continassa Area (€5 million) and other commitments (€3 million).

### *Operating lease contracts*

The Group has entered into operating lease contracts for the right to use industrial buildings and equipment with an average term of 10-20 years and 3-5 years, respectively. At December 31, 2017 the total future minimum lease payments under non-cancellable operating lease contracts are as follows:

€ million	12/31/2017	12/31/2016	Change
Due within one year	452	364	88
Due between one and five years	942	842	100
Due beyond five years	443	432	11
<b>Future minimum lease payments under operating lease contracts</b>	<b>1,837</b>	<b>1,638</b>	<b>199</b>

During 2017 the Group recorded costs for lease payments of €427 million (€400 million in 2016).

### *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.

### FCA Group

#### Contingent Liabilities

##### Takata airbag inflators

On November 3, 2015, the U.S. National Highway Traffic Safety Administration ("NHTSA") issued the Takata Consent Order regarding Takata airbag inflators manufactured using non-desiccated Phase Stabilized Ammonium Nitrate ("PSAN") that were installed in original equipment manufacturers' vehicles. On May 4, 2016 NHTSA published an amendment to the original Takata Consent Order which expanded the scope of the original consent order to include 7.6 million additional units of non-desiccated PSAN airbag inflators, of which approximately 2 million inflator units were deferred and not yet subject to recall. In compliance with the amendment to the Takata Consent Order, on May 16, 2016 Takata submitted a Defect and Noncompliance Information Report ("DIR") to NHTSA declaring the non-desiccated PSAN airbag inflators defective. As a result, FCA US announced a recall of vehicles, assembled in NAFTA, related to the May 16, 2016 DIR, which represented approximately 5.6 million inflator units. Considering the estimated cost of the recall and the estimated participation rate of the recalls taking into account the age of the vehicles involved, FCA recognized €414 million within Cost of revenues for the year ended December 31, 2016. The charges reflected its assumptions on participation rate based on the Group's historical experience and industry data.

On January 2, 2018, Takata submitted a DIR to NHTSA declaring certain non-desiccated PSAN inflators contained in certain vehicles to be defective.

As a result of Takata's DIR, on January 9, 2018, FCA US submitted a DIR to NHTSA indicating that approximately 0.4 million units of the approximately 2 million inflator units that were deferred are now subject to recall. In accordance with IAS 10, *Subsequent Events*, and using the same assumptions based on its historical experience and industry data for the estimated participation rates taking into account the age of the vehicles involved, FCA recognized an additional provision of approximately €29 million within Cost of revenues for the year ended December 31, 2017.

The remaining 1.6 million inflator units remain deferred and not yet subject to recall. As such, no costs have been accrued. It is not anticipated that the cost associated with any potential recall would be material to FCA.

In December 2017 FCA started to inform the authorities in LATAM that preventative safety campaigns will be launched for certain non-desiccated PSAN inflators manufactured by Takata. Considering the estimated cost of the preventative safety campaign and the estimated participation rates, which take into account the age of the vehicles involved, a provision of €73 million has been recognized at December 31, 2017.

If FCA's actual experience differs from its historical experience or industry data, this could result in an adjustment to the Takata warranty provision in the future. FCA continues to assess the condition and performance of airbag inflators supplied by Takata. While there have not been any known issues relating to the unrecalled units, as additional information, data and analysis become available and FCA continues discussions with the regulators, the number of inflator units that may become subject to recalls could be expanded. Any liability for the estimated cost for future recalls would be recognized in the period in which a recall becomes probable.

#### Emissions Matters

FCA has received inquiries from several regulatory authorities as they examine the on-road tailpipe emissions of several automakers' vehicles. FCA, when it is jurisdictionally appropriate, is cooperating with a number of governmental agencies and authorities.

In particular, 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 ("DVSA"). FCA also initially responded to inquiries from the German authority, the Kraftfahrt-Bundesamt ("KBA"), regarding emissions test results for its vehicles reported by KBA, and discussed the KBA reported test results, 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 ("BMVI"), 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 correctly performed, which was borne out in material Italy provided during the mediation process.

In addition, at the request of the French Consumer Protection Agency, the French public prosecutor has been investigating diesel vehicles of a number of automakers including FCA, regarding whether the sale of those vehicles violated French consumer protection laws.

The results of these inquiries cannot be predicted at this time; however, the intervention by a number of governmental agencies and authorities has required significant management time, which may divert attention from other key aspects of FCA business plan, or may lead to further enforcement actions as well as penalties or obligations to modify or recall vehicles, any of which may have a material adverse effect on the business, results of operations and reputation.

On January 12, 2017 the U.S. Environmental Protection Agency ("EPA") and the California Air Resources Board issued Notices of Violation related to certain software-based features in the emissions control systems in approximately 100,000 2014-2016 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles.

On May 23, 2017 the Environmental and Natural Resources Division of the U.S. Department of Justice ("DOJ-ENRD") filed a civil lawsuit against FCA in connection with the concerns raised by the EPA. The complaint alleges that software-based features were not disclosed to the EPA as required during the vehicle emissions certification process, resulting in violations of the Clean Air Act. The complaint also alleges that certain of the software features bypass, defeat or render inoperative the vehicles' emission control systems, causing the vehicles to emit higher levels of oxides of nitrogen (NOx) during certain normal real world driving conditions than during federal emissions tests. A number of private lawsuits relating to the vehicles have been filed in U.S. state and federal courts principally on behalf of consumers asserting fraud, violation of consumer protection laws, and other civil claims, including a putative class action that is proceeding in U.S. federal court in the Northern District of California. A number of other governmental agencies and authorities, including the U.S. Department of Justice, the U.S. Securities and Exchange Commission and various states Attorneys General have commenced related investigations.

FCA has been working with the EPA and the CARB to clarify issues related to the Company's emissions control systems technology and announced in May that it had developed updated emissions software calibrations for the model year 2017 light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles that it believes address the agencies' concerns.

Following this, FCA continued to work with the agencies on vehicle testing and refinements to these calibrations. The 2017 model year updates include modified emissions software calibrations, with no required hardware changes, and FCA believes that the modifications do not negatively impact the fuel efficiency or performance of the vehicles. In July 2017 FCA received vehicle emissions certifications from CARB and the EPA permitting the production and sale of 2017 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles in all 50 states. FCA continue to work with the EPA and CARB to seek their permission to use these modified emissions software calibrations to update the emissions control systems in 2014-2016 model year light-duty Ram 1500 and Jeep Grand Cherokee diesel vehicles.

FCA is unable to predict the outcome of these investigations and litigation at this stage and due to the range of possible outcomes, is unable to reliably estimate a range of probable losses. It is possible that the resolution of these matters may adversely affect its reputation with consumers, which may negatively impact demand for its vehicles and could have a material adverse effect on the business, financial condition and results of operations.

#### National Training Center

In connection with an on-going government investigation into matters at the UAW-Chrysler National Training Center, the U.S. Department of Justice 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. FCA continues to cooperate with this investigation. 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. At this early stage, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

#### Sales Reporting

On July 18, 2016 FCA confirmed that the U.S. Securities and Exchange Commission had commenced an investigation into FCA reporting of vehicle unit sales to end customers in the U.S. and that inquiries into similar issues have been received from the U.S. Department of Justice. These vehicle unit sales reports relate to unit sales volumes primarily by dealers to consumers while FCA generally recognize revenues based on shipments to dealers and other customers and not on vehicle unit sales to consumers. FCA continues to cooperate with these investigations; however their outcome is uncertain and cannot be predicted at this time. At this stage, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

FCA is also aware of 2 putative securities class action lawsuits pending against it 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. At this early stage, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

### *Safety Recalls*

On September 11, 2015, a putative securities class action complaint was filed in the U.S. District Court for the Southern District of New York against FCA alleging material misstatements regarding compliance with regulatory requirements and that it failed to timely disclose certain expenses relating to its vehicle recall campaigns. On October 5, 2016 the district court dismissed the claims relating to the disclosure of vehicle recall campaign expenses but ruled that claims regarding the alleged misstatements regarding regulatory requirements would be allowed to proceed. On February 17, 2017 the plaintiffs amended their complaint to allege material misstatements regarding emissions compliance. On November 13, 2017 the Court denied FCA motion to dismiss the emissions-related claims. At this stage of the proceedings, FCA is unable to reliably evaluate the likelihood that a loss will be incurred or estimate a range of possible loss.

### *Rear Impact Litigation*

On July 9, 2012, a lawsuit was filed against FCA US in the Superior Court of Decatur County, Georgia, U.S. (the "Court"), with respect to a March 2012 fatality in a rear-impact collision involving a 1999 Jeep Grand Cherokee. Plaintiffs alleged that the manufacturer had acted in a reckless and wanton fashion when it designed and sold the vehicle due to the placement of the fuel tank behind the rear axle and had breached a duty to warn of the alleged danger. On April 2, 2015, a jury found in favor of the plaintiffs and the trial court entered a judgment against FCA US in the amount of U.S.\$148.5 million (€141 million). On July 24, 2015, the Court issued a remittitur reducing the judgment against FCA US to U.S.\$40 million (€38 million).

FCA US believes the jury verdict was not supported by the evidence or the law and appealed the Court's verdict. FCA US maintains that the 1999 Jeep Grand Cherokee is not defective, and its fuel system does not pose an unreasonable risk to motor vehicle safety. The vehicle met or exceeded all applicable Federal Motor Vehicle Safety Standards, including the standard governing fuel system integrity. Furthermore, FCA US submitted extensive data to NHTSA validating that the vehicle performs as well as, or better than, peer vehicles in impact studies, and nothing revealed in the trial altered this data. During the trial, however, FCA US was not allowed to introduce all the data previously provided to NHTSA, which demonstrated that the vehicle's fuel system is not defective.

On November 15, 2016 the Georgia Court of Appeals affirmed the Court's verdict and judgment of U.S.\$40 million (€38 million). On December 23, 2016 FCA US filed a petition with the Georgia Supreme Court. Oral arguments were held on October 24, 2017. While a decision by the Georgia Supreme Court could affirm the judgment, FCA US is seeking an order from the Georgia Supreme Court to instead overturn the verdict, order a new trial, or further modify the amount of the judgment. FCA does not believe a loss, if any, will exceed the amount of the current judgment and believes it is more likely that a loss, if any, will be less than the current judgment and will be covered by existing provisions.

### CNH Industrial Group

Although the ultimate outcome of legal matters pending against CNH Industrial and its subsidiaries cannot be predicted, CNH Industrial believes the reasonable possible range of losses for these unresolved legal matters in addition to the amounts accrued would not have a material effect on its consolidated financial statements.

Since January 2011, Iveco S.p.A., a wholly owned subsidiary of CNH Industrial, and its competitors have been subject to an investigation by the European Commission into certain business practices in the European Union in relation to medium and heavy trucks.

In the first quarter of 2016 the CNH Industrial Group recorded an exceptional non-tax deductible charge of €450 million (\$502 million) in relation to the investigation and related matters. Since these developments on the investigation occurred on March 24, 2016, after the date of the publication of the CNH Industrial 2015 financial statements and before the approval of the EXOR 2015 financial statements, the charge was included in the EXOR 2015 consolidated financial statements. On July 19, 2016 the Commission announced a settlement with Iveco under which the Commission imposed a fine of €495 million. As a result, in the second quarter of 2016 CNH Industrial recorded an additional non-tax deductible charge of €45 million. The fine was paid on October 2016.

Following this settlement, the CNH Industrial Group have been named as defendants in current private litigation commenced in various European jurisdictions and Israel that remains at an early stage and the CNH Industrial Group expects to face further claims, the extent and outcome of which cannot be predicted at this time.

CNH Industrial N.V. is successor to Fiat Industrial S.p.A. – a company formed as a result of the demerger of Fiat S.p.A. (now “FCA”) (the “Demerger”).

As such, CNH Industrial N.V. continues to be liable jointly with FCA for the liabilities of FCA that arose prior to the effective date of the Demerger (January 1, 2011) and were still outstanding at that date (the “Liabilities”). This statutory provision is limited to the value of the net assets transferred to Fiat Industrial in the Demerger and survives until the Liabilities are satisfied in full. Furthermore, CNH Industrial N.V. may be responsible jointly with FCA in relation to tax liabilities, even if such tax liabilities exceed the value of the net assets transferred to Fiat Industrial in the Demerger. At December 31, 2017 the outstanding liabilities amounted to approximately €0.2 billion. CNH Industrial believes the risk of FCA's insolvency is extremely remote, and therefore, no specific provision has been accrued in respect of the above mentioned potential joint liability.

#### Ferrari Group

On May 4, 2016 the United States National Highway Traffic Safety Administration (“NHTSA”) published an amendment (the “Amendment”) to the November 3, 2015 Takata Consent Order regarding Takata airbags manufactured using non-desiccated Phase Stabilized Ammonium Nitrate (“PSAN”), expanding the scope of a prior recall under the Takata Consent Order. The recall is industry wide and replacement parts are limited as Takata is the single supplier.

In compliance with the Amendment to the Takata Consent Order, on May 16, 2016 Takata submitted a defect information report (“DIR”) to NHTSA declaring the non-desiccated PSAN airbag inflators, including those sold by Takata to the Group, defective.

Although the Group was not aware of any confirmed incidents or warranty claims relating to such airbag inflators mounted in its cars or that the airbag inflators were not performing as designed, as a result of the Amendment issued by NHTSA and the DIR issued by Takata, the Group initiated a global recall relating to certain cars produced between 2008 and 2011. Following a Third Amendment to the Coordinated Remedy Order (“ACRO”) published by NHTSA in December 2016 and an additional Takata DIR filed on January 3, 2017, the Group filed an additional DIR on January 10, 2017 to also include certain cars produced in 2012.

As a result of internal assessments, Ferrari decided to extend the recall campaign to include all cars produced in all model years based on priority groups and the timeline set by NHTSA.

As a result of these developments and due to the uncertainty of recoverability of the costs from Takata, an aggregate provision of €37 million was recognized within cost of sales in the year ended December 31, 2016. At December 31, 2017 the provision amounted to €35 million. Such provision reflects the current best estimate for future costs related to the entire recall campaign to be carried out by the Group.

#### Litigation

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 2018, 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 Group's financial condition or results of operations.

#### PartnerRe Group

At December 31, 2017 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.

### **34 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 – Operating Segments, or whose information is considered useful for the users of the financial statements.

The EXOR Group reportable segments coincide with the consolidated data of each subsidiary holding company, every one of which represents an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe, Juventus Football Club and the Holdings System.

The information by reporting segment in 2017 and 2016 is as follows:

€ million	FCA	CNH Industrial	FERRARI	PartnerRe (a)	Juventus F.C.	Holdings System	Minor other, eliminations and adjustments	Consolidated
<b>2017</b>								
Segment revenues	110,934	24,739	3,417	5,016	540		(1,216)	143,430
Revenues from transactions with other operating segments	(547)	(329)	(321)	0	(19)		1,216	0
<b>Revenues from external customers</b>	<b>110,387</b>	<b>24,410</b>	<b>3,096</b>	<b>5,016</b>	<b>521</b>	<b>0</b>	<b>0</b>	<b>143,430</b>
<b>Profit (loss) before taxes</b>	<b>6,161</b>	<b>675</b>	<b>746</b>	<b>214</b>	<b>25</b>	<b>1,370</b>	<b>(1,428)</b>	<b>7,763</b>
<b>Profit (loss) for the period</b>	<b>3,510</b>	<b>422</b>	<b>537</b>	<b>199</b>	<b>14</b>	<b>1,392</b>	<b>(1,428)</b>	<b>4,646</b>
<b>Equity attributable to owners of the parent</b>	<b>20,819</b>	<b>5,696</b>	<b>779</b>	<b>5,639</b>	<b>137</b>	<b>10,804</b>	<b>(33,070)</b>	<b>10,804</b>
<b>Total equity</b>	<b>20,987</b>	<b>5,708</b>	<b>784</b>	<b>6,255</b>	<b>137</b>	<b>10,804</b>	<b>(13,489)</b>	<b>31,186</b>
<b>2016</b>								
Segment revenues	111,018	22,882	3,105	3,827	498		(1,262)	140,068
Revenues from transactions with other operating segments	(573)	(423)	(246)	0	(20)		1,262	0
<b>Revenues from external customers</b>	<b>110,445</b>	<b>22,459</b>	<b>2,859</b>	<b>3,827</b>	<b>478</b>	<b>0</b>	<b>0</b>	<b>140,068</b>
<b>Profit (loss) before taxes</b>	<b>3,106</b>	<b>(25)</b>	<b>567</b>	<b>201</b>	<b>58</b>	<b>766</b>	<b>(404)</b>	<b>4,268</b>
<b>Profit (loss) for the period</b>	<b>1,814</b>	<b>(335)</b>	<b>400</b>	<b>198</b>	<b>46</b>	<b>590</b>	<b>(400)</b>	<b>2,313</b>
<b>Of which: Profit (loss) from discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity attributable to owners of the parent</b>	<b>19,168</b>	<b>6,283</b>	<b>325</b>	<b>6,357</b>	<b>125</b>	<b>10,983</b>	<b>(32,260)</b>	<b>10,981</b>
<b>Total equity</b>	<b>19,353</b>	<b>6,294</b>	<b>330</b>	<b>6,740</b>	<b>125</b>	<b>10,983</b>	<b>(13,604)</b>	<b>30,220</b>

(a) Consolidated from March 18, 2016.

### 35 Information by geographical area

The following tables present an analysis of the revenues of the Group in the various geographical markets, irrespective of the origin of the goods and services, and an analysis of the carrying amount of the non-current assets on the basis of their geographical location divided according to the significance of the individual segments.

An analysis of revenues by geographical area is as follows:

€ million	2017	2016	Change
Netherland	723	607	116
North America	75,662	77,900	(2,238)
Italy	11,659	11,143	516
Brazil	7,949	6,224	1,725
China	5,171	5,173	(2)
Germany	5,953	5,960	(7)
France	6,044	5,783	261
Turkey	1,852	2,084	(232)
United Kingdom	3,400	3,507	(107)
Spain	2,537	2,366	171
Argentina	2,695	2,005	690
Japan	1,318	1,220	98
Poland	1,077	1,008	69
Australia	1,573	1,434	139
Other countries	15,817	13,654	2,163
	<b>143,430</b>	<b>140,068</b>	<b>3,362</b>

The following tables present an analysis of non-current assets of the Group in the various geographical markets, on the basis of their geographical location divided according to the significance of the individual segments.

€ million	2017	2016	Change
Netherland	102	197	(95)
North America	37,011	39,189	(2,178)
Italy	17,391	17,298	93
Brazil	5,556	6,830	(1,274)
Bermude	1,081	1,534	(453)
China	1,067	1,058	9
Germany	868	900	(32)
France	1,258	1,211	47
United Kingdom	731	582	149
Spain	893	836	57
Serbia	639	660	(21)
Poland	1,337	1,288	49
Other countries	5,911	5,225	686
	<b>73,845</b>	<b>76,808</b>	<b>(2,963)</b>

### 36 Fair value measurement by hierarchy

IFRS 13 - Fair Value Measurement establishes a hierarchy that categorizes 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 for financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2017.

€ million	Level 1	Level 2	Level 3	Total
<b>Available for sale financial assets at fair value</b>				
Investments at fair value with changes directly in other comprehensive income	3	38	27	68
Non-current securities	58		31	89
Current securities		3		3
<b>Investments of reinsurance companies</b>	36	10,678	1,314	12,028
<b>Financial assets held for trading at fair value</b>				
Current investments	46			46
Current securities	177			177
<b>Other financial assets</b>	61	320	30	411
<b>Total assets at December 31, 2017</b>	<b>381</b>	<b>11,039</b>	<b>1,402</b>	<b>12,822</b>
Other financial liabilities		(254)	(1)	(255)
<b>Total liabilities at December 31, 2017</b>		<b>(254)</b>	<b>(1)</b>	<b>(255)</b>
<b>Available for sale financial assets at fair value</b>				
Investments at fair value with changes directly in other comprehensive income	19	19	98	136
Non-current securities	48	12	403	463
Current securities	36	2		38
<b>Investments of reinsurance companies</b>	1	12,880	836	13,717
<b>Financial assets held for trading at fair value</b>				
Current investments	49			49
Current securities	212			212
<b>Other financial assets</b>	68	557	21	646
<b>Total assets at December 31, 2016</b>	<b>433</b>	<b>13,470</b>	<b>1,358</b>	<b>15,261</b>
Other financial liabilities		(999)	(2)	(1,001)
<b>Total liabilities at December 31, 2016</b>		<b>(999)</b>	<b>(2)</b>	<b>(1,001)</b>

Investments of reinsurance companies at fair value principally are classified as Level 2 and include: U.S. government issued 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 inactively traded fixed maturities, 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 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 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).

The following table provides the changes in items measured at fair value categorized in Level 3 in of 2017:

€ million	12/31/2016	Gains (losses) recognized		Increase (decrease)	12/31/2017
		In the income statement	In other comprehensive income		
<b>Available for sale financial assets at fair value</b>					
Investments at fair value with changes directly in other comprehensive income	97	(14)	18	(75)	26
Non-current securities	404	(120)	(4)	(248)	32
<b>Investments of reinsurance companies</b>	836	121		357	1,314
<b>Financial assets held for trading at fair value</b>					
Current securities					
<b>Other financial assets</b>	21	27	18	(36)	30
<b>Total assets</b>	<b>1,358</b>	<b>14</b>	<b>32</b>	<b>(2)</b>	<b>1,402</b>
Other financial liabilities	(2)			1	(1)
<b>Total liabilities</b>	<b>(2)</b>			<b>1</b>	<b>(1)</b>

In 2017 there were no transfers between Levels in the fair value hierarchy.

The gains (losses) included in the income statement are recognized in financial income (expenses) and cost of sales. The gains (losses) recognized in other comprehensive income (loss) are included in the fair value reserve and in the cash flow hedge reserve.

#### *Assets and liabilities not measured at fair value on a recurring basis*

The carrying value for current receivables and payables is a reasonable approximation of the fair value as the present value of the future cash flow does not differ significantly from the carrying value.

The following table provides the carrying amount and the fair value for financial assets and liabilities not measured at fair value on a recurring basis:

€ million	12/31/2017		12/31/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Held-to-maturity investments	51	59	80	83
Dealer financing receivables	10,690	10,688	10,262	10,260
Retail financing receivables	8,739	8,881	9,863	9,756
Finance lease receivables	498	497	623	629
Other	482	482	299	299
<b>Total assets</b>	<b>20,460</b>	<b>20,607</b>	<b>21,127</b>	<b>21,027</b>
<b>Financial liabilities</b>				
Asset-backed financing	(10,943)	(10,768)	(12,074)	(11,887)
Notes	(22,103)	(23,441)	(25,487)	(27,216)
Borrowing from banks, payables represented by securities and other financial debt	(13,395)	(13,328)	(18,256)	(18,117)
<b>Total liabilities</b>	<b>(46,441)</b>	<b>(47,537)</b>	<b>(55,817)</b>	<b>(57,220)</b>

Held-to-maturity investments are represented by notes issued by leading counterparties, listed on active markets and therefore their fair value is categorized in Level 1.

The fair value of receivables from financing activities, which are classified within Level 3 of the fair value hierarchy, is based on the discounted value of their related cash flows at 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 close or last trade pricing is available are classified within 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 third parties 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.

At December 31, 2017 the fair value of notes of €23,441 million is categorized principally in Level 1 (€19,428 million) and in Level 2 (€4,014 million).

The fair value of the borrowing from banks, payables represented by securities and other financial debt (€13,183 million), 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 quotes prices of traded securities issued by the Group and existing credit derivatives on Group liabilities. The fair value of the debt that requires significant adjustments using unobservable inputs is classified within Level 3 of the fair value hierarchy.

### 37 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 IAS 39.

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 in 2017 and 2016 are as follows:

€ million	2017				2016			
	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)
<b>Total joint ventures</b>	5,088	3,195	(79)	(40)	5,132	3,203	(85)	(41)
<b>Total associates</b>	228	60	(3)	3	216	52	(1)	(1)
<b>Total other related parties</b>	1	22	57	0	1	59	52	0
<b>Total unconsolidated subsidiaries</b>	62	8	14	(1)	58	7	11	(1)
<b>Total related parties</b>	5,379	3,285	(11)	(38)	5,407	3,321	(23)	(43)

Non-financial assets and liabilities originating from related party transactions are as follows:

€ million	At December 31, 2017				At December 31, 2016			
	Trade receivables	Trade payables	Other assets	Other liabilities	Trade receivables	Trade payables	Other assets	Other liabilities
<b>Total joint ventures</b>	275	541	14	309	356	515	10	183
<b>Total associates</b>	26	52	12	13	57	41	2	21
<b>Total other related parties</b>	0	0	0	1	0	6	0	4
<b>Total unconsolidated subsidiaries</b>	74	12	0	0	88	19	2	2
<b>Total related parties</b>	375	605	26	323	501	581	14	210

Financial assets and liabilities originating from related party transactions are as follows:

€ million	At December 31, 2017		At December 31, 2016	
	Receivables from financing activities	Financial debt	Receivables from financing activities	Financial debt
<b>Total joint ventures</b>	391	352	144	195
<b>Total associates</b>	40	3	21	2
<b>Total other related parties</b>	0	0	0	0
<b>Total unconsolidated subsidiaries</b>	10	28	10	25
<b>Total related parties</b>	441	383	175	222

#### *Commitments and guarantees pledged in favor of related parties of the FCA Group*

At December 31, 2017 FCA Group had a take or pay commitment with Tofas with future minimum expected obligations as follows:

€ million	2018	2019	2020	2021	2022	2023 and beyond
Future minimum purchase obligations	340	276	269	250	159	-

#### *Commitments and guarantees pledged in favor of related parties of the CNH Industrial Group*

At December 31, 2017 the CNH Industrial Group has pledged guarantees on commitments of the joint venture Iveco - Oto Melara Società Consortile for an amount of €213 million (€177 million at December 31, 2016).

#### *Compensation to directors, statutory auditors and key executives of EXOR*

In 2017 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
Directors	6,018	50,748	56,766
<b>Total compensation 2017</b>	<b>6,018</b>	<b>50,748</b>	<b>56,766</b>
<b>Total compensation 2016</b>	<b>5,965</b>	<b>45,761</b>	<b>51,726</b>

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.

### 38 Explanatory notes to the consolidated statement of cash flows

The consolidated statement of cash flows sets out changes in cash and cash equivalents during the year. As required by IAS 7 – Statement of cash flows, cash flows are separated into operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are shown separately under the line item translation exchange differences.

In 2017 the Group generated positive cash flows from the operating activities for €13,390 million while cash flows used in investing activities were €10,771 million and mainly related to the investments in property, plant and equipment and intangible assets (€10,092 million).

For the year ended December 31, 2017 net cash used in financing activities was €5,955 million, primarily related to the issuance of new notes for €2,834 million, repayment of notes for €5,296 million and net reduction in other long-term debt for €3,049 million.

In 2016 the Group generated positive cash flows from the operating activities for €12,619 million while cash flows used in investing activities were €12,740 million and mainly related to the investments in property, plant and equipment and intangible assets (€10,082 million) and for to the acquisition of PartnerRe (€3,950 million, net of the cash and cash equivalents of PartnerRe acquired).

For the year ended December 31, 2016 the net increase of €1,203 million in provisions was mainly due to the increase in the warranty provision of €451 million for recall campaigns related to an industry wide recall for airbag inflators resulting from parts manufactured by Takata, an increase in accrued sales incentives primarily related to NAFTA and EMEA, as well as estimated net costs of €132 million associated with a recall for which costs are being contested with a supplier.

For the year ended December 31, 2016 other non-cash items of €177 million included €225 million of impairments, which were partially offset by other amounts that were not individually material.

For the year ended December 31, 2016 net cash used in financing activities was €5,564 million, primarily related to the issuance of new notes for €4,749 million, repayment of notes for €4,121 million and net reduction in other long-term debt for €4,870 million.

The following is a reconciliation of liabilities arising from financing activities for the year ended December 31, 2017:

	Note	€ million
<b>At 12/31/2016</b>		
<b>Total financial debt</b>	29	<b>55,817</b>
<b>Derivatives and collateral net</b>	30	<b>354</b>
<b>Total Liabilities from financing activities</b>		<b>56,171</b>
Cash flows		(5,986)
Foreign exchange effects		(3,168)
Fair value changes		(154)
Changes in scope of consolidation		(140)
Other changes		(182)
Total change		(9,630)
<b>At 12/31/2017</b>		
<b>Total Debt</b>	29	<b>46,441</b>
<b>Derivatives and collateral net</b>	30	<b>156</b>
<b>Total Liabilities from financing activities</b>		<b>46,285</b>

During the year December 31, 2017 the Group paid interest of €2,184 million and received interest of €933 million. During the year ended December 31, 2016 the Group paid interest of €1,676 million and received interest of €370 million. Amounts indicated are also inclusive of interest rate differentials paid or received on interest rate derivatives.

During the year ended December 31, 2017 the Group made income tax payments, net of refunds, totaling €1,164 million. During the year ended December 31, 2016 the Group made income tax payments, net of refunds, totaling €533 million.

### 39 Qualitative and quantitative information on financial risks

The Group is exposed to the following financial risks connected with its operations:

- credit risk, arising both 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.

Financial instruments held by the funds that manage pension plan assets are not included in this analysis (see note 26.)

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. The quantitative data reported below does not have any predictive value. In particular the sensitivity analysis on financial 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*

Credit risk is the risk of economic loss arising from the failure to collect a receivable. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

A receivable is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due specified in the contractual terms. Objective evidence may be provided by the following factors:

- significant financial difficulties of the counterparty;
- probability that the counterparty will be involved in an insolvency procedure;
- default on installment payments by the counterparty;
- restructuring or renegotiation of open items with the counterparty;
- changes in the payment status of one or more debtors included in a specific risk category;
- other contractual breaches.

The calculation of the amount of the impairment loss is based on the risk of default by the counterparty, which is determined by taking into account all the information available as to the customer's solvency, the fair value of any guarantees received for the receivable and the Group's historical experience.

The maximum credit risk to which the Group is potentially exposed at December 31, 2017 is represented by the carrying amounts of financial assets in the financial statements and the nominal value of the guarantees provided on liabilities and commitments to third parties as discussed in note 33.

Dealers and final customers for which the Group provides financing are subject to specific assessments of their creditworthiness under a detailed scoring system; in addition to carrying out this screening process, the Group also obtains financial and non-financial guarantees for risks arising from credit granted.

These guarantees are further strengthened where possible by reserve of title clauses on financed vehicle sales to the sales network made by Group financial service companies and on vehicles assigned under finance and operating lease agreements.

#### PartnerRe Group

At December 31, 2017 and 2016 fixed maturity securities and short term investments totaled \$12.7 billion (€10.6 billion) and \$13.4 billion (€12.7 billion, respectively. Approximately 51% (2016: 58%) of PartnerRe's fixed maturity and short term investment portfolio was rated AA (or equivalent rating) or better, approximately 72% (2016: 73%) were rated A or better and 2% (2016: 3%) 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. PartnerRe was not exposed to any significant credit concentration risk on its investments, excluding securities issued by the U.S. government which are rated AA+. PartnerRe controls this exposure by keeping cash balances in several banks and monitors significant concentrations of credit risk in any one bank. At December 31, 2017 and 2016 cash and cash equivalents totaled \$1,772 million (€1,477 million) \$1,773 million (€1,682 million), respectively.

At December 31, 2017 and 2016 funds held – directly managed totaled \$425 million (€354 million) and \$511 million (€485 million), respectively, while funds held by reinsurance companies totaled \$801 million (€668 million) and \$685 million (€650 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 cedants against amounts due.

Reinsurance balances receivable from PartnerRe's cedants at December 31, 2017 and 2016 were \$2,725 million (€2,272 million) and \$2,492 million (€2,364 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 December 31, 2017 amounted to \$5million (€4million), unchanged compared to 2016.

At December 31, 2017 and 2016 the balance of reinsurance recoverable on technical reinsurance reserves was \$829 million (€691 million) and \$332 million (€315 million), respectively which is net of the allowance provided for uncollectible reinsurance recoverables of \$0 million and \$12 million (€11 million). At December 31, 2017 37percent of PartnerRe's reinsurance recoverable on technical reinsurance reserves was either due from reinsurers with an A- or better rating from Standard & Poor's.

#### FCA Group

Receivables from financing activities amounting to €3,140 million at December 31, 2017 (€2,578 million at December 31, 2016) contained balances totaling €5 million (€4 million at December 31, 2016), which have been written down on an individual basis. Of the remainder, balances totaling €46 million are past due by up to one month (€34 million at December 31, 2016), while balances totaling €21 million are past due by more than one month (€19 million at December 31, 2016). In the event of installment payments, even if only one installment is overdue, the entire receivable balance is classified as overdue.

Trade receivables and other receivables amounting to €5,413 million at December 31, 2017 (€5,276 million at December 31, 2016) contain balances totaling €15 million (€9 million at December 31, 2016) which have been written down on an individual basis. Of the remainder, balances totaling €271 million are past due by up to one month (€228 million at December 31, 2016), while balances totaling €233 million are past due by more than one month (€228 million at December 31, 2016).

FCA current securities and cash and cash equivalents consist of balances spread across various primary national and international banking institutions and money market instruments that are measured at fair value, there was no exposure to sovereign debt securities at December 31, 2017 which might lead to significant risk of repayment.

#### CNH Industrial Group

Receivables for financing activities amounting to \$19,842 million at December 31, 2017 (€16,545 million) contain balances totaling \$376 million (€314 million) that have been written down on an individual basis. Of the remainder, balances totaling \$263 million (€219 million) are past due by up to one month, while balances totaling \$212 million (€177 million) are past due by more than one month.

Receivables for financing activities amounted to \$18,662 million at December 31, 2016 (€17,704 million) and contain balances totaling \$328 million (€311 million) that had been written down on an individual basis. Of the remainder, balances totaled \$182 million (€173 million) were past due by up to one month, while balances totaled \$250 million (€237 million) were past due by more than one month.

In the event of installment payments of loans, even if only one installment is overdue, the whole amount of the receivable is classified as overdue.

At December 31, 2017 trade receivables and other current receivables totaling \$1,828 million (€1,524 million) and contain balances totaling \$100 million (€83 million) that have been written down on an individual basis. Of the remainder, balances totaling \$16 million (€13 million) are past due by up to one month, while balances totaling \$66 million (€55 million) are past due by more than one month.

At December 31, 2016 trade receivables and other current receivables totaled \$1,704 million (€1,616 million) and contain balances totaled \$137 million (€130 million) that had been written down on an individual basis. Of the remainder, balances totaled \$40 million (€38 million) were past due by up to one month, while balances totaling \$65 million (€62 million) were past due by more than one month.

#### Ferrari Group

Receivables from financing activities amounting to €732,947 thousand at December 31, 2017 (€790,377 thousand at December 31, 2016) are shown net of the allowance for doubtful accounts amounting to €6,948 thousand (€11,556 thousand at December 31, 2016). After considering the allowance for doubtful accounts, €11,943 thousand of receivables were overdue (€41,594 thousand at December 31, 2016). Therefore, overdue receivables represent a minor portion of receivables from financing activities.

Receivables from financing activities relate entirely to the financial services portfolio and such receivables are generally secured on the titles of cars or by other guarantees.

Trade receivables amounting to €239,410 thousand at December 31, 2017 (€243,977 thousand at December 31, 2016) are shown net of the allowance for doubtful accounts amounting to €21,993 thousand (€19,174 thousand at December 31, 2016). After considering the allowance for doubtful accounts, €32,336 thousand of receivables were overdue (€18,567 thousand at December 31, 2016).

#### Juventus Football Club

Juventus Football Club has adopted suitable procedures to minimize its exposure to credit risk. Specifically, receivables due from Italian football clubs are secured through the clearing house system organized by Lega Nazionale Professionisti Serie A. Receivables due from foreign football clubs are generally secured by bank guarantees or other guarantees issued by the counterparty clubs. Fees receivable under contracts for television rights are indirectly secured by Lega Nazionale Professionisti Serie A through a minimum guarantee agreement with the advisor Infront Italy.

At December 31, 2017 the amount of receivables past due and not written down on an individual basis is €16 million, of which €8 million past due by up to one month and €8 million past due by more than one month.

At December 31, 2016 the amount of receivables past due and not written down on an individual basis was €11 million. The amount past due by up to one month was €7 million and the amount past due by more than one month was €4 million.

#### Holdings System

The maximum nominal exposure to credit risk to which EXOR N.V. and other companies of the Holdings System is exposed at 31 December 2017 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 2017 there are no financial assets past due and not written down.

### Liquidity risk

Liquidity risk is the risk if 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 various funding sources.

Details of the repayment structure of the Group's financial assets, liabilities and derivative financial instruments are provided in note 30.

### PartnerRe Group

PartnerRe is exposed to 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 at December 31, 2017 and December 31, 2016 were as follows:

\$ million	Total	< 1 year	1-3 year	3-5 year	>5 year
<b>Contractual obligations:</b>					
Technical reinsurance reserves	13,035	3,761	3,309	1,596	4,369
Financial debt	1,626	39	563	22	1,002
Preferred shares	875	43	86	496	250
Other contractual obligations	444	145	186	71	42
<b>Total contractual obligations 2017</b>	<b>15,980</b>	<b>3,988</b>	<b>4,144</b>	<b>2,185</b>	<b>5,663</b>
Converted in € million	13,324	3,325	3,455	1,822	4,722

#### FCA Group

In 2016, in conjunction with the amendments to the credit agreements that govern the Tranche B Term Loans of FCA US entered into in March 2016, the covenants restricting the provision of guarantees and payment of dividends by FCA US for the benefit of the rest of the Group were eliminated and FCA US's cash management activities are no longer managed separately from the rest of the Group.

FCA has not provided any guarantee, commitment or similar obligation in relation to any of FCA US's financial indebtedness, nor has it assumed any kind of obligation or commitment to fund FCA US. Certain notes issued by FCA and its subsidiaries (other than FCA US and its subsidiaries) include covenants which may be affected by circumstances related to FCA US as well as certain other relevant subsidiaries, including cross-default clauses which may accelerate repayments in the event that FCA US fails to pay certain of its debt obligations.

Management 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.

#### CNH Industrial Group

Management believes that the funds currently available, together with the funds that will be generated from operating and financing activities, will enable the CNH Industrial Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfill its obligations to repay its debts at their natural due date.

#### Ferrari Group

Ferrari Group has established series of policies which are managed or supervised centrally by the treasury department with the purpose of optimizing the management of funds and reducing liquidity risk.

During 2015 the Ferrari Group entered into a new revolving credit facility of €500 million which was entirely undrawn at December 31, 2016 and 2017. The Group believes that the funds currently available to it, in addition to those that will be generated from operating activities, will enable Ferrari to satisfy the requirements of its investing activities and working capital needs, fulfill its obligations to repay its debt and ensure an appropriate level of operating and strategic flexibility. The Group, therefore believes there is no significant risk of a lack of liquidity

#### Holdings System

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.

### *Financial market risks*

#### Currency risk, interest rate risk, commodity price risk, shares and investment funds price risk

Due to the nature of its different businesses, the Group companies are exposed to a variety of financial market risks including foreign currency exchange rate risks, commodity price risk and interest rate risk.

Finally, the Group is exposed to the risk of a change in the price of certain equity shares and investment funds.

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 operation, the Group enters into net investment hedges, in particular foreign currency swaps and forward contracts. Counterparties to these agreements are major financial institutions.

The effects of the changes in the assets and liabilities of consolidated companies whose functional currency is different from the Euro are recognized directly in the cumulative translation adjustment reserve, in other comprehensive income.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have. The quantitative data reported below does not have any predictive value. In particular the sensitivity analysis on financial 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. Financial instruments held by the funds that manage pension plan assets are not included in this analysis.

## PartnerRe Group

### Currency risk

Through its multinational reinsurance operations, PartnerRe conducts business in a variety of non-U.S. currencies, with the principal exposures being the Euro, British pound, Canadian dollar, Swiss franc and Australian dollar. As PartnerRe's reporting currency is the U.S. dollar, foreign exchange rate fluctuations may materially impact its financial results. PartnerRe is generally able to match its liability funds against its net reinsurance liabilities both by currency and duration to protect against foreign exchange and interest rate risks. However, a natural offset does not exist for all currencies. For the non-U.S. dollar currencies for which PartnerRe deems the net asset or liability exposures to be material, it employs a hedging strategy utilizing foreign exchange forward contracts and other derivative financial instruments, as appropriate, to reduce exposure and more appropriately match the liability funds by currency. For PartnerRe's capital funds, including its net investment in foreign subsidiaries and branches and equity securities, it does not typically employ hedging strategies. However, from time to time it does enter into net investment hedges to offset foreign exchange volatility.

PartnerRe's gross and net exposure at December 31, 2017 to non-U.S. Dollar currencies as well as the associated foreign currency derivatives it has entered into to manage this exposure, was:

\$ million	Euro	CAD	CHF	GBP	YPY	OTHER	TOTAL
<b>2017</b>							
Total assets	2,319	1,415	20	1,509	32	976	6,271
Total liabilities	(4,150)	(507)	(336)	(1,531)	(89)	(1,507)	(8,120)
Total gross foreign currency exposure	(1,831)	908	(316)	(22)	(57)	(531)	(1,849)
Total derivative amount	1,839	(912)	-	67	-	78	1,072
Net foreign currency exposure	8	(4)	(316)	45	(57)	(453)	(777)

### Interest rate risk

PartnerRe's fixed maturity portfolio (including fixed maturity securities within the funds held - directly managed account) are exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these securities. PartnerRe manages interest rate risk on liability funds by constructing bond portfolios in which the economic impact of a general interest rate shift is comparable to the impact on the related reinsurance liabilities. PartnerRe believes that this process of matching the duration mitigates the overall interest rate risk on an economic basis. PartnerRe manages the exposure to interest rate volatility on capital funds by choosing a duration profile that it believes will optimize the risk-reward relationship.

PartnerRe's liabilities are carried at their nominal value, and are generally not adjusted for changes in interest rates whilst fixed income investments measured at fair value reflect such changes as an increase in interest rates will result in a decrease in the fair value, while a decrease in interest rates will result in an increase in the fair value.

### Sensitivity interest rate risk

At December 31, 2017 PartnerRe estimates 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 \$718 million (€599 million) and \$737 million (€614 million) at December 31, 2016.

### Credit Spread Risk

PartnerRe's 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.

### Sensitivity credit spread risk

At December 31, 2017 and 2016 PartnerRe estimates that the hypothetical case of an immediate 100 basis points parallel shift in global credit spreads would result in a change in the fair value of investments exposed to credit spread risk of \$520 million (€433 million) and \$529 million (€502 million), respectively.

#### *Equity price risk*

PartnerRe invests a portion of its capital funds in equity securities with a fair market value at December 31, 2017 and 2016 of \$639 million (€533 million) and \$39 million (€37 million), respectively. These equity investments 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 \$38 million (€32 million) at December 31, 2017.

#### FCA Group

##### *Currency exchange rate risk*

The FCA Group is exposed to risk resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:

- where a FCA 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 FCA Group is exposed are:
  - EUR/USD relating to sales and purchases in U.S. dollars made by Italian companies (primarily for Maserati and Alfa Romeo vehicles) and to sales and purchases in Euro made by FCA US;
  - USD/CAD primarily relating to FCA US's Canada's sales of U.S. produced vehicles, net of FCA US sales of Canadian produced vehicles;
  - CNY, in relation to sales in China originating from FCA US and from Italian companies (primarily for Maserati and Alfa Romeo vehicles);
  - GBP, AUD, MXN, CHF, ARS in relation to sales in the UK, Australian, Mexican, Swiss and Argentinean markets;
  - PLN and TRY, relating to manufacturing costs incurred in Poland and Turkey;
  - JPY mainly in relation to purchase of parts from Japanese suppliers and sales of vehicles in Japan;
  - USD/BRL, EUR/BRL relating to Brazilian manufacturing operations and the related import and export flows.

The FCA 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.

FCA 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 the 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 FCA 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 FCA 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.

In addition, the monetary assets and liabilities of these consolidated companies are translated into Euro at the period-end foreign exchange rate. The effects of these 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 monetary assets and liabilities reported in Euro, even when corresponding items are unchanged in the respective local currency.

The FCA 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 2017 in the nature or structure of exposure to foreign currency exchange rate risk or in the FCA Group's hedging policies.

#### *Sensitivity analysis - currency exchange rate risk*

At December 31, 2017 the potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, interest rate and currency swaps) resulting from a 10% change in the exchange rates would have been approximately €1,010 million (€1,453 million at December 31, 2016).

This analysis assumes that a hypothetical, unfavorable 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 FCA Group make use of external borrowings and invest in monetary and financial market instruments.

In addition, the FCA 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 FCA 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 FCA Group as a whole.

In order to manage these risks, the FCA Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements, when available in the market, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on net profit or loss.

In assessing the potential impact of changes in interest rates, the FCA 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 FCA 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 bonds).

#### *Sensitivity analysis – interest rate risk*

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments) held at December 31, 2017, resulting from a hypothetical 10% change in market interest rates, would have been approximately €71 million (approximately €56 million at December 31, 2016).

Floating rate financial instruments consist principally of cash and cash equivalents, 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.

A hypothetical 10% change in short-term interest rates at December 31, 2017, applied to floating rate financial assets and liabilities, transactions 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 €27 million (approximately €30 million at December 31, 2016).

This analysis is based on the assumption that there is an unfavorable change of 10% proportionate to interest rates 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.

#### *Commodity price risk*

The FCA 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.

#### *Sensitivity analysis – commodity price risk*

In connection with the commodity price derivative contracts outstanding at December 31, 2017, a hypothetical 10% change in the price of the commodities at that date would have caused a fair value loss of €51 million (€35 million at December 31, 2016).

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.

### CNH Industrial Group

#### *Currency risk*

The CNH Industrial Group is exposed to risk resulting from changes in exchange rates, which can affect its earnings and equity. In particular:

- where a CNH Industrial Group subsidiary incurs costs in a currency different from that of its revenues, any change in exchange rates can affect the operating profit (loss) of that company. In 2017 the total net trade flows exposed to currency risk amounted to the equivalent of 17% of the CNH Industrial Group's revenue (15% in 2016). The principal exchange rates to which the CNH Industrial Group is exposed are the following:
  - USD/EUR, in relation to the production/purchases of Agricultural Equipment and Construction Equipment in the euro area and to sales in dollars made by Commercial Vehicles;
  - USD/BRL and EUR/BRL, in relation to production in Brazil and the respective import/export flows;
  - USD/AUD, mainly in relation to sales made by Agricultural Equipment and Construction Equipment in Australia;
  - EUR/GBP, predominately in relation to sales on the U.K. market.

Trade flows exposed to changes in these exchange rates in 2017 made up approximately 63% of the exposure to currency risk from trade transactions.

It is the CNH Industrial Group's policy to use derivative financial instruments to hedge a certain percentage, on average between 55% and 85%, of the forecasted trading transaction exchange risk exposure for the coming 12 months with additional flexibility to reach 0% or 100% (including risk beyond that date where it is believed to be appropriate) and to hedge completely the exposure resulting from firm commitments.

Certain CNH Industrial Group subsidiaries may hold trade receivables or payables denominated in a currency different from the functional currency of the company itself. In addition, in a limited number of cases, subsidiaries may obtain financing or use funds in a currency different from their functional currency. Changes in exchange rates may result in exchange gains or losses arising from these situations. It is the CNH Industrial Group's policy to hedge fully, whenever possible, the exposure resulting from receivables, payables and securities denominated in foreign currencies different from the subsidiary's functional currency.

Certain of the CNH Industrial Group's subsidiaries have a functional currency other than the U.S. dollar, which is the Group presentation currency. The income statements of those subsidiaries are converted into U.S. dollars using the average exchange rate for the period, and while revenues and margins are unchanged in local currency, changes in exchange rates may lead to effects on the converted balances of revenues, costs and the results reported in U.S. dollars.

The assets and liabilities of consolidated companies whose functional currency is other than the U.S. dollar may acquire converted values in U.S. dollars which differ as a function of the fluctuation in exchange rates. The effects of these changes are recognized directly in the cumulative translation adjustment reserve, included in other comprehensive income.

The CNH Industrial Group monitors its principal exposure to translation exchange risk, although there was no specific hedging in place at December 31, 2017.

There were no substantial changes in 2017 in the nature or structure of exposure to currency risk or in the CNH Industrial Group's hedging policies.

#### *Sensitivity analysis – currency risk*

The potential loss in fair value of derivative financial instruments held for currency risk management (currency swaps/forwards, currency options, interest rate and currency swaps) held by the CNH Industrial Group at December 31, 2017 resulting from a hypothetical change of 10% in the exchange rates against the U.S. dollar amounts to approximately \$466 million corresponding to €389 million (\$444 million corresponding to €421 million at December 31, 2016). The valuation model for currency options assumes that market volatility at year-end remains unchanged.

Receivables, payables and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in 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 of the CNH Industrial Group make use of external funds obtained in the form of financing and invest in monetary and financial market instruments. In addition, the CNH Industrial Group companies sell receivables. Changes in market interest rates can affect the cost of financing, including the sale of receivables or the return on investment of funds, causing an impact on the level of net financial expenses incurred by the CNH Industrial Group.

In addition, financial services companies provides loans (mainly to customers and dealers), financing themselves primarily using various forms of external borrowings or asset-backed financing (e.g. securitization 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 profit or loss of those companies and the CNH Industrial Group.

In order to mitigate these risks, the CNH Industrial Group uses interest rate derivative financial instruments, mainly interest rate swaps and forward rate agreements.

#### *Sensitivity analysis – interest rate*

In assessing the potential impact of changes in interest rates, the CNH Industrial Group separates out 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 CNH Industrial Group consist of retail receivables, debt, ABS securities and other instruments.

The potential loss in fair value of fixed rate financial instruments (including the effect of interest rate derivative financial instruments), resulting from a hypothetical, unfavorable and instantaneous change of 10% in market interest rates, would have been approximately \$36 million (€30 million) at December 31, 2017 and approximately \$34 million (€32 million) at December 31, 2016.

Floating rate financial instruments consist principally of cash and cash equivalents, wholesale receivables, debt and ABS securities. The effect of the sale of receivables is also considered in the sensitivity analysis as well as the effect of hedging derivative instruments. A hypothetical change of 10% in short-term interest rates at December 31, 2017, applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivative financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately \$7 million (approximately \$1 million at December 31, 2016).

This analysis is based on the assumption that there is a hypothetical change of 10% in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

#### *Other risk on derivative financial instruments*

The CNH Industrial Group has entered derivative contracts linked to commodity prices to hedge specific exposures on supply contracts.

#### *Sensitivity analysis – commodity price risk*

In the event of a hypothetical change of 10% in the underlying raw materials prices, the potential loss in fair value of outstanding derivative financial instruments at December 31, 2017 linked to commodity prices would have been not significant (not significant at December 31, 2016).

## Ferrari Group

### *Currency exchange rate risk*

The Group's exposure to foreign currency exchange rate risk arises from the geographical distribution of the Group's shipments, as the Group generally sells its models in the currencies of the various markets in which the Group operates, while the Group's industrial activities are all based in Italy, and primarily denominated in Euro.

The main foreign currency exchange rate to which the Group is exposed is the Euro/U.S. Dollar for sales in U.S. Dollar in the United States and other markets where the U.S. Dollar is the reference currency. In 2017 the value of commercial activity exposed to fluctuations in the Euro/U.S. Dollar exchange rate accounted for approximately 62 percent (60 percent in 2016) of the total currency risk from commercial activity. In 2017 the commercial activity exposed to the Euro/Pound Sterling exchange rate exceeded 10 percent while in 2016 such exposure was below 10 percent. Other significant exposures included the exchange rate between the Euro and the following currencies: Japanese Yen, Chinese Renminbi, Swiss Franc, Canadian Dollar and Australian Dollar. None of these exposures, taken individually, exceeded 10 percent of the Group's total foreign currency exchange rate exposure for commercial activity in 2017. It is the Group's policy to use derivative financial instruments to hedge between 50 and 90 percent of certain exposures subject to foreign currency exchange risk for up to twelve months.

Several subsidiaries are located in countries that are outside the Eurozone, in particular the United States, the United Kingdom, Switzerland, China, Hong Kong, Japan, Australia and Singapore. As the Group's reporting currency is the Euro, the income statements of those companies are converted into Euro using the average exchange rate for the period and, even if revenues and margins are unchanged in local currency, changes in exchange rates can impact the amount of revenues, costs and profit as restated in Euro.

### *Sensitivity analysis – currency exchange rate risk*

The potential decrease in fair value of derivative financial instruments held by the Group at December 31, 2017 to hedge against foreign currency exchange rate risk, which would arise in the case of a hypothetical, immediate and adverse change of 10 percent in the exchange rates of the major foreign currencies with the Euro, would be approximately €45,439 thousand (€128,753 thousand at December 31, 2016). Receivables, payables and future trade flows for which hedges have been put in place were not included in the analysis. It is reasonable to assume that changes in foreign currency 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 Group's exposure to interest rate risk, though less significant, arises from the need to fund financial services 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 (loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's most significant floating rate financial assets at December 31, 2017 were cash and cash equivalents and certain receivables from financing activities (related to client and dealer financing) while 32 percent of our total debt bears a floating rates of interest. At December 31, 2017 a 10 basis point decrease in interest rates on floating rate financial assets and debt, with all other variables held constant, would have resulted in a decrease in profit before taxes of €225 thousand on an annual basis (an increase of €367 thousand at December 31, 2016).

The analysis is based on the assumption that floating rate financial assets and debt which expires during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

## Holdings System

### *Currency risk*

At December 31, 2017 a part of the Holdings System's available-for-sale assets, assets held for trading and cash are denominated in currencies other than the Euro. All the securities have been adjusted to the year-end exchange rate.

The currency risk related to the liabilities to which EXOR is exposed regards the note issued in 2011 for Japanese yen 10 billion (€74 million) 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 (€142 million) which carries a fixed rate of 4.398%.

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 face amount of the bonds in Euro for the entire term of the notes.

#### *Sensitivity analysis – currency risk*

A hypothetical favorable 10% change in the exchange rates of the main foreign currencies against the Euro would produce a negative effect on profit of more than €3 million and a positive effect on equity of more than €45 million, while an unfavorable change of 10% would have a positive effect on profit of €4 million and a negative effect on equity of €55 million.

The effect of the change in exchange rates on equity is mainly attributable to a higher part of cash denominated in U.S. dollars by EXOR and several companies in the Holdings System, in order to hedge the currency risk, a non-monetary investment in foreign currency and on the financing drawn down on the remaining credit line arising from the acquisition of PartnerRe.

#### *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 December 31, 2017 a sensitivity analysis was performed on cash and cash equivalents, on the bank debt and on the residual financial payables granted by Citybank and the amount is not significant.

#### *Price risk*

The Holdings System is exposed to price risk originating from available-for-sale equity investments and other financial assets, as well as financial assets held for trading.

#### *Sensitivity analysis – price risk*

Considering the exposure to price risk at the balance sheet date, if prices of securities, classified as available-for-sale equity investments and other financial assets, as well as financial assets held for trading would have been 5% higher/lower, the fair value reserve recorded in equity would have been €2 million higher/lower and the amount of fair value recognized in the income statement on securities held for trading would have been approximately €1 million higher/lower.

## 40 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:

€ thousand		2017 fees	2016 fees
<b>Audit</b>	Parent – Exor N.V.	170	157
	Subsidiaries	34,201	35,245
<b>Other Services</b>	Parent – Exor N.V.	10	148
	Subsidiaries	2,478	4,349
<b>Total</b>		<b>36,859</b>	<b>39,899</b>

Audit fees of Ernst & Young Accountants LLP amounted €650 thousand (2016: €637 thousand). No other services were performed by Ernst & Young Accountants LLP.

#### 41 Subsequent events

Reference should be made to the 2017 Report on operations.

March 26, 2018

The Board of Directors:

John Elkann  
Sergio Marchionne  
Alessandro Nasi  
Andrea Agnelli  
Niccolò Camerana  
Ginevra Elkann  
Lupo Rattazzi  
Marc Bolland  
Melissa Bethell  
Laurence Debrox  
Anne Marianne Fentener Van Vlissingen  
António Mota de Sousa Horta-Osório  
Robert Speyer  
Michelangelo Volpi  
Ruth Wertheimer





**Company Financial Statements  
at 31 December 2017**

## EXOR N.V. - INCOME STATEMENT

€ thousand	Note	Years ended 31 December	
		2017	2016
<b>Investment income</b>			
Dividends from investments	1	544,971	30,000
<b>Net investment income</b>		<b>544,971</b>	<b>30,000</b>
<b>Impairment and gain (losses) on investments</b>			
Impairment on investments	2	(288,947)	0
Realized losses on investments	2	(48,762)	0
<b>Impairment and gain (losses) on investments</b>		<b>337,709</b>	<b>0</b>
<b>Financial income (expenses)</b>			
Financial expenses from third parties	3	(91,511)	(6,192)
Financial expenses from related parties		(322)	(4)
Financial income from third parties	4	1,691	205
Financial income from related parties	22	1,669	744
Gains (losses) on exchange		647	(1,037)
<b>Net financial expenses</b>		<b>(87,826)</b>	<b>(6,284)</b>
<b>Net general expenses</b>			
Personnel costs	5	(4,350)	(925)
Purchases of goods and services from third parties		(10,571)	(169)
Purchases of goods and services from related parties	22	(12,683)	(445)
		(27,604)	(1,539)
Revenues from third parties		0	156
Revenues from related parties		433	20
		433	176
<b>Net general expenses</b>		<b>(27,171)</b>	<b>(1,363)</b>
<b>Non-recurring other (expenses) income and general expenses</b>	6	<b>(1,572)</b>	<b>(662)</b>
<b>Profit before income taxes</b>		<b>90,693</b>	<b>21,691</b>
<b>Income taxes</b>	7	<b>21,258</b>	<b>0</b>
<b>Profit for the year</b>		<b>111,951</b>	<b>21,691</b>

## EXOR N.V. - STATEMENT OF COMPREHENSIVE INCOME

€ thousand	Note	Years ended 31 December	
		2017	2016
<b>Profit for the year</b>		<b>111,951</b>	21,691
<b>Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods</b>			
Gains (losses) on remeasurement of defined benefit plans		0	0
Related tax effect		0	0
<b>Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods, net of tax</b>		<b>0</b>	0
<b>Other comprehensive income (loss) that may be reclassified to the income statement in subsequent periods</b>			
Gains (losses) on cash flow hedging instruments		768	1,243
Gains (losses) on available-for-sale financial assets	9	9,063	787
Related tax effect		0	0
<b>Total other comprehensive income (loss) that may be reclassified to the income statement, net of tax</b>		<b>9,831</b>	2,030
<b>Total other comprehensive income (loss), net of tax</b>		<b>9,831</b>	2,030
<b>Total comprehensive income</b>		<b>121,782</b>	<b>23,721</b>

## EXOR N.V. - STATEMENT OF FINANCIAL POSITION

		At 31 December	
€ thousand	Note	2017	2016
<b>Non-current assets</b>			
Investments accounted for at cost	8	9,683,404	9,554,901
Investments available-for-sale	9	24,757	416,921
Held-to-maturity financial instruments	10	57,535	0
Intangible assets		438	100
Property, plant and equipment		62	1
Other receivables		299	562
<b>Total Non-current assets</b>		<b>9,766,495</b>	<b>9,972,485</b>
<b>Current assets</b>			
Held-to-maturity financial instruments	10	0	26,014
Financial assets held for trading		0	4,348
Cash and cash equivalents	11	9,167	31,304
Other financial assets		78	991
Tax receivables	12	3,804	53,833
Financial receivables from related parties	22	67,402	0
Financial receivables from third parties		300	331
Trade receivables from related parties	22	48	503
Other receivables		448	510
<b>Total Current assets</b>		<b>81,247</b>	<b>117,834</b>
<b>Total Assets</b>		<b>9,847,742</b>	<b>10,090,319</b>
<b>Equity</b>			
Share capital	13	2,410	2,410
Capital reserves	13	1,244,857	1,244,857
Retained earnings and other reserves	13	5,460,826	5,448,692
Treasury stock	13	(60)	(65)
Profit for the year		111,951	21,691
<b>Total Equity</b>		<b>6,819,984</b>	<b>6,717,585</b>
<b>Non-current liabilities</b>			
Non-convertible bonds	15	2,507,158	2,531,932
Provision for tax liability	16	0	216,949
Other payables		316	396
<b>Total Non-current liabilities</b>		<b>2,507,474</b>	<b>2,749,277</b>
<b>Current liabilities</b>			
Non-convertible bonds	15	14,129	467,119
Bank debt	17	464,143	79,291
Financial payables to related parties	22	0	30,038
Other financial liabilities	18	33,666	28,460
Trade payables and other payables to related parties	22	3,801	5,046
Trade payables to third parties	19	2,181	8,470
Tax payables		1,405	3,490
Other payables		959	1,543
<b>Total Current liabilities</b>		<b>520,284</b>	<b>623,457</b>
<b>Total Equity and Liabilities</b>		<b>9,847,742</b>	<b>10,090,319</b>

## EXOR N.V. – STATEMENT OF CASH FLOWS

€ thousand	Note	Years ended 31 December	
		2017	2016
<b>Cash and cash equivalents, at beginning of year</b>		<b>31,304</b>	<b>996</b>
<b>Cash flows from (used in) operating activities</b>			
<b>Profit for the year</b>		<b>111,951</b>	<b>21,691</b>
Adjustments for:			
Income tax released		(21,258)	0
Impairment and realized losses on investments	2	337,709	0
Other non-cash movements		(400,177)	0
Notional cost of EXOR stock option plan	14	5,452	332
<b>Total adjustments</b>		<b>(78,274)</b>	<b>332</b>
Change in working capital:			
Other financial assets, current and non-current		913	(129)
Tax receivables, excluding items adjusting profit for the year	12	0	(66)
Tax paid	16	(145,661)	
Trade receivables from related parties		455	0
Other receivables, current and non-current		325	(72)
Other financial receivables		31	(126)
Other payables, current and non-current		(664)	1,119
Other financial liabilities, current and non-current		5,206	(2,004)
Trade payables and other payables to related parties, excluding items adjusting profit		(1,245)	175
Trade payables to third parties		(6,287)	185
Tax payables		(2,085)	36
Provisions for risks and charges		0	10
Others		(89)	10
<b>Change in working capital</b>		<b>(149,101)</b>	<b>(872)</b>
<b>Cash flows from (used in) operating activities</b>		<b>(115,424)</b>	<b>21,151</b>
<b>Cash flows from (used in) investing activities</b>			
Merger with EXOR S.p.A.		0	682
Property, plant and equipment and intangibles assets		(399)	0
Investments in subsidiaries, associated and other companies	8	(40,808)	
Redemption of The Black Ant Value Fund and other minor	9	355,780	50
Change in financial receivables from related parties	22	(67,402)	65,256
Held-to-maturity financial instruments, current and non-current	10	26,069	9
Financial assets held for trading		4,348	11
<b>Cash flows from (used in) investing activities</b>		<b>277,588</b>	<b>66,008</b>
<b>Cash flows from (used in) financing activities</b>			
Issuance of bonds	15	0	0
Repayment of bonds	15	(440,000)	0
Proceeds of bank debt	17	464,046	0
Repayment of bank debt	17	(78,934)	(46,500)
Net change in short term debt and other financial assets and liabilities		(27,548)	(11,567)
Change in financial payables to related parties	22	(30,038)	(27)
Changes in fair value of cash flow hedge derivatives		768	1,243
Dividend paid		(82,097)	0
Exercise of stock option		9,502	0
<b>Cash flows from (used in) financing activities</b>		<b>(184,301)</b>	<b>(56,851)</b>
<b>Total change in cash and cash equivalents</b>		<b>(22,137)</b>	<b>30,308</b>
<b>Cash and cash equivalents, at end of year</b>		<b>9,167</b>	<b>31,304</b>

(a) Dividend received for the year ended December 31, 2017 for €135,744 thousand are included within profit before taxes.

(b) In 2017 EXOR paid interest for €99,901 thousand and received interest income for €1,311 thousand.

## EXOR N.V. – STATEMENT OF CHANGES IN EQUITY

€ thousand	Share capital	Capital reserves	Treasury stock	Earnings reserves	(Loss) Profit for the year	Fair value reserve	Cash flow hedge reserve	Total Equity
<b>Equity at 31 December 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Incorporation of the company on 30 September 2015	1,008							1,008
(Loss) Profit for the year					(28)			(28)
<b>Net changes during the year</b>	<b>1,008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28)</b>	<b>0</b>	<b>0</b>	<b>980</b>
<b>Equity at 31 December 2015</b>	<b>1,008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28)</b>	<b>0</b>	<b>0</b>	<b>980</b>
Allocation of prior year result				(28)	28			0
Merger with EXOR S.p.A. <sup>(1)</sup>	1,402	1,244,857	(66)	5,515,195		(48,730)	(26,576)	6,686,082
Net increase corresponding to notional cost of EXOR stock option plan				379				379
Payment with treasury stock			1	6,464				6,465
Expenses related to the Merger directly recognized in equity				(41)				(41)
Total comprehensive income					21,691	786	1,243	23,720
<b>Net changes during the year</b>	<b>1,402</b>	<b>1,244,857</b>	<b>(65)</b>	<b>5,521,969</b>	<b>21,719</b>	<b>(47,944)</b>	<b>(25,333)</b>	<b>6,716,605</b>
<b>Equity at 31 December 2016</b>	<b>2,410</b>	<b>1,244,857</b>	<b>(65)</b>	<b>5,521,969</b>	<b>21,691</b>	<b>(47,944)</b>	<b>(25,333)</b>	<b>6,717,585</b>

1. Reflects the effects of the Merger. See general information on the company's business paragraph in the notes to the company financial statements.

€ thousand	Share capital	Capital reserves	Treasury stock	Earnings reserves	Profit for the year	Fair value reserve	Cash flow hedge reserve	Total Equity
<b>Equity at 31 December 2016</b>	<b>2,410</b>	<b>1,244,857</b>	<b>(65)</b>	<b>5,521,969</b>	<b>21,691</b>	<b>(47,944)</b>	<b>(25,333)</b>	<b>6,717,585</b>
Allocation of prior year result				21,691	(21,691)			0
Net increase corresponding to notional cost of EXOR stock option plan				6,391				6,391
Exercise of stock options			5	9,278				9,283
Dividend paid				(82,097)				(82,097)
Fair value adjustments on investments AFS reclassified to income statement						47,029		47,029
Total comprehensive income					111,951	9,063	768	121,782
Other movements				11				11
<b>Net changes during the year</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>(44,726)</b>	<b>90,260</b>	<b>56,092</b>	<b>768</b>	<b>102,399</b>
<b>Equity at 31 December 2017</b>	<b>2,410</b>	<b>1,244,857</b>	<b>(60)</b>	<b>5,477,243</b>	<b>111,951</b>	<b>8,148</b>	<b>(24,565)</b>	<b>6,819,984</b>

## 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 cross-border merger of EXOR S.p.A. with and into EXOR N.V. (the “Merger”) was signed on 10 December 2016 in Amsterdam and became effective on 11 December 2016. Upon effectiveness of the Merger, the company became the holding company of the EXOR Group. Pursuant to the Merger, EXOR S.p.A. shareholders received one EXOR ordinary share for every one EXOR S.p.A. ordinary share.

From the Merger effectiveness, EXOR N.V. has acquired all assets and assumed all liabilities and other legal relationships of EXOR S.p.A. under universal title of succession: as such, all business activities, shareholdings and other assets as well as liabilities of EXOR S.p.A. have been consolidated into the company.

In accordance with IFRS (IAS 27.13), the Merger was recognized in EXOR's consolidated financial statements from 1 January 2016, while in the company financial statements it was recognized from 11 December 2016. As the Merger is a transaction in which all of the combining entities are controlled ultimately by the same party both before and after the transaction, and based on the fact that the control is not transitory, the Merger was deemed to be a transaction of entities under common control and therefore outside the scope of IFRS 3 – Business combination.

For the period from 1 January 2016 to the date of the Merger the company only incurred certain expenses, principally relating to legal and professional services and did not have any other activities.

As a result of the Merger the income statement for the year ended 31 December 2017 is not comparable with the income statement for the year ended 31 December 2016.

### BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Date of authorization of issue

The separate financial statements at 31 December 2017 (company financial statements) were approved by the board of directors on 26 March 2018 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 available-for-sale financial instruments and those held for trading.

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 2017 (consolidated financial statements) except for the measurement of the investments in subsidiaries 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), including the effects of recurring and non-recurring transactions. In the statement of financial position the current/non-current distinction has been adopted for the presentation of assets and liabilities.

In view of the significance of the amounts involved, “non-recurring other income (expenses) and general expenses” are presented separately from “net general expenses” that are recurring and include any non-financial exceptional or non-recurring income and costs such as termination incentives, consulting fees for extraordinary investment acquisition and disposal transactions and special bonuses to directors and employees. Moreover, indirect taxes and duties are also presented separately.

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. 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 2017**

The following amendments, which were effective from 1 January 2017, were adopted by the Group.

- Amendments to IAS 12 — Income Taxes that clarify how to account for deferred tax assets related to unrealized losses on debt instruments measured at fair value. The adoption of the amendments had no effect on the preparation of the company financial statements.
- Amendments to IAS 7 — Statement of Cash Flows, which requires companies to provide information about changes in their financing liabilities. The required disclosures have been included in the Note 15 and 17.
- Amendments to IFRS 12 - Disclosure of Interests in Other Entities, included within the Annual Improvements to IFRS Standards 2014–2016 Cycle. The adoption of the amendments had no effect on the preparation of the company 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 2017, or have been issued by the IASB and not yet adopted by the European Union.

- With regards to IFRS 15 — Revenue from contracts with customers (“IFRS 15”), which was issued by the IASB in May 2014 and amended in September 2015 and which has an effective date from 1 January 2018, EXOR, given the nature of the company only activities, does not expect significant impact from the adoption of the requirements provided by IFRS 15. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive using a five-step process. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts.
- In July 2014, the IASB issued IFRS 9 — Financial Instruments. The improvements introduced by the new standard include a logical approach for classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single “expected loss” impairment model for financial assets and a substantially reformed approach for hedge accounting. The standard is effective, retrospectively with limited exceptions, for annual periods beginning on or after 1 January 2018 with earlier adoption permitted. EXOR has completed its analysis of the impact of the requirements provided by the new standard and concluded that the current accounting treatment of financial assets, financial liabilities and derivative instruments in accordance with IFRS 9 and therefore there will be no material impact on EXOR’s financial statements upon initial adoption of the standard.

- In January 2016, the IASB issued IFRS 16 — Leases which 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. IFRS 16 is effective from 1 January 2019, with early adoption allowed only if IFRS 15 is also applied. EXOR is currently evaluating the method of implementation and does not expect any impact from the adoption of this standard.
- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle which consists of amendments to three Standards: IFRS 12 — Disclosure of Interests in Other Entities, IFRS 1 — First-time Adoption of International Financial Reporting Standards (effective date of 1 January 2018) and IAS 28 — Investments in Associates and Joint Ventures (effective date of 1 January 2018). The amendments clarify, correct or remove redundant wording in the related IFRS Standard and are not expected to have a material impact upon adoption.

The following have been issued by the IASB and not yet adopted by the European Union:

- Amendments to IFRS 2 — Share-Based Payment.
- IFRIC Interpretation 22 — Foreign Currency Transactions and Advance Consideration.
- IFRIC Interpretation 23 — Uncertainty over Income Tax Treatment.
- Amendments to IFRS 9 — Financial Instruments.
- Amendments to IAS 28 — Long Term Interest in Associates and Joint venture.
- Annual Improvements to IFRS Standards 2015–2017 Cycle.

The company will adopt these new standards, amendments and interpretations based on the date of application and will evaluate their potential impacts in relation to the same date of application.

#### **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.

Investments in other companies include financial assets that are non-current and not destined for trading.

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 of 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.

#### **Available-for-sale financial assets**

These are measured at fair value which coincides, for listed investments, with the market price on the last day of the period. 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, net of the relative deferred taxes, until the financial asset is disposed of or is determined to be 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; 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, an impairment loss is recognized in the income statement for the period.

#### **Financial assets held for trading**

Financial assets held for trading include equity shares, credit instruments and other forms of investment of liquidity, as well as derivative instruments for trading.

Financial assets purchased originally for resale in the short-term are measured at year end at fair value using, for listed securities, the market price translated at the year-end exchange rate; the fair value adjustment is recorded with a corresponding entry in the income statement.

#### **Held to maturity financial instruments**

Held-to-maturity securities are assets with fixed or determinable payments and fixed maturities that the company has the positive intention and ability to hold to maturity.

Financial assets cannot be classified as held-to-maturity if, during the course of the current year or during the two preceding years, other than an insignificant amount of held-to-maturity investments has been sold or reclassified before their maturity, except sales or reclassifications that:

- a) are so close to maturity or to the call option date of the financial asset that changes in the market rate of interest would not have a significant effect on the fair value of the financial asset;
- b) occur after the company has received substantially all the financial assets' original principal through ordinary scheduled payments or prepayments;
- c) are attributable to an isolated event that is beyond the company's control, is non-recurring and could not have been reasonably anticipated by the company.

Securities held with the intent to keep them in portfolio until maturity are recorded and measured at amortized cost, using the effective interest rate method, the rate that exactly discounts future cash flows for estimated collections (including transaction costs paid) over the expected life of the financial instrument or, if appropriate, over a shorter period.

#### **Other financial assets**

Other financial assets, except for derivative instruments, are initially recognized at fair value, which generally coincides with the acquisition cost including incidental charges. Other financial assets are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment on amounts considered uncollectible.

The original carrying amount of the receivables is reinstated in subsequent years if the reasons for impairment no longer exist.

#### **Intangible assets with indefinite useful life**

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 changes in circumstances indicate that the asset may be impaired.

### 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, while if beneficiaries are employees of a supplier the charges are recognized as cost of services.

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 IAS 39 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. As a consequence of the Merger, the economic effects of the Italian exit tax were recognized in the income statement of Exor S.p.A. and therefore only in the net equity of EXOR N.V.

### **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 35), the Group has determined that its information by segment according to IFRS 8 – Operating Segments, coincides with the consolidated data of each subsidiary holding company, every one of which represents, an investment in a major business segment: FCA, CNH Industrial, Ferrari, PartnerRe, Juventus and the Holding System. 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. The Italian exit tax, estimated in 2016, has been paid in 2017.

## NOTES RELATING TO THE MOST SIGNIFICANT ITEMS IN THE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION

### 1. Dividends from investments

€ thousand	2017	2016	Change
EXOR S.A.	470,000	30,000	440,000
CNH Industrial N.V.	40,362	0	40,362
Ferrari N.V.	28,216	0	28,216
Emittenti Titoli	6,393	0	6,393
<b>Dividends from investments</b>	<b>544,971</b>	<b>30,000</b>	514,971

In 2017 EXOR S.A. distributed a dividend of €470 million through the following:

- Distribution in kind of the residual stake in EXOR Nederland N.V. for €352 million, based on the fair value of EXOR Nederland at the time of distribution;
- Distribution in kind of a bond held-to-maturity for €58 million;
- Cash for the residual amount.

### 2. Impairment and realized losses on investments

In 2017 impairment amounts to €288,947 thousand and refers to the impairment of the investment in EXOR S.A., which has substantially concluded its mission as company with a long-term view.

On this basis, and following the dividend distribution, the net equity of EXOR S.A. approximates its fair value in accordance with IAS 36 and has been considered by the EXOR management as the recoverable amount of the investment.

Realized losses on investments amount to €48,762 thousand and principally refer to the fair value adjustments on Welltec (€47,308 thousand) previously accounted for directly in equity and reclassified to the income statement in 2017, since the investment has been accounted for as an associated after the purchases which were made during the year.

### 3. Financial expenses from third parties

€ thousand	2017	2016	Change
Interest on bonds	88,860	5,988	82,872
Bank fees and commission	1,917	127	1,790
Interest on bank debts	513	56	457
Other expenses	221	21	200
<b>Financial expenses from third parties</b>	<b>91,511</b>	<b>6,192</b>	85,319

### 4. Financial income from third parties

€ thousand	2017	2016	Change
Interest income and other income on held to maturity securities	251	116	135
Interest on fix-rate securities	99	13	86
Other financial income	1,341	76	1,265
<b>Financial income from third parties</b>	<b>1,691</b>	<b>205</b>	1,486

Other financial income mainly relate to credit risk adjustments (€603 thousand) and premium on issuance bond 2015-2025 (€685 thousand).

### 5. Personnel costs

These total €4,350 thousand (€925 thousand in 2016) of which €1,498 thousand related to stock option plan (€81 thousand in 2016). At the end of 2017 the number of employees was 9 (5 at the end of 2016).

## 6. Non-recurring other income (expenses) and general expenses

In 2017 the net non-recurring expense of €1,572 thousand refers to consulting fees for analysis of potential investments. In 2016 the net non-recurring expense of €662 thousand referred mainly to the Merger.

## 7. Income taxes

The positive amount of €21,258 thousand is related to the settlement in June 2017 of the liability for Italian exit tax, as described in Note 16.

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 Netherlands, is as follows:

€ thousand	2017
Pre-tax profit	90,692
Tax 25%	(22,673)
<b>Tax effect on:</b>	
Participation exemption on dividend received	136,243
Impairment loss on investment Exor SA	(72,237)
Loss on investment Welltec A/S	(11,827)
Fair value Black Ant Value Fund	70
Non-deductible cost for stock option plan	(375)
Cash flow hedge reserve	(192)
	51,682
Unrecognized deferred tax assets on differences emerged in 2017	(29,009)
Taxes relating to prior years	21,258
<b>Total tax (expense) income</b>	<b>21,258</b>
	<b>Effective tax rate -23.4%</b>
<b>Total tax (expense) income</b>	<b>21,258</b>

Based on the 2015 tax return filed, the draft 2016 tax return currently being prepared and the 2017 tax provisions, EXOR losses available for future offset at 31 December 2017 amount to EUR 121,625 thousand. Under current tax law, losses can be carried forward for a maximum period of nine financial years. Taking aforementioned into account, these 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	5,559
31 December 2026	116,038
<b>Tax effect on:</b>	<b>121,625</b>

## 8. Investments accounted for at cost

€ thousand	31.12.2017		31.12.2016		Change
	% of class of shares	Amount	% of class of shares	Amount	
Fiat Chrysler Automobiles N.V. - common shares	29.18	1,349,725	29.41	1,355,230	(5,505)
Fiat Chrysler Automobiles N.V. - special voting shares	91.90	0	91.90	0	0
Fiat Chrysler Automobiles N.V.		<b>1,349,725</b>		1,355,230	5,505)
CNH Industrial N.V. - common shares	26.89	1,694,530	26.92	1,694,530	0
CNH Industrial N.V. - special voting shares	92.55	0	77.33	0	0
CNH Industrial N.V.		<b>1,694,530</b>		1,694,530	0
Ferrari N.V. - common shares	22.91	677,443	22.91	677,443	0
Ferrari N.V. - special voting shares	66.52	0	66.52	0	0
Ferrari N.V.		<b>677,443</b>		677,443	0
EXOR Nederland N.V.	100.00	5,312,389	93.98	4,980,278	332,111
EXOR S.A.	100.00	457,474	100.00	746,298	(288,824)
Juventus Football Club S.p.A.	63.77	95,688	63.77	95,688	0
EXOR Investments Limited	100.00	7,341	100.00	5,162	2,179
Welltec	21.23	88,542			88,542
Other	n/a	272	n/a	272	0
<b>Investment accounted for at cost</b>		<b>9,683,404</b>		<b>9,554,901</b>	128,503

The changes during the year are as follows:

€ thousand	Balance at 31.12.2016	Changes in 2017			Balance at 31.12.2017
		Increases	Decreases	Reclass.	
Fiat Chrysler Automobiles N.V. - common shares	1,355,230			(5,505)	1,349,725
Fiat Chrysler Automobiles N.V. - special voting shares	0				0
Fiat Chrysler Automobiles N.V.	1,355,230	0	0	(5,505)	<b>1,349,725</b>
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	<b>1,694,530</b>
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	<b>677,443</b>
EXOR Nederland N.V.	4,980,278	351,637	(19,526)		5,312,389
EXOR S.A.	746,298	123	(288,947)		457,474
Juventus Football Club S.p.A.	95,688				95,688
EXOR Investments Limited	5,162	2,179			7,341
Welltec	0			88,542	88,542
Other	272				272
<b>Investment accounted for at cost</b>	<b>9,554,901</b>	353,939	(308,473)	83,037	<b>9,683,404</b>

The reclassification in Fiat Chrysler Automobiles common shares is related to the demerger of GEDI, as described in Note 9.

The increase in EXOR Nederland is due to the stake received as dividend in kind from EXOR S.A., net of the decrease due to the fair value hedging effect.

The decrease in EXOR S.A. is related to the impairment occurred in 2017, net of the increase related to the long-term incentive plans for employees of such company.

The increase in EXOR Investments Limited is due to a capital contribution (€1,486 thousand) and to the long-term incentive plans related to the employees of such company.

The reclassification of Welltec is related to the change in accounting treatment in accordance with IAS 28, as described in Note 9.

A comparison between the carrying amounts and trading prices of listed investments is as follows:

	Number	Carrying amount		Market price at 29 December 2017	
		Per share (€)	Total (€/000)	Per share (€)	Total (€/000)
Fiat Chrysler Automobiles N.V. - common shares	449,410,092	3.016	1,355,230	15.02	6,748,477
CNH Industrial N.V. - common shares	366,927,900	4.618	1,694,530	11.18	4,100,419
Ferrari N.V. - common shares	44,435,280	15.246	677,443	88.03	3,911,491
Juventus Football Club S.p.A.	642,611,298	0.149	95,688	0.76	491,533
<b>Total</b>			<b>3,822,891</b>		<b>15,251,920</b>

## 9. Investments available-for-sale

€ thousand	31.12.2017		31.12.2016		Change
	% of class of shares	Amount	% of class of shares	Amount	
GEDI	5.99	21,386	n/a	0	21,386
The Black Ant Value Fund	n/a	0	n/a	355,192	(355,192)
Welltec	n/a	0	13.72	56,000	(56,000)
Other	n/a	3,371	n/a	5,729	(2,358)
<b>Available-for-sale financial assets</b>		<b>24,757</b>		<b>416,921</b>	<b>(392,164)</b>

The changes during the year are as follows:

€ thousand	Balance at 31.12.2016	Changes in 2017			Balance at 31.12.2017
		Increases	Decreases	Reclass.	
GEDI		15,881		5,505	21,385
The Black Ant Value Fund	355,192		(355,192)		0
Welltec	56,000	32,542		(88,542)	0
Other	5,729	60	(2,418)		3,371
<b>Available-for-sale financial assets</b>	<b>416,921</b>	<b>48,483</b>	<b>(357,610)</b>	<b>(83,037)</b>	<b>24,757</b>

In 2017 following the conclusion of FCA's demerger of GEDI, EXOR received 4.28% of GEDI's share capital. EXOR also purchased on the market 1.71% of GEDI share capital for a total amount of €6.8 million.

In 2017 EXOR received €353.5 million on reimbursement of the entire investment in The Black Ant Value Fund.

In 2017 EXOR acquired 7.51% of Welltec for a total consideration of €32.5 million. After this operation EXOR held 21.23% and consequently the investment is accounted for in investments at cost, in accordance with IAS 28. The fair value reserve (€47,308 thousand) previously accounted for directly in equity has been reclassified to the 2017 income statement following the adoption of IAS 28.

#### 10. Held-to-maturity financial instruments – current and non-current

These amount to €57,535 thousand and are represented by bonds issued by leading counterparties, maturing after 12 months. The bonds are measured at amortized cost.

At 31 December 2016 they amounted to €26,014 thousand and were represented by bonds matured in 2017.

#### 11. Cash and cash equivalents - current

These amount to €9,167 thousand (€31,304 thousand at 31 December 2016) and represent current account bank balances in Euro, repayable on demand and cash deposited at leading credit institutions. The associated credit risks should be considered limited since the counterparties are leading financial institutions.

#### 12. Tax receivables - current

€ thousand	31.12.2017	31.12.2016	Change
Tax receivable of previous years, requested to be repaid	3,804	0	3,804
Tax receivable arising from substitute tax	0	46,949	(46,949)
Italian IRES tax advance	0	3,706	(3,706)
Italian IRES CFC tax advance	0	2,612	(2,612)
Other	0	566	(566)
<b>Total</b>	<b>3,804</b>	<b>53,833</b>	<b>(50,029)</b>

At 31 December 2016 the tax receivable of €46,949 thousand was related to the substitute tax paid in past years that had been recognized in the context of Italian exit tax. During the 2017 the receivables has been partially used for the payment of the Italian exit tax and for the residual portion has been requested to be repaid.

#### 13. Equity

##### *Share capital*

At 31 December 2017 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 at the Merger date and none are outstanding at 31 December 2017.

##### *Reserves*

At 31 December 2017 the company does not have any legal, statutory or non-distributable reserves, except for the fair value reserve.

€ thousand	31.12.2017	31.12.2016	Change
<b>Capital Reserves</b>	<b>1,244,857</b>	<b>1,244,857</b>	0
<b>Earnings reserves and other reserves</b>			
Retained earnings	5,452,065	5,502,421	(50,356)
Stock option reserve	25,178	19,548	5,630
	5,477,243	5,521,969	(44,726)
Fair value reserve	8,148	(47,944)	56,092
Cash-flow hedge reserve	(24,565)	(25,333)	768
<b>Earnings reserves and other reserves</b>	<b>5,460,826</b>	<b>5,448,692</b>	12,134
<b>Total reserves</b>	<b>6,705,683</b>	<b>6,693,549</b>	12,134

##### *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	31.12.2017	31.12.2016
<b>Equity attributable to owners of the parent in the consolidated financial statements</b>	<b>10,805</b>	<b>10,982</b>
Difference between the carrying amounts of investments and the corresponding equity at year-end, net of consolidation adjustments	(4,264)	(2,673)
Change in other comprehensive income reserve in the consolidated financial statements	1,626	(240)
Share of the (profit) loss of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments	(1,283)	(1,358)
Other adjustments	(64)	7
<b>Equity in the company financial statements</b>	<b>6,820</b>	<b>6,718</b>

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	2017	2016
<b>Net profit attributable to owners of the parent in the consolidated financial statements</b>	<b>1,392</b>	<b>589</b>
Share of the profit (loss) of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments	(1,283)	(1,358)
Profit of EXOR S.p.A. for the period 1/1-10/12/2016		(422)
Dividends received from consolidated companies and companies accounted for by the equity method	684	904
Adjustments of gains/losses on disposals and impairments and reversals of investments	(682)	302
Other adjustments	1	7
<b>Net profit in the company financial statements</b>	<b>112</b>	<b>22</b>

#### *Treasury stock*

At 31 December 2017 EXOR holds the following treasury stock:

	Amount			% of class
	No. of shares	Per share (€)	Total (€ thousand)	
Ordinary shares				
Balance in connection with the Merger	6,631,896		66.3	2.75
Payment to supplier	(158,859)		(1.6)	0.07
Balance at 31 December 2016	6,473,037	0.01	64.7	2.69
Ordinary shares				
Exercise of stock options	(483,180)		(4.8)	-0.20
Delivery of stock grant to Board members	(12,162)		(0.1)	-0.01
Balance at 31 December 2017	5,977,695	0.01	59.8	2.48

#### **14. Long-term incentive plans**

##### *Stock Option Plan 2008-2019*

The Stock Option Plan EXOR 2008-2019 has 4,154,717 options granted and exercisable corresponding to 1,101,000 EXOR ordinary shares at a price of €19.97 per share. The cumulative cost of the plan amount to €7,306 thousand and no cost has been recorded in 2017, since the vesting period ended on May 2016.

##### *Long-term incentive plans*

The EXOR S.p.A. shareholders' meeting held on 29 May 2012 approved an incentive plan intended as an instrument for long-term incentive and composed in two parts:

- the first part of the plan, denominated "Long Term Stock Grant", provides for a total of 400,000 rights to be granted to originally 31 beneficiaries; this allows them to receive a corresponding number of EXOR ordinary shares at the vesting date set for 2018, subject to continuation of a professional relationship with the company and with the companies in the Holdings System.

At 31 December 2017 the cumulative cost of the plan amount to €1,200 thousand, the beneficiaries are 14 for a total of 119,790 options granted (of which 8,000 options for employees of the Holdings System).

The cost recognized in 2017 in the stock option reserve amounts to €414 thousand, including €387 thousand classified as personnel costs and €27 thousand relating to employees of companies in the Holdings System recognized as an increase in the carrying amount of the investment in EXOR S.A.;

- the second part of the plan, denominated “Company Performance Stock Options”, provides for a total of 3 million options to be granted to the Chairman and Chief Executive Officer of the company and to other beneficiaries; this allows them to purchase a corresponding number of EXOR ordinary shares at a price of €16.59 per share and €16.62 respectively. The vesting period of the options is from 2014 to 2018 in annual lots of the same number that are exercisable from the time they vest until 2021, subject to reaching performance targets and continuing a professional relationship with the company and with the companies in the Holdings System. The performance targets will be considered to have been reached when the annual variation in EXOR’s NAV is higher than the change in the MSCI World Index in Euro, in the year preceding that of vesting.

The composition of the “Company Performance Stock Option” is as follows:

€ thousand	Number of options granted	Total cost of Plan	Cost referring to the year
Chairman and Chief Executive Officer of EXOR N.V.	450,000	1,625	271
Key employees	493,200	1,905	322
Key employees of companies in the Holdings System	24,000	85	14
<b>Total</b>	<b>967,200</b>	<b>3,615</b>	<b>607</b>

The cost referring to the year recorded in the stock option reserve amounts to €607 thousand, including €271 thousand classified as compensation to the Chairman and Chief Executive Officer and €322 thousand as personnel costs. The cost relating to the key employees of companies in the Holdings System (€14 thousand) was recognized as an increase in the carrying amount of the investment in EXOR S.A.

#### *Stock Grant Plan for independent directors*

The plan was directed to independent directors as an alternative to the cash remuneration established by the shareholders’ meeting. The plan provided for the free grant of a maximum of 70,000 EXOR shares to all directors that joined the plan subject to continuing the appointment as director at the vesting date set in 2018, concurrently with the date of the shareholders’ meeting that will approve the 2017 financial statements.

At 31 December 2016 the options granted were 21,024. The cost of the plan, recognized in the stock option reserve and in the income statement, amounted to €238 thousand and was classified as compensation to the directors. The plan expired on 30 May 2017, date of the 2017 shareholder’s meeting that appointed a new board remunerated in cash. The cost since the expiration date amounted to €123 thousand.

#### *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 option granted at 31 December 2017 is 2,934,197 exercisable at a price of €32.38 per share.

The composition of the plan is as follows:

€ thousand	Number of options granted	Total cost of Plan	Cost referring to the year
Chairman and Chief Executive Officer of EXOR N.V.	2,013,950	17,959	3,586
Key employees	430,362	3,551	789
Key employees of companies in the Holdings System	434,935	3,878	774
Employees of supplier companies	54,950	490	98
<b>Total</b>	<b>2,934,197</b>	<b>25,878</b>	<b>5,247</b>

The cost referring to the year recorded in the stock option reserve amounts to €5,247 thousand (€297 thousand in 2016) including €3,586 thousand (€206 thousand in 2016) classified as compensation to the Chairman and Chief Executive Officer, €789 thousand (€41 thousand in 2016) as personnel costs and €98 thousand (€5 thousand in 2016) as service costs.

The cost relating to the key employees of companies in the Holdings System (€774 thousand in 2017 and €45 thousand in 2016) was recognized as an increase in the carrying amount of the investment in EXOR S.A. and EXOR Investments Limited for €81 thousand and €693 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.

## 15. Non-convertible bonds

Issue date	Maturity date	Issue price	Coupon	Rate	Nominal value	Balance at (€/000)	
						31/12/2017	31/12/2016
12-Jun-07	12-Jun-17	99.554	Annually	Fixed 5.375%	€440,000	0	452,956
16-Oct-12	16-Oct-19	98.136	Annually	Fixed 4.750%	€150,000	150,663	150,225
12-Nov-13	12-Nov-20	99.053	Annually	Fixed 3.375%	€200,000	200,014	199,724
3-Dec-15	2-Dec-22	99.499	Annually	Fixed 2.125%	€750,000	746,498	745,547
8-Oct-14	8-Oct-24	100.090	Annually	Fixed 2.500%	€650,000	652,528	652,380
7-Dec-12	31-Jan-25	97.844	Annually	Fixed 5.250%	€100,000	103,291	103,121
22-Dec-15	22-Dec-25	100.779	Annually	Fixed 2.875%	€450,000	451,883	452,183
20-May-16	20-May-26	99.650	Annually	Fixed 4.398%	\$170,000	141,827	161,379
9-May-11	9-May-31	100.000	Semiannually	Fixed 2.800% (a)	¥10,000,000	74,583	81,536
<b>Total</b>						<b>2,521,287</b>	<b>2,999,051</b>

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 12 June 2017 EXOR repaid an amount of €440 million related to the residual amount outstanding of EXOR non-convertible bonds 2007-2017 using a combination of available liquid resources and bank debt.

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 bond issuance prospectus and the 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 2017.

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.

EXOR intends to repay the bonds in cash at maturity using available liquid resources. However 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.

Reconciliation of changes in bonds may be analyzed as follows:

€ thousand	
<b>Total at 1 January 2017</b>	<b>2,999,051</b>
Cash flows	(467,316)
Foreign exchange effects	(26,494)
Fair value changes	0
Other changes	16,046
<b>Total at 31 December 2017</b>	<b>2,521,287</b>

## 16. Provision for tax liability

The provision amounted to €216,949 thousand at 31 December 2016 and represented the best estimate, made on the basis of the information available, of the charge for the Italian exit tax. The amount was estimated by EXOR S.p.A. based on the income taxes of the last period for EXOR S.p.A. as an Italian tax resident company (1 January 2016 – 10 December 2016) and on the other net gain resulting from the net assets deemed to be realized at the fair market value under Italian tax law.

In June 2017 EXOR paid €145,661 thousand, net of tax receivables for €51,813 thousand. In the context of the preparation of the tax return EXOR updated the estimate and recognized in the income statement a profit of €21,258 thousand.

## 17. Bank debt

At the end of 2017 bank debt amounts to €464,143 thousand (€79,291 thousand at 31 December 2016) and consist of secure short-term credit lines drawn.

At 31 December 2017 the company has credit lines in Euro for €922 million, of which €572 million is revocable and €350 million is irrevocable. The expiration dates of such irrevocable credit lines are from 2 to 5 years. At 31 December 2016, the company had credit lines in Euro for €948 million, of which €558 million is revocable and €390 million is irrevocable. The expiration dates of such irrevocable credit lines are €40 million within 1 year and €350 million from 2 to 5 years.

The company also has credit lines in foreign currency for a total of \$90 million (€75 million) due after 31 December 2018, not drawn down.

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 €250 million, which however were unutilized at 31 December 2017.

EXOR N.V. provided a guarantee to the subsidiary EXOR Nederland N.V. for an irrevocable credit line in foreign currency for a residual amount of \$300 million for the purchase of PartnerRe. This line provides for covenants such as respecting a maximum debt limit in relation to the amount of the portfolio and maintaining a rating by one of the major agencies. Non-compliance with these covenants would imply the immediate revocation of the line in question by the lending banks.

Reconciliation of changes in bank debts may be analyzed as follows:

€ thousand	
<b>Total at 1 January 2017</b>	<b>79,291</b>
Cash flows	384,880
Foreign exchange effects	(28)
Fair value changes	0
Other changes	0
<b>Total at 31 December 2017</b>	<b>464,143</b>

## 18. Other financial liabilities

These amount to €33,666 thousand (€28,460 thousand at 31 December 2016), of which €33,192 thousand (€27,595 thousand at 31 December 2016) refer to the fair value of the cross currency swap related to the bond in Yen and €85 thousand (€381 thousand at 31 December 2016) to fees and commission on undrawn credit lines.

## 19. Trade payables to third parties

These amount to €2,181 thousand (€8,470 thousand at 31 December 2016) 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 2017:

€ thousand	Note	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>					
Non-current assets					0
Available-for-sale financial assets	9	21,386		3,371	24,757
Current assets					0
Financial assets held for trading					0
Other financial assets					0
<b>Total assets</b>		<b>21,386</b>	<b>0</b>	<b>3,371</b>	<b>24,757</b>
<b>Liabilities at fair value</b>					
Current liabilities					0
Other financial liabilities	18		33,192		33,192
<b>Total liabilities</b>		<b>0</b>	<b>33,192</b>	<b>0</b>	<b>33,192</b>

In 2017 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 valuation models widely accepted; the valuation technique 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:

		31/12/2017		31/12/2016	
€ thousand	Note	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
Held-to-maturity investments	10	57,535	56,498	26,014	26,156
Other financial assets		78	78	991	991
<b>Total assets</b>		<b>57,613</b>	<b>56,576</b>	<b>27,005</b>	<b>27,147</b>
<b>Financial liabilities</b>					
Non-convertible bonds	15	2,521,287	2,753,881	2,999,051	3,187,970
Other financial liabilities	18	474	474	865	865
<b>Total liabilities</b>		<b>2,521,761</b>	<b>2,754,355</b>	<b>2,999,916</b>	<b>3,171,795</b>

Held-to-maturity investments are represented by bonds issued by leading counterparties (maturing in 2022), 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 2017 equal to €74,069 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 2017 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 2017 there are no financial assets past due and not written down, as was at 31 December 2016.

### *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 2017 a portion of receivables from related parties (€25.7 million) and cash and cash equivalents (€0.3 million) are denominated in currencies other than Euro (principally GBP). All receivables and securities are adjusted to year-end exchange rates. At 31 December 2016 a portion of available-for-sale financial assets (€56 million), financial asset held for trading (€0.1 million) and cash and cash equivalents (€0.1 million) were denominated in currencies other than Euro (principally US dollars) and aligned to year-end exchange rate.

The currency risk related to the liabilities to which EXOR is exposed regards the note issued in 2011 for Japanese yen 10 billion (€74 million at 31 December 2017, €83 million at 31 December 2016) 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 by EXOR S.p.A. for \$170 million (€142 million at 31 December 2017, €161 million at 31 December 2016) 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 Yen note for its entire term.

#### Sensitivity analysis for currency risk

Considering currency risk exposure at the reporting date, if exchange rate had been 5% favorable or unfavorable, the assets in foreign currencies (principally in GBP) would be €7,489 thousand higher or €6,127 thousand lower and the note in US dollars would be €12,886 thousand lower or €15,750 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 2017 there is no bank debt exposed to interest rate risk (€47 million at 31 December 2016).

#### Price risk

EXOR is exposed to price risk originating from investments in the capital of other companies that are held for trading or for strategic purposes; such investments are classified in the following categories:

- investments accounted for at cost
- available-for-sale financial assets

#### Sensitivity analysis for price risk

Considering price risk exposure at the reporting date, if the prices of securities, classified as available-for-sale financial assets had been 5% higher or lower, the available-for-sale securities reserve would be €1,069 thousand higher or lower.

## **22. Related party transactions**

With regard to the year 2017, 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.

Related party transactions include the following payables and receivables:

- a) Financial receivables related to a loan granted to Almacantar (associate investment of PartnerRe, owned indirectly through EXOR Nederland) for GBP 22.8 million (€25.7 million) including interest at 12.3% (€1.6 million).
- b) Financial receivables related to a loan granted to EXOR Nederland for \$50 million (€41.7 million) including interest at 2.2% (€35 thousand).
- c) Trade receivables (€48 thousand) related to corporate services and compensation for members of corporate boards.
- d) Trade and other payables (€3.8 million) related to accounting, IT and logistic services and the compensation to the Board of Directors.

The economic effects of related party transactions are as follow:

- a) Dividends received from EXOR S.A. for €470 million, CNH Industrial N.V. for €40.4 million, Ferrari N.V. for €28.2 million.
- b) Services received from subsidiaries amount to €5,511 thousand related to accounting, IT and logistic services and €873 thousand for consulting related to investments.
- c) Board members and Chairman and Chief Executive Officer compensation for €759 thousand and €5,543 thousand respectively.
- d) Interest income on the loan granted to Almacantar for €1.6 million and on the loan granted to EXOR Nederland for €35 thousand.

## **23. Earnings per share**

Earnings per share information is provided in Note 11 to the consolidated financial statements.

## **24. Audit fees**

Audit fee information is provided in Note 41 to the consolidated financial statements.

## **25. Remuneration**

Information on the remuneration of the members of the board of directors is included in the Corporate Governance and Remuneration of Directors sections of the Annual Report.

## 26. Commitments and contingencies

As disclosed in Note 17 above, EXOR N.V. provided a guarantee to the subsidiary EXOR Nederland N.V. for an irrevocable credit line in foreign currency for a residual amount of \$300 million (completely draw down at 31 December 2017) for the purchase of PartnerRe.

## 27. Subsequent events

The company has evaluated subsequent events through 26 March 2018, which is the date on which the financial statements at 31 December 2017 were authorized for issue.

On 18 January 2018 EXOR finalized the issue of bond for a nominal amount of €500 million, maturing January 2028, with a fixed annual coupon of 1.750% and an effective yield to maturity of 1.914%.

The purpose of the issue is to raise new funds for EXOR's general corporate purposes, including the repayment of certain loan facilities of the company. The bond is listed on the Luxembourg Stock Exchange and assigned a credit rating of BBB+ by Standard and Poor's rating agency.

On 15 February 2018 EXOR finalized the issue of bond for a nominal amount of €200 million, maturing on 15 February 2038, with a fixed annual coupon of 3.125%, with the purpose to refinance the short-term debt. The bond, with a credit rating of BBB+ by Standard and Poor's rating agency, is listed on the Luxembourg Stock Exchange MTF Market.

Based on the proposals made by the boards of the subsidiary CNH Industrial and Ferrari, EXOR expects to receive in 2018 dividends, respectively, for € 51.4 million and € 31.5 million.

On 26 March 2018, the Board of Directors approved a distribution to the holders of common shares of €0.35 per common share, corresponding to a total distribution to shareholders of approximately €82,275 thousand. The distribution will be made from the annual profit for (€111,951 thousand). The distribution remains subject to the adoption of the company's 2017 annual accounts at the annual general meeting of shareholders to be held on 29 May 2018.

26 March 2018

The Board of Directors

John Elkann

Sergio Marchionne

Alessandro Nasi

Andrea Agnelli

Niccolò Camerana

Ginevra Elkann

Lupo Rattazzi

Marc Bolland

Melissa Bethell

Laurence Debroux

Anne Marianne Fentener van Vlissingen

António Mota de Sousa Horta-Osório

Robert Speyer

Michelangelo Volpi

Ruth Wertheimer

## EXOR N.V. – OTHER INFORMATION

### INDEPENDENT AUDITOR'S REPORT

The report of the Company's independent auditor, Ernst & Young Accountants LLP, the Netherlands, is set forth at the end of this Annual Report.

### DIVIDEND

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

### SUBSEQUENT EVENTS

Please refer to Note 27 of the company financial statements included in this Annual report.



**List of EXOR Group Companies  
at December 31, 2017**

The list of the companies included in the scope of consolidation, the investments accounted for by the equity method and other significant investments, classified by operating pursuant to IFRS 8 – Operating Segment, is provided below.

The column on the far right also shows the percentage of voting rights exercisable at an ordinary general meeting, where such percentage differs from the percentage of shares held.

## Investments of the Holdings System and operating companies consolidated on a line-by-line basis

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>Parent company</b>							
EXOR N.V.	Netherlands	2,410,000.00	EUR				
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<b>Holding</b>							
Ancom USA Inc.	U.S.A.	0.10	USD	100.00	EXOR S.A.	100.000	
CNH Industrial N.V.	Netherlands	17,608,744.72	EUR	26.91	EXOR N.V. CNH Industrial N.V.	41.676 0.476	*
EXOR Capital Limited	Ireland	4,000,000.00	EUR	100.00	EXOR S.A.	100.000	
EXOR INVESTMENTS LTD.	Great Britain	5,700,000.00	GBP	100.00	EXOR N.V.	100.000	
EXOR NEDERLAND N.V.	Netherlands	747,000.00	EUR	100.00	EXOR N.V.	100.000	
EXOR S.A.	Luxembourg	166,611,300.00	EUR	100.00	EXOR N.V.	100.000	
EXOR INVESTMENTS (UK) LLP	U.S.A.	3,605,292.00	USD	99.67	EXOR INVESTMENTS LTD	99.670	
Ferrari N.V.	Netherlands	2,504,211.17	EUR	23.52	EXOR N.V. Ferrari N.V.	32.751 1.986	*
Fiat Chrysler Automobiles N.V.	Netherlands	19,490,314.57	EUR	29.18	EXOR N.V. Fiat Chrysler Automobiles N.V.	42.340 1.689	*
PartnerRe Ltd.	Bermuda	1.00	USD	100.00	EXOR NEDERLAND N.V.	100.000	(a)
<b>Leisure and Other</b>							
Juventus Football Club S.p.A.	Italy	8,182,133.28	EUR	63.77	EXOR N.V.	63.766	
<b>Real Estate</b>							
EXOR S.N. (USA), LLC.	U.S.A.	10.00	USD	100.00	EXOR S.A.	100.000	

(\*) Voting suspended

(a) Of common shares

**Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Mass-Market Vehicles</i>							
<b>NAFTA</b>							
AUTO TRANSPORT SERVICES LLC	U.S.A.	100 USD		100.00	FCA US LLC	100.000	
Autodie LLC	U.S.A.	10,000,000 USD		100.00	FCA US LLC	100.000	
Chrysler Mexico Investment Holdings Cooperatie U.A.	Netherlands	0 EUR		100.00	FCA INVESTMENT HOLDINGS LLC	99.990	
					FCA MINORITY LLC	0.010	
CPK Interior Products Inc.	Canada	1,000 CAD		100.00	FCA Canada Inc.	100.000	
Extended Vehicle Protection LLC	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA AUBURN HILLS OWNER LLC	U.S.A.	100 USD		100.00	FCA REALTY LLC	100.000	
FCA Canada Cash Services Inc.	Canada	1,000 CAD		100.00	FCA US LLC	100.000	
FCA Canada Inc.	Canada	0 CAD		100.00	FCA ONTARIO HOLDINGS Limited	100.000	
FCA Caribbean LLC	U.S.A.	100 USD		100.00	FCA US LLC	100.000	
FCA DEALER CAPITAL LLC	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA INTERNATIONAL OPERATIONS LLC	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA INTERNATIONAL SERVICES LLC	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA INVESTMENT HOLDINGS LLC	U.S.A.	173,350,999 USD		100.00	FCA US LLC	100.000	
FCA Mexico, S.A. de C.V.	Mexico	238,621,186 MXN		100.00	Chrysler Mexico Investment Holdings Cooperatie U.A.	99.997	
					FCA MINORITY LLC	0.003	
FCA MID LLC	U.S.A.	2,700,000 USD		100.00	FCA US LLC	100.000	
FCA MINORITY LLC	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA ONTARIO HOLDINGS Limited	Canada	1,000 CAD		100.00	FCA US LLC	100.000	
FCA REAL ESTATE SERVICES LLC	U.S.A.	100 USD		100.00	FCA US LLC	100.000	
FCA REALTY LLC	U.S.A.	168,769,528 USD		100.00	FCA US LLC	100.000	
FCA Service Contracts LLC	U.S.A.	100,000,000 USD		100.00	FCA US LLC	100.000	
FCA TRANSPORT LLC	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA US Insurance Company	U.S.A.	60,000 USD		100.00	FCA North America Holdings LLC	100.000	
FCA US LLC	U.S.A.	10 USD		100.00	FCA North America Holdings LLC	100.000	
<b>LATAM</b>							
Banco Fidis S.A.	Brazil	509,021,104 BRL		100.00	Fidis S.p.A.	75.000	
					FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	25.000	
CG Venezuela UK Holdings Limited	United Kingdom	100 GBP		100.00	FCA North America Holdings LLC	100.000	
CMA Componentes e Modulos Automotivos Industria e Comercio Automotivos Ltda	Brazil	1,000 BRL		100.00	CMP Componentes e Modulos Plasticos Industria e Comercio Ltda.	99.900	
					FCA Fiat Chrysler Participacoes Brasil Limitada	0.100	
CMP Componentes e Modulos Plasticos Industria e Comercio Ltda.	Brazil	121,358,092 BRL		100.00	FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	56.049	
					FCA Powertrain Brasil Industria e Comercio de Motores Ltda	43.951	
FCA AUTOMOBILES ARGENTINA S.A.	Argentina	476,464,366 ARS		100.00	FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	100.000	
FCA Chile Importadora Limitada	Chile	41,800,000 CLP		100.00	FCA US LLC	99.990	
					FCA MINORITY LLC	0.010	
FCA Compania Financiera S.A.	Argentina	526,027,891 ARS		100.00	Fidis S.p.A.	100.000	
FCA FIAT CHRYSLER AUTOMOVEIS BRASIL LTDA.	Brazil	14,628,993,087 BRL		100.00	FCA Fiat Chrysler Participacoes Brasil Limitada	75.118	
					FCA Italy S.p.A.	24.882	
FCA IMPORTADORA S.R.L.	Argentina	29,335,170 ARS		100.00	FCA AUTOMOBILES ARGENTINA S.A.	98.000	
					FCA Argentina S.A.	2.000	
FCA Powertrain Brasil Industria e Comercio de Motores Ltda	Brazil	197,792,500 BRL		100.00	FCA Fiat Chrysler Participacoes Brasil Limitada	100.000	
FCA Rental Locadora de Automoveis Ltda	Brazil	60,769,200 BRL		100.00	FCA Fiat Chrysler Participacoes Brasil Limitada	100.000	
FCA S.A. de Ahorro para Fines Determinados	Argentina	109,535,149 ARS		100.00	FCA AUTOMOBILES ARGENTINA S.A.	100.000	

## Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Mass-Market Vehicles</i>							
<b>APAC</b>							
ALFA ROMEO (SHANGHAI) AUTOMOBILES SALES CO. Ltd.	People's Rep. of China	19,000,000	CNY	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Chrysler Group (China) Sales Ltd.	People's Rep. of China	10,000,000	EUR	100.00	FCA (Hong Kong) Automotive Limited	100.000	
FCA (Hong Kong) Automotive Limited	People's Rep. of China	10,000,000	EUR	100.00	FCA US LLC	100.000	
FCA (SHANGHAI) AUTO PARTS TRADING CO., LTD.	People's Rep. of China	19,000,000	CNY	100.00	Fiat Chrysler Automobiles N.V.	100.000	
FCA Asia Pacific Investment Co., Ltd.	People's Rep. of China	4,500,000	CNY	100.00	FCA (Hong Kong) Automotive Limited	100.000	
FCA Australia Pty. Ltd.	Australia	143,629,774	AUD	100.00	CNI C.V.	100.000	
FCA Automotive Finance Co. Ltd.	People's Rep. of China	750,000,000	CNY	100.00	Fidis S.p.A.	100.000	
FCA Engineering India Private Limited	India	99,990	INR	100.00	Chrysler Netherlands Distribution B.V. FCA DUTCH OPERATING LLC	99.990 0.010	
FCA INDIA AUTOMOBILES Private Limited	India	4,819,900,000	INR	100.00	FCA Italy S.p.A.	100.000	
FCA JAPAN Ltd.	Japan	104,789,875	JPY	100.00	CG EU NSC LIMITED Fiat Group Automobiles Japan K.K.	60.000 40.000	
FCA Korea Limited	South Korea	32,639,200,000	KRW	100.00	FCA US LLC	100.000	
FCA Powertrain Technologies Shanghai R&D Co. Ltd.	People's Rep. of China	10,000,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
Fiat Group Automobiles Japan K.K.	Japan	100,000,000	JPY	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Mopar (Shanghai) Auto Parts Trading Co. Ltd.	People's Rep. of China	5,000,000	USD	100.00	FCA Asia Pacific Investment Co. Ltd.	100.000	
<b>EMEA</b>							
Abarth & C. S.p.A.	Italy	1,500,000	EUR	100.00	FCA Italy S.p.A.	100.000	
Alfa Romeo S.p.A.	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
Alfa Romeo U.S.A. S.p.A.	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
C.R.F. Società Consortile per Azioni	Italy	45,000,000	EUR	100.00	FCA Italy S.p.A. FCA ITALY HOLDINGS S.p.A. Magnetit Marelli S.p.A. Maserati S.p.A. Comau S.p.A. Teksid S.p.A.	92.000 2.000 2.000 2.000 1.000 1.000	
CF GOMMA DEUTSCHLAND GmbH	Germany	26,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
CG EU NSC LIMITED	United Kingdom	1	GBP	100.00	CNI C.V.	100.000	
CG Italia Operations S.p.A.	Italy	53,022	EUR	100.00	Chrysler Italia S.r.l. FCA US LLC	94.300 5.700	
Chrysler Austria Gesellschaft mbH in liquidation	Austria	4,300,000	EUR	100.00	Chrysler Deutschland GmbH	100.000	
Chrysler Belgium Luxembourg NV/SA	Belgium	28,262,700	EUR	100.00	CG EU NSC LIMITED FCA MINORITY LLC	99.998 0.002	
Chrysler Deutschland GmbH	Germany	20,426,200	EUR	100.00	FCA US LLC	100.000	
Chrysler International GmbH	Germany	25,000	EUR	100.00	CG EU NSC LIMITED	100.000	
Chrysler Italia S.r.l.	Italy	100,000	EUR	100.00	CG EU NSC LIMITED	100.000	
Chrysler Jeep International S.A.	Belgium	1,860,000	EUR	100.00	CG EU NSC LIMITED FCA MINORITY LLC	99.998 0.002	
Chrysler Netherlands Distribution B.V.	Netherlands	90,000	EUR	100.00	Chrysler Netherlands Holding Cooperative U.A.	100.000	
Chrysler South Africa (Pty) Limited	South Africa	200	ZAR	100.00	FCA Italy S.p.A.	100.000	
Chrysler Switzerland GmbH in liquidation	Switzerland	2,000,000	CHF	100.00	CG EU NSC LIMITED	100.000	
Chrysler UK Limited	United Kingdom	46,582,132	GBP	100.00	CG EU NSC LIMITED	100.000	
CNI C.V.	Netherlands	0	USD	100.00	FCA US LLC	100.000	
Easy Drive S.r.l.	Italy	10,400	EUR	100.00	FCA Italy S.p.A. FCA Center Italia S.p.A.	99.000 1.000	
FCA AUSTRIA GmbH	Austria	37,000	EUR	100.00	FCA Italy S.p.A. FCA ITALY HOLDINGS S.p.A.	98.000 2.000	
FCA AUSTRO CAR GmbH	Austria	35,000	EUR	100.00	FCA AUSTRIA GmbH	100.000	
FCA Belgium S.A.	Belgium	18,651,691	EUR	100.00	FCA Italy S.p.A. FCA SWITZERLAND S.A.	99.998 0.002	
FCA Center Italia S.p.A.	Italy	2,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA CENTRAL AND EASTERN EUROPE KFT.	Hungary	150,000,000	HUF	100.00	FCA Italy S.p.A.	100.000	
FCA Customer Services Centre S.r.l.	Italy	2,500,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Denmark A/S	Denmark	55,000,000	DKK	100.00	FCA Italy S.p.A.	100.000	
FCA FINLAND Oy	Finland	50,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Fleet & Tenders S.R.L.	Italy	7,370,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA France	France	96,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA GERMANY AG	Germany	82,650,000	EUR	100.00	FCA Italy S.p.A. FCA SWITZERLAND S.A.	99.000 1.000	
FCA GREECE S.A.	Greece	62,783,499	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Group Marketing S.p.A.	Italy	100,000,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
FCA ITALY HOLDINGS S.p.A.	Italy	1,089,071,587	EUR	100.00	FCA Italy S.p.A.	100.000	

## Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Mass-Market Vehicles</i>							
<b>EMEA</b>							
FCA Italy S.p.A.	Italy	800,000,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
FCA Melfi S.r.l.	Italy	276,640,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Middle East FZ-LLC	United Arab Emirates	300,000	AED	100.00	FCA INTERNATIONAL OPERATIONS LLC	100.000	
FCA Motor Village Austria GmbH	Austria	37,000	EUR	100.00	FCA AUSTRIA GmbH	100.000	
FCA MOTOR VILLAGE BELGIUM S.A.	Belgium	8,571,393	EUR	100.00	FCA Belgium S.A.	99.988	
					FCA Italy S.p.A.	0.012	
FCA MOTOR VILLAGE FRANCE S.A.S.	France	2,977,680	EUR	100.00	FCA France	99.997	
FCA MOTOR VILLAGE GERMANY GmbH	Germany	8,700,000	EUR	100.00	FCA GERMANY AG	100.000	
FCA MOTOR VILLAGE PORTUGAL S.A.	Portugal	50,000	EUR	100.00	FCA PORTUGAL, S.A.	100.000	
FCA MOTOR VILLAGE SPAIN, S.L.	Spain	1,454,420	EUR	100.00	Fiat Chrysler Automobiles Spain S.A.	100.000	
FCA MOTOR VILLAGE SWITZERLAND S.A.	Switzerland	13,000,000	CHF	100.00	FCA SWITZERLAND S.A.	100.000	
FCA Netherlands B.V.	Netherlands	5,672,250	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA NORWAY AS	Norway	103,200	NOK	100.00	FCA Italy S.p.A.	100.000	
FCA POLAND Spółka Akcyjna	Poland	660,334,600	PLN	100.00	FCA Italy S.p.A.	100.000	
FCA PORTUGAL, S.A.	Portugal	1,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA POWERTRAIN POLAND Sp. z o.o.	Poland	269,037,000	PLN	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
FCA Real Estate Germany GmbH	Germany	25,000	EUR	100.00	FCA MOTOR VILLAGE GERMANY GmbH	100.000	
FCA REAL ESTATE SERVICES FRANCE SAS	France	37,000	EUR	100.00	FCA Real Estate Services S.p.A.	100.000	
FCA Real Estate Services S.p.A.	Italy	150,679,554	EUR	100.00	FCA Italy S.p.A.	100.000	
FCA Russia AO	Russia	574,665,000	RUB	100.00	FCA US LLC	99.999	
					FCA MINORITY LLC	0.001	
FCA SERBIA DOO Kragujevac	Serbia	30,707,843,314	RSD	66.67	FCA Italy S.p.A.	66.670	
FCA SWEDEN AB	Sweden	10,000,000	SEK	100.00	FCA Italy S.p.A.	100.000	
FCA SWITZERLAND S.A.	Switzerland	21,400,000	CHF	100.00	FCA Italy S.p.A.	100.000	
FCA VERSICHERUNGSSERVICE GmbH	Germany	26,000	EUR	100.00	FCA GERMANY AG	51.000	
					Fiat Chrysler Rimaco SA	49.000	
Fiat Chrysler Automobiles (FCA) Egypt Limited	Egypt	240,000	EGP	100.00	FCA US LLC	99.000	
					FCA MINORITY LLC	1.000	
Fiat Chrysler Automobiles Ireland DAC	Ireland	5,078,952	EUR	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER AUTOMOBILES MIDDLE EAST FZE	United Arab Emirates	1,000,000	AED	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Automobiles Morocco S.A.	Morocco	101,000,000	MAD	100.00	FCA Italy S.p.A.	100.000	
Fiat Chrysler Automobiles Spain S.A.	Spain	8,079,280	EUR	100.00	FCA Italy S.p.A.	99.998	
					FCA SWITZERLAND S.A.	0.002	
FIAT CHRYSLER AUTOMOBILES UK Ltd	United Kingdom	44,600,000	GBP	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER MOTOR VILLAGE Ltd.	United Kingdom	1,500,000	GBP	100.00	FIAT CHRYSLER AUTOMOBILES UK Ltd	100.000	
Fiat Group Automobiles South Africa (Proprietary) Ltd	South Africa	640	ZAR	100.00	FCA Italy S.p.A.	100.000	
Fidis S.p.A.	Italy	250,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
i-FAST Automotive Logistics S.r.l.	Italy	1,250,000	EUR	100.00	FCA Italy S.p.A.	100.000	
i-FAST Container Logistics S.p.A.	Italy	2,500,000	EUR	100.00	FCA Italy S.p.A.	100.000	
Mecaner S.A.	Spain	3,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	
NEW BUSINESS 38 S.p.A.	Italy	1,000,000	EUR	100.00	FCA Real Estate Services S.p.A.	100.000	
Società di Commercializzazione e Distribuzione Ricambi S.p.A. in liquidation	Italy	100,000	EUR	100.00	FCA Italy S.p.A.	100.000	
VM Motori S.p.A.	Italy	21,008,000	EUR	100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
<i>Luxury Vehicles</i>							
<b>Maserati</b>							
Maserati S.p.A.	Italy	40,000,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Maserati (China) Cars Trading Co., Ltd.	People's Rep. of China	10,000,000	USD	100.00	Maserati S.p.A.	100.000	
Maserati (Suisse) S.A.	Switzerland	1,000,000	CHF	100.00	Maserati S.p.A.	100.000	
Maserati Canada Inc.	Canada	0	CAD	100.00	Maserati S.p.A.	100.000	
Maserati Deutschland GmbH	Germany	500,000	EUR	100.00	Maserati S.p.A.	100.000	
Maserati GB Limited	United Kingdom	20,000	GBP	100.00	Maserati S.p.A.	100.000	
Maserati Japan KK	Japan	18,000,000	JPY	100.00	Maserati S.p.A.	100.000	
Maserati North America Inc.	U.S.A.	1,000	USD	100.00	Maserati S.p.A.	100.000	
Maserati West Europe société par actions simplifiée	France	37,000	EUR	100.00	Maserati S.p.A.	100.000	
Tridente Real Estate S.r.l.	Italy	11,570,000	EUR	100.00	Maserati S.p.A.	100.000	
<i>Components and Production Systems</i>							
<b>Magneti Marelli</b>							
Magneti Marelli S.p.A.	Italy	254,325,965	EUR	99.99	Fiat Chrysler Automobiles N.V.	99.991	100.000
Administracion Magneti Marelli Sistemi Sospensioni Mexicana S.R.L. de C.V.	Mexico	3,000	MXN	88.11	Magneti Marelli Promatcor Sistemi Sospensioni Mexicana S.R.L. de C.V.	99.000	
					Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	1.000	

## Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Components and Production Systems</i>							
<b>Magneti Marelli</b>							
AUTOMOTIVE LIGHTING (THAILAND) CO. LTD	Thailand	10,000,000 THB		99.96	Automotive Lighting Reutlingen GmbH	99.970	
Automotive Lighting Brotterode GmbH	Germany	7,270,000 EUR		99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Italia S.p.A.	Italy	12,000,000 EUR		99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting LLC	U.S.A.	25,001,000 USD		100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Automotive Lighting o.o.o.	Russia	1,086,875,663 RUB		99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting Rear Lamps France S.a.s.	France	5,134,480 EUR		99.99	Automotive Lighting Italia S.p.A.	100.000	
Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	Mexico	50,000 MXN		100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Automotive Lighting Reutlingen GmbH	Germany	1,330,000 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Automotive Lighting S.R.O.	Czech Republic	927,637,000 CZK		99.99	Automotive Lighting Reutlingen GmbH	100.000	
Automotive Lighting UK Limited	United Kingdom	40,387,348 GBP		99.99	Magneti Marelli S.p.A.	100.000	
Changchun Magneti Marelli Automotive Lighting System Co. Ltd.	People's Rep. of China	190,000,000 CNY		60.00	Automotive Lighting Reutlingen GmbH	60.000	
CHANGCHUN MAGNETI MARELLI POWERTRAIN COMPONENTS Co.Ltd.	People's Rep. of China	5,600,000 EUR		51.00	Magneti Marelli S.p.A.	51.000	
Fiat CIEI S.p.A. in liquidation	Italy	220,211 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Hefei Magneti Marelli Exhaust Systems Co.Ltd.	People's Rep. of China	3,900,000 EUR		51.00	Magneti Marelli S.p.A.	51.000	
Industrias Magneti Marelli Mexico S.A. de C.V.	Mexico	50,000 MXN		99.99	Magneti Marelli Sistemas Electronicos Mexico S.A. Servicios Administrativos Corp. IPASA S.A.	99.998 0.002	
Magneti Marelli (China) Co. Ltd.	People's Rep. of China	17,500,000 USD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli After Market Parts and Services S.p.A.	Italy	7,000,000 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Aftermarket GmbH	Germany	100,000 EUR		99.99	Magneti Marelli After Market Parts and Services S.p.A.	100.000	
Magneti Marelli Aftermarket Sp. z o.o.	Poland	2,000,000 PLN		99.99	Magneti Marelli After Market Parts and Services S.p.A.	100.000	
Magneti Marelli Argentina S.A.	Argentina	465,205 ARS		99.99	Magneti Marelli S.p.A. Magneti Marelli France S.a.s.	95.000 5.000	
Magneti Marelli Automotive Cluj S.r.l.	Romania	9,010,000 RON		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Components (Changsha) Co. Ltd	People's Rep. of China	5,400,000 USD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Components (Guangzhou) Co.,Ltd.	People's Rep. of China	10,000,000 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Components (WUHU) Co. Ltd.	People's Rep. of China	32,000,000 USD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive d.o.o. Kragujevac	Serbia	154,200,876 RSD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Electronics (Guangzhou) Co. Limited	People's Rep. of China	16,100,000 USD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Automotive Lighting (Foshan) Co. Ltd	People's Rep. of China	10,800,000 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Cofap Fabricadora de Pecas Ltda	Brazil	585,411,633 BRL		99.99	Magneti Marelli After Market Parts and Services S.p.A.	100.000	
Magneti Marelli Componentes Plasticos Ltda	Brazil	6,402,500 BRL		99.99	Plastic Components and Modules Automotive S.p.A.	100.000	
Magneti Marelli Conjuntos de Escape S.A.	Argentina	9,999,971 ARS		99.99	Magneti Marelli S.p.A. Magneti Marelli Argentina S.A.	96.260 3.740	
Magneti Marelli d.o.o. Kragujevac	Serbia	1,363,504,543 RSD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli do Brasil Industria e Comercio Ltda	Brazil	100,000 BRL		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Espana S.A.	Spain	781,101 EUR		99.99	Magneti Marelli Iberica S.A.	100.000	
Magneti Marelli France S.a.s.	France	19,066,824 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli GmbH	Germany	200,000 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Holding U.S.A. LLC	U.S.A.	10 USD		100.00	FCA North America Holdings LLC	100.000	
Magneti Marelli Iberica S.A.	Spain	389,767 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli India Private Ltd	India	150,000,000 INR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli International Trading (Shanghai) Co. LTD	People's Rep. of China	200,000 USD		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Japan K.K.	Japan	360,000,000 JPY		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi	Turkey	50,005 TRY		99.94	Automotive Lighting Reutlingen GmbH PLASTIFORM PLASTIK SANAYI ve TICARET A.S. Sistemi Comandi Meccanici Otomotiv Sanayi Ve Ticaret A.S.	99.842 0.052 0.052	
Magneti Marelli Motopropulsion France SAS	France	37,002 EUR		99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli North America Inc.	U.S.A.	7,491,705 USD		99.99	Magneti Marelli Cofap Fabricadora de Pecas Ltda	100.000	
Magneti Marelli of Tennessee LLC	U.S.A.	1,300,000 USD		100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Magneti Marelli Poland Sp. z o.o.	Poland	83,500,000 PLN		99.99	Automotive Lighting Reutlingen GmbH	100.000	
Magneti Marelli Powertrain (Hefei) Co. Ltd.	People's Rep. of China	70,000,000 CNY		99.99	Magneti Marelli S.p.A.	100.000	

## Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Components and Production Systems</i>							
<b>Magneti Marelli</b>							
Magneti Marelli Powertrain India Private Limited	India	450,000,000	INR	51.00	Magneti Marelli S.p.A.	51.000	
Magneti Marelli Powertrain Mexico S. de r.l. de c.v.	Mexico	3,000	MXN	99.99	Magneti Marelli S.p.A.	99.967	
					Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	0.033	
Magneti Marelli Powertrain Slovakia s.r.o.	Slovak Republic	12,000,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Powertrain U.S.A. LLC	U.S.A.	25,000,000	USD	100.00	Magneti Marelli Holding U.S.A. LLC	100.000	
Magneti Marelli Promatcor Sistemi Sospensioni Mexicana S.R.L. de C.V.	Mexico	3,000	MXN	87.99	Sistemi Sospensioni S.p.A.	88.000	
Magneti Marelli Repuestos S.A.	Argentina	75,262,000	ARS	99.99	Magneti Marelli After Market Parts and Services S.p.A.	81.943	
					Magneti Marelli Cofap Fabricadora de Pecas Ltda	18.057	
Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda	Brazil	1,090,694,874	BRL	99.99	Magneti Marelli S.p.A.	72.808	
					Automotive Lighting Reutlingen GmbH	27.192	
Magneti Marelli Sistemas Electronicos Mexico S.A.	Mexico	50,000	MXN	99.99	Magneti Marelli S.p.A.	99.998	
					Servicios Administrativos Corp. IPASA S.A.	0.002	
Magneti Marelli Slovakia s.r.o.	Slovak Republic	103,006,639	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli South Africa (Proprietary) Limited	South Africa	7,550,000	ZAR	99.99	Magneti Marelli S.p.A.	100.000	
Magneti Marelli Suspansiyon Sistemleri Ticaret Limited Sirketi	Turkey	520,000	TRY	99.99	Sistemi Sospensioni S.p.A.	100.000	
Magneti Marelli Suspension Systems Bielsko Sp. z o.o.	Poland	70,050,000	PLN	99.99	Sistemi Sospensioni S.p.A.	100.000	
Magneti Marelli Toluca Mexico S. de R.L. de CV.	Mexico	3,000	MXN	99.99	Magneti Marelli S.p.A.	99.967	
					Magneti Marelli Powertrain Mexico S. de r.l. de c.v.	0.033	
Magneti Marelli Um Electronic Systems Private Limited	India	500,000,000	INR	51.00	Magneti Marelli S.p.A.	51.000	
Malaysian Automotive Lighting SDN. BHD	Malaysia	6,000,000	MYR	79.99	Automotive Lighting Reutlingen GmbH	80.000	
MM I&T Sas	France	607,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
MMH Industria e Comercio De Componentes Automotivos Ltda	Brazil	130,926,000	BRL	99.99	Magneti Marelli Sistemas Automotivos Industria e Comercio Ltda	100.000	
Plastic Components and Modules Automotive S.p.A.	Italy	10,000,000	EUR	99.99	Plastic Components and Modules Holding S.p.A.	100.000	
Plastic Components and Modules Holding S.p.A.	Italy	10,000,000	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Plastic Components and Modules Poland S.A.	Poland	21,000,000	PLN	99.99	Plastic Components and Modules Automotive S.p.A.	100.000	
Plastic Components Fuel Systems Poland Sp. z o.o.	Poland	29,281,500	PLN	99.99	Plastic Components and Modules Poland S.A.	100.000	
PLASTIFORM PLASTIK SANAY ve TICARET A.S.	Turkey	715,000	TRY	99.94	Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi	100.000	
PSMM Pernambuco Componentes Automotivos Ltda	Brazil	75,200,160	BRL	50.00	Plastic Components and Modules Automotive S.p.A.	50.000	
Servicios Administrativos Corp. IPASA S.A.	Mexico	1,000	MXN	99.99	Magneti Marelli Sistemas Electronicos Mexico S.A.	99.990	
					Industrias Magneti Marelli Mexico S.A. de C.V.	0.010	
Sistemi Comandi Meccanici Otomotiv Sanayi Ve Ticaret A.S.	Turkey	90,000	TRY	99.89	Magneti Marelli Mako Elektrik Sanayi Ve Ticaret Anonim Sirketi	99.956	
Sistemi Sospensioni S.p.A.	Italy	37,622,179	EUR	99.99	Magneti Marelli S.p.A.	100.000	
Soffiaggio Polimeri S.r.l.	Italy	45,900	EUR	84.99	Plastic Components and Modules Automotive S.p.A.	85.000	
Tecnologia de Iluminacion Automotriz S.A. de C.V.	Mexico	50,000	MXN	100.00	Automotive Lighting LLC Automotive Lighting Rear Lamps Mexico S. de r.l. de C.V.	99.998	
						0.002	
Ufima S.A.S. - Société en liquidation	France	44,940	EUR	99.99	Magneti Marelli S.p.A.	65.020	
					FCA Partecipazioni S.p.A.	34.980	
<b>Teksid</b>							
Teksid S.p.A.	Italy	71,403,261	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Compania Industrial Frontera S.A. de C.V.	Mexico	11,376,600	MXN	100.00	Teksid Hierro de Mexico S.A. de C.V.	99.999	
					Teksid Inc.	0.001	
Funfrap-Fundicao Portuguesa S.A.	Portugal	13,697,550	EUR	83.61	Teksid S.p.A.	83.607	
Teksid Aluminum S.r.l.	Italy	5,000,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Teksid do Brasil Ltda	Brazil	714,696,013	BRL	100.00	Teksid S.p.A.	100.000	
Teksid Hierro de Mexico S.A. de C.V.	Mexico	297,167,800	MXN	100.00	Teksid S.p.A.	100.000	
Teksid Inc.	U.S.A.	100,000	USD	100.00	Teksid S.p.A.	100.000	
Teksid Iron Poland Sp. z o.o.	Poland	48,122,256	PLN	100.00	Teksid S.p.A.	100.000	

**Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Components and Production Systems</i>							
<b>Comau</b>							
Comau S.p.A.	Italy	48,013,959	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
COMAU (KUNSHAN) Automation Co. Ltd.	People's Rep. of China	8,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) Engineering Co. Ltd.	People's Rep. of China	5,000,000	USD	100.00	Comau S.p.A.	100.000	
Comau (Shanghai) International Trading Co. Ltd.	People's Rep. of China	200,000	USD	100.00	Comau S.p.A.	100.000	
Comau Argentina S.A.	Argentina	500,000	ARS	100.00	Comau S.p.A. FCA Argentina S.A.	97.000 3.000	
Comau Automatizacion S.de R.L. C.V.	Mexico	62,204,118	MXN	100.00	Comau Mexico S.de R.L. de C.V.	100.000	
Comau Canada Inc.	Canada	100	CAD	100.00	Comau LLC	100.000	
Comau Deutschland GmbH	Germany	1,330,000	EUR	100.00	Comau S.p.A.	100.000	
Comau do Brasil Industria e Comercio Ltda.	Brazil	102,742,653	BRL	100.00	Comau S.p.A.	100.000	
Comau France S.A.S.	France	6,000,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Iaisa S.de R.L. de C.V.	Mexico	17,181,062	MXN	100.00	Comau Mexico S.de R.L. de C.V.	100.000	
Comau India Private Limited	India	239,935,020	INR	100.00	Comau S.p.A. Comau Deutschland GmbH	99.990 0.010	
Comau LLC	U.S.A.	100	USD	100.00	FCA North America Holdings LLC	100.000	
Comau Mexico S.de R.L. de C.V.	Mexico	99,349,172	MXN	100.00	Comau S.p.A.	100.000	
Comau Poland Sp. z o.o.	Poland	3,800,000	PLN	100.00	Comau S.p.A.	100.000	
Comau Romania S.R.L.	Romania	23,673,270	RON	100.00	Comau S.p.A.	100.000	
Comau Russia OOO	Russia	4,770,225	RUB	100.00	Comau S.p.A. Comau Deutschland GmbH	99.000 1.000	
Comau Service Systems S.L.	Spain	250,000	EUR	100.00	Comau S.p.A.	100.000	
Comau Trebol S.de R.L. de C.V.	Mexico	16,168,211	MXN	100.00	Comau Mexico S.de R.L. de C.V.	100.000	
Comau U.K. Limited	United Kingdom	2,502,500	GBP	100.00	Comau S.p.A.	100.000	
<i>Other Activities: Holding companies and Other companies</i>							
Deposito Avogadro S.p.A.	Italy	5,100,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
FCA Argentina S.A.	Argentina	5,292,117	ARS	100.00	FCA Services S.p.A. FCA Fiat Chrysler Participacoes Brasil Limitada Fiat Chrysler Rimaco Argentina S.A. FCA AUTOMOBILES ARGENTINA S.A.	90.961 9.029 0.009 0.001	
FCA Fiat Chrysler Participacoes Brasil Limitada	Brazil	11,174,292,755	BRL	100.00	Fiat Chrysler Automobiles N.V. FCA Italy S.p.A. FCA Real Estate Services S.p.A.	55.037 44.578 0.385	
FCA Group Purchasing France S.a.r.l.	France	7,700	EUR	100.00	FCA Group Purchasing S.r.l.	100.000	
FCA Group Purchasing Poland Sp. z o.o.	Poland	300,000	PLN	100.00	FCA Group Purchasing S.r.l.	100.000	
FCA Group Purchasing S.r.l.	Italy	600,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
FCA Information Technology, Excellence and Methods S.p.A.	Italy	500,000	EUR	100.00	FCA Services S.p.A. FCA Italy S.p.A.	99.000 1.000	
FCA North America Holdings LLC	U.S.A.	0	USD	100.00	Fiat Chrysler Automobiles N.V.	100.000	
FCA Partecipazioni S.p.A.	Italy	50,000,000	EUR	100.00	FCA Italy S.p.A.	100.000	

**Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Other Activities: Holding companies and Other companies</i>							
FCA Security Società consortile per azioni	Italy	152,520	EUR	90.13	FCA Partecipazioni S.p.A.	64.152	
					FCA Italy S.p.A.	13.171	
					Fiat Chrysler Automobiles N.V.	4.430	
					Magneti Marelli S.p.A.	1.496	
					FCA ITALY HOLDINGS S.p.A.	1.081	
					FCA Melfi S.r.l.	0.656	
					Comau S.p.A.	0.621	
					C.R.F. Società Consortile per Azioni	0.605	
					Teksid S.p.A.	0.570	
					FCA Services S.p.A.	0.514	
					Sistemi Sospensioni S.p.A.	0.433	
					FCA Servizi per l'Industria S.c.p.A.	0.426	
					Teksid Aluminum S.r.l.	0.425	
					Fiat Chrysler Finance S.p.A.	0.367	
					Fidis S.p.A.	0.256	
					Automotive Lighting Italia S.p.A.	0.201	
					FCA Group Marketing S.p.A.	0.129	
					FCA Group Purchasing S.r.l.	0.081	
					FCA Real Estate Services S.p.A.	0.081	
					Servizi e Attività Doganali per l'Industria S.p.A.	0.081	
					Sisport S.p.A. - Società sportiva dilettantistica	0.078	
					Plastic Components and Modules Automotive S.p.A.	0.051	
					FCA Center Italia S.p.A.	0.035	
					Abarth & C. S.p.A.	0.031	
					Fiat Chrysler Risk Management S.p.A.	0.031	
					Maserati S.p.A.	0.031	
					Magneti Marelli After Market Parts and Services S.p.A.	0.029	
					Deposito Avogadro S.p.A.	0.017	
					Easy Drive S.r.l.	0.017	
					FCA Customer Services Centre S.r.l.	0.017	
					FCA Fleet & Tenders S.R.L.	0.017	
					FCA Information Technology, Excellence and Methods S.p.A.	0.017	
					i-FAST Automotive Logistics S.r.l.	0.016	
					i-FAST Container Logistics S.p.A.	0.016	

## Investments of FCA Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 29.18%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Other Activities: Holding companies and Other companies</i>							
FCA Services Belgium N.V.	Belgium	62,000	EUR	100.00	FCA Services S.p.A. Servizi e Attività Doganali per l'Industria S.p.A.	99.960 0.040	
FCA Services d.o.o. Kragujevac	Serbia	15,047,880	RSD	100.00	FCA Services S.p.A.	100.000	
FCA Services Germany GmbH	Germany	200,000	EUR	100.00	FCA Services S.p.A.	100.000	
FCA Services Hispano-Lusa S.A.	Spain	2,797,054	EUR	100.00	FCA Services S.p.A.	100.000	
FCA Services Polska Sp. z o.o.	Poland	3,600,000	PLN	100.00	FCA Services S.p.A.	100.000	
FCA Services S.p.A.	Italy	3,600,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
FCA Services Support Malaysia SDN. BHD.	Malaysia	2,000,000	MYR	100.00	FCA Services S.p.A.	100.000	
FCA Services Support Mexico S.A. de C.V.	Mexico	100	MXN	100.00	FCA Services S.p.A. Servizi e Attività Doganali per l'Industria S.p.A.	99.000 1.000	
FCA Services U.S.A., Inc.	U.S.A.	500,000	USD	100.00	FCA Services S.p.A.	100.000	
FCA Servizi per l'Industria S.c.p.A.	Italy	1,652,669	EUR	87.70	FCA Italy S.p.A. FCA Partecipazioni S.p.A. Fiat Chrysler Automobiles N.V. FCA Security Società consortile per azior Teksid S.p.A. Abarth & C. S.p.A. C.R.F. Società Consortile per Azioni Comau S.p.A. FCA Group Marketing S.p.A. FCA Information Technology, Excellence FCA Services S.p.A. Fiat Chrysler Finance S.p.A. Fidis S.p.A. Magnetit Marelli S.p.A. Maserati S.p.A. Deposito Avogadro S.p.A.	51.000 11.500 5.000 3.000 2.000 1.500 1.500 1.500 1.500 1.500 1.500 1.500 1.500 1.500 1.500 1.500 0.500	
Fiat Chrysler Automobiles Services UK Limited	United Kingdom	18,750,000	GBP	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Financas Brasil Ltda.	Brazil	2,469,701	BRL	100.00	Fiat Chrysler Finance S.p.A. FCA Fiat Chrysler Participacoes Brasil Limitada	99.994 0.006	
Fiat Chrysler Finance Canada Ltd.	Canada	10,099,885	CAD	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Finance et Services S.A.S.	France	3,700,000	EUR	100.00	FCA Services S.p.A.	100.000	
Fiat Chrysler Finance Europe S.A.	Luxembourg	86,494,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Finance North America Inc.	U.S.A.	190,090,010	USD	100.00	FCA North America Holdings LLC	100.000	
Fiat Chrysler Finance S.p.A.	Italy	224,440,000	EUR	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Chrysler Finance US Inc.	U.S.A.	100	USD	100.00	FCA North America Holdings LLC	100.000	
Fiat Chrysler Polska Sp. z o.o.	Poland	25,500,000	PLN	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Rimaco SA	Switzerland	350,000	CHF	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Risk Management S.p.A.	Italy	120,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler UK LLP	United Kingdom	5,000,250,001	USD	100.00	Fiat Chrysler Automobiles N.V. Maserati North America Inc.	99.995 0.005	
Fiat U.S.A. Inc.	U.S.A.	16,830,000	USD	100.00	Fiat Chrysler Automobiles N.V.	100.000	
Neptunia Assicurazioni Marittime S.A.	Switzerland	10,000,000	CHF	100.00	Fiat Chrysler Rimaco SA	100.000	
New Business 30 S.r.l.	Italy	100,000	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	
Sadi Polska-Agencja Celna Sp. z o.o.	Poland	500,000	PLN	100.00	Servizi e Attività Doganali per l'Industria S.p.A.	100.000	
Servizi e Attività Doganali per l'Industria S.p.A.	Italy	520,000	EUR	100.00	FCA Services S.p.A.	100.000	
Sisport S.p.A. - Società sportiva dilettantistica	Italy	889,049	EUR	100.00	FCA Partecipazioni S.p.A.	100.000	

## Joint arrangements of FCA Group (percentage of EXOR Group consolidation: 29.18%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>JOINT ARRANGEMENT</b>							
<i>Mass-Market Vehicles</i>							
<b>APAC</b>							
Fiat India Automobiles Private Limited	India	24,451,596,600	INR	50.00	FCA Italy S.p.A.	50.000	
<b>EMEA</b>							
Società Europea Veicoli Leggeri-Sevel S.p.A.	Italy	68,640,000	EUR	50.00	FCA Italy S.p.A.	50.000	

**Investments of CNH Industrial Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 26.91%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
2 H Energy S.A.S.	France	2,000,000	EUR	100.00	CNH Industrial Finance France S.A.	100.000	
Afin Bohemia s.r.o.	Czech Republic	1,000,000	CZK	100.00	CNH Industrial Capital Limited	100.000	
Afin Bulgaria EAD	Bulgaria	310,110	BGN	100.00	CNH Industrial Capital Limited	100.000	
Afin Slovakia S.R.O.	Slovak Republic	39,833	EUR	99.96	CNH Industrial Capital Limited Iveco Slovakia, s.r.o.	98.120 1.880	
Afin Trade Bulgaria Eood	Bulgaria	5,000	BGN	100.00	Afin Bulgaria EAD	100.000	
Amce-Automotive Manufacturing Co.Ethiopia	Ethiopia	100,000,000	ETB	70.00	CNH Industrial N.V.	70.000	
Astra Veicoli Industriali S.p.A.	Italy	10,400,000	EUR	100.00	Iveco S.p.A.	100.000	
Banco CNH Industrial Capital S.A.	Brazil	940,451,054	BRL	100.00	CNH Industrial N.V. CNH Industrial Brasil Ltda.	99.329 0.671	
BLI Group, Inc.	U.S.A.	1,000	USD	100.00	CNH Industrial America LLC	100.000	
Blue Leaf I.P. , Inc.	U.S.A.	1,000	USD	100.00	BLI Group, Inc.	100.000	
Blue Leaf Insurance Company	U.S.A.	250,000	USD	100.00	CNH Industrial America LLC	100.000	
Case Canada Receivables, Inc.	Canada	1	CAD	100.00	CNH Industrial Capital America LLC	100.000	
Case Construction Machinery (Shanghai) Co., Ltd	People's Rep.of China	14,000,000	USD	100.00	CNH Industrial N.V.	100.000	
Case Credit Holdings Limited	U.S.A.	5	USD	100.00	CNH Industrial Capital America LLC	100.000	
Case Dealer Holding Company LLC	U.S.A.	1	USD	100.00	CNH Industrial America LLC	100.000	
Case Equipment Holdings Limited	U.S.A.	5	USD	100.00	CNH Industrial America LLC	100.000	
Case Europe S.a.r.l.	France	7,622	EUR	100.00	CNH Industrial America LLC	100.000	
Case Harvesting Systems GmbH	Germany	281,211	EUR	100.00	CNH Industrial America LLC	100.000	
CASE ILE DE FRANCE	France	600,000	EUR	100.00	CNH Industrial France	100.000	
Case India Limited	U.S.A.	5	USD	100.00	CNH Industrial America LLC	100.000	
Case New Holland Construction Equipment (India) Private Limited	India	240,100,000	INR	100.00	CNH Industrial (India) Private Limited CNH Industrial America LLC	50.000 50.000	
Case New Holland Industrial Inc.	U.S.A.	55	USD	100.00	CNH Industrial U.S. Holdings Inc.	100.000	
CASE New Holland Machinery Trading (Shanghai) Co. Ltd.	People's Rep.of China	2,250,000	USD	100.00	CNH Industrial N.V.	100.000	
Case United Kingdom Limited	United Kingdom	3,763,618	GBP	100.00	CNH Industrial America LLC	100.000	
CNH (China) Management Co., Ltd.	People's Rep.of China	82,000,000	USD	100.00	CNH Industrial N.V.	100.000	
CNH (Shanghai) Equipment R&D Co., Ltd.	People's Rep.of China	7,000,000	USD	100.00	CNH Industrial N.V.	100.000	
CNH Capital Finance LLC	U.S.A.	5,000	USD	100.00	Case Credit Holdings Limited	100.000	
CNH Capital Operating Lease Equipment Receivables LLC	U.S.A.	1,000	USD	100.00	CNH Industrial Capital America LLC	100.000	
CNH Capital Receivables LLC	U.S.A.	0	USD	100.00	CNH Industrial Capital America LLC	100.000	
CNH Componentes, S.A. de C.V.	Mexico	135,634,842	MXN	100.00	CNH Industrial America LLC	100.000	
CNH Industrial (India) Private Limited	India	12,416,900,200	INR	100.00	CNH Industrial Asian Holding Limited N.V.	100.000 100.000	
CNH Industrial (Thailand) Ltd.	Thailand	354,500,000	THB	100.00	CNH Industrial N.V.	100.000	
CNH Industrial America LLC	U.S.A.	0	USD	100.00	Case New Holland Industrial Inc.	100.000	
CNH Industrial Asian Holding Limited N.V.	Belgium	25,000,000	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Australia Pty Limited	Australia	293,408,692	AUD	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Baumaschinen GmbH	Germany	61,355,030	EUR	100.00	CNH Industrial Europe Holding S.A.	100.000	
CNH Industrial Belgium N.V.	Belgium	106,081,158	EUR	100.00	CNH Industrial Europe Holding S.A. New Holland Holding Limited	88.828 11.172	
CNH Industrial BM GmbH	Austria	35,000	EUR	100.00	CNH Industrial Osterreich GmbH	100.000	
CNH Industrial Brasil Ltda.	Brazil	4,120,447,866	BRL	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Canada, Ltd.	Canada	28,000,100	CAD	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Capital (India) Private Limited	India	65,000,000	INR	100.00	CNH Industrial (India) Private Limited	100.000	
CNH Industrial Capital (Shanghai) Commercial Factoring Co. Ltd.	People's Rep.of China	20,000,000	USD	100.00	CNH Industrial Capital Australia Pty Limited	100.000	
CNH Industrial Capital America LLC	U.S.A.	1,000	USD	100.00	CNH Industrial Capital LLC	100.000	
CNH INDUSTRIAL CAPITAL ARGENTINA S.A.	Argentina	454,782,818	ARS	100.00	CNH Industrial N.V. Iveco Argentina S.A.	66.120 33.880	
CNH Industrial Capital Australia Pty Limited	Australia	70,675,693	AUD	100.00	CNH Industrial Australia Pty Limited	100.000	
CNH Industrial Capital Canada Ltd.	Canada	5,435,350	CAD	100.00	Case Credit Holdings Limited	100.000	
CNH Industrial Capital Corretora de Seguros Ltda.	Brazil	100,000	BRL	100.00	Banco CNH Industrial Capital S.A. CNH Industrial Brasil Ltda.	99.990 0.010	
CNH Industrial Capital Limited	United Kingdom	53,001,000	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Capital LLC	U.S.A.	0	USD	100.00	CNH Industrial America LLC	100.000	
CNH Industrial Capital Russia LLC	Russia	640,740,000	RUR	100.00	CNH Industrial Capital Limited	100.000	
CNH Industrial Capital Solutions S.p.A.	Italy	213,000,000	EUR	100.00	CNH Industrial N.V. CNH Industrial Capital Limited	50.100 49.900	

**Investments of CNH Industrial Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 26.91%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
CNH Industrial Danmark A/S	Denmark	12,000,000	DKK	100.00	CNH Industrial Europe Holding S.A.	100.000	
CNH Industrial Deutschland GmbH	Germany	18,457,650	EUR	100.00	CNH Industrial Baumaschinen GmbH	90.000	
					CNH Industrial Europe Holding S.A.	10.000	
CNH Industrial Europe Holding S.A.	Luxembourg	100,000,002	USD	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Finance Europe S.A.	Luxembourg	50,000,000	EUR	100.00	CNH Industrial N.V.	60.000	
					CNH Industrial Finance S.p.A.	40.000	
CNH Industrial Finance France S.A.	France	1,000,000	EUR	100.00	CNH Industrial N.V.	99.998	
CNH Industrial Finance North America, Inc.	U.S.A.	25,000,000	USD	100.00	CNH Industrial N.V.	60.000	
					CNH Industrial Finance S.p.A.	40.000	
CNH Industrial Finance S.p.A.	Italy	100,000,000	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Financial Services A/S	Denmark	500,000	DKK	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Financial Services S.A.	France	105,860,635	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial France	France	52,965,450	EUR	100.00	CNH Industrial Europe Holding S.A.	100.000	
CNH Industrial Italia s.p.a.	Italy	56,225,000	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Korea LLC	South Korea	3,500,000,000	KRW	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Kutno Polska sp. z o.o.	Poland	5,000	PLN	100.00	CNH Industrial Polska Sp. z o.o.	100.000	
CNH Industrial Machinery (Harbin) Co. Ltd.	People's Rep. of China	35,000,000	USD	100.00	CNH Industrial Asian Holding Limited	99.923	
					CNH Industrial Europe Holding S.A.	0.077	
CNH Industrial Maquinaria Spain S.A.	Spain	21,000,000	EUR	100.00	Iveco Espana S.L.	100.000	
CNH Industrial OLDICO Capital Limited	United Kingdom	2,480	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Osterreich GmbH	Austria	2,000,000	EUR	100.00	CNH Industrial N.V.	100.000	
CNH Industrial Polska Sp. z o.o.	Poland	162,591,660	PLN	100.00	CNH Industrial Belgium N.V.	100.000	
CNH Industrial Portugal-Comercio de Tractores e Maquinas Agricolas Ltda	Portugal	498,798	EUR	100.00	CNH Industrial Europe Holding S.A.	99.980	
					CNH Industrial Italia s.p.a.	0.020	
CNH Industrial Russia LLC	Russia	608,754,200	RUR	100.00	Iveco Nederland B.V.	100.000	
CNH Industrial Sales and services GmbH	Germany	25,000	EUR	100.00	CNH Industrial Baumaschinen GmbH	100.000	
CNH Industrial Services (Thailand) Limited	Thailand	10,000,000	THB	100.00	CNH Industrial Services S.r.l.	99.997	
CNH Industrial Services S.r.l.	Italy	10,400	EUR	100.00	CNH Industrial Italia s.p.a.	100.000	
CNH Industrial Sweden AB	Sweden	10,050,000	SEK	100.00	CNH Industrial N.V.	100.000	
CNH Industrial U.S. Holdings Inc.	U.S.A.	1,000	USD	100.00	CNH Industrial N.V.	100.000	
CNH Industrial UK Limited	United Kingdom	200	USD	100.00	CNH Industrial N.V.	100.000	
CNH Reman LLC	U.S.A.	4,000,000	USD	50.00	CNH Industrial America LLC	50.000	
CNH U.K. Limited	United Kingdom	25,275	GBP	100.00	New Holland Holding Limited	100.000	
CNH Wholesale Receivables LLC	U.S.A.	1,000	USD	100.00	CNH Industrial Capital America LLC	100.000	
CNHI COMERCIO DE PEÇAS LTDA	Brazil	41,626,298	BRL	100.00	CNH Industrial Brasil Ltda.	100.000	
CNHI International SA	Switzerland	100,000	CHF	100.00	CNH Industrial N.V.	100.000	
Effe Grundbesitz GmbH	Germany	10,225,838	EUR	83.77	Iveco Investitions GmbH	90.000	
F. Pegaso S.A.	Spain	60,036	EUR	100.00	Iveco Espana S.L.	99.929	
					Transolver Service S.A.	0.071	

## Investments of CNH Industrial Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 26.91%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
Farmpower Pty Limited	Australia	360	AUD	100.00	CNH Industrial Australia Pty Limited	100.000	
Fiat Powertrain Technologies Management (Shanghai) Co. Ltd.	People's Rep. of China	2,000,000	USD	100.00	FPT Industrial S.p.A.	100.000	
Fiat Powertrain Technologies of North America, Inc.	U.S.A.	1	USD	100.00	FPT Industrial S.p.A.	100.000	
Fiatalis North America LLC	U.S.A.	32	USD	100.00	CNH Industrial America LLC	100.000	
Flagship Dealer Holding Company, LLC	U.S.A.	1	USD	100.00	CNH Industrial America LLC	100.000	
Flexi-Coil (U.K.) Limited	United Kingdom	3,291,776	GBP	100.00	CNH Industrial Canada, Ltd.	100.000	
FPT - Powertrain Technologies France S.A.	France	73,444,960	EUR	100.00	Iveco France	97.140	
					CNH Industrial Finance France S.A.	2.860	
FPT Industrial S.p.A.	Italy	100,000,000	EUR	100.00	CNH Industrial N.V.	100.000	
FPT Motorenforschung AG	Switzerland	4,600,000	CHF	100.00	FPT Industrial S.p.A.	100.000	
					Société Charolaise de Participations S.A.	100.000	
Heuliez Bus S.A.S.	France	9,000,000	EUR	100.00	CNH Industrial America LLC	100.000	
HFI Holdings, Inc.	U.S.A.	1,000	USD	100.00	Iveco Investments GmbH	95.000	
IAV-Industrie-Anlagen-Verpachtung GmbH	Germany	25,565	EUR	88.42	Iveco S.p.A.	100.000	
Irisbus Italia S.p.A.	Italy	4,500,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco (China) Commercial Vehicle Sales Co. Ltd	People's Rep. of China	50,000,000	CNY	100.00	Iveco S.p.A.	100.000	
Iveco (Schweiz) AG	Switzerland	9,000,000	CHF	100.00	Iveco Nederland B.V.	100.000	
Iveco Arac Sanayi VE Ticaret A.S.	Turkey	94,698,000	TRY	100.00	CNH Industrial N.V.	100.000	
Iveco Argentina S.A.	Argentina	1,090,320,955	ARS	100.00	Iveco Espana S.L.	57.290	
					CNH Industrial Brasil Ltda.	30.328	
					FPT Industrial S.p.A.	11.442	
					Astra Veicoli Industriali S.p.A.	0.583	
					CNHI COMERCIO DE PEÇAS LTDA	0.357	
Iveco Austria GmbH	Austria	6,178,000	EUR	100.00	CNH Industrial N.V.	100.000	
Iveco Bayern GmbH	Germany	742,000	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Capital Broker de Asigurare - Reasigurare S.r.l.	Romania	150,000	RON	100.00	Iveco Capital Services S.A.	100.000	
	United Kingdom	798	GBP	100.00	CNH Industrial Capital Limited	100.000	
Iveco Capital Limited	Russia	50,000,000	RUR	100.00	CNH Industrial Capital Limited	100.000	
Iveco Capital Russia LLC	Switzerland	14,000,000	CHF	100.00	CNH Industrial Capital Limited	100.000	
Iveco Capital SA in liquidazione	Romania	22,519,326	RON	100.00	CNH Industrial Capital Limited	100.000	
Iveco Capital Services S.A.	Czech Republic	1,065,559,000	CZK	97.98	Iveco France	97.978	
Iveco Czech Republic A.S.	Denmark	501,000	DKK	100.00	CNH Industrial N.V.	100.000	
Iveco Danmark A/S	Italy	25,000,000	EUR	100.00	Iveco S.p.A.	100.000	
Iveco Defence Vehicles SpA	Spain	100,000,001	EUR	100.00	CNH Industrial N.V.	100.000	
Iveco Espana S.L.	France	2,005,600	EUR	100.00	Iveco France	100.000	
Iveco Est Sas	Finland	100,000	EUR	100.00	CNH Industrial N.V.	100.000	
Iveco Finland OY	France	92,856,130	EUR	100.00	Iveco Espana S.L.	50.326	
Iveco France					CNH Industrial N.V.	49.674	
	United Kingdom	47,000,000	GBP	100.00	CNH Industrial N.V.	100.000	
Iveco Holdings Limited	Germany	2,556,459	EUR	93.08	Iveco Magirus AG	99.020	
Iveco Investments GmbH	France	2,000,000	EUR	100.00	Iveco France	100.000	
Iveco L.V.I. S.a.s.	United Kingdom	117,000,000	GBP	100.00	Iveco Holdings Limited	100.000	
Iveco Limited	Germany	50,000,000	EUR	94.00	CNH Industrial N.V.	88.340	
Iveco Magirus AG					Iveco S.p.A.	5.660	
Iveco Magirus Fire Fighting GmbH	Germany	30,776,857	EUR	84.63	Iveco Magirus AG	90.032	
Iveco Nederland B.V.	Netherlands	21,920,549	EUR	100.00	CNH Industrial N.V.	100.000	

## Investments of CNH Industrial Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 26.91%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
Iveco Nord Nutzfahrzeuge GmbH	Germany	1,611,500	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Nord S.A.	France	2,045,701	EUR	100.00	Iveco France	99.996	
Iveco Nord-Ost Nutzfahrzeuge GmbH	Germany	2,120,000	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Norge A.S.	Norway	18,600,000	NOK	100.00	CNH Industrial N.V.	100.000	
Iveco Otomotiv Ticaret A.S.	Turkey	19,551,089	TRY	100.00	CNH Industrial N.V.	100.000	
Iveco Participations s.a.s.	France	468,656	EUR	100.00	Iveco France	100.000	
Iveco Pension Trustee Ltd	United Kingdom	2	GBP	100.00	Iveco Holdings Limited Iveco Limited	50.000 50.000	
Iveco Poland Sp. z o.o.	Poland	46,974,500	PLN	100.00	CNH Industrial N.V.	100.000	
Iveco Portugal-Comercio de Veiculos Industriais S.A.	Portugal	15,962,000	EUR	100.00	CNH Industrial N.V. Astra Veicoli Industriali S.p.A. Iveco Espana S.L.	99.998 0.001 0.001	
Iveco Provence s.a.s.	France	2,371,200	EUR	100.00	Iveco Participations s.a.s.	100.000	
Iveco Retail Limited	United Kingdom	2,744,100	GBP	100.00	Iveco Holdings Limited	100.000	
Iveco Romania S.r.l.	Romania	17,500	RON	100.00	Iveco Austria GmbH	100.000	
Iveco S.p.A.	Italy	200,000,000	EUR	100.00	CNH Industrial N.V.	100.000	
Iveco Slovakia, s.r.o.	Slovak Republic	6,639	EUR	97.98	Iveco Czech Republic A.S.	100.000	
Iveco South Africa (Pty) Ltd.	South Africa	15,100,750	ZAR	100.00	CNH Industrial N.V.	100.000	
Iveco South Africa Works (Pty) Ltd	South Africa	129,010,239	ZAR	60.00	Iveco South Africa (Pty) Ltd.	60.000	
Iveco Sud-West Nutzfahrzeuge GmbH	Germany	1,533,900	EUR	94.00	Iveco Magirus AG	100.000	
Iveco Sweden A.B.	Sweden	600,000	SEK	100.00	CNH Industrial N.V.	100.000	
Iveco Truck Services S.R.L.	Romania	2,200,200	RON	100.00	Iveco Romania S.r.l.	95.000	
					Iveco Magyarorszag Kereskedelmi KFT	5.000	
Iveco Trucks Australia Limited	Australia	47,492,260	AUD	100.00	CNH Industrial Australia Pty Limited	100.000	
Iveco Ukraine LLC	Ukraine	49,258,692	UAH	100.00	CNH Industrial N.V.	100.000	
Iveco West Nutzfahrzeuge GmbH	Germany	3,017,000	EUR	94.00	Iveco Magirus AG	100.000	
KOMERSIA AUTO s.r.o.	Czech Republic	10,000,000	CZK	100.00	CNH Industrial N.V.	100.000	
KOMERSIA WEST s.r.o.	Czech Republic	20,000,000	CZK	100.00	KOMERSIA AUTO s.r.o.	100.000	
MAGIRUS CAMIVA S.a.s. (società par azioni semplificata)	France	1,870,169	EUR	84.63	Iveco Magirus Fire Fighting GmbH	100.000	
Magirus GmbH	Germany	6,493,407	EUR	84.43	Iveco Magirus Fire Fighting GmbH	99.764	
Magirus Lohr GmbH	Austria	1,271,775	EUR	84.43	Magirus GmbH	100.000	
MBA AG	Switzerland	4,000,000	CHF	100.00	CNH Industrial N.V.	100.000	
Mediterranea de Camiones S.L.	Spain	48,080	EUR	100.00	Iveco Espana S.L. CNH Industrial N.V.	99.875 0.125	
New Holland Construction Machinery S.p.A.	Italy	12,396,363	EUR	100.00	CNH Industrial Italia s.p.a.	100.000	
New Holland Credit Company, LLC	U.S.A.	0	USD	100.00	CNH Industrial Capital LLC	100.000	
New Holland Holding Limited	United Kingdom	33,601	GBP	100.00	CNH Industrial Europe Holding S.A.	100.000	
New Holland Ltd	United Kingdom	1,000,000	GBP	100.00	CNH Industrial N.V.	100.000	
New Holland Tractor Ltd.	United Kingdom	184,100	GBP	100.00	New Holland Holding Limited	100.000	
O & K - Hille GmbH	Germany	25,565	EUR	100.00	CNH Industrial Baumaschinen GmbH	100.000	
Officine Brennero S.p.A.	Italy	2,833,830	EUR	100.00	Iveco S.p.A.	100.000	
OOO Iveco Russia	Russia	868,545,000	RUR	100.00	CNH Industrial N.V. Iveco Austria GmbH	99.960 0.040	
Receivables Credit II Corporation	Canada	1	CAD	100.00	CNH Industrial Capital America LLC	100.000	
S.A. Iveco Belgium N.V.	Belgium	6,000,000	EUR	100.00	CNH Industrial N.V. Iveco Nederland B.V.	99.983 0.017	
SAIC Fiat Powertrain Hongyan Co. Ltd.	People's Rep. of China	580,000,000	CNY	60.00	SAIC IVECO Commercial Vehicle Investment Company Limited FPT Industrial S.p.A.	60.000 30.000	
Seddon Atkinson Vehicles Ltd	United Kingdom	41,700,000	GBP	100.00	Iveco Holdings Limited	100.000	
Shanghai New Holland Agricultural Machinery Corporation Limited	People's Rep. of China	67,000,000	USD	60.00	CNH Industrial Asian Holding Limited N.V.	60.000	
Société Charolaise de Participations S.A.	France	2,370,000	EUR	100.00	Iveco Espana S.L.	100.000	
Société de Diffusion de Vehicules Industriels-SDVI S.A.S.	France	7,022,400	EUR	100.00	Iveco France	100.000	
Steyr Center Nord GmbH	Austria	35,000	EUR	100.00	CNH Industrial Osterreich GmbH	100.000	
Transolver Service S.A.	Spain	610,000	EUR	100.00	CNH Industrial Capital Limited Iveco Espana S.L.	99.984 0.016	
Transolver Services S.A.S.	France	38,000	EUR	100.00	CNH Industrial Capital Limited	100.000	
UAB Iveco Capital Baltic	Lithuania	40,110	EUR	100.00	CNH Industrial Capital Limited	100.000	
Uzcaseagroleasing LLC	Uzbekistan	5,000,000	USD	51.00	Case Credit Holdings Limited	51.000	
UzCaseMash LLC	Uzbekistan	15,000,000	USD	60.00	Case Equipment Holdings Limited	60.000	
UzCaseService LLC	Uzbekistan	4,117,500	USD	51.00	Case Equipment Holdings Limited	51.000	
UzCaseTractor LLC	Uzbekistan	15,000,000	USD	51.00	Case Equipment Holdings Limited	51.000	
Zona Franca Alari Sepauto S.A.	Spain	520,560	EUR	51.87	Iveco Espana S.L.	51.867	

## Investments of Ferrari Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 23.52%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Business Auto: Marchi di Lusso e Sportivi</i>							
410 Park Display Inc.	U.S.A.	100 USD			100 Ferrari North America Inc.	100,000	
Ferrari Australasia Pty Limited	Australia	2.000.100 AUD			100 Ferrari S.p.A.	100,000	
Ferrari Central / East Europe GmbH	Germany	1.000.000 EUR			100 Ferrari S.p.A.	100,000	
Ferrari Far East PTE LTD	Singapore	1.000.000 SGD			100 Ferrari S.p.A.	100,000	
Ferrari Financial Services S.p.A.	Italy	5.100.000 EUR			100 Ferrari S.p.A.	100,000	
Ferrari Financial Services, Inc.	U.S.A.	1.000 USD			100 Ferrari Financial Services S.p.A.	100,000	
Ferrari Japan KK	Japan	160.050.000 JPY			100 Ferrari S.p.A.	100,000	
Ferrari Management Consulting (Shanghai) CO., LTD	China	2.100.000 USD			100 Ferrari S.p.A.	100,000	
Ferrari North America Inc.	U.S.A.	200.000 USD			100 Ferrari S.p.A.	100,000	
Ferrari S.p.A.	Italy	20.260.000 EUR			100 Ferrari N.V.	100,000	
Ferrari South West Europe S.A.R.L.	France	172.000 EUR			100 Ferrari S.p.A.	100,000	
GSA-Gestions Sportives Automobiles S.A.	Switzerland	1.000.000 CHF			100 Ferrari S.p.A.	100,000	
Mugello Circuit S.p.A.	Italy	10.000.000 EUR			100 Ferrari S.p.A.	100,000	
Ferrari Auto Securitization Transaction LLC	U.S.A.	100 USD			100 Ferrari Financial Services, Inc.	100,000	
Ferrari Auto Securitization Transaction - Lease, LLC	U.S.A.	100 USD			100 Ferrari Financial Services, Inc.	100,000	
Ferrari Auto Securitization Transaction - Select, LLC	U.S.A.	100 USD			100 Ferrari Financial Services, Inc.	100,000	
Ferrari (HK) Limited	Hong Kong	10000 HKD			100 Ferrari S.p.A.	100,000	
Ferrari Cars International Trading (Shanghai) Co. Ltd.	China	2.212.500 USD			80 Ferrari S.p.A.	80,000	

## Investments of PartnerRe Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 100%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Reinsurances</i>							
Partner Reinsurance Company Ltd.	Bermuda	3,000,000.00 USD		100.00	PartnerRe Ltd.	100.000	
Lorenz Re Ltd.	Bermuda	499,999,901.00 USD		100.00	Partner Reinsurance Company Ltd. Third Parties	0.000 100.000	100.000 0.000
Raccoon River Re Ltd	Bermuda	1.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
Partner Reinsurance Life Company of Bermuda Ltd.	Bermuda	250,000.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
PartnerRe Corporate Member Limited	United Kingdom	1.00 GBP		100.00	Partner Reinsurance Company Ltd.	100.000	
PartnerRe Corporate Member 2 Limited	United Kingdom	100.00 GBP		100.00	Partner Reinsurance Company Ltd.	100.000	
Mercalli Re Ltd.	Bermuda	10,001.00 USD		100.00	Mercalli Investment Holding Company Ltd. Mercalli ILS Master Fund Ltd.	100.000 100.000	0.000
Partner Reinsurance Asia Pte. Ltd.	Singapore	386,000,000.00 SGD		100.00	PartnerRe Ltd.	100.000	
PartnerRe Connecticut Inc.	U.S.A.	1,000.00 USD		100.00	PartnerRe Holdings Europe Limited	100.000	
Partner Reinsurance Europe SE	Ireland	1,000,000,000.00 EUR		100.00	PartnerRe Holdings SA	100.000	
PartnerRe Miami Inc.	U.S.A.	1,000.00 USD		100.00	Partner Reinsurance Europe SE	100.000	
PartnerRe America Insurance Company	U.S.A.	55,000.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
Partner Reinsurance Company of the U.S.	U.S.A.	9,600.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Insurance Company of New York.	U.S.A.	300,000.00 USD		100.00	Partner Reinsurance Company of the U.S.	100.000	
Presidio Reinsurance Group, Inc.	U.S.A.	800,000.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
Presidio Excess Insurance Services Inc.	U.S.A.	10,000.00 USD		100.00	Presidio Reinsurance Group, Inc.	100.000	
Presidio Reinsurance Corporation	U.S.A.	10,000.00 USD		100.00	Presidio Reinsurance Group, Inc.	100.000	
PartnerRe Life Reinsurance Company of Canada	Canada	84,630,000.00 CAD		100.00	Aurigen Europe Holdings B.V.	100.000	
PartnerRe Life Reinsurance Company of America	U.S.A.	2,500,000.00 USD		100.00	Aurigen USA Holdings Inc.	100.000	
Aurigen Europe Holding B.V.	Netherlands	18,000.00 EUR		100.00	Aurigen Capital Limited	100.000	
Aurigen USA Holdings Inc.	U.S.A.	10.00 USD		100.00	Aurigen Capital Limited	100.000	
<i>Insurance</i>							
PartnerRe Ireland Insurance dac	Ireland	3,000,000.00 EUR		100.00	PartnerRe Holdings Europe Limited	100.000	

## Investments of PartnerRe Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 100%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<b>Holdings and Others</b>							
PartnerRe Services Ltd.	Bermuda	12,000.00 USD		100.00	PartnerRe Ltd.	100.000	
PartnerRe Servicios Compañia Limitada	Chile	70,000,000.00 CLP		100.00	PartnerRe Services Ltd.	1.000	
					Partner Reinsurance Company Ltd.	99.000	
PartnerRe America Services Company S.A. de C.V.	Mexico	10,000.00 MXN		100	PartnerRe Services Ltd.	1.000	
					Partner Reinsurance Company Ltd.	99.000	
PartnerRe Holdings Europe Limited	Ireland	100,000.00 EUR		100.00	PartnerRe Ltd.	100.000	
PartnerRe Holdings B.V.	Netherlands	2,000.00 EUR		100.00	PartnerRe Holdings Europe Limited	100.000	
PartnerRe Holdings SA	France	40,889,248.00 EUR		100.00	PartnerRe Holdings Europe Limited	100.000	
Partner Reinsurance Europ SE- Escritório de Representação no Brasil Ltda.	Brazil	1,153,600.00 BRL		100.00	PartnerRe Holdings Europe Limited	1.000	
					Partner Reinsurance Europe SE	99.000	
PartnerRe U.S. Corporation	U.S.A.	1,000.00 USD		100.00	PartnerRe Holdings Europe Limited	100.000	
PartnerRe Management Ltd.	United Kingdom	1,000.00 USD		100.00	Presidio Reinsurance Group, Inc.	100.000	
Aurigen Capital Limited	Bermuda	326,741.00 USD		100.00	PartnerRe Ltd.	100.000	
Aurigen Reinsurance Limited	Canada	281,000.00 CAD		100.00	Aurigen Capital Limited	100.000	
<b>Others Financial</b>							
PPF Holdings I Ltd.	Bermuda	12,000.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
PPF Holdings II Ltd.	Bermuda	12,000.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
PPF Holdings III Ltd.	Bermuda	12,000.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
PartnerRe Capital Investments Corp.	U.S.A.	200.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
LFR Collections LLC	U.S.A.	N/A USD		100.00	PartnerRe Capital Investments Corp.	100.000	
Almandine I LLC	U.S.A.	N/A USD		95.00	PartnerRe Capital Investments Corp.	100.000	
Mercalli Investment Holding Company Ltd.	Bermuda	10,000.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
					Mercalli Investment Holding Company Ltd.	100.000	
Mercalli ILS Master Fund Ltd.	Bermuda	1.00 USD		100.00	Mercalli ILS Bermuda Feeder Fund Ltd.	100.000	0.000
					Mercalli Investment Holding Company Ltd.	100.000	
Mercalli ILS Bermuda Feeder Fund Ltd.	Bermuda	10,001.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	0.000
PartnerRe Holdings Switzerland GmbH	Switzerland	441,140,000.00 CHF		100.00	PartnerRe Holdings Europe Limited	200.000	100
PartnerRe Financing Ltd	Bermuda	300.00 USD		100.00	PartnerRe Holdings Switzerland GmbH	100.000	
PPF Finance LLC	U.S.A.	N/A USD		100.00	PartnerRe U.S. Corporation	100.000	
Peninsula Coinvestment II, LLC	U.S.A.	N/A USD		100.00	PPF Finance LLC	100.000	
PartnerRe Finance A LLC	U.S.A.	N/A USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Finance B LLC	U.S.A.	N/A USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Finance C LLC	U.S.A.	N/A USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Asset Management Corporation	U.S.A.	200.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
					PartnerRe Asset Management Corporation	100.000	
PartnerRe Principal Finance Inc.	U.S.A.	200.00 USD		100.00	Corporation	100.000	
Mercalli Investment Management Inc.	U.S.A.	200.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Finance I Inc.	U.S.A.	100.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Finance II Inc	U.S.A.	100.00 USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Capital Trust II	U.S.A.	N/A USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Capital Trust III	U.S.A.	N/A USD		100.00	PartnerRe U.S. Corporation	100.000	
PartnerRe Underwriting Management Ltd	Bermuda	1.00 USD		100.00	Partner Reinsurance Company Ltd.	100.000	
PartnerRe Ireland Finance Dac	Ireland	1.00 EUR		100.00	PartnerRe Holding Europe Ltd.	100.000	
					Mercalli Investment Holding Company Ltd.	100.000	
Mercalli ILS Feeder Fund LLC	U.S.A.	N/A USD		100.00	Ltd.	100.000	

## Investments of PartnerRe Group consolidated on a line-by-line basis (percentage of EXOR Group consolidation: 100%)

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>BRANCH - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Reinsurances</i>							
Partner Reinsurance Company of the U.S. Canada Branch	Canada		N/A CAD	100.00	Partner Reinsurance Company of the U.S.	100.000	
Partner Reinsurance Europe SE, Succursale Fracaise	France		N/A EUR	100.00	Partner Reinsurance Europe SE	100.000	
Partner Reinsurance Europe SE, Dublin, Zurich Branch	Switzerland		N/A USD	100.00	Partner Reinsurance Europe SE	100.000	
Partner Reinsurance Europe SE (Dubai Branch)	United Arab Emirates		N/A AED	100.00	Partner Reinsurance Europe SE	100.000	
Partner Reinsurance Europe SE United Kingdom Branch	United Kingdom		N/A GBP	100.00	Partner Reinsurance Europe SE	100.000	
Partner Reinsurance Europe SE (Hong Kong Branch)	Hong Kong		N/A USD	100.00	Partner Reinsurance Europe SE	100.000	
Partner Reinsurance Asia Pte Ltd. Labuan Branch	Malaysia		N/A USD	100.00	Partner Reinsurance Asia Pte. Ltd.	100.000	
Partner Reinsurance Company Ltd. (Canada Life Branch)	Canada		N/A USD	100.00	Partner Reinsurance Company Ltd.	100.000	
<i>Insurance</i>							
PartnerRe Ireland Insurance dac, United Kingdom Branch	United Kingdom		N/A GBP	100.00	PartnerRe Ireland Insurance Limited	100.000	
<i>Holdings and Others</i>							
PartnerRe Holdings Europe Limited, Dublin, Zurich Branch	Switzerland		N/A USD	100.00	PartnerRe Holdings Europe Limited	100.000	
<b>JOINTLY-CONTROLLED ENTITIES - CONSOLIDATED ON A LINE-BY-LINE BASIS</b>							
<i>Reinsurances</i>							
Mamda Re	Morocco	3,000,000.00 MAD		30.00	PartnerRe Holdings Europe Limited	30.000	

## Investments of the Holdings System accounted for by the equity method

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>ASSOCIATED COMPANIES - ACCOUNTED FOR USING THE EQUITY METHOD</b>							
<i>Publishing and Communications</i>							
The Economist Newspaper Ltd.	Great Britain	1,260,005.00 GBP		43.40	EXOR S.A.	34.722	20.000
<i>Other</i>							
Welltec International APS	Denmark	4,894,994.00 DKK		21.24	EXOR N.V.	21.23	21.23

**Investments of FCA Group accounted for by the equity method (percentage of EXOR Group consolidation: 29.18%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>JOINTLY-CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>							
<i>Mass-Market Vehicles</i>							
<b>NAFTA</b>							
United States Council for Automotive Research LLC	U.S.A.		100 USD	33.33	FCA US LLC	33.330	
<b>APAC</b>							
GAC FIAT Chrysler Automobiles Co. Ltd.	People's Rep. of China	6,000,000,000	CNY	50.00	Fiat Chrysler Automobiles N.V.	21.667	
					FCA Asia Pacific Investment Co. Ltd.	18.333	
					FCA Italy S.p.A.	10.000	
GAC FIAT CHRYSLER AUTOMOBILES SALES CO. Ltd.	People's Rep. of China	200,000,000	CNY	50.00	GAC FIAT Chrysler Automobiles Co. Ltd.	100.000	
<b>EMEA</b>							
FCA BANK S.p.A.	Italy	700,000,000	EUR	50.00	FCA Italy S.p.A.	50.000	
FCA AUTOMOTIVE SERVICES UK LTD.	United Kingdom	50,250,000	GBP	50.00	FCA BANK S.p.A.	100.000	
FCA Bank Deutschland G.m.b.H.	Germany	39,600,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Bank G.m.b.H.	Austria	5,000,000	EUR	50.00	FCA BANK S.p.A.	50.000	
					Fidis S.p.A.	25.000	
FCA CAPITAL BELGIUM S.A.	Belgium	3,718,500	EUR	50.00	FCA BANK S.p.A.	99.999	
FCA CAPITAL DANMARK A/S	Denmark	14,154,000	DKK	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL ESPANA E.F.C. S.A.	Spain	26,671,557	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL FRANCE S.A.	France	11,360,000	EUR	50.00	FCA BANK S.p.A.	99.999	
FCA CAPITAL HELLAS S.A.	Greece	1,200,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Capital Nederland B.V.	Netherlands	3,085,800	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL NORGE AS	Norway	100,800	NOK	50.00	FCA CAPITAL DANMARK A/S	100.000	
FCA CAPITAL PORTUGAL INSTITUIÇÃO FINANCEIRA DE CRÉDITO SA	Portugal	10,000,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL RE Designated Activity Company	Ireland	1,000,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Capital Suisse S.A.	Switzerland	24,100,000	CHF	50.00	FCA BANK S.p.A.	100.000	
FCA CAPITAL SVERIGE AB	Sweden	50,000	SEK	50.00	FCA CAPITAL DANMARK A/S	100.000	
FCA DEALER SERVICES ESPANA S.A.	Spain	25,145,299	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA DEALER SERVICES PORTUGAL S.A.	Portugal	500,300	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA DEALER SERVICES UK LTD.	United Kingdom	20,500,000	GBP	50.00	FCA BANK S.p.A.	100.000	
FCA INSURANCE HELLAS S.A.	Greece	60,000	EUR	49.99	FCA CAPITAL HELLAS S.A.	99.975	
FCA LEASING FRANCE SNC	France	8,954,581	EUR	50.00	FCA CAPITAL FRANCE S.A.	99.998	
FCA Leasing GmbH	Austria	40,000	EUR	50.00	FCA BANK S.p.A.	100.000	
FCA Leasing Polska Sp. z o.o.	Poland	24,384,000	PLN	50.00	FCA BANK S.p.A.	100.000	
FCA-Group Bank Polska S.A.	Poland	125,000,000	PLN	50.00	FCA BANK S.p.A.	100.000	
Ferrari Financial Services GMBH	Germany	1,777,600	EUR	25.00	FCA BANK S.p.A.	50.000	
LEASYS FRANCE S.A.S.	France	3,000,000	EUR	50.00	Leasys S.p.A.	100.000	
Leasys S.p.A.	Italy	77,979,400	EUR	50.00	FCA BANK S.p.A.	100.000	
LEASYS UK LTD.	United Kingdom	19,000,000	GBP	50.00	Leasys S.p.A.	100.000	
FER MAS Oto Ticaret A.S.	Turkey	5,500,000	TRY	37.64	Tofas-Turk Otomobil Fabrikasi A.S.	99.418	
Koc Fiat Kredi Tuketici Finansmani A.S.	Turkey	30,000,000	TRY	37.86	Tofas-Turk Otomobil Fabrikasi A.S.	100.000	
Tofas-Turk Otomobil Fabrikasi A.S.	Turkey	500,000,000	TRY	37.86	FCA Italy S.p.A.	37.856	
<b>Components and Production Systems</b>							
<b>Magneti Marelli</b>							
Hubei Huazhoung Magneti Marelli Automotive Lighting Co. Ltd	People's Rep. of China	138,846,000	CNY	50.00	Automotive Lighting Reutlingen GmbH	50.000	
Magneti Marelli Motherson Auto System Private Limited	India	1,500,000,000	INR	50.00	Magneti Marelli S.p.A.	37.333	0.000
					Magneti Marelli Motherson India Holding B.V.	25.333	100.000
Magneti Marelli Motherson India Holding B.V.	Netherlands	2,114,074	EUR	50.00	Magneti Marelli S.p.A.	50.000	
Magneti Marelli Motherson Shock Absorbers (India) Private Limited	India	2,269,000,000	INR	50.00	Magneti Marelli S.p.A.	50.000	
Magneti Marelli SKH Exhaust Systems Private Limited	India	274,190,000	INR	50.00	Magneti Marelli S.p.A.	50.000	
Magneti Marelli Talbro Chassis Systems Pvt. Ltd.	India	235,600,000	INR	50.00	Sistemi Sospensioni S.p.A.	50.000	
SAIC MAGNETI MARELLI Powertrain Co. Ltd	People's Rep. of China	23,000,000	EUR	50.00	Magneti Marelli S.p.A.	50.000	
SKH Magneti Marelli Exhaust Systems Private Limited	India	95,450,000	INR	46.62	Magneti Marelli S.p.A.	46.621	50.000
Zhejiang Wanxiang Magneti Marelli Shock Absorbers Co. Ltd.	People's Rep. of China	100,000,000	CNY	50.00	Magneti Marelli S.p.A.	50.000	
<b>Teksid</b>							
Hua Dong Teksid Automotive Foundry Co. Ltd.	People's Rep. of China	385,363,500	CNY	50.00	Teksid S.p.A.	50.000	

**Investments of FCA Group accounted for by the equity method (percentage of EXOR Group consolidation: 29.18%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES ACCOUNTED FOR USING THE EQUITY METHOD</b>							
<i>Mass-Market Vehicles</i>							
<b>EMEA</b>							
AC Austro Car Handelsgesellschaft m.b.h. & Co. OHG	Austria	0	EUR	100.00	FCA AUSTRO CAR GmbH	100.000	
ALFA ROMEO LLC	U.S.A.	0	USD	100.00	FCA North America Holdings LLC	100.000	
Chrysler France S.A.S.	France	460,000	EUR	100.00	CG EU NSC LIMITED	100.000	
Chrysler Jeep Ticaret A.S.	Turkey	5,357,000	TRY	100.00	CG EU NSC LIMITED FCA US LLC	99.960 0.040	
Chrysler Polska Sp.z o.o.	Poland	30,356,000	PLN	100.00	CG EU NSC LIMITED	100.000	
Fiat Automobiles S.p.A. in liquidation	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER AUTOMOBILES CR s.r.o.	Czech Republic	1,000,000	CZK	100.00	FCA Italy S.p.A.	100.000	
FIAT CHRYSLER AUTOMOBILES SR s.r.o.	Slovak Republic	33,194	EUR	100.00	FCA Italy S.p.A.	100.000	
Fiat Professional S.p.A. in liquidation	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
GESTIN POLSKA Sp. z o.o.	Poland	500,000	PLN	100.00	FCA POLAND Spółka Akcyjna	100.000	
Italcara SA	Morocco	4,000,000	MAD	99.90	Fiat Chrysler Automobiles Morocco S.A.	99.900	
Lancia Automobiles S.p.A. in liquidation	Italy	120,000	EUR	100.00	FCA Italy S.p.A.	100.000	
NEW BUSINESS 37 S.p.A.	Italy	50,000	EUR	100.00	FCA Real Estate Services S.p.A.	100.000	
Sirio Polska Sp. z o.o.	Poland	1,350,000	PLN	100.00	FCA POLAND Spółka Akcyjna	100.000	
<i>Components and Production Systems</i>							
<b>Magneti Marelli</b>							
Cofap Fabricadora de Pecas Ltda	Brazil	75,720,716	BRL	68.34	Magneti Marelli do Brasil Industria e Comercio Ltda	68.350	
<b>Comau</b>							
COMAU (THAILAND) CO. LTD	Thailand	10,000,000	THB	100.00	Comau S.p.A.	99.997	
COMAU Czech s.r.o.	Czech Republic	5,400,000	CZK	100.00	Comau S.p.A.	100.000	
Comau Do Brasil Facilities Ltda.	Brazil	10,000,000	BRL	100.00	Comau do Brasil Industria e Comercio Ltda.	100.000	
Comau Robot ve Sistemleri A.S	Turkey	1,210,000	TRY	100.00	Comau S.p.A.	100.000	
IUVO SRL	Italy	61,224	EUR	26.01	SYNEXO S.R.L.	51.000	
SYNEXO S.R.L.	Italy	10,000	EUR	51.00	Comau S.p.A.	51.000	
<i>Other Activities:Holding companies and Other companies</i>							
Fiat (Beijing) Business Co., Ltd.	People's Rep.of China	3,000,000	USD	100.00	FCA Partecipazioni S.p.A.	100.000	
Fiat Chrysler Rimaco Argentina S.A.	Argentina	150,000	ARS	99.96	Fiat Chrysler Rimaco SA	99.960	
Fiat Chrysler Rimaco Brasil Corretagens de Seguros Ltda.	Brazil	365,525	BRL	100.00	Fiat Chrysler Rimaco SA	99.998	
<b>Associated companies accounted for using the equity method</b>							
<i>Mass-Market Vehicles</i>							
<b>APAC</b>							
Hangzhou IVECO Automobile Transmission Technology Co., Ltd.	People's Rep.of China	795,000,000	CNY	50.00	FCA Partecipazioni S.p.A.	50.000	
<b>EMEA</b>							
Arab American Vehicles Company S.A.E.	Egypt	6,000,000	USD	49.00	FCA US LLC	49.000	
<i>Components and Production Systems</i>							
<b>Magneti Marelli</b>							
FMM Pernambuco Componentes Automotivos Ltda	Brazil	209,180,100	BRL	49.00	Plastic Components and Modules Automotive S.p.A.	49.000	
HMC MM Auto Ltd	India	434,500,000	INR	40.00	Magneti Marelli S.p.A.	40.000	
<i>Other Activities:Holding companies and Other companies</i>							
Iveco-Motor Sich, Inc.	Ukraine	26,568,000	UAH	38.62	FCA Partecipazioni S.p.A.	38.618	
Otoyol Sanayi A.S. in liquidation	Turkey	52,674,386	TRY	27.00	FCA Partecipazioni S.p.A.	27.000	

**Investments of CNH Industrial Group accounted for by the equity method (percentage of EXOR Group consolidation: 26.91%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>JOINTLY-CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>							
Case Mexico S.A. de C.V.	Mexico	810,000	MXN	50.00	CNH de Mexico SA de CV	100.000	
Case Special Excavators N.V.	Belgium	1,100,000	EUR	50.00	CNH Industrial N.V.	50.000	
CNH Comercial, SA de C.V.	Mexico	160,050,000	MXN	50.00	CNH de Mexico SA de CV	100.000	
CNH de Mexico SA de CV	Mexico	165,276,000	MXN	50.00	CNH Industrial N.V.	50.000	
CNH Industrial S.A. de C.V.	Mexico	400,050,000	MXN	50.00	CNH de Mexico SA de CV	100.000	
CNH Servicios Comerciales, S.A. de C.V., SOFOM, E.N.R.	Mexico	50,000,000	MXN	50.00	CNH Industrial N.V.	50.000	
CNH Servicios Corporativos S.A. de C.V.	Mexico	375,000	MXN	50.00	CNH de Mexico SA de CV	99.999	
IVECO – OTO MELARA Società Consortile a responsabilità limitata	Italy	40,000	EUR	50.00	Iveco Defence Vehicles SpA	50.000	
Iveco Acentro S.p.A.	Italy	764,530	EUR	50.00	Iveco S.p.A.	50.000	
Iveco Orecchia S.p.A.	Italy	8,000,000	EUR	50.00	Iveco S.p.A.	50.000	
Naveco (Nanjing IVECO Motor Co.) Ltd.	People's Rep. of China	2,527,000,000	CNY	50.00	Iveco S.p.A.	50.000	
New Holland HFT Japan Inc.	Japan	240,000,000	JPY	50.00	CNH Industrial N.V.	50.000	
SAIC IVECO Commercial Vehicle Investment Company Limited	People's Rep. of China	224,500,000	USD	50.00	Iveco S.p.A.	50.000	
Türk Traktor ve Ziraat Makineleri A.S.	Turkey	53,369,000	TRY	37.50	CNH Industrial Österreich GmbH	37.500	
<b>ASSOCIATED COMPANIES - ACCOUNTED FOR USING THE EQUITY METHOD</b>							
Al-Ghazi Tractors Ltd	Pakistan	289,821,005	PKR	43.17	CNH Industrial N.V.	43.169	
CNH Industrial Capital Europe S.a.S.	France	88,482,297	EUR	49.90	CNH Industrial N.V.	49.900	
Farm FZCO	United Arab Emirates	6,600,000	AED	28.79	CNH Industrial Italia s.p.a.	28.788	
IVECO-AMT Ltd.	Russia	65,255,056	RUR	33.33	CNH Industrial N.V.	33.330	
Transolver Finance Establecimiento Financiero de Credito S.A.	Spain	29,315,458	EUR	49.00	CNH Industrial N.V.	49.000	

**Investments of PartnerRe Group accounted for by the equity method (percentage of EXOR Group consolidation: 100%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>JOINTLY-CONTROLLED ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD</b>							
<b>Reinsurances</b>							
Orange Grove Re Ltd.	Bermuda	12,000.00	USD	100.00	Orange Grove Re Holdings Limited	41.500	
Entitle Direct Group, Inc.	U.S.A.	85,000,000.00	USD	95.70	Partner Reinsurance Company Ltd.	36.000	
<b>ASSOCIATED COMPANIES - ACCOUNTED FOR USING THE EQUITY METHOD</b>							
<b>Real Estate</b>							
ALMACANTAR GROUP S.A.	Luxembourg	587,660,998.00	GBP	35.82	Partner Reinsurance Company Ltd.	35.820	

**Investments of Juventus Football Club accounted for by the equity method (percentage of EXOR Group consolidation: 63.77%)**

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>JOINTLY-CONTROLLED ENTITIES - ACCOUNTED FOR USING THE EQUITY METHOD</b>							
<b>Others Companies</b>							
J Medical S.r.l.	Italy	59,000.00	EUR	50.00	Juventus Football Club S.p.A.	50.000	

## Investments of FCA Group valued at cost

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>Subsidiaries valued at cost</b>							
<b>Mass-Market Vehicles</b>							
<b>NAFTA</b>							
FCA Co-Issuer Inc.	U.S.A.	100 USD		100.00	FCA US LLC	100.000	
FCA DUTCH OPERATING LLC	U.S.A.	0 USD		100.00	CNI C.V.	100.000	
FCA Foundation	U.S.A.	0 USD		100.00	FCA US LLC	100.000	
FCA INTERMEDIATE MEXICO LLC	U.S.A.	1 USD		100.00	Chrysler Mexico Investment Holdings Cooperatie U.A.	100.000	
Fundacion Chrysler, I.A.P.	Mexico	0 MXN		100.00	FCA Mexico, S.A. de C.V.	100.000	
FUNDACION FCA, A.C.	Mexico	2 MXN		100.00	FCA Mexico, S.A. de C.V. FCA MINORITY LLC	50.000 50.000	
<b>EMEA</b>							
Associazione Tecnica dell'Automobile Consulting & Solutions s.r.l. in liquidation	Italy	49,000 EUR		100.00	FCA ITALY HOLDINGS S.p.A.	100.000	
Chrysler Netherlands Holding Cooperatie U.A.	Netherlands	0 EUR		100.00	CNI C.V. FCA DUTCH OPERATING LLC	99.000 1.000	
Chrysler UK Pension Trustees Limited	United Kingdom	1 GBP		100.00	Chrysler UK Limited	100.000	
CODEFIS Società consortile per azioni	Italy	120,000 EUR		51.00	FCA Italy S.p.A.	51.000	
Consorzio ATA - FORMAZIONE	Italy	18,319 EUR		100.00	C.R.F. Società Consortile per Azioni FCA Real Estate Services S.p.A.	90.998 9.002	
CONSORZIO FCA CNHI ENERGY	Italy	7,000 EUR		57.14	Comau S.p.A. FCA Italy S.p.A. Plastic Components and Modules Automotive S.p.A. Teksid S.p.A.	14.286 14.286 14.286 14.286	
Consorzio Servizi Balocco	Italy	10,100 EUR		86.11	FCA Italy S.p.A. Maserati S.p.A. Abarth & C. S.p.A. FCA Real Estate Services S.p.A.	80.663 2.901 1.554 0.990	
FAS FREE ZONE Ltd. Kragujevac	Serbia	2,281,603 RSD		66.67	FCA SERBIA DOO KRAGUJEVAC	100.000	
FCA Russia S.r.l.	Italy	253,565 EUR		100.00	FCA Italy S.p.A.	100.000	
Fiat Motor Sales Ltd	United Kingdom	1,500,000 GBP		100.00	FIAT CHRYSLER AUTOMOBILES UK Ltd	100.000	
OOO "CABEKO"	Russia	181,869,062 RUB		100.00	FCA Russia S.r.l. FCA Italy S.p.A.	99.591 0.409	
VM North America Inc.	U.S.A.	1,000 USD		100.00	FCA Italy S.p.A.	100.000	
<b>Components and Production Systems</b>							
<b>Magneti Marelli</b>							
SBH EXTRUSAO DO BRASIL LTDA.	Brazil	15,478,371 BRL		99.99	Plastic Components and Modules Automotive S.p.A.	100.000	
<b>Comau</b>							
Consorzio Fermag in liquidation	Italy	144,608 EUR		68.00	Comau S.p.A.	68.000	
<b>Other Activities: Holding companies and Other companies</b>							
FCA Newco LLC	U.S.A.	1 USD		100.00	Maserati North America Inc.	100.000	
Fiat Chrysler Finance Netherlands B.V.	Netherlands	1 EUR		100.00	Fiat Chrysler Automobiles N.V.	100.000	
Fiat Common Investment Fund Limited	United Kingdom	2 GBP		100.00	Fiat Chrysler Automobiles Services UK Limited	100.000	
Fiat Oriente S.A.E. in liquidation	Egypt	50,000 EGP		100.00	FCA Partecipazioni S.p.A.	100.000	
Isvor Fiat India Private Ltd. in liquidation	India	1,750,000 INR		100.00	FCA Partecipazioni S.p.A.	100.000	
New Business 29 S.c.r.l.	Italy	50,000 EUR		100.00	FCA Partecipazioni S.p.A. Fiat Chrysler Automobiles N.V.	80.000 20.000	
New Business 31 S.p.A.	Italy	120,000 EUR		100.00	FCA Partecipazioni S.p.A.	100.000	
New Business 35 s.r.l.	Italy	50,000 EUR		100.00	FCA Partecipazioni S.p.A.	100.000	
New Business 36 s.r.l.	Italy	50,000 EUR		100.00	FCA Partecipazioni S.p.A.	100.000	

## Investments of FCA Group valued at cost

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>Associated companies valued at cost</b>							
<i>Mass-Market Vehicles</i>							
<b>LATAM</b>							
FCA Venezuela LLC	U.S.A.	132,474,694	USD	100.00	CG Venezuela UK Holdings Limited	100.000	
<b>EMEA</b>							
Consorzio per la Reindustrializzazione Area di Arese S.r.l. in liquidation	Italy	20,000	EUR	30.00	FCA Italy S.p.A.	30.000	
Innovazione Automotive e Metalmeccanica Scrl	Italy	115,000	EUR	23.75	FCA Italy S.p.A. C.R.F. Società Consortile per Azioni Sistemi Sospensioni S.p.A.	15.077 8.465 0.211	
Tecnologie per il Calcolo Numerico-Centro Superiore di Formazione S.c. a r.l.	Italy	100,000	EUR	25.00	C.R.F. Società Consortile per Azioni	25.000	
Turin Auto Private Ltd. in liquidation	India	43,300,200	INR	50.00	FCA ITALY HOLDINGS S.p.A.	50.000	
<i>Components and Production Systems</i>							
<b>Magneti Marelli</b>							
Bari Servizi Industriali S.c.r.l.	Italy	24,000	EUR	25.00	Magneti Marelli S.p.A.	25.000	
DTR VMS Italy S.r.l.	Italy	1,000,000	EUR	40.00	Magneti Marelli S.p.A.	40.000	
Mars Seal Private Limited	India	400,000	INR	24.00	Magneti Marelli France S.a.s.	24.000	
Matay Otomotiv Yan Sanay Ve Ticaret A.S.	Turkey	3,800,000	TRY	28.00	Magneti Marelli S.p.A.	28.000	
PSMM Campania S.r.l.	Italy	18,000,000	EUR	30.00	Plastic Components and Modules Automotive S.p.A.	30.000	
<i>Other Activities:Holding companies and Other companies</i>							
ANFIA Automotive S.c.r.l.	Italy	20,000	EUR	20.00	C.R.F. Società Consortile per Azioni FCA Information Technology, Excellence and Methods S.p.A. FCA Italy S.p.A. Magneti Marelli S.p.A.	5.000 5.000 5.000 5.000	
Auto Componentistica Mezzogiorno - A.C.M. Melfi Società Consortile a responsabilità limitata	Italy	40,000	EUR	35.25	FCA Melfi S.r.l. Sistemi Sospensioni S.p.A.	23.500 11.750	
FMA-Consultoria e Negocios Ltda	Brazil	1	BRL	50.00	FCA Fiat Chrysler Participacoes Brasil Limitada	50.000	
Parco Industriale di Chivasso Società Consortile a responsabilità limitata	Italy	10,000	EUR	25.80	FCA Partecipazioni S.p.A.	25.800	
Talent Garden Fondazione Agnelli S.r.l.	Italy	40,000	EUR	30.00	FCA Partecipazioni S.p.A.	30.000	

## Investments of CNH Industrial Group valued at cost

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>SUBSIDIARIES - VALUED AT COST</b>							
Altra S.p.A.	Italy	516,400	EUR	100.00	Iveco S.p.A.	100.000	
Case Construction Equipment, Inc.	U.S.A.	1,000	USD	100.00	CNH Industrial America LLC	100.000	
Case IH Agricultural Equipment, Inc.	U.S.A.	1,000	USD	100.00	CNH Industrial America LLC	100.000	
Case International Limited	United Kingdom	1	GBP	100.00	New Holland Holding Limited	100.000	
CNH INDUSTRIAL VENEZUELA, C.A.	Venezuela	2,000,000	VEF	100.00	CNH Industrial N.V. Iveco S.p.A.	62.689 37.311	
Employers Health Initiatives L.L.C.	U.S.A.	790,000	USD	100.00	CNH Industrial America LLC	100.000	
International Harvester Company	U.S.A.	1,000	USD	100.00	CNH Industrial America LLC	100.000	
Iveco Magyarorszag Kereskedelmi KFT	Hungary	24,000,000	HUF	100.00	Iveco Austria GmbH	100.000	
Iveco Venezuela C.A.	Venezuela	1,572,311,629	VEF	100.00	CNH Industrial N.V. Iveco S.p.A.	57.423 42.577	
J.I. Case Company Limited	United Kingdom	2	GBP	100.00	Case United Kingdom Limited	100.000	
MVPC LLC	Russia	10,000	RUR	50.00	OOO Iveco Russia	50.000	
New Industrial Business 2 s.r.l.	Italy	31,539	EUR	100.00	CNH Industrial N.V.	100.000	
RosCaseMash	Russia	0	RUR	38.25	Case Equipment Holdings Limited	38.250	51.000
SERFIT S.R.L.	Italy	50,000	EUR	100.00	CNH Industrial N.V.	100.000	
<b>ASSOCIATED COMPANIES VALUED AT COST</b>							
CONSORZIO FCA CNHI ENERGY	Italy	7,000	EUR	42.86	CNH Industrial Italia s.p.a. FPT Industrial S.p.A. Iveco S.p.A.	14.286 14.286 14.286	
Consorzio Nido Industria Vallesina	Italy	53,903	EUR	38.73	CNH Industrial Italia s.p.a.	38.728	
Sotra S.A.	Ivory Coast	3,000,000,000	XAF	39.80	Iveco France	39.800	
Trucks & Bus Company	Libya	96,000,000	LYD	25.00	Iveco Espana S.L.	25.000	
<b>OTHER COMPANIES VALUED AT COST</b>							
CODEFIS Società consortile per azioni	Italy	120,000	EUR	19.00	CNH Industrial Capital Limited	19.000	
Nuova Didactica S.c. a r.l.	Italy	112,200	EUR	12.27	CNH Industrial Italia s.p.a.	12.273	
Polagris S.A.	Lithuania	1,133,400	LTL	11.05	CNH Industrial Polska Sp. z o.o.	11.054	

## Investments of Ferrari Group valued at cost

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>Subsidiaries valued at cost</b>							
New Business 33 S.p.A.	Italy	120.000	EUR		Ferrari N.V.	100,000	
Scuderia Ferrari Club S.c. a r.l.	Italy	105.000	EUR		Ferrari S.p.A.	93,181	
<b>Other companies</b>							
Ferrari Financial Services GmbH	Germany	1.777.600	EUR		Ferrari Financial Services S.p.A.	49,99	
Nuova Didactica S.c. a r.l.	Italy	112.200	EUR		Ferrari S.p.A.	16,36	
CRIT - Centro di Ricerca e Innovazione Tecnologica S.r.l.	Italy	413,800	EUR		Ferrari S.p.A.	7.44	
CONSORZIO SERVIZI BALOCCO	Italy	10.100	EUR		Ferrari S.p.A.	5.5	
Destination Florence Convention and Visitors Bureau S.c.r.l.	Italy	151,580	EUR		Mugello Circuit S.p.A.	1.72	
FCA Servizi per l'Industria S.c.p.a. (Sepin)	Italy	1.652.669	EUR		Ferrari S.p.A.	1.5	
SIRIO SCPA	Italy	120.000	EUR		Ferrari S.p.A.	0.73	
Caaf dell'Industria	Italy				Ferrari S.p.A.	0.69	
S.A.I.MO S.p.A.	Italy	517,125	EUR		Ferrari S.p.A.	0.23	
ORIONE SCPA	Italy	120.000	EUR		Ferrari S.p.A.	0.22	
Liberty Media Corporation (Series C Liberty Formula One)	U.S.A.	N/A			Ferrari S.p.A.	0.01	
Fondazione FERRARI	Italy	60,000	EUR		Ferrari S.p.A.	100,000	
Fondazione Casa di Enzo Ferrari Museo	Italy	129,114	EUR		Ferrari S.p.A.	25.00	
Fondazione Istituto Tecnico Superiore Meccanica, Meccatronica, Motoristica, Packaging	Italy	41,124	EUR		Ferrari S.p.A.	4.11	

## Investments of Juventus Football Club valued at cost

Name	Country	Capital Stock	Currency	% of Group Consolidation	Interest held by	% of Interest held	% of voting rights
<b>ASSOCIATED COMPANIES - VALUED AT COST</b>							
<b>Others Companies</b>							
Tobeez F&B Italia S.r.l.	Italy	30,000.00	EUR		N/A Juventus Football Club S.p.A.	40.000	
B&W Nest S.r.l.	Italy	27,000.00	EUR		N/A Juventus Football Club S.p.A.	40.000	





## Independent auditor's report

To: the shareholders and the audit committee of EXOR N.V.

### Report on the audit of the financial statements 2017 included in the annual report

#### Our opinion

We have audited the financial statements 2017 of EXOR N.V. (the Company), incorporated in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the Company financial statements (collectively referred to as the financial statements).

In our opinion the financial statements give a true and fair view of the financial position of EXOR N.V. as at December 31, 2017 and of its result and its cash flows for 2017 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, 2017
- ▶ The following statements for 2017: 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Materiality

Materiality	€450 million (2016: €450 million)
Benchmark applied	Approximately 0.5% of Revenues
Explanation	Based on perspectives and expectations of the users of the financial statements in the context of our understanding of the entity and the environment in which it operates we determined the materiality for the financial statements as a whole at €450 million. Although the Company is showing a positive trend in profitability, the results are still marginal compared to revenues and an earnings based measure as a result is not yet appropriate.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material to the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of €22.5 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.

### 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.

Our group audit mainly focused on significant group entities. Group entities are considered significant components either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. All such significant group entities were included in the scope of our group audit.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our instructions.

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 group engagement team in addition to the other procedures the group team is responsible for
- The group engagement team 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.

#### 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.

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. The structure of our key audit matter reporting is in line with the major business segments as defined with EXOR N.V. In prior year, allowance on receivable from financing activities (mainly CNH Industrial) was reported as a key audit matter, but due to the reduced risk in 2017, this is no longer regarded a key audit matter. In addition, the acquisition of PartnerRe was a key audit matter in prior year but is no longer a key audit matter in 2017 as it was a 2016 event.

Risk			Our audit approach	Key observations communicated to the Audit Committee
Revenue recognition and sales commitments				
Net revenues for the year 2017 amounted to €143,430 million, detailed as follows:			<p>We designed our audit procedures to be responsive to this risk.</p> <ul style="list-style-type: none"> <li>► We assessed the overall sales process, including internal risk management procedures and the system controls for the recording of sales contracts and related sales incentives.</li> <li>► We obtained an understanding of the processes related to revenue recognition and evaluated the design and tested the effectiveness of controls in this area relevant to our audit.</li> <li>► We performed a combination of internal control and substantive audit procedures to address the revenue recognition through tests of details of samples of sales transactions and analytical procedures.</li> </ul>	<p>Based on the audit procedures performed, we did not identify any material misstatements in the revenue reported and conclude that the disclosures in the financial statements are adequate.</p>
<b>Net Revenues (€/million)</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>		
FCA*	110,934	111,018		
CNH Industrial	24,739	22,882		
Ferrari	3,417	3,105		
PartnerRe	5,016	3,827		
Minors, elimin/adj.	(676)	(764)		
<b>TOTAL</b>	<b>143,430</b>	<b>140,068</b>		
With regard to the CNH Industrial component, sales transactions are often concluded based upon ex-works or other common shipping terms that can vary by				

region in which title and risks of ownership transfer to the buyer prior to actual delivery of the product. Revenue recognition for these transactions is susceptible to an increase in risk related to differences in shipping cut-off at the financial reporting date. In addition, the Group records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand, dealer inventory levels, announced incentive programs, competitive pricing and interest rates among other factors.

With reference to Ferrari, revenue for sales of vehicles, net of discounts, cash sales incentives and rebates recognized to dealers or customers, are recognized when persuasive evidence of an arrangement exists, collectability is reasonably assured, and the risks and rewards of ownership have transferred to the customer (for vehicle sales, generally when the vehicle is released to the carrier responsible for transporting vehicles to dealers). The Company grants to customers the opportunity to benefit of maintenance programs performed by authorized dealers. The scheduled maintenance service is included in the price paid by the customer for the car. The maintenance programs include free annual maintenance services, performed once a year, for a period of seven years. Other revenue streams relate to sponsorships, commercial, brand and engine sales. Revenue recognition is inherently an area of audit risk which we substantially focus on. In connection with PartnerRe, the analysis of the reinsurance revenue recognition was significant to our audit because the process of premium estimation is judgmental and based on assumptions that are affected by expected future market or economic conditions.

- ▶ We also ensured that assumptions included in the sales incentive reserve analysis and in the premium estimates are properly supported
- ▶ For PartnerRe, EY actuaries assisted in assessing the reasonableness of the earnings patterns utilized by the Company

Finally, we reviewed the adequacy of the disclosures made by the Company in this area.

The company disclosed its accounting policy for revenue recognition in the Note Basis of preparation and Significant accounting policies to the consolidated financial statements.

\*Please note that for FCA revenue is not defined as key audit matter.

Risk	Our audit approach	Key observations communicated to the Audit Committee																					
<b>Valuation of goodwill and other non-current assets with indefinite useful lives</b>																							
<p>At December 31, 2017 the recorded amount of Goodwill and intangible assets with indefinite useful lives was €17,241 million, detailed as follows:</p> <table> <tr> <th>Goodwill and intangible assets with Indefinite useful lives (€/million)</th><th>December 31, 2017</th><th>December 31, 2016</th></tr> <tr> <td>FCA</td><td>13,390</td><td>15,222</td></tr> <tr> <td>CNH Industrial</td><td>2,261</td><td>2,550</td></tr> <tr> <td>Ferrari</td><td>786</td><td>786</td></tr> <tr> <td>PartnerRe</td><td>739</td><td>841</td></tr> <tr> <td>Other minors</td><td>65</td><td>64</td></tr> <tr> <td><b>TOTAL</b></td><td><b>17,241</b></td><td><b>19,463</b></td></tr> </table> <p>The majority of these assets relate to goodwill (€13.832 million) and brands, trademarks and other intangible assets with indefinite useful lives (€3.409 million). Goodwill and intangible assets with indefinite useful lives are allocated to operating segments or to Cash Generating Units (CGU) within the operating segments,</p>	Goodwill and intangible assets with Indefinite useful lives (€/million)	December 31, 2017	December 31, 2016	FCA	13,390	15,222	CNH Industrial	2,261	2,550	Ferrari	786	786	PartnerRe	739	841	Other minors	65	64	<b>TOTAL</b>	<b>17,241</b>	<b>19,463</b>	<p>We designed our audit procedures to be responsive to this risk.</p> <ul style="list-style-type: none"> <li>▶ We obtained an understanding of the impairment assessment processes and evaluated the design and tested the effectiveness of controls in this area relevant to our audit</li> <li>▶ Our focus included evaluating the work of the management specialists used for the valuation, evaluating and testing key assumptions used in the valuation including projected future income and earnings, performing sensitivity analyses, and testing the allocation of the assets, liabilities, revenues and expenses</li> <li>▶ The forecasted cash-flows are an important input for the assessment of the recoverability</li> </ul> <p>We have reconciled these forecasts for the cash generating units with the approved strategic plans.</p> <ul style="list-style-type: none"> <li>▶ We also assessed the forecasting quality by comparing forecasts as included in tests prepared in prior years to the actuals</li> </ul>	<p>Based on the work performed, we concur with the Group's conclusion that no impairment of goodwill is required in the current year and that the disclosures in the financial statements are adequate. With regards to FCA, given the importance of the assumptions in LATAM in relation to the continuation of certain tax benefits, we agree with the continued disclosure of this assumption in the financial statements.</p>
Goodwill and intangible assets with Indefinite useful lives (€/million)	December 31, 2017	December 31, 2016																					
FCA	13,390	15,222																					
CNH Industrial	2,261	2,550																					
Ferrari	786	786																					
PartnerRe	739	841																					
Other minors	65	64																					
<b>TOTAL</b>	<b>17,241</b>	<b>19,463</b>																					

Risk	Our audit approach	Key observations communicated to the Audit Committee
<p>which represent the lowest level within the Group at which goodwill is monitored for internal management purposes in accordance with IAS 36.</p> <p>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.</p> <p>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.</p> <p>The annual impairment test is significant to our audit because the assessment process is complex and requires significant judgment. The Company disclosed the nature and value of the assumptions used in the impairment analyses in note 12.</p>	<p>► Assisted by our valuation experts, we performed independent calculations to validate the sensitivity analysis</p> <p>Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</p>	

Risk	Our audit approach	Key observations communicated to the Audit Committee
Income taxes - recoverability of deferred tax assets (with particular reference to the Brazilian and Italian Deferred Tax Assets for FCA)		
<p>Net deferred tax assets and liabilities as at December 31, 2017 amounted to €2.333 million, detailed as follows:</p>	<p>We designed our audit procedures to be responsive to this risk.</p> <p>► We obtained an understanding of the income taxes process, and evaluated the design and tested the effectiveness of controls in this area relevant to our audit.</p> <p>► We have evaluated the Company's assumptions and estimates in relation to the likelihood of generating</p>	<p>Based on the procedures performed, we concluded that the deferred tax assets and liabilities at year-end are materially correct and adequately disclosed in the financial statements.</p>

Risk			Our audit approach	Key observations communicated to the Audit Committee
<b>Net deferred tax assets and liabilities (€/million)</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<p>sufficient future taxable income based on most recent budgets and plans, prepared by management by using the same criteria described for testing the impairment of assets and goodwill, principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized.</p> <p>► We have involved EY tax specialists to support us in these procedures.</p> <p>Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</p>	
Deferred tax assets on temporary differences	8,943	12,765		
Deferred tax liabilities on temporary differences	(6,323)	(9,081)		
Deferred tax assets on tax losses carried forward	5,501	5,366		
Unrecognized deferred tax assets	(5,788)	(4,785)		
<b>TOTAL</b>	<b>2,333</b>	<b>4,265</b>		
<i>Detailed as follows</i>				
Deferred tax assets	2,928	4,792		
Deferred tax liabilities	(595)	(527)		
<p>At December 31, 2017, the Group had deferred tax assets on deductible temporary differences of €8,943 million and on tax losses carried forwards of €5,501 million, of which €5,788 million were not recognized.</p> <p>The majority of these assets relate to FCA and CNHI.</p> <p>At FCA, the recognized and unrecognized amounts related to Brazil are €148 million and €1,139 million respectively. The recognized and unrecognized amounts related to Italy are €898 million and €2.358 million respectively.</p>				

Risk	Our audit approach	Key observations communicated to the Audit Committee
<p>The analysis of the recognition and recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions, especially as it relates to future performance in Latin America and the Eurozone.</p> <p>The disclosures in relation to income taxes are included in note 9.</p>		

Risk	Our audit approach	Key observations communicated to the Audit Committee												
Provision for product warranties and recall campaigns (with particular reference to NAFTA region for FCA)														
<p>Other provisions of the year 2017 amounted to €18,132 million, detailed as follows:</p> <table border="1"> <thead> <tr> <th>Other provisions (€/million)</th><th>December 31, 2017</th><th>December 31, 2016</th></tr> </thead> <tbody> <tr> <td>Warranty and recall campaigns provision</td><td>7,750</td><td>8,556</td></tr> <tr> <td>Other risks</td><td>10,492</td><td>10,709</td></tr> <tr> <td><b>TOTAL</b></td><td><b>18,132</b></td><td><b>19,265</b></td></tr> </tbody> </table> <p>At December 31, 2017 the provision for product warranties amounted to €7,750 million, of which €6,725 million related to FCA Group and €123 million to Ferrari Group. The most significant amounts related to the FCA NAFTA segment. The Group issues various types of product warranties under which the performance of</p>	Other provisions (€/million)	December 31, 2017	December 31, 2016	Warranty and recall campaigns provision	7,750	8,556	Other risks	10,492	10,709	<b>TOTAL</b>	<b>18,132</b>	<b>19,265</b>	<p>We designed our audit procedures to be responsive to this risk.</p> <ul style="list-style-type: none"> <li>▶ We obtained an understanding of the warranty process, evaluated the design of, and performed tests of controls in this area</li> <li>▶ Our focus included evaluating the appropriateness of the Group's methodology, evaluating and testing the basis for the assumptions developed and used in the determination of the warranty provisions, performing sensitivity analyses to evaluate the judgments made by management, and testing the validity of the data used in the calculations</li> <li>▶ For FCA NAFTA segment, EY actuaries determined their own range for the provision for the NAFTA product warranty and recall campaign amounts</li> </ul>	<p>Based on the results of our procedures, including our assessment that the Group's provision was within the range of possible outcomes independently determined by EY actuaries, we are satisfied that the NAFTA product warranty and recall campaigns provision is appropriate as at December 31, 2017.</p>
Other provisions (€/million)	December 31, 2017	December 31, 2016												
Warranty and recall campaigns provision	7,750	8,556												
Other risks	10,492	10,709												
<b>TOTAL</b>	<b>18,132</b>	<b>19,265</b>												

Risk	Our audit approach	Key observations communicated to the Audit Committee
<p>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.</p> <p>In addition, the Group periodically initiates voluntary service and recall actions to address various customer satisfaction, safety and emissions issues related to vehicles sold; the estimated future costs of the service and recall actions are based primarily on historical claims experience for the Group's vehicles.</p> <p>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 vehicles. Estimates of the future costs of these actions are inevitably imprecise due to numerous uncertainties, especially related to the NAFTA region's warranty and campaign provision, 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. Costs associated with these actions are recorded in Cost of Sales in the Consolidated Income Statements.</p> <p>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 Group's operations.</p> <p>The company's disclosures related to the allowance on receivables from financing activities are in Note 20 to the consolidated financial statements.</p>	<p>Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</p>	

Risk	Our audit approach	Key observations communicated to the Audit Committee
Valuation of technical re-insurance reserves		
<p>At December 31, 2017 the recorded amount of the technical reinsurance reserves was €11,690 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.</p> <p>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.</p>	<p>We designed our audit procedures to be responsive to this risk.</p> <ul style="list-style-type: none"> <li>▶ We tested the design and the operating effectiveness of internal controls over the technical reserves.</li> <li>▶ We performed substantive testing on claims, case reserve estimates and the inputs used to determine IBNR.</li> <li>▶ 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.</li> <li>▶ EY actuaries have assisted and independently re-projected the reserves.</li> <li>▶ 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.</li> </ul> <p>Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</p>	<p>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 at December 31, 2017.</p>

Risk	Our audit approach	Key observations communicated to the Audit Committee
<p>Reinsurance recoverable on paid and unpaid losses involves actuarial estimates consistent with those used to establish the associated technical reinsurance reserves. 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.</p> <p>The company's disclosures related to the valuation of technical reinsurance reserves are in Note 29 to the consolidated financial statements.</p>		

Risk	Our audit approach	Key observations communicated to the Audit Committee
Valuation of investments of reinsurance companies		
<p>At December 31, 2017 the investments of reinsurance companies amounted to €12.971 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.</p> <p>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).</p> <p>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.</p>	<p>We designed our audit procedures to be responsive to this risk.</p> <ul style="list-style-type: none"> <li>We utilized 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.</li> <li>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.</li> </ul>	<p>Based on the results of our procedures, including review by our valuation experts, we are satisfied that the valuations based on internal models of investments of reinsurance companies are appropriate at December 31, 2017.</p>

Risk	Our audit approach	Key observations communicated to the Audit Committee
<p>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.</p> <p>The valuation based on internal models 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.</p> <p>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.</p> <p>The company disclosed its accounting policies related to the investments of reinsurance companies in the notes to the consolidated financial statements: Basis of preparation and significant accounting policies.</p>	<p>For all other securities, we independently obtained corroborative pricing from alternative pricing sources to management</p> <ul style="list-style-type: none"> <li>▶ Additionally, we performed back testing which consists of comparing actual sales of securities to the recent fair values recorded by management</li> <li>▶ 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</li> </ul> <p>Finally, we reviewed the adequacy of the disclosures made by the Company in this area.</p>	

## 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 report on operations
- ▶ Other information pursuant to 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 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 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is 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 report on operations in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 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 service

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 assignment 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 have detected all material errors and fraud.

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. Our audit included e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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
- 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

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.

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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 26, 2018

Ernst & Young Accountants LLP

/s/ P. W.J. Laan